

POLLARD **banknote** limited

March 31, 2026

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

FOR THE THREE MONTHS ENDED MARCH 31, 2026

May 13, 2026

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three months ended March 31, 2026, is prepared as at May 13, 2026, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at March 31, 2026, and the audited consolidated financial statements of Pollard for the year ended December 31, 2025, and the notes therein. Results are reported in Canadian dollars and have been prepared in accordance with IFRS Accounting Standards ("GAAP" or "IFRS").

Forward-Looking Statements

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this document, such statements include such words as "may," "will," "expect," "believe," "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this document. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

Use of Non-GAAP Financial Measures

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

EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales are measures not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA, Adjusted EBITDA, Combined sales and Combined iLottery sales should not be construed as alternatives to net income or sales as determined in accordance with GAAP as an indicator of Pollard's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Basis of Presentation

The results of operations in the following discussions encompass the unaudited consolidated results of Pollard for the three months ended March 31, 2026. 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, one of the largest suppliers 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, including easySERV™. 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, hand-held electronic bingo devices, 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 April 1, 2025, Pollard acquired 100% of the business 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 by proceeds 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 months ended March 31, 2026.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

| | Three months ended March 31, 2026 | Three months ended March 31, 2025 |
|---|---|---|
| Revenue | \$141.7 | \$146.2 |
| Cost of sales | 125.1 | 120.8 |
| Gross profit | 16.6 | 25.4 |
| <i>Gross profit as a % of sales</i> | <i>11.7%</i> | <i>17.4%</i> |
| Administration expenses | 19.2 | 17.3 |
| <i>Administration expenses as a % of sales</i> | <i>13.5%</i> | <i>11.8%</i> |
| Selling expenses | 6.0 | 6.0 |
| <i>Selling expenses as a % of sales</i> | <i>4.2%</i> | <i>4.1%</i> |
| NPi equity investment income | (16.6) | (16.2) |
| <i>NPi equity investment income as a % of sales</i> | <i>(11.7%)</i> | <i>(11.1%)</i> |
| Net income | 3.5 | 11.7 |
| <i>Net income as a % of sales</i> | <i>2.5%</i> | <i>8.0%</i> |
| Adjusted EBITDA | 21.5 | 30.6 |
| <i>Adjusted EBITDA as a % of sales</i> | <i>15.2%</i> | <i>20.9%</i> |
| Net income per share (basic) | \$0.13 | \$0.43 |
| Net income per share (diluted) | \$0.13 | \$0.43 |
| | March 31, 2026 | December 31, 2025 |
| Total Assets | \$691.8 | \$695.9 |
| Total Non-Current Liabilities | \$174.4 | \$176.3 |

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

| | Three months ended March 31, 2026 | Three months ended March 31, 2025 |
|---|---|---|
| Net income | \$3.5 | \$11.7 |
| Adjustments: | | |
| Amortization and depreciation | 12.8 | 11.6 |
| Interest | 2.3 | 2.8 |
| Income taxes | 1.3 | 4.1 |
| EBITDA | 19.9 | 30.2 |
| Unrealized foreign exchange (gain) loss | (0.1) | 0.4 |
| Severance costs | 0.4 | — |
| ERP implementation costs | 1.3 | — |
| Adjusted EBITDA | \$21.5 | \$30.6 |

Product line breakdown of revenue

| | Three months ended March 31, 2026 | Three months ended March 31, 2025 |
|------------|---|---|
| Lottery | 71.1% | 73.5% |
| Charitable | 28.9% | 26.5% |

REVIEW OF OPERATIONS

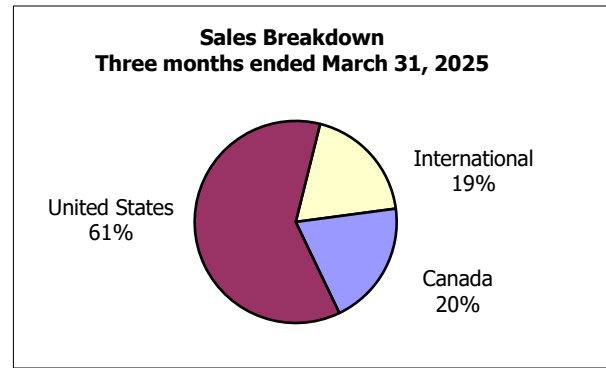
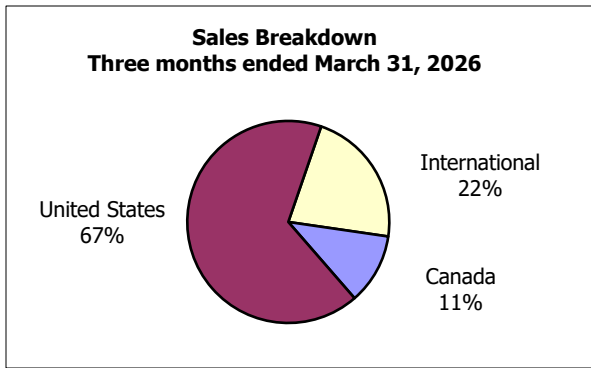
Financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Pollard and the selected financial information disclosed in this MD&A.

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2026

Revenue

During the three months ended March 31, 2026, Pollard achieved revenue of \$141.7 million, compared to \$146.2 million in the three months ended March 31, 2025. Factors impacting the \$4.5 million revenue decrease were:

- A lower instant ticket average selling price in the first quarter of 2026 decreased revenue by \$11.7 million as compared to 2025, primarily due to the change in customer mix and the decrease in proprietary product sales. Partially offsetting this decrease to revenue was the increase in instant ticket sales volumes of \$4.4 million as compared to 2025, however these incremental sales were at a lower average selling price.
- Higher sales of ancillary lottery products and services increased revenue in the first quarter of 2026 by \$3.4 million as compared to the first quarter of 2025. This growth was primarily due to increased digital sales, including Pollard's iLottery contracts with the Belgium and Kansas lotteries, and higher distribution related sales compared to 2025. Partially offsetting these increases in ancillary lottery sales was the decrease in sales of licensed products.
- Higher charitable gaming volumes increased revenue by \$2.4 million in the first quarter of 2026 as compared to the first quarter of 2025. This is predominately as a result of the acquisition of Pacific in the second quarter of 2025. In addition, the higher average selling price of charitable printed games further increased sales by \$0.4 million. Charitable eGaming ("eTab or eTabs") revenue further increased sales by \$1.8 million compared to 2025, with revenue generated in Minnesota reaching new records. New game content and a greater number of sites have driven revenue higher than the pre-regulatory change levels in 2024.
- Higher Michigan iLottery sales increased revenue in the first quarter of 2026 by \$0.2 million as compared to 2025.



During the three months ended March 31, 2026, Pollard generated approximately 74.5% (2025 – 68.3%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first quarter of 2026, the actual U.S. dollar value was converted to Canadian dollars at an average rate of \$1.365, compared to an average rate of \$1.449 during the first quarter of 2025. This 5.8% decrease in the U.S. dollar value resulted in an approximate decrease of \$6.5 million in revenue relative to the first quarter of 2025. In addition, during the quarter 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 quarter of 2025.

Cost of sales and gross profit

Cost of sales was \$125.1 million in the first quarter of 2026 compared to \$120.8 million in the first quarter of 2025. The increase of \$4.3 million in cost of sales was higher primarily the result of the additional costs associated with increased Pollard iLottery operations, including ramping up resources in preparation for the Belgium Lottery contract development efforts, and higher instant ticket production inefficiencies. Further increasing cost of sales in the first quarter of 2026 was the addition of Pacific. These increases to cost of goods sold were partially offset by the impact of lower exchange rates on U.S. dollar denominated expenses.

Gross profit was \$16.6 million (11.7% of sales) in the first quarter of 2026 compared to \$25.4 million (17.4% of sales) in the first quarter of 2025. The decrease of \$8.8 million in gross profit and the decrease in gross profit percentage were primarily the result of:

- Decreased instant ticket sales margins, largely as a result of the lower average instant ticket selling prices due to a significant shift in customer mix and production inefficiencies.
- Revenue related to the Belgium Lottery contract is recognized based on a percentage completion to date over the anticipated entire delivery effort. In the first quarter of 2026 we secured the needed talent in advance of the implementation of the development stage to ensure immediate deployment once planning and scoping with the customer was complete. As expected, this resulted in some costs being incurred without any revenue recognition but ensured a successful launch.
- Lower licensed product sales.

Factors partially offsetting the decrease in gross profit and gross profit percentage were:

- Higher print and eTab charitable sales positively impacted gross profit.
- The acquisition of Pacific positively impacted gross profit.

Administration expenses

Administration expenses were \$19.2 million in the first quarter of 2026 compared to \$17.3 million in the first quarter of 2025. The increase of \$1.9 million from the first quarter of 2025 was largely as a result of ERP implementation costs of \$1.3 million and the addition of Pacific administration costs.

Selling expenses

Selling expenses were \$6.0 million in the first quarter of 2026 similar to \$6.0 million in the first quarter of 2025.

Equity investment income

Pollard's share of income from its iLottery joint venture increased to \$16.6 million in the first quarter of 2026 from \$16.2 million in the first quarter of 2025. This \$0.4 million increase in the first quarter of 2026 was primarily due to the continued strong eInstants sales in North Carolina and Virginia, and higher Casino related sales in Alberta. These increases were partially offset by the expiry of a customer contract at the end of the second quarter of 2025.

Other expenses

Other expenses were \$0.4 million in the first quarter of 2026 compared to \$nil million in the first quarter of 2025. The increase of \$0.4 million was due to severance related costs incurred in 2026.

Foreign exchange

The net foreign exchange loss was \$0.5 million in the first quarter of 2026 compared to a net foreign exchange gain of \$0.3 million in the first quarter of 2025. The 2026 net foreign exchange loss of \$0.5 million resulted from a net unrealized foreign exchange gain of \$0.2 million, primarily as a result of the decreased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt, partially offset by the unrealized loss on U.S. dollar denominated accounts receivable and net intercompany receivables. In addition, Pollard incurred a realized foreign exchange loss of \$0.7 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2025 net foreign exchange gain of \$0.3 million consisted of an unrealized foreign exchange loss of \$0.4 million, primarily a result of the increased Canadian equivalent value of U.S. dollar denominated accounts payable and long-term debt due to the weakening of the Canadian dollar relative to the U.S. dollar, partially offset by the unrealized gain on U.S. dollar denominated accounts receivable. Offsetting the unrealized loss, Pollard experienced a realized foreign exchange gain of \$0.7 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 \$21.5 million in the first quarter of 2026 compared to \$30.6 million in the first quarter of 2025. The primary reasons for the \$9.1 million decrease in Adjusted EBITDA were the decrease in gross profit of \$7.6 million (net of amortization and depreciation), primarily due to lower instant ticket sales margins and increased digital development resource costs. Further reducing Adjusted EBITDA were the increase in administration expenses (net of ERP implementation costs) of \$0.2 million, and the increase in realized foreign exchange loss of \$0.5 million. Partially offsetting these decreases was the increase in equity investment income of \$0.4 million.

Interest expense

Interest expense decreased to \$2.3 million in the first quarter of 2026 from \$2.8 million in the first quarter of 2025, primarily as a result of the lower interest rates in the first quarter of 2026 as well as the reduction in average long-term debt outstanding as compared to 2025.

Amortization and depreciation

Amortization and depreciation totaled \$12.6 million during the first quarter of 2026 which increased from \$11.6 million during the first quarter of 2025. The increase of \$1.0 million was equally a result of increased depreciation of property, plant and equipment and the increase in amortization of intangible assets.

Income taxes

Income tax expense was \$1.3 million in the first quarter of 2026, an effective rate of 26.5%, 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 items, partially offset by the impact of withholding and other taxes.

Income tax expense was \$4.1 million in the first quarter of 2025, an effective rate of 25.6%, 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.

Net income

Net income decreased to \$3.5 million in the first quarter of 2026 compared to \$11.7 million in the first quarter of 2025. The primary reasons for the \$8.2 million decrease were due to the decrease in gross profit of \$8.8 million, principally as a result of lower instant ticket sales margins primarily due to lower average selling prices from the change in customer mix. Also reducing gross profit in the quarter was the delay of the Belgium Lottery contract revenue recognition. Further reducing net income were the increase in administration expenses of \$1.9 million, primarily as a result of the increased ERP implementation costs, the increase in net foreign exchange loss of \$0.8 million, and the increase in other expenses of \$0.4 million. Partially offsetting these decreases to net income were the decrease in the income tax expense of \$2.8 million, the decrease in interest expense of \$0.5 million and the increase in equity investment income of \$0.4 million.

Net income per share (basic and diluted) decreased to \$0.11 and \$0.11 per share, respectively, in the first quarter of 2026 from \$0.43 and \$0.43 per share (basic and diluted) in the first quarter of 2025.

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 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)

| | Q1 2026 | Q4 2025 | Q3 2025 | Q2 2025 | Q1 2025 | Q4 2024 | Q3 2024 | Q2 2024 | Q1 2024 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sales – Pollard’s share | | | | | | | | | |
| Michigan iLottery | \$5.8 | \$7.2 | \$6.6 | \$6.0 | \$6.0 | \$5.7 | \$6.0 | \$6.8 | \$7.1 |
| NPI | 33.7 | 34.2 | 31.0 | 32.1 | 31.7 | 27.9 | 27.2 | 28.2 | 25.5 |
| Combined iLottery sales | <u>\$39.5</u> | <u>\$41.4</u> | <u>\$37.6</u> | <u>\$38.1</u> | <u>\$37.7</u> | <u>\$33.6</u> | <u>\$33.2</u> | <u>\$35.0</u> | <u>\$32.6</u> |
| Income before profit share and income taxes – Pollard’s share | | | | | | | | | |
| Michigan iLottery | \$1.6 | \$2.2 | \$2.1 | \$1.8 | \$1.6 | \$1.3 | \$0.7 | \$2.1 | \$2.7 |
| NPI | 16.6 | 16.9 | 15.3 | 17.7 | 16.2 | 12.6 | 13.6 | 14.1 | 12.2 |
| Combined income before profit share and income taxes – Pollard’s share | <u>\$18.2</u> | <u>\$19.1</u> | <u>\$17.4</u> | <u>\$19.5</u> | <u>\$17.8</u> | <u>\$13.9</u> | <u>\$14.3</u> | <u>\$16.2</u> | <u>\$14.9</u> |

Throughout 2024 and 2025, and continuing into 2026, NPI’s contracts achieved strong organic growth, adding to sales and income before profit share and income taxes. Quarterly sales and income before taxes are positively impacted during quarters, including the fourth quarter of 2025, 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.

In the third quarter of 2025, NPI’s sales and net income before income taxes were negatively impacted by the expiry of a customer contract at the start of the quarter. In addition, a net foreign exchange loss further reduced NPI’s income in the quarter. In the second quarter of 2025, NPI’s net income before income taxes was positively impacted by a net foreign exchange gain.

Liquidity and Capital Resources

Cash provided by operating activities

For the three months ended March 31, 2026, cash flow provided by operating activities was \$2.8 million compared to cash flow used for operating activities of \$25.7 million for the first three months of 2025. Changes in the non-cash working capital used \$13.2 million in cash in 2026 compared to \$46.8 million used in the first three months of 2025. For the three months ended March 31, 2026, changes in the non-cash working capital decreased cash flow from operations due primarily to increases in contract assets and decreases in accounts payable and accrued liabilities. Partially offsetting these decreases was the decreases in accounts receivable.

For the three months ended March 31, 2025, changes in the non-cash working capital decreased cash flow from operations due primarily to increases in accounts receivable, inventories and prepaid expenses. Partially offsetting these decreases was the increase in accounts payable and accrued liabilities. The increase in accounts receivable was in part due to significant sales at the end of the quarter and the timing of certain customer payments, while the increase in inventories resulted from increased production of instant tickets in the quarter.

Cash used for interest was \$2.4 million in the first quarter of 2026 as compared to \$2.7 million in the first quarter of 2025. Cash used for pension plan contributions was \$0.6 million as compared to \$0.7 million in the first quarter of 2025. Cash used for income tax payments decreased to \$2.1 million in 2026 from \$7.9 million in 2025. Offsetting these uses of cash, Pollard received \$16.5 million from our investment in our iLottery joint venture in 2026 as compared to \$16.2 million received in 2025.

Cash used for investing activities

In the three months ended March 31, 2026, cash used for investing activities was \$12.5 million compared to cash used for investing activities of \$15.8 million in the first three months of 2025. In the three months ended March 31, 2026, Pollard used \$4.1 million on capital expenditures and \$8.5 million on additions to intangible assets. In the three months ended March 31, 2025, Pollard used \$8.9 million on capital expenditures and \$6.9 million on additions to intangible assets.

Cash used for financing activities

Cash used for financing activities was \$5.6 million in the three months ended March 31, 2026, compared to cash provided by financing activities of \$45.2 million in the three months ended March 31, 2025. During the first quarter of 2026, Pollard made long-term debt repayments of \$3.1 million, lease principal payments of \$1.6 million and \$1.4 million of dividend payments.

During the first quarter of 2025, cash was provided by net proceeds from long-term debt received of \$47.6 million. This cash inflow was partially offset by lease principal payments of \$1.3 million and \$1.4 million of dividend payments.

As at March 31, 2026, Pollard had unused credit facility of \$133.0 million and \$13.4 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.

Quarterly Information

(unaudited)

(millions of dollars, except for per share amounts)

| | Q1 2026 | Q4 2025 | Q3 2025 | Q2 2025 | Q1 2025 | Q4 2024 | Q3 2024 | Q2 2024 | Q1 2024 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue | \$141.7 | \$150.8 | \$156.3 | \$142.7 | \$146.2 | \$140.3 | \$153.2 | \$137.8 | \$125.7 |
| Adjusted EBITDA | 21.5 | 27.7 | 32.3 | 29.3 | 30.6 | 25.2 | 33.3 | 32.3 | 23.7 |
| Net income (loss) | 3.5 | 4.6 | 10.3 | 8.0 | 11.7 | (1.8) | 18.2 | 11.9 | 6.9 |
| Net income (loss) per share - basic | 0.13 | 0.17 | 0.38 | 0.30 | 0.43 | (0.07) | 0.67 | 0.44 | 0.26 |

Working Capital

Net non-cash working capital varies throughout the year based on the timing of individual sales transactions and other investments. The nature of the lottery industry is few individual customers who generally order large dollar value transactions. As such, the change in timing of a few individual orders can significantly impact the amount required to be invested in inventory or receivables at a particular period end. The high value, low volume of transactions results in some significant volatility in non-cash working capital, particularly during a period of changing volumes. Similarly, the timing of the completion of the sales cycle through collection can significantly impact non-cash working capital.

Instant tickets are produced specifically for individual clients resulting in a limited investment in finished goods inventory. Customers are predominantly government agencies, which result in regular payments. There are a limited number of individual customers, and therefore the net investment in working capital is managed on an individual customer by customer basis, without the need for company-wide benchmarks.

The overall impact of seasonality does not have a material impact on the carrying amounts in working capital.

As at March 31, 2026, Pollard's investment in non-cash working capital decreased \$13.2 million compared to December 31, 2025, due primarily to increases in contract assets and decreases in accounts payable and accrued liabilities. Partially offsetting these decreases was the decreases in accounts receivable.

| | March 31, 2026 | December 31, 2025 |
|-------------------------------|-------------------|----------------------|
| Working Capital | \$93.2 | \$100.6 |
| Total Assets | \$691.8 | \$695.9 |
| Total Non-Current Liabilities | \$174.4 | \$176.3 |

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 March 31, 2026, 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 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 March 31, 2026, 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 \$133.0 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including our debt service coverage ratio and debt to income before interest, income taxes, amortization, depreciation and certain other items ratio. As at March 31, 2026, 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 28, 2025, Pollard renewed its annual agreement with EDC. This agreement provides a €15.0 million facility whereby Pollard can issue qualifying letters of credit against the EDC facility. The facility is guaranteed by a general indemnity from Pollard. As of March 31, 2026, the outstanding letters of credit drawn on this facility were \$14.6 million (€9.0 million). As of December 31, 2025, the outstanding letters of credit drawn on this facility were \$14.5 million (€9.0 million).

Outstanding Share Data

As at March 31, 2026 and May 13, 2026, 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. On March 5, 2026 12,500 share options were forfeited. As at March 31, 2026, the total share options issued and outstanding were 537,500.

Contractual Obligations

There have been no material changes to Pollard's contractual obligations since December 31, 2025, 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, 2025, 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, 2025.

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, 2025.

Related Party Transactions

Pollard has not entered into any significant transactions with related parties during the three months ended March 31, 2026, 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, 2025.

Outlook

Retail sales of instant tickets remain steady overall and that is expected to continue, with ongoing opportunities to move to higher price-point tickets for Pollard to sell additional options commonly sold with higher value tickets. Our confirmed order volumes for the second and third quarters have increased from the comparable quarters last year by the amount of the additional volumes added under our new California primary supply contract. We expect this trend to continue through the end of 2026 and beyond. This customer mix, excluding the additional California volumes, is representative of our historical mix and average selling prices, including higher levels of specialized work.

The manufacturing challenges experienced in the first quarter are being addressed and we anticipate ongoing improvements in our margins as a result of these efforts.

The development phase work on Belgium contract has started in the second quarter and are expected to grow throughout 2026. Kansas is anticipated to continue to reduce its start-up losses throughout the year, as planned revenue initiatives are introduced and the player base grows. iLottery interest throughout the lottery market remains high.

In 2025 the eTab market was impacted by regulatory changes in Minnesota which significantly reduced revenue and margin for all suppliers. Our first quarter revenue levels in this jurisdiction have significantly exceeded the levels of 2025 and are higher than the historic levels achieved in 2024. Expanding game content and increasing our active sites are expected to continue to generate further positive results compared to prior years. Opportunities for new greenfield jurisdictions for eTabs are increasing.

Retail demand for printed charitable products and related ancillary products, like electronic bingo handsets and daubers, remains strong and is expected to continue in 2026. Our strategy of offering a complete portfolio of charitable solutions has provided opportunities to expand our market share and grow incremental sales with existing customers.

Our cashflow conversion from earnings remains strong and allows our ongoing CAPEX and new ERP solution to be funded internally. Our ERP project remains on schedule with some features now fully operational.

We continue to monitor the regulatory trade environment, including tariffs or other protectionist measures, to ensure our operations remain best positioned to minimize any potential financial impact.

Our eInstant game content portfolio continues to grow and is now featured in nine jurisdictions, generating significant visibility in the lottery market, and we look to lever our most successful titles such as Bacon me Crazy to expand into new jurisdictions. Game content throughout all of our product lines adds incremental profit potential, and resources are focused on the development of exciting new content for instant tickets, eTabs and other digital solutions.

Our first quarter results were significantly impacted by short-term factors primarily related to an unusually low volume and selling price mix of instant ticket sales, and unusually high rework costs. Our overall strategy remains sound. Our outlook for the remaining quarters of 2026 is very positive, based on a strong current schedule of instant ticket volumes and return to traditional customer mix, improving manufacturing efficiencies, increased work on our Belgium Lottery contract and growth in eTab sales and other charitable product revenue.

Disclosure Controls and Procedures

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") regarding the design of the disclosure controls and procedures. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the disclosure controls and procedures as defined in National Instrument 52-109 are designed appropriately and are effective at providing reasonable assurance of achieving the disclosure objectives.

Internal Controls over Financial Reporting

Under National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," issuers are required to document the conclusions of the Certifying Officers regarding the design of the internal controls over financial reporting. Management used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) as the control framework in designing its internal controls over financial reporting. Pollard's management, with the participation of the Certifying Officers of Pollard, has concluded that the design of the internal controls over financial reporting as defined in National Instrument 52-109 are designed appropriately and are effective at providing reasonable assurance of achieving the financial reporting objectives.

No changes were made in Pollard's internal control over financial reporting during the three months ended March 31, 2026, 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, 2025, is available on SEDAR+ at www.sedarplus.ca.

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