

POLLARD **banknote limited**

March 31, 2022

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

FOR THE THREE MONTHS ENDED MARCH 31, 2022

May 11, 2022

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2022, is prepared as at May 11, 2022, 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, 2022, and the audited consolidated financial statements of Pollard for the year ended December 31, 2021, and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS").

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 "EBITDA" is to earnings before interest, income taxes, depreciation, amortization and purchase accounting amortization. Reference to "Adjusted EBITDA" is to EBITDA before unrealized foreign exchange gains and losses, and certain non-recurring items including acquisition costs, litigation settlement costs, contingent consideration fair value adjustments and insurance proceeds (net). 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. Reference to "Combined iLottery sales" is to sales recognized under GAAP for Pollard's 50% proportionate share of its Michigan Lottery joint iLottery operation plus Pollard's 50% proportionate share of NeoPollard Interactive LLC's ("NPI") sales, its iLottery joint venture operation.

EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales are measures not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales should not be construed as alternatives to net income or sales as 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.

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, 2022. 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 solutions 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 products and services including: licensed products, distribution, SureTrack® lottery management system, marketing, iLottery, game content, interactive digital gaming, including mkodo's world class game apps, PlayOn™ loyalty programs, retail management services, ScanACTIV™, lottery ticket dispensers and play stations, vending machines and eGaming 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 200 independent distributors with the majority of revenue generated from repeat business.

Acquisitions

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 €4.0 million (\$5.9 million) will be paid upon the achievement of certain gross margin targets in 2021. Pollard has not accrued any amounts relating to these deferred cash considerations, as the contribution margin targets are currently not expected to be met. The purchase price was funded from existing Pollard cash resources and availability under the existing credit facilities, and the issuance of treasury shares of Pollard for approximately €5.2 million (\$8.0 million).

COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. Our charitable and 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 of 2020, a number of jurisdictions reenacted temporary retail closures, reducing our revenues again. Many of these jurisdictions re-opened in early 2021, with consumer demand once again returning strongly, to levels much higher than pre-pandemic, which have continued to date. In addition, Pollard's main lottery products and services have shown significant resilience with strong retail sales growth throughout the pandemic in many jurisdictions, including the U.S., generating substantial cash flows from operating activities. 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 continue to follow at a minimum their applicable provincial/state and local public health authority measures and guidance. 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. Our supply chains, while remaining functional, are facing pressure and we are seeing inflationary price increases on our instant ticket inputs. We are also experiencing staffing challenges in areas within our organization. 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.

Product line breakdown of revenue

	Three months ended March 31, 2022	Three months ended March 31, 2021
Lottery ⁽¹⁾	76.1%	80.1%
Charitable	14.2%	12.7%
eGaming systems	9.7%	7.2%

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

Geographic breakdown of revenue

	Three months ended March 31, 2022	Three months ended March 31, 2021
United States	65%	61%
Canada	19%	17%
International	16%	22%

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, 2022.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2022	Three months ended March 31, 2021 ⁽¹⁾
Sales	\$113.9	\$112.2
Cost of sales	91.9	87.4
Gross profit	22.0	24.8
<i>Gross profit as a % of sales</i>	<i>19.3%</i>	<i>22.1%</i>
Administration expenses	12.1	12.1
<i>Administration expenses as a % of sales</i>	<i>10.6%</i>	<i>10.8%</i>
Selling expenses	4.5	3.9
<i>Selling expenses as a % of sales</i>	<i>4.0%</i>	<i>3.5%</i>
NPi equity investment income	(3.9)	(4.0)
<i>NPi equity investment income as a % of sales</i>	<i>(3.4%)</i>	<i>(3.6%)</i>
Unrealized foreign exchange gain	(0.7)	(0.9)
<i>Unrealized foreign exchange gain as a % of sales</i>	<i>(0.6%)</i>	<i>(0.8%)</i>
Net income	6.4	7.5
<i>Net income as a % of sales</i>	<i>5.6%</i>	<i>6.7%</i>
Adjusted EBITDA	19.0	23.3
<i>Adjusted EBITDA as a % of sales</i>	<i>16.7%</i>	<i>20.8%</i>
Net income per share (basic and diluted)	\$0.24	\$0.28

(1) Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

	March 31, 2022	December 31, 2021
Total Assets	\$461.9	\$461.4
Total Non-Current Liabilities	\$152.2	\$163.5

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

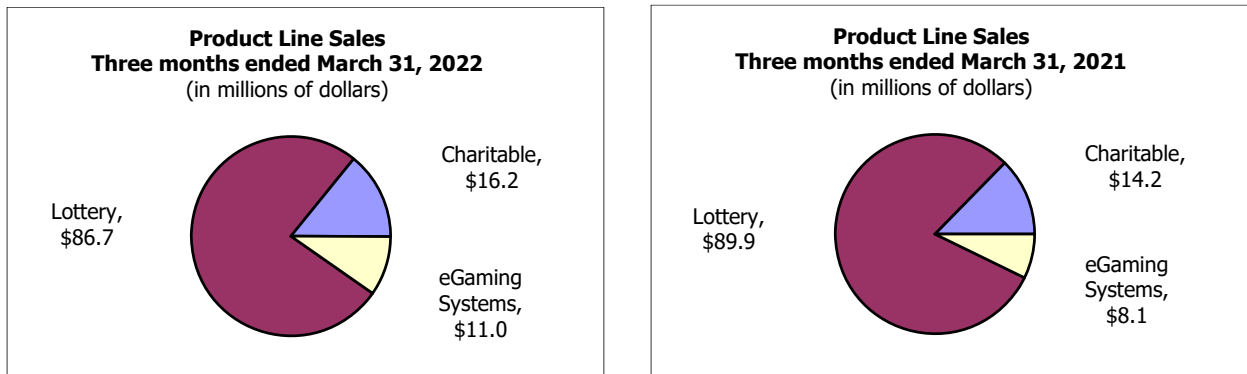
	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income	\$6.4	\$7.5
Adjustments:		
Amortization and depreciation	9.7	9.4
Interest	1.8	1.1
Income taxes	1.6	3.2
EBITDA	19.5	21.2
Unrealized foreign exchange gain	(0.7)	(0.9)
Acquisition costs	0.0	0.5
Contingent consideration fair value adjustment	0.2	0.0
Litigation settlement cost	0.0	2.5
Adjusted EBITDA	\$19.0	\$23.3
Lotteries and charitable gaming	\$12.6	\$19.8
eGaming systems	6.4	3.5
Adjusted EBITDA	\$19.0	\$23.3

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, 2022

Sales



During the three months ended March 31, 2022, Pollard achieved sales of \$113.9 million, compared to \$112.2 million in the three months ended March 31, 2021. Factors impacting the \$1.7 million sales increase were:

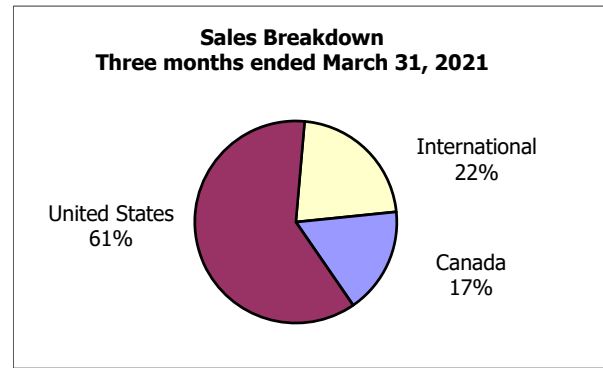
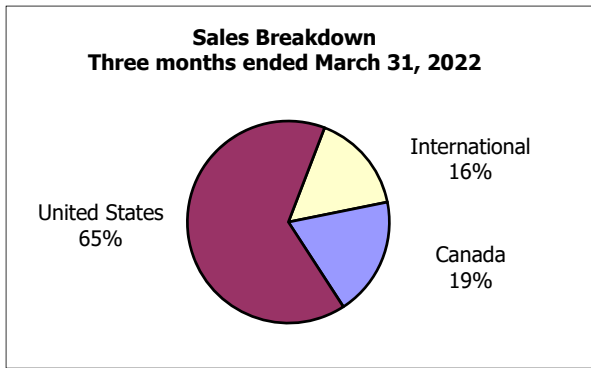
Higher sales of ancillary lottery products and services increased revenue by \$2.1 million in 2022. This growth was largely due to increased sales of digital and loyalty products, and retail merchandising products compared to 2021.

A lower instant ticket average selling price decreased sales by \$3.9 million as compared to 2021 due to lower margin customer mix in the beginning of the quarter in 2022. This decrease was partially offset by an increase in instant ticket sales volumes in 2022, which increased sales by \$2.0 million.

Lower sales from Michigan iLottery decreased revenue in 2022 by \$2.5 million as compared to 2021 when Michigan iLottery sales were higher as a result of a double jackpot run early in the quarter.

eGaming systems revenue increased sales by \$2.9 million due to a higher number of eGaming machines placed at charitable establishments as compared to 2021. As well, more retail establishments were open in the first quarter of 2022, as a number of jurisdictions had closed retail establishments where eGaming machines are placed due to COVID-19 during the first quarter of 2021.

The higher average selling price of charitable games in 2022 also increased sales by \$2.7 million, as we have been able to pass along related inflationary cost increases.



During the three months ended March 31, 2022, Pollard generated approximately 70.6% (2021 – 70.1%) 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 2022, the actual U.S. dollar value was converted to Canadian dollars at \$1.270, compared to a rate of \$1.273 during the first quarter of 2021. This 0.3% decrease in the U.S. dollar value resulted in an approximate decrease of \$0.2 million in revenue relative to the first quarter of 2021. In addition, during the quarter the value of the Canadian dollar strengthened against the Euro resulting in an approximate decrease of \$0.7 million in revenue relative to the first quarter of 2021.

Cost of sales and gross profit

Cost of sales was \$91.9 million in the first quarter of 2022 compared to \$87.4 million in the first quarter of 2021. The increase of \$4.5 million in cost of sales was primarily the result of inflationary pressures on raw material costs and increases in certain manufacturing overhead costs. In addition, increased sales of ancillary lottery products and services further contributed to the increase in cost of sales as compared to 2021.

Gross profit was \$22.0 million (19.3% of sales) in the first quarter of 2022 compared to \$24.8 million (22.1% of sales) in the first quarter of 2021. This decrease of \$2.8 million in gross profit was primarily a result of the reduction in Michigan iLottery sales, lowering gross profit by \$2.1 million. Other factors contributing to the decrease in gross profit include lower instant ticket sales margin, due to a less profitable customer mix and increased manufacturing costs, and the lower contribution from NGL as compared to 2021. These decreases were partially offset by the increases in eGaming systems and charitable gaming sales as compared to 2021. The lower gross margin percentage was due to the reduction in higher margin Michigan iLottery sales, the change in the mix of instant tickets sales to lower margin customers, and the impact of inflationary cost increases. As well, NGL had a negative impact on our overall margin percentage.

Administration expenses

Administration expenses were \$12.1 million in the first quarter of 2022 and \$12.1 million in the first quarter of 2021. Increased legal and travel related costs incurred in the first quarter of 2022 were offset by a reduction in acquisition costs.

Selling expenses

Selling expenses increased to \$4.5 million in the first quarter of 2022 from \$3.9 million in the first quarter of 2021. The increase was primarily due to increased customer contract costs and higher compensation expenses.

Equity investment income

Pollard's share of income from its 50% owned iLottery joint venture, NPi, was \$3.9 million in the first quarter of 2022 similar to the \$4.0 million achieved in the first quarter of 2021. Contracts held by NPi continued to experience organic growth throughout the first quarter of 2022, increasing NPi's revenue as compared to 2021. However, there was a reduction in higher margin draw-based game sales in 2022, which translated into similar income between the quarters. This was due to the double jackpot runs in the U.S. in 2021.

Other expenses

Other expenses were \$nil in the first quarter of 2022 compared to \$0.5 million in the first quarter of 2021. In the first quarter of 2021, other expenses were largely comprised of an accrual for a one-time patent litigation settlement of \$2.5 million, which was partially offset by \$1.9 million of Canada emergency wage subsidy ("CEWS") recognized in the quarter.

Foreign exchange

The net foreign exchange gain was \$0.5 million in the first quarter of 2022 compared to a net loss of \$0.5 million in the first quarter of 2021. The 2022 net foreign exchange gain of \$0.5 million consisted of an unrealized foreign exchange gain of \$0.7 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 unrealized foreign exchange gain was partially offset by a realized foreign exchange loss of \$0.2 million, primarily due to foreign currency denominated accounts receivable collected being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2021 net loss of \$0.5 million was a result of a \$1.4 million realized foreign exchange loss due to foreign currency denominated accounts receivable collected being converted into Canadian dollars at unfavorable foreign exchange rates. This loss was partially offset by the unrealized foreign exchange gain of \$0.9 million, primarily the 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.

Adjusted EBITDA

Adjusted EBITDA decreased to \$19.0 million in the first quarter of 2022 compared to \$23.3 million in the first quarter of 2021. The primary reason for the \$4.3 million decrease in Adjusted EBITDA was the decrease in gross profit of \$2.5 million (net of amortization and depreciation), primarily due to the \$2.1 million reduction in Michigan iLottery gross profit when compared to 2021. Lower instant ticket sales margin also contributed to the decrease in gross profit; however, this was offset by increases in eGaming systems and charitable gaming sales. Other factors contributing to the decrease in Adjusted EBITDA include the decrease in other income (net of contingent consideration and litigation settlement) of \$1.8 million, largely due to the \$1.9 million in CEWS received in 2021, the increase in selling expenses of \$0.6 million, and the increase in administration expenses (net of acquisition costs) of \$0.5 million. These changes were partially offset by a lower realized foreign exchange loss of \$1.2 million.

Interest expenses

Interest expense increased to \$1.8 million in the first quarter of 2022 from \$1.1 million in the first quarter of 2021, primarily because of the increase in interest accretion on the discounted contingent consideration liability relating to the Compliant purchase of \$0.9 million, partially offset by a decrease in average long-term debt as compared to 2021.

Amortization and depreciation

Amortization and depreciation, including depreciation of property and equipment and the amortization of intangible assets, totaled \$9.7 million during the first quarter of 2022 which increased from \$9.4 million during the first quarter of 2021. The increase of \$0.3 million was largely due to depreciation and amortization taken on newly acquired property, plant and equipment, and intangible assets.

Income taxes

Income tax expense was \$1.6 million in the first quarter of 2022, an effective rate of 19.9%, which was lower than our domestic rate of 27.0% due primarily to the effect of foreign exchange and lower federal tax rates in the United States.

Income tax expense was \$3.2 million in the first quarter of 2021, which was higher than the expense expected based on Pollard's 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 lower federal income tax rates in the United States.

Net income

Net income was \$6.4 million in the first quarter of 2022 compared to \$7.5 million in the first quarter of 2021. The decrease in net income of \$1.1 million was due in part to the decrease in gross profit of \$2.8 million, resulting primarily from the \$2.1 million reduction in Michigan iLottery gross profits due to lower sales as compared to 2021. Lower instant ticket sales margin also contributed to the decrease in gross profit; however, this was offset by increases in eGaming systems and charitable gaming sales. Other factors contributing to the decrease in net income were the increase in selling expenses of \$0.6 million and the increase in interest expense of \$0.7 million. These factors were partially offset by the decrease in income tax expense of \$1.6 million, the increase in net foreign exchange gain of \$1.0 million and the decrease in other expenses of \$0.5 million.

Net income per share (basic and diluted) decreased to \$0.24 per share in the first quarter of 2022 from \$0.28 per share in the first quarter of 2021.

iLottery

Pollard and its iLottery partner, Neogames US LLP ("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 sales 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 equity investment income.

SELECT ILOTTERY RELATED FINANCIAL INFORMATION

(millions of dollars)

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Sales – Pollard's share									
Michigan iLottery	\$5.9	\$5.6	\$5.9	\$6.8	\$8.4	\$8.6	\$9.5	\$10.3	\$5.1
NPi	11.3	10.5	9.8	9.9	9.9	6.1	3.1	2.2	1.2
Combined iLottery sales	<u>\$17.2</u>	<u>\$16.1</u>	<u>\$15.7</u>	<u>\$16.7</u>	<u>\$18.3</u>	<u>\$14.7</u>	<u>\$12.6</u>	<u>\$12.5</u>	<u>\$6.3</u>
Income (loss) before income taxes – Pollard's share									
Michigan iLottery	\$2.0	\$1.8	\$2.0	\$2.8	\$4.0	\$4.5	\$5.4	\$6.5	\$2.1
NPi	3.9	3.2	2.6	2.5	4.0	1.6	0.8	(0.3)	(0.5)
Combined income before income taxes – Pollard's share	<u>\$5.9</u>	<u>\$5.0</u>	<u>\$4.6</u>	<u>\$5.3</u>	<u>\$8.0</u>	<u>\$6.1</u>	<u>\$6.2</u>	<u>\$6.2</u>	<u>\$1.6</u>

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, with additional gaming verticals launching throughout 2021. The substantial jackpots for POWERBALL[®] and Mega Millions[®] awarded in the latter half of January 2021 further increased sales significantly in the fourth quarter of 2020 and the first quarter of 2021.

Sales and income before income taxes from our Michigan iLottery operation declined starting in the second quarter of 2021 due to reduced draw-based game sales after the double jackpots in the first quarter of 2021, increased online gaming competition and new pricing coming into effect with our four-year contract extension, starting at the beginning of 2021. In 2022, NPi continues to achieve strong organic growth in its newer jurisdictions, adding to sales and income before taxes.

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2022, cash flow provided by operating activities was \$14.4 million compared to cash flow provided by operating activities of \$15.4 million for the first three months of 2021. Changes in the non-cash working capital provided \$0.7 million in cash compared to \$6.0 million provided in the first three months of 2021. For the three months ended March 31, 2022, changes in the non-cash working capital increased cash flow from operations due primarily to a decrease in accounts receivables and an increase in accounts payable and accrued liabilities, partially offset by increases to inventory and prepaid expenses. 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.

Cash used for interest decreased to \$0.9 million in 2022 as compared to \$1.0 million in 2021. Cash used for pension plan contributions increased to \$2.1 million in 2022 as compared to \$1.3 million used in 2021. Cash used for income tax payments decreased to \$0.7 million in 2022 from \$6.9 million in 2021. Income tax payments in 2021 included the final installments for the 2020 tax year and installments for 2021.

Cash used for investing activities

In the three months ended March 31, 2022, cash used for investing activities was \$4.2 million compared to \$36.6 million in the first three months of 2021. In the three months ended March 31, 2022, Pollard used \$0.8 million relating to the purchase of NGL, \$2.4 million on capital expenditures and \$5.0 million on additions to intangible assets. Partially offsetting these uses of cash was \$4.0 million Pollard received from our investment in our iLottery joint venture in the period.

In the three months ended March 31, 2021, Pollard used \$33.9 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.

Cash used for financing activities

Cash used for financing activities was \$3.2 million in the three months ended March 31, 2022, compared to cash provided by financing activities of \$36.5 million in the three months ended March 31, 2021. During the first quarter of 2022, Pollard made long-term debt repayments of \$0.4 million, lease principal payments of \$1.6 million and \$1.1 million of dividend payments.

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.

As at March 31, 2022, Pollard had unused credit facility of \$117.7 million and \$10.3 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 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Sales	\$113.9	\$116.5	\$116.9	\$113.4	\$112.2	\$103.7	\$116.7	\$91.5	\$102.2
Adjusted EBITDA	19.0	18.7	19.4	22.6	23.3	20.3	24.5	19.7	16.1
Net income (loss)	6.4	5.2	(0.6)	7.7	7.5	12.2	13.2	9.2	(1.3)
Net income (loss) per share - basic	0.24	0.19	(0.02)	0.29	0.28	0.48	0.51	0.36	(0.05)

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 the 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, 2022, Pollard's investment in non-cash working capital decreased \$0.7 million compared to December 31, 2021, primarily as a result of a decrease in accounts receivables and an increase in accounts payable and accrued liabilities, partially offset by increases to inventory and prepaid expenses.

	March 31, 2022	December 31, 2021
Working Capital	\$65.9	\$62.2
Total Assets	\$461.9	\$461.4
Total Non-Current Liabilities	\$152.2	\$163.5

Credit Facility

Pollard's credit facility was renewed effective December 31, 2021. The credit facility provides loans of up to \$215.0 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 \$215.0 million Canadian equivalent. The credit facility also includes an accordion feature which can increase the facility by \$50.0 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, 2022, the outstanding letters of guarantee were \$0.1 million. The remaining balance available for drawdown under the credit facility was \$117.7 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, 2022, Pollard is 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 four-year period, renewable December 31, 2025. 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 €15.0 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, 2022, the outstanding letters of credit drawn on this facility were \$10.1 million (€7.3 million).

Outstanding Share Data

As at March 31, 2022, outstanding share data was as follows:

Common shares	26,917,669
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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, 2022, the total share options issued and outstanding were 312,500.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2021, 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, 2021, 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, 2021.

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, 2021.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2022, 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, 2021.

Outlook

The consumer demand for our products and services in the instant market and all aspects of our charitable gaming market remains very strong. Instant ticket retail sales remained solid throughout the early part of 2022, with growth levelling off from the large increases experienced over the past two years. However, demand from lotteries remains high, well above pre-pandemic levels.

After setting a new quarterly record for production volume in the first quarter of 2022, our production schedule remains very busy over the next two quarters, and we see no indications that this strong demand will lessen. As well, our mix of instant ticket products returned to a greater proportion of higher value offerings starting in the latter part of the first quarter. This should continue through the second and third quarters of 2022, where historically we produce a greater percentage of higher value work in time for the holidays. As experienced in the first quarter of 2022, the timing of revenue recognition can be delayed from the actual timing of the production.

The expansion of our productive capacity in our Ypsilanti facility continues. We have seen some of the positive impact of this expansion on our results in the first quarter, both in terms of higher capacity and increased flexibility in managing these volumes.

Charitable gaming, both paper-based products and eGaming system solutions, continues to benefit from strong consumer demand. We continue to focus on expanding our capacity through increased staffing and production efficiencies in order to meet this high demand for our pull-tabs and bingo-related products. Our eGaming systems business is adding new sites and providing updated game content in a

number of jurisdictions, with average revenue per machine responding positively. While faced with inflationary pressures for our product inputs in our charitable gaming market, particularly for pull-tabs and bingo paper, we have been able to increase our selling prices to offset these increases and maintain our margins.

Our iLottery operations have shown two quarters of strong organic growth, particularly in our newer contracts in Virginia and Alberta, and we believe this trend will continue. We are engaging with lotteries throughout the U.S. and although it is difficult to predict when new opportunities will be formally initiated, we are confident that lotteries will look to iLottery as an important new growth prospect in the near future. We are uniquely situated as market leaders to benefit from these developments.

Inflation continues to be a strong headwind, particularly in our instant ticket operations, with suppliers of our main inputs including paper, ink and freight continuing to introduce increased prices in 2022. In the short term, this results in pressure on our margins as the majority of our instant ticket supply contracts do not allow us to increase our selling prices to reflect these higher input costs. We continue to utilize a number of strategies to help mitigate these cost pressures, through focusing on innovation and higher value work, and producing higher volumes to help offset the reduced margin percentage. As our contracts come up for renewal and rebid, we are increasing our prices to reflect these higher input costs, with the current strong industry demand and limited manufacturing capacity providing support for this strategy. Our overall supply chains remain intact and functional, although they continue to be stressed from challenging logistics and supply allocations. We will continue to work closely with our supply partners to ensure our operations can be maintained efficiently, while supporting our future growth.

Important foundations have been established over the last few quarters for improved financial results in the future, despite unprecedented inflationary price increases to inputs, all while experiencing record demand for our products and solutions. Barring additional unknown inflationary impacts, we expect to see higher financial results as we move through the rest of 2022, building on the initiatives put in place in all areas of our business.

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") for the interim period regarding the design of the disclosure controls and procedures. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the disclosure controls and procedures as defined in National Instrument 52-109 will provide reasonable assurance of achieving the disclosure objectives.

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 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 design of the internal controls over financial reporting as defined in National Instrument 52-109 will provide reasonable assurance of achieving the financial reporting objectives.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2022, 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, 2021, is available on SEDAR at www.sedar.com.

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