
**POLLARD BANKNOTE REPORTS
2ND QUARTER FINANCIAL RESULTS**

WINNIPEG, Manitoba, August 13, 2025 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and six months ended June 30, 2025.

Second Quarter Results and Highlights

- Revenue reached \$142.7 million, up 3.6% from the second quarter of last year.
- Combined sales⁽¹⁾ in the quarter, including our share of our NeoPollard Interactive LLC ("NPI") joint venture sales, reached \$174.8 million, up 5.3% from \$166.0 million in 2024.
- Adjusted EBITDA⁽¹⁾ attained \$29.2 million, 9.5% lower than the \$32.3 million earned in the second quarter of 2024.
- Income from operations achieved \$17.4 million, down 12.4% from \$19.9 million in the same quarter last year.
- The timing of certain customer instant ticket orders were moved to the 3rd quarter of 2025 impacting negatively on the second quarter margins.
- Our share of NeoPollard Interactive iLottery profits including our Michigan contract recorded record profit contributions of \$19.5 million, up 20.4% from the \$16.2 million earned in the second quarter of 2024.
- On April 1, 2025, Pollard completed the acquisition of Pacific Gaming, a leading supplier of electronic bingo equipment including handheld bingo devices.

(1) See Non-GAAP measures for explanation

"Our second quarter results build on the strong operational and financial performance experienced in the past few quarters," commented John Pollard, Co-Chief Executive Officer. "We made significant investments in expanding our charitable gaming group, including the acquisition of Pacific Gaming, and developing new game content and hardware. We also grew our eInstant game portfolio and added features to our Catalyst™ iLottery platform."

"Our financial results are similar to our first quarter of 2025, however revenue and Adjusted EBITDA were lower than the same quarter from 2024. Our average selling price for our instant tickets was approximately 8% higher than the second quarter of 2024 primarily due to the repricing of our contracts. However our instant ticket volumes and

margin generated this year were lower than those achieved last year due to the timing of customer orders and the mix of different products.”

“Consistent with historic results, we are expecting our third quarter ticket volumes to be significantly higher than volumes experienced in the first six months of 2025. In addition, our average selling prices for instant tickets are also anticipated to be higher in the third quarter reflecting a mix of higher value products produced in the run up to the holiday season in the fourth quarter.”

“Our Kansas iLottery operation completed its first full quarter and continues to meet all of our expectations. We continue to invest in growing the top line and expanding the available game content. As is typical with a startup iLottery operation, we will continue to absorb expected operating losses while the jurisdiction implements its marketing and player acquisition strategy over the next number of quarters.”

“Our eInstant game studio continues to grow with an expanded game portfolio and new implementations. During this past quarter we have debuted our eInstant games with Norsk Tipping (the Norwegian lottery), West Virginia Lottery and the Virginia Lottery. In addition, we have entered into a partnership with a leading independent third-party game designer to integrate their games into our existing platform, making it very easy and efficient to offer additional high consumer demand eInstant content through our Catalyst™ platform.”

“Contribution from our ancillary lottery products, including lottery management services, loyalty solutions and second-chance draws, was lower due to larger non-recurring revenue earned in the second quarter of 2024 and some lower pricing in newer contracts initiated in 2025.”

“Lottery management services is an important piece of our ancillary offerings, and we were excited to recently announce a new, three-year extension providing the warehousing and distribution solution for the Arizona Lottery, taking our contract until August 2029. This is an important component of our lottery offerings.”

“Overall our gross margin of 16.7% was lower than the comparative period in 2024 due in equal parts to lower eTab contributions, lower instant ticket margin and absorbing the start-up costs of the Kansas iLottery operation.”

“Our joint venture iLottery operations achieved a new quarterly record contributing \$19.5 million in the quarter,” stated Doug Pollard Co-Chief Executive Officer. “Very strong eInstants sales across a number of our contracts drove this growth. Our iLottery contracts serviced through our joint venture provide important recurring earnings and cashflow.”

“On April 1, 2025, we acquired Pacific Gaming, a leading supplier of electronic solutions to the charitable bingo market. Pacific Gaming provides a number of important offerings including one of the market leading positions in handheld electronic bingo devices. The

addition of these products allows us to continue to deliver a more complete product portfolio to address the needs of our charitable customers and underlines our commitment to this important market segment. The integration has gone very smoothly.”

“We continue to monitor the ever-changing environment of tariffs and other protectionist trade measures, and their potential financial and operating impact on Pollard. To date we remain confident that the overall structure of our businesses and processes will ensure no material impact on our organization. With significant manufacturing facilities established in both the U.S. and Canada, and supply chains primarily contained within individual countries, we are able to produce almost all the products we sell to our U.S. customers within the U.S. and produce almost all the products we sell to Canadian customer within Canada. The resilience of the Lottery and charitable gaming industries to withstand economic uncertainty provides additional support for our future financial and operational results.”

“The second quarter of 2025 was a very important one for Pollard Banknote,” concluded John Pollard, “as we continued our focus on investing for long-term growth. We are very excited about the opportunities in all areas of our business including instant tickets, eInstants, iLottery and charitable gaming including electronic eTabs. In particular we are confident that our third quarter will benefit from higher volumes of instant tickets and continued strength in our other business lines. We remain committed to our vision of being partner of choice and are very excited for the current and future opportunities that exist in both lottery and charitable gaming.”

Use of GAAP and Non-GAAP Financial Measures

The selected financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Pollard as at and for the three months ended June 30, 2025. These financial statements have been prepared in accordance with the IFRS Accounting Standards (“IFRS” or “GAAP”).

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.

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.

POLLARD BANKNOTE LIMITED

Pollard is one of the leading providers of products and solutions to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant 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.

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.

HIGHLIGHTS	Three months ended <u>June 30, 2025</u>	Three months ended <u>June 30, 2024⁽¹⁾</u>
Sales	\$ 142.7 million	\$ 137.8 million
Gross profit	\$ 23.9 million	\$ 29.2 million
<i>Gross profit % of sales</i>	16.7%	21.2%
Administration expenses	\$ 17.6 million	\$ 16.5 million
Selling expenses	\$ 6.5 million	\$ 5.7 million
NPi equity investment income	(\$ 17.7 million)	(\$ 14.1 million)
Unrealized foreign exchange loss	\$ 2.9 million	\$ 3.0 million
 Net income	 \$ 8.0 million	 \$ 11.9 million
 Net income per share – basic	 \$ 0.30	 \$ 0.44
Net income per share – diluted	\$ 0.29	\$ 0.43
 Adjusted EBITDA	 \$ 29.2 million	 \$ 32.3 million
	Six months ended <u>June 30, 2025</u>	Six months ended <u>June 30, 2024⁽¹⁾</u>
Sales	\$ 288.9 million	\$ 263.6 million
Gross profit	\$ 49.3 million	\$ 50.9 million
<i>Gross profit % of sales</i>	17.1%	19.3%
Administration expenses	\$ 34.9 million	\$ 31.9 million
Selling expenses	\$ 12.5 million	\$ 11.2 million
NPi equity investment income	(\$ 33.9 million)	(\$ 26.4 million)
Unrealized foreign exchange loss	\$ 3.3 million	\$ 5.3 million
 Net income	 \$ 19.8 million	 \$ 18.8 million
 Net income per share – basic	 \$ 0.73	 \$ 0.70
Net income per share – diluted	\$ 0.72	\$ 0.69
 Adjusted EBITDA	 \$ 59.8 million	 \$ 56.0 million

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

SELECTED FINANCIAL INFORMATION

(millions of dollars)

	Three months June 30, 2025 (unaudited)	Three months June 30, 2024 ⁽¹⁾ (unaudited)	Six months June 30, 2025 (unaudited)	Six months June 30, 2024 ⁽¹⁾ (unaudited)
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
Administration expenses	17.6	16.5	34.9	31.9
Selling expenses	6.5	5.7	12.5	11.2
Equity investment income	(17.7)	(14.1)	(33.9)	(26.4)
Other expenses	0.1	1.2	0.0	1.0
Income from operations	17.4	19.9	35.8	33.2
Foreign exchange loss	3.5	2.8	3.3	5.4
Interest expense	3.1	2.5	5.9	4.9
Income before income taxes	10.8	14.6	26.6	22.9
Income taxes				
Current	8.3	7.8	13.8	14.7
Deferred reduction	(5.5)	(5.1)	(7.0)	(10.6)
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

(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

Results of Operations – Three months ended June 30, 2025

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 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 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 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.

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 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.

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. 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 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 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, 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 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 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.

Results of Operations – Six months ended June 30, 2025

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 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 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 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.

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 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.

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 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 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, 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 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 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
Sales – Pollard's share									
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>
Income before income taxes – Pollard's share									
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.

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 5th, 2025 marked the 20th 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.

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