

POLLARD **banknote limited**

March 31, 2024

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

FOR THE THREE MONTHS ENDED MARCH 31, 2024

May 8, 2024

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2024, is prepared as at May 8, 2024, 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, 2024, and the audited consolidated financial statements of Pollard for the year ended December 31, 2023, and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with IFRS Accounting 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, contingent consideration fair value adjustments and net insurance proceeds. 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 NPI's 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, 2024. All figures are in millions except for per share amounts.

POLLARD BANKNOTE LIMITED

Overview

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 platform, eInstant game content, interactive digital gaming, including mkodo's world class game apps and GeoLocs, PlayOn™ loyalty programs, retail management services, ScanACTIV™, EasyVEND™, and lottery ticket dispensers and play stations. In addition, Pollard's charitable gaming product line includes pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines, ancillary products such as pull-tab counting machines and eGaming systems marketed under the Diamond Game and Compliant Gaming trade names.

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 150 independent and wholly-owned distributors with the majority of revenue generated from repeat business.

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, 2024.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended March 31, 2024	Three months ended March 31, 2023 ⁽¹⁾
Sales	\$125.7	\$125.1
Cost of sales	104.2	107.4
Gross profit	21.5	17.7
<i>Gross profit as a % of sales</i>	<i>17.1%</i>	<i>14.1%</i>
Administration expenses	15.3	13.4
<i>Administration expenses as a % of sales</i>	<i>12.2%</i>	<i>10.7%</i>
Selling expenses	5.4	4.7
<i>Selling expenses as a % of sales</i>	<i>4.3%</i>	<i>3.8%</i>
NPi equity investment income	(12.2)	(8.2)
<i>NPi equity investment income as a % of sales</i>	<i>(9.7%)</i>	<i>(6.6%)</i>
Net income	6.9	4.8
<i>Net income as a % of sales</i>	<i>5.5%</i>	<i>3.8%</i>
Adjusted EBITDA	23.7	18.6
<i>Adjusted EBITDA as a % of sales</i>	<i>18.9%</i>	<i>14.9%</i>
Net income per share (basic)	\$0.26	\$0.18
Net income per share (diluted)	\$0.25	\$0.18

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

	March 31, 2024	December 31, 2023
Total Assets	\$538.8	\$515.7
Total Non-Current Liabilities	\$129.7	\$139.5

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income	\$6.9	\$4.8
Adjustments:		
Amortization and depreciation	10.8	10.6
Interest	2.4	2.7
Income taxes	1.4	0.3
EBITDA	21.5	18.4
Unrealized foreign exchange (gain) loss	2.2	(0.2)
Contingent consideration fair value adjustment	0.0	0.4
Adjusted EBITDA	\$23.7	\$18.6

Product line breakdown of revenue

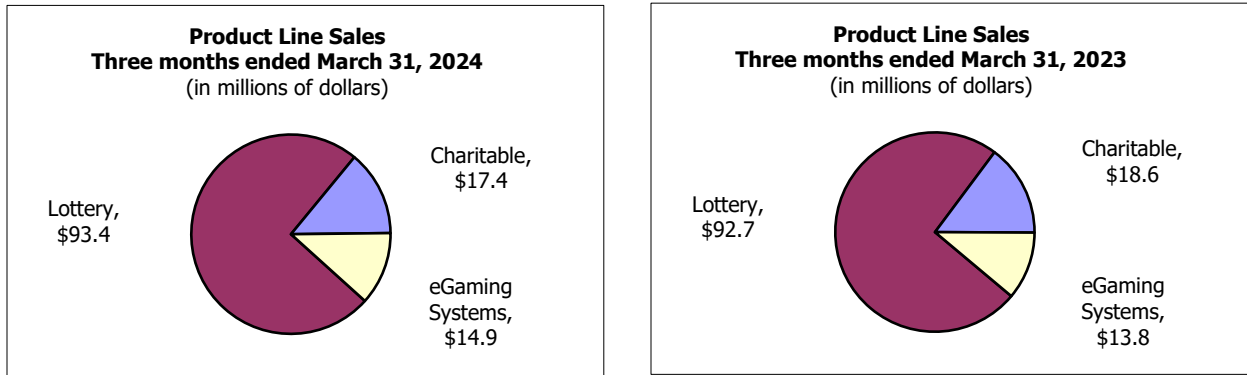
	Three months ended March 31, 2024	Three months ended March 31, 2023
Lottery	74.3%	74.1%
Charitable	13.8%	14.9%
eGaming systems	11.9%	11.0%

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, 2024

Sales



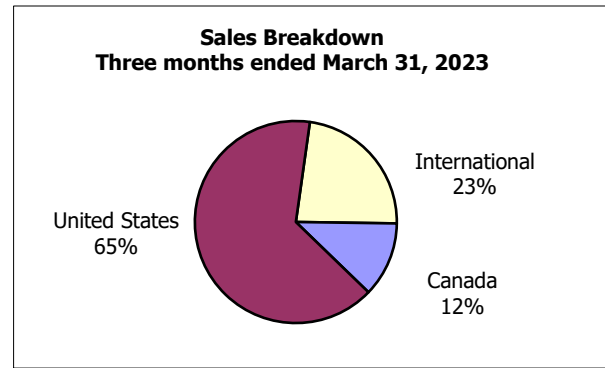
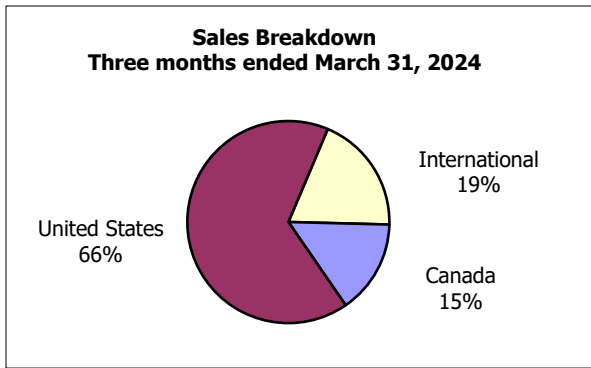
During the three months ended March 31, 2024, Pollard achieved sales of \$125.7 million, compared to \$125.1 million in the three months ended March 31, 2023. Factors impacting the \$0.6 million sales increase were:

Higher sales of ancillary lottery products and services increased revenue in the first quarter of 2024 by \$6.5 million as compared to 2023. This growth was largely due to increased sales of retail merchandising products, licensed products, and digital and loyalty products.

eGaming systems revenue further increased sales by \$1.3 million in 2024, largely due to a higher number of eGaming machines placed at bars, bingo halls and fraternal organizations as compared to 2023.

The higher instant ticket average selling price in the first quarter of 2024 increased sales by \$7.6 million as compared to 2023, primarily as a result of the change in customer mix and the impact of repriced contracts. However, this increase was offset by the decrease in instant ticket sales volumes of \$12.9 million as compared to 2023, mainly as a result of the timing of customer orders and Pollard declining certain lower margin work.

Lower charitable gaming volumes, which were largely due to certain production inefficiencies, decreased sales by \$1.0 million in 2024.



During the three months ended March 31, 2024, Pollard generated approximately 71.7% (2023 – 75.9%) 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 2024, the actual U.S. dollar value was converted to Canadian dollars at \$1.339, compared to a rate of \$1.350 during the first quarter of 2023. This 0.8% decrease in the U.S. dollar value resulted in an approximate decrease of \$0.7 million in revenue relative to the first quarter of 2023. In addition, during the quarter the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.1 million in revenue relative to the first quarter of 2023.

Cost of sales and gross profit

Cost of sales was \$104.2 million in the first quarter of 2024 compared to \$107.4 million in the first quarter of 2023. The decrease of \$3.2 million in cost of sales was primarily the result of lower instant ticket sales volumes as compared to 2023. Partially offsetting this decrease in cost of sales were the higher expenses related to increased sales of eGaming systems and ancillary lottery products and services.

Gross profit was \$21.5 million (17.1% of sales) in the first quarter of 2024 compared to \$17.7 million (14.1% of sales) in the first quarter of 2023. This increase of \$3.8 million in gross profit and the increase in gross profit percentage were primarily the result of increased licensed products, retail merchandising products and eGaming systems sales. In addition, higher instant ticket sales margins, largely as a result of the higher instant ticket average selling price, also contributed to the increase in gross profit as compared to 2023. Partially offsetting these increases to gross profit were lower charitable gaming sales margins, primarily due to certain production inefficiencies.

Administration expenses

Administration expenses were \$15.3 million in the first quarter of 2024 compared to \$13.4 million in the first quarter of 2023, and slightly lower than the \$15.6 million in the fourth quarter of 2023. The increase of \$1.9 million from the first quarter of 2023 was largely a result of increased compensation expenses and consulting costs.

Selling expenses

Selling expenses were \$5.4 million in the first quarter of 2024 compared to \$4.7 million in the first quarter of 2023, and slightly lower than the \$5.6 million in the fourth quarter of 2023. The increase of \$0.7 million from the first quarter of 2023 was primarily due to higher compensation expenses as well as the expansion of our charitable gaming distribution business.

Equity investment income

Pollard's share of income from NPi increased to \$12.2 million in the first quarter of 2024 from \$8.2 million in the first quarter of 2023. This \$4.0 million increase in the first quarter of 2024 was primarily due to increased organic growth achieved on contracts held by NPi as compared to 2023. This growth was driven by greater gaming activity, in part as a result of the substantial Mega Millions® and Powerball® jackpot runs during the first quarter of 2024, as well as by the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Foreign exchange

The 2024 net foreign exchange loss of \$2.7 million consisted of an unrealized foreign exchange loss of \$2.2 million, primarily a result of the increased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt due to the weakening of the Canadian dollar relative to the U.S. dollar, partially offset by the unrealized gain on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.5 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2023 net foreign exchange gain of \$0.2 million consisted of an unrealized foreign exchange gain of \$0.2 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.

Adjusted EBITDA

Adjusted EBITDA increased to \$23.7 million in the first quarter of 2024 compared to \$18.6 million in the first quarter of 2023. The primary reasons for the \$5.1 million increase in Adjusted EBITDA were the increase in gross profit of \$4.0 million (net of amortization and depreciation), primarily due to increased sales of licensed products, retail merchandising products and eGaming systems and higher instant ticket sales margins, and the increase in equity investment income of \$4.0 million. These increases in gross profit (net of amortization and depreciation) were partially offset by lower charitable gaming sales margins. Partially offsetting these increases in Adjusted EBITDA were the increase in administration expenses of \$1.9 million, the increase in selling expenses of \$0.7 million and the increase in realized foreign exchange loss of \$0.5 million.

Interest expense

Interest expense decreased to \$2.4 million in the first quarter of 2024 from \$2.7 million in the first quarter of 2023, primarily as a result of the decrease in interest accretion of \$0.5 million on the discounted contingent consideration liability relating to a previous acquisition, and the decrease in average long-term debt outstanding as compared to 2023. Partially offsetting these decreases to interest expense was the impact of higher interest rates in the first quarter of 2024.

Amortization and depreciation

Amortization and depreciation totaled \$10.8 million during the first quarter of 2024 similar to \$10.6 million during the first quarter of 2023.

Income taxes

Income tax expense was \$1.4 million in the first quarter of 2024, an effective rate of 16.4%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was \$0.3 million in the first quarter of 2023, an effective rate of 5.7%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions and the effect of non-taxable amounts.

Net income

Net income was \$6.9 million in the first quarter of 2024 compared to \$4.8 million in the first quarter of 2023. The increase in net income of \$2.1 million was primarily due to the increase in gross profit of \$3.8 million, primarily as a result of the higher instant ticket sales margins and increased sales of licensed products, retail merchandising products and eGaming systems, and the increase in equity investment income of \$4.0 million. These increases in gross profit were partially offset by lower charitable gaming sales margins. In addition, the increase in other income of \$0.6 million and the decrease in interest expense of \$0.3 million further contributed to the increase in net income as compared to 2023. Partially offsetting these increases to net income were the increase in net foreign exchange loss of \$2.9 million, the increase in administration expenses of \$1.9 million, the increase in income tax expense of \$1.1 million and the increase in selling expenses of \$0.7 million.

Net income per share (basic and diluted) increased to \$0.26 and \$0.25 per share, respectively, in the first quarter of 2024 from \$0.18 per share (basic and diluted) in the first quarter of 2023.

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"). 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 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Sales – Pollard’s share									
Michigan iLottery	\$7.1	\$7.0	\$7.2	\$6.5	\$7.3	\$7.9	\$6.5	\$6.2	\$5.9
NPI	\$25.5	21.8	21.5	18.5	18.5	17.7	13.7	12.4	11.3
Combined iLottery sales	<u>\$32.6</u>	<u>\$28.8</u>	<u>\$28.7</u>	<u>\$25.0</u>	<u>\$25.8</u>	<u>\$25.6</u>	<u>\$20.2</u>	<u>\$18.6</u>	<u>\$17.2</u>
Income before income taxes – Pollard’s share⁽¹⁾									
Michigan iLottery	\$2.7	\$2.5	\$2.8	\$1.8	\$2.9	\$2.9	\$2.2	\$2.4	\$2.0
NPI	\$12.2	11.0	11.1	8.8	8.2	8.3	5.7	4.7	3.6
Combined income before income taxes – Pollard’s share	<u>\$14.9</u>	<u>\$13.5</u>	<u>\$13.9</u>	<u>\$10.6</u>	<u>\$11.1</u>	<u>\$11.2</u>	<u>\$7.9</u>	<u>\$7.1</u>	<u>\$5.6</u>

Throughout 2022, 2023 and the first quarter of 2024, NPI’s contracts achieved strong organic growth, adding to sales and income before taxes. In addition, quarterly sales and income before taxes are positively impacted during quarters where substantial draw-based game (Powerball® and Mega Millions®) jackpots are awarded.

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

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2024, cash flow provided by operating activities was \$25.4 million compared to cash flow provided by operating activities of \$14.8 million for the first three months of 2023. Changes in the non-cash working capital provided \$3.0 million in cash compared to \$3.1 million provided in the first three months of 2023. For the three months ended March 31, 2024, changes in the non-cash working capital increased cash flow from operations due primarily to a decrease in accounts receivable 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, 2023, changes in the non-cash working capital increased cash flow from operations due primarily to a decrease in accounts receivable, partially offset by increases to inventory and prepaid expenses, and a decrease in accounts payable and accrued liabilities.

Cash used for interest was \$2.3 million in both the first quarter of 2024 and the first quarter of 2023. Cash used for pension plan contributions decreased to \$0.7 million in 2024 as compared to \$1.8 million used in 2023. Cash used for income tax payments decreased to \$0.1 million in 2024 from \$5.0 million in 2023. Income tax payments in 2023 included the final installments for the 2022 tax year and installments for 2023. Partially offsetting these uses of cash, Pollard received \$12.2 million from our investment in our iLottery joint venture in 2024 as compared to \$8.2 million received in 2023.

Cash used for investing activities

In the three months ended March 31, 2024, cash used for investing activities was \$10.7 million compared to cash used for investing activities of \$8.3 million in the first three months of 2023. In the three months ended March 31, 2024, Pollard used \$4.3 million on capital expenditures and \$6.3 million on additions to intangible assets.

In the three months ended March 31, 2023, Pollard used \$2.6 million on capital expenditures and \$5.6 million on additions to intangible assets.

Cash used for financing activities

Cash used for financing activities was \$11.4 million in the three months ended March 31, 2024, compared to cash used for financing activities of \$4.9 million in the three months ended March 31, 2023. During the first quarter of 2024, Pollard made long-term debt repayments of \$9.6 million, lease principal payments of \$1.4 million and \$1.4 million of dividend payments, partially offset by proceeds received from the issuance of common shares of \$0.8 million.

During the first quarter of 2023, Pollard made long-term debt repayments of \$2.3 million, lease principal payments of \$1.7 million and \$1.1 million of dividend payments.

As at March 31, 2024, Pollard had unused credit facility of \$122.4 million and \$6.6 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 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Sales ⁽¹⁾	\$125.7	\$135.5	\$129.1	\$130.8	\$125.1	\$127.3	\$125.9	\$116.3	\$114.2
Adjusted EBITDA	23.7	25.7	24.8	22.1	18.6	22.4	20.2	18.9	19.0
Net income (loss)	6.9	11.3	7.7	7.5	4.8	10.5	(0.2)	2.5	6.4
Net income (loss) per share - basic	0.26	0.42	0.29	0.28	0.18	0.39	(0.01)	0.09	0.24

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

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 changing 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, 2024, Pollard's investment in non-cash working capital decreased \$3.0 million compared to December 31, 2023, primarily as a result of a decrease in accounts receivable and an increase in accounts payable and accrued liabilities, partially offset by increases to inventory and prepaid expenses.

	March 31, 2024	December 31, 2023
Working Capital	\$73.5	\$81.8
Total Assets	\$538.8	\$515.7
Total Non-Current Liabilities	\$129.7	\$139.5

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 credit facility also includes an accordion feature which can increase the facility by \$50.0 million. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of \$215.0 million Canadian equivalent. 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 Secured Overnight Financing Rate ("SOFR"). At March 31, 2024, the outstanding letters of guarantee drawn under the credit facility were \$0.1 million. The remaining balance available for drawdown under the credit facility was \$122.4 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including our debt service coverage ratio and debt to income before interest, income taxes, amortization, depreciation and certain other items ratio. As at March 31, 2024, 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 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 November 29, 2023, Pollard renewed its annual agreement with EDC. This agreement provides a €15.0 million facility whereby Pollard can issue qualifying letters of credit against the EDC facility. The facility is guaranteed by a general indemnity from Pollard. As of March 31, 2024, the outstanding letters of credit drawn on this facility were \$14.9 million (€10.2 million). As of December 31, 2023, the outstanding letters of credit drawn on this facility were \$14.7 million (€10.1 million).

Outstanding Share Data

As at March 31, 2024, outstanding share data was as follows:

Common shares	27,045,169
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As at May 8, 2024, outstanding share data was as follows:

Common shares	27,055,169
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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, 2024, the total share options issued and outstanding were 397,500.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2023, 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, 2023, 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, 2023.

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, 2023.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2024, 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, 2023.

Outlook

The market continues to demonstrate strong underlying consumer demand for a variety of instant-win scratch ticket products. The translation of this demand into revenue for Pollard depends on a number of factors, including timing of orders, inventory management by lotteries and shipping implications that can vary from quarter to quarter.

While our overall volume of instant tickets for 2024 is expected to be similar to 2023, we anticipate higher volumes in the second and third quarters of 2024 relative to the first quarter of 2024. Demand for our ancillary solutions such as our proprietary PlayOn™ loyalty platform, an important component in the success of iLottery, remains strong. Our pioneering in-lane retail dispensing system easyVEND™ is now live in retail environments, demonstrating the importance of Pollard's commitment to innovation in the Lottery industry.

The results of our repricing strategy continue to be reflected in both our instant ticket revenues and gross margins. Quarterly results will vary based on mix and timing; however, with the majority of our work repriced we will continue to see the growing positive impact on our selling prices throughout 2024 as the new pricing terms take effect. In addition, we are hopeful that further decreases to the costs of our main inputs including paper, ink, packaging and freight will occur in the coming quarters as supply and demand factors revert to more historic levels.

Demand in the charitable gaming market remains strong, with particular interest growing in eGaming systems and other digital gaming solutions. These opportunities can take many forms depending on the jurisdiction, ranging from handheld devices to kiosks and dedicated gaming machines. These products can be placed in a variety of retail and social spaces to augment the traditional paper-based pull-tabs and bingo paper.

Our iLottery results reached record levels in the first quarter, and the long-term expectation is for continued growth in existing and greenfield jurisdictions in North America and internationally. Among other factors, large jackpot runs in draw-based games stimulate higher eInstant sales which was experienced during the quarter. Draw-based game sales will likely be slightly lower in the second quarter until jackpots rebuild, but the underlying fundamental strength in iLottery continues.

Interest in Pollard's proprietary omni-channel iLottery platform continues to grow, as opportunities for discussions and demonstrations with lotteries are ongoing. We are also in the process of integrating a number of our eInstant games from our game studio for release later this year. At the same time our 50% owned joint venture, NeoPollard Interactive, continues to be the market leader in the United States with the implementation efforts in West Virginia, NPi's newest jurisdiction, continuing on track for go-live this fall.

Future acquisitions remain a focus and we continue to review a number of strategic opportunities. Expanding our charitable gaming offerings including our distribution networks, product portfolio and eGaming solutions provide significant growth opportunities. Increasing our expertise in the digital area, particularly around gaming content across all of our platforms, continues to be a focus of our acquisition strategy and will play an important role moving forward.

The nature of our business yields a very high conversion of earnings into positive cash flow as evidenced in our first quarter results. This allows for a conservative capital structure which supports our ongoing significant investments in productive assets such as our iLottery platform, new products and growth

CAPEX. Our debt levels remain very conservative, enabling us to maintain significant available resources to pursue our strategic objectives.

Our first quarter results reflect the success of our ongoing strategy of expanding offerings focused on the lottery and charitable gaming markets. Our instant ticket business is responding positively to both our repricing strategy and improved cost initiatives, and this trend is expected to continue. We are very confident in our outlook for 2024 and beyond as strong demand exists throughout these markets for all of our products and solutions, underpinning important growth opportunities as lotteries and charities look for innovative ways to raise funds for good causes.

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 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 are designed appropriately and are effective at providing 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 are designed appropriately and are effective at providing 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, 2024, 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, 2023, is available on SEDAR+ at www.sedarplus.ca.

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