Condensed Consolidated Interim Financial Statements of

POLLARD BANKNOTE LIMITED

(unaudited)

Six months ended June 30, 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)

		June 30, 2026		December 31, 2025
Assets				
Current assets				
Cash	$	18,051	$	28,460
Restricted cash		60,444		40,253
Accounts receivable (note 19)		93,070		82,049
Contract assets (note 12)		25,490		7,826
Inventories (note 6)		75,173		69,094
Prepaid expenses and deposits		15,741		16,254
Income taxes receivable		1,812		2,814
Total current assets		289,781		246,750
Non-current assets				
Long-term assets (note 7)		16,040		14,791
Property, plant and equipment		123,193		123,841
Equity investment (note 8)		1,413		1,584
Goodwill		129,228		126,597
Intangible assets		146,779		141,341
Deferred income taxes		43,653		32,149
Pension asset (note 10)		8,183		8,842
Total non-current assets		468,489		449,145
Total assets	$	758,270	$	695,895
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	156,791	$	134,849
Dividends payable		1,354		1,353
Income taxes payable		3,863		940
Current portion lease liabilities		5,632		5,870
Current portion contract liabilities (note 12)		1,550		3,135
Total current liabilities		169,190		146,147
Non-current liabilities				
Lease liabilities		9,539		11,644
Deferred income taxes		8,513		8,318
Long-term debt (note 9)		178,710		155,492
Contract liabilities (note 12)		32		104
Other non-current liabilities		1,491		789
Total non-current liabilities		198,285		176,347
Shareholders' equity				
Share capital (note 11)		152,174		152,196
Reserves		33,810		27,762
Retained earnings		204,811		193,443
Total shareholders' equity		390,795		373,401
Total liabilities and shareholders' equity	$	758,270	$	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 June 30, 2026	Three months ended June 30, 2025[1]	Six months ended June 30, 2026	Six months ended June 30, 2025[1]
Revenue (note 12)	$ 154,827	$ 142,709	$ 296,465	$ 288,968
Cost of sales	126,792	118,799	251,872	239,631
Gross profit	28,035	23,910	44,593	49,337
Administration	19,433	17,602	38,615	34,914
Selling	6,531	6,534	12,521	12,495
Equity investment income (note 8)	(15,040)	(17,681)	(31,616)	(33,881)
Other expenses (note 13)	1,615	37	1,972	46
Income from operations	15,496	17,418	23,101	35,763
Finance costs (note 14)	3,050	6,596	5,884	9,420
Finance income (note 14)	–	–	–	(251)
Income before income taxes	12,446	10,822	17,217	26,594
Income taxes (note 15)				
Current	9,013	8,262	17,171	13,777
Deferred reduction	(5,224)	(5,461)	(12,119)	(6,934)
	3,789	2,801	5,052	6,843
Net income	$ 8,657	$ 8,021	$ 12,165	$ 19,751
Net income per share – basic (note 16)	$ 0.32	$ 0.30	$ 0.45	$ 0.73
Net income per share – diluted (note 16)	$ 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.

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 June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Net income	$ 8,657	$ 8,021	$ 12,165	$ 19,751
Other comprehensive income:				
Items that are or may be reclassified to profit and loss:				
Foreign currency translation differences – foreign operations	4,394	(2,823)	6,048	2,736
Items that will never be reclassified to profit and loss:				
Defined benefit plans remeasurements, net of income taxes (note 10 & note 15)	2,504	4,032	1,669	1,914
Other comprehensive income	6,898	1,209	7,717	4,650
Comprehensive income	$ 15,555	$ 9,230	$ 19,882	$ 24,401

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 six months ended June 30, 2026

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2025	$	152,196	27,762	193,443	373,401
Net income	$	–	–	12,165	12,165
Other comprehensive income					
Foreign currency translation differences – foreign operations		–	6,048	–	6,048
Defined benefit plans remeasurements, net of income taxes (note 10 & note 15)		–	–	1,669	1,669
Total other comprehensive income	$	–	6,048	1,669	7,717
Total comprehensive income	$	–	6,048	13,834	19,882
Issue of common shares	$	–	–	–	–
Shares purchased and cancelled under normal course issuer bid (note 11)		(22)	–	(47)	(69)
Share based compensation		–	–	288	288
Dividends (note 11)		–	–	(2,707)	(2,707)
Balance at June 30, 2026	$	152,174	33,810	204,811	390,795

For the six months ended June 30, 2025

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2024	$	152,011	24,127	157,996	334,134
Net income	$	–	–	19,751	19,751
Other comprehensive income					
Foreign currency translation differences – foreign operations		–	2,736	–	2,736
Defined benefit plans remeasurements, net of income taxes		–	–	1,914	1,914
Total other comprehensive income	$	–	2,736	1,914	4,650
Total comprehensive income	$	–	2,736	21,665	24,401
Issue of common shares	$	185	–	(53)	132
Share based compensation		–	–	270	270
Dividends		–	–	(2,707)	(2,707)
Balance at June 30, 2025	$	152,196	26,863	177,171	356,230

See accompanying notes to condensed consolidated interim financial statements.

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

	Six months ended June 30, 2026	Six months ended June 30, 2025
Cash increase (decrease)		
Operating activities		
Net income	$ 12,165	$ 19,751
Adjustments		
Income taxes expense (note 15)	5,052	6,843
Amortization and depreciation	25,614	23,872
Interest expense (note 14)	4,718	5,948
Unrealized foreign exchange loss	476	3,271
Equity investment income (note 8)	(31,616)	(33,881)
Pension expense	4,154	3,795
Interest paid	(4,797)	(5,915)
Income taxes paid	(13,283)	(18,404)
Equity investment distribution (note 8)	31,571	31,997
Pension contributions	(1,179)	(1,061)
Change in long-term assets	(876)	(2,069)
Change in non-cash equity investment (note 8)	257	296
Change in non-cash operating working capital (note 17)	(32,581)	(33,745)
	(325)	698
Investing activities		
Additions to property, plant and equipment	(8,499)	(14,185)
Acquisitions (note 5)	–	(14,811)
Additions to intangible assets	(16,637)	(14,346)
	(25,136)	(43,342)
Financing activities		
Net proceeds from issue of share capital	–	132
Shares purchased for cancellation (note 11)	(69)	–
Net borrowings of long-term debt	19,952	42,305
Change in other non-current liabilities	706	(64)
Deferred financing charges paid	(38)	(88)
Lease principal payments	(3,187)	(2,795)
Dividends paid	(2,706)	(2,707)
	14,658	36,783
Foreign exchange gain (loss) on cash held in foreign currency	394	(842)
Change in cash position	(10,409)	(6,703)
Cash position, beginning of period	28,460	22,360
Cash position, end of period	$ 18,051	$ 15,657

See accompanying notes to condensed consolidated interim financial statements.

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 six months ended June 30, 2026, comprise Pollard, Pollard's subsidiaries and its interest in other entities. Pollard is primarily involved in the manufacture and development 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 August 12, 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.

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.

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 the 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.

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

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:

		June 30, 2026		December 31, 2025
Raw materials	$	34,948	$	31,509
Work-in-process		4,264		3,951
Finished goods		35,961		33,634
	$	75,173	$	69,094

During the second quarter of 2026, Pollard recorded within cost of sales inventory write-downs of $428 representing an increase in the obsolescence reserves, and write-downs of $64 due to changes in foreign exchange rates. During the six months ended June 30, 2026, Pollard recorded within cost of sales inventory write-downs of $574 representing an increase in the obsolescence reserves, and reversal of previous write-downs of $25 due to changes in foreign exchange rates.

During the second quarter of 2025, Pollard recorded within cost of sales inventory write-downs of $177 representing an increase in the obsolescence reserves, and reversal of previous write-downs of $21 due to changes in foreign exchange rates. During the six months ended June 30, 2025, Pollard recorded within cost of sales inventory write-downs of $525 representing an increase in the obsolescence reserves, and reversal of previous write-downs of $48 due to changes in foreign exchange rates.

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

6. Inventories (continued):

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.

7. Long-term assets:

	June 30, 2026	December 31, 2025
Contract assets (note 12)	$ 9,229	$ 8,253
Investment tax credits	5,750	5,454
Other long-term receivables	1,061	1,084
	$ 16,040	$ 14,791

Contract assets included in long-term assets consist of consideration payable which are 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.

Investment in equity accounted entity	Six months ended June 30, 2026	Six months ended June 30, 2025
Balance, beginning of period	$ 1,584	$ 415
Investment distribution	(31,571)	(31,997)
Equity income	31,616	33,881
Non-cash change in investment value	(257)	(296)
Effects of movements in exchange rates	41	(193)
Balance, end of period	$ 1,413	$ 1,810

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

8. Equity investment (continued):

Net Assets		June 30, 2026		December 31, 2025
Current assets	$	56,910	$	67,332
Non-current assets		3,308		3,721
Total	$	60,218	$	71,053
Current liabilities	$	57,016	$	67,410
Total	$	57,016	$	67,410
Net assets – 100%	$	3,202	$	3,643
Attributable to Pollard – 50%	$	1,601	$	1,822
Elimination of unrealized profit on downstream revenue		(188)		(238)
Carrying amount of investment	$	1,413	$	1,584

At June 30, 2026, included in the current assets of NPi is restricted cash relating to amounts held on behalf of iLottery customers of $21,245 (December 31, 2025 – $26,643). There is an offsetting liability included in current liabilities.

Interest in equity accounted entity		Six months ended June 30, 2026		Six months ended June 30, 2025
Revenue – 100%	$	136,141	$	127,524
Revenue – attributable to Pollard – 50%	$	68,070	$	63,762
Comprehensive income – 100%	$	62,612	$	67,170
Comprehensive income – attributable to Pollard(1)	$	31,616	$	33,881

(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 June 30, 2026, included in accounts payable in the condensed consolidated statements of financial position is a net amount owed to NPi of $1,533. At December 31, 2025, included in accounts receivable in the condensed consolidated statements of financial position is a net amount owed from NPi of $3,282.

During the six month period ended June 30, 2026, Pollard provided services to NPi totaling $3,133 (2025 - $2,842), 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.

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

9. Long-term debt:

		June 30, 2026		December 31, 2025
Credit facility, interest of 3.8% to 6.8% payable monthly, maturing 2028	$	179,201	$	156,145
Deferred financing charges, net of amortization		(491)		(653)
	$	178,710	$	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. As at June 30, 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 June 30, 2026, the outstanding letters of guarantee drawn under the credit facility were $78 (December 31, 2025 – $75).

Included in the total credit facility balance is a U.S. dollar denominated balance of US$62,114 (December 31, 2025 – US$62,100). As of June 30, 2026, Pollard had unused credit facility available of $110,094 (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 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.

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

9. Long-term debt (continued):

(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 June 30, 2026, the outstanding letters of credit drawn on this facility were $14,656 (€9,047). 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 June 30, 2026, Pollard recorded a remeasurement gain of $2,504 (net of $892 of income tax) on its defined pension plans. The remeasurement gain resulted from higher than expected returns on plan asset investments, which was partially offset by a decrease in the discount rate.

During the three month period ended June 30, 2025, Pollard recorded a remeasurement gain of $4,032 (net of $1,462 of income tax) on its defined pension plans. The remeasurement gain resulted from higher than expected returns on plan asset investments and an increase in the discount rate.

During the six month period ended June 30, 2026, Pollard recorded a remeasurement gain of $1,669 (net of $592 of income taxes) on its defined pension plans. The remeasurement gain resulted from higher than expected returns on plan asset investments, which was partially offset by a decrease in the discount rate.

During the six month period ended June 30, 2025, Pollard recorded a remeasurement gain of $1,914 (net of $689 of income taxes) on its defined pension plans. The remeasurement gain resulted from higher than expected returns on plan asset investments and an increase in the discount rate.

11. Share capital:

	Shares		Amount
Authorized			
Unlimited common shares			
Unlimited preferred shares			
Issued common shares			
Balance at January 1, 2025	27,061,419	$	152,011
Stock options exercised	6,250		185
Balance at December 31, 2025	27,067,669		152,196
Shares purchased for cancellation	(4,000)		(22)
Balance at June 30, 2026	27,063,669	$	152,174

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

11. Share capital (continued):

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 May 13, 2026, a dividend of $0.05 per share was declared, payable on July 15, 2026, to the shareholders of record on June 30, 2026.

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 common share for a total consideration of $69. The excess of the cost over the book value of $47 was charged to retained earnings.

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		Six months ended June 30, 2026		Six months ended June 30, 2025
Canada	$	40,729	$	51,299
United States		195,983		183,400
International		59,753		54,269
Total	$	296,465	$	288,968

Revenue – product lines		Six months ended June 30, 2026		Six months ended June 30, 2025(1)
Lottery	$	212,423	$	209,711
Charitable		84,042		79,257
Total	$	296,465	$	288,968

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

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

12. Revenue and contract balances (continued):

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

Contract balances		June 30, 2026		December 31, 2025
Trade receivables, which are included in accounts receivable	$	78,747	$	65,920
Contract assets	$	25,490	$	7,826
Contract assets, which are included in long-term assets	$	9,229	$	8,253
Contract liabilities	$	1,582	$	3,239

Contract liabilities		Six months ended June 30, 2026		Six months ended June 30, 2025
Balance, beginning of period	$	3,239	$	4,911
Increases due to cash received		2,613		2,793
Revenue recognized		(4,279)		(3,803)
Effect of movement in exchange rates		9		24
Balance, end of period		1,582		3,925
Less: current portion		(1,550)		(3,620)
	$	32	$	305

13. Other expenses:

		Three months ended June 30, 2026		Three months ended June 30, 2025		Six months ended June 30, 2026		Six months ended June 30, 2025
Consultant transfer costs	$	1,825	$	–	$	1,825	$	–
Severance related costs		–		–		359		–
Other (income) expense		(210)		37		(212)		46
	$	1,615	$	37	$	1,972	$	46

During the period ended June 30, 2026, 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 $1,825.

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

14. Finance costs and finance income:

Finance costs	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Interest	$ 2,383	$ 3,124	$ 4,718	$ 5,948
Foreign exchange loss	667	3,472	1,166	3,472
	$ 3,050	$ 6,596	$ 5,884	$ 9,420

Finance income	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Foreign exchange gain	$ –	$ –	$ –	$ 251
	$ –	$ –	$ –	$ 251

15. Income taxes:

Reconciliation of effective tax rate		Three months ended June 30, 2026		Three months ended June 30, 2025
Net income for the period		$ 8,657		$ 8,021
Total income tax expense		3,789		2,801
Income before income taxes		$ 12,446		$ 10,822
Income tax using Pollard's domestic tax rate	27.0%	$ 3,360	27.0%	$ 2,922
Effect of tax rates in foreign jurisdictions	(5.9%)	(737)	(5.0%)	(546)
Effect of (non-taxable) non-deductible amounts	(2.4%)	(304)	0.2%	20
Effect of (non-taxable) non-deductible items related to foreign exchange	(2.7%)	(339)	5.0%	551
Withholding and other taxes	14.4%	1,800	0.0%	–
Other items	0.0%	9	(1.3%)	(146)
	30.4%	$ 3,789	25.9%	$ 2,801

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

15. Income taxes (continued):

Reconciliation of effective tax rate		Six months ended June 30, 2026		Six months ended June 30, 2025
Net income for the period		$ 12,165		$ 19,751
Total income tax expense		5,052		6,843
Income before income taxes		$ 17,217		$ 26,594
Income tax using Pollard's domestic tax rate	27.0%	$ 4,648	27.0%	$ 7,180
Effect of tax rates in foreign jurisdictions	(8.8%)	(1,510)	(5.1%)	(1,346)
Effect of (non-taxable) non-deductible amounts	(3.2%)	(550)	0.1%	14
Effect of (non-taxable) non-deductible items related to foreign exchange	(4.5%)	(775)	4.2%	1,129
Withholding and other taxes	18.3%	3,150	0.0%	–
Other items	0.5%	89	(0.5%)	(134)
	29.3%	$ 5,052	25.7%	$ 6,843

16. Net income per share:

	Three months ended June 30, 2026	Three months ended June 30, 2025[1]
Net income attributable to shareholders	$ 8,657	$ 8,021
Weighted average number of shares – basic	27,067,625	27,061,419
Effect of potential dilutive stock options	–	5,795
Weighted average number of shares – diluted	27,067,625	27,067,214
Net income per share – basic	$ 0.32	$ 0.30
Net income per share – diluted	$ 0.32	$ 0.30

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

16. Net income per share (continued):

		Six months ended June 30, 2026		Six months ended June 30, 2025[1]
Net income attributable to shareholders	$	12,165	$	19,751
Weighted average number of shares – basic		27,067,647		27,065,968
Effect of potential dilutive stock options		–		26,604
Weighted average number of shares – diluted		27,067,647		27,092,572
Net income per share – basic	$	0.45	$	0.73
Net income per share – diluted	$	0.45	$	0.73

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

For the three months period ended June 30, 2026, there were no outstanding options where the options' exercise prices were greater than the average market price of the shares for the period and were excluded in the diluted earnings per share calculation (2025 – 350,000).

For the six months period ended June 30, 2026, there were no outstanding options where the options' exercise prices were greater than the average market price of the shares for the period and were excluded in the diluted earnings per share calculation (2025 – 50,000).

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.

17. Supplementary cash flow information:

		Six months ended June 30, 2026		Six months ended June 30, 2025
Change in non-cash operating working capital:				
Accounts receivable	$	(8,563)	$	(27,890)
Contract assets		(17,257)		918
Inventories		(4,840)		(5,800)
Prepaid expenses and deposits		599		(1,062)
Accounts payable and accrued liabilities		(854)		1,095
Current portion contract liabilities		(1,666)		(1,006)
	$	(32,581)	$	(33,745)

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

18. Related party transactions:

The Control Group and affiliates

During the three months ended June 30, 2026, Pollard paid property rent of $589 (2025 – $587) and $165 (2025 – $165) in plane charter costs to affiliates of the Control Group.

During the six months ended June 30, 2026, Pollard paid property rent of $1,176 (2025 – $1,182) and $330 (2025 – $330) in plane charter costs to affiliates of the Control Group.

During the three months ended June 30, 2026, the Control Group paid Pollard $19 (2025 – $19) for accounting and administration fees. During the six months ended June 30, 2026, the Control Group paid Pollard $38 (2025 – $38) for accounting and administration fees.

At June 30, 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 $92 (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 June 30, 2026, the net book value of the right-of-use assets was $3,961 (December 31, 2025 – $4,918) and the present value of the lease liabilities was $4,345 (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.

Key management personnel compensation comprised:

	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Salaries, incentives and benefits	$ 1,021	$ 1,161	$ 2,641	$ 2,190
Share based compensation	156	178	348	330
Expenses related to defined benefit plans	170	159	419	335
	$ 1,347	$ 1,498	$ 3,408	$ 2,855

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

18. Related party transactions (continued):

As at June 30, 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.

Credit risk

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

		June 30, 2026		December 31, 2025
Current	$	88,998	$	77,342
Past due for 1 to 60 days		3,041		2,865
Past due for more than 60 days		1,614		2,370
Less: allowance for losses		(583)		(528)
	$	93,070	$	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, dividends and share buybacks 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.

19. Financial risk management (continued):

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 June 30, 2026, the amount of financial assets denominated in U.S. dollars exceeded the amount of financial liabilities denominated in U.S. dollars by approximately $413 (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 $2 for the three and six months ended June 30, 2026 (2025 – $102).

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 $224 for the three months ended June 30, 2026 (2025 – $236) and approximately $448 for the six months ended June 30, 2026 (2025 – $472).