POLLARD
banknote limited

March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

May 13, 2021

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2021, is prepared as at May 13, 2021, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at March 31, 2021, and the audited consolidated financial statements of Pollard for the year ended December 31, 2020, and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

Forward-Looking Statements

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements include such words as "may," "will," "expect," "believe," "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization, purchase accounting amortization, unrealized foreign exchange gains and losses and certain non-recurring items including severance costs, acquisition costs, litigation settlement and contingent consideration fair value adjustments. Adjusted EBITDA is an important metric used by many investors to compare issuers on the basis of the ability to generate cash from operations and management believes that, in addition to net income, Adjusted EBITDA is a useful supplementary measure.

Reference to "Combined sales" is to sales recognized under GAAP plus Pollard's 50% proportionate share of NeoPollard Interactive LLC's ("NPi") sales, its iLottery joint venture operation.

Adjusted EBITDA and Combined sales are measures not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of Pollard's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Combined sales should not be construed as an alternative to sales determined in accordance with GAAP.

Basis of Presentation

The results of operations in the following discussions encompass the unaudited consolidated results of Pollard for the three months ended March 31, 2021. All figures are in millions except for per share amounts.

POLLARD BANKNOTE LIMITED

Overview

Pollard Banknote Limited ("Pollard") is one of the leading providers of products and services to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant-win scratch tickets ("instant tickets") based in Canada and the second largest producer of instant tickets in the world. In addition, management believes Pollard is also the second largest bingo paper and pull-tab supplier to the charitable gaming industry in North America and through its 50% joint venture, the largest supplier of iLottery solutions to the U.S. lottery market.

Pollard produces and provides a comprehensive line of instant tickets and lottery services including: licensed products, distribution, SureTrack® lottery management system, marketing, iLottery, interactive digital gaming, including mkodo's world class game apps, PlayOn™ loyalty programs, retail management services, ScanACTIV™, lottery ticket dispensers and play stations and vending machines including charitable game systems marketed under the Diamond Game and Compliant Gaming trade names. In addition, Pollard's charitable gaming product line includes pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines and ancillary products such as pull-tab counting machines.

Pollard's lottery products are sold extensively throughout Canada, the United States and the rest of the world, wherever applicable laws and regulations authorize their use. Pollard serves over 60 instant ticket lotteries including a number of the largest lotteries throughout the world. Charitable gaming products are mostly sold in the United States and Canada where permitted by gaming regulatory authorities. Pollard serves a highly diversified customer base in the charitable gaming market of over 250 independent distributors with the majority of revenue generated from repeat business.

Acquisitions

On December 30, 2020, Pollard signed and closed a definitive agreement to purchase 100% of the equity of Compliant Gaming, LLC ("Compliant") for a purchase price of $19.0 million U.S. dollars ($24.3 million) prior to standard working capital adjustments and potential future earn-out payments based on certain EBITDA targets. Compliant is a leading provider of electronic pull-tab gaming systems and products to the charitable gaming market.

On January 14, 2021, Pollard completed the acquisition of Next Generation Lotteries AS ("NGL"). On December 31, 2020, Pollard signed a definitive agreement to acquire 100% of the equity of NGL for a purchase price of €36.0 million ($56.5 million), prior to standard working capital adjustments and certain deferred cash considerations, of which €32.0 million ($50.2 million) was paid at the time of closing and the remaining €4.0 million ($6.3 million) will be paid upon the achievement of certain gross margin targets in 2021. The purchase price was funded from existing Pollard cash resources and availability under the existing credit facilities for approximately €27.4 million ($43.0 million) and the issuance of treasury shares of Pollard for approximately €4.6 million ($7.2 million).

Share offering

On February 9, 2021, Pollard announced that it had entered into an agreement with a syndicate of underwriters to purchase, on a bought deal basis, 812,000 common shares of Pollard at a price of $36.95 per share. Pollard also granted the underwriters an over-allotment option exercisable at any time up to 30 days following the closing of the offering, to purchase up to an additional 121,800 common shares.

The offering, including the full over-allotment, closed on March 2, 2021. The total gross proceeds, prior to any commissions and offering expenses, from the sale of 933,800 common shares was approximately $34.5 million.

Pollard used the net proceeds to repay indebtedness under Pollard's credit facility incurred in the recent acquisitions of Compliant and NGL.

COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. Our charitable and Diamond Game ("egaming") businesses were negatively impacted with a large reduction in sales in the second quarter of 2020 with the temporary closure of many retail outlets; however, these sales rebounded to pre-COVID levels in the third quarter of 2020 with the re-opening of retail outlets. In the later part of the fourth quarter a number of jurisdictions reenacted temporary retail closures, reducing our revenues again. Many of these jurisdictions reopened in early 2021, with consumer demand once again returning strongly. In addition, Pollard's main lottery products and services have shown significant resilience throughout the pandemic, generating substantial cash flows from operating activities during the year ended December 31, 2020 and the first quarter of 2021. The extent of the pandemic's effect on Pollard's operational and financial performance will depend on future developments, including the extent and duration of the pandemic, both of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the overall financial impact on Pollard's business. Pollard has significant cash resources and unused credit facility available, which management believes will allow Pollard to support its operations during the pandemic.

All Pollard facilities are now under some level of health state of emergency, or shelter-in-place order, restricting business activities, movement of people, size of groups and instituting mandatory quarantine for travelers. Wherever a shelter-in-place order or state of emergency has been declared, local and federal authorities have identified, under specific acts, which essential industries remain open and active until further notice. In all affected jurisdictions, Pollard is classified as an essential government supplier, which has allowed Pollard to continue to operate throughout the pandemic. As of the date of this MD&A, all Pollard facilities are operational and our supply chains have remained functional. Pollard is extremely dedicated to providing a safe workplace in all facilities and is working to curb the spread of the virus through implementation of extensive safety measures at all locations, including daily temperature checks and health screening, extensive social distancing, restriction of visitors, work from home policies for employees capable of doing so, encouragement of obtaining vaccines and use of electronic monitoring to ensure social distancing.

Product line breakdown of revenue

	Three months ended March 31, 2021	Three months ended March 31, 2020
Lottery [1] [3]	80.1%	81.6%
Charitable	12.7%	12.1%
Gaming Systems [2]	7.2%	6.3%

(1) Includes mkodo Limited ("mkodo") which was acquired on February 3, 2020.

(2) Includes Compliant Gaming, LLC ("Compliant") which was acquired on December 30, 2020.

(3) Includes Next Generation Lotteries AS ("NGL") which was acquired on January 14, 2021.

Geographic breakdown of revenue

	Three months ended March 31, 2021	Three months ended March 31, 2020
United States	61%	56%
Canada	17%	23%
International	22%	21%

The following financial information should be read in conjunction with the accompanying unaudited consolidated financial statements of Pollard and the notes therein as at and for the three months ended March 31, 2021.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Sales	$112.2	$102.2
Cost of sales	87.7	80.5
Gross profit	24.5	21.7
Gross profit as a % of sales	*21.8%*	*21.2%*
Administration expenses	12.0	10.2
Administration expenses as a % of sales	*10.7%*	*10.0%*
Selling expenses	3.6	3.8
Selling expenses as a % of sales	*3.2%*	*3.7%*
(Gain) loss on NPi equity investment	(4.0)	0.5
(Gain) loss on NPi as a % of sales	*(3.6%)*	*0.5%*
Other expenses (income)	0.6	(0.5)
Other expenses (income) as a % of sales	*0.5%*	*(0.5%)*
Unrealized foreign exchange (gain) loss	(0.9)	6.2
Unrealized foreign exchange (gain) loss as a % of sales	*(0.8%)*	*6.1%*
Net income (loss)	7.5	(1.3)
Net income (loss) as a % of sales	*6.7%*	*(1.3%)*
Adjusted EBITDA	23.3	16.1
Adjusted EBITDA as a % of sales	*20.8%*	*15.8%*
Net income (loss) per share (basic and diluted)	$0.28	($0.05)

	March 31, 2021	December 31, 2020
Total Assets	$464.7	$404.6
Total Non-Current Liabilities	$186.5	$191.3

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

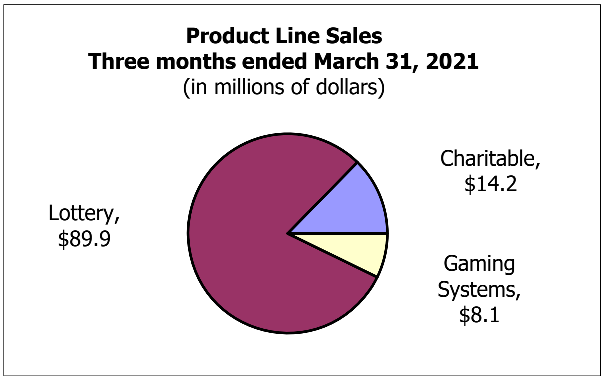
	Three months ended March 31, 2021	Three months ended March 31, 2020
Net income (loss)	$7.5	($1.3)
Adjustments:		
Amortization and depreciation	9.4	7.6
Interest	1.1	1.6
Unrealized foreign exchange (gain) loss	(0.9)	6.2
Acquisition costs	0.5	0.7
Litigation settlement	2.5	0.0
Income taxes	3.2	1.3
Adjusted EBITDA	$23.3	$16.1
Lotteries and charitable gaming	$19.8	$14.0
Diamond Game	3.5	2.1
Adjusted EBITDA	$23.3	$16.1

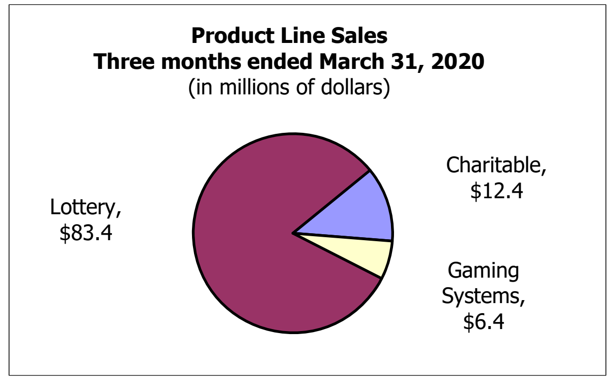
REVIEW OF OPERATIONS

Financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Pollard and the selected financial information disclosed in this MD&A.

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

Sales

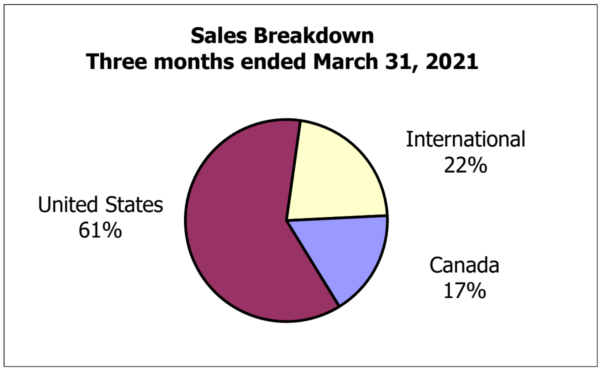


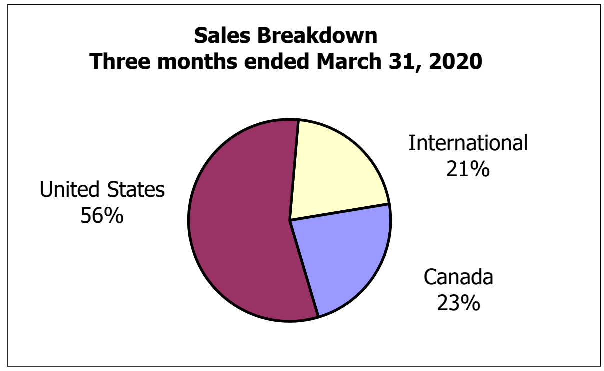


During the three months ended March 31, 2021, Pollard achieved sales of $112.2 million, compared to $102.2 million in the three months ended March 31, 2020. Factors impacting the $10.0 million sales increase were:

A higher instant ticket average selling price, due primarily to a positive customer sales mix, in the first quarter of 2021 compared to the first quarter of 2020 increased sales by $6.0 million. In addition, an increase in instant ticket volumes in 2021 increased sales by $1.1 million. Higher sales from Michigan iLottery also increased revenue in the first quarter of 2021 by $3.6 million as compared to 2020. Partially offsetting these increases were lower ancillary lottery products and services sales which decreased revenue by $2.6 million in 2021. Lower license product sales and a decrease in retail merchandising product sales in the first quarter of 2021 reduced sales of ancillary lottery products, partially offset by the addition of NGL and increased sales of digital and loyalty products.

In the beginning of the first quarter of 2021 a number of jurisdictions had closed the retail establishments where our charitable gaming products are sold and Diamond Game egaming machines are placed due to COVID-19. However, most of these jurisdictions reopened by the end of the quarter and Pollard's sales of pull-tab tickets reached record highs in March, generating higher charitable gaming sales of $2.3 million. Diamond Game revenue increased $1.9 million as compared to 2020 primarily due to the acquisition of Compliant.





During the three months ended March 31, 2021, Pollard generated approximately 70.1% (2020 – 68.5%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first quarter of 2021, the actual U.S. dollar value was converted to Canadian dollars at $1.273, compared to a rate of $1.317 during the first quarter of 2020. This 3.3% decrease in the U.S. dollar value resulted in an approximate decrease of $2.7 million in revenue relative to the first quarter of 2020. In addition, during the quarter the value of the Canadian dollar weakened against the Euro resulting in an approximate increase of $0.4 million in revenue relative to the first quarter of 2020.

Cost of sales and gross profit

Cost of sales was $87.7 million in the first quarter of 2021 compared to $80.5 million in the first quarter of 2020. The increase of $7.2 million in cost of sales was primarily a result of the addition of Compliant and NGL, and a full quarter of mkodo's operations in 2021. In addition, higher Michigan iLottery sales and increased charitable game sales volumes further increased cost of sales. These increases were partially offset by the reduction of costs related to license product sales.

Gross profit was $24.5 million (21.8% of sales) in the first quarter of 2021 compared to $21.7 million (21.2% of sales) in the first quarter of 2020. This increase of $2.8 million in gross profit was primarily a result of the increase in Michigan iLottery sales, the addition of Compliant and the higher instant ticket average selling price. These increases were partially offset by reduced license product sales. The gross margin percentage in the first quarter of 2021 was higher than 2020 primarily as a result of increased Michigan iLottery sales, the addition of Compliant and the higher instant ticket average selling price. These increases were partially offset by lower license product sales and NGL having a negative impact on our overall margin percentage.

Administration expenses

Administration expenses increased to $12.0 million in the first quarter of 2021 from $10.2 million in the first quarter of 2020. The increase of $1.8 million was primarily a result of the addition of NGL and Compliant, in addition to increased compensation to support Pollard's growth strategies, as well as higher incentive payments. Partially offsetting these increases were a reduction in travel related costs in 2021 due to COVID-19 and lower acquisition costs.

Selling expenses

Selling expenses decreased to $3.6 million in the first quarter of 2021 from $3.8 million in the first quarter of 2020. The decrease was primarily due to the reduction in travel related costs due to COVID-19.

(Gain) loss on equity investment

Pollard's share of income from its 50% owned iLottery joint venture, NeoPollard Interactive LLC ("NPi"), increased to $4.0 million in the first quarter of 2021 from a loss of $0.5 in the first quarter of 2020. This $4.5 million increase was primarily due to the increase in revenue in 2021. Contracts held by NPi experienced significant organic growth, in addition to the added sales increase from the Virginia Lottery operation which added e-Instants on July 1, 2020. As well, NPi's contract with Alberta Gaming, Liquor & Cannabis ("AGLC"), went live with a limited product launch on September 30, 2020. Additionally, the substantial jackpots for POWERBALL® and Mega Millions® which were won in the latter half of January 2021, further added to the increase in sales in the first quarter of 2021 as compared to 2020.

Other expenses (income)

Other expenses increased to $0.6 million in the first quarter of 2021 compared to other income of $0.5 million in the first quarter of 2020. This change in other expenses of $1.1 million was due to Pollard entering into an agreement for a one-time payment of $2.5 million to settle all aspects of certain litigation regarding a patent dispute relating to our instant ticket production. The settlement payment was incurred to eliminate substantial future legal costs and will resolve all issues relating to the patent and the future business operations of Pollard. In addition, the $0.5 million reduction in the EBITDA support agreement, which expired on June 30, 2020, added to the change in other expenses. These increases in other expenses were partially offset by the $1.9 million of Canada emergency wage subsidy ("CEWS") recognized in the first quarter of 2021.

Foreign exchange

The net foreign exchange loss was $0.5 million in the first quarter of 2021 compared to a net loss of $6.1 million in the first quarter of 2020. The 2021 net foreign exchange loss consisted of a realized foreign exchange loss of $1.4 million, as a result of foreign currency denominated accounts receivable collected being converted into Canadian dollars at unfavorable foreign exchanges rates. The realized foreign exchange loss was partially offset by the unrealized foreign exchange gain of $0.9 million, primarily a result of the decreased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt due to the strengthening of the Canadian dollar relative to the U.S. dollar.

The 2020 net loss was a result of the Canadian dollar weakening significantly relative to the U.S. dollar in the month of March, which generated a large unrealized foreign exchange loss of $6.2 million due to the large balance of U.S. dollar denominated accounts payable and long-term debt incurred with the acquisitions of U.S. based businesses over the prior few years.

Adjusted EBITDA

Adjusted EBITDA increased to $23.3 million in the first quarter of 2021 compared to $16.1 million in the first quarter of 2020. The primary reasons for the $7.2 million increase in Adjusted EBITDA were the increase in our share of income from our joint venture, NPi, of $4.5 million and the increase in gross profit of $4.6 million (net of amortization and depreciation). Higher Michigan iLottery revenues, the addition of Compliant and higher instant ticket average selling price contributed to the increase in gross profit, which were partially offset by the reduction in license product sales. In addition, the change in other expenses (net of litigation settlement) further increased Adjusted EBITDA by $1.4 million. These increases were partially offset by the increase in administration expenses (net of acquisition costs) of $2.0 million and the higher realized foreign exchange loss of $1.5 million.

Interest expenses

Interest expense decreased to $1.1 million in the first quarter of 2021 from $1.6 million in the first quarter of 2020 primarily as a result of lower interest rates in 2021.

Amortization and depreciation

Amortization and depreciation, including depreciation of property and equipment and the amortization of intangible assets, totaled $9.4 million during the first quarter of 2021 which increased from $7.6 million during the first quarter of 2020. The increase of $1.8 million was primarily as a result of the addition of Compliant and NGL, including the amortization and depreciation relating to the identifiable assets acquired, including intangible assets and property, plant and equipment.

Income taxes

Income tax expense was $3.2 million in the first quarter of 2021, an effective rate of 30.4%, which was higher than our domestic rate of 27.0% due primarily to the tax effect of unrecognized non-capital losses not being recorded and non-deductible expenses. Partially offsetting these increases in effective rate were the lower federal income tax rates in the United States.

Income tax expense was $1.3 million in the first quarter of 2020, which was higher than the recovery expected based on Pollard's domestic rate of 27.0%. This increased expense was due primarily to the impact of foreign exchange and certain non-tax-deductible expenses.

Net income (loss)

Net income was $7.5 million in the first quarter of 2021 compared to net loss of $1.3 million in the first quarter of 2020. The primary reasons for the increase in net income of $8.8 million were the increased gross profit generated from Michigan iLottery of $1.9 million and the increased contribution from our share of NPi joint venture of $4.5 million. In addition, the decrease in the foreign exchange loss of $5.6 million and the decrease in interest expense of $0.5 million further contributed to the increase in net income. The increase in gross profit of $0.9 million, net of Michigan iLottery, also increased net income in the quarter. These increases were partially offset by an increase in administration expenses of $1.9 million, the increase in other expenses of $1.1 million and the increase in income taxes of $1.9 million.

Net income (loss) per share (basic and diluted) increased to $0.28 per share in the first quarter of 2021 from ($0.05) per share in the first quarter of 2020.

iLottery

Pollard and its iLottery partner, Neogames S.A. ("Neogames"), provide iLottery services to the North American Lottery market. In 2013, Pollard was awarded an iLottery contract from the Michigan Lottery. As a result, Pollard entered into a contract with Neogames to provide its technology in return for a 50% financial interest in the operation. Under IFRS, Pollard recognizes its 50% share in the Michigan Lottery contract in its consolidated statements of income in revenue and cost of sales.

In 2014 Pollard, in conjunction with Neogames, established NeoPollard Interactive LLC ("NPi"). All iLottery related customer contracts, excluding the Michigan Lottery iLottery contract, have been awarded to NPi. Under IFRS, Pollard accounts for its investment in its joint venture, NPi, as an equity investment. Under the equity method of accounting, Pollard recognizes its share of the income and expenses of NPi separately as (gain) loss on equity investment.

SELECT iLOTTERY RELATED FINANCIAL INFORMATION

(millions of dollars)

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Sales – Pollard's share					
Michigan iLottery	$8.4	$8.6	$9.5	$10.3	$5.1
NPi	9.9	6.1	3.1	2.2	1.2
Combined sales	$18.3	$14.7	$12.6	$12.5	$6.3
Income (loss) before profit share and income taxes – Pollard's share					
Michigan iLottery	$4.0	$4.5	$5.4	$6.5	$2.1
NPi	4.0	1.6	0.8	(0.3)	(0.5)
Combined income before profit share and income taxes – Pollard's share	$8.0	$6.1	$6.2	$6.2	$1.6

Beginning in the second quarter of 2020, with the onset of COVID-19, revenues from Pollard's contract with the Michigan Lottery increased substantially. Contracts held by NPi also experienced significant organic growth, in addition to the sales increase from the Virginia Lottery operation which added e-Instants on July 1, 2020. As well, NPi's contract with Alberta Gaming, Liquor & Cannabis ("AGLC"), went live with a limited product launch on September 30, 2020. The substantial jackpots for POWERBALL® and Mega Millions® awarded in the latter half of January 2021 further increased sales in the fourth quarter of 2020 and the first quarter of 2021.

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2021, cash flow provided by operating activities was $21.7 million compared to cash flow provided by operating activities of $27.4 million for the first three months of 2020. Higher net income before income taxes and after non-cash adjustments in the first quarter of 2021 contributed $19.2 million to the cash provided by operating activities compared to $18.0 million in the first quarter of 2020.

For the three months ended March 31, 2021, changes in the non-cash working capital provided $11.6 million compared to $12.9 million in the first three months of 2020. For the three months ended March 31, 2021, changes in the non-cash working capital increased cash flow from operations were due primarily to a decrease in accounts receivables and inventories as well as an increase in accounts payable and accrued liabilities. For the three months ended March 31, 2020, changes in the non-cash working capital increased cash flow from operations were due primarily to a decrease in accounts receivables and an increase in accounts payable and accrued liabilities, partially offset by an increase in inventory.

Cash used for interest decreased to $1.0 million in 2021 as compared to $1.6 million in 2020. Cash used for pension plan contributions decreased to $1.3 million in 2021 as compared to $1.6 million used in 2020. Cash used for income tax payments increased to $6.9 million in 2021 from $0.3 million in 2020.

Cash used for investing activities

In the three months ended March 31, 2021, cash used for investing activities was $42.9 million compared to $27.9 million in the first three months of 2020. In the three months ended March 31, 2021, Pollard used $40.2 million net cash to purchase NGL. In addition, Pollard used $4.2 million on capital expenditures and $2.6 million on additions to intangible assets. Partially offsetting these uses of cash was $4.1 million Pollard received from our investment in our iLottery joint venture in the period.

In the three months ended March 31, 2020, Pollard used $17.4 million net cash to purchase mkodo. In addition, Pollard used $3.3 million on capital expenditures, $4.9 million to purchase certain charitable gaming assets, $0.5 million on its investment in its iLottery joint venture and $1.7 million on additions to intangible assets.

Cash provided by financing activities

Cash provided by financing activities was $36.5 million in the three months ended March 31, 2021, compared to cash provided by financing activities of $3.7 million in the three months ended March 31, 2020. During the first quarter of 2021, Pollard received net proceeds from a share issuance of $32.6 million and net proceeds from long-term debt of $6.3 million. This receipt of cash was partially offset by $1.4 million of lease principal payments and $1.0 million of dividends.

During the first quarter of 2020, Pollard received net proceeds from long-term debt of $6.2 million. This receipt of cash was partially offset by $1.3 million of lease principal payments and $1.0 million of dividends.

As at March 31, 2021, Pollard had unused credit facility of $69.9 million and $16.7 million in available cash resources. These amounts, in addition to cash flow provided by operating activities, are available to be used for future working capital requirements, contractual obligations, capital expenditures, dividends and to assist in financing future acquisitions.

Quarterly Information
(unaudited)
(millions of dollars, except for per share amounts)

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Sales	$112.2	$103.7	$116.7	$91.5	$102.2	$100.0	$103.2	$97.1	$97.5
Adjusted EBITDA	23.3	20.3	24.5	19.7	16.1	14.2	16.0	13.6	16.4
Net income (loss)	7.5	12.2	13.2	9.2	(1.3)	4.6	4.4	5.0	8.0
Net income (loss) per share (basic)	0.28	0.48	0.51	0.36	(0.05)	0.18	0.17	0.20	0.31

Sales were higher in the first quarter of 2021 as a result of higher instant ticket selling price and increased Michigan iLottery sales. Adjusted EBITDA was higher as a result of higher Michigan iLottery and NPi related earnings.

Adjusted EBITDA and net income were higher in the fourth quarter of 2020 as a result of higher ancillary sales, including iLottery.

Sales, Adjusted EBITDA and net income were higher in the third quarter of 2020 as a result of higher ancillary sales, including iLottery.

Sales were lower in the second quarter of 2020 as a result of reduced charitable and Diamond Game's sales due to the impact of COVID-19 shutdowns.

Net loss for the first quarter of 2020 included a $6.2 million unrealized foreign exchange loss due to the significant weakening of the Canadian dollar.

Working Capital

Net non-cash working capital varies throughout the year based on the timing of individual sales transactions and other investments. The nature of the lottery industry is few individual customers who generally order large dollar value transactions. As such, the change in timing of a few individual orders can significantly impact the amount required to be invested in inventory or receivables at a particular period end. The high value, low volume of transactions results in some significant volatility in non-cash working capital, particularly during a period of rising volumes. Similarly, the timing of the completion of the sales cycle through collection can significantly impact non-cash working capital.

Instant tickets are produced specifically for individual clients resulting in a limited investment in finished goods inventory. Customers are predominantly government agencies, which result in regular payments.

There are a limited number of individual customers, and therefore net investment in working capital is managed on an individual customer by customer basis, without the need for company-wide benchmarks.

The overall impact of seasonality does not have a material impact on the carrying amounts in working capital.

As at March 31, 2021, Pollard's investment in non-cash working capital decreased $11.6 million compared to December 31, 2020, primarily as a result of a decrease in accounts receivables and inventories, as well as an increase in accounts payable and accrued liabilities.

	March 31, 2021	December 31, 2020
Working Capital	$80.4	$69.8
Total Assets	$464.7	$404.6
Total Non-Current Liabilities	$186.5	$191.3

Credit Facility

Pollard's credit facility was renewed effective December 31, 2019. The credit facility provides loans of up to $190.0 million for its Canadian operations and US$14.0 million for its U.S. subsidiaries. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of $190.0 million Canadian equivalent. The credit facility also includes an accordion feature which can increase the facility by $35.0 million. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, banker's acceptances or LIBOR. At March 31, 2021, the outstanding letters of guarantee were $0.7 million. The remaining balance available for drawdown under the credit facility was $69.9 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including debt to income before interest, income taxes, amortization, depreciation and certain other items ("Adjusted EBITDA") ratios and certain debt service coverage ratios. As at March 31, 2021, Pollard was in compliance with all financial covenants.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard. Under the terms of the agreement the facility is committed for a three-year period, renewable December 31, 2022. Principal payments are not required until maturity. The facility can be prepaid without penalties.

Pollard believes that its credit facility and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital, dividends and acquisitions.

Economic Development Canada ("EDC") Facility

Effective February 28, 2020, Pollard entered into an agreement with EDC to provide a €15 million facility whereby Pollard can issue qualifying letters of credit against the EDC facility. This facility is guaranteed by a general indemnity from Pollard. As of March 31, 2021, the outstanding letters of credit drawn on this facility were $10.4 million (€7.0 million).

Outstanding Share Data

As at March 31, 2021 and May 13, 2021, outstanding share data was as follows:

Common shares	26,898,669

On January 14, 2021, 233,211 common shares were issued as a portion of the consideration of Pollard's purchase of NGL.

On March 2, 2021, 933,800 common shares were issued as a result of a share offering.

In the three months ended March 31, 2021, 24,750 commons shares were issued through the exercise of stock options.

Share Options

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms. The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares. As at March 31, 2021, the total share options issued and outstanding were 306,500.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2020, that are outside the normal course of business.

Off-Balance Sheet Arrangements

There have been no material changes to Pollard's off-balance sheet arrangements since December 31, 2020, that are outside the normal course of business.

Financial Instruments

The financial instruments of Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

The critical accounting policies and estimates of Pollard remain substantially unchanged from those identified in Pollard's consolidated financial statements for the year ended December 31, 2020.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2021, which are not disclosed in the unaudited condensed consolidated interim financial statements.

Industry Risks and Uncertainties

The risk factors affecting Pollard remain substantially unchanged from those identified in the MD&A for Pollard for the year ended December 31, 2020.

Outlook

The retail sales of instant tickets in the United States continue to set record levels for many lotteries and we see no indications of this trend changing in the near future. Many of the state lotteries are seeing retail sales growth, compared to pre-COVID periods, growing in the 20-30% range or higher. We are not seeing this strong growth outside the United States, where other countries are dealing with different challenges during the pandemic. As noted previously, increases in retail sales do not necessarily translate to the same volume growth for instant ticket manufacturers like Pollard, as factors like higher price points generate increased retail sales without fully proportionate increases in volumes of tickets. However, we are seeing increases in order volumes from many of our U.S. customers. In addition, we expect the trend of increased sales of premium and proprietary products related to higher price point instant tickets to continue, helping to increase our average selling price and related margins.

iLottery sales continue to grow overall. More mature markets like Michigan are returning to sales levels experienced prior to the large jackpot activity in late Q4 2020 and early Q1 2021, notwithstanding the significant increase in competition from online casinos and sports betting in Michigan. We continue to see strong organic growth from newer iLottery markets such as Virginia and Alberta. The lottery industry shows significant interest in iLottery and we are focused on maintaining our leading market position when new opportunities arise. Although we expect new states to adopt iLottery, we are taking a long-term approach, considering the lottery industry's slower, cautious approach to adopting new sales channels.

COVID-19 continues to be a significant factor despite the expanding vaccine efforts around the world. In our financial results we continue to see our charitable gaming and Diamond Game business impacted negatively when jurisdictions impose shutdowns, and other retail restrictions, which in turn reduces our sales. Should these restrictions continue, or even expand in other jurisdictions, our revenue and profitability will continue to be impacted negatively.

Despite some of these negative impacts on our charitable gaming and Diamond Game business units, we continue to be very positive about the underlying strength of these markets. When the retail environment is open, as is mostly the case now, the consumer demand for pull-tabs and related products is extremely strong. Diamond Game operations is experiencing the same phenomenon, very high consumer demand where the product offering is available. This provides us with great confidence going forward that the underlying charitable gaming and Diamond Game markets are very resilient.

Our focus remains on the safety and health of our Pollard team members during this pandemic and making our work processes as efficient as possible in conjunction with ongoing COVID-19 safety standards. We have implemented state of the art policies and procedures to maximize the safety of our environment including social distancing, remote working from home, wearing of masks, electronic contact tracing, daily health monitoring and elimination of all non-essential visitors from our locations, as well as encouraging everyone to get a vaccine.

The outlook for our markets remains very positive, with strong underlying consumer demand for both our lottery and charitable gaming products prevalent through most of our customers. iLottery is an exciting growth opportunity for both lotteries that have introduced this product offering, through organic growth and increased penetration, and the remaining lotteries who have yet to enter this distribution channel. Lotteries and charities are focusing on expanding ways to reach their customers and generate more proceeds to distribute to good causes, and Pollard's breadth of products and solution offerings have been developed to assist these organizations in achieving their goals.

Disclosure Controls and Procedures

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") regarding the design and effectiveness of the disclosure controls and procedures. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the disclosure controls and procedures as defined in National Instrument 52-109 are designed appropriately and are effective at providing reasonable assurance of achieving the disclosure objectives.

Pollard has limited its design of disclosure controls and procedures to exclude controls, policies and procedures of Compliant and NGL, as they were acquired not more than 365 days before the end of the financial period to which this MD&A relates.

Internal Controls over Financial Reporting

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Certifying Officers regarding the design and effectiveness of the internal controls over financial reporting. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the internal controls over financial reporting as defined in National Instrument 52-109 are designed appropriately and are effective at providing reasonable assurance of achieving the financial reporting objectives.

Pollard has limited its design of ICFR to exclude controls, policies and procedures of Compliant and NGL, as they were acquired not more than 365 days before the end of the financial period to which this MD&A relates.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, Pollard's internal control over financial reporting.

Additional Information

Shares of Pollard Banknote Limited are traded on the Toronto Stock Exchange under the symbol PBL.

Additional information relating to Pollard, including the Audited Consolidated Financial Statements and the Annual Information Form for the year ended December 31, 2020, is available on SEDAR at www.sedar.com.