June 30, 2026

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026

August 12, 2026

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the three and six months ended June 30, 2026, is prepared as at August 12, 2026, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements of Pollard and the notes therein as at June 30, 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 International Financial Reporting Standards ("GAAP" or "IFRS").

Forward-Looking Statements

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

Use of Non-GAAP Financial Measures

Reference to "EBITDA" is to earnings before interest, income taxes, depreciation, amortization and purchase accounting amortization, 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 consultant transfer costs, 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 and six months ended June 30, 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 supplier of iLottery solutions to the U.S. lottery market.

Pollard produces and provides a comprehensive line of instant tickets and lottery products and services including: licensed products, distribution, SureTrack® lottery management system, marketing, interactive digital gaming, including mkodo's world class game apps and GeoLocs™, PlayOn™ loyalty programs, retail management services, ScanACTIV™, easyVEND™, lottery ticket dispensers and play stations and vending machines, 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.

Acquisitions

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

Tariffs

The ever-changing protectionist trade measures including tariffs and counter tariffs continue to dominate the current economic landscape. While we remain optimistic we have the structure, supply chain flexibility and business processes in place to mitigate material impacts to our business, we continue to assess changes to the measures being implemented and how to best minimize their impact. The structure of our business, with significant manufacturing facilities and other businesses already established in both the U.S. and Canada, will help mitigate challenges with cross border activity and significant impacts on our financial results. We will continue to assess both the short-term and long-term impacts and necessary countermeasures that can be undertaken to reduce the potential negative impacts. In addition, historically the lottery and charitable gaming markets we participate in have been generally resilient to any negative effects of economic downturns, should the overall economic environment be impacted negatively by these ongoing trade challenges.

The following financial information should be read in conjunction with the accompanying unaudited consolidated financial statements of Pollard and the notes therein as at and for the three and six months ended June 30, 2026.

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share information)

	Three months ended June 30, 2026	Three months ended June 30, 2025[1]	Six months ended June 30, 2026	Six months ended June 30, 2025[1]
Revenue	$154.8	$142.7	$296.5	$288.9
Cost of sales	126.8	118.8	251.9	239.6
Gross profit	28.0	23.9	44.6	49.3
Gross profit as a % of revenue	*18.1%*	*16.7%*	*15.0%*	*17.1%*
Administration expenses	19.4	17.6	38.6	34.9
Administration expenses as a % of revenue	*12.5%*	*12.3%*	*13.0%*	*12.1%*
Selling expenses	6.5	6.5	12.5	12.5
Selling expenses as a % of revenue	*4.2%*	*4.6%*	*4.2%*	*4.3%*
NPi equity investment income	(15.0)	(17.7)	(31.6)	(33.9)
NPi equity investment income as a % of revenue	*(9.7%)*	*(12.4%)*	*(10.7%)*	*(11.7%)*
Unrealized foreign exchange loss[2]	0.8	2.9	0.7	3.3
Unrealized foreign exchange loss as a % of revenue	*0.5%*	*2.0%*	*0.2%*	*1.1%*
Net income	8.7	8.0	12.2	19.8
Net income as a % of revenue	*5.6%*	*5.6%*	*4.1%*	*6.9%*
Adjusted EBITDA	31.1	29.2	52.6	59.8
Adjusted EBITDA as a % of revenue	*20.1%*	*20.5%*	*17.7%*	*20.7%*
Net income per share (basic)	$0.32	$0.30	$0.45	$0.73
Net income per share (diluted)	$0.32	$0.30	$0.45	$0.73

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

(2) Includes amounts from equity investment.

	June 30, 2026	December 31, 2025
Total Assets	$758.3	$695.9
Total Non-Current Liabilities	$198.3	$176.3

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

(millions of dollars)

	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Net income	$8.7	$8.0	$12.2	$19.8
Adjustments:				
Amortization and depreciation[1]	13.2	12.3	26.0	23.9
Interest	2.4	3.1	4.7	5.9
Income taxes	3.7	2.8	5.0	6.8
EBITDA	$28.0	$26.2	$47.9	$56.4
Unrealized foreign exchange loss[1]	0.8	2.9	0.7	3.3
Consultant transfer costs	1.8	0.0	1.8	0.0
ERP implementation costs	0.5	0.0	1.8	0.0
Severance costs	0.0	0.0	0.4	0.0
Acquisition costs	0.0	0.1	0.0	0.1
Adjusted EBITDA	$31.1	$29.2	$52.6	$59.8

Product line breakdown of revenue

	Three months ended June 30, 2026	Three months ended June 30, 2025[2]	Six months ended June 30, 2026	Six months ended June 30, 2025[2]
Lottery	72.2%	71.6%	71.6%	72.6%
Charitable	27.8%	28.4%	28.4%	27.4%

(1) Includes amounts from equity investment.

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

REVIEW OF OPERATIONS

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

ANALYSIS OF RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2026

Revenue

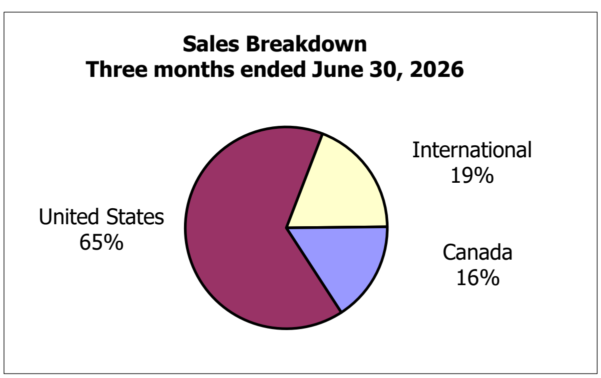
During the three months ended June 30, 2026, Pollard achieved revenue of $154.8 million, compared to $142.7 million in the three months ended June 30, 2025. Factors impacting the $12.1 million revenue increase were:

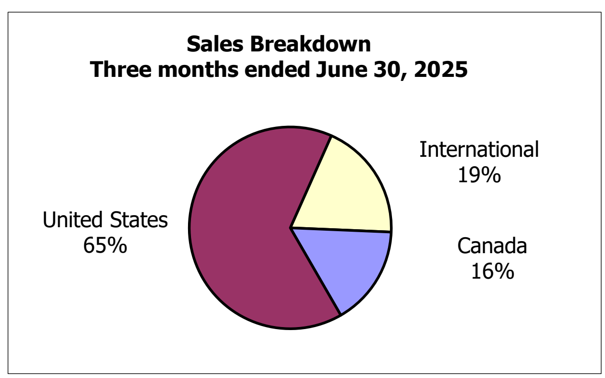
- Higher instant ticket sales volumes increased revenue by $3.3 million as compared to the second quarter of 2025. In addition, the higher instant ticket average selling price in the second quarter of 2026 further increased revenue by $0.8 million as compared to 2025, primarily due to the change in customer mix.

- Higher sales of ancillary lottery products and services increased revenue in the second quarter of 2026 by $5.3 million as compared to 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. Partially offsetting these increases in ancillary lottery sales were the decreases in the sales of retail solutions and licensed products.

- Higher charitable gaming print volumes increased revenue by $0.7 million in the second quarter of 2026 as compared to the second quarter of 2025. In addition, the higher average selling price of charitable printed games further increased revenue by $0.2 million. Charitable eGaming ("eTab or eTabs") revenue further increased revenue by $2.2 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 revenue increased revenue in the second quarter of 2026 by $0.6 million as compared to 2025.





During the three months ended June 30, 2026, Pollard generated approximately 69.0% (2025 – 71.3%) 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 2026, the actual U.S. dollar value was converted to Canadian dollars at

$1.377, compared to a rate of $1.395, in the second quarter of 2025. This 1.3% decrease in the U.S. dollar value resulted in an approximate decrease of $1.4 million in revenue relative to the second quarter of 2025. Also during the quarter, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $0.4 million in revenue relative to the second quarter of 2025.

Cost of sales and gross profit

Cost of sales was $126.8 million in the second quarter of 2026 compared to $118.8 million in the second quarter of 2025. The increase of $8.0 million in cost of sales was primarily the result of the additional costs associated with higher instant ticket volumes and increased Pollard iLottery operations, including ramping up resources in preparation for the Belgium Lottery contract development efforts. 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 increased to $28.0 million (18.1% of sales) in the second quarter of 2026 from $23.9 million (16.7% of sales) in the second quarter of 2025. The increase of $4.1 million in gross profit and the increase in gross profit percentage were primarily as a result of:

- Increased instant ticket sales margins, largely as a result of the higher volumes.
- Higher eTab charitable sales positively impacting gross profit.
- Increased margin recognized on the Belgium Lottery contract as efforts transitioned into development efforts in the second quarter of 2026.

Administration expenses

Administration expenses were $19.4 million in the second quarter of 2026 compared to $17.6 million in the second quarter of 2025. The increase of $1.8 million was largely a result of increased compensation costs, as well as higher professional fees and ERP implementation costs.

Selling expenses

Selling expenses were $6.5 million in the second quarter of 2026 similar to $6.5 million in the second quarter of 2025.

Equity investment income

Pollard's share of income from its iLottery joint venture decreased to $15.0 million in the second quarter of 2026 from $17.7 million in 2025. This $2.7 million decrease was primarily due to the expiry of a customer contract at the end of the second quarter of 2025 as well as lower foreign exchange gains and higher third party content costs in 2026. These decreases were partially offset by the increased eInstants sales in North Carolina and Virginia, and higher casino content related sales in Alberta.

Other expenses

Other expenses were $1.6 million in the second quarter of 2026 compared to $0.1 million in the second quarter of 2025. The increase of $1.5 million was primarily due to the consultant transfer fee paid in 2026. During the quarter, Pollard entered into a transaction with an external consulting supplier to transition a dedicated team of outsourced consultants into internal, direct-hire employees. In connection with the termination of the prior vendor arrangement and the release of exclusivity rights, Pollard paid a lump-sum transition fee to the supplier, plus incidental expenses, of $1.8 million.

Foreign exchange

The net foreign exchange loss was $0.7 million in the second quarter of 2026 compared to a net foreign exchange loss of $3.5 million in the second quarter of 2025. The 2026 net foreign exchange loss of $0.7 million consisted of an unrealized foreign exchange loss of $0.7 million, primarily a result of the increased Canadian equivalent value on 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 foreign currency denominated accounts receivable and net intercompany receivables.

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

Adjusted EBITDA

Adjusted EBITDA increased to $31.1 million in the second quarter of 2026 compared to $29.2 million in the second quarter of 2025. The primary reasons for the $1.9 million increase were the increase in gross profit (net of amortization and depreciation) of $5.0 million, substantially as a result of the increased instant ticket, eTabs and Pollard iLottery margins. Also increasing Adjusted EBITDA in 2026 was the lower realized foreign exchange loss of $0.6 million. Partially offsetting these increases to Adjusted EBTIDA were the decrease in equity investment income of $2.7 million and the increase in administration expenses (net of ERP implementation and acquisition costs) of $1.4 million.

Interest expense

Interest expense decreased to $2.4 million in the second quarter of 2026 from $3.1 million in the second quarter of 2025, primarily as a result of the lower interest rates in the second quarter of 2026, as well as the reduction in average long-term debt outstanding as compared to the second quarter of 2025.

Amortization and depreciation

Amortization and depreciation, including amortization and depreciation from our equity investment, totaled $13.2 million during the second quarter of 2026 which increased from $12.3 million during the second quarter of 2025. The increase of $0.9 million was as a result of the addition of property, plant and equipment and intangible assets.

Income taxes

Income tax expense was $3.7 million in the second quarter of 2026, an effective rate of 30.4%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, partially offset by lower income tax in foreign jurisdictions and the effect of non-taxable items.

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 and the effect of non-taxable amounts.

Net income

Net income was $8.7 million in the second quarter of 2026 compared to $8.0 million in the second quarter of 2025. The increase in net income of $0.7 million was primarily due to the increase in gross profit of $4.1 million, largely as a result of the increased instant ticket, eTabs and Pollard iLottery margins. Further increasing net income were the decrease in net foreign exchange loss of $2.8 million and the decrease in interest expense of $0.7 million. Partially offsetting these increases to net income were the decrease in equity investment income of $2.7 million, the increase in administration expenses of $1.8 million, the increase in other expenses of $1.5 million and the increase in income taxes of $0.9 million.

Net income per share (basic and diluted) increased to $0.32 and $0.32 per share, respectively, in the second quarter of 2026 from $0.30 and $0.30 per share (basic and diluted) in the second quarter of 2025.

ANALYSIS OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2026

Revenue

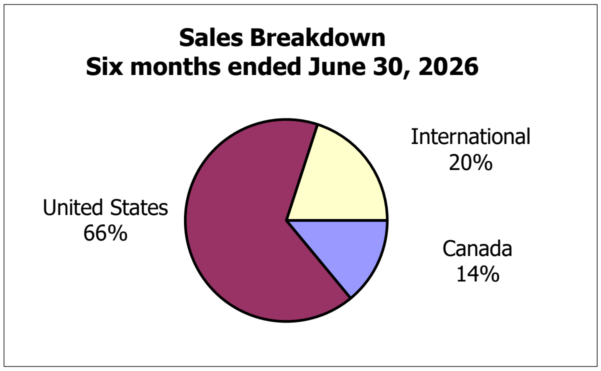
During the six months ended June 30, 2026, Pollard achieved revenue of $296.5 million, compared to $288.9 million in the six months ended June 30, 2025. Factors impacting the $7.6 million revenue increase were:

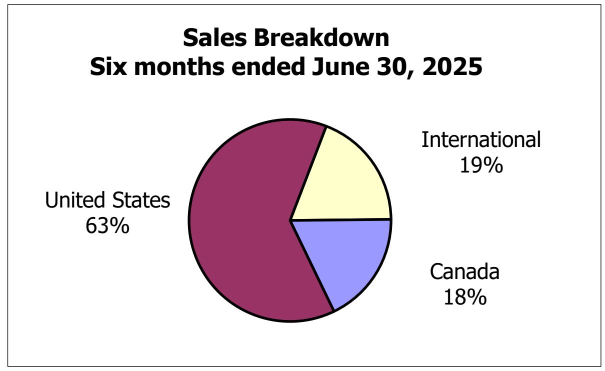
- Higher instant ticket sales volumes in the first six months of 2026 increased revenue by $7.6 million as compared to 2025. Offsetting this increase in revenue was the lower instant ticket average selling price in the first six months of 2026 which decreased revenue by $11.0 million as compared to 2025, primarily due to the change in customer mix and the decrease in proprietary product sales.

- Higher sales of ancillary lottery products and services increased revenue by $8.6 million in the first six months of 2026 as compared to 2025. This growth was primarily due to the increased sales of digital products, including Pollard's iLottery contracts with the Belgium and Kansas lotteries, and higher distributions services. Partially offsetting these increases in ancillary lottery sales were the decrease in the sales of retail solutions and licensed products.

- Higher charitable gaming print volumes increased revenue by $3.1 million in the first six months of 2026 as compared to 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 revenue by $0.6 million. Charitable eGaming ("eTab or eTabs") sales further increased revenue by $4.1 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 revenue increased revenue in the first six months of 2026 by $0.8 million as compared to 2025.





During the six months ended June 30, 2026, Pollard generated approximately 71.6% (2025 – 69.8%) 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 2026, the actual U.S. dollar value was converted to Canadian dollars at $1.371, compared to a rate of $1.421 the first six months of 2025. This 3.6% decrease in the U.S. dollar value resulted in an approximate decrease of $7.8 million in revenue relative to the first six months of 2025. In addition, during the first six months of 2026, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $1.6 million in revenue relative to the first six months of 2025.

Cost of sales and gross profit

Cost of sales was $251.9 million in the first six months of 2026 compared to $239.6 million in the first six months of 2025. The increase of $12.3 million in cost of sales was higher primarily as a result of the additional costs associated with increased Pollard iLottery operations, including the addition of Belgium Lottery contract development resources, and higher instant ticket volumes. Further increasing cost of sales in the first quarter of 2026 was the addition of Pacific in the second quarter of 2025. 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 decreased to $44.6 million (15.0% of sales) in the six months ended June 30, 2026, from $49.3 million (17.1% of sales) in the six months ended June 30, 2025. This decrease of $4.7 million in gross profit and the decrease in gross profit percentage were primarily the result of:

- Decreased instant ticket sales margins in the first quarter of 2026, largely as a result of the lower average instant ticket selling prices due to a significant shift in customer mix and production inefficiencies.

- Negative margin impact resulting from the delayed timing in Belgium Lottery contract revenue recognition in the first quarter of 2026 as we secured the needed resources in advance of the implementation of the development stage.

- Lower licensed product sales decreased gross profit.

Partially offsetting these decreases in gross profit and gross profit percentage were:

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

Administration expenses

Administration expenses increased to $38.6 million in the first six months of 2026 from $34.9 million in 2025. The increase of $3.7 million was largely a result of increased compensation costs, as well as higher ERP implementation costs, professional fees and the addition of Pacific administration expenses.

Selling expenses

Selling expenses were $12.5 million in the first six months of 2026 similar to $12.5 million in the first six months of 2025.

Equity investment income

Pollard's share of income from its iLottery joint venture decreased to $31.6 million in the first six months of 2026 from $33.9 million in 2025. This $2.3 million decrease was primarily due to the expiry of a customer contract at the end of the second quarter of 2025 as well as lower foreign exchange gains and higher third party content costs in 2026. These decreases were partially offset by the increased eInstants sales in North Carolina and Virginia, and higher casino content related sales in Alberta.

Other expenses

Other expenses were $2.0 million in the first six months of 2026 compared to $nil in 2025. This increase of $2.0 million was primarily due to the consultant transfer fee paid in 2026. During the second quarter, Pollard entered into a transaction with an external consulting supplier to transition a dedicated team of outsourced consultants into internal, direct-hire employees. In connection with the termination of the prior vendor arrangement and the release of exclusivity rights, Pollard paid a lump-sum transition fee to the supplier, plus incidental expenses, of $1.8 million.

Foreign exchange

The net foreign exchange loss was $1.2 million in the first six months of 2026 compared to a net foreign exchange loss of $3.3 million in the first six months of 2025. The 2026 net foreign exchange loss of $1.2 million resulted from a net unrealized foreign exchange loss of $0.5 million, primarily a result of the increased Canadian equivalent value on U.S. dollar denominated accounts payable and long-term debt, partially offset by an unrealized gain on foreign currency 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 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.

Adjusted EBITDA

Adjusted EBITDA decreased to $52.6 million in the first six months of 2026 compared to $59.8 million in the first six months of 2025. The main reasons for the decrease of $7.2 million were the decrease in gross profit (net of amortization and depreciation) of $2.6 million, primarily as a result of the lower first quarter 2026 instant ticket and Pollard iLottery margins. Also reducing Adjusted EBITDA were the decrease in equity investment income of $2.3 million, the increase in administrative expenses (net of ERP implementation costs) of $2.0 million and the increase in realized foreign exchange loss of $0.7 million.

Interest expense

Interest expense decreased to $4.7 million in the first six months of 2026 from $5.9 million in the first six months of 2025, primarily as a result of the lower interest rates in the first six months of 2026, as well as the reduction in average long-term debt outstanding as compared to 2025.

Amortization and depreciation

Amortization and depreciation, including amortization and depreciation from our equity investment, totaled $26.0 million during the first six months of 2026 which increased from $23.9 million during the first six months of 2025. The increase of $2.1 million was a result of the addition of property, plant and equipment and intangible assets.

Income taxes

Income tax expense was $5.0 million in the first six months of 2026, an effective rate of 29.3%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, partially offset by lower income tax rates in foreign jurisdictions and the effect of non-taxable items.

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.

Net income

Net income decreased to $12.2 million in the first six months of 2026 from $19.8 million in the first six months of 2025. The main reasons for the decrease of $7.6 million was primarily due to the decrease in gross profit of $4.7 million, largely as a result of the lower first quarter 2026 instant ticket and Pollard iLottery margins. Further reducing net income were the increase in administration expenses of $3.7 million, the decrease in equity investment income of $2.3 million and the increase in other expenses of $2.0 million. Partially offsetting these decreases to net income were the decrease in net foreign exchange loss of $2.1 million, the decrease in income taxes of $1.8 million and the decrease in interest expense of $1.2 million.

Net income per share (basic and diluted) decreased to $0.45 and $0.45 per share, respectively, in the six months ending June 30, 2026, as compared to $0.73 and $0.73 per share (basic and diluted) in the six months ending June 30, 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 Neogames, established NeoPollard Interactive LLC ("NPi") to provide iLottery services for certain joint customer contracts, excluding the Michigan Lottery iLottery contract. Under IFRS, Pollard accounts for its investment in its joint venture, NPi, as an equity investment. Under the equity method of accounting, Pollard recognizes its share of the income and expenses of NPi separately as equity investment income.

(millions of dollars)

	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Sales – Pollard's share									
Michigan iLottery	$6.5	$5.8	$7.2	$6.6	$6.0	$6.0	$5.7	$6.0	$6.8
NPi	34.3	33.7	34.2	31.0	32.1	31.7	27.9	27.2	28.2
Combined iLottery sales	$40.8	$39.5	$41.4	$37.6	$38.1	$37.7	$33.6	$33.2	$35.0
Income before profit share and income taxes – Pollard's share									
Michigan iLottery	$2.3	$1.6	$2.2	$2.1	$1.8	$1.6	$1.3	$0.7	$2.1
NPi	15.0	16.6	16.9	15.3	17.7	16.2	12.6	13.6	14.1
Combined income before profit share and income taxes – Pollard's share	$17.3	$18.2	$19.1	$17.4	$19.5	$17.8	$13.9	$14.3	$16.2

Beginning 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 July 2026, our Michigan Lottery iLottery contract terminated.

Liquidity and Capital Resources

Cash used for operating activities

For the six months ended June 30, 2026, cash flow used for operating activities was $0.3 million compared to cash flow provided by operating activities of $0.7 million for the first six months of 2025. Changes in the non-cash working capital used $32.6 million in cash compared to $33.7 million used in the first six months of 2025. For the six months ended June 30, 2026, changes in the non-cash working capital decreased cash flow from operations due primarily to increases in contract assets, accounts receivable and inventories. The increase in contract assets was primarily due to investments made in new instant ticket and digital contracts.

For the six months ended June 30, 2025, changes in the non-cash working capital decreased cash flow from operations due primarily to increases in accounts receivable and inventories, partially offset by the increase in accounts payable and accrued liabilities. The increase in accounts receivable was in part due to the timing of certain customer payments, while the increase in inventories resulted from increased production of instant tickets in 2025.

Cash used for interest decreased to $4.8 million in 2026 as compared to $5.9 million in 2025. Cash used for pension plan contributions increased to $1.2 million in 2026 as compared to $1.1 million used in 2025. Cash used for income tax payments decreased to $13.3 million in 2026 from $18.4 million in 2025. Partially offsetting these uses of cash, Pollard received $31.6 million from our investment in our iLottery joint venture in 2026 as compared to $32.0 million received in 2025.

Cash used for investing activities

In the six months ended June 30, 2026, cash used for investing activities was $25.1 million compared to cash used for investing activities of $43.3 million in the first six months of 2025. In the six months ended June 30, 2026, Pollard used $16.6 million on additions to intangible assets and $8.5 million on capital expenditures. In the six months ended June 30, 2025, Pollard used $14.3 million on additions to intangible assets, $14.2 million on capital expenditures and $14.8 million related to the acquisition of Pacific.

Cash provided by financing activities

Cash provided by financing activities was $14.7 million in the six months ended June 30, 2026, compared to cash provided by financing activities of $36.8 million in the six months ended June 30, 2025. During the first six months of 2026, cash was provided by net proceeds from long-term debt received of $20.0 million. This cash inflow was partially offset by lease principal payments of $3.2 million and $2.7 million of dividend payments.

During the first six months of 2025, cash was provided by net proceeds from long-term debt received of $42.3 million. This cash inflow was partially offset by lease principal payments of $2.8 million and $2.7 million of dividend payments.

As at June 30, 2026, Pollard had unused credit facility of $110.1 million and $18.1 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, share buybacks and to assist in financing future acquisitions.

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

	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Revenue	$154.8	$141.7	$150.8	$156.3	$142.7	$146.2	$140.3	$153.2	$137.8
Adjusted EBITDA	31.1	21.5	27.7	32.3	29.2	30.6	25.2	33.3	32.3
Net income (loss)	8.7	3.5	4.6	10.3	8.0	11.7	(1.8)	18.2	11.9
Net income (loss) per share - basic	0.32	0.13	0.17	0.38	0.30	0.43	(0.07)	0.67	0.44

Working Capital

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

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

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

As at June 30, 2026, Pollard's investment in non-cash working capital increased $32.6 million compared to December 31, 2025, due primarily to increases in contract assets, accounts receivable and inventories. The increase in contract assets was primarily due to investments made in new instant ticket and digital contracts.

	June 30, 2026	December 31, 2025
Working Capital	$120.6	$100.6
Total Assets	$758.3	$695.9
Total Non-Current Liabilities	$198.3	$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 June 30, 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 by up to $50.0 million. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of $194.0 million Canadian equivalent. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, Canadian Dollar Offered Rate ("CDOR") or Secured Overnight Financing Rate ("SOFR"). At June 30, 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 $110.1 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including our debt service coverage ratio and debt to income before interest, income taxes, amortization, depreciation and certain other items ratio. As at June 30, 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 June 30, 2026, the outstanding letters of credit drawn on this facility were $14.7 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 June 30, 2026 and at August 12, 2026, outstanding share data was as follows:

Common shares	27,063,669

Share Options

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms. The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares. As at June 30, 2026, the total share options issued and outstanding were 500,000.

Normal Course Issuer Bid

On June 22, 2026, Pollard's application was accepted for a Normal Course Issuer Bid to purchase through the facilities of the Toronto Stock Exchange ("TSX") and/or alternative trading systems in Canada, up to 966,677 common shares, representing 10% of the public float, over a 12-month period commencing June 25, 2026 and ending June 24, 2027, subject to applicable securities laws.

For the three months ended June 30, 2026, Pollard purchased for cancellation 4,000 common shares at a price of $17.29 per commons share for a total consideration of $0.1 million. The excess of the cost over the book value was charged to retained earnings.

As at 30 June, 2026 and at August 12, 2026 shares purchased and cancelled was as follows:

Common shares	4,000

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 six months ended June 30, 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

Industry-wide retail sales of instant tickets remain stable, and our scheduled volumes for the remainder of 2026 exceed the levels achieved in the second quarter. Historically our third quarter instant ticket margins are the highest quarterly results achieved in the year, reflecting the increase in high-valued sales of instant tickets to lotteries in preparation for the holiday season, and we expect this to continue in 2026.

Work on the Belgium Lottery gaming platform contract is progressing from the onboarding phase to the initial stages of development. We continue to increase our resources dedicated to providing multiple deliverables under this long-term contract, and this will in turn result in increasing revenue recognition.

As noted previously our current Kansas iLottery contract expires October 31, 2026, and we submitted our response to their request for proposals shortly after the end of the quarter and believe we have provided a compelling proposal.

In July 2026, our Michigan Lottery iLottery contract, previously provided in conjunction with our joint venture partner, ended and moved to another supplier.

The continued development of high-quality game content remains a cornerstone of our strategy. We continue to create engaging game content for our existing iLottery platform customers as well as third-party operated iLottery programs, while also launching new content for our eTab customers. We continue to dedicate significant resources to developing game content across our entire product and solution portfolio.

Demand for our charitable products and solutions remains very strong, including our main printed product line of pull-tabs, as well as for related pull-tab vending machines. Sales in the Minnesota eTab market continue to exceed 2024 levels, before the 2025 regulatory changes negatively impacted the entire market. Engaging play formats, frequent new game launches and growth in the number of active sites have generated robust revenue, and we expect this trend to continue. Increased interest by new jurisdictions looking to introduce eTabs also presents opportunities to expand revenue, which we are actively pursuing.

Our focus on improving our instant ticket manufacturing processes to increase efficiency includes a number of formal initiatives and programs to improve throughput, reduce turnaround times and lower costs, which saw positive impacts realized in the second quarter. Committed resources will continue to advance these initiatives to improve manufacturing efficiency.

Our ERP project continues to progress and remains on schedule for its go-live in 2027.

We continue to monitor the ever-changing regulatory trade environment, including tariffs and other protectionist measures, and position our operations to minimize potential financial effects. Our mitigation actions include expanding our supply chains and sourcing alternative inputs to support our manufacturing operations and limit exposure to higher costs.

Our outlook for the remainder of 2026 remains very positive, supported by a strong current schedule of instant ticket orders, improving manufacturing efficiencies, increased work on our Belgium Lottery contract and other digital contracts, and continued strength in the charitable gaming market.

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

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

No changes were made in Pollard's internal control over financial reporting during the six months ended June 30, 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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