News Release

POLLARD BANKNOTE ANNOUNCES 2ND QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, August 7, 2013 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and six months ended June 30, 2013.

"Our second quarter results continued to build on the strong momentum generated in the first quarter," remarked John Pollard, Co-Chief Executive Officer. "We continued to achieve very strong sales volumes during the period which coupled with higher sales in our ancillary lines resulted in a 10% revenue increase over the same period last year."

"During the quarter we were very pleased with the launch of a number of proprietary products by our lottery customers which have gained noticeable success. Of particular note is the launch of our "*Raise the Stakes*" game by the Michigan Lottery, which uses our Social Instants™ concept to combine a traditional scratch and win instant ticket with an exciting social media application. Early results indicate significant penetration into the 18-34 age demographic, currently underserved by lotteries. We are very excited about the future possibilities of this and other innovative Pollard products."

"Although our sales volumes were up substantially, our production volumes were only similar with the second quarter in 2012, reflecting the impact of a planned maintenance refurbishment on one of our main presses. However, our production schedules looking ahead currently reflect higher volumes. While our gross profit is slightly lower when compared with the second quarter of 2012, reflecting the mix of product sold in this quarter, going forward we anticipate improving margins based on our historical expectation of higher value production in the third and fourth quarters as well as ongoing improvement in our production process."

"Our overall financial results generated significant cash flow which allowed us to invest in our business while at the same time improving our net financial position (long-term debt net of cash) by nearly $4.5 million in one quarter. We will continue to focus on these two core principles: invest resources to grow and innovate our business while at the same time prudently utilize free cash flow to pay down our net financial position."

HIGHLIGHTS	2nd Quarter ended June 30, 2013	2nd Quarter ended June 30, 2012
Sales	$ 44.8 million	$ 40.8 million
Gross Profit	$ 8.1 million	$ 8.5 million
Gross Profit % of sales	*18.1%*	*20.8%*
Administration expenses	$ 3.6 million	$ 3.4 million
Selling expenses	$ 1.6 million	$ 1.6 million
Net Income	$ 1.0 million	$ 1.0 million
Adjusted EBITDA	$ 4.9 million	$ 5.2 million

	Six months ended June 30, 2013	Six months ended June 30, 2012
Sales	$ 89.2 million	$ 77.4 million
Gross Profit	$ 16.2 million	$ 15.1 million
Gross Profit % of sales	*18.2 %*	*19.5%*
Administration expenses	$ 7.0 million	$ 6.8 million
Selling expenses	$ 3.2 million	$ 3.1 million
Net Income	$ 2.0 million	$ 1.8 million
Adjusted EBITDA	$ 10.1 million	$ 8.6 million

POLLARD BANKNOTE LIMITED

Pollard is one of the leading providers of products and services 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.

SELECTED FINANCIAL INFORMATION

(millions of dollars)	**Three months ended June 30, 2013**	**Three months ended June 30, 2012**	**Six months ended June 30, 2013**	**Six months ended June 30, 2012**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	$44.8	$40.8	$89.2	$77.4
Cost of Sales	36.7	32.3	73.0	62.3
Gross Profit	8.1	8.5	16.2	15.1
Administration expenses	3.6	3.4	7.0	6.8
Selling expenses	1.6	1.6	3.2	3.1
Other (income) expense	(0.1)	-	(0.2)	0.1
Income from operations	3.0	3.5	6.2	5.1
Finance costs	1.0	1.5	2.2	2.5
Finance income	-	-	-	(0.2)
Income before income taxes	2.0	2.1	4.0	2.8
Income taxes:				
Current	0.5	0.3	0.9	0.6
Deferred	0.5	0.7	1.1	0.4
	1.0	1.0	2.0	1.0
Net Income	$1.0	$1.0	$2.0	$1.8
Adjustments:				
Amortization and depreciation	2.0	1.8	3.9	3.8
Interest	0.8	0.8	1.7	1.7
Unrealized foreign exchange loss	0.1	0.6	0.5	0.3
Income taxes	1.0	1.0	2.0	1.0
Adjusted EBITDA	$4.9	$5.2	$10.1	$8.6

	June 30, 2013	December 31, 2012
Total Assets	$128.7	$127.0
Total Non-Current Liabilities	$83.0	$83.4

The selected financial and operating information has been derived from, and should be read in conjunction with, the condensed consolidated unaudited interim financial statements of Pollard, as at and for the three and six months ended June 30, 2013. These financial statements have been prepared in accordance with the International Financial Accounting Standards ("IFRS" or "GAAP").

Results of Operations – Three months ended June 30, 2013

During the three months ended June 30, 2013, Pollard achieved sales of $44.8 million, compared to $40.8 million in the three months ended June 30, 2012. Factors impacting the $4.0 million sales increase were:

- Instant ticket sales volumes for the second quarter of 2013 were higher than the second quarter of 2012 by 7.9% which, combined with an increase in our ancillary instant ticket products and services, increased sales by $3.8 million. A decrease in average selling price due to the mix of product sold compared to 2012 reduced sales by $0.9 million. Charitable Gaming volume increased slightly during the quarter increasing sales by $0.4 million when compared to 2012, in addition machine volumes in the quarter also increased which further increased sales by $0.3 million when compared to 2012.

- During the three months ended June 30, 2013, Pollard generated approximately 70.7% (2012 – 70.0%) of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the second quarter of 2013 the actual U.S. dollar value was converted to Canadian dollars at $1.020, compared to a rate of $1.006 during the second quarter of 2012. This 1.4% increase in the U.S. dollar value resulted in an approximate increase of $0.4 million in revenue relative to the second quarter of 2012.

Cost of sales was $36.7 million in the second quarter of 2013 compared to $32.3 million in the second quarter of 2012. Cost of sales were higher in the quarter relative to 2012 as a result of the increase in instant ticket sales volumes and higher exchange rates on U.S. dollar transactions.

Gross profit was $8.1 million (18.1% of sales) in the second quarter of 2013 compared to $8.5 million (20.8% of sales) in the second quarter of 2012. This decrease is due mainly to the impact of reduced instant ticket average selling price and a reduction in production volumes compared to 2012 as a result of scheduled maintenance on a major press line. Partially offsetting this reduction was the impact of higher sales volumes in instant tickets and ancillary products and services.

Administration expenses increased to $3.6 million in the second quarter of 2013 from $3.4 million in the second quarter of 2012 as a result of increased compensation expenses.

Selling expenses were $1.6 million in the second quarter of 2013 which was similar to $1.6 million in the second quarter of 2012.

Interest expense was $0.8 million in the second quarter of 2013 which was similar to $0.8 million in the second quarter of 2012.

The net foreign exchange loss was $0.1 million in the second quarter of 2013 compared to a net loss of $0.5 million in the second quarter of 2012. Within the 2013 foreign exchange loss was an unrealized foreign exchange loss of $0.1 million, relating to a $0.5 million unrealized foreign exchange loss on U.S. dollar denominated debt and payables, partially offset by a $0.4 million unrealized foreign exchange gain on U.S. dollar denominated cash and receivables.

Within the 2012 foreign exchange loss was an unrealized foreign exchange loss of $0.6 million, relating to a $0.4 million unrealized foreign exchange loss on U.S. dollar denominated debt and a $0.2 million unrealized loss on U.S. dollar denominated payables. The realized gain of $0.1 million was comprised of realized gains on the increase value of U.S. dollar denominated receivables.

Adjusted EBITDA was $4.9 million in the second quarter of 2013 compared to $5.2 million in the second quarter of 2012. The primary reason for the decrease in Adjusted EBITDA of $0.3 million was the decrease in gross profit due to the impact of reduced instant ticket average selling price and a reduction in production volumes compared to 2012 as a result of scheduled maintenance on a major press line.

Income tax expense was $1.0 million in the second quarter of 2013, an effective rate of 48.9%, as a result of permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Income tax expense was $1.0 million in the second quarter of 2012, an effective rate of 49.4%, as a result of permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Amortization and depreciation, including depreciation of property and equipment and the amortization of deferred financing costs and intangible assets, totaled $2.0 million during the second quarter of 2013 as compared to $1.8 million during the second quarter of 2012, due primarily to higher amortization of property, plant and equipment.

Net Income was $1.0 million in the second quarter of 2013 compared to $1.0 million in the second quarter of 2012, with the decrease in gross profit of $0.4 million being offset by the decrease in foreign exchange loss of $0.4 million.

Net income per share was $0.04 per share in the second quarter of 2013 which was similar to $0.04 per share in the second quarter of 2012.

Results of Operations – Six months ended June 30, 2013

During the six months ended June 30, 2013, Pollard achieved sales of $89.2 million, compared to $77.4 million in the six months ended June 30, 2012. Factors impacting the $11.8 million sales increase were:

- Instant ticket sales volumes for the first six months of 2013 were higher by 15.4% than the first six months of 2012 which, combined with an increase in our ancillary instant ticket products and services, increased sales by $11.2 million. A decrease in the average selling price of instant tickets reduced sales by $0.3 million compared to the first half of 2012. Charitable Gaming products volumes were slightly higher than the first six months of 2012 increasing revenues by $0.3 million. An increase in the average selling price further increased sales by $0.1 million when compared to the first six months of 2012. An increase in machine volumes in the first half of 2013 increased sales by $0.5 million when compared to 2012.

- U.S. dollar and Euro denominated sales were translated into Canadian dollars at comparable rates between the first six months of 2013 and 2012.

Cost of sales was $73.0 million in the six months ended June 30, 2013, compared to $62.3 million in the first six months of 2012. Cost of sales were higher in the first half of 2013 relative to 2012 as a result of the increase in instant ticket sales volumes.

Gross profit increased to $16.2 million (18.2% of sales) in the first six months of 2013 from $15.1 million (19.5% of sales) in the six months ended June 30, 2012. The increased gross profit was due mainly to the increased instant ticket sales volumes. The gross profit % of sales decreased as a result of the impact of decreased production volumes during the second quarter, due to the scheduled maintenance on a major press line.

Administration expenses increased to $7.0 million in the first six months of 2013 from $6.8 million in the first six months of 2012 as a result of increased compensation expenses.

Selling expenses were $3.2 million in the first six months of 2013 which was similar to $3.1 million in the first six months of 2012.

Interest expense was $1.7 million in the first six months of 2013 which was similar to $1.7 million in the first six months of 2012.

The net foreign exchange loss was $0.3 million in the first six months of 2013 compared to a net loss of $0.3 million in the first half of 2012. The 2013 net foreign exchange loss was comprised of unrealized foreign exchange losses of $0.5 million, comprised of $0.8 million unrealized foreign exchange loss on U.S. dollar denominated debt and a

$0.3 million unrealized loss on U.S. dollar denominated payables, partially offset by $0.6 million unrealized foreign exchange gain on U.S. dollar denominated cash and accounts receivables. Partially offsetting the unrealized loss was the realized foreign exchange gain of $0.2 million as a result of the increased value of U.S. dollar denominated accounts receivables.

The 2012 foreign exchange loss of $0.3 million was comprised of unrealized foreign exchange losses of $0.2 million on U.S. dollar denominated debt and $0.1 million on U.S. dollar denominated payables.

Adjusted EBITDA was $10.1 million in the first six months of 2013 compared to $8.6 million in the first six months of 2012. The primary reasons for the increase in Adjusted EBITDA of $1.5 million were an increase in gross profit (net of amortization and depreciation) of $1.2 million and higher realized foreign exchange gains of $0.2 million.

Income tax expense was $2.0 million in the first six months of 2013, an effective rate of 50.1%, primarily as a result of permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Income tax expense was $1.0 million in the first six months of 2012, an effective rate of 35.0%, primarily as a result of permanent differences relating to the translation of the company's U.S. subsidiaries and differences relating to the foreign exchange impact of Canadian dollar dominated debt in the U.S. subsidiaries.

Amortization and depreciation, including depreciation of property and equipment and amortization of deferred financing costs and intangible assets, totaled $3.9 million during the first six months of 2013 compared to $3.8 million during the first six months of 2012, due primarily to higher amortization of property, plant and equipment.

Net Income was $2.0 million in the first six months of 2013 compared to $1.8 million in the first six months of 2012. The primary reason for the increase was an increase in gross profit of $1.1 million which was almost entirely offset by an increase in income tax expense of $1.0 million.

Net income per share was $0.08 per share in the six months ending June 30, 2013, which was similar to $0.08 per share in the first half of 2012.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, income taxes, amortization and depreciation, unrealized foreign exchange gains and losses, mark-to-market gains and losses on foreign currency contracts and interest rate swaps, and certain non-recurring items including Conversion expenses, warranty reserve accruals, settlement loss on pension curtailment and restructuring costs. 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.

Adjusted EBITDA is a measure not recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other entities. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to Net Income 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.

Outlook

Our main product line of instant tickets and related services continues to benefit from the strong growth of the overall market. Many lotteries, especially in North America, have been achieving record retail sales, with a major factor being growth in instant ticket sales. We believe this trend will continue. Lotteries and their sponsoring government jurisdictions continue to look at ways to generate more funds for their designated good causes, be it health care, education or general government revenues. This focus will continue to encourage lotteries to look at all aspects of their business and apply resources to maximize their returns. In addition to strong retail growth of instant tickets themselves, opportunities will continue for suppliers such as Pollard to expand additional services such as related internet gaming.

We continue to expect our volumes for 2013 to remain higher than achieved in the comparable periods in 2012. The third and fourth quarters have traditionally seen higher volumes when compared to the first six months of the year and we continue to expect this to occur this year.

During the second quarter a number of new contracts were awarded to Pollard from existing customers including the Western Canada Lottery Corporation and the lotteries of Denmark, Oregon and Idaho. These lotteries are long standing customers of Pollard and these new contracts were won in competitive processes conducted at the conclusion of previously existing contracts. During the second quarter the New Jersey Lottery awarded a contract to a private consortium to manage the lottery on its behalf. Our contract to supply instant tickets to the New Jersey Lottery runs until December 2013 and we continue to provide our products to the Lottery. Beginning in 2014, we may see lower order quantities from this customer, however this is still to be determined and any change in quantities would not be material.

We have no other material customer contracts that come due in 2013 (when extensions are considered) and will continue to aggressively pursue requests for proposal and other opportunities within the lottery industry as they come up for bid.

We expect continued traction to come from some of our ancillary product lines including our social media related product Social Instants™. During the second quarter the Michigan Lottery launched our social media linked instant ticket product branded as "*Raise the Stakes*". One of the many key features include allowing consumers to share their winning experiences through various social media and winning additional prizes via building group teams to play instant ticket lottery games. The initial response has been very encouraging, with significant participation from a much coveted younger demographic player base. While still very small in absolute terms, revenue from internet related products will grow in the future as lotteries look for new ways to expand and engage their customer base.

Our charitable gaming segment continues to generate good results, despite a relatively flat overall market. A focus on efficient production and cost controls in this segment is the key. Sales of pull-tab vending machines and pull-tabs to the lottery and international markets have been above budget and are expected to continue at these levels through 2013.

Budgeted capital expenditures for the remainder of 2013 are expected to be slightly lower than the expenditures in the first six months of 2013.

On June 28, 2013, our bank facility was renewed for an additional year. The renewal included reductions in interest rates, as well as increased availability to support the growth of the business. Pollard believes the renewed bank facility and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital and dividends at existing business levels.

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.

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