

Condensed Consolidated Interim Financial Statements of

**POLLARD BANKNOTE
LIMITED**

(unaudited)

Three months ended March 31, 2026

These condensed consolidated interim financial statements have not been audited or reviewed by the Company's independent external auditors, KPMG LLP.

Pollard Banknote Limited
Condensed Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
(unaudited)

	March 31, 2026	December 31, 2025
Assets		
Current assets		
Cash	\$ 13,373	\$ 28,460
Restricted cash	37,023	40,253
Accounts receivable (note 19)	81,187	82,049
Contract assets (note 12)	16,757	7,826
Inventories (note 6)	69,294	69,094
Prepaid expenses and deposits	16,501	16,254
Income taxes receivable	–	2,814
Total current assets	234,135	246,750
Non-current assets		
Long-term assets (note 7)	15,486	14,791
Property, plant and equipment	123,088	123,841
Equity investment (note 8)	1,586	1,584
Goodwill	127,466	126,597
Intangible assets	143,897	141,341
Deferred income taxes	39,765	32,149
Pension asset (note 10)	6,366	8,842
Total non-current assets	457,654	449,145
Total assets	\$ 691,789	\$ 695,895
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 127,028	\$ 134,849
Dividends payable	1,353	1,353
Income taxes payable	4,231	940
Current portion lease liabilities	5,719	5,870
Current portion contract liabilities (note 12)	2,560	3,135
Total current liabilities	140,891	146,147
Non-current liabilities		
Lease liabilities	10,590	11,644
Deferred income taxes	8,829	8,318
Long-term debt (note 9)	153,760	155,492
Contract liabilities (note 12)	36	104
Other non-current liabilities	1,183	789
Total non-current liabilities	174,398	176,347
Shareholders' equity		
Share capital (note 11)	152,196	152,196
Reserves	29,416	27,762
Retained earnings	194,888	193,443
Total shareholders' equity	376,500	373,401
Total liabilities and shareholders' equity	\$ 691,789	\$ 695,895

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Income
(In thousands of Canadian dollars, except for share amounts)
(unaudited)

	Three months ended March 31, 2026	Three months ended March 31, 2025
Revenue (note 12)	\$ 141,638	\$ 146,259
Cost of sales	125,080	120,830
Gross profit	16,558	25,429
Administration	19,182	17,313
Selling	5,990	5,961
Equity investment income (note 8)	(16,576)	(16,200)
Other expenses (note 13)	357	9
Income from operations	7,605	18,346
Finance costs (note 14)	2,834	2,824
Finance income (note 14)	–	(250)
Income before income taxes	4,771	15,772
Income taxes (note 15)		
Current	8,158	5,515
Deferred reduction	(6,895)	(1,473)
	1,263	4,042
Net income	\$ 3,508	\$ 11,730
Net income per share – basic (note 16)	\$ 0.13	\$ 0.43
Net income per share – diluted (note 16)	\$ 0.13	\$ 0.43

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars)
(unaudited)

	Three months ended March 31, 2026	Three months ended March 31, 2025
Net income	\$ 3,508	\$ 11,730
Other comprehensive income:		
Items that are or may be reclassified to profit and loss:		
Foreign currency translation differences – foreign operations	1,654	5,559
Items that will never be reclassified to profit and loss:		
Defined benefit plans remeasurements, net of income taxes (note 10 & note 15)	(835)	(2,118)
Other comprehensive income	819	3,441
Comprehensive income	\$ 4,327	\$ 15,171

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars)
(unaudited)

For the three months ended March 31, 2026

	Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2025	\$ 152,196	27,762	193,443	373,401
Net income	\$ –	–	3,508	3,508
Other comprehensive income (loss)				
Foreign currency translation differences – foreign operations	–	1,654	–	1,654
Defined benefit plans remeasurements, net of income taxes (note 10 & note 15)	–	–	(835)	(835)
Total other comprehensive income (loss)	\$ –	1,654	(835)	819
Total comprehensive income	\$ –	1,654	2,673	4,327
Issue of common shares	\$ –	–	–	–
Share based compensation	–	–	125	125
Dividends (note 11)	–	–	(1,353)	(1,353)
Balance at March 31, 2026	\$ 152,196	29,416	194,888	376,500

For the three months ended March 31, 2025

	Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2024	\$ 152,011	24,127	157,996	334,134
Net income	\$ –	–	11,730	11,730
Other comprehensive income (loss)				
Foreign currency translation differences – foreign operations	–	5,559	–	5,559
Defined benefit plans remeasurements, net of income taxes	–	–	(2,118)	(2,118)
Total other comprehensive income (loss)	\$ –	5,559	(2,118)	3,441
Total comprehensive income	\$ –	5,559	9,612	15,171
Issue of common shares	\$ 185	–	(53)	132
Share based compensation	–	–	116	116
Dividends	–	–	(1,353)	(1,353)
Balance at March 31, 2025	\$ 152,196	29,686	166,318	348,200

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited
Condensed Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
(unaudited)

	Three months ended March 31, 2026	Three months ended March 31, 2025
Cash increase (decrease)		
Operating activities		
Net income	\$ 3,508	\$ 11,730
Adjustments		
Income taxes expense	1,263	4,042
Amortization and depreciation	12,608	11,583
Interest expense (note 14)	2,335	2,824
Unrealized foreign exchange (gain) loss	(196)	377
Equity investment income (note 8)	(16,576)	(16,200)
Pension expense	1,978	1,990
Interest paid	(2,381)	(2,691)
Income taxes paid	(2,098)	(7,917)
Equity investment distribution (note 8)	16,516	16,228
Pension contributions	(608)	(654)
Change in long-term assets	(416)	(412)
Change in non-cash equity investment (note 8)	85	110
Change in non-cash operating working capital (note 17)	(13,246)	(46,756)
	2,772	(25,746)
Investing activities		
Additions to property, plant and equipment	(4,053)	(8,922)
Additions to intangible assets	(8,473)	(6,854)
	(12,526)	(15,776)
Financing activities		
Net proceeds from issue of share capital	–	132
Net (repayments) borrowings of long-term debt	(3,068)	47,621
Change in other non-current liabilities	391	215
Deferred financing charges paid	–	(56)
Lease principal payments	(1,550)	(1,341)
Dividends paid	(1,353)	(1,353)
	(5,580)	45,218
Foreign exchange gain on cash held in foreign currency	247	69
Change in cash position	(15,087)	3,765
Cash position, beginning of period	28,460	22,360
Cash position, end of period	\$ 13,373	\$ 26,125

See accompanying notes to condensed consolidated interim financial statements.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

1. Reporting entity:

Pollard Banknote Limited ("Pollard") was incorporated under the laws of Canada on March 26, 2010. The address of Pollard's registered office is 140 Otter Street, Winnipeg, Manitoba, Canada, R3T 0M8.

The condensed consolidated interim financial statements of Pollard as at and for the three months ended March 31, 2026, comprise Pollard, Pollard's subsidiaries and its interest in other entities. Pollard is primarily involved in the manufacture and sale of lottery and charitable gaming products and solutions.

Pollard is controlled by JSP Equities Limited, Park Equities Limited and Oak Equities Limited (collectively, the "Control Group") who together own approximately 63.9% of Pollard's outstanding shares and have entered into a shareholders' agreement in which the parties have agreed to vote their common shares in the same manner, collectively, as a single block.

Pollard's consolidated financial statements as at and for the year ended December 31, 2025, are available at www.sedarplus.ca.

The overall impact of seasonality does not have a significant impact on the operations of Pollard.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual consolidated financial statements.

On May 13, 2026, Pollard's Board of Directors approved these condensed consolidated interim financial statements.

(b) Basis of preparation:

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- The pension asset is recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation determined using acceptable actuarial practices.
- The contingent consideration liability is recognized at the present value of the expected payments to be made under the agreement.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

2. Basis of preparation (continued):

These statements are presented in Canadian dollars, Pollard's functional currency, and all values are rounded to the nearest thousand (except share and per share amounts) unless otherwise indicated.

Certain comparative figures for the prior period have been reclassified to conform to the presentation adopted in the current period.

(c) Use of estimates and judgments:

The preparation of condensed consolidated interim financial statements in conformity with IFRS Accounting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying Pollard's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements at and for the year ended December 31, 2025.

3. Accounting standards implemented in 2026:

Except for the accounting policy described below, these condensed consolidated interim financial statements follow the same material accounting policies as described and used in Pollard's consolidated financial statements for the year ended December 31, 2025 and should be read in conjunction with these statements.

IFRS 9 – Amendments to the Classification and Measurement of Financial Instruments

On May 30, 2024, the International Accounting Standards Board ("IASB") issued *Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7*.

The amendments provide clarity on how to classify financial assets with environmental, social and corporate governance ("ESG") and similar features, by introducing an additional test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments also provide clarity as to when a company can derecognize financial liabilities that are settled through electronic payments offering an accounting policy option to allow for the derecognition of a financial liability before the delivery of cash on the settlement date if specified criteria are met.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

3. Accounting standards implemented in 2026 (continued):

The amendments are effective for annual periods beginning on or after January 1, 2026. Pollard has determined that the amendments have not had a material impact on its condensed consolidated interim financial statements.

4. Future accounting standards:

IFRS 18 – Presentation and Disclosure in the Financial Statements

On April 9, 2024, the IASB issued *IFRS 18 Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. IFRS 18 replaces *IAS 1 Presentation of Financial Statements*. It carries forward many requirements from IAS 1 unchanged.

The new accounting standard introduces significant changes to the structure of a company's statement of income, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures') and less aggregation of items into large, single numbers. The new accounting standard needs to be applied retrospectively.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Pollard is currently assessing the impact of the new accounting standard on its condensed consolidated interim financial statements.

5. Acquisitions:

Pacific Gaming, LLC and LIF Capital Group, LLC

On April 1, 2025, Pollard acquired 100% of the business of Pacific Gaming, LLC and LIF Capital Group, LLC (collectively "Pacific"), a manufacturer of 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. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities have been based on management's best estimates and valuation techniques as at April 1, 2025, the acquisition date.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

5. Acquisitions (continued):

Cash paid, net of cash acquired of \$104	\$	14,538
Accounts receivable	\$	630
Inventories		403
Property, plant and equipment		2,741
Accounts payable and accrued liabilities		(78)
Lease liabilities		(423)
Net tangible assets acquired	\$	3,273
Customer relationships	\$	3,528
Technology		1,757
Brand		518
Identifiable intangible assets acquired	\$	5,803
Goodwill acquired	\$	5,462

The goodwill acquired is largely attributable to the assembled workforce and the expected revenue synergies and cost savings after integration of Pacific with Pollard. This goodwill is expected to be deductible for tax purposes.

At March 31, 2026, the acquisition accounting was finalized.

6. Inventories:

	March 31, 2026	December 31, 2025
Raw materials	\$ 33,892	\$ 31,509
Work-in-process	4,372	3,951
Finished goods	31,030	33,634
	\$ 69,294	\$ 69,094

During the first quarter of 2026, Pollard recorded within cost of sales inventory write-downs of \$146 representing an increase in the obsolescence reserves, and reversal of previous write-downs of \$90 due to changes in foreign exchange rates.

During the first quarter of 2025, Pollard recorded within cost of sales inventory write-downs of \$347 representing an increase in the obsolescence reserves, and reversal of previous write-downs of \$27 due to changes in foreign exchange rates.

The cost of sales reflects the costs of inventory, which includes direct material, direct labour and manufacturing overheads, and direct digital costs which includes direct labour, payment processing costs and hosting costs.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

7. Long-term assets:

		March 31, 2026		December 31, 2025
Contract assets (note 12)	\$	8,721	\$	8,253
Investment tax credits		5,604		5,454
Other long-term receivables		1,161		1,084
	\$	15,486	\$	14,791

Contract assets included in long-term assets consist of consideration payable, and upfront credits to customers that are not attributable to a distinct good or service and will be recognized as a reduction in the transaction price of future performance obligations.

8. Equity investment:

NeoPollard Interactive, LLC ("NPI")

Pollard, in conjunction with NeoGames US, LLP, operates NPI. The entity was established to provide iLottery services in the United States and Canada, excluding the Michigan Lottery.

		Three months ended March 31, 2026		Three months ended March 31, 2025
Investment in equity accounted entity				
Balance, beginning of period	\$	1,584	\$	415
Investment distribution		(16,516)		(16,228)
Equity income		16,576		16,200
Non-cash change in investment value		(85)		(110)
Effects of movements in exchange rates		27		(57)
Balance, end of period	\$	1,586	\$	220

		March 31, 2026		December 31, 2025
Net Assets				
Current assets	\$	50,940	\$	67,332
Non-current assets		3,670		3,721
Total	\$	54,610	\$	71,053
Current liabilities	\$	51,016	\$	67,410
Total	\$	51,016	\$	67,410
Net assets – 100%	\$	3,594	\$	3,643
Attributable to Pollard – 50%	\$	1,797	\$	1,822
Elimination of unrealized profit on downstream revenue		(211)		(238)
Carrying amount of investment	\$	1,586	\$	1,584

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

8. Equity investment (continued):

At March 31, 2026, included in the current assets of NPi is restricted cash relating to amounts held on behalf of iLottery customers of \$15,693 (December 31, 2025 – \$26,643). There is an offsetting liability included in current liabilities.

	Three months ended March 31, 2026	Three months ended March 31, 2025
Interest in equity accounted entity		
Revenue – 100%	\$ 67,465	\$ 63,372
Revenue – attributable to Pollard – 50%	\$ 33,732	\$ 31,686
Comprehensive income – 100%	\$ 32,930	\$ 32,181
Comprehensive income – attributable to Pollard ⁽¹⁾	\$ 16,576	\$ 16,200

(1) Comprehensive income attributable to Pollard is greater than 50% due to services provided to NPi by Pollard. Pollard's share of these transactions is eliminated upon consolidation.

At March 31, 2026, included in accounts receivable in the condensed consolidated statements of financial position is a net amount owed from NPi of \$1,051 (December 31, 2025 – \$3,282).

During the three month period ended March 31, 2026, Pollard provided services to NPi totaling \$1,598 (2025 - \$1,556), which are recorded in revenue.

Michigan iLottery

Pollard and NeoGames US, LLP operate the iLottery operation for the Michigan Lottery under a separate joint operating agreement. Pollard recognizes its interest in the joint operation by including its assets, including its 50% share of any assets held jointly, its liabilities, including its 50% share of any liabilities incurred jointly and its 50% share of revenue and expenses.

9. Long-term debt:

	March 31, 2026	December 31, 2025
Credit facility, interest of 4.0% to 5.2% payable monthly, maturing 2028	\$ 154,319	\$ 156,145
Deferred financing charges, net of amortization	(559)	(653)
	\$ 153,760	\$ 155,492

(a) Credit facility:

Effective December 31, 2024, Pollard renewed its credit facility. The credit facility allows Pollard to reallocate capacity between its Canadian and U.S. operations.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

9. Long-term debt (continued):

As at March 31, 2026, the facility provided loans of up to \$194,000 for its Canadian operations and US\$67,164 for its U.S. subsidiaries.

The credit facility also includes an accordion feature which can increase the facility capacity up to \$50,000. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of \$194,000 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 \$76 (December 31, 2025 – \$75).

Included in the total credit facility balance is a U.S. dollar denominated balance of US\$62,100 (December 31, 2025 – US\$62,100). As of March 31, 2026, Pollard had unused credit facility available of \$132,963 (December 31, 2025 – \$129,795).

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.

(b) Economic Development Canada ("EDC") facility:

Effective November 28, 2025, Pollard renewed its annual agreement with EDC. This agreement provides a €15,000 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 \$14,551 (€9,038). As of December 31, 2025, the outstanding letters of credit drawn on this facility were \$14,537 (€9,029).

10. Pension asset:

During the three month period ended March 31, 2026, Pollard recorded a remeasurement loss of \$835 (net of \$300 of income tax) on its defined pension plans. The remeasurement loss resulted from lower than expected returns on plan asset investments, which was partially offset by an increase in the discount rate.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

10. Pension asset (continued):

During the three month period ended March 31, 2025, Pollard recorded a remeasurement loss of \$2,118 (net of \$773 of income tax) on its defined pension plans. The remeasurement loss resulted from lower than expected returns on plan asset investments and a decrease in the discount rate.

11. Share capital:

	Shares		Amount
Authorized			
Unlimited common shares			
Unlimited preferred shares			
Issued			
Balance at January 1, 2025	27,061,419	\$	152,011
Stock options exercised	6,250		185
Balance at December 31, 2025 and March 31, 2026	27,067,669	\$	152,196

Dividends

Dividends are paid on the common shares within 15 days of the end of each quarter and are fully discretionary, as determined by the Board of Directors of Pollard.

On March 10, 2026, a dividend of \$0.05 per share was declared, payable on April 15, 2026, to the shareholders of record on March 31, 2026.

Stock option issuance

During the quarter ended March 31, 2026, the following share options were granted:

Option grant date		March 13, 2026
Fair value at grant date	\$	7.21
Number of options granted		25,000
Share price	\$	18.60
Exercise price	\$	18.60
Exercise price determination date		March 12, 2026
Expected volatility		45.8%
Option life (expected weighted average life)		4.75 years
Risk-free interest rate (based on Canadian government bonds)		2.8% to 3.0%

The grant date fair value of these options was determined based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

12. Revenue and contract balances:

In the following tables, revenue from contracts with customers are disaggregated by geographical segment and product line:

Revenue – geographical segment	Three months ended March 31, 2026	Three months ended March 31, 2025
Canada	\$ 16,056	\$ 28,916
United States	94,378	90,041
International	31,204	27,302
Total	\$ 141,638	\$ 146,259

Revenue – product lines	Three months ended March 31, 2026	Three months ended March 31, 2025
Lottery	\$ 100,685	\$ 107,501
Charitable	40,953	38,758
Total	\$ 141,638	\$ 146,259

The following tables provide information about receivables, contract assets and contract liabilities from contracts with customers:

Contract balances	March 31, 2026	December 31, 2025
Trade receivables, which are included in accounts receivable	\$ 66,527	\$ 65,920
Contract assets	16,757	7,826
Contract assets, which are included in long-term assets	8,721	8,253
Contract liabilities	2,596	3,239

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

12. Revenue and contract balances (continued):

	Three months ended		Three months ended	
	March 31, 2026		March 31, 2025	
Contract liabilities				
Balance, beginning of period	\$	3,239	\$	4,911
Increases due to cash received		1,188		664
Revenue recognized		(1,829)		(2,319)
Effect of movement in exchange rates		(2)		20
Balance, end of period		2,596		3,276
Less: current portion		(2,560)		(2,885)
	\$	36	\$	391

13. Other expenses:

	Three months ended		Three months ended	
	March 31, 2026		March 31, 2025	
Severance related costs	\$	359	\$	–
Other (income) expense		(2)		9
	\$	357	\$	9

14. Finance costs and finance income:

	Three months ended		Three months ended	
	March 31, 2026		March 31, 2025	
Finance costs				
Interest	\$	2,335	\$	2,824
Foreign exchange loss		499		–
	\$	2,834	\$	2,824

	Three months ended		Three months ended	
	March 31, 2026		March 31, 2025	
Finance income				
Foreign exchange gain	\$	–	\$	250
	\$	–	\$	250

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

15. Income taxes:

	Three months ended March 31, 2026		Three months ended March 31, 2025	
Reconciliation of effective tax rate				
Net income for the period	\$	3,508	\$	11,730
Total income tax expense		1,263		4,042
Income before income taxes	\$	4,771	\$	15,772
Income tax using Pollard's domestic tax rate	27.0%	\$ 1,288	27.0%	\$ 4,258
Effect of tax rates in foreign jurisdictions	(16.2%)	(773)	(5.1%)	(800)
Effect of non-taxable amounts	(5.2%)	(246)	(0.1%)	(6)
Effect of (non-taxable) non-deductible items related to foreign exchange	(9.1%)	(436)	3.7%	578
Withholding and other taxes	28.3%	1,350	0.0%	–
Other items	1.7%	80	0.1%	12
	26.5%	\$ 1,263	25.6%	\$ 4,042

16. Net income per share:

	Three months ended March 31, 2026		Three months ended March 31, 2025	
Net income attributable to shareholders	\$	3,508	\$	11,730
Weighted average number of shares – basic		27,067,669		27,064,227
Effect of potential dilutive stock options		1,095		57,141
Weighted average number of shares – diluted		27,068,764		27,121,368
Net income per share – basic	\$	0.13	\$	0.43
Net income per share – diluted	\$	0.13	\$	0.43

Excluded in the diluted earnings per share calculation at March 31, 2026 were 475,000 (2025 – 25,000) outstanding options where the options' exercise prices were greater than the average market price of the shares for the period.

Outstanding options that had exercise prices lower than the average market price of the shares for the period were included in the calculation of diluted earnings per share using the treasury stock method.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

17. Supplementary cash flow information:

	Three months ended March 31, 2026	Three months ended March 31, 2025
Change in non-cash operating working capital:		
Accounts receivable	\$ 2,120	\$ (40,284)
Contract assets	(8,957)	(974)
Inventories	196	(4,835)
Prepaid expenses and deposits	(254)	(1,360)
Accounts payable and accrued liabilities	(5,710)	2,352
Current portion contract liabilities	(641)	(1,655)
	\$ (13,246)	\$ (46,756)

18. Related party transactions:

The Control Group and affiliates

During the quarter ended March 31, 2026, Pollard paid property rent of \$587 (2025 – \$595) and \$165 (2025 – \$165) in plane charter costs to affiliates of the Control Group.

During the quarter, the Control Group paid Pollard \$19 (2025 – \$19) for accounting and administration fees.

At March 31, 2026, included in accounts payable and accrued liabilities is an amount owing to the Control Group and its affiliates for rent, expenses and other items of \$104 (December 31, 2025 – \$103).

Included within property, plant and equipment and lease liabilities on the condensed consolidated statements of financial position are right-of-use assets and corresponding liabilities for premises leased to Pollard from the Control Group. As at March 31, 2026, the net book value of the right-of-use assets was \$4,436 (December 31, 2025 – \$4,918) and the present value of the lease liabilities was \$4,815 (December 31, 2025 – \$5,286).

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors and the Executive Committee are considered key management personnel.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

18. Related party transactions (continued):

Key management personnel compensation comprised:

	Three months ended March 31, 2026	Three months ended March 31, 2025
Salaries, incentives and benefits	\$ 1,620	\$ 1,029
Share based compensation	192	152
Expenses related to defined benefit pension plans	249	176
	<u>\$ 2,061</u>	<u>\$ 1,357</u>

As at March 31, 2026, key management personnel of Pollard, as a group, beneficially owned or exercised control or direction over 17,400,895 common shares of Pollard.

19. Financial risk management:

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

Credit risk
Liquidity risk
Currency risk
Interest rate risk

Pollard's risk management policies are established to identify and analyze the risks, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with Pollard's risk management policies and procedures.

The Audit Committee is assisted in its oversight role by Internal Audit, who undertakes regular reviews of risk management controls and utilizes the annual risk assessment process as the basis for the annual internal audit plan.

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

19. Financial risk management (continued):

Credit risk

The following table outlines the details of the aging of Pollard's receivables and the related allowance for losses:

	March 31, 2026	December 31, 2025
Current	\$ 77,161	\$ 77,342
Past due for 1 to 60 days	3,712	2,865
Past due for more than 60 days	854	2,370
Less: allowance for losses	(540)	(528)
	\$ 81,187	\$ 82,049

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due. Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The estimated 2026 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities and the unused portion of Pollard's credit facility. Pollard enters into contractual obligations in the normal course of business operations.

Currency risk

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

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. At March 31, 2026, the amount of financial liabilities denominated in U.S. dollars exceeded the amount of financial assets denominated in U.S. dollars by approximately \$12,293 (December 31, 2025 – \$2,931). A 50 basis point weakening/strengthening in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease/increase in income before taxes of approximately \$61 for the three months ended March 31, 2026 (2025 – \$166).

Pollard Banknote Limited

Notes to Condensed Consolidated Interim Financial Statements (continued)

(In thousands of Canadian dollars, except where otherwise noted and for share amounts)

(unaudited)

19. Financial risk management (continued):

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

Interest rate risk

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

A 50 basis point decrease/increase in interest rates would result in an increase/decrease in income before income taxes of approximately \$193 for the three months ended March 31, 2026 (2025 – \$249).