News Release

POLLARD BANKNOTE REPORTS
2ND QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, August 12, 2026 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and six months ended June 30, 2026.

Second Quarter Results and Highlights

- Revenue reached $154.8 million, up 8.5 % from the second quarter of last year.
- Combined sales(1) in the quarter, including our share of our NPi's joint venture sales, were $189.1 million, up 8.2% from $174.8 million in the same quarter last year.
- Adjusted EBITDA(1) achieved $31.1 million, up 6.5 % from $29.2 million earned in the second quarter of 2025.
- Our gross margin percentage increased to 18.1%, up from 16.7% in the comparable quarter last year.
- As expected, our second quarter results are significantly higher than the first quarter of 2026 primarily due to higher volumes and greater average selling prices of instant tickets and improved contribution of digital solutions.
- Charitable gaming operations generated stronger results compared to same period from last year due to significantly improved eTab related revenue.
- On June 15, 2026, the Colorado Lottery published a notice of intent to award Pollard their lottery digital solution contract, representing our third iLottery contract win since 2024.
- In May the Board of Directors authorized the launch of a Normal Course Issuer Bid ("NCIB") which was accepted by the Toronto Stock Exchange ("TSX") on June 22, 2026, and initiated on June 25, 2026.

(1) See Non-GAAP measures for explanation

"Our second quarter results have returned to expected levels," commented John Pollard, Co-Chief Executive Officer, "achieving strong levels of earnings and revenue across a number of product lines. Adjusted EBITDA of $31.1 million exceeded the comparative period last year by 6.5%. In addition, our sequential Adjusted EBITDA compared to the first quarter of 2026 increased by $9.6 million, or over 44%."

"Our mix of instant ticket sales sold during the quarter resulted in an increase in average selling price compared to the first quarter due to improved customer mix and higher value tickets. In addition, our second quarter instant ticket production volume returned to historic levels plus an increase due to additional volumes under our new California Lottery contract. The new business generated from our new California primary instant ticket contract continues to exceed our expectations with higher volumes than initially expected."

"We are pleased with the impact of a number of process improvements and manufacturing initiatives to improve our manufacturing efficiencies and look forward to further improvement in the coming quarters."

"We are extremely excited and honoured to have the opportunity to provide our digital solutions to the Colorado Lottery," commented Doug Pollard, Co-Chief Executive Officer. "The provision of a number of solutions including loyalty and iLottery is a tremendous recognition of both our market leading technology and the high quality of our team."

"Work continues to ramp up on our Belgium Lottery contract as we move out of the onboarding stage and into the early phases of the development stage, with increased revenue recognition achieved in the second quarter. The implementation is proceeding well and will continue to expand as we work through the various deliverables."

"In support of our expanding digital presence, during the quarter we executed an agreement with one of our long-standing third-party consultant partners to transfer their dedicated Pollard team to the direct employ under Pollard Banknote. This move will reduce our costs going forward and allow for more flexibility in deploying resources for opportunities in the digital space."

"NPi joint venture iLottery operations, including our Michigan iLottery contract, contributed $17.3 million in before profit share and income tax margin, being $2.2 million lower than the second quarter of 2025 due primarily to the loss of the New Hampshire iLottery contract in the third quarter of 2025 and the impact of foreign exchange."

"Our charitable gaming operations continued to produce strong results, with revenues and margins ahead of last year supported by robust demand for both printed and electronic products. The eTab market in Minnesota continues to generate record revenue and contributions after facing significant negative pressure in 2025 due to regulatory changes, reducing gaming revenue across all suppliers, including Pollard. Additional markets have expressed interest in this product, and we are actively pursuing these new opportunities with expanded deployments and pilot test projects."

"On June 22, 2026, we received acceptance from the TSX to launch a NCIB, which was initiated June 25, 2026. The NCIB authorized us to purchase up to approximately 967,000 of our common shares, representing approximately 10% of its outstanding common shares in the public float as of May 13, 2026. During the second quarter we purchased and cancelled 4,000 shares."

"We are very pleased with our second quarter results and are confident the remainder of 2026 will see continuing improved results from our instant ticket, digital and charitable gaming operations," remarked John Pollard. "Our scheduled instant ticket volumes remain busy over the next two quarters. The notice of intent to be awarded the Colorado Lottery digital solution contract is an important confirmation of the success of our overall digital strategy and our third iLottery contract in the last two years. The combination of strong momentum in all three of our business lines, retail, digital and charitable, will continue to generate positive results going forward."

Use of GAAP and Non-GAAP Financial Measures

The selected financial and operating information has been derived from, and should be read in conjunction with, the unaudited condensed consolidated financial statements of Pollard as at and for the three months ended June 30, 2026. These financial statements have been prepared in accordance with the IFRS Accounting Standards ("IFRS" or "GAAP").

Reference to "EBITDA" is to earnings before interest, income taxes, depreciation, amortization and purchase accounting amortization, 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.

Forward-Looking Statements

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

POLLARD BANKNOTE LIMITED

Pollard is one of the leading providers of products and solutions to lottery and charitable gaming industries throughout the world. Management believes Pollard is the largest provider of instant tickets based in Canada and the second largest producer of instant tickets in the world. In addition, management believes Pollard is also the second largest bingo paper and pull-tab supplier to the charitable gaming industry in North America and, through our internal proprietary iLottery solution and our 50% joint venture, one of the largest supplier of iLottery solutions to the U.S. lottery market.

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

HIGHLIGHTS	**Three months ended June 30, 2026**	**Three months ended June 30, 2025**[(1)]
Revenue	$ 154.8 million	$ 142.7 million
Gross profit	$ 28.0 million	$ 23.9 million
Gross profit % of revenue	*18.1%*	*16.7%*
Administration expenses	$ 19.4 million	$ 17.6 million
Selling expenses	$ 6.5 million	$ 6.5 million
NPi equity investment income	($ 15.0 million)	($ 17.7 million)
Unrealized foreign exchange loss[(2)]	$ 0.8 million	$ 2.9 million
Net income	$ 8.7 million	$ 8.0 million
Net income per share – basic	$ 0.32	$ 0.30
Net income per share – diluted	$ 0.32	$ 0.30
Adjusted EBITDA	$ 31.1 million	$ 29.2 million

	Six months ended June 30, 2026	**Six months ended June 30, 2025**[(1)]
Revenue	$ 296.5 million	$ 288.9 million
Gross profit	$ 44.6 million	$ 49.3 million
Gross profit % of revenue	*15.0%*	*17.1%*
Administration expenses	$ 38.6 million	$ 34.9 million
Selling expenses	$ 12.5 million	$ 12.5 million
NPi equity investment income	($ 31.6 million)	($ 33.9 million)
Unrealized foreign exchange loss[(2)]	$ 0.7 million	$ 3.3 million
Net income	$ 12.2 million	$ 19.8 million
Net income per share – basic	$ 0.45	$ 0.73
Net income per share – diluted	$ 0.45	$ 0.73
Adjusted EBITDA	$ 52.6 million	$ 59.8 million

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

(2) Includes amounts from equity investment.

SELECTED FINANCIAL INFORMATION

(millions of dollars)	Three months June 30, 2026 (unaudited)	Three months June 30, 2025(1) (unaudited)	Six months June 30, 2026 (unaudited)	Six months June 30, 2025(1) (unaudited)
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
Administration expenses	19.4	17.6	38.6	34.9
Selling expenses	6.5	6.5	12.5	12.5
Equity investment income	(15.0)	(17.7)	(31.6)	(33.9)
Other expenses	1.6	0.1	2.0	0.0
Income from operations	15.5	17.4	23.1	35.8
Foreign exchange loss	0.7	3.5	1.2	3.3
Interest expense	2.4	3.1	4.7	5.9
Income before income taxes	12.4	10.8	17.2	26.6
Income taxes				
Current	9.0	8.3	17.1	13.8
Deferred reduction	(5.3)	(5.5)	(12.1)	(7.0)
	3.7	2.8	5.0	6.8
Net income	$8.7	$8.0	$12.2	$19.8
Adjustments:				
Amortization and depreciation(2)	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(2)	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

(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

Results of Operations – Three months ended June 30, 2026

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

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 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.

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 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 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, 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 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 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.

Results of Operations – Six months ended June 30, 2026

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

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 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.

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 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 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, 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 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 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.

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.

For Further Information Please Contact:

John Pollard
Co-Chief Executive Officer
E-mail: jpollard@pbl.ca

Doug Pollard
Co-Chief Executive Officer
E-mail: dpollard@pbl.ca

Rob Rose

Pollard Banknote Limited

Chief Financial Officer
E-mail: rrose@pbl.ca

Telephone: (204) 474-2323

SEDAR+: 00029950
(PBL)

CO: Pollard Banknote Limited