POLLARD banknote limited

News Release

POLLARD BANKNOTE REPORTS 3RD QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, November 6, 2026 /CNW/ - Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and nine months ended September 30, 2026.

Third Quarter Results and Highlights

- Revenue reached $158.9, up 1.7% from the third quarter of last year.
- Combined sales[(1)] in the quarter, including our share of our NPi's joint venture sales, were $193.7 million, up 3.4% from $187.3 million in the same quarter last year.
- Adjusted EBITDA[(1)] of $28.3 million, was down $4.0 million from $32.3 million in the third quarter of 2025. $2.1 million of the decrease was due to the Michigan Lottery iLottery contract which ended July 17, 2026.
- Income from operations attained $14.9 million, down 16.3% from $17.8 million in the third quarter of 2025, or 5.1% after excluding the $2.1 million contribution from the Michigan Lottery iLottery contract.
- On September 2, 2026, Pollard successfully launched its playON® Player Engagement solutions with the Oklahoma Lottery.
- On October 22, 2026, the Kansas Lottery notified Pollard that it had been selected as the apparent successful bidder for the Kansas iLottery contract following a formal competitive bid process. The new contract is expected to start late 2026, and extends for a five-year term with 1 two-year extension available.
- On June 15, 2026, the Colorado Lottery published a notice of intent to award Pollard their lottery digital solution contract. Initial planning and scoping are under way while contract details are being finalized.
- On October 8, 2026, Norsk Tipping, the national lottery of Norway, announced its intent to award Pollard its new instant ticket contract, following a competitive request for proposal process. The contract starts in December 2026, with a three-year term plus a one year extension. Pollard has been providing Norsk Tipping instant tickets since 2004, and this win reaffirms our long-term partnership with an important customer.
- On September 23, 2026, the North Carolina Education Lottery executed a 1-year extension with our NeoPollard Interactive LLC joint venture to operate their iLottery business, extending the contract term until June of 2029.
- We also announced that Verica Simic will join Pollard on November 16, 2026, and will be appointed Chief Financial Officer effective January 1, 2027. Ms. Simic will

succeed Rob Rose who, as previously announced, will retire as Chief Financial Officer effective December 31, 2026.

(1) See Non-GAAP measures for explanation

"Although our third quarter operating results were disappointing, our contract wins and extensions over the past number of months validate our ongoing strategic investments in both the digital and retail parts of our business and provide the foundation for continued growth, "commented John Pollard, Co-Chief Executive Officer. "As expected, our Michigan iLottery contract ended at the beginning of the third quarter this year, accounting for a significant portion of the lower results when compared to last year."

"Third quarter instant ticket volumes were slightly higher than last year's comparative figures and also slightly higher compared to the second quarter of 2026. Our average selling price was slightly lower than the comparative period last year, due primarily to the customer mix. Our production volume this quarter was weighted more toward lower-valued international work compared to historical third quarter levels, which lowered our margin. In addition, manufacturing challenges resulted in lower production volumes than expected, and also caused higher direct material spoilage and greater rework compared to last year and the second quarter of this year. These factors negatively impacted our gross margin during the quarter. We continue to focus considerable resources, including new manufacturing management in our print operations, on mitigating these issues and improving our manufacturing processes going forward."

"Our charitable business continued to experience strong demand which translated to near record volumes of pull-tab tickets, vending machine and eTab sales."

"A number of significant positive developments occurred during the third quarter helping to grow and position our digital business for greater future success," stated Doug Pollard, Co-Chief Executive Officer. "The Kansas Lottery has advised that Pollard has been selected as the apparent successful bidder for a new 5-year contract expected to commence in late 2026, with one 2-year extension, taking the contract to late 2033. The iLottery contract was conducted through a competitive proposal process, and our win reflects the great results we have achieved with the successful Kansas iLottery startup last year. We are looking forward to building revenue growth and generating more funds for good causes throughout Kansas."

"Work is increasing on our Belgium Lottery gaming platform contract as more development resources are dedicated to the multiple deliverables under this long-term contract. Revenue recognition increased in the third quarter compared to the previous quarters of 2026 and we anticipate this trend will continue. The customer is pleased with

our progress, as we continue to build a reputation in the lottery industry for effective and timely management of complex digital projects."

"On June 15, 2026, the Colorado Lottery published a notice of intent to award Pollard their lottery digital solution contract. Initial planning and scoping are under way while contract details are being finalized. We look forward to implementing our lottery-specific playON® player engagement and Catalyst iLottery gaming platforms to enhance this significant lottery's ability to meet its fundraising goals. We anticipate go-live to occur in the later part of 2027."

"Our NeoPollard Interactive LLC business was awarded the final 1-year extension to continue to provide the iLottery solution for the North Carolina Education Lottery. The award of this final extension expands our existing contract to June of 2029."

"Our combined NPi joint venture iLottery operations contributed $15.3 million in before profit share and income tax margin in the third quarter, down $2.1 million compared to $17.4 million earned in the third quarter of 2025. This reduction was primarily due to the expiry of the Michigan iLottery contract on July 17, 2026."

"We continue to acquire our common shares for cancellation under our previously approved Normal Course Issuer Bid. During the third quarter we purchased for cancellation 64,200 shares."

"As our new CFO, Ms. Simic brings more than 30 years of senior financial leadership experience, with extensive experience in public company financial reporting, strategic planning, mergers and acquisitions and driving enterprise value creation in fast-growing, multi-country environments. Most recently, she served as Senior Vice President, Finance at Spin Master Corporation, a global toy, digital games and entertainment company."

"We would like to both congratulate and thank Rob Rose, our retiring CFO, on behalf of the Company, our employees and the Board of Directors for his remarkable contributions. Over the last thirty-one years, Mr. Rose has been an integral member of Pollard Banknote's executive management team, helping guide the Company through tremendous growth and strategic transformation with professionalism and steady leadership."

"With the ongoing investments we are making in our retail, charitable and digital businesses, we are confident these investments will show improved results in the fourth quarter and beyond," remarked John Pollard. "Our scheduled instant ticket volumes remain busy going forward with an expected improved mix. Demand for charitable solutions in both printed and digital areas remains strong. Major steps expanding our digital business, including the intent to award the Colorado iLottery contract, were achieved in the past quarter which lay the foundation for long term future success."

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 and nine months ended September 30, 2026. These financial statements have been prepared in accordance with the International Financial 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 NeoPollard Interactive LLC's ("NPi") 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 September 30, 2026**	**Three months ended September 30, 2025[1]**
Revenue	$ 158.9 million	$ 156.3 million
Gross profit	$ 24.3 million	$ 28.1 million
Gross profit % of sales	*15.3%*	*18.0%*
Administration expenses	$ 18.9 million	$ 19.2 million
Selling expenses	$ 6.1 million	$ 6.5 million
NPi equity investment income	($ 15.3 million)	($ 15.3 million)
Unrealized foreign exchange loss[2]	$ 0.1 million	$ 0.0 million
Net income	$ 8.1 million	$ 10.3 million
Net income per share – basic	$ 0.30	$ 0.38
Net income per share – diluted	$ 0.30	$ 0.38
Adjusted EBITDA	$ 28.3 million	$ 32.3 million

	Nine months ended September 30, 2026	**Nine months ended September 30, 2025[1]**
Revenue	$ 455.4 million	$ 445.3 million
Gross profit	$ 68.9 million	$ 77.4 million
Gross profit % of sales	*15.1%*	*17.4%*
Administration expenses	$ 57.6 million	$ 54.1 million
Selling expenses	$ 18.6 million	$ 19.0 million
NPi equity investment income	($ 47.0 million)	($ 49.3 million)
Unrealized foreign exchange loss[2]	$ 0.7 million	$ 3.3 million
Net income	$ 20.2 million	$ 30.0 million
Net income per share – basic	$ 0.75	$ 1.11
Net income per share – diluted	$ 0.75	$ 1.11
Adjusted EBITDA	$ 80.9 million	$ 92.2 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 September 30, 2026** (unaudited)	**Three months September 30, 2025[1]** (unaudited)	**Nine months September 30, 2026** (unaudited)	**Nine months September 30, 2025[1]** (unaudited)
Revenue	$158.9	$156.3	$455.4	$445.3
Cost of sales	134.6	128.2	386.5	367.9
Gross profit	24.3	28.1	68.9	77.4
Administration expenses	18.9	19.2	57.6	54.1
Selling expenses	6.1	6.5	18.6	19.0
Equity investment income	(15.3)	(15.3)	(47.0)	(49.3)
Other (income) expenses	(0.3)	(0.1)	1.7	0.0
Income from operations	14.9	17.8	38.0	53.6
Foreign exchange (gain) loss	0.5	(0.2)	1.7	3.1
Interest expense	2.6	2.9	7.3	8.9
Income before income taxes	11.8	15.1	29.0	41.6
Income taxes				
Current (recovery)	7.6	(2.9)	24.8	10.8
Deferred (reduction)	(3.9)	7.7	(16.0)	0.8
	3.7	4.8	8.8	11.6
Net income	$8.1	$10.3	$20.2	$30.0
Adjustments:				
Amortization and depreciation[2]	13.5	12.6	39.6	36.5
Interest	2.6	2.9	7.3	8.9
Income taxes	3.7	4.8	8.8	11.6
EBITDA	$27.9	$30.6	$75.9	$87.0
Unrealized foreign exchange loss[2]	0.1	0.0	0.7	3.3
ERP implementation costs	0.3	1.7	2.1	1.8
Consultant transfer costs	0.0	0.0	1.8	0.0
Severance costs	0.0	0.0	0.4	0.0
Acquisition costs	0.0	0.0	0.0	0.1
Adjusted EBITDA	$28.3	$32.3	$80.9	$92.2

(1) Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.
(2) Includes amounts from equity investment.

	September 30, 2026	December 31, 2025
Total Assets	$714.0	$695.9
Total Non-Current Liabilities	$205.0	$176.3

Results of Operations – Three months ended September 30, 2026

During the three months ended September 30, 2026, Pollard achieved revenue of $158.9 million, compared to $156.3 million in the three months ended September 30, 2025. Factors impacting the $2.6 million revenue increase were:

- Higher sales of ancillary lottery products and services increased revenue in the third quarter of 2026 by $3.4 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, higher retail solutions sales and increased game studio sales. Partially offsetting these increases in ancillary lottery sales were the decreases in the sales of licensed products.

- Higher average selling price of charitable games increased revenue by $1.6 million in the third quarter of 2026 as compared to the third quarter of 2025. In addition, higher charitable gaming print volumes further increased revenue by $0.6 million. Charitable eGaming ("eTab or eTabs") revenue further increased revenue by $1.5 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.

- Lower instant ticket average selling price in 2026 decreased revenue by $3.5 million as compared to 2025, mainly as a result of customer mix. Partially offsetting this decrease were higher instant ticket sales volumes which increased sales by $1.9 million in the third quarter of 2026.

- Lower Michigan iLottery revenue decreased revenue in the third quarter of 2026 by $5.5 million as compared to 2025, due to the expiry of the contract in July 2026.

- During the three months ended September 30, 2026, Pollard generated approximately 68.5% (2025 – 69.0%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the third quarter of 2026, the actual U.S. dollar value was converted to Canadian dollars at $1.403, compared to a rate of $1.372 during the third quarter of 2025. This 2.2% increase in the U.S. dollar value resulted in an approximate increase of $2.4 million in revenue relative to the third quarter of 2025. In addition, during the quarter the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $0.2 million in revenue relative to the third quarter of 2025.

Cost of sales was $134.6 million in the third quarter of 2026 compared to $128.2 million in the third quarter of 2025. The increase of $6.4 million in cost of sales was primarily the result of increased Pollard iLottery operation cost, including ramping up resources in preparation for the Belgium Lottery contract development efforts, as well as the additional costs associated with higher instant ticket volumes and certain production inefficiencies.

Additionally, higher exchange rates on U.S. dollar denominated expenses further increased cost of sales when compared to 2025. These increases to cost of goods sold were partially offset by lower Michigan iLottery costs, with the expiry of the contract in the quarter and decreased costs as a result of lower licensed product sales.

Gross profit decreased to $24.3 million (15.3% of sales) in the third quarter of 2026 from $28.1 million (18.0% of sales) in the third quarter of 2025. This decrease of $3.8 million in gross profit and the decrease in gross profit percentage were primarily as a result of:

- Decreased instant ticket sales margins from lower average instant ticket selling prices due to a significant shift in customer mix and production inefficiencies.

- Lower Michigan iLottery gross profit of $2.1 million due to the expiry of the contract in July 2026.

- Lower licensed product sales and higher distribution costs also reduced gross profit.

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

- Increased revenue from Pollard's iLottery contracts with the Belgium and Kansas lotteries positively impacted gross profit.

- Higher retail solutions sales increased gross profit.

- Higher gross margin from eTab charitable sales partially added to gross profit.

Administration expenses were $18.9 million in the third quarter of 2026 compared to $19.2 million in the third quarter of 2025. The decrease of $0.3 million was largely a result of lower ERP implementation costs. Offsetting these decreases in administration expenses were increased compensation costs, as well as higher professional fees, software licensing fees and consulting fees.

Selling expenses decreased to $6.1 million in the third quarter of 2026 from $6.5 million in the third quarter of 2025. The decrease of $0.4 million was primarily due to lower compensation costs.

Pollard's share of income from its iLottery joint venture was $15.3 million in the third quarter of 2026 similar to $15.3 million in the third quarter of 2025.

Other income was $0.3 million in the third quarter of 2026, similar to $0.1 million in the third quarter of 2025.

The net foreign exchange loss was $0.5 million, including a net foreign exchange loss from our equity investment, in the third quarter of 2026 compared to a net gain of $0.2

million in the third quarter of 2025. The 2026 net foreign exchange loss of $0.5 million, consisted of an unrealized foreign exchange loss of $0.1 million primarily a result of the decreased Canadian equivalent value on U.S. dollar denominated accounts receivable, partially offset by an unrealized gain on foreign currency denominated accounts payables. In addition, Pollard incurred a realized foreign exchange loss of $0.4 million which was primarily due to foreign currency denominated cash and accounts payable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2025 net foreign exchange gain of $0.2 million consisted of a realized foreign exchange gain which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

Adjusted EBITDA decreased to $28.3 million in the third quarter of 2026 compared to $32.3 million in the third quarter of 2025. The primary reasons for the $4.0 million decrease in Adjusted EBITDA were the decrease in gross profit (net of amortization and depreciation) of $3.1 million, substantially as a result of the lower instant ticket margins and the impact from the expiry of the Michigan iLottery contract of $2.1 million. Further reducing Adjusted EBTIDA was the increase in administration expenses (net of ERP implementation costs) of $1.1 million and higher realized foreign exchange loss of $0.6 million. Partially offsetting these decreases to Adjusted EBITDA were lower selling costs of $0.4 million and lower other expenses of $0.2 million.

Interest expense decreased to $2.6 million in the third quarter of 2026 from $2.9 million in the third quarter of 2025, primarily as a result of the lower interest rates in the third quarter of 2026, as compared to the third quarter of 2025.

Amortization and depreciation, including amortization and depreciation from our equity investment, totaled $13.5 million during the third quarter of 2026 which increased from $12.6 million during the third quarter of 2025. The increase of $0.7 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 third quarter of 2026, an effective rate of 31.6%, 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.

Income tax expense was $4.8 million in the third quarter of 2025, an effective rate of 31.6%, 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.

Net income was $8.1 million in the third quarter of 2026 compared to $10.3 million in the third quarter of 2025. The primary reasons for the $2.2 million decrease were the decrease in gross profit of $3.8 million, substantially as a result of the lower instant ticket margins and the impact from the expiry of the Michigan iLottery contract of $2.1 million,

and the increase in the foreign exchange loss of $0.7 million. Partially offsetting these decreases to net income were the decrease in income tax expense of $1.1 million, the decrease in selling expenses of $0.4 million, the decrease in administration costs of $0.3 million and the decrease in interest expense of $0.3 million.

Net income per share decreased to $0.30 per share (basic and diluted) in the third quarter of 2026, from $0.38 per share (basic and diluted) in the third quarter of 2025.

Results of Operations – Nine months ended September 30, 2026

During the nine months ended September 30, 2026, Pollard achieved revenues of $455.4 million, compared to $445.3 million in the nine months ended September 30, 2025. Factors impacting the $10.1 million revenue increase were:

- Higher instant ticket sales volumes in the first nine months of 2026 increased revenue by $9.5 million as compared to 2025. Offsetting this increase in revenue was the lower instant ticket average selling price in the first nine months of 2026 which decreased revenue by $14.5 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 $12.0 million in the first nine 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 distribution and retail solutions related sales. Partially offsetting these increases in ancillary lottery sales was the decrease in the sales of licensed products.

- Higher charitable gaming volumes increased revenue by $3.7 million in the first nine 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 $2.2 million. Charitable eGaming ("eTab or eTabs") sales further increased revenue by $5.5 million compared to 2025. New game content and a greater number of sites have driven revenue higher than the pre-regulatory change levels in 2024.

- Lower Michigan iLottery revenue in the first nine months of 2026 decreased revenue by $4.9 million as compared to 2025, due to the expiry of the contract in July 2026.

- During the nine months ended September 30, 2026, Pollard generated approximately 70.5% (2025 – 69.5%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During the first nine months of 2026, the actual U.S. dollar value was converted to Canadian dollars at $1.381, compared to a rate of $1.404 the first nine months of 2025. This 1.6% decrease in the U.S. dollar value resulted in an approximate decrease of $5.2

million in revenue relative to the first nine months of 2025. In addition, during the first nine months of 2026, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $1.8 million in revenue relative to the first nine months of 2025.

Cost of sales was $386.5 million in the first nine months of 2026 compared to $367.9 million in the first nine months of 2025. The increase of $18.6 million in cost of sales was primarily as a result of higher instant ticket volumes and production inefficiencies, as well as, the additional costs associated with increased Pollard iLottery operations, including the addition of Belgium Lottery contract development resources. These increases to cost of goods sold were partially offset by lower Michigan iLottery costs, with the expiry of the contract in the third quarter, and decreased costs as a result of lower licensed product sales and the impact of lower exchange rates on U.S. dollar denominated expenses in 2026.

Gross profit decreased to $68.9 million (15.1% of sales) in the nine months ended September 30, 2026, from $77.4 million (17.4% of sales) in the nine months ended September 30, 2025. This decrease of $8.5 million in gross profit and the decrease in gross profit percentage were primarily the result of:

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

- Lower Michigan iLottery gross profit $1.6 million primarily due to the expiry of the contract in July 2026.

- Lower licensed product sales decreased gross profit.

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

- Higher gross profit from Pollard's iLottery contracts with the Belgium and Kansas lotteries.

- Higher eTab charitable sales positively impacted gross profit.

- Additional retail solution sales increased gross profit.

Administration expenses increased to $57.6 million in the first nine months of 2026 from $54.1 million in 2025. The increase of $3.5 million was largely a result of increased compensation costs as well as higher ERP implementation costs and professional fees.

Selling expenses decreased to $18.6 million in the first nine months of 2026 from $19.0 million in the first nine months of 2025. This $0.4 million decrease was primarily due to lower compensation costs.

Pollard's share of income from its iLottery joint venture decreased to $47.0 million in the first nine months of 2026 from $49.3 million in 2025. The $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 related sales in Alberta.

Other expenses were $1.7 million in the first nine months of 2026 compared to $nil million in 2025. This increase of $1.7 million was primarily due to the consultant transfer fee paid in 2026. During the second quarter of 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 $1.8 million.

The net foreign exchange loss was $1.7 million, including a net foreign exchange loss from our equity investment in the first nine months of 2026 compared to a net foreign exchange loss of $3.1 million in the first nine months of 2025. The 2026 net foreign exchange loss of $1.7 million resulted from a net 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, 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 $1.0 million which was primarily due to foreign currency denominated cash and accounts receivables being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2025 net foreign exchange loss of $3.1 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. Partially offsetting the unrealized loss, Pollard experienced a realized foreign exchange gain of $0.2 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

Adjusted EBITDA decreased to $80.9 million in the first nine months of 2026 compared to $92.2 million in the first nine months of 2025. The main reason for the decrease of $11.3 million were the decrease in gross profit (net of amortization and depreciation) of $6.1 million, primarily as a result of the lower instant ticket margins and the expiry of the Michigan iLottery contract. Also reducing Adjusted EBITDA were the decrease in equity investment income (net of amortization, depreciation and unrealized foreign exchange) of $1.5 million, the increase in administrative expenses (net of ERP implementation costs) of $3.3 million and the increase in realized foreign exchange loss of $1.3 million. Partially offsetting these decreases to Adjusted EBITDA were the increase in other income (net of severance and consultant transfer costs) of $0.5 million and decreased selling costs of $0.4 million.

Interest expense decreased to $7.3 million in the first nine months of 2026 from $8.9 million in the first nine months of 2025, primarily as a result of the lower interest rates in the first nine months of 2026, as compared to 2025.

Amortization and depreciation, including amortization and depreciation from our equity investment totaled $39.6 million during the first nine months of 2026 which increased from $36.5 million during the first nine months of 2025. The increase of $3.1 million was a result of the addition of property, plant and equipment and intangible assets.

Income tax expense was $8.8 million in the first nine months of 2026, an effective rate of 30.3%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, and non-deductible items, partially offset by lower income tax rates in foreign jurisdictions.

Income tax expense was $11.6 million in the first nine months of 2025, an effective rate of 27.9%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, and non-deductible items, partially offset by lower income tax rates in foreign jurisdictions.

Net income decreased to $20.2 million in the first nine months of 2026 from $30.0 million in the first nine months of 2025. The main reasons for the decrease of $9.8 million was primarily due to the decrease in gross profit of $8.5 million, largely as a result of the lower 2026 instant ticket margins and the expiry of the Michigan iLottery contract. Further reducing net income were the increase in administration expenses of $3.5 million, the decrease in equity investment income of $2.3 million and the increase in other expenses of $1.7 million. Partially offsetting these decreases to net income were the decrease in income taxes of $2.8 million, the decrease in interest expense of $1.6 million, the decrease in foreign exchange loss of $1.4 million and the decrease in selling expenses of $0.4 million.

Net income per share decreased to $0.75 per share (basic and diluted) in the nine months ending September 30, 2026, from $1.11 per share (basic and diluted) in the nine months ending September 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)

	Q3 2026	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Sales – Pollard's share									
Michigan iLottery	$1.2	$6.5	$5.8	$7.2	$6.6	$6.0	$6.0	$5.7	$6.0
NPi	34.8	34.3	33.7	34.2	31.0	32.1	31.7	27.9	27.2
Combined iLottery sales	$36.0	$40.8	$39.5	$41.4	$37.6	$38.1	$37.7	$33.6	$33.2
Income before profit share and income taxes – Pollard's share									
Michigan iLottery	$0.0	$2.3	$1.6	$2.2	$2.1	$1.8	$1.6	$1.3	$0.7
NPi	15.3	15.0	16.6	16.9	15.3	17.7	16.2	12.6	13.6
Combined income before profit share and income taxes – Pollard's share	$15.3	$17.3	$18.2	$19.1	$17.4	$19.5	$17.8	$13.9	$14.3

Beginning in the third quarter of 2025, NPi's sales and net income before profit share and 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 expired.

Outlook

Although our company has been awarded a number of strategically important contract wins on both the digital and printed ticket parts of our business, our operating execution has been disappointing, particularly with respect to our printed instant tickets. Our total production volumes have been lower than we expected, and our waste and rework have been higher. And our overall mix of orders has been less profitable than normal. Despite

these production challenges, the onboarding of our new California printed ticket contract has gone very well.

We continue to focus resources, including new manufacturing management in our print operations, on improving our instant ticket manufacturing processes to increase our productivity. A number of formal initiatives are focused on improving throughput, increasing production speed, reducing turnaround times and ultimately lowering costs. While we did see some progress in the second quarter, the process is long-term and our third quarter was not as good. We are seeing improvements in the early part of the fourth quarter.

Historically, our fourth quarter usually sees a drop in instant ticket volumes after the traditionally busier third quarters. This year we are not expecting a drop due to a combination of strong demand and some orders carrying over from our third quarter. In addition, for both the fourth quarter and our outlook for 2027, we expect a return to a more typical product and customer mix from a margin perspective.

Our digital product business remains very busy, with increased resources working closely alongside the Belgium, Oklahoma, Colorado and other lotteries on the development and implementation of their new digital solutions, while continuing to support other digital customer products and services.

We have begun the planning phase for delivery of the Colorado Lottery contract, which includes both our loyalty and iLottery platforms, as well as the implementation of our eInstant games. We expect to go live in the later part of 2027. The project is off to a strong start with high customer engagement and positive early momentum. We also continue to pursue other digital opportunities including other eInstant and loyalty solution implementations.

Consumer demand for both eTabs and paper-based products in the charitable sector remains very strong. To support additional pull-tab ticket sales, we are expanding our production capabilities to both increase our capacity and improve our efficiency. Sales in the Minnesota eTab market continue at record setting levels and a number of jurisdictions are investigating the opportunity to add this product offering in their markets. Pilot programs are underway and we are hopeful that new eTab markets will open up in 2027. Our other charitable products such as bingo daubers, handheld bingo devices and pull-tab vending machines continue to generate positive sales growth, and we expect this to continue.

Significant activity has occurred recently relating to tariffs, both from the United States and retaliatory tariffs from Canada. We have structured our operations to minimize exposure to cross-border trade protectionism. Much of the new tariffs exclude products utilized in our production, and through expanding our supply chains and sourcing our inputs from alternative suppliers, we have been able to mitigate any material exposure to higher costs through tariffs.

Our outlook for the fourth quarter and 2027 is positive with a robust instant ticket production schedule and growing demand for our charitable products and solutions. In addition, we anticipate increasing revenue from our portfolio of digital contracts including the new contracts with Oklahoma and Colorado, the renewal of Kansas, the extension of the iLottery contract for the North Carolina Lottery and expanding work for our Belgium Lottery digital solution contract.

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