POLLARD banknote limited

2025 ANNUAL REPORT

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LETTER TO SHAREHOLDERS

Enclosed please find our 2025 Annual Report. 2025 was a transformational year for Pollard Banknote marked by significant achievements. In addition to the record financial results, 2025 was also a significant year for a number of critical business milestones. In February, Pollard successfully went live with our Catalyst™ iLottery solution with the Kansas Lottery, the first implementation of our new technology. In October, the Belgium National Lottery awarded Pollard a twelve-year contract to provide its Omnichannel Central Gaming System. In addition, Pollard was awarded a twelve-year (including extensions) contract as the primary instant ticket supplier by the California Lottery, the largest seller of instant tickets in the United States. These historic contract wins reflect the success of our ongoing investments in our business and commitment to our strategic vision.

Instant ticket margins improved over the year, supported by the full-year impact of our repricing strategy implemented several years ago. This was further enhanced by increased sales of our higher-value proprietary products, including our patented Scratch FX® process.

Our charitable gaming group continues to actively pursue opportunities in both print-based and electronic solutions. The acquisitions of C.J. Venne and Pacific Gaming over the past two years expanded our product offerings and enhanced our ability to compete more broadly with key distributors.

2025 financial highlights include achieving record revenues of $596.0 million, up 7.0% from 2024. Combined sales[(1)] in the year, including our share of NeoPollard Interactive LLC joint venture sales, attained $725.0 million, up 8.9% from $665.9 million in 2024. Net income of $34.7 million was 1.4% lower than 2024 net income of $35.2 million. Our Adjusted EBITDA[(1)] achieved a new annual record of $119.9 million, up 4.7% from 2024. Cash flow from operating activities generated $83.6 million compared to $73.9 million in 2024.

The success achieved in 2025 confirms our strategy as the appropriate one: utilizing outstanding games, retail excellence and digital innovation to be the partner of choice for lotteries and charitable organizations around the world. Together, over 2,500 employees take great pride in helping these organizations generate money for good causes in a responsible way. We thank all of our team members for their focus and dedication in pursuing these objectives first expressed at the founding of our company more than a century ago.

We would also like to recognize our many lottery and charity customers for their commitment to excellence in growing gaming in a safe and responsible manner. Our public shareholders' continuous support and long-term focus have allowed

[(1)] See Non-GAAP measures for explanation

us to execute our strategy to grow and invest in the future. Our Board of Directors, in particular our three independent Directors, have provided leadership and advice throughout our journey and have provided important guidance as we have evolved from primarily an instant ticket printer to the successful print and digital provider we are today.

To all of you, thank you for your support and we look forward to a very successful 2026 and beyond,

Douglas Pollard
Co-Chief Executive Officer

John Pollard
Co-Chief Executive Officer

March 31, 2026

DIRECTORS OF POLLARD BANKNOTE LIMITED

Gordon Pollard Executive Chair

Gordon Pollard joined Pollard Banknote in 1989 as Vice President, Marketing. He became Co–Chief Executive Officer in 1997 and on May 1, 2011, was appointed Executive Chair of the Board of Directors and is a former Director of the Manitoba Hydro Electric Board. Prior to 1989, he practiced law with a major Manitoba firm specializing in corporate and securities law. He has an LL.B. from the University of Manitoba and a B.A. from the University of Winnipeg.

Dave Brown

Dave Brown is the Managing Director of RBM Capital Limited (a private investment firm). Previously, he was an Executive Vice-President of Richardson Financial Group Limited, Chief Executive Officer of Richardson Capital Limited, the private equity arm of James Richardson & Sons, Limited, the Corporate Secretary of James Richardson & Sons, Limited, and a partner in the independent law and accounting firm of Gray & Brown. He also serves as Independent Chair of the Board of Directors of Boyd Group Services Inc., is a former Director of RF Capital Group Inc. and is a former Director of the Manitoba Hydro Electric Board. He has served on various Manitoba charities including acting as Director of the Misericordia Hospital and Pavilion Gallery Museum Inc. and as Co-chair of Major Donors for the Children's Hospital Foundation Capital Campaign. He graduated from the University of Manitoba law school and is a former member of the Institute of Chartered Accountants of Manitoba.

Lee Meagher

Lee Meagher founded Scootaround, Inc. in 1997, an international personal transportation solutions company providing rentals, sales and service to the travelling public. She served as its Chief Executive Officer from inception to 2019, when Scootaround merged its operations with Whill Inc., a Tokyo based mobility device company. She currently serves as the Chair of the Board of Directors of Scootaround Mobility Holdings Inc. and as Past Chair and Director of the Board of CancerCare Manitoba Foundation. She also serves as a Director of the Pan Am Clinic Foundation, sits on the Advisory Committee of The Co-Habit Project and is past Chair of the St. Boniface Hospital Research Foundation. She holds a B.A. from the University of Manitoba.

Carmele Peter

Carmele Peter is a Director of Exchange Income Corporation where she was formerly President from 2014 to 2025, and Chief Administrative Officer from 2012 to 2014. Prior to joining Exchange Income Corporation, she practiced law for 23 years at the law firm of Aikins, MacAulay & Thorvaldson LLP, where she specialized in transactional and tax work. She was appointed K.C. in 2019. She also currently serves as a Director of James Richardson & Sons, Limited, and is a member of the International Women's Forum.

Douglas Pollard

Douglas Pollard joined Pollard Banknote in 1997 as Vice President, Lottery Management Services and on May 1, 2011, was appointed Co–Chief Executive Officer. From 1997 to 1999 he was a Director and the General Manager of Imprimerie Spéciale de Banque, a subsidiary of Pollard Banknote based in Paris, France. Prior to 1997 he was a Senior Consultant with PricewaterhouseCoopers. He has an M.B.A. from The Richard Ivey School of Business at the University of Western Ontario and a B.A. from the University of Manitoba. He is Chair of the Board of Directors of the Assiniboine Park Conservancy and Chair of the Board of Directors of the CancerCare Manitoba Foundation.

John Pollard

John Pollard joined Pollard Banknote in 1986 as Vice President, Finance. He became Co–Chief Executive Officer in 1997. Prior to 1986, he was an associate with the accounting firm Deloitte & Touche LLP. He has a B.Comm. (Honours) from the University of Manitoba and is a former member of the Institute of Chartered Accountants of Manitoba. He serves as a Director of The Winnipeg Foundation and as President and Director of Pulford Community Living Services Inc.

December 31, 2025

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

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2025

March 10, 2026

This management's discussion and analysis ("MD&A") of Pollard Banknote Limited ("Pollard") for the year ended December 31, 2025, is prepared as at March 10, 2026, and should be read in conjunction with the accompanying audited consolidated financial statements of Pollard and the notes therein as at December 31, 2025. Results are reported in Canadian dollars and have been prepared in accordance with IFRS Accounting Standards ("GAAP" or "IFRS").

Forward-Looking Statements

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

Use of Non-GAAP Financial Measures

Reference to "EBITDA" is to earnings before interest, income taxes, depreciation, amortization and purchase accounting amortization. Reference to "Adjusted EBITDA" is to EBITDA before unrealized foreign exchange gains and losses, and certain non-recurring items including ERP implementation costs, severance costs, acquisition costs, contingent consideration fair value adjustments and net insurance proceeds. 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.

Basis of Presentation

The results of operations in the following discussions encompass the consolidated results of Pollard for the years ended December 31, 2025 and 2024. All figures are in millions except for per share amounts.

POLLARD BANKNOTE LIMITED

Overview

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

Pollard produces and provides a comprehensive line of instant tickets and lottery products and services including: licensed products, distribution, SureTrack® lottery management system, marketing, interactive digital gaming, including mkodo's world class game apps and GeoLocs™, PlayOn™ loyalty programs, retail management services, ScanACTIV™, easyVEND™, lottery ticket dispensers and play stations and vending machines, including easySERV™. Pollard also offers its state-of-the-art iLottery solution, Catalyst™ Gaming Platform, as well as eInstant games from its digital games studio. In addition, Pollard's charitable gaming product line includes pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines, hand-held electronic bingo devices, ancillary products such as pull-tab counting machines, bingo daubers and eTab systems marketed under the Diamond Game and Compliant Gaming trade names.

Pollard's lottery products are sold extensively throughout Canada, the United States and the rest of the world, wherever applicable laws and regulations authorize their use. Pollard serves over 60 instant ticket lotteries including a number of the largest lotteries throughout the world. Charitable gaming products are mostly sold in the United States and Canada where permitted by gaming regulatory authorities. Pollard serves a highly diversified customer base in the charitable gaming market of over 150 independent distributors with the majority of revenue generated from repeat business.

Belgium contract

On October 16, 2025, Pollard was awarded a contract from Loterie Nationale ("Belgium Lottery") to deliver and operate its next-generation gaming platform, Catalyst™. As part of this 12-year agreement, valued at approximately $289 million, Pollard will provide its Omnichannel Central Gaming System, Player Account Management, Player Engagement Technology, Game Aggregation Bridge, Instant Ticket Management System and its Integrated Marketing Engagement Platform. The implementation is underway with planning and preliminary work being the initial focus.

Acquisitions

On July 31, 2024, Pollard acquired 100% of the equity of Clarence J. Venne, LLC ("Venne") for a purchase price of $12.6 million U.S. dollars ($17.4 million) prior to standard working capital adjustments. Venne is one of the leading manufacturers of bingo daubers utilized primarily in the charitable gaming bingo market. The purchase price was funded by proceeds from Pollard's credit facility and cash on hand.

On April 1, 2025, Pollard acquired 100% of the business 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 by proceeds from Pollard's credit facility and cash on hand.

Tariffs

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

The following financial information should be read in conjunction with the accompanying consolidated financial statements of Pollard and the notes therein as at and for the year ended December 31, 2025.

SELECTED FINANCIAL INFORMATION
(millions of dollars, except per share information)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Revenue	**$596.0**	$557.1	$520.4
Cost of sales	**496.2**	452.4	433.8
Gross profit	**99.8**	104.7	86.6
Gross profit as a % of revenue	***16.7%***	*18.8%*	*16.6%*
Administration expenses	**74.3**	65.0	58.3
Administration expenses as a % of revenue	***12.5%***	*11.7%*	*11.2%*
Selling expenses	**24.8**	22.4	20.7
Selling expenses as a % of revenue	***4.2%***	*4.0%*	*4.0%*
NPi equity investment income	**(66.2)**	(52.6)	(39.1)
NPi equity investment income as a % of revenue	***(11.1%)***	*(9.4%)*	*(7.5%)*
Unrealized foreign exchange (gain) loss	**3.9**	6.7	(2.0)
Unrealized foreign exchange (gain) loss as a % of revenue	***0.7%***	*1.2%*	*(0.4%)*
Net income	**34.7**	35.2	31.4
Net income as a % of revenue	***5.8%***	*6.3%*	*6.0%*
Adjusted EBITDA	**119.9**	114.5	91.3
Adjusted EBITDA as a % of revenue	***20.1%***	*20.6%*	*17.5%*
Net income per share (basic)	**$1.28**	$1.30	$1.17
Net income per share (diluted)	**$1.26**	$1.28	$1.15

	December 31, 2025	December 31, 2024	December 31, 2023
Total Assets	**$695.9**	$636.3	$515.7
Total Non-Current Liabilities	**$176.3**	$167.2	$139.5

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA
(millions of dollars)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Net income	**$34.7**	$35.2	$31.4
Adjustments:			
Amortization and depreciation	**49.2**	44.3	45.0
Interest	**11.5**	10.3	10.5
Income taxes	**17.1**	16.9	6.1
EBITDA	**112.5**	106.7	93.0
Unrealized foreign exchange (gain) loss	**3.9**	6.7	(2.0)
Severance costs	**0.3**	1.3	–
Acquisition costs	**0.1**	0.3	–
ERP implementation costs	**3.1**	–	–
Contingent consideration fair value adjustment	–	(0.5)	0.5
Net insurance proceeds	–	–	(0.2)
Adjusted EBITDA	**$119.9**	$114.5	$91.3

PRODUCT LINE BREAKDOWN OF REVENUE

	Year ended December 31, 2025	Year ended December 31, 2024
Lottery	73.8%	75.2%
Charitable	26.2%	24.8%

REVIEW OF OPERATIONS

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

ANALYSIS OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2025

Revenue

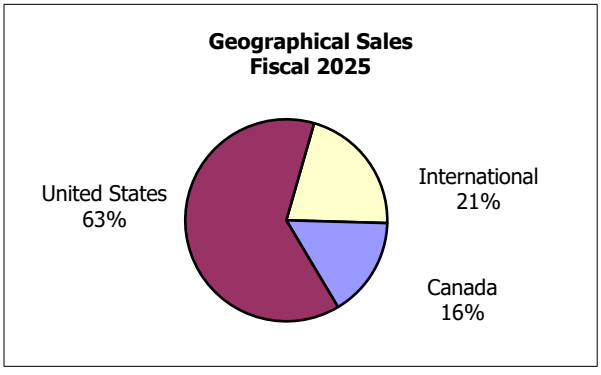
During the year ended December 31, 2025 ("Fiscal 2025" or "2025"), Pollard achieved revenue of $596.0 million, compared to $557.1 million in the year ended December 31, 2024 ("Fiscal 2024" or "2024"). Factors impacting the $38.9 million revenue increase were:

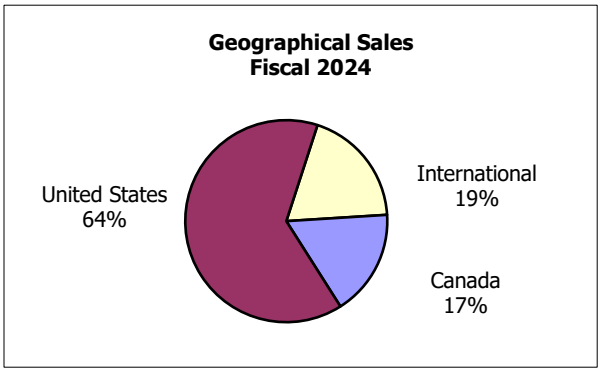
The higher instant ticket average selling price in Fiscal 2025 increased revenue by $23.0 million as compared to 2024, primarily due to increased proprietary product sales, the change in customer mix and the impact of repriced contracts. This increase was partially offset by the decrease in instant ticket sales volumes of $17.1 million as compared to 2024, partly as a result of Pollard declining to produce certain lower margin work.

Higher sales of ancillary lottery products and services increased revenue by $3.9 million. This growth was primarily due to increased digital sales, including Pollard's Kansas contract iLottery sales, and higher distribution related sales. Partially offsetting these increases in ancillary lottery sales was the decrease in sales of licensed products.

Higher charitable gaming volumes increased revenue by $16.1 million in Fiscal 2025 as compared to 2024. This is predominately as a result of the acquisition of Venne and Pacific. In addition, the higher average selling price of charitable printed games further increased revenue by $2.3 million. These increases in revenue were partially offset by a decrease in charitable eGaming ("eTab or eTabs") sales of $5.2 million compared to 2024 primarily due to the impact from regulatory changes, starting January 1, 2025, in a certain jurisdiction.

Lower Michigan iLottery sales in 2025 decreased revenue by $0.7 million as compared to 2024.





During Fiscal 2025, Pollard generated approximately 70.0% (2024 – 70.7%) of its revenue in U.S. dollars including a portion of international sales which are priced in U.S. dollars. During Fiscal 2025, the actual U.S. dollar value was converted to Canadian dollars at an average rate of $1.402, compared to an average rate of $1.359 in Fiscal 2024. This 3.2% increase in the U.S. dollar value resulted in an approximate

increase of $12.8 million in revenue relative to Fiscal 2024. In addition, during 2025, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $3.8 million in revenue relative to 2024.

Cost of sales and gross profit

Cost of sales was $496.2 million in Fiscal 2025 compared to $452.4 million in Fiscal 2024. The increase of $43.8 million in cost of sales was primarily due to the additional costs associated with increased Pollard iLottery operations, including iLottery Kansas start-up related expenditures, and related amortization, and higher charitable gaming volumes, primarily a result of the addition of Venne and Pacific. In addition, higher exchange rates on U.S. dollar denominated expenses and increases in certain instant ticket manufacturing overhead costs further increased cost of sales when compared to 2024.

Gross profit decreased to $99.8 million (16.7% of sales) in Fiscal 2025 compared to $104.7 million (18.8% of sales) in Fiscal 2024. The decrease of $4.9 million in gross profit and the decrease in gross profit percentage were primarily the result of:

- The launch of Pollard's first iLottery operation resulted in incremental overhead costs and negative gross profit in the start-up phase of running the Kansas iLottery operation.

- Higher amortization and depreciation expense, predominately related to increased amortization of intangible assets, including our Catalyst™ gaming platform, reduced gross profit.

- Lower eTab sales in 2025, as a result of regulatory changes in a certain jurisdiction, negatively impacted gross profit.

- The acquisitions of Venne and Pacific positively impacted gross profit.

- Higher average instant ticket selling price increased gross profit.

Administration expenses

Administration expenses increased to $74.3 million in Fiscal 2025 compared to $65.0 million in Fiscal 2024. The increase of $9.3 million was largely a result of ERP implementation costs of $3.1 million incurred in 2025, as well as increased compensation and software licensing costs. Further increasing administration expenses as compared to 2024 were the addition of Venne and Pacific administration expenses.

Selling expenses

Selling expenses increased to $24.8 million in Fiscal 2025 compared to $22.4 million in Fiscal 2024. The increase of $2.4 million compared to 2024 was primarily due to the addition of Venne and Pacific selling expenses.

Equity investment income

Pollard's share of income from NPi increased to $66.2 million in Fiscal 2025 from $52.6 million in Fiscal 2024. This $13.6 million increase was primarily due to the continued strong eInstants sales growth in

North Carolina and Virginia, partially offset by the expiry of a customer contract at the end of the second quarter.

Other expenses

Other expenses were $0.1 million in Fiscal 2025 consistent with $0.1 million in Fiscal 2024. The 2025 other expenses of $0.1 million was comprised of severance related costs of $0.3 million relating to a restructuring within one of our business units, largely offset by $0.2 million of other income.

The 2024 other expenses of $0.1 million was comprised of severance related costs of $1.3 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe, mostly offset by $0.7 million of other income and the $0.5 million contingent consideration fair value adjustment.

Foreign exchange

The net foreign exchange loss was $3.5 million in Fiscal 2025 compared to a net foreign exchange loss of $7.4 million in Fiscal 2024. The 2025 net foreign exchange loss of $3.5 million resulted from a net unrealized foreign exchange loss of $3.9 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. Partially offsetting the unrealized loss, Pollard incurred a realized foreign exchange gain of $0.4 million which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

The 2024 net foreign exchange loss of $7.4 million resulted from a net unrealized foreign exchange loss of $6.7 million, primarily due to the increased Canadian equivalent value 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, partially offset by the unrealized gain on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of $0.7 million primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

Adjusted EBITDA

Adjusted EBITDA increased to $119.9 million in Fiscal 2025 compared to $114.5 million in Fiscal 2024. The primary reasons for the increase of $5.4 million were the increase in equity investment income of $13.6 million and the increase in realized foreign exchange gain of $1.1 million. Partially offsetting these increases in Adjusted EBITDA were the increase in administration expenses (net of acquisition and ERP implementation costs) of $6.4 million, the increase in selling expenses of $2.4 million and the decrease in other income (net of severance related costs) of $0.5 million.

Interest expense

Interest expense increased to $11.5 million in Fiscal 2025 from $10.3 million in Fiscal 2024, primarily as a result of the increase in the average long-term debt outstanding as compared to 2024 due to acquisitions and higher investment in non-cash working capital for the first nine months of 2025, partially offset by the impact of lower interest rates in 2025.

Amortization and depreciation

Amortization and depreciation totaled $49.2 million during Fiscal 2025 which increased from $44.3 million during Fiscal 2024. The increase of $4.9 million was primarily the result of increased amortization of intangible assets, including our Catalyst™ gaming platform.

Income taxes

Income tax expense was $17.1 million in Fiscal 2025, an effective rate of 33.1%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, other items and the effect of foreign exchange related non-deductible items partially offset by the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was $16.9 million in Fiscal 2024, an effective rate of 32.5%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes partially offset by the effect of lower income tax rates in foreign jurisdictions.

Net income

Net income decreased to $34.7 million in Fiscal 2025 compared to net income of $35.2 million in Fiscal 2024. The main reasons for the decrease of $0.5 million were the increase in administration expenses of $9.3 million, the decrease in gross profit of $4.9 million, the increase in selling expenses of $2.4 million, the increase in interest expense of $1.2 million and the increase in income tax expense of $0.2 million. Partially offsetting these decreases to net income were the increase in equity investment income of $13.6 million and the decrease in net foreign exchange loss of $3.9 million.

Net income per share (basic and diluted) decreased to $1.28 and $1.26 per share, respectively, in Fiscal 2025 from $1.30 and $1.28 per share, respectively, in Fiscal 2024.

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)

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Sales – Pollard's share									
Michigan iLottery	$7.2	$6.6	$6.0	$6.0	$5.7	$6.0	$6.8	$7.1	$7.0
NPi	34.2	31.0	32.1	31.7	27.9	27.2	28.2	25.5	21.8
Combined iLottery sales	$41.4	$37.6	$38.1	$37.7	$33.6	$33.2	$35.0	$32.6	$28.8
Income before income taxes – Pollard's share									
Michigan iLottery	$2.2	$2.1	$1.8	$1.6	$1.3	$0.7	$2.1	$2.7	$2.5
NPi	16.9	15.3	17.7	16.2	12.6	13.6	14.1	12.2	11.0
Combined income before income taxes – Pollard's share	$19.1	$17.4	$19.5	$17.8	$13.9	$14.3	$16.2	$14.9	$13.5

Throughout 2024 and 2025, NPi's contracts achieved strong organic growth, adding to sales and income before taxes. Quarterly sales and income before taxes are positively impacted during quarters, including the fourth and third quarters of 2025, where substantial draw-based game (Powerball® and Mega Millions®) jackpots are awarded. Beginning in the third quarter of 2024, income before income taxes from Michigan iLottery was negatively impacted by lower sales and further negatively impacted by certain one-time higher processing costs in the third quarter of 2024.

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 addition, a net foreign exchange loss further reduced NPi's income in the quarter. In the second quarter of 2025, NPi's net income before income taxes was positively impacted by a net foreign exchange gain.

Liquidity and Capital Resources

Cash provided by operating activities

For the year ended December 31, 2025, cash flow provided by operating activities was $83.6 million compared to cash flow provided by operating activities of $73.9 million in Fiscal 2024. Changes in the non-cash working capital provided $4.6 million in cash in 2025 compared to $1.7 million of cash provided in 2024. In Fiscal 2025, changes in the non-cash working capital increased cash flow from operations due primarily to an increase in accounts payable and accrued liabilities and by a decrease in contract assets, partially offset by increases in accounts receivable, inventories and prepaid expenses and deposits. In Fiscal 2024, changes in the non-cash working capital increased cash flow from operations due primarily to an increase in accounts payable and accrued liabilities and a decrease in accounts receivable, partially offset by increases in contract assets, and prepaids.

Cash used for interest payments increased to $11.4 million in 2025 as compared to $9.8 million in 2024. Cash used for pension plan contributions decreased to $3.1 million in 2025 as compared to $4.8 million used in 2024. Cash used for income tax payments decreased to $25.6 million in 2025 from $30.8 million in 2024. Offsetting these uses of cash, Pollard received $64.2 million from our investment in our iLottery joint venture in 2025 as compared to $52.6 million received in 2024.

Cash used for investing activities

For the year ended December 31, 2025, cash used for investing activities was $73.6 million compared to $77.2 million used in the year ended December 31, 2024. In Fiscal 2025, Pollard used $32.2 million on additions to intangible assets, $26.7 million on capital expenditures and $14.8 million for acquisitions.

In Fiscal 2024, Pollard used $28.4 million on additions to intangible assets, $25.5 million on capital expenditures and $23.2 million for acquisitions.

Cash provided by financing activities

Cash used for financing activities was $2.8 million for the year ended December 31, 2025, compared to cash provided by financing activities of $16.8 million for the year ended December 31, 2024. During Fiscal 2025, cash used by financing activities was comprised of lease principal payments of $5.7 million and dividend payments of $5.4 million made during the year. These cash outflows were partially offset by net proceeds from long-term debt received of $9.0 million. During Fiscal 2024, cash was provided by net proceeds from long-term debt received of $26.6 million. This cash inflow was partially offset by lease principal payments of $5.6 million and dividend payments of $5.1 million made during the year.

As at December 31, 2025, Pollard had unused credit facility of $129.8 million and $28.5 million in available cash resources. These amounts, in addition to cash flow provided by operating activities, are available to be used for future working capital requirements, contractual obligations, capital expenditures, dividends and to assist in financing future acquisitions.

RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2025

SELECTED FINANCIAL INFORMATION

(millions of dollars, except per share amounts)

	Three months ended December 31, 2025 (unaudited)	Three months ended December 31, 2024 (unaudited)
Revenue	**$150.8**	$140.3
Cost of sales	**128.4**	117.9
Gross profit	**22.4**	22.4
Administration expenses	**20.2**	16.1
Selling expenses	**5.8**	5.3
Equity investment income	**(16.9)**	(12.6)
Other (income) expenses	**0.1**	(0.5)
Income from operations	**13.2**	14.1
Foreign exchange loss	**0.5**	4.4
Interest expense	**2.6**	2.7
Income before income taxes	**10.1**	7.0
Income taxes:		
Current	**8.6**	14.6
Deferred reduction	**(3.1)**	(5.8)
	5.5	8.8
Net income (loss)	**$4.6**	($1.8)
Adjustments:		
Amortization and depreciation	**12.8**	11.6
Interest	**2.6**	2.7
Income taxes	**5.5**	8.8
EBITDA	**$25.5**	$21.3
Unrealized foreign exchange loss	**0.6**	4.2
Severance costs	**0.3**	0.2
ERP implementation costs	**1.3**	–
Contingent consideration fair value adjustment	–	(0.5)
Adjusted EBITDA	**$27.7**	$25.2
Net income (loss) per share (basic)	**$0.17**	($0.07)
Net income (loss) per share (diluted)	**$0.17**	($0.06)

Revenue

During the three months ended December 31, 2025, Pollard achieved revenue of $150.8 million, compared to $140.3 million in the three months ended December 31, 2024. Factors impacting the $10.5 million revenue increase were:

The higher instant ticket average selling price in the fourth quarter of 2025 increased revenue by $1.4 million as compared to 2024, primarily due to the increase in proprietary product sales and the change in customer mix. However, this increase to revenue was partially offset by the decrease in instant ticket sales volumes of $0.5 million as compared to 2024.

Higher sales of ancillary lottery products and services increased revenue by $2.8 million. This growth was largely due to increased sales of licensed products, Pollard's Kansas contract iLottery sales and distribution services as compared to the fourth quarter of 2024. These increases were partially offset by lower sales of digital and loyalty products.

Higher charitable gaming volumes increased revenue by $2.1 million in the fourth quarter of 2025 predominately as a result of the acquisition of Pacific in the second quarter of 2025. Further increasing charitable gaming sales in 2025 was the higher average selling price of charitable printed games, which increased sales by $0.1 million as compared to 2024. These increases in sales were partially offset by a decrease in charitable eGaming ("eTab or eTabs") revenue of $1.2 million compared to 2024, primarily due to the impact from regulatory changes in a certain jurisdiction.

Higher Michigan iLottery sales increased revenue in the fourth quarter of 2025 by $1.3 million as compared to the fourth quarter of 2024. Sales of eInstants and draw-based games were positively impacted by two significant jackpots in the quarter.

During the three months ended December 31, 2025, Pollard generated approximately 71.7% (2024 – 70.1%) of its revenue in U.S. dollars including a portion of international sales which were priced in U.S. dollars. During the fourth quarter of 2025, the actual U.S. dollar value was converted to Canadian dollars at $1.397, compared to a rate of $1.362 during the fourth quarter of 2024. This 2.5% increase in the U.S. dollar value resulted in an approximate increase of $2.7 million in revenue relative to 2024. In addition, during the fourth quarter of 2025, the value of the Euro strengthened against the Canadian dollar resulting in an approximate increase of $1.8 million in revenue relative to 2024.

Cost of sales and gross profit

Cost of sales was $128.4 million in the fourth quarter of 2025 compared to $117.9 million in the fourth quarter of 2024. The increase of $10.5 million was primarily due to higher charitable gaming volumes, primarily a result of the addition of Pacific, higher instant ticket costs due to product mix, additional costs associated with increased Pollard iLottery operations, including Kansas start-up related expenditures and related amortization, and higher license product sales. In addition, higher exchange rates on U.S. dollar denominated expenses further increased cost of sales when compared to 2024.

Gross profit was $22.4 million (14.9% of sales) in the fourth quarter of 2025 consistent with $22.4 million (16.0% of sales) in the fourth quarter of 2024. The main factors impacting our gross profit in the fourth quarter of 2025 were:

- The February launch of Pollard's first iLottery operation resulted in incremental overhead costs and negative gross profit in the start-up phase of running the Kansas iLottery operation.

- Higher amortization and depreciation expense, predominately related to increased amortization of intangible assets, including our Catalyst™ gaming platform, reduced gross profit.

- Lower eTab sales in 2025, as a result of regulatory changes in a certain jurisdiction, negatively impacted gross profit.

- The acquisition of Pacific positively impacted gross profit.

- Higher average instant ticket selling price increased gross profit.

Administration expenses

Administration expenses increased to $20.2 million in the fourth quarter of 2025 compared to $16.1 million in the fourth quarter of 2024. The increase of $4.1 million was largely a result of higher compensation costs, ERP implementation costs of $1.3 million and increased software licensing costs, as well as the addition of Pacific administration expenses.

Selling expenses

Selling expenses increased to $5.8 million in the fourth quarter of 2025 compared to $5.3 million in the fourth quarter of 2024. This $0.5 million increase was primarily due to higher compensation costs and the addition of Pacific selling expenses.

Equity investment income

Pollard's share of income from NPi increased to $16.9 million in the fourth quarter of 2025 from $12.6 million in the fourth quarter of 2024. This $4.3 million increase was primarily due to the continued strong eInstants sales growth in North Carolina and Virginia, and increased draw-based game sales due in part to two significant jackpots awarded in the quarter. These increases were partially offset by the expiry of a customer contract at the end of the second quarter of 2025.

Other (income) expenses

Other expenses were $0.1 million in the fourth quarter of 2025 compared to other income of $0.5 million in the fourth quarter of 2024. The 2025 other expenses of $0.1 million were comprised of severance related costs of $0.3 million relating to a restructuring within one of our business units, mostly offset by $0.2 million of other income.

The 2024 other income of $0.5 million was comprised of $0.5 million of contingent consideration fair value adjustment and $0.2 million of other income, partially offset by severance related costs of $0.2 million related to downsizing a portion of our operational workforce as a result of the expiry of a lottery service contract in Europe.

Foreign exchange

The net foreign exchange loss was $0.5 million in the fourth quarter of 2025 compared to a net foreign exchange loss of $4.4 million in the fourth quarter of 2024. The 2025 net foreign exchange loss of $0.5 million resulted from a net unrealized foreign exchange loss of $0.6 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 $0.1 million, which was primarily due to foreign currency denominated accounts receivable being converted into Canadian dollars at unfavorable foreign exchange rates.

The 2024 net foreign exchange loss of $4.4 million resulted from a net unrealized foreign exchange loss of $4.2 million, primarily due to the increased Canadian equivalent value 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, partially offset by the unrealized gains on U.S. dollar denominated accounts receivable. In addition, Pollard experienced a realized foreign exchange loss of $0.2 million, which was primarily due to foreign currency denominated accounts payable paid at unfavorable exchange rates, which was partially offset by a realized foreign exchange gain mainly due to foreign currency denominated accounts receivable being converted into Canadian dollars at favorable foreign exchange rates.

Adjusted EBITDA

Adjusted EBITDA increased to $27.7 million in the fourth quarter of 2025 compared to $25.2 million in the fourth quarter of 2024. The primary reasons for the increase of $2.5 million were the increase in equity investment income of $4.3 million, increase in gross profit (net of amortization and depreciation) of $1.2 million and the increase in realized foreign exchange gain of $0.3 million. Partially offsetting these increases to Adjusted EBITDA was the increase in administration expenses of $2.8 million (net of ERP implementation costs) and the increase in selling expenses of $0.5 million.

Interest expense

Interest expense decreased to $2.6 million in the fourth quarter of 2025 from $2.7 million in the fourth quarter of 2024, primarily as a result of the decrease in average interest rates on long-term debt outstanding as compared to 2024, partially offset by the increase in average long-term debt outstanding.

Amortization and depreciation

Amortization and depreciation totaled $12.8 million during the fourth quarter of 2025 compared to $11.6 million during the fourth quarter of 2024. The increase of $1.2 million was primarily the result of increased amortization of intangible assets, including our Catalyst™ gaming platform.

Income taxes

Income tax expense was $5.5 million in the fourth quarter of 2025, an effective rate of 54.6%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes, and the effect of foreign exchange related non-deductible items, partially offset by the effect of lower income tax rates in foreign jurisdictions.

Income tax expense was $8.8 million in the fourth quarter of 2024, an effective rate of 125.2%, which was higher than our domestic rate of 27.0% due primarily to the effect of withholding and other taxes.

Net income (loss)

Net income was $4.6 million in the fourth quarter of 2025 compared to a net loss of $1.8 million in the fourth quarter of 2024. The main reasons for the increase of $6.4 million were the increase in equity

investment income of $4.3 million, the decrease in net foreign exchange loss of $3.9 million and the decrease in income tax expense of $3.3 million. Partially offsetting these increases to the net income were the increase in administration expenses of $4.1 million, the increase in other expenses of $0.6 million and the increase in selling expenses of $0.5 million.

Net income per share (basic and diluted) was $0.17 and $0.17 per share, respectively, in the fourth quarter of 2025 compared to a net loss of $0.07 and $0.06 per share, respectively, (basic and diluted) in the fourth quarter of 2024.

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

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Revenue	$150.8	$156.3	$142.7	$146.2	$140.3	$153.2	$137.8	$125.7	$135.5
Adjusted EBITDA	27.7	32.3	29.3	30.6	25.2	33.3	32.3	23.7	25.7
Net income (loss)	4.6	10.3	8.0	11.7	(1.8)	18.2	11.9	6.9	11.3
Net income (loss) per share - basic	0.17	0.38	0.30	0.43	(0.07)	0.67	0.44	0.26	0.42

Working Capital

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

Lottery customers are predominantly government agencies, which result in regular payments. There are a limited number of individual customers, and therefore the net investment in working capital is managed on an individual customer by customer basis, without the need for company-wide benchmarks.

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

As at December 31, 2025, Pollard's investment in non-cash working capital decreased $4.6 million compared to December 31, 2024, primarily due to an increase in accounts payable and accrued liabilities and by a decrease in contract assets, partially offset by increases in accounts receivable, inventories and prepaid expenses and deposits.

	December 31, 2025	December 31, 2024
Working Capital	$100.6	$95.9
Total Assets	$695.9	$636.3
Total Non-Current Liabilities	$176.3	$167.2

Credit Facility

Pollard's credit facility was renewed effective December 31, 2024. The credit facility allows Pollard to reallocate capacity between its Canadian and U.S. operations. As at December 31, 2025, the facility provides loans of up to $194.0 million for its Canadian operations and US$67.2 million for its U.S. subsidiaries. The credit facility also includes an accordion feature which can increase the facility by $50.0 million. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of $194.0 million Canadian equivalent. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, Canadian Dollar Offered Rate ("CDOR") or Secured Overnight Financing Rate ("SOFR"). At December 31, 2025, the outstanding letters of guarantee drawn under the credit facility were $0.1 million. The remaining balance available for drawdown under the credit facility was $129.8 million.

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including our debt service coverage ratio and debt to income before interest, income taxes, amortization, depreciation and certain other items ratio. As at December 31, 2025, Pollard was in compliance with all financial covenants.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard. Under the terms of the agreement the facility is committed for a four-year period, renewable December 31, 2028. Principal payments are not required until maturity. The facility can be prepaid without penalties.

Pollard believes that its credit facility and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital, dividends and acquisitions.

Economic Development Canada ("EDC") Facility

Effective November 28, 2025, Pollard renewed its annual agreement with EDC. This agreement provides a €15.0 million facility whereby Pollard can issue qualifying letters of credit against the EDC facility. The facility is guaranteed by a general indemnity from Pollard. As of December 31, 2025, the outstanding letters of credit drawn on this facility were $14.5 million (€9.0 million). As of December 31, 2024, the outstanding letters of credit drawn on this facility were $13.4 million (€9.0 million).

Outstanding Share Data

As at December 31, 2025 and March 10, 2026, outstanding share data were as follows:

Common shares	27,067,669

Share Options

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms. The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares. As at December 31, 2025, the total share options issued and outstanding were 525,000.

Dividends

On March 10, 2026, the Board of Directors declared a dividend of $0.05 per common share payable on April 15, 2026, for the quarter ending March 31, 2026.

Contractual Obligations

The following table outlines a schedule by year of contractual obligations outstanding, including related interest payments:

(millions of dollars)	Total	2026	2027	2028	2029	2030 & thereafter
Long-term debt	$178.1	$7.3	$7.3	$163.5	$ –	$ –
Lease liabilities	19.4	6.7	5.6	4.3	1.5	1.3
Total	$197.5	$14.0	$12.9	$167.8	$1.5	$1.3

Pension Obligations

Pollard sponsors four non-contributory defined benefit pension plans, of which two are final pay plans and two are a flat benefit plan. As of December 31, 2025, the aggregate fair value of the assets of Pollard's defined benefit pension plans was $110.0 million and the accrued benefit plan obligations were $101.2 million. Pollard's total annual funding contribution for its defined pension plans in 2026 is expected to be approximately $1.0 million, compared to $1.1 million in 2025.

Off-Balance Sheet Arrangements

Aside from our short-term and low value leases, Pollard has no other off-balance sheet arrangements.

Related Party Transactions

The Control Group and affiliates

During the year ended December 31, 2025, Pollard paid property rent of $2.4 million (2024 - $2.3 million) and $0.7 million (2024 - $0.7 million) in plane charter costs to affiliates of the Control Group.

During the year ended December 31, 2025, the Control Group paid Pollard $0.07 million (2024 - $0.07 million) for accounting and administration fees.

At December 31, 2025, Pollard owed the Control Group and its affiliates $0.1 million (2024 - $0.8 million) for rent, expenses and other items. Included within property, plant and equipment and lease liabilities on the consolidated statement of financial position are right-of-use assets and corresponding liabilities for premises leased to Pollard from the Control Group. As at December 31, 2025, the net book value of the right-of-use assets was $4.9 million (2024 - $7.1 million) and the present value of the lease liabilities was $5.3 million (2024 - $7.4 million).

Material Accounting Policies and Estimates

Described in the notes to Pollard's 2025 audited consolidated financial statements are the accounting policies and estimates that Pollard believes are critical to its business. Please refer to note 2 (c) to the audited consolidated financial statements for the year ended December 31, 2025, for a discussion of the significant accounting estimates and judgements.

Future Changes in Accounting Policies

Described in the notes to Pollard's 2025 audited consolidated financial statements are the future accounting standards that Pollard believes are potentially applicable to its business. Please refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2025, for a summary.

Industry Risks and Uncertainties

Pollard is exposed to numerous risks and uncertainties which are described in this MD&A and Pollard's most recent Annual Information Form dated March 10, 2026, which is available under Pollard's profile on SEDAR+ (www.sedarplus.ca).

Financial Instruments

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 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.

Risk Exposure

Currency risk

Pollard sells a significant portion of its products and services to customers in the United States and to some international customers where sales are 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.

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.

Credit risk

Credit risk is the risk of financial loss if a customer or counterpart to a financial instrument fails to meet its financial obligations.

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due.

Risk Management

Currency risk

Pollard utilizes a number of strategies to mitigate its exposure to currency risk. Seven 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.

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. As at December 31, 2025, the amount of financial liabilities denominated in U.S. dollars exceeded the amount of financial assets denominated in U.S. dollars by approximately $2.9 million. As at December 31, 2024, the amount of financial assets denominated in U.S. dollars exceeded the amount of financial liabilities denominated in U.S. dollars by approximately $14.9 million. 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 $0.02 million for the year ended December 31, 2025 (2024 - $0.07 million).

Interest rate risk

A 50 basis point decrease/increase in interest rates would result in an increase/decrease in income before income taxes of approximately $0.8 million for the year ended December 31, 2025 (2024 - $0.8 million).

Credit risk

Credit risk on Pollard's accounts receivable is minimized as accounts receivable are mainly from governments and their agencies. They are generally collected in a relatively short period of time. Credit risk on foreign currency contracts is minimized since the counterparties are restricted to Schedule 1 Canadian financial institutions.

Liquidity risk

Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The estimated 2026 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities and the unused portion of Pollard's credit facility. Pollard enters into contractual obligations in the normal course of business operations.

Outlook

Retail sales of instant tickets in 2025 were modestly higher than 2024, and we expect this trend to continue in 2026. Our volumes will be higher in 2026 as a result of winning the primary instant ticket contract with the California Lottery, which is now effective with production underway.

Work on implementing our new ERP system continues and will be a focus throughout 2026 ahead of the planned go-live in 2027. This updated, more responsive information system will directly support our instant ticket business line and our corporate operations, assisting us in improving our manufacturing efficiencies and improving our instant ticket margins.

Overall demand for both printed products and electronic eTabs is strong in the charitable sector. A number of jurisdictions are exploring electronic gaming as a mechanism to provide charities with opportunities to generate more funds for good causes through the use of tablets or kiosks. Critical to success is strong game content, and we continue to focus more resources on expanding and improving our game content. Indeed, our eTab performance in Minnesota, which was negatively impacted during 2025 due to regulatory changes, has seen steady improvement over the past year and in the early part of 2026 through improved game content.

Our Kansas iLottery operation had a very successful implementation in 2025 and has continued to achieve significant milestones. Revenue grew strongly in the fourth quarter, and a number of initiatives are underway to continue this growth in 2026.

The implementation of our recently awarded Belgium Lottery gaming system contract is underway and proceeding well, with planning and preliminary work as the initial focus. The assignment of resources will build throughout 2026 with increasing positive financial impact expected through the year. We will continue to invest heavily in our digital business including eInstants, PlayOn® loyalty solutions, and our core Catalyst™ platform. We believe there are near-term opportunities in all of these areas, particularly given the growing demand for effective lottery-specific loyalty programs. Interest in iLottery remains very strong throughout the U.S. and internationally.

Significant internally generated cash flow from our operations allows us to fund our investments in CAPEX, including our ongoing advancement of our internal Catalyst™ solution and eInstant games. We expect our 2026 investments in CAPEX to be lower than the amount spent in 2025.

Changes and trends emerging in international trade, tariffs, and other protectionist trade policies continue, and we will monitor to ensure that our operating practices remain positioned to minimize any potential financial impact.

We have established very strong foundations for success during 2025 with transformational contract wins in a number of key business lines, with positive financial impacts building through 2026 and the following years. Our digital lottery group continues to implement our solutions on these new contracts and to bid on other opportunities; new markets for eTab solutions in charitable gaming are developing, which we are aggressively pursuing; and our instant ticket business has embraced our new primary contract from the California Lottery and will be focused on improving our overall margins. All of these developments position Pollard as the partner of choice for assisting lotteries and charities in raising funds for good causes.

Disclosure Controls and Procedures

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

Pollard has limited its design of disclosure controls and procedures to exclude controls, policies and procedures of Pacific, as it was acquired not more than 365 days before the end of the financial period to which this MD&A relates.

Internal Controls over Financial Reporting

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

Pollard has limited its design of ICFR to exclude controls, policies and procedures of Pacific, as it was acquired not more than 365 days before the end of the financial period to which this MD&A relates.

No changes were made in Pollard's internal controls over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, Pollard's internal controls over financial reporting.

Additional Information

Shares of Pollard Banknote Limited are traded on the Toronto Stock Exchange under the symbol PBL.

Additional information relating to Pollard, including the Audited Consolidated Financial Statements and the Annual Information Form for the year ended December 31, 2025, is available on SEDAR+ at www.sedarplus.ca.

Pollard Banknote Limited
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Management's Report

The accompanying consolidated financial statements and all the information contained in the annual report of Pollard Banknote Limited ("Pollard") are the responsibility of management and have been approved by the Board of Directors of Pollard. Financial and operating data elsewhere in the annual report is consistent with the information contained in the financial statements. The financial statements and all other information have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgment.

In fulfilling its responsibilities, management of Pollard has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for preparing the financial statements. The Board of Directors of Pollard carries out its responsibility for the financial statements through the Audit Committee. The Audit Committee reviews Pollard's annual consolidated financial statements and recommends their approval by the Board of Directors. The auditors have full access to the Audit Committee with and without management present.

The consolidated financial statements have been audited by KPMG LLP Chartered Accountants, whose opinion is contained in this annual report.

"John Pollard"

JOHN POLLARD
Co-Chief Executive Officer

"Robert Rose"

ROBERT ROSE
Chief Financial Officer

March 10, 2026

Consolidated Financial Statements of

POLLARD BANKNOTE LIMITED

Years ended December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pollard Banknote Limited

Opinion

We have audited the consolidated financial statements of Pollard Banknote Limited (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the goodwill impairment analysis for cash generating units

Description of the matter

We draw attention to Notes 2(c), 3(l) and 11 to the financial statements. The goodwill balance as of December 31, 2025, was $126,597 thousand related to the Lotteries, Charitable gaming and Retail cash generating units and groups of cash generating units (CGUs). The Entity performs goodwill impairment testing at least on an annual basis.

This requires an estimation of the recoverable amount of each CGU based on the greater of the "value in use" or "fair value less costs to sell" of the CGU or groups of CGUs to which goodwill is allocated. The determination of each of these amounts requires the Entity to make significant estimates and assumptions which include projected revenue and related earnings before interest, tax, depreciation, and amortization ("EBITDA") and discount rates.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment analysis for the CGUs as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of the goodwill balance. This matter required significant auditor judgment in evaluating the results of our audit procedures due to the high degree of estimation uncertainty involved in the Entity's estimates and assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's historical revenue and related EBITDA estimates to actual results to assess the Entity's ability to accurately project revenue and EBITDA assumptions.

We evaluated the Entity's projected revenue and EBITDA assumptions by comparing those assumptions to the Entity's expected growth rates and historical results. We took into account changes in conditions and events affecting each CGU to assess the adjustments or lack of adjustments made in arriving at projected revenue and EBITDA.

We involved valuation professionals with specialized skills and knowledge to assist in assessing the discount rates used in the estimated recoverable amounts, by comparing them to discount rate ranges that were independently developed using publicly available information for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2025 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Austin Abas.

Winnipeg, Canada

March 10, 2026

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

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash	$ 28,460	$ 22,360
Restricted cash	40,253	37,413
Accounts receivable (note 28)	82,049	79,119
Contract assets (note 18)	7,826	12,305
Inventories (note 6)	69,094	67,454
Prepaid expenses and deposits	16,254	12,240
Income taxes receivable	2,814	–
Total current assets	246,750	230,891
Non-current assets		
Long-term assets (note 7)	14,791	11,127
Property, plant and equipment (note 8)	123,841	113,195
Equity investment (note 10)	1,584	415
Goodwill (note 11)	126,597	122,377
Intangible assets (note 12)	141,341	128,034
Deferred income taxes (note 13)	32,149	24,458
Pension asset (note 15)	8,842	5,811
Total non-current assets	449,145	405,417
Total assets	$ 695,895	$ 636,308

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

	December 31, 2025	December 31, 2024
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 134,849	$ 120,388
Dividends payable	1,353	1,353
Income taxes payable	940	3,942
Current portion lease liabilities (note 9)	5,870	5,215
Current portion contract liabilities (note 18)	3,135	4,115
Total current liabilities	146,147	135,013
Non-current liabilities		
Lease liabilities (note 9)	11,644	12,253
Deferred income taxes (note 13)	8,318	1,656
Long-term debt (note 14)	155,492	151,056
Contract liabilities (note 18)	104	796
Other non-current liabilities	789	1,400
Total non-current liabilities	176,347	167,161
Shareholders' equity		
Share capital (note 16)	152,196	152,011
Reserves	27,762	24,127
Retained earnings	193,443	157,996
Total shareholders' equity	373,401	334,134
Commitments and contingencies (note 17)		
Total liabilities and shareholders' equity	$ 695,895	$ 636,308

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Dave Brown" Director

"John Pollard" Director

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

Years ended December 31

		2025		2024
Revenue (note 18)	$	596,020	$	557,099
Cost of sales		496,229		452,377
Gross profit		99,791		104,722
Administration		74,272		64,950
Selling		24,781		22,399
Equity investment income (note 10)		(66,150)		(52,580)
Other expenses (note 19)		74		145
Income from operations		66,814		69,808
Finance costs (note 20)		15,469		20,162
Finance income (note 20)		(430)		(2,487)
Income before income taxes		51,775		52,133
Income taxes (note 13)				
Current		19,441		37,081
Deferred reduction		(2,317)		(20,146)
		17,124		16,935
Net income	$	34,651	$	35,198
Net income per share – basic (note 21)	$	1.28	$	1.30
Net income per share – diluted (note 21)	$	1.26	$	1.28

See accompanying notes to consolidated financial statements.

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

Years ended December 31

		2025		2024
Net income	$	34,651	$	35,198
Other comprehensive income:				
Items that are or may be reclassified to profit and loss:				
Foreign currency translation differences – foreign operations		3,635		19,677
Items that will never be reclassified to profit and loss:				
Defined benefit plans remeasurements, net of income taxes (note 13 & note 15)		5,555		8,196
Other comprehensive income		9,190		27,873
Comprehensive income	$	43,841	$	63,071

See accompanying notes to consolidated financial statements.

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

Year ended December 31, 2025

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2024	$	152,011	24,127	157,996	334,134
Net income		–	–	34,651	34,651
Other comprehensive income					
Foreign currency translation differences – foreign operations		–	3,635	–	3,635
Defined benefit plans remeasurements, net of income taxes (note 13 & note 15)		–	–	5,555	5,555
Total other comprehensive income	$	–	3,635	5,555	9,190
Total comprehensive income	$	–	3,635	40,206	43,841
Issue of common shares (note 16)	$	185	–	(53)	132
Share based compensation		–	–	708	708
Dividends (note 16)		–	–	(5,414)	(5,414)
Balance at December 31, 2025	$	152,196	27,762	193,443	373,401

Year ended December 31, 2024

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2023	$	150,711	4,450	119,643	274,804
Net income		–	–	35,198	35,198
Other comprehensive income					
Foreign currency translation differences – foreign operations		–	19,677	–	19,677
Defined benefit plans remeasurements, net of income taxes		–	–	8,196	8,196
Total other comprehensive income	$	–	19,677	8,196	27,873
Total comprehensive income	$	–	19,677	43,394	63,071
Issue of common shares	$	1,300	–	(261)	1,039
Share based compensation		–	–	631	631
Dividends		–	–	(5,411)	(5,411)
Balance at December 31, 2024	$	152,011	24,127	157,996	334,134

See accompanying notes to consolidated financial statements.

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

Years ended December 31

		2025		2024
Cash increase (decrease)				
Operating activities				
Net income	$	34,651	$	35,198
Adjustments				
Income taxes expense		17,124		16,935
Amortization and depreciation		49,187		44,242
Interest expense (note 20)		11,511		10,287
Unrealized foreign exchange loss		3,885		6,709
Equity investment income (note 10)		(66,150)		(52,580)
Pension expense (note 15)		7,685		7,556
Contingent consideration fair value adjustment (note 19)		–		(541)
Interest paid		(11,432)		(9,763)
Income taxes paid		(25,617)		(30,767)
Equity investment distribution (note 10)		64,191		52,598
Pension contributions		(3,148)		(4,826)
Change in contract liabilities		–		295
Change in long-term assets		(3,424)		(3,269)
Change in non-cash equity investment (note 10)		627		139
Change in non-cash operating working capital (note 23)		4,553		1,691
		83,643		73,904
Investing activities				
Additions to property, plant and equipment (note 8)		(26,676)		(25,547)
Acquisitions (note 5)		(14,751)		(23,206)
Additions to intangible assets (note 12)		(32,173)		(28,435)
		(73,600)		(77,188)
Financing activities				
Net proceeds from issue of share capital		132		1,039
Net borrowings of long-term debt (note 14)		8,974		26,564
Change in other non-current liabilities		(547)		587
Deferred financing charges paid (note 14)		(308)		(676)
Lease principal payments		(5,653)		(5,565)
Dividends paid		(5,414)		(5,137)
		(2,816)		16,812
Foreign exchange gain (loss) on cash held in foreign currency		(1,127)		421
Change in cash position		6,100		13,949
Cash position, beginning of year		22,360		8,411
Cash position, end of year	$	28,460	$	22,360

See accompanying notes to consolidated 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 consolidated financial statements of Pollard as at and for the year ended December 31, 2025, comprise Pollard, Pollard's subsidiaries and its interest in other entities. Pollard is primarily involved in the manufacture and sale of lottery and charitable gaming products and solutions.

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

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

On March 10, 2026, Pollard's Board of Directors approved these consolidated financial statements.

(b) Basis of preparation:

These consolidated 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.

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.

2. Basis of preparation (continued):

(c) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Actual results may differ from these estimates.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next period are as follows:

Impairment of goodwill

Pollard determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" or "fair value less costs to sell" of the cash-generating units ("CGUs"), or groups of CGUs, to which goodwill is allocated. Estimating value in use requires Pollard to make estimates of the expected future cash flows from the CGUs, or groups of CGUs, to which goodwill is allocated. Pollard also chooses suitable discount rates in order to calculate the present value of those cash flows. Judgment is required in determining the level at which to test goodwill, including the grouping of CGUs that generate cash inflows. Further details are provided in note 11.

Employee future benefits

Accounting for defined benefit plans requires Pollard to use actuarial assumptions. These assumptions include the discount rate and the rate of compensation increases. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates. Further details are provided in note 15.

Income taxes

Pollard is required to evaluate the recoverability of deferred income tax assets. This requires an estimate of Pollard's ability to utilize the underlying future income tax deductions against future taxable income before they expire. In order to evaluate the recoverability of these deferred income tax assets, Pollard must estimate future taxable income. Further details are provided in note 13.

2. Basis of preparation (continued):

Leases

Upon inception of all leases, Pollard assesses whether it is reasonably certain that lease extension options will be exercised. Pollard also makes assumptions as to the discount rate applied to the lease liability upon recognition. If there is a significant event or change in circumstances within Pollard's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and corresponding lease liabilities. Further details are provided in note 9.

Acquisition accounting

For acquisition accounting purposes, all identifiable assets and liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair value of these assets and liabilities. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets. Pollard's significant assumptions used in determining the acquisition date fair value of intangible assets include projected revenue and related gross profit, discount rates, customer attrition, brand royalty rate, and projected revenue growth rates.

Contract assets

Contract assets include consideration payable, which are certain non-recurring costs incurred in the initial phases of a contracts and that are not for a distinct good or services. These costs are capitalized as contract assets and amortized over the period they are expected to benefit. Significant assumptions are required to be made in order to calculate the fair value of these contract assets. These assumptions include allocation of the transaction price, expected sales volume and expected timing of the satisfaction of performance obligations. Changes to assumptions could significantly impact the amount of these contract assets.

3. Material accounting policies:

The following accounting standard amendments came into effect in 2025:

Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates:

In August 2023, the International Accounting Standards Board ("IASB") issued *Lack of Exchangeability (Amendments to IAS 21)*, to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability. The amendments clarify that a currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose.

The amendments also clarify that when a currency is not exchangeable, a company needs to estimate a spot rate. A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. When estimating a spot rate a company can use an observable exchange rate without adjustment, or another estimation technique.

The amendments were implemented on January 1, 2025. Pollard has determined that the amendments have had no impact on the consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. Material accounting policies (continued):

(a) Principles of consolidation:

These consolidated financial statements include the accounts of Pollard and all its subsidiaries.

Subsidiaries are entities which are under Pollard's control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefits from its activities. Pollard holds 100% of the voting rights in, and therefore controls, its subsidiaries.

Significant subsidiaries	Percent Ownership Interest	
	December 31, 2025	December 31, 2024
Pollard Holdings, Inc.	100	100
Pollard (U.S.) Ltd.	100	100
Pollard Games, Inc.	100	100
Pollard iLottery Inc.	100	100
Diamond Game Enterprises	100	100
Diamond Game Enterprises Canada ULC	100	100
Schafer Systems (2018) Inc.	100	100
Schafer Systems (UK) Limited	100	100
mkodo Limited	100	100
Compliant Gaming, LLC	100	100
Pollard Digital Solutions GmbH	100	100
Clarence J. Venne, LLC	100	100
Pacific Gaming, LLC	100	–

All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated.

(b) Business combinations:

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets and equity instruments given, and liabilities incurred or assumed at the date of exchange.

Acquisition costs for business combinations are expensed as incurred and included in administration expenses. Identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date.

The excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

3. Material accounting policies (continued):

Pollard performs a concentration test to clarify whether a transaction results in an asset or a business acquisition. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

(c) Restricted cash:

Pollard, under certain contractual arrangements, controls cash that is restricted in use. Pollard records an equal liability classified within accounts payable and accrued liabilities. Restricted cash includes player deposits held for the benefit of two of Pollard's iLottery customers. Pollard has excluded changes in the restricted cash and related liability from its calculation of the change in cash position in the statements of cash flows.

(d) Revenue recognition:

Revenue is recognized when a customer obtains control of the goods or services. Pollard determines revenue recognition through the following steps: a) identification of the contract with a customer, b) identification of the performance obligations in the contract, c) determination of the transaction price, d) allocation of the transaction price to the performance obligations in the contract and e) recognition of revenue when Pollard satisfies a performance obligation.

Many of Pollard's contracts have a single performance obligation, including the sale of instant tickets and related products, pull-tab (or break-open) tickets, bingo paper, bingo daubers, pull-tab vending machines and gaming machines. The single performance obligation in these contracts is the promise to transfer the individual goods. Revenue is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon delivery. However, under certain contracts, Pollard is compensated for its products based on its customers' sales of those products at retail. Pollard has concluded that control transfers to its customers at delivery of the product to the customer. As such, recognition of revenue under these contracts occurs upon receipt of shipment. Pollard's revenues under these contracts could vary year over year depending on the timing of shipments.

Pollard applies bill and hold revenue accounting when products are held on behalf of customers provided all of the following conditions are met as of the reporting date: a) there is a substantive reason for the arrangement, b) the goods are separately identified as belonging to the customer, c) Pollard is no longer able to use the goods or direct the goods to another customer, and d) the goods are currently ready for physical transfer to the customer.

3. Material accounting policies (continued):

Certain Pollard contracts include multiple performance obligations, including license and royalty revenues, iLottery services, loyalty programs, digital and lottery management services, training and consulting. Where such arrangements exist, the transaction price is allocated to the performance obligations based upon the relative fair value of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. Revenue is then recognized upon satisfaction of each performance obligation.

Where Pollard provides software and related infrastructure, revenue is recognized over time based on the relevant measure of progress of the asset being transferred to the customer. Any amounts recognized as revenue, but not yet billed to the customer, are recorded as contract assets.

Pollard earns revenue from gaming machines and other equipment, and capitalizes the costs of installed gaming equipment. Revenue from the provision of gaming services is generally recognized as a daily fee or as a percentage of revenue generated by the gaming machines. Product support services, maintenance and periodic upgrades revenue is recognized over time as the related services are performed. Labour costs associated with performing routine maintenance on participating gaming machines is expensed as incurred and included in cost of sales.

Contract liabilities consist of customer advances for products or services to be rendered in the future and is recognized as income in future periods.

Volume rebates are accrued and recorded as a reduction to revenue based on historical experience and management's expectations regarding future sales volumes.

(e) Inventories:

Raw materials, work-in-process and finished goods are valued at the lower of cost and net realizable value. The cost of raw material inventory is based on its weighted average cost and includes all costs incurred to acquire the materials. In addition to the direct costs of conversion, the cost of work-in-process and finished goods, which Pollard manufactures, also includes an appropriate allocation of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion.

3. Material accounting policies (continued):

(f) Goodwill:

Goodwill is comprised of the excess sale price over the underlying carrying amount of the net assets sold as at August 5, 2005, as part of the 26.7% of Pollard sold in conjunction with the Initial Public Offering ("IPO") and the excess fair value of the consideration transferred over the fair value of the identifiable net assets acquired of Pollard's subsidiaries.

(g) Intangible assets:

Expenditures related to internally generated intangible assets are recognized as intangible assets only if Pollard can demonstrate that the costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and Pollard has sufficient resources to complete development and to use or sell the asset. Amortization of internally generated intangible assets begins when the development is complete and the asset is available for use.

Deferred development

Deferred development consists of the cost of materials, direct labour and related employee benefits that are directly attributable to preparing the asset for its intended use and applicable borrowing costs incurred in respect of qualifying assets. Other development expenditures are expensed as incurred.

Capitalized development expenditures are measured at cost less investment tax credits (including scientific research and experimental development ("SR&ED") credits), accumulated amortization and accumulated impairment losses.

Computer software and licenses

Computer software consists of the cost of acquiring, developing and implementing these systems. Development and implementation costs include third party costs as well as direct labour and related employee benefits attributable to the asset. Minimum license fees, incurred in connection with our licensing agreements for our use of third-party brands, are capitalized and amortized over the estimated life of the asset.

Capitalized computer software costs and licenses are measured at cost less investment tax credits (including SR&ED credits), accumulated amortization and accumulated impairment losses.

3. Material accounting policies (continued):

Customer assets and patents

Customer assets and patents that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets, with finite useful lives, are amortized, on a straight-line basis, over their estimated useful lives. The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Customer assets	3.5 to 20 years
Patents	Term of patent
Computer software and licenses	2 to 15 years or term of license
Deferred development	5 years

Amortization methods, estimated useful lives and residual values are reviewed each annual reporting date and adjusted prospectively, if appropriate.

The carrying value of finite useful life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Trademarks, trade names and brands

Trademarks, trade names and brands have been deemed to have an indefinite life and are not amortized. Pollard expects to maintain these assets indefinitely and therefore finite useful lives cannot be determined. For purposes of impairment testing, the fair value of the trademarks, trade names and brands are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or at minimum, on an annual basis.

(h) Property, plant and equipment:

Property, plant and equipment ("PP&E") are stated at cost less investment tax credits (including SR&ED credits), accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and related employee benefits, other costs directly attributable to bringing the assets to working condition for their intended use and borrowing costs incurred in respect to qualifying assets.

3. Material accounting policies (continued):

Major spare parts are treated as PP&E when they have a useful life greater than a year. Once major spare parts are put in service, they are transferred into equipment and amortized accordingly.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an item of PP&E is determined by comparing the proceeds from disposal with the carrying value of the PP&E and is recognized in the statement of income on a net basis.

The cost of each component of an item of PP&E is depreciated over its estimated useful life on a straight-line basis, commencing the date it is ready for use. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	10 to 39 years
Leasehold improvements	Term of lease
Equipment	2 to 11 years
Furniture, fixtures and computers	3 to 9 years

Depreciation methods, useful lives and residual values are reviewed each annual reporting date and adjusted prospectively, if appropriate.

The carrying value of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(i) Investment in joint venture:

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, rather than rights to the assets and obligations for the liabilities. Joint control is the agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require consent of both parties.

The consolidated financial statements include Pollard's 50% share of the income and expenses and equity movements of the entity accounted for under the equity method of accounting, net of any gains or losses on downstream transactions. Further details are provided in note 10.

3. Material accounting policies (continued):

(j) Investment in joint operation:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require consent of both parties.

The consolidated financial statements include Pollard's interest in the Michigan Lottery iLottery joint operations: 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.

(k) Financial instruments:

Financial assets are initially measured at fair value. On initial recognition, Pollard classifies its financial assets at either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless Pollard changes its business model for managing financial assets. Financial liabilities are classified at amortized cost or FVTPL.

A financial asset is classified as measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset is classified as measured at FVOCI if it meets both of the following conditions: a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, Pollard may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading, a derivative, contingent consideration or it is designated as such on initial recognition.

3. Material accounting policies (continued):

All financial liabilities not measured at FVTPL are classified as measured at amortized cost.

The fair value of each contract is included on the consolidated statement of financial position as either a financial asset or liability. Changes in fair value are recorded in either other comprehensive income or the consolidated statement of income, depending on the nature of the hedged item.

(l) Impairment:

Financial assets

Pollard applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all accounts receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that Pollard expects to receive. The expected cash flows reflect all available information, including Pollard's historical experience, the past due status, and forward-looking macroeconomic factors. Further details are provided in note 27 and note 28.

Non-financial assets

The carrying amount of Pollard's non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If any such indication exists, or when the annual impairment testing for an asset is required, Pollard estimates the asset's recoverable amount. For goodwill the recoverable amount is estimated as of December 31 each year. An impairment loss is recognized if the carrying amount of an asset, or its related CGU, or group of CGUs, exceeds its estimated recoverable amount.

The recoverable amount of an asset, CGU, or group of CGUs is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, CGU, or group of CGUs. Pollard calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied.

3. Material accounting policies (continued):

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or CGUs.

Impairment losses are recognized in net income. Impairment losses recognized in respect to CGUs or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro rata basis. An impairment loss in respect to goodwill is not reversed.

In respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss can only be reversed to the extent that the asset's carrying value that would have been determined, net of amortization, if no impairment had been recognized.

(m) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(n) Translation of foreign currencies:

The functional currency for each of Pollard's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies of each entity within the consolidated group using the exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates prevailing at the end of the reporting period. Non-monetary items measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate prevalent at the date of acquisition. Non-monetary items denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate prevalent at the date that the fair value was determined.

Foreign currency differences arising from translation are recognized in net income, except for exchange differences arising on the translation of financial instruments qualifying as a cash flow hedge, which are recognized directly in other comprehensive income ("OCI").

3. Material accounting policies (continued):

The results and financial position of entities within the consolidated group that have a functional currency different from the presentation currency are translated into Canadian dollars as follows: assets and liabilities are translated at the exchange rate prevailing at the end of the reporting period; income and expenses are translated at the average rate for the reporting period; all resulting exchange differences are recognized in OCI.

On disposal of a foreign operation, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in net income.

(o) Employee benefits:

Share based compensation

Share based compensation includes both stock options and deferred director compensation.

The grant date fair value of stock options granted to employees is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards.

Deferred share units ("DSU") are cash-settled share-based payments that are granted to eligible directors at the fair value of the common shares at the grant date. The DSUs earn notional dividends, equivalent to actual dividends declared on Pollard's shares. Right to payment of the outstanding DSUs is deferred until termination, retirement or death. The liability associated with the DSUs is recalculated at each reporting date and at settlement. Any change in the fair value of the liability is recognized as an expense within administration expenses in the consolidated statements of income.

Defined contribution plans

Pollard maintains four defined contribution plans. The obligation to contribute to these plans is recognized as an employee benefit expense as incurred.

Defined benefit plans

Pollard maintains four non-contributory defined benefit pension plans in Canada and the United States, two being final pay plans and two being flat benefit plans. None of the plans have indexation features.

3. Material accounting policies (continued):

The costs of Pollard's defined benefit plans are recognized over the period in which employees render service to Pollard in return for the benefits. The defined benefit obligations associated with the plans are actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have maturity terms approximating the maturity terms of the related obligation and that are denominated in the currency in which the benefits will be paid. The expected return on pension plan assets is calculated utilizing the discount rate used to measure the defined benefit obligation at the beginning of the annual period.

Past service costs are recognized as an expense on a straight line basis over the average period until the benefits becomes vested. If the benefits have vested, past service costs are recognized in net income immediately.

Remeasurements that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in OCI.

Pollard's pension asset is limited to the total of any unrecognized past services costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to Pollard's plans. An economic benefit is available to Pollard if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(p) Income taxes:

Current income tax and deferred income tax are recognized in the statement of income except to the extent that the tax relates to items recognized directly in equity or in OCI. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable in respect to previous years. Current income tax expense includes withholding taxes and U.S. state franchise taxes.

Deferred income tax is recorded to reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax basis. Deferred income tax assets and liabilities are determined based on the enacted or substantively enacted tax rates, which are expected to be in effect when the underlying items of income and expense are expected to be realized.

3. Material accounting policies (continued):

Deferred income tax is not recognized for: temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, taxable temporary differences arising on the initial recognition of goodwill or temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment, except if it relates to an item previously recognized in equity, in which case the adjustment is made to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax liabilities and assets, and they are levied by the same taxation authority on the same taxable entity, or on different tax entities which intend to settle their current income tax assets and liabilities on a net basis.

(q) Provisions:

Provisions are recognized when Pollard has a present legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If Pollard has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. Material accounting policies (continued):

(r) Finance costs and finance income:

Finance costs comprises interest expense on borrowings including amortization of deferred financing costs, interest expense on lease liabilities, accretion of contingent consideration, mark-to-market losses on foreign exchange contracts and net foreign exchange losses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are expensed in the period incurred using the effective interest method.

Finance income comprises mark-to-market gains on foreign exchange contracts and net foreign exchange gains.

(s) Leases:

At inception of a contract, Pollard assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Pollard recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Pollard's incremental borrowing rate. Generally, Pollard uses its incremental borrowing rate as the discount rate.

3. Material accounting policies (continued):

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in Pollard's estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Pollard presents right-of-use assets in "property, plant and equipment" on the statement of financial position.

Pollard accounts for short-term and low value leases by applying the recognition exemption available under IFRS 16.

Pollard's leases are for offices, manufacturing facilities, production equipment, vehicles and office equipment.

4. Future accounting standards:

(a) IFRS Accounting Standards ("IFRS") 9 – Amendments to the Classification and Measurement of Financial Instruments:

On May 30, 2024, the 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.

The amendments are effective for annual periods beginning on or after January 1, 2026. Pollard does not expect the amendments to have a significant impact on the consolidated financial statements upon adoption.

4. Future accounting standards (continued):

(b) IFRS 18 – Presentation and Disclosure in the Financial Statements:

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

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

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

5. Acquisitions:

(a) Charitable gaming assets:

On April 15, 2024, Pollard entered into an agreement to acquire certain assets used in the operation of electronic charitable games with licensed charitable gaming organizations and the transaction closed on June 7, 2024. The acquisition has been accounted for using the acquisition method. The total purchase price was $5,400. Included in the net assets acquired are $95 in computer equipment, $3,227 of intangible assets related to customer assets, $392 of intangibles assets related to trademarks and brands, $432 of intangibles assets related to computer software and licenses and $1,256 of goodwill.

During the measurement period, new information became available regarding the valuation of the customer asset. An adjustment to the preliminary purchase price allocation was required, resulting in a decrease in the customer assets intangible of $378 and an increase in goodwill of $378.

At March 31, 2025, the acquisition accounting was finalized.

5. Acquisitions (continued):

(b) Clarence J. Venne, LLC:

On July 31, 2024, Pollard acquired 100% of the equity of Clarence J. Venne, LLC ("Venne"), a manufacturer of bingo daubers utilized primarily in the charitable gaming bingo market. 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 July 31, 2024, the acquisition date.

Cash paid, net of cash acquired of $406	$	18,019
Accounts receivable	$	1,675
Inventories		5,251
Prepaid expenses and deposits		186
Property, plant and equipment		1,932
Accounts payable and accrued liabilities		(1,055)
Lease liabilities		(919)
Net tangible assets acquired	$	7,070
Customer relationships	$	5,492
Brand		1,270
Identifiable intangible assets acquired	$	6,762
Goodwill acquired	$	4,187

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

At June 30, 2025, the acquisition accounting was finalized.

5. Acquisitions (continued):

(c) 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.

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. The fair values of identifiable assets and liabilities acquired are preliminary and are subject to change if new information becomes available during the measurement period, which is one year from the date of the acquisition.

If Pacific had been acquired on January 1, 2025, incremental revenue of $1,809 and net income of $33, after depreciation and amortization of the fair values of identifiable assets acquired, would have been recognized in the year ended December 31, 2025.

6. Inventories:

	December 31, 2025	December 31, 2024
Raw materials	$ 31,509	$ 32,334
Work-in-process	3,951	3,402
Finished goods	33,634	31,718
	$ 69,094	$ 67,454

During 2025, Pollard recorded inventory write-downs of $1,000 representing an increase in the obsolescence reserves and write-downs of $88 due to changes in foreign exchange rates.

During 2024, Pollard recorded inventory write-downs of $1,035 representing an increase in the obsolescence reserves and reversals of previous write-downs of $197 due to changes in foreign exchange rates.

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

7. Long-term assets:

	December 31, 2025	December 31, 2024
Contract assets (note 18)	$ 8,253	$ 5,634
Investment tax credits	5,454	4,552
Other long-term receivables	1,084	941
	$ 14,791	$ 11,127

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

8. Property, plant and equipment:

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixtures and computers	Assets in progress & spare parts	Total
Balance at January 1, 2024	$ 2,161	51,487	6,580	237,061	11,800	14,662	323,751
Acquisitions	–	919	3	1,055	49	–	2,026
Additions/net transfers	–	3,359	167	17,070	1,132	7,688	29,416
Disposals	–	(3,046)	(15)	(4,148)	(810)	–	(8,019)
Effect of movements in exchange rates	82	2,219	182	4,730	192	566	7,971
Balance at December 31, 2024	$ 2,243	54,938	6,917	255,768	12,363	22,916	355,145
Acquisitions	–	423	–	2,318	–	–	2,741
Additions/net transfers	–	5,543	335	18,726	726	6,788	32,118
Disposals	–	(664)	–	(1,653)	(65)	–	(2,382)
Effect of movements in exchange rates	(48)	(742)	(86)	(3,046)	1	(593)	(4,514)
Balance at December 31, 2025	$ 2,195	59,498	7,166	272,113	13,025	29,111	383,108

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixtures and computers	Assets in progress & spare parts	Total
Balance at January 1, 2024	$ –	24,464	4,683	186,226	7,848	–	223,221
Depreciation for the year	–	5,677	427	15,581	721	–	22,406
Disposals	–	(3,046)	(15)	(4,148)	(810)	–	(8,019)
Effect of movements in exchange rates	–	1,100	124	3,025	93	–	4,342
Balance at December 31, 2024	$ –	28,195	5,219	200,684	7,852	–	241,950
Depreciation for the year	–	6,010	461	14,723	747	–	21,941
Disposals	–	(664)	–	(1,653)	(65)	–	(2,382)
Effect of movements in exchange rates	–	(347)	(54)	(1,869)	28	–	(2,242)
Balance at December 31, 2025	$ –	33,194	5,626	211,885	8,562	–	259,267

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixtures and computers	Assets in progress & spare parts	Total
At December 31, 2024	$ 2,243	26,743	1,698	55,084	4,511	22,916	113,195
At December 31, 2025	$ 2,195	26,304	1,540	60,228	4,463	29,111	123,841

9. Leases:

Pollard's leases are for offices, manufacturing facilities, production equipment and office equipment.

Pollard presents right-of-use assets in "property, plant and equipment" on the consolidated statement of financial position. The following tables present continuity schedules of Pollard's right-of-use assets by asset class:

		Buildings	Equipment	Total
Balance at January 1, 2024	$	15,802	955	16,757
Acquisitions		919	–	919
Additions		3,169	700	3,869
Depreciation		(5,189)	(515)	(5,704)
Effect of movements in exchange rates		603	14	617
Balance at December 31, 2024	$	15,304	1,154	16,458
Acquisitions		423	–	423
Additions		4,540	902	5,442
Depreciation		(5,257)	(602)	(5,859)
Effect of movements in exchange rates		(108)	(13)	(121)
Balance at December 31, 2025	$	14,902	1,441	16,343

Pollard's total cash outflows, principal and interest relating to its lease obligations classified under IFRS 16 *Leases* for the year ended December 31, 2025 were $6,651 (2024 – $6,639).

Pollard's interest expenses incurred relating to its lease obligations classified under IFRS 16 *Leases* for the year ended December 31, 2025 were $998 (2024 – $1,074).

The following is a schedule of lease payment commitments outstanding relating to lease obligations classified under IFRS 16:

2026	$	6,681
2027		5,581
2028		4,306
2029		1,487
2030 and thereafter		1,281
Total undiscounted cash flows	$	19,336
Discounting		(1,822)
Total discounted cash flows	$	17,514
Less: current portion lease liabilities		(5,870)
Lease liabilities	$	11,644

10. 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		December 31, 2025		December 31, 2024
Balance, beginning of year	$	415	$	518
Investment distribution		(64,191)		(52,598)
Equity income		66,150		52,580
Non-cash change in investment value		(627)		(139)
Effects of movement in exchange rates		(163)		54
Balance, end of year	$	1,584	$	415

Net Assets		December 31, 2025		December 31, 2024
Current assets	$	67,332	$	71,472
Non-current assets		3,721		3,267
Total	$	71,053	$	74,739
Current liabilities	$	67,410	$	73,632
Total	$	67,410	$	73,632
Net assets – 100%	$	3,643	$	1,107
Attributable to Pollard – 50%		1,822		554
Elimination of unrealized profit on downstream revenue		(238)		(139)
Carrying amount of investment	$	1,584	$	415

At December 31, 2025, included in the current assets of NPi is restricted cash relating to amounts held on behalf of iLottery customers of $26,643 (2024 – $31,724). There is an offsetting liability included in current liabilities.

Interest in equity accounted entity		2025		2024
Revenue – 100%	$	258,092	$	217,570
Revenue – attributable to Pollard – 50%	$	129,046	$	108,785
Comprehensive income – 100%	$	131,233	$	104,608
Comprehensive income – attributable to Pollard[(1)]	$	66,150	$	52,580

(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.

10. Equity investment (continued):

At December 31, 2025, included in the accounts receivable in the statement of financial position is a net amount owed from NPi of $3,282 (2024 – $1,279).

During the year ended December 31, 2025, Pollard provided services to NPi totaling $5,880 (2024 - $6,155), 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.

11. Goodwill:

		December 31, 2025		December 31, 2024
Balance, beginning of year	$	122,377	$	110,982
Acquisitions (note 5)		5,462		5,577
Effects of movements in exchange rates		(1,242)		5,818
Balance, end of year	$	126,597	$	122,377

Impairment assessment methodology

Pollard performs its annual goodwill impairment tests as at December 31. Goodwill has been allocated as follows to Pollard's CGUs and groups of CGUs:

		December 31, 2025		December 31, 2024
Lotteries	$	60,621	$	58,675
Charitable gaming		54,033		51,330
Retail		11,943		12,372
Total	$	126,597	$	122,377

For each acquisition an assessment is performed to determine if the acquired entity should be its own CGU or become part of an existing CGU.

For each CGU, or group of CGUs, the recoverable amounts have been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. These forecasts cover a period of five years and reflect an estimate of a terminal value. Included in these forecasts is an assumption of certain growth rates which was based on historical trends and expected future performance.

11. Goodwill (continued):

The calculation of value in use for the CGUs, or groups of CGUs described above are most sensitive to the following key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Projected revenue and earnings before interest, tax, depreciation, and amortization ("EBITDA")
- Discount rates

Projected revenue and EBITDA

Projected cash flows from revenue assumes the continuation of recent historical trends adjusted for expected new contract wins, anticipated contract renewal pricing changes and the expected impact of sales initiatives in conjunction with certain production efficiencies that are being developed or are expected to be developed.

Discount rates

Discount rates were calculated based on the estimated cost of equity capital and debt capital considering data and factors relevant to the economy, the industry and the CGUs, and groups of CGUs. These costs were then weighted in terms of a typical industry capital structure to arrive at an estimated weighted average cost of capital. The after-tax discount rates applied to the cash flow projections for the CGUs and groups of CGUs described above were as follows:

Lotteries	13.5%
Charitable gaming	14.0%
Retail	15.0%

Other assumptions used in impairment testing include:

- Growth rates
- Foreign exchange rates

Growth rates

Growth rates are based on estimated sustainable long-term growth rates of the CGUs and groups of CGUs. A terminal value growth rate of 2% was applied in the value in use calculations for all of the above CGUs and groups of CGUs.

11. Goodwill (continued):

Foreign exchange rates

A significant portion of revenue is denominated in U.S. dollars and Euros, partially offset by U.S. dollar and Euro denominated costs. In addition, certain financial assets and liabilities are denominated in U.S. currency. Projected cash flows assume an estimated exchange rate between Canadian dollars to U.S. dollars and Euros based on expected exchange rates during the forecast period.

Management believes that any reasonable possible change in any of the key assumptions on which the recoverable amounts of the CGUs, or groups of CGUs, are based would not cause the unit's carrying amounts to exceed its recoverable amount.

12. Intangible assets:

Cost		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
Balance at January 1, 2024	$	67,705	7,154	5,763	1,793	119,271	201,686
Acquisitions		8,719	–	1,661	–	432	10,812
Additions (net of investment tax credits)		–	43	–	–	–	43
Additions – internally developed (net of investment tax credits)		–	–	–	–	28,392	28,392
Disposals		(213)	–	–	–	(449)	(662)
Effect of movements in exchange rates		4,697	104	569	–	4,737	10,107
Balance at December 31, 2024	$	80,908	7,301	7,993	1,793	152,383	250,378
Acquisitions (note 5)		3,528	–	518	–	1,757	5,803
Additions (net of investment tax credits)		–	21	–	–	–	21
Additions – internally developed (net of investment tax credits)		–	–	–	–	32,152	32,152
Disposals		–	–	–	–	(18)	(18)
Effect of movements in exchange rates		(2,530)	(33)	(302)	–	3,400	535
Balance at December 31, 2025	$	81,906	7,289	8,209	1,793	189,674	288,871

12. Intangible assets (continued):

Accumulated amortization		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
Balance at January 1, 2024	$	45,590	5,934	–	1,793	44,438	97,755
Amortization for the year		6,030	158	–	–	14,016	20,204
Disposals		(213)	–	–	–	(449)	(662)
Effect of movements in exchange rates		2,611	59	–	–	2,377	5,047
Balance at December 31, 2024	$	54,018	6,151	–	1,793	60,382	122,344
Amortization for the year		4,655	380	–	–	21,358	26,393
Disposals		–	–	–	–	(18)	(18)
Effect of movements in exchange rates		(1,289)	(27)	–	–	127	(1,189)
Balance at December 31, 2025	$	57,384	6,504	–	1,793	81,849	147,530

Carrying amounts		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
At December 31, 2024	$	26,890	1,150	7,993	–	92,001	128,034
At December 31, 2025	$	24,522	785	8,209	–	107,825	141,341

Amortization of intangible assets in 2025 of $26,393 (2024 – $20,049), was included in cost of sales.

As at December 31, 2025, the weighted average remaining useful life of customer assets was 6.5 years and the weighted average remaining useful life of computer software and licenses was 9.1 years for those assets being amortized.

13. Income taxes:

Income tax expense

		2025		2024
Current	$	19,441	$	37,081
Deferred reduction		(2,317)		(20,146)
Total	$	17,124	$	16,935

13. Income taxes (continued):

Income tax recognized in other comprehensive income

	Amount before tax	Tax expense	2025 Amount net of tax	Amount before tax	Tax expense	2024 Amount net of tax
Defined benefit plans remeasurements gain	$ 7,573	(2,018)	5,555	$ 11,162	(2,966)	8,196

Reconciliation of effective tax rate

		2025			2024
Net income for the year		$ 34,651			$ 35,198
Total income tax expense		17,124			16,935
Income before income taxes		$ 51,775			$ 52,133
Income tax using Pollard's domestic tax rate	27.0%	$ 13,979	27.0%		$ 14,076
Effect of tax rates in foreign jurisdictions	(5.1%)	(2,626)	(7.1%)		(3,718)
Effect of non-taxable amounts	(0.2%)	(114)	(1.5%)		(804)
Withholding and other taxes	3.8%	1,987	15.2%		7,928
Other items	4.2%	2,157	(2.9%)		(1,521)
Effect of non-deductible items related to foreign exchange	3.4%	1,741	1.8%		974
	33.1%	$ 17,124	32.5%		$ 16,935

13. Income taxes (continued):

Deferred income tax assets and liabilities

Recognized deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025	2024	2025	2024	2025	2024
Property, plant and equipment	$ 28	23	$ (27,238)	(16,537)	$ (27,210)	(16,514)
Intangible assets	9,446	11,983	(6,707)	(6,398)	2,739	5,585
Inventories	2,658	2,170	–	–	2,658	2,170
Employee benefits	3,702	2,531	(4,953)	(3,027)	(1,251)	(496)
Unrealized foreign exchange (gains) and losses	948	1,265	(2)	–	946	1,265
Unused tax losses	41,803	28,283	–	–	41,803	28,283
Contract liabilities	4,848	684	–	(513)	4,848	171
Other	22	2,547	(724)	(209)	(702)	2,338
Tax assets (liabilities)	$ 63,455	49,486	$ (39,624)	(26,684)	$ 23,831	22,802

Movement in temporary differences during the year

	January 1, 2025	Recognized in net income	Recognized in other comprehensive income (loss)	Balance December 31, 2025
Property, plant and equipment	$ (16,514)	(10,696)	–	(27,210)
Intangible assets	5,585	(2,846)	–	2,739
Inventories	2,170	488	–	2,658
Employee benefits	(496)	1,263	(2,018)	(1,251)
Unrealized foreign exchange (gains) and losses	1,265	(319)	–	946
Unused tax losses	28,283	13,520	–	41,803
Contract liabilities	171	4,677	–	4,848
Other	2,338	(3,040)	–	(702)
Tax assets (liabilities)	$ 22,802	3,047	(2,018)	23,831

13. Income taxes (continued):

		January 1, 2024	Recognized in net income	Acquisitions	Recognized in other comprehensive income (loss)	Balance December 31, 2024
Property, plant and equipment	$	(16,948)	434	–	–	(16,514)
Intangible assets		3,362	2,223	–	–	5,585
Inventories		844	1,326	–	–	2,170
Employee benefits		1,796	674	–	(2,966)	(496)
Unrealized foreign exchange (gains) and losses		132	1,133	–	–	1,265
Unused tax losses		16,264	12,019	–	–	28,283
Contract liabilities		121	50	–	–	171
Other		494	1,978	(134)	–	2,338
Tax assets (liabilities)	$	6,065	19,837	(134)	(2,966)	22,802

Recognized in the consolidated statements of comprehensive income as follows:

	2025	2024
Deferred reduction	$ (2,317)	$ (20,146)
Finance income (costs)	(730)	309
	$ (3,047)	$ (19,837)

Amounts included in finance income (costs) relate to unrealized foreign exchange.

As at December 31, 2025, Pollard has recognized the tax effect of $156,287 (2024 – $111,336) of tax losses available for carryforward, resulting in deferred tax assets of $41,803 (2024 – $28,283). Based on management's estimates of future taxable profits and available tax planning strategies, management has assessed it is probable that future taxable profits will be available against which these deferred tax assets can be utilized. A portion of these losses can be carried forward indefinitely. For the losses that expire, as at December 31, 2025, the weighted average remaining time before expiry is 19 years.

As at December 31, 2025, Pollard had $107,614 in unused tax losses for which no deferred tax asset has been recognized, arising from the acquisition of Pollard Digital Solutions GmbH. These losses can be carried forward indefinitely.

14. Long-term debt:

	December 31, 2025	December 31, 2024
Credit facility, interest of 4.0% to 5.3% payable monthly, maturing 2028	$ 156,145	$ 151,799
Deferred financing charges, net of amortization	(653)	(743)
	$ 155,492	$ 151,056

	Credit facility	Deferred financing	Total
Balance at January 1, 2024	$ 119,944	(257)	119,687
Net proceeds	26,564	–	26,564
Deferred financing charges paid	–	(676)	(676)
Total changes from financing cash flows	26,564	(676)	25,888
Effect of movements in exchange rates	5,291	–	5,291
Amortization of deferred financing charges	–	190	190
Total other changes	5,291	190	5,481
Balance at December 31, 2024	$ 151,799	(743)	151,056
Net proceeds	8,974	–	8,974
Deferred financing charges paid	–	(308)	(308)
Total changes from financing cash flows	8,974	(308)	8,666
Effect of movements in exchange rates	(4,628)	–	(4,628)
Amortization of deferred financing charges	–	398	398
Total other changes	(4,628)	398	(4,230)
Balance at December 31, 2025	$ 156,145	(653)	155,492

14. Long-term debt (continued):

(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 December 31, 2025, 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 by $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 December 31, 2025, the outstanding letters of guarantee drawn under the credit facility were $75 (2024 – $79).

Included in the total credit facility balance is a U.S. dollar denominated balance of US$62,100 (2024 – US$52,000). As of December 31, 2025, Pollard had unused credit facility available of $129,795 (2024 – $139,941).

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 December 31, 2025, Pollard is in compliance with all financial covenants.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard. Under the terms of the agreement the facility is committed for a four-year period, renewable December 31, 2028. Principal payments are not required until maturity. The facility can be prepaid without penalties.

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

Effective November 28, 2025, Pollard renewed its annual agreement with EDC. This agreement provides a €15,000 facility whereby Pollard can issue qualifying letters of credit against the EDC facility. The facility is guaranteed by a general indemnity from Pollard. As of December 31, 2025, the outstanding letters of credit drawn on this facility were $14,537 (€9,029). As of December 31, 2024, the outstanding letters of credit drawn on this facility were $13,385 (€8,983).

15. Pension asset:

		December 31, 2025		December 31, 2024
Fair value of benefit plan assets	$	110,043	$	107,056
Present value of benefit plan obligations		(101,201)		(101,245)
Net pension asset	$	8,842	$	5,811

Pollard sponsors non-contributory defined benefit plans providing pension benefits to its employees. Pollard has four defined benefit pension plans of which two are final pay plans and two are flat benefit plans. None of the plans have indexation features. The measurement date for all the plans is December 31. Two of the plans of the U.S. subsidiaries require valuations annually with the last valuations being as of January 1, 2025. One of the Canadian plans of Pollard currently requires valuation every three years with the last valuation as of December 31, 2024. Pollard's other Canadian plan's valuation was as of January 1, 2025. Pollard's subsidiaries also maintain four defined contribution plans. The pension expense for these defined contribution plans is the annual funding contribution by the subsidiaries.

Pollard expects to contribute approximately $996 to its defined benefit plans in 2026.

The benefit plan assets are held in trust and are invested as follows:

	December 31, 2025	December 31, 2024
Equities	63.7%	64.5%
Bonds	34.3%	33.6%
Cash and cash equivalents	2.0%	1.9%
	100.0%	100.0%

Information about Pollard's defined benefit plans, in aggregate, is as follows:

		2025		2024
Benefit plan assets				
Fair value, beginning of year	$	107,056	$	91,573
Expected return on plan assets		4,996		4,278
Employer contributions		1,144		2,899
Benefits paid		(7,231)		(2,049)
Remeasurement gains		5,048		9,322
Administrative costs paid from plan assets		(235)		(149)
Effect of movements in exchange rates		(735)		1,182
Fair value, end of year	$	110,043	$	107,056

15. Pension asset (continued):

		2025		2024
Accrued benefit plan obligations				
Balance, beginning of year	$	101,245	$	94,165
Current service cost		5,719		5,386
Interest cost		4,714		4,364
Benefits paid		(7,231)		(2,049)
Remeasurement gains		(2,525)		(1,840)
Effect of movements in exchange rates		(721)		1,219
Balance, end of year	$	101,201	$	101,245
Net pension asset	$	8,842	$	5,811

		2025		2024
Net defined benefit plans expense				
Current service cost	$	5,719	$	5,386
Interest on plan obligations		4,714		4,364
Actual return gain on plan assets		(10,044)		(13,600)
Difference between expected return and actual return on plan assets		5,048		9,322
Plan administrative costs		511		611
Net defined benefit plans expense		5,948		6,083
Defined contribution plans expense		1,737		1,473
Net pension plans expense	$	7,685	$	7,556

Actuarial assumptions

The principal actuarial assumptions used in measuring at the reporting date are as follows:

	2025	2024
Discount rate	4.9% to 5.7%	4.7% to 5.8%
Rate of compensation increase	0.0% to 3.0%	0.0% to 3.0%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

15. Pension asset (continued):

As of December 31, 2025 and December 31, 2024, Pollard used CPM2014 Private Sector projected CPM-B mortality table for its Canadian subsidiary's pension plans and the Pri-2012 mortality tables using scale MP-2021 for its U.S. subsidiary's pension plans.

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts show below:

		Increase		Decrease
Discount rate (1% movement)	$	(15,838)	$	20,377
Rate of compensation (1% movement)	$	1,999	$	(1,774)
Future mortality (one year)	$	1,210	$	(1,229)

Remeasurements

		2025		2024
Remeasurement gains arising on plan assets	$	5,048	$	9,322
Remeasurement gains arising on plan liabilities from:				
Demographic assumptions	$	22	$	(2)
Financial assumptions		2,870		2,758
Experience adjustments		(367)		(916)
Remeasurement gains arising on plan liabilities	$	2,525	$	1,840
Net remeasurement gains on defined benefit plans	$	7,573	$	11,162

Remeasurements recognized in other comprehensive income

		2025		2024
Gains accumulated in retained earnings, beginning of year	$	8,335	$	159
Remeasurement gains recognized during the year, net of income taxes		5,555		8,196
Gains accumulated in retained earnings, end of year	$	13,890	$	8,355

16. Share capital:

	Shares		Amount
Authorized			
Unlimited common shares			
Unlimited preferred shares			
Issued			
Balance at January 1, 2024	26,972,669	$	150,711
Stock options exercised	88,750		1,300
Balance at December 31, 2024	27,061,419	$	152,011
Stock options exercised	6,250		185
Balance at December 31, 2025	27,067,669	$	152,196

Dividends

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

On November 12, 2025, a dividend of $0.05 per share was declared, paid on January 15, 2026, to the shareholders of record on December 31, 2025.

Ownership restrictions

The holders of the common shares are entitled to one vote in respect to each common share held, subject to the Board of Directors ability to take constraint actions when a person, or group of persons acting in concert acquires, agrees to acquire, holds, beneficially owns or controls, either directly or indirectly, a number of shares equal to or in excess of 5% of the common shares (on a non-diluted basis) issued and outstanding ("Ownership Threshold"). The Board of Directors, in its sole discretion, can take the following constraint actions:

- place a stop transfer on all or any of the common shares believed to be in excess of the Ownership Threshold;
- suspend all voting and/or dividend rights on all or any of common share held believed to be in excess of the Ownership Threshold;
- apply to a court seeking an injunction to prevent a person from acquiring, holding, owning, controlling and/or directing, directly or indirectly, common shares in excess of the Ownership Threshold; and/or
- make application to the relevant securities commission to effect a cease trading order or such similar restriction, until the person no longer controls common shares equal to or in excess of the Ownership Threshold.

16. Share capital (continued):

In addition, if a Gaming Regulatory Authority has determined that ownership by a holder of common shares is inconsistent with its declared policies, the Board of Directors is entitled to take constraint action against such shareholder. Any person who controls common shares equal to or in excess of the Ownership Threshold, may be required to file an application, be investigated and have suitability as a shareholder determined by a Gaming Regulatory Authority, if such Gaming Regulatory Authority has reason to believe such ownership would otherwise be inconsistent with its declared policies.

The shareholder must pay all the costs of the investigation incurred by any such Gaming Regulatory Authority.

Capital management

Pollard's objectives in managing capital are to preserve a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Pollard also strives to keep an optimal capital structure to reduce the overall cost of capital.

In the management of capital, Pollard includes long-term debt, share capital and retained earnings, but excludes reserves. The Board of Directors regularly monitors the levels of debt, equity and dividends.

Pollard monitors capital on the basis of funded debt to income before interest, income taxes, amortization, depreciation and certain other items ratio, working capital ratio and debt service coverage. Pollard has externally imposed capital requirements as determined through its bank credit facility. As at December 31, 2025, Pollard is in compliance with all financial covenants.

There were no changes in Pollard's approach to capital management during the current period.

Share based compensation

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms.

The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares.

Changes in the number of options outstanding during the years ended December 31, 2025, and 2024 were as follows:

16. Share capital (continued):

	2025		2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of year	381,250	$ 23.73	470,000	$ 21.46
Granted	150,000	$ 19.95	–	$ –
Exercised	(6,250)	$ 21.33	(88,750)	$ 10.20
Balance, end of year	525,000	$ 22.76	381,250	$ 23.73

As of December 31, 2025, no share options had expired. Options outstanding have been granted on seven grant dates, with the exercise price being the common share price on the exercise price determination date. All of the outstanding options have seven year terms, vesting 25% per year over the first four years.

	2025			2024		
Exercise price	Number outstanding	Remaining time to exercise	Number exercisable	Number outstanding	Remaining time to exercise	Number exercisable
$ 20.70	100,000	0.86 years	100,000	100,000	1.86 years	100,000
$ 18.31	25,000	1.21 years	25,000	25,000	2.21 years	25,000
$ 23.65	25,000	1.87 years	25,000	25,000	2.87 years	25,000
$ 61.13	25,000	2.42 years	25,000	25,000	3.42 years	18,750
$ 21.33	200,000	4.19 years	100,000	206,250	5.19 years	56,250
$ 19.95	125,000	6.37 years	–	–	–	–
$ 21.65	25,000	6.51 years	–	–	–	–
	525,000		275,000	381,250		225,000

During the year ended December 31, 2025, the following share options were granted:

Option grant date	May 12, 2025	July 2, 2025
Fair value at grant date	$ 8.15	$ 8.87
Number of options granted	125,000	25,000
Share price	$ 19.95	$ 21.65
Exercise price	$ 19.95	$ 21.65
Exercise price determination date	May 9, 2025	June 30, 2025
Expected volatility	48.7%	48.3%
Option life (expected weighted average life)	4.75 years	4.75 years
Risk-free interest rate (based on Canadian government bonds)	2.7% to 2.8%	2.8% to 2.9%

16. Share capital (continued):

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

Subsequent to year end, on March 10, 2026, the Board of Directors approved the award of 25,000 options to purchase common shares of Pollard for a key management member. The options will be granted on March 13, 2026, and have a seven-year term, vesting 25% per year over the first four years. The exercise price of the options will be equal to the closing price of the common shares on March 12, 2026.

17. Commitments and contingencies:

The following table outlines Pollard's maturity analysis of the undiscounted cash flow commitments outstanding relating to certain financial obligations and leases to which Pollard has applied the recognition exemption available under IFRS 16 *Leases* as of December 31, 2025:

2026	$	12,773
2027		9,259
2028		4,798
2029		575
2030 and thereafter		311

Pollard is contingently liable for outstanding letters of guarantee in the amount of $14,612 at December 31, 2025 (2024 – $13,464). These letters of guarantee are secured as disclosed in note 14.

Pollard is involved in litigation and claims associated with operations, the aggregate amounts of which are not determinable. While it is not possible to estimate the outcome of the proceedings, management is of the opinion that any resulting settlements would not materially affect the financial position of Pollard. Should a loss occur on resolution of these claims, such loss would be accounted for as a charge to income in the period in which the settlement occurs.

Pollard has agreed to indemnify Pollard's current and former directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations. No claims with respect to such occurrences have been made and, as such, no amount has been recorded in these financial statements with respect to these indemnifications.

18. Revenue and contract balances:

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

Revenue – geographical segment		2025		2024
Canada	$	96,421	$	93,860
United States		376,824		356,137
International		122,775		107,102
Total	$	596,020	$	557,099

Revenue – product lines		2025		2024
Lottery	$	440,125	$	419,040
Charitable		155,895		138,059
Total	$	596,020	$	557,099

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

Contract balances		December 31, 2025		December 31, 2024
Trade receivables, which are included in accounts receivable	$	65,920	$	69,258
Contract assets		7,826		12,305
Contract assets, which are included in long-term assets		8,253		5,634
Contract liabilities		3,239		4,911

Contract liabilities		December 31, 2025		December 31, 2024
Balance, beginning of year	$	4,911	$	4,253
Increases due to cash received		6,143		10,473
Revenue recognized		(7,838)		(9,854)
Effect of movement in exchange rates		23		39
Balance, end of year		3,239		4,911
Less: current portion		(3,135)		(4,115)
	$	104	$	796

19. Other expenses:

		2025		2024
Contingent consideration fair value adjustment	$	–	$	(541)
Severance related costs		309		1,323
Other income		(235)		(637)
	$	74	$	145

20. Finance costs and finance income:

Finance costs		2025		2024
Interest	$	11,511	$	10,287
Foreign exchange loss		3,958		9,875
	$	15,469	$	20,162

Finance income		2025		2024
Foreign exchange gain	$	430	$	2,487
	$	430	$	2,487

21. Net income per share:

		2025		2024
Net income attributable to shareholders	$	34,651	$	35,198
Weighted average number of shares – basic		27,066,827		27,038,803
Weighted average impact of share options		468,355		403,866
Weighted average number of shares – diluted		27,535,182		27,442,669
Net income per share – basic	$	1.28	$	1.30
Net income per share – diluted	$	1.26	$	1.28

22. Personnel expenses:

		2025		2024
Wages and salaries	$	201,887	$	184,491
Benefits and government payroll remittances		37,109		34,355
Profit share		6,720		6,840
Expenses related to defined benefit pension plans		5,948		6,083
Expenses related to defined contribution pension plans		1,737		1,476
Share based compensation		741		650
	$	254,142	$	233,895

23. Supplementary cash flow information:

		2025		2024
Change in non-cash operating working capital:				
Accounts receivable	$	(5,345)	$	3,015
Contract assets		4,533		(4,914)
Inventories		(3,821)		716
Prepaid expenses and deposits		(4,356)		(4,529)
Accounts payable and accrued liabilities		15,238		7,079
Current portion contract liabilities		(1,696)		324
	$	4,553	$	1,691

24. Related party transactions:

The Control Group and affiliates

During 2021, Pollard entered into a lease with an affiliate of the Control Group for land and building in Winnipeg, Manitoba for a five-year term (with an option to renew for an additional five-year term) for annual rent of $404 per year. The rental rates charged were based on current market value at the time of the leases as determined through an independent appraisal.

During 2023, Pollard entered into a lease with an affiliate of the Control Group for a manufacturing facility and office space in Winnipeg, Manitoba for a five-year term (with an option to extend for an additional five-year term) for annual rent of $1,116. The rental rates charged were based on current market value at the time of the leases as determined through an independent appraisal.

During 2024, Pollard entered into a lease amendment with an affiliate of the Control Group for land and building in Council Bluffs, Iowa. The amendment extended the term for a five-year term with annual rent of $583 U.S. dollars for the first year and increasing by 2% each subsequent year.

24. Related party transactions (continued):

The rental rate charged was based on the current market value at the time of the extension as determined through an independent appraisal.

During the year ended December 31, 2025, Pollard paid property rent of $2,354 (2024 – $2,314) and $716 (2024 – $658) in plane charter costs to affiliates of the Control Group.

During the year, the Control Group paid Pollard $76 (2024 – $76) for accounting and administration fees.

At December 31, 2025, 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 $103 (2024 – $811).

Included within property, plant and equipment and lease liabilities on the consolidated statement of financial position are right-of-use assets and corresponding liabilities for premises leased to Pollard from the Control Group. As at December 31, 2025, the net book value of the right-of-use assets was $4,918 (2024 – $7,103) and the present value of the lease liabilities was $5,286 (2024 – $7,368).

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:

		2025		2024
Salaries, incentives and benefits	$	5,149	$	5,624
Share based compensation		741		650
Expenses related to defined benefit pension plans		691		747
	$	6,581	$	7,021

As at December 31, 2025, key management personnel of Pollard, as a group, beneficially owned or exercised control or direction over 17,416,395 common shares of Pollard.

25. Revenue from major customers:

For the year ended December 31, 2025, revenue from one customer amounted to 10.4 percent of consolidated revenues. In 2024, revenue from one customer amounted to 10.9 percent of consolidated revenues.

26. Segmented information:

Pollard has one reportable segment, which comprises its three operating segments, Lotteries, Charitable gaming and Retail. These operating segments have been aggregated together as they have similar economic characteristics, including similar customers and distribution methods. All operate in the highly regulated lottery and gaming industry.

Pollard's Co–CEO's review internal management reports of the combined reportable segment on a monthly basis.

The following table provides information on the property, plant and equipment, intangibles and goodwill by geographical location:

	December 31, 2025	December 31, 2024
Property, plant and equipment, intangibles and goodwill:		
Canada	$ 109,407	$ 109,726
United States	174,755	165,042
International	107,617	88,838
	$ 391,779	$ 363,606

27. Financial instruments:

The fair value of a financial instrument is the estimated amount that Pollard would receive or pay to terminate the instrument agreement at the reporting date.

The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

The fair values of accounts receivable, accounts payable and accrued liabilities and dividends payable approximate their carrying values given their short-term maturities.

The fair value of the long-term debt approximates the carrying value due to the variable interest rate of the debt.

The fair value of the other non-current liabilities approximates the carrying value based on the expected settlement amount of these liabilities.

Certain financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

27. Financial instruments (continued):

The fair value hierarchy has the following levels:

Level 1 – valuation based on the quoted prices observed in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at December 31, 2025, the cash and restricted cash recorded at fair value was classified as level one of the fair value hierarchy and the contingent consideration liability recorded at fair value was classified as level three of the fair value hierarchy. The fair value of the contingent consideration liability is calculated as the present value of the expected future payments, discounted using a risk-adjusted discount rate. A change to the expected future payments or discount rate would impact the fair value of the contingent consideration.

28. 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.

28. Financial risk management (continued):

Credit risk

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

	December 31, 2025	December 31, 2024
Current	$ 77,342	$ 68,709
Past due for 1 to 60 days	2,865	8,857
Past due for more than 60 days	2,370	2,047
Less: allowance for losses	(528)	(494)
	$ 82,049	$ 79,119

Pollard has applied the expected credit loss model in evaluating the credit risk associated with its accounts receivable.

As part of this analysis, Pollard has grouped its customers into two tranches: government lottery organizations and charitable gaming distribution networks. For sales to government lottery organizations, Pollard has assessed the loss allowance at zero based on the nature of the customer organizations, and no history of losses, collection issues, or significantly overdue receivables, as well as other customer-specific and forward-looking macroeconomic factors. Pollard has performed the same assessment for charitable gaming distribution network customers, resulting in the provision of a loss allowance, as shown in the table above.

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due.

The following table outlines Pollard's maturity analysis of the undiscounted cash flows, including related interest payments, of certain financial liabilities as of December 31, 2025:

	Total	2026	2027	2028	2029	2030 & thereafter
Long-term debt	$ 178,129	7,328	7,328	163,473	–	–
Lease liabilities	19,336	6,681	5,581	4,306	1,487	1,281
	$ 197,465	14,009	12,909	167,779	1,487	1,281

28. Financial risk management (continued):

Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The estimated 2026 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities and the unused portion of Pollard's credit facility. Pollard enters into contractual obligations in the normal course of business operations.

Currency risk

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

Translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. As at December 31, 2025, the amount of financial liabilities denominated in U.S. dollars exceeded the amount of financial assets in U.S. dollars by approximately $2,931. As at December 31, 2024, the amount of financial assets denominated in U.S. dollars exceeded the amount of financial liabilities in U.S. dollars by approximately $14,854.

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 $15 for the year ended December 31, 2025 (2024 – $74).

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 $781 for the year ended December 31, 2025 (2024 – $759).

Senior Management

John Pollard
CO-CHIEF EXECUTIVE OFFICER

Douglas Pollard
CO-CHIEF EXECUTIVE OFFICER

Manny Atwal
EXECUTIVE VICE PRESIDENT, GLOBAL LOTTERY SALES AND DEVELOPMENT

Steven Fingold
EXECUTIVE VICE PRESIDENT, CHARITABLE GAMING

Pedro Melo
EXECUTIVE VICE PRESIDENT, INFORMATION TECHNOLOGY

Margaret Proven
EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES

Riva Richard
GENERAL COUNSEL AND EXECUTIVE VICE PRESIDENT, LEGAL AFFAIRS

Robert Rose
EXECUTIVE VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

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Dave Brown [1]
Lee Meagher[1]
Carmele Peter[1]
John Pollard
Douglas Pollard

[1] Member of the Audit Committee, Compensation Committee and the Governance and Nominating Committee

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2025 ANNUAL REPORT