



***June 30, 2025***

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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2025**

August 13, 2025

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three and six months ended June 30, 2025, is prepared as at August 13, 2025, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at June 30, 2025, and the audited consolidated financial statements of Pollard for the year ended December 31, 2024, 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 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 unaudited consolidated results of Pollard for the three and six months ended June 30, 2025. 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.

## Acquisitions

On July 31, 2024, Pollard acquired 100% of the equity 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.

On April 1, 2025, Pollard acquired 100% of the equity of Pacific Gaming, LLC and LIF Capital Group, LLC (collectively "Pacific"), for a purchase price of \$10.0 million U.S. dollars (\$14.4 million) prior to standard working capital adjustments. Pacific is a recognized leader in bingo electronics, handhelds, blowers, point-of-sale systems, and bingo management systems. The purchase price was funded from Pollard's credit facility and cash on hand.

## Tariffs

Protectionist trade measures including tariffs and counter tariffs continue to dominate the current economic landscape and we remain optimistic we have the structure and business processes in place to largely alleviate material impacts to our business. The structure of our business, with significant manufacturing facilities and other businesses already established in both the U.S. and Canada, will help mitigate challenges with cross border activity and significant impacts on our financial results. 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. In addition, historically the lottery and charitable gaming markets we participate in have been generally resilient to any negative effects of economic downturns, should the overall economic environment be impacted negatively by these ongoing trade challenges.

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 and six months ended June 30, 2025.

## SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended June 30, 2025	Three months ended June 30, 2024 <sup>(1)</sup>	Six months ended June 30, 2025	Six months ended June 30, 2024 <sup>(1)</sup>
Sales	\$142.7	\$137.8	\$288.9	\$263.6
Cost of sales	118.8	108.6	239.6	212.7
Gross profit	23.9	29.2	49.3	50.9
<i>Gross profit as a % of sales</i>	<i>16.7%</i>	<i>21.2%</i>	<i>17.1%</i>	<i>19.3%</i>
Administration expenses	17.6	16.5	34.9	31.9
<i>Administration expenses as a % of sales</i>	<i>12.3%</i>	<i>12.0%</i>	<i>12.5%</i>	<i>12.1%</i>
Selling expenses	6.5	5.7	12.5	11.2
<i>Selling expenses as a % of sales</i>	<i>4.6%</i>	<i>4.1%</i>	<i>4.3%</i>	<i>4.2%</i>
NPi equity investment income	(17.7)	(14.1)	(33.9)	(26.4)
<i>NPi equity investment income as a % of sales</i>	<i>(12.4%)</i>	<i>(10.3%)</i>	<i>(11.7%)</i>	<i>(10.0%)</i>
Unrealized foreign exchange loss	2.9	3.0	3.3	5.3
<i>Unrealized foreign exchange loss as a % of sales</i>	<i>2.0%</i>	<i>2.2%</i>	<i>1.1%</i>	<i>2.0%</i>
Net income	8.0	11.9	19.8	18.8
<i>Net income as a % of sales</i>	<i>5.6%</i>	<i>8.6%</i>	<i>6.9%</i>	<i>7.1%</i>
Adjusted EBITDA	29.2	32.3	59.8	56.0
<i>Adjusted EBITDA as a % of sales</i>	<i>20.5%</i>	<i>23.4%</i>	<i>20.7%</i>	<i>21.2%</i>
Net income per share (basic)	\$0.30	\$0.44	\$0.73	\$0.70
Net income per share (diluted)	\$0.29	\$0.43	\$0.72	\$0.69

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

	June 30, 2025	December 31, 2024
Total Assets	\$683.5	\$636.3
Total Non-Current Liabilities	\$202.1	\$167.2

**RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA**

(millions of dollars)

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Net income	\$8.0	\$11.9	\$19.8	\$18.8
Adjustments:				
Amortization and depreciation	12.3	11.1	23.9	21.8
Interest	3.1	2.5	5.9	4.9
Income taxes	2.8	2.7	6.8	4.1
EBITDA	\$26.2	\$28.2	\$56.4	\$49.6
Unrealized foreign exchange loss	2.9	3.0	3.3	5.3
Acquisition costs	0.1	0.0	0.1	0.0
Severance costs	0.0	1.1	0.0	1.1
Adjusted EBITDA	\$29.2	\$32.3	\$59.8	\$56.0

**Product line breakdown of revenue**

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
Lottery	75.0%	75.6%	75.9%	75.0%
Charitable	25.0%	24.4%	24.1%	25.0%

## 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 JUNE 30, 2025

#### Sales

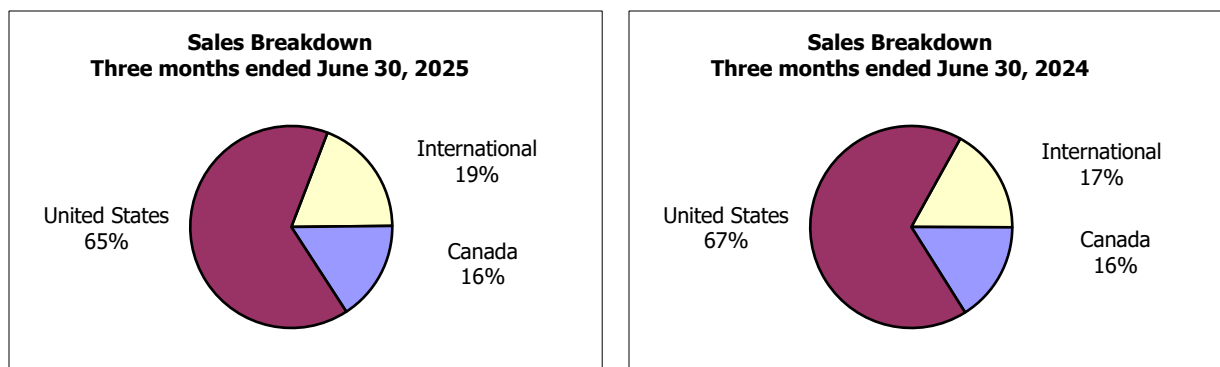
During the three months ended June 30, 2025, Pollard achieved sales of \$142.7 million, compared to \$137.8 million in the three months ended June 30, 2024. Factors impacting the \$4.9 million sales increase were:

The higher instant ticket average selling price in the second quarter of 2025 increased sales by \$4.5 million as compared to 2024, primarily as a result of the change in customer mix and the impact of repriced contracts. This increase was offset by the decrease in instant ticket sales volumes of \$9.2 million as compared to 2024, mainly as a result of the timing of customer orders.

Higher sales of ancillary lottery products and services increased revenue in the second quarter of 2025 by \$1.2 million as compared to 2024. This growth was largely due to increased sales of retail merchandising products and distribution services. These increases were partially offset by decreased sales of digital products.

Higher charitable gaming volumes increased sales by \$6.8 million in the second quarter of 2025 as compared to the second quarter of 2024. This is predominately as a result of the acquisitions of Venne and Pacific. In addition, the higher average selling price of charitable printed games further increased sales by \$0.5 million. These increases in sales were partially offset by a decrease in charitable eGaming ("eTab or eTabs") revenue of \$1.5 million compared to 2024 primarily due to the impact from regulatory changes in certain jurisdictions.

Lower Michigan iLottery sales decreased revenue in the second quarter of 2025 by \$0.9 million as compared to 2024.



During the three months ended June 30, 2025, Pollard generated approximately 71.3% (2024 – 70.9%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the second quarter of 2025, the actual U.S. dollar value was converted to Canadian dollars at \$1.395, compared to a rate of \$1.358, in the second quarter of 2024. This 2.7% increase in the U.S.

dollar value resulted in an approximate increase of \$2.7 million in revenue relative to the second quarter of 2024. Also during the quarter, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$0.8 million in revenue relative to the second quarter of 2024.

### **Cost of sales and gross profit**

Cost of sales was \$118.8 million in the second quarter of 2025 compared to \$108.6 million in the second quarter of 2024. The increase of \$10.2 million in cost of sales was primarily due to the additional costs associated with increased Pollard iLottery operations, including Kansas start-up related expenditures, and higher charitable gaming volumes, including the addition of Venne and Pacific. In addition, higher exchange rates on U.S. dollar denominated expenses further increased cost of sales when compared to 2024.

Gross profit decreased to \$23.9 million (16.7% of sales) in the second quarter of 2025 from \$29.2 million (21.2% of sales) in the second quarter of 2024. The decrease of \$5.3 million in gross profit and the decrease in gross profit percentage were caused equally due to lower instant ticket sales margins, largely as a result of the lower instant ticket volumes, increased Pollard iLottery operational costs related to Kansas start-up and lower eTabs sales margins. Partially offsetting these decreases in gross profit were the increased margin from charitable gaming products, including the impact of the additions of Venne and Pacific.

### **Administration expenses**

Administration expenses were \$17.6 million in the second quarter of 2025 compared to \$16.5 million in the second quarter of 2024. The increase of \$1.1 million was largely a result of increased software licensing costs and the addition of Venne and Pacific administration costs. Sequentially the \$17.6 million is similar to the \$17.3 million of administration expenses incurred in the first quarter of 2025.

### **Selling expenses**

Selling expenses increased to \$6.5 million in the second quarter of 2025 from \$5.7 million in the second quarter of 2024. The increase of \$0.8 million was primarily due the addition of Venne and Pacific selling costs.

### **Equity investment income**

Pollard's share of income from its iLottery joint venture increased to \$17.7 million in the second quarter of 2025 from \$14.1 million in 2024. This \$3.6 million increase was primarily due to the continued strong eInstants sales growth in North Carolina and Virginia.

### **Other expenses**

Other expenses were \$0.1 million in the second quarter of 2025 compared to \$1.2 million in the second quarter of 2024. The decrease of \$1.1 million was due to severance related costs of \$1.1 million incurred in 2024.



## **Foreign exchange**

The net foreign exchange loss was \$3.5 million in the second quarter of 2025 compared to a net loss of \$2.8 million in the second quarter of 2024. The 2025 net foreign exchange loss of \$3.5 million consisted of an unrealized foreign exchange loss of \$2.9 million, primarily a result of the decreased Canadian equivalent value on U.S. dollar denominated net intercompany receivables and accounts receivable, partially offset by an unrealized gain of U.S. dollar denominated accounts payable and long-term debt. In addition, Pollard experienced a realized foreign exchange loss of \$0.6 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2024 net foreign exchange loss of \$2.8 million consisted of an unrealized foreign exchange loss of \$3.0 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 an unrealized gain on U.S. dollar denominated accounts receivable. Partially offsetting the unrealized loss was 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.

## **Adjusted EBITDA**

Adjusted EBITDA decreased to \$29.2 million in the second quarter of 2025 compared to \$32.3 million in the second quarter of 2024. The primary reasons for the \$3.1 million decrease were the decrease in gross profit (net of amortization and depreciation) of \$4.1 million, substantially as a result of the decreased instant ticket margins, increased Pollard iLottery operational costs related to Kansas start-up and lower eTabs sales margins. Further reducing Adjusted EBITDA were the increase in administration expenses (net of acquisition costs) of \$1.0 million, the increase in selling expenses of \$0.8 million and the increase in realized foreign exchange loss of \$0.8 million. Partially offsetting these decreases to Adjusted EBITDA was the increase in equity investment income of \$3.6 million.

## **Interest expense**

Interest expense increased to \$3.1 million in the second quarter of 2025 from \$2.5 million in the second quarter of 2024, primarily as a result of the increase in average long-term debt outstanding as compared to 2024 due to acquisitions and higher investment in non-cash working capital, partially offset by the impact of lower interest rates in the second quarter of 2025.

## **Amortization and depreciation**

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$12.3 million during the second quarter of 2025 which increased from \$11.1 million during the second quarter of 2024. The increase of \$1.2 million was primarily the result of increased amortization of intangible assets, including our Catalyst™ gaming platform.

## **Income taxes**

Income tax expense was \$2.8 million in the second quarter of 2025, an effective rate of 25.9%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions, partially offset by the effect of non-taxable items.

Income tax expense was \$2.7 million in the second quarter of 2024, an effective rate of 18.7%, 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 \$8.0 million in the second quarter of 2025 compared to \$11.9 million in the second quarter of 2024. The decrease in net income of \$3.9 million was primarily due to the decrease in gross profit of \$5.3 million, principally as a result of the lower instant ticket margin, increased Pollard iLottery operational costs related to Kansas start-up and lower eTabs sales margins. Further reducing net income were the increase in administration expenses of \$1.1 million, the increase in selling expenses of \$0.8 million, the increase in net foreign exchange loss of \$0.7 million and the increase in interest expense of \$0.6 million. Partially offsetting these decreases to net income were the increase in equity investment income of \$3.6 million and the decrease in other expenses of \$1.1 million.

Net income per share (basic and diluted) decreased to \$0.30 and \$0.29 per share, respectively, in the second quarter of 2025 from \$0.44 and \$0.43 per share (basic and diluted) in the second quarter of 2024.

## **ANALYSIS OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2025**

### **Sales**

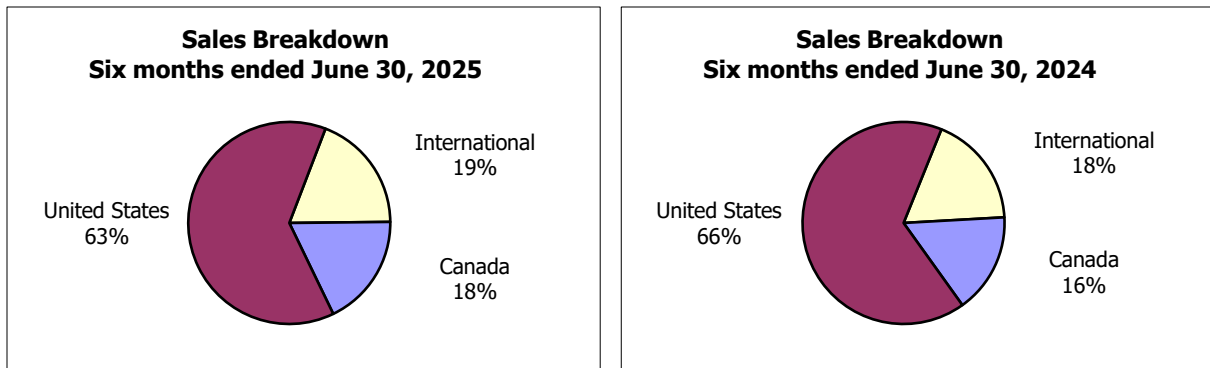
During the six months ended June 30, 2025, Pollard achieved sales of \$288.9 million, compared to \$263.6 million in the six months ended June 30, 2024. Factors impacting the \$25.3 million sales increase were:

The higher instant ticket average selling price in the first six months of 2025 increased sales by \$21.5 million as compared to 2024, primarily as a result of the change in customer mix, the increase in proprietary product sales and the impact of repriced contracts. This increase was partially offset by the impact from the decrease in instant ticket sales volumes of \$14.9 million as compared to 2024, mainly as a result of the timing of customer orders and Pollard declining certain lower margin work.

Higher sales of ancillary lottery products and services increased revenue by \$0.3 million in the first six months of 2025 as compared to 2024. This growth was largely due to increased sales of digital products and distribution services. These increases were partially offset by lower licensed product sales.

Higher charitable gaming volumes increased sales by \$11.2 million in the first six months of 2025 as compared to 2024. This is predominately as a result of the acquisition of Venne and Pacific. In addition, the higher average selling price of charitable printed games further increased sales by \$1.3 million. These increases in sales were partially offset by a decrease in charitable eGaming ("eTab or eTabs") revenue of \$3.3 million compared to 2024 primarily due to the impact from regulatory changes in certain jurisdictions.

Lower Michigan iLottery sales decreased revenue in the first six months of 2025 by \$2.5 million as compared to 2024.



During the six months ended June 30, 2025, Pollard generated approximately 69.8% (2024 – 71.3%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first six months of 2025, the actual U.S. dollar value was converted to Canadian dollars at \$1.421, compared to a rate of \$1.346 the first six months of 2024. This 5.6% increase in the U.S. dollar value resulted in an approximate increase of \$10.6 million in revenue relative to the first six months of 2024. In addition, during the first six months of 2025, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of \$1.1 million in revenue relative to the first six months of 2024.

### **Cost of sales and gross profit**

Cost of sales was \$239.6 million in the first six months of 2025 compared to \$212.7 million in the first six months of 2024. The increase of \$26.9 million in cost of sales was higher primarily due to the additional costs associated with increased Pollard iLottery operations, including Kansas start-up related expenditures, and higher charitable gaming volumes, including the addition of Venne and Pacific. In addition, higher exchange rates on U.S. dollar denominated expenses and increases in certain instant ticket manufacturing overhead costs further increased cost of sales when compared to 2024.

Gross profit decreased to \$49.3 million (17.1% of sales) in the six months ended June 30, 2025, from \$50.9 million (19.3% of sales) in the six months ended June 30, 2024. This decrease of \$1.6 million in gross profit and the decrease in gross profit percentage were primarily the result of the increased Pollard iLottery operational costs related to Kansas start-up, the reduction in Michigan iLottery gross profit, lower licensed product margin and lower eTabs sales margins in 2025. Partially offsetting these decreases in gross profit were higher instant ticket sales margins, largely as a result of the higher instant ticket average selling price, and the increased margin from charitable gaming products, including the impact of the additions of Venne and Pacific.

### **Administration expenses**

Administration expenses increased to \$34.9 million in the first six months of 2025 from \$31.9 million in 2024. The increase of \$3.0 million was largely a result of increased compensation and software licensing costs. In addition, the addition of Venne and Pacific administration costs further increased expenses in 2025.

### **Selling expenses**

Selling expenses increased to \$12.5 million in the first six months of 2025 from \$11.2 million in the first six months of 2024. The increase of \$1.3 million was primarily due to the addition of Venne and Pacific selling expenses.

### **Equity investment income**

Pollard's share of income from its iLottery joint venture increased to \$33.9 million in the first six months of 2025 from \$26.4 million in 2024. This \$7.5 million increase was primarily due to the continued strong eInstants sales growth in North Carolina and Virginia.

### **Other expenses**

Other expenses were \$nil in the first six months of 2025 compared to \$1.0 million in 2024. This decrease of \$1.0 million was primarily due to severance related costs of \$1.1 million incurred in 2024.

### **Foreign exchange**

The net foreign exchange loss was \$3.3 million in the first six months of 2025 compared to a net foreign exchange loss of \$5.4 million in the first six months of 2024. The 2025 net foreign exchange loss of \$3.3 million resulted from a net unrealized foreign exchange loss of \$3.3 million, primarily a result of the decreased Canadian equivalent value on U.S. dollar denominated net intercompany receivables and accounts receivable, partially offset by an unrealized gain 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.

The 2024 net foreign exchange loss of \$5.4 million resulted from a net unrealized foreign exchange loss of \$5.3 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 an unrealized gain on U.S. dollar denominated cash and accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of \$0.1 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

### **Adjusted EBITDA**

Adjusted EBITDA increased to \$59.8 million in the first six months of 2025 compared to \$56.0 million in the first six months of 2024. The main reasons for the increase of \$3.8 million were the increase in equity investment income of \$7.5 million and the increase in gross profit (net of amortization and depreciation) of \$0.5 million, primarily as result of increased instant ticket and charitable gaming margins, partially offset by increased Pollard iLottery operational costs related to Kansas start-up, the reduction in Michigan iLottery gross profit, lower licensed product margin and lower eTabs sales margins. Partially offsetting these increases to Adjusted EBITDA were the increase in administration expenses (net of acquisition costs) of \$2.9 million and the increase in selling expenses of \$1.3 million.

### **Interest expense**

Interest expense increased to \$5.9 million in the first six months of 2025 from \$4.9 million in the first six months of 2024, primarily as a result of the increase in average long-term debt outstanding as compared to 2024 due to acquisitions and higher investment in non-cash working capital, partially offset by the impact of lower interest rates in the first six months of 2025.

### **Amortization and depreciation**

Amortization and depreciation, including amortization of intangible assets and depreciation of property and equipment, totaled \$23.9 million during the first six months of 2025 which increased from \$21.8 million during the first six months of 2024. The increase of \$2.1 million was primarily the result of increased amortization of intangible assets, including our Catalyst™ gaming platform.

### **Income taxes**

Income tax expense was \$6.8 million in the first six months of 2025, an effective rate of 25.7%, which was lower than our domestic rate of 27.0% due primarily to the effect of lower income tax rates in foreign jurisdictions, partially offset by the effect of non-taxable items.

Income tax expense was \$4.1 million in the first six months of 2024, an effective rate of 17.9%, 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 increased to \$19.8 million in the first six months of 2025 from \$18.8 million in the first six months of 2024. The main reasons for the increase of \$1.0 million was primarily due to the increase in equity investment income of \$7.5 million, the decrease in the net foreign exchange loss of \$2.1 million, and the decrease in other expenses of \$1.0 million. Partially offsetting these increases to net income were the increase in administration expenses of \$3.0 million, the increase in income tax expense of \$2.7 million, the decrease in gross profit of \$1.6 million, which was a result of the increased Pollard iLottery operational costs related to Kansas start-up, the reduction in Michigan iLottery gross profit, lower licensed product margin and lower eTabs sales margins, partially offset by increased instant ticket and charitable gaming margins. In addition, the increase in selling expenses of \$1.3 million and the increase in interest expense of \$1.0 million further decreased net income.

Net income per share (basic and diluted) increased to \$0.73 and \$0.72 per share, respectively, in the six months ending June 30, 2025, as compared to \$0.70 and \$0.69 per share (basic and diluted) in the six months ending June 30, 2024.

## Joint Venture iLottery

Pollard and Neogames US LLP, a subsidiary of Aristocrat Interactive S.a r.l, ("Aristocrat") 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 Aristocrat 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 Aristocrat, 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)

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
<b>Sales – Pollard's share</b>									
Michigan iLottery	\$6.0	\$6.0	\$5.7	\$6.0	\$6.8	\$7.1	\$7.0	\$7.2	\$6.5
NPi	32.1	31.7	27.9	27.2	28.2	25.5	21.8	21.5	18.5
Combined iLottery sales	<u>\$38.1</u>	<u>\$37.7</u>	<u>\$33.6</u>	<u>\$33.2</u>	<u>\$35.0</u>	<u>\$32.6</u>	<u>\$28.8</u>	<u>\$28.7</u>	<u>\$25.0</u>
<b>Income before income taxes – Pollard's share</b>									
Michigan iLottery	\$1.8	\$1.6	\$1.3	\$0.7	\$2.1	\$2.7	\$2.5	\$2.8	\$1.8
NPi	17.7	16.2	12.6	13.6	14.1	12.2	11.0	11.1	8.8
Combined income before income taxes – Pollard's share	<u>\$19.5</u>	<u>\$17.8</u>	<u>\$13.9</u>	<u>\$14.3</u>	<u>\$16.2</u>	<u>\$14.9</u>	<u>\$13.5</u>	<u>\$13.9</u>	<u>\$10.6</u>

Throughout 2023 and 2024, and continuing into 2025, 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. Beginning in the third quarter of 2024, income before income taxes from Michigan iLottery was negatively impacted by lower sales and further negatively impacted by certain one-time higher processing costs in the third quarter of 2024.

## **Liquidity and Capital Resources**

### *Cash provided by operating activities*

For the six months ended June 30, 2025, cash flow provided by operating activities was \$0.7 million compared to cash flow provided by operating activities of \$34.0 million for the first six months of 2024. Changes in the non-cash working capital used \$33.7 million in cash compared to \$2.9 million provided in the first six months of 2024. For the six months ended June 30, 2025, changes in the non-cash working capital decreased cash flow from operations due primarily to increases in accounts receivable and inventories, partially offset by the increase in accounts payable and accrued liabilities. The increase in accounts receivable was in part due to the timing of certain customer payments, while the increase in inventories resulted from increased production of instant tickets in 2025.

For the six months ended June 30, 2024, changes in the non-cash working capital increased cash flow from operations due primarily to a decrease in accounts receivable and an increase to accounts payable and accrued liabilities, partially offset by increases to inventory and prepaid expenses.

Cash used for interest increased to \$5.9 million in 2025 as compared to \$4.9 million in 2024. Cash used for pension plan contributions decreased to \$1.1 million in 2025 as compared to \$1.9 million used in 2024. Cash used for income tax payments increased to \$18.4 million in 2025 from \$17.0 million in 2024. Partially offsetting these uses of cash, Pollard received \$32.0 million from our investment in our iLottery joint venture in 2025 as compared to \$26.4 million received in 2024.

### *Cash used for investing activities*

In the six months ended June 30, 2025, cash used for investing activities was \$43.3 million compared to cash used for investing activities of \$29.9 million in the first six months of 2024. In the six months ended June 30, 2025, Pollard used \$14.3 million on additions to intangible assets, \$14.2 million on capital expenditures, in part a result of the addition of our new ICON eTab machines for the charitable gaming market, and \$14.8 million related to the acquisition of Pacific. In the six months ended June 30, 2024, Pollard used \$13.2 million on additions to intangible assets, \$11.3 million on capital expenditures and \$5.4 million related to an acquisition of charitable gaming assets.

### *Cash provided by financing activities*

Cash provided by financing activities was \$36.8 million in the six months ended June 30, 2025, compared to cash used for financing activities of \$4.4 million in the six months ended June 30, 2024. During the first six months of 2025, cash was provided by net proceeds from long-term debt received of \$42.3 million. This cash inflow was partially offset by lease principal payments of \$2.8 million and \$2.7 million of dividend payments.

During the first six months of 2024, Pollard used cash for lease principal payments of \$2.7 million and \$2.4 million of dividend payments. These uses of cash were partially offset by proceeds received from share issuance of \$0.9 million.

As at June 30, 2025, Pollard had unused credit facility of \$96.5 million and \$15.7 million in available cash resources. These amounts, in addition to cash flow provided by operating activities, are available to be used for future working capital requirements, contractual obligations, capital expenditures, dividends and to assist in financing future acquisitions.

**Quarterly Information**

(unaudited)

(millions of dollars, except for per share amounts)

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Sales <sup>(1)</sup>	\$142.7	\$146.2	\$140.3	\$153.2	\$137.8	\$125.7	\$135.5	\$129.1	\$130.8
Adjusted EBITDA	29.2	30.6	25.2	33.3	32.3	23.7	25.7	24.8	22.1
Net income (loss)	8.0	11.7	(1.8)	18.2	11.9	6.9	11.3	7.7	7.5
Net income (loss) per share - basic	0.30	0.43	(0.07)	0.67	0.44	0.26	0.42	0.29	0.28

***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 June 30, 2025, Pollard's investment in non-cash working capital increased \$33.7 million compared to December 31, 2024, due primarily to increases in accounts receivable and inventories, partially offset by the increase in accounts payable and accrued liabilities. The increase in accounts receivable was in part due to the timing of certain customer payments, while the increase in inventories resulted from increased production of instant tickets in 2025.

	June 30, 2025	December 31, 2024
Working Capital	\$125.6	\$95.9
Total Assets	\$683.5	\$636.3
Total Non-Current Liabilities	\$202.1	\$167.2



### ***Credit Facility***

Pollard's credit facility was renewed effective December 31, 2024. The credit facility allows Pollard to reallocate capacity between its Canadian and U.S. operations. As at June 30, 2025, the facility provided loans of up to \$194.0 million for its Canadian operations and US\$67.2 million for its U.S. subsidiaries. The credit facility also includes an accordion feature which can increase the facility capacity by up to \$50.0 million. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of \$194.0 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 June 30, 2025, 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 \$96.5 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 June 30, 2025, 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 June 30, 2025, the outstanding letters of credit drawn on this facility were \$4.6 million (€2.9 million). As of December 31, 2024, the outstanding letters of credit drawn on this facility were \$13.4 million (€9.0 million).

### ***Outstanding Share Data***

As at June 30, 2025 and August 13, 2025, outstanding share data was as follows:

Common shares	27,067,669
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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 June 30, 2025, the total share options issued and outstanding were 500,000.

## **Contractual Obligations**

There have been no material changes to Pollard's contractual obligations since December 31, 2024, 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, 2024, 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, 2024.

## **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, 2024.

## **Related Party Transactions**

Pollard has not entered into any significant transactions with related parties during the six months ended June 30, 2025, 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, 2024.

## **Outlook**

Overall demand for our lottery and charitable gaming products and solutions remains positive. Retail sales of instant tickets in 2025 are slightly ahead of 2024, a positive trend after a period of flat sales in 2024.

Our instant ticket schedule for the third quarter is significantly higher than the previous actual production of the first two quarters in 2025, reflecting both the usual third quarter increase and the impact of customer timing moving orders from the first six months to the third quarter in 2025. We also anticipate a strong mix of higher average selling prices and higher valued product mix relative to the first six months of the year.

Charitable gaming demand remains steady with stronger growth in jurisdictions which allow regulated eTabs and newly opened jurisdictions. We are investing in additional gaming content and deploying our new state-of-the-art ICON eTab cabinets to address the expanding market for electronic charitable gaming.

Significant investments will continue to be made in developing additional features as part of our Catalyst™ iLottery platform and expanding gaming content of eInstants and eTabs, at levels consistent with the first half of 2025.

We will continue to monitor changes and trends occurring in international trade, tariffs and other protectionist trade policies, and ensure our operating practices are in place to minimize any potential financial impact.

Discussions with lotteries around iLottery opportunities continue and we are engaged in existing formal RFP processes, informal requests for information and other exploratory and educational discussions with a number of interested parties. The sales process including development, bidding and award, and contract finalization is a long cycle, and we anticipate some of these opportunities to come to some conclusions within the next few quarters.

As previously disclosed, subsequent to the end of the second quarter our 50% share of the New Hampshire iLottery contract ceased to be managed through our NeoPollard Interactive Joint Venture. The expected future impact on our financial results will not be material.

After a significant increase in our non-cash working capital in the first quarter due to the timing of certain transactions, our second quarter generated positive cash flow including a reduction in our non-cash working capital. Despite continuing large capital investments, we anticipate the third quarter will generate strong cash flow including a drawdown of our working capital investment.

We are very satisfied with the foundation built during the first six months of 2025 and look forward to seeing the financial results accrue in the next quarters. August 5<sup>th</sup>, 2025 marked the 20<sup>th</sup> anniversary of our initial public offering and over the last two decades we have seen significant changes in the lottery and charitable gaming markets. Pollard Banknote has also changed, expanding from our printed instant and pull-tab tickets to include the complete array of gaming products and solutions including eInstants, eTabs and iLottery platforms. What hasn't changed is Pollard's singular focus on being the partner of choice for the lottery and charitable gaming markets. Opportunities in iLottery, charitable gaming and improved instant ticket margins will be the foundation of continued profitable growth.

## **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.

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

No changes were made in Pollard's internal control over financial reporting during the six months ended June 30, 2025, 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](http://www.sedarplus.ca).

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