December 31, 2024

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

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024

March 10, 2025

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the year ended December 31, 2024, is prepared as at March 10, 2025, and should be read in conjunction with the accompanying audited consolidated financial statements of Pollard and the notes therein as at December 31, 2024. 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 severance costs, 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 consolidated results of Pollard for the years ended December 31, 2024 and 2023. 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 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 our internal proprietary iLottery solution and our 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, interactive digital gaming, including mkodo's world class game apps and GeoLocs™, PlayOn™ loyalty programs, retail management services, ScanACTIV™, EasyVEND™, lottery ticket dispensers and play stations and vending machines. Pollard also offers its state-of-the-art iLottery solution, Catalyst™ Gaming Platform, as well as eInstant games from its digital games studio. 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, bingo daubers and eTab 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 distributors with the majority of revenue generated from repeat business.

Acquisition

On July 31, 2024, Pollard acquired 100% of the business of Clarence J. Venne, LLC ("Venne") for a purchase price of $12.6 million U.S. dollars ($17.4 million) prior to standard working capital adjustments. Venne is one of the leading manufacturers of bingo daubers utilized primarily in the charitable gaming bingo market. The purchase price was funded from Pollard's credit facility and cash on hand.

Kansas iLottery contract

On August 26, 2024, Pollard announced it had been awarded its first contract in the United States to provide a full turnkey iLottery solution for the Kansas Lottery, powered by its proprietary, omnichannel Pollard Catalyst™ iLottery Gaming Platform, which was successfully launched on February 13, 2025.

Tariffs

Recently there has been uncertainty regarding the nature, extent and duration of various protectionist trade measures including tariffs and possible counter tariffs that have been and may be enacted within North America and the consequential impact on our cost structure. The structure of our business, with significant manufacturing facilities and other businesses long established in both the U.S. and Canada will help mitigate both cross border activity and material impacts on our financial results. We have the ability to produce almost all of the products we sell to our U.S. customers in our U.S.

manufacturing facilities. We will continue to assess both the short-term and long-term impacts and necessary countermeasures that can be undertaken to reduce the potential negative impacts.

The following financial information should be read in conjunction with the accompanying financial statements of Pollard and the notes therein as at and for the year ended December 31, 2024.

SELECTED FINANCIAL INFORMATION
(millions of dollars, except per share information)

	Year ended December 31, 2024	Year ended December 31, 2023[1]	Year ended December 31, 2022[1]
Sales	**$557.1**	$520.4	$483.7
Cost of sales	**452.4**	433.8	399.8
Gross profit	**104.7**	86.6	83.9
Gross profit as a % of sales	***18.8%***	*16.6%*	*17.3%*
Administration expenses	**65.0**	58.3	50.0
Administration expenses as a % of sales	***11.7%***	*11.2%*	*10.3%*
Selling expenses	**22.4**	20.7	17.4
Selling expenses as a % of sales	***4.0%***	*4.0%*	*3.6%*
NPi equity investment income	**(52.6)**	(39.1)	(22.3)
NPi equity investment income as a % of sales	***(9.4%)***	*(7.5%)*	*(4.6%)*
Other expenses	**0.1**	0.7	4.6
Other expenses as a % of sales	***0.0%***	*0.1%*	*1.0%*
Unrealized foreign exchange (gain) loss	**6.7**	(2.0)	4.4
Unrealized foreign exchange (gain) loss as a % of sales	***1.2%***	*(0.4%)*	*0.9%*
Net income	**35.2**	31.4	19.3
Net income as a % of sales	***6.3%***	*6.0%*	*4.0%*
Adjusted EBITDA	**114.5**	91.3	80.5
Adjusted EBITDA as a % of sales	***20.6%***	*17.5%*	*16.6%*
Net income per share (basic)	**$1.30**	$1.17	$0.72
Net income per share (diluted)	**$1.28**	$1.15	$0.71

	December 31, 2024	December 31, 2023	December 31, 2022
Total Assets	**$636.3**	$515.7	$506.7
Total Non-Current Liabilities	**$167.2**	$139.5	$142.7

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

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA
(millions of dollars)

	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2022
Net income	**$35.2**	$31.4	$19.3
Adjustments:			
Amortization and depreciation	**44.3**	45.0	41.0
Interest	**10.3**	10.5	8.3
Income taxes	**16.9**	6.1	2.9
EBITDA	**106.7**	93.0	71.5
Unrealized foreign exchange (gain) loss	**6.7**	(2.0)	4.4
Contingent consideration fair value adjustment	**(0.5)**	0.5	4.6
Severance costs	**1.3**	–	–
Acquisition costs	**0.3**	–	–
Net insurance proceeds	–	(0.2)	–
Adjusted EBITDA	**$114.5**	$91.3	$80.5

PRODUCT LINE BREAKDOWN OF REVENUE

	Year ended December 31, 2024	Year ended December 31, 2023
Lottery	75.2%	76.1%
Charitable	24.8%	23.9%

REVIEW OF OPERATIONS

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

ANALYSIS OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

Sales

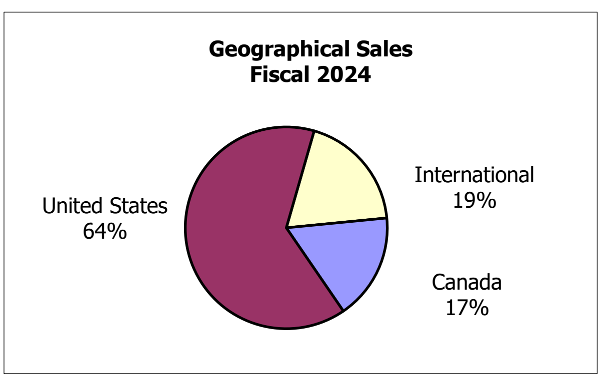
During the year ended December 31, 2024 ("Fiscal 2024" or "2024"), Pollard achieved sales of $557.1 million, compared to $520.4 million in the year ended December 31, 2023 ("Fiscal 2023" or "2023"). Factors impacting the $36.7 million sales increase were:

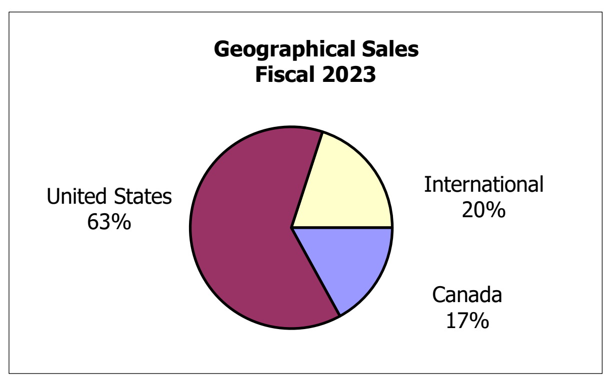
The higher instant ticket average selling price in Fiscal 2024 increased sales by $25.3 million as compared to 2023, primarily due to the change in customer mix and the impact of repriced contracts. This increase was partially offset by the decrease in instant ticket sales volumes of $18.2 million as compared to 2023, partly as a result of Pollard declining to produce certain lower margin work.

Higher sales of ancillary lottery products and services increased revenue by $15.7 million. This growth was largely due to increased sales of licensed products, digital and loyalty products, retail merchandising products and distribution services as compared to 2023.

Higher charitable eGaming ("eTab or eTabs") revenue increased sales by $4.4 million in 2024 primarily due to a higher number of eTab machines placed at bars, bingo halls and fraternal organizations as compared to 2023. Also, higher charitable gaming volumes increased sales by $8.1 million in Fiscal 2024 predominately as a result of the acquisition of Venne in the third quarter of 2024. Further increasing charitable sales in 2024 was the higher average selling price of charitable printed games which increased sales by $0.4 million as compared to 2023.

Lower Michigan iLottery sales in 2024 decreased revenue by $1.7 million as compared to 2023.





During Fiscal 2024, Pollard generated approximately 70.7% (2023 – 70.5%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During Fiscal 2024, the actual U.S. dollar value was converted to Canadian dollars at $1.359, compared to a rate of $1.352 in Fiscal 2023. This 0.5% increase in the U.S. dollar value resulted in an approximate increase of $2.1 million in revenue relative to Fiscal 2023. In addition, during 2024, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $0.6 million in revenue relative to 2023.

Cost of sales and gross profit

Cost of sales was $452.4 million in Fiscal 2024 compared to $433.8 million in Fiscal 2023. The increase of $18.6 million in cost of sales was primarily due to increased sales of ancillary lottery products and eTabs. Also increasing cost of goods sold were the additional costs associated with higher charitable gaming volumes and increased Pollard iLottery operational costs, including Kansas start-up related expenditures. Partially offsetting these increases in cost of sales were the lower expenses resulting from reduced instant ticket sales volumes as compared to 2023.

Gross profit increased to $104.7 million (18.8% of sales) in Fiscal 2024 compared to $86.6 million (16.6% of sales) in Fiscal 2023. This increase of $18.1 million in gross profit and the increase in gross profit percentage were primarily the result of higher instant ticket sales margins, largely as a result of the higher instant ticket average selling price, as well as increased sales of eTabs, charitable products, licensed products and retail merchandising products. Partially offsetting these increases was the reduction in Michigan iLottery gross profit in 2024 and increased Pollard iLottery operational costs.

Administration expenses

Administration expenses increased to $65.0 million in Fiscal 2024 compared to $58.3 million in Fiscal 2023. The increase of $6.7 million was largely a result of increased compensation expenses, consulting costs, software licensing costs and acquisition costs. Partially offsetting these increases was a decrease in professional fees.

Selling expenses

Selling expenses increased to $22.4 million in Fiscal 2024 compared to $20.7 million in Fiscal 2023. The increase of $1.7 million compared to 2023 was primarily due to higher compensation costs as well as the expansion of our charitable gaming distribution business and the acquisition of Venne.

Equity investment income

Pollard's share of income from NPi increased to $52.6 million in Fiscal 2024 from the $39.1 million in Fiscal 2023. This $13.5 million increase 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 addition to the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Other expenses

Other expenses were $0.1 million in Fiscal 2024 compared to $0.7 million in Fiscal 2023. The 2024 other expenses of $0.1 million was comprised of severance related costs of $1.3 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe, mostly offset by $0.7 million of other income and $0.5 million contingent consideration fair value adjustment.

The 2023 other expenses of $0.7 million was comprised of $0.4 million of other expenses plus a $0.5 million contingent consideration fair value adjustment expense, partially offset by $0.2 million from an insurance settlement.

Foreign exchange

The net foreign exchange loss was $7.4 million in Fiscal 2024 compared to a net foreign exchange gain was $2.0 million in Fiscal 2023. The 2024 net foreign exchange loss of $7.4 million resulted from a net unrealized foreign exchange loss of $6.7 million, primarily due to 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 $0.7 million primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2023 net foreign exchange gain of $2.0 million resulted from a net unrealized foreign exchange gain of $2.0 million, primarily due to 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, partially offset by the unrealized loss on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange gain primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates, which was offset by a realized foreign exchange loss mainly due to foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA

Adjusted EBITDA increased to $114.5 million in Fiscal 2024 compared to $91.3 million in Fiscal 2023. The primary reasons for the increase of $23.2 million were the increase in gross profit (net of amortization and depreciation) of $17.4 million, the increase in equity investment income of $13.5 million and the increase in other income (net of contingent consideration adjustment and severance related costs) of $1.1 million. Partially offsetting these increases were the increase in administration expenses (net of acquisition costs) of $6.4 million, the increase in selling expenses of $1.7 million and the increase in realized foreign exchange losses of $0.7 million.

Interest expense

Interest expense decreased to $10.3 million in Fiscal 2024 from $10.5 million in Fiscal 2023, primarily as a result of the decrease in interest accretion of $0.8 million on the discounted contingent consideration liability relating to a previous acquisition and the decrease in average interest rates on long-term debt outstanding as compared to 2023. Partially offsetting these decreases to interest expense was the impact of more lease related interest expense in 2024 and the increase in average long-term debt outstanding as compared to 2023.

Amortization and depreciation

Amortization and depreciation totaled $44.3 million during Fiscal 2024 which decreased from $45.0 million during Fiscal 2023. The decrease of $0.7 million was primarily the result of certain property, plant and equipment becoming fully depreciated.

Income taxes

Income tax expense was $16.9 million in Fiscal 2024, an effective rate of 32.5%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes partially offset by the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was $6.1 million in Fiscal 2023, an effective rate of 16.3%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions.

Net income

Net income increased to $35.2 million in Fiscal 2024 compared to net income of $31.4 million in Fiscal 2023. The main reasons for the increase of $3.8 million include the increase in gross profit of $18.1 million, the increase in equity investment income of $13.5 million and the decrease in other expenses of $0.6 million. Partially offsetting these increases to net income were the increase in income tax expense of $10.8 million, the increase in net foreign exchange loss of $9.4 million, the increase in administration expenses of $6.7 million and the increase in selling expenses of $1.7 million.

Net income per share (basic and diluted) increased to $1.30 and $1.28 per share, respectively, in Fiscal 2024 from $1.17 and $1.15 per share, respectively, in Fiscal 2023.

Joint Venture iLottery

Pollard and Neogames US LLP, a subsidiary of Aristocrat Interactive S.a r.l, ("Neogames") together provide iLottery services to certain North American lotteries. 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") to provide iLottery services for certain joint customer contracts, excluding the Michigan Lottery iLottery contract. 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.

(millions of dollars)

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Sales – Pollard's share									
Michigan iLottery	$5.7	$6.0	$6.8	$7.1	$7.0	$7.2	$6.5	$7.3	$7.9
NPi	27.9	27.2	28.2	25.5	21.8	21.5	18.5	18.5	17.7
Combined iLottery sales	$33.6	$33.2	$35.0	$32.6	$28.8	$28.7	$25.0	$25.8	$25.6
Income before income taxes – Pollard's share									
Michigan iLottery	$1.3	$0.7	$2.1	$2.7	$2.5	$2.8	$1.8	$2.9	$2.9
NPi	12.6	13.6	14.1	12.2	11.0	11.1	8.8	8.2	8.3
Combined income before income taxes – Pollard's share	$13.9	$14.3	$16.2	$14.9	$13.5	$13.9	$10.6	$11.1	$11.2

Throughout 2023 and 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. In the third and fourth quarters of 2024 income before income taxes from the Michigan iLottery was negatively impacted by lower sales and further negatively impacted by certain one-time higher processing costs in the third quarter.

Liquidity and Capital Resources

Cash provided by operating activities

For the year ended December 31, 2024, cash flow provided by operating activities was $73.9 million compared to cash flow provided by operating activities of $64.6 million in Fiscal 2023. Changes in the non-cash working capital provided $1.7 million in cash in 2024 compared to $9.6 million of cash provided in 2023. In Fiscal 2024, changes in the non-cash working capital increased cash flow from operations due primarily to an increase in accounts payable and accrued liabilities and a decrease in accounts receivable, partially offset by increases in contract assets, and prepaids. In Fiscal 2023, changes in the non-cash working capital increased cash flow from operations due primarily to a decreases in accounts receivable and inventory, and an increase to accounts payable and accrued liabilities, partially offset by increases to contract assets and prepaids.

Cash used for interest payments increased to $9.8 million in 2024 as compared to $9.7 million in 2023. Cash used for pension plan contributions increased to $4.8 million in 2024 as compared to $4.7 million used in 2023. Cash used for income tax payments increased to $30.8 million in 2024 from $24.2 million in 2023. Offsetting these uses of cash, Pollard received $52.6 million from our investment in our iLottery joint venture in 2024 as compared to $39.1 million received in 2023.

Cash used for investing activities

For the year ended December 31, 2024, cash used for investing activities was $77.2 million compared to $52.1 million used in the year ended December 31, 2023. In Fiscal 2024, Pollard used $28.4 million on additions to intangible assets, $25.6 million on capital expenditures and $23.2 million for acquisitions.

In Fiscal 2023, Pollard used $23.5 million on additions to intangible assets, $14.6 million on capital expenditures and $14.0 million for acquisitions, primarily relating to contingent consideration paid for a previous acquisition.

Cash provided by financing activities

Cash provided by financing activities was $16.8 million for the year ended December 31, 2024, compared to cash used for financing activities of $10.9 million for the year ended December 31, 2023. During Fiscal 2024, cash was provided by net proceeds from long-term debt received of $26.6 million. This cash inflow was partially offset by lease principal payments of $5.6 million and dividend payments of $5.1 million made during the year. During Fiscal 2023, lease principal payments of $6.7 million, dividend payments of $4.3 million and repayments of long-term debt of $0.9 million were made during the year.

As at December 31, 2024, Pollard had unused credit facility of $139.9 million and $22.4 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.

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2024

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share amounts)

	Three months ended December 31, 2024	Three months ended December 31, 2023[1]
	(unaudited)	(unaudited)
Sales	**$140.3**	$135.5
Cost of sales	**117.9**	110.7
Gross profit	**22.4**	24.8
Administration expenses	**16.1**	15.6
Selling expenses	**5.3**	5.6
Equity investment income	**(12.6)**	(11.0)
Other (income) expenses	**(0.5)**	0.6
Income from operations	**14.1**	14.0
Foreign exchange (gain) loss	**4.4**	(2.9)
Interest expense	**2.7**	2.6
Income before income taxes	**7.0**	14.3
Income taxes:		
Current	**14.6**	5.1
Deferred reduction	**(5.8)**	(2.1)
	8.8	3.0
Net income (loss)	**($1.8)**	$11.3
Adjustments:		
Amortization and depreciation	**11.6**	11.5
Interest	**2.7**	2.6
Income taxes	**8.8**	3.0
EBITDA	**$21.3**	$28.4
Unrealized foreign exchange (gain) loss	**4.2**	(2.7)
Severance costs	**0.2**	–
Contingent consideration fair value adjustment	**(0.5)**	–
Adjusted EBITDA	**$25.2**	$25.7
Net income (loss) per share (basic)	**($0.07)**	$0.42
Net income (loss) per share (diluted)	**($0.06)**	$0.41

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

Sales

During the three months ended December 31, 2024, Pollard achieved sales of $140.3 million, compared to $135.5 million in the three months ended December 31, 2023. Factors impacting the $4.8 million sales increase were:

The higher instant ticket average selling price in the fourth quarter of 2024 increased sales by $2.7 million as compared to 2023, primarily due to the impact of repriced contracts and the change in customer mix, partially offset by a decrease in proprietary products. However, this increase to revenue was partially offset by the decrease in instant ticket sales volumes of $7.9 million as compared to 2023, primarily as a result of the timing of customer orders.

Higher sales of ancillary lottery products and services increased revenue by $3.8 million. This growth was largely due to increased sales of licensed products, digital and loyalty products and distribution services as compared to fourth quarter of 2023.

Higher charitable gaming volumes increased sales by $5.4 million in fourth quarter of 2024 predominately as a result of the acquisition of Venne in the third quarter of 2024. Further increasing charitable sales in 2024 was the higher average selling price of charitable printed games, which increased sales by $0.9 million as compared to 2023, and higher eTab revenue of $0.6 million in 2024.

Lower Michigan iLottery sales decreased revenue in the fourth quarter of 2024 by $0.4 million as compared to the fourth quarter of 2023.

During the three months ended December 31, 2024, Pollard generated approximately 70.1% (2023 – 64.9%) of its revenue in U.S. dollars including a portion of international sales which were priced in U.S. dollars. During the fourth quarter of 2024, the actual U.S. dollar value was converted to Canadian dollars at $1.362, compared to a rate of $1.370 during the fourth quarter of 2023. This 0.6% decrease in the U.S. dollar value resulted in an approximate decrease of $0.6 million in revenue relative to 2023. In addition, during the fourth quarter of 2024, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $0.3 million in revenue relative to 2023.

Cost of sales and gross profit

Cost of sales was $117.9 million in the fourth quarter of 2024 compared to $110.7 million in the fourth quarter of 2023. The increase of $7.2 million was primarily due to higher charitable gaming volumes, increased sales of ancillary lottery products and instant ticket production inefficiencies. Also increasing cost of goods sold was the increased Pollard iLottery operational costs, including Kansas start-up related expenditures. Partially offsetting these increases in cost of sales was the lower expenses related to reduced instant ticket sales volumes as compared to 2023.

Gross profit was $22.4 million (16.0% of sales) in the fourth quarter of 2024 compared to $24.8 million (18.3% of sales) in the fourth quarter of 2023. This decrease of $2.4 million in gross profit and the decrease in gross profit percentage were primarily the result of lower instant ticket sales margins, largely as a result of the lower instant ticket volumes, and the impact of higher costs resulting from production inefficiencies. Additionally, the reduction in Michigan iLottery gross profit and increased Pollard iLottery operational costs in 2024 further reduced gross profit. Partially offsetting these decreases in gross profit were increased charitable gaming products, including eTab, and digital and loyalty margins.

Our fourth quarter results, historically a lower quarter, were impacted negatively by three main factors:

- Our Kansas iLottery contract went live February 13, 2025. In the fourth quarter of 2024, startup and implementation costs were incurred during the implementation and roll out period which negatively impacted our margins.

- Our instant ticket margin was negatively impacted by much higher than usual spoilage on a very unique group of high value games. While a certain level of spoilage is expected, the fourth quarter was an unusual occurrence and magnitude and is not expected to reoccur going forward.

- Our instant ticket volumes were lower than we anticipated with a number of orders moving out of the fourth quarter due to the timing and requirements of several customers. The timing variations experienced in the fourth quarter were unusual. Our sales volume outlook in 2025 is to meet levels consistent with the overall volumes achieved in 2024.

Administration expenses

Administration expenses increased to $16.1 million in the fourth quarter of 2024 compared to $15.6 million in the fourth quarter of 2023. The increase of $0.5 million was largely a result of increased compensation expenses and software licensing costs.

Selling expenses

Selling expenses decreased to $5.3 million in the fourth quarter of 2024 compared to $5.6 million in the fourth quarter of 2023. The decrease was primarily due to lower compensation costs, including incentive accruals, partially offset by the increase in selling expenses from the acquisition of Venne.

Equity investment income

Pollard's share of income from NPi increased to $12.6 million in the fourth quarter of 2024 from the $11.0 million in the fourth quarter of 2023. This $1.6 million increase was primarily due to the continued strong eInstants sales in North Carolina following their launch in the fourth quarter of 2023.

Other (income) expenses

Other income was $0.5 million in the fourth quarter of 2024 compared to other expenses of $0.6 million in the fourth quarter of 2023. The 2024 other income of $0.5 million was comprised of $0.5 million of contingent consideration fair value adjustment and $0.2 million of other income, partially offset by severance related costs of $0.2 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe.

Foreign exchange

The net foreign exchange loss was $4.4 million in the fourth quarter of 2024 compared to a net foreign exchange gain of $2.9 million in the fourth quarter of 2023. The 2024 net foreign exchange loss of $4.4 million resulted from a net unrealized foreign exchange loss of $4.2 million, primarily due to 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 gains on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of $0.2 million, which was primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2023 net foreign exchange gain of $2.9 million resulted from a net unrealized foreign exchange gain of $2.7 million, primarily due to 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, partially offset by the unrealized loss on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange gain of $0.2 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates, partially offset by foreign currency denominated accounts payable paid at unfavorable exchange rates.

Adjusted EBITDA

Adjusted EBITDA decreased to $25.2 million in the fourth quarter of 2024 compared to $25.7 million in the fourth quarter of 2023. The primary reasons for the decrease of $0.5 million were the decrease in gross profit (net of amortization and depreciation) of $2.3 million, the increase in realized foreign exchange loss of $0.4 million and the increase in administration expenses of $0.5 million. Partially offsetting these decreases to Adjusted EBITDA were the increase in equity investment income of $1.6 million, the increase in other income (net of contingent consideration adjustment and severance related costs) of $0.8 million and the decrease in selling expenses of $0.3 million.

Interest expense

Interest expense increased to $2.7 million in the fourth quarter of 2024 from $2.6 million in the fourth quarter of 2023, primarily as a result of the increase in average long-term debt outstanding as compared to 2023, partially offset by the decrease in average interest rates on long-term debt outstanding.

Amortization and depreciation

Amortization and depreciation totaled $11.6 million during the fourth quarter of 2024 similar to $11.5 million during the fourth quarter of 2023.

Income taxes

Income tax expense was $8.8 million in the fourth quarter of 2024, an effective rate of 125.2%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes.

Income tax expense was $3.0 million in the fourth quarter of 2023, an effective rate of 21.0%, 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 impact of the capital gains rate.

Net income (loss)

Net loss was $1.8 million in the fourth quarter of 2024 compared to net income of $11.3 million in the fourth quarter of 2023. The main reasons for the change of $13.1 million were the increase in net foreign exchange loss of $7.3 million, the increase in income tax expense of $5.8 million, the decrease in gross profit of $2.4 million and the increase in administration expenses of $0.5 million. Partially offsetting these increases to the net loss were the increase in equity investment income of $1.6 million, the increase in other income of $1.1 million and the decrease in selling expenses of $0.3 million.

Net loss per share (basic and diluted) was $0.07 and $0.06 per share, respectively, in the fourth quarter of 2024 compared to net income of $0.42 and $0.41 per share, respectively, (basic and diluted) in the fourth quarter of 2023.

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

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Sales(1)	$140.3	$153.2	$137.8	$125.7	$135.5	$129.1	$130.8	$125.1	$127.3
Adjusted EBITDA	25.2	33.3	32.3	23.7	25.7	24.8	22.1	18.6	22.4
Net income (loss)	(1.8)	18.2	11.9	6.9	11.3	7.7	7.5	4.8	10.5
Net income (loss) per share - basic	(0.07)	0.67	0.44	0.26	0.42	0.29	0.28	0.18	0.39

(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 December 31, 2024, Pollard's investment in non-cash working capital decreased $1.7 million compared to December 31, 2023, primarily to an increase in accounts payable and accrued liabilities and a decrease in accounts receivable, partially offset by increases in contract assets, and prepaid expenses and deposits.

	December 31, 2024	December 31, 2023
Working Capital	$95.9	$81.8
Total Assets	$636.3	$515.7
Total Non-Current Liabilities	$167.2	$139.5

Credit Facility

Pollard's credit facility was renewed effective December 31, 2024. The credit facility provides loans of up to $155.0 million for its Canadian operations and US$95.0 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 $155.0 million Canadian equivalent. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, Canadian Dollar Offered Rate ("CDOR") or Secured Overnight Financing Rate ("SOFR"). At December 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 $139.9 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 December 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, 2028. 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, 2024, 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 December 31, 2024, the outstanding letters of credit drawn on this facility were $13.4 million (€9.0 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 December 31, 2024, outstanding share data was as follows:

Common shares	27,061,419

As at March 10, 2025, outstanding share data was as follows:

Common shares	27,067,669

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 December 31, 2024, the total share options issued and outstanding were 381,250.

Dividends

On March 10, 2025, the Board of Directors declared a dividend of $0.05 per common share payable on April 15, 2025, for the quarter ending March 31, 2025.

Contractual Obligations

The following table outlines a schedule by year of contractual obligations outstanding, including related interest payments:

(millions of dollars)	Total	2025	2026	2027	2028	2029 & thereafter
Long-term debt	$183.7	$8.0	$8.0	$7.9	$159.8	$ –
Lease liabilities	19.3	6.1	5.2	4.1	2.8	1.1
Total	$203.0	$14.1	$13.2	$12.0	$162.6	$1.1

Pension Obligations

Pollard sponsors four non-contributory defined benefit pension plans, of which three are final pay plans and one is a flat benefit plan. As of December 31, 2024, the aggregate fair value of the assets of Pollard's defined benefit pension plans was $107.1 million and the accrued benefit plan obligations were $101.2 million. Pollard's total annual funding contribution for its defined pension plans in 2025 is expected to be approximately $1.3 million, compared to $2.9 million in 2024.

Off-Balance Sheet Arrangements

Aside from our short-term and low value leases, Pollard has no other off-balance sheet arrangements.

Related Party Transactions

The Control Group and affiliates

During the year ended December 31, 2024, Pollard paid property rent of $2.3 million (2023 - $3.0 million) and $0.7 million (2023 - $0.5 million) in plane charter costs to affiliates of the Control Group.

During the year ended December 31, 2024, the Control Group paid Pollard $0.07 million (2023 - $0.07 million) for accounting and administration fees.

At December 31, 2024, Pollard owed the Control Group and its affiliates $0.8 million (2023 - $0.1 million) for rent, expenses and other items. Included within property, plant and equipment and lease liabilities on the consolidated statement of financial position are right-of-use assets and corresponding liabilities for premises leased to Pollard from the Control Group. As at December 31, 2024, the net book value of the right-of-use assets was $7.1 million (2023 - $5.5 million) and the present value of the lease liabilities was $7.4 million (2023 - $5.5 million).

Material Accounting Policies and Estimates

Described in the notes to Pollard's 2024 audited consolidated financial statements are the accounting policies and estimates that Pollard believes are critical to its business. Please refer to note 2 (c) to the audited consolidated financial statements for the year ended December 31, 2024, for a discussion of the significant accounting estimates and judgements.

Future Changes in Accounting Policies

Described in the notes to Pollard's 2024 audited consolidated financial statements are the future accounting standards that Pollard believes are potentially applicable to its business. Please refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2024 for a summary.

Industry Risks and Uncertainties

Pollard is exposed to numerous risks and uncertainties which are described in this MD&A and Pollard's most recent Annual Information Form dated March 10, 2025, which is available under Pollard's profile on SEDAR+ (www.sedarplus.ca).

Financial Instruments

Pollard has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Currency risk
Interest rate risk

Pollard's risk management policies are established to identify and analyze the risks, to set appropriate risk limits and controls to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with Pollard's risk management policies and procedures. The Audit Committee is assisted in its oversight role by Internal Audit, who undertakes regular reviews of risk management controls and utilizes the annual risk assessment process as the basis for the annual internal audit plan.

Risk Exposure

Currency risk

Pollard sells a significant portion of its products and services to customers in the United States and to some international customers where sales are denominated in U.S. dollars. In addition, a significant portion of its cost inputs are denominated in U.S. dollars. Pollard also generates revenue in currencies other than the Canadian and U.S. dollar, primarily in Euros.

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time.

Interest rate risk

Pollard is exposed to interest rate risk relating to its fixed and floating rate instruments. Fluctuation in interest rates will have an effect on the valuation and repayment of these instruments.

Credit risk

Credit risk is the risk of financial loss if a customer or counterpart to a financial instrument fails to meet its financial obligations.

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due.

Risk Management

Currency risk

Pollard utilizes a number of strategies to mitigate its exposure to currency risk. Six manufacturing facilities are located in the U.S. and a significant amount of cost inputs for all production facilities are denominated in U.S. dollars, offsetting a large portion of the U.S. dollar revenue in a natural hedge.

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. As at December 31, 2024, the amount of financial assets denominated in U.S. dollars exceeded the amount of financial liabilities denominated in U.S. dollars by approximately $14.9 million. As at December 31, 2023, the amount of financial liabilities denominated in U.S. dollars exceeded the amount of financial assets denominated in U.S. dollars by approximately $86.1 million. A 50 basis point weakening/strengthening in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease/increase in income before taxes of approximately $0.07 million for the year ended December 31, 2024 (2023 - $0.4 million).

Pollard also uses financial hedges, including foreign currency contracts, to help manage foreign currency risk. At December 31, 2024, and at December 31, 2023, Pollard had no outstanding foreign currency contracts.

Interest rate risk

A 50 basis point decrease/increase in interest rates would result in an increase/decrease in income before income taxes of approximately $0.8 million for the year ended December 31, 2024 (2023 - $0.6 million).

Credit risk

Credit risk on Pollard's accounts receivable is minimized as accounts receivable are mainly from governments and their agencies. They are generally collected in a relatively short period of time. Credit risk on foreign currency contracts is minimized since the counterparties are restricted to Schedule 1 Canadian financial institutions.

Liquidity risk

Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The estimated 2025 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities and the unused portion of Pollard's credit facility. Pollard enters into contractual obligations in the normal course of business operations.

Outlook

Retail sales of instant tickets are expected to remain at the levels we have experienced in the last few years, after the very significant growth experienced during 2020 and 2021. Strong interest remains in specialized higher value instant tickets and higher retail price points. Charitable gaming markets for both printed products and eTabs also continues to show strong demand. Digital and electronic gaming solutions across all sectors continues to be of growing interest to lotteries and charitable organizations.

Our repricing strategy for our rebid instant ticket contracts has been very successful since being introduced in early 2022, with a majority of our contracts now repriced. 2025 will see the full impact of these higher average selling prices as all of these repriced contracts are now in force, providing a positive impact on our gross margins.

Overall 2025 sales volumes of our instant tickets is expected to be similar to 2024 volumes, given expected steady overall retail sales and continued discretion of not pursuing incremental volumes that do not generate sufficient margins due to lower pricing.

On February 13, 2025, we successfully launched our iLottery solution for the Kansas Lottery, our first U.S implementation for our proprietary Catalyst™ Gaming Platform, including exclusive gaming content from our internal Game Studio. Ongoing interest in iLottery continues in both new opportunities for lottery jurisdictions as well as existing iLottery operations looking to replace end of life older technology with more modern solutions. The sales lifecycle process for these large complex technology solutions is long, often involving extended assessment periods, formal requests for information and requests for proposals. We remain actively engaged in a number of opportunities and will leverage the success of our Kansas implementation to further promote the advantages of our Catalyst™ Gaming Platform and eInstant game portfolio. Catalyst™ offers a state-of-the-art solution that delivers a complete central gaming system, providing the infrastructure platform for both iLottery sales and traditional sales at retail locations. The success of our internally developed Pollard iLottery solution provides an important complement to the ongoing success of our 50% owned iLottery joint venture.

While we remain very optimistic about all aspects of our business, there is uncertainty regarding the nature, extent and duration of various protectionist trade measures including tariffs that have been and may be enacted within North America. We believe the current structure of our business model, including extensive manufacturing facilities located within both Canada and U.S., will help mitigate any negative impact as we have the ability to produce almost all of the products we sell to our U.S. customers in our U.S manufacturing facilities. We will continue to monitor developments and assess any additional short and long term measures that can be taken to moderate any potential negative impacts.

Key acquisitions have been an important strategy in our success, and this continued in 2024 with the addition of Clarence J. Venne, LLC to the Pollard Charitable Gaming Group. We will continue to be active in identifying and acquiring key businesses that are both strategically important in expanding our offerings and business operations, and generating appropriate financial returns. Areas of focus include expanding our reach in the chartable gaming area as well as increasing our technological expertise across our gaming portfolio.

Significant investments were made in additional capital expenditures during 2024 including software development as we looked to take advantage of current opportunities. Going forward we will continue in this more aggressive investment mode with continued upgrades to our printed product presses, significant build up in the numbers of our state-of-the-art ICON eTab machines, expanded development of game content for both eTabs and eInstant games, and ongoing development of our CatalystTM Gaming Platform.

As our business continues to generate very strong cashflow, these investments will primarily be financed via internally generated cashflow, with the significant available capacity in our newly renewed debt facility available to fund any required additional requirements.

We are very proud of the achievements attained during 2024 and are very confident of continued growth in 2025. Strong demand across all of our markets, improving margins in our core instant ticket markets, growing charitable gaming markets, and key milestone successes in the important iLottery sector provide the foundation for a successful 2025 as we continue to be the partner of choice of lotteries and charitable gaming organizations around the world.

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.

Pollard has limited its design of ICFR to exclude controls, policies and procedures of Venne, as it was 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 year ended December 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, 2024, is available on SEDAR+ at www.sedarplus.ca.

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