

**POLLARD BANKNOTE ANNOUNCES
1ST QUARTER FINANCIAL RESULTS;
CONTINUED GROWTH IN
REVENUE AND EBITDA**

WINNIPEG, Manitoba, May 6, 2014 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three months ended March 31, 2014.

"Our first quarter financial results reflect the continuing strong business fundamentals experienced by Pollard during the start of 2014 and we are pleased both about the actual results and the potential growth we see in our business," stated John Pollard, Co-Chief Executive Officer. "The significant revenue growth, both compared to the same time last year and the more recent quarters, is reflective of both higher sales volumes and improved average selling price. Sales of our licensed games and proprietary products such as Scratch FX® were also very high during the quarter."

"Particularly satisfying is the growth in our EBITDA of approximately 23% compared to the same period last year, indicating the investments we have made in our business are paying dividends through improved value creation."

"Based on our confidence in the market, and our ongoing success in growing our top line and winning new work, we were very pleased to have announced recently the purchase of a new advanced press line. When operational in the spring of 2015, this press will provide substantial increased capacity as well the ability to reduce our ongoing operating cost structure."

"The lottery industry, and in particular the instant ticket product segment, remains very robust and we are pursuing a number of strategies to both expand our market share and capitalize on new opportunities such as digital and internet related gaming (or iLottery)."

HIGHLIGHTS	Three months ended March 31, 2014	Three months ended March 31, 2013
Sales	\$ 50.7 million	\$ 44.4 million
Gross profit	\$ 9.5 million	\$ 8.1 million
<i>Gross profit % of sales</i>	<i>18.7 %</i>	<i>18.2 %</i>
Administration expenses	\$ 3.8 million	\$ 3.4 million
Selling expenses	\$ 1.7 million	\$ 1.6 million
Net income	\$ 1.1 million	\$ 0.9 million
Adjusted EBITDA	\$ 6.3 million	\$ 5.1 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 March 31, 2014	Three months ended March 31, 2013
	(unaudited)	(unaudited)
Sales	\$50.7	\$44.4
Cost of sales	41.2	36.3
Gross profit	9.5	8.1
Administration expenses	3.8	3.4
Selling expenses	1.7	1.6
Other income	-	(0.1)
Income from operations	4.0	3.2
Finance costs	1.2	1.3
Mark-to-market loss on foreign currency contracts	0.6	-
Income before income taxes	2.2	1.9
Income taxes:		
Current	0.4	0.4
Future	0.7	0.6
Net income	\$1.1	\$0.9
Adjustments:		
Amortization and depreciation	1.9	1.9
Interest	0.8	0.9
Mark-to-market loss on foreign currency contracts	0.6	-
Unrealized foreign exchange loss	0.8	0.4
Income taxes	1.1	1.0
Adjusted EBITDA	\$6.3	\$5.1
	March 31,	December 31,
	2014	2013
Total Assets	\$134.1	\$133.4
Total Non-Current Liabilities	\$79.3	\$79.2

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, for the three months ended March 31, 2014. These financial statements have been prepared in accordance with the International Financial Accounting Standards (“IFRS” or “GAAP”).

Results of Operations – Three months ended March 31, 2014

During the three months ended March 31, 2014, Pollard achieved sales of \$50.7 million, compared to \$44.4 million in the three months ended March 31, 2013. A number of factors resulted in the \$6.3 million sales increase.

- An increase in ancillary instant ticket products and services, primarily licensed games, in the first quarter of 2014 increased sales by \$2.6 million when compared to the first quarter of 2013. In addition, a slight increase in average selling price compared to 2013 further increased sales by \$0.3 million.
- During the three months ended March 31, 2014, Pollard generated approximately 70.1% (2013 - 64.8%) of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the first quarter of 2014 the actual U.S. dollar value was converted to Canadian dollars at \$1.093, compared to a rate of \$1.003 during the first quarter of 2013. This 8.9% increase in the U.S. dollar value resulted in an approximate increase of \$2.9 million in revenue relative to the first quarter of 2013. Also during the quarter, the value of the Canadian dollar weakened against the Euro resulting in an approximate increase of \$0.4 million in revenue relative to the first quarter of 2013.

Cost of sales was \$41.2 million in the first quarter of 2014 compared to \$36.3 million in the first quarter of 2013. Cost of sales was higher by \$4.9 million as a result of increased ancillary instant ticket sales, primarily licensed games. In addition, higher exchange rates on U.S. dollar transactions in the first quarter of 2014 increased cost of sales approximately \$2.1 million when compared to the first quarter of 2013.

Gross profit earned in the first quarter of 2014 was \$9.5 million (18.7% of sales) as compared to \$8.1 million (18.2% of sales) earned in the first quarter of 2013. This increase was due mainly to the increase in ancillary instant ticket product volumes, primarily licensed sales, as well as the weakening of the Canadian dollar relative to the U.S. dollar and Euro.

Administration expenses increased to \$3.8 million in the first quarter of 2014 from \$3.4 million in the first quarter of 2013 due primarily to increased compensation costs.

Selling expenses were \$1.7 million in the first quarter of 2014 which was similar to \$1.6 million in the first quarter of 2013.

Interest expense was \$0.8 million in the first quarter of 2014 which was similar to \$0.9 million in the first quarter of 2013.

The net foreign exchange loss was \$0.4 million in the first quarter of 2014 compared to a loss of \$0.2 million in the first quarter of 2013. Within the 2014 net foreign exchange loss was an unrealized foreign exchange loss of \$0.8 million comprised of a \$0.6 million

unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S. dollar) in addition to an unrealized loss of \$0.2 million on other U.S. dollar denominated assets. Partially offsetting the unrealized loss was a realized gain of \$0.4 million relating to the increased value of U.S. dollar denominated receivables of \$0.8 million partially offset by a \$0.1 million realized loss on the conversion of U.S. dollars and Euros into Canadian dollars and a \$0.2 million realized loss relating to payments made on U.S. dollar denominated payables.

Within the 2013 net foreign exchange loss was an unrealized foreign exchange loss of \$0.4 million comprised of a \$0.5 million unrealized loss on U.S. dollar denominated debt (caused by the weakening of the value of the Canadian dollar versus the U.S. dollar) which was partially offset by an unrealized gain on U.S. dollar denominated receivables. Partially offsetting the unrealized loss was a realized gain of \$0.2 million relating to the increased value of U.S. dollar denominated receivables.

Adjusted EBITDA was \$6.3 million in the first quarter of 2014 compared to \$5.1 million in the first quarter of 2013. The primary reason for the increase in Adjusted EBITDA was the increased gross profit and realized foreign exchange gains, partially offset by increased administration expenses.

Income tax expense was \$1.1 million in the first quarter of 2014, an effective rate of 50.1%, due primarily to differences relating to the foreign exchange impact of Canadian dollar denominated debt in its U.S. subsidiaries. Pollard has capitalized its U.S. operations using intercompany Canadian dollar debt. The weakening of the Canadian dollar versus the U.S. dollar results in a future gain on debt repayment for U.S. tax purposes in the subsidiary, creating a deferred tax expense with no related income (as the gain is eliminated on consolidation). This increased the consolidated provision percentage by about 16%. Other differences relating to changes in the expected income tax rate increased the provision by approximately 8%.

Income tax expense was \$1.0 million in the first quarter of 2013, an effective rate of 51.3%, 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 due to a weakening Canadian dollar during the period.

Amortization and depreciation, including amortization of deferred financing costs and intangible assets and depreciation of property and equipment, totaled \$1.9 million during the first quarter of 2014 which was similar to \$1.9 million during the first quarter of 2013.

Net income increased to \$1.1 million in the first quarter of 2014 from \$0.9 million in the first quarter of 2013. The primary reason was the increase in gross profit of \$1.4 million, which was partially offset by the \$0.6 million of non-cash mark-to-market loss on foreign currency contracts and increased administration expenses of \$0.4 million.

Net income per share (basic and diluted) increased to \$0.05 per share in the first quarter of 2014 from \$0.04 in the first quarter of 2013.

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

The market for lottery products remains strong, with many individual lottery jurisdictions reporting record levels of funds generated for good causes. High consumer demand for instant tickets and related products and services continues and is expected to drive higher retail sales. Lotteries are being innovative in expanding distribution channels for their product offerings, be it in traditional bricks and mortar retail channels or through newer methods such as the internet.

Our volume expectations for 2014 remain on course to be higher than 2013 based on our new contract wins and "same store sales growth" of existing lottery customers. Higher levels of proprietary and premium products tend to be produced in the third and fourth quarters in preparation for pre-holiday sales. Increases in our capacity with the installation of our new press line coming on stream in the spring of 2015 will be the foundation for future growth in our instant ticket volumes.

Licensed games sales are traditionally slightly lower in the second and third quarter of the year with increased sales anticipated in the fourth quarter based on sales relating to the holiday season. Sales of key licensed products such as Cadillac® continue to generate positive results.

Our contract portfolio remains strong including relationships with many of the world's leading lotteries. The recently announced contracts with the Washington State and South Carolina Lotteries are brand new relationships for us. Other key contract news includes a five year extension with the British Columbia Lottery Corporation. We have no material customer contracts that come due in 2014 (when extensions are considered) and this security of recurring revenue is a cornerstone of our future financial security.

Our manufacturing operations are focused on continuous improvement throughout the entirety of our operations, from order initiation, design and programming right through to the finished product. A focus on yield improvement, turnaround times and labour efficiency are key to our cost improvement initiatives. The ongoing development of our new ERP software systems will also continue, with a targeted roll out in the fall of 2014.

The impact of the weaker Canadian dollar experienced during the first quarter was positive, as Pollard has an exposure to net U.S. dollar cash inflow. A Canadian/U.S. dollar relationship that remains similar to the levels experienced in the first quarter will continue to have a positive effect on our financial results. We also have a portion of our revenue generated in Euros and to the extent that the Canadian dollar remains weak relative to the Euro, the future impact will also be positive on our cash flow.

Charitable gaming results during the first three months of 2014 were a bit lower than last year reflecting the timing of certain sales in addition to the impact of negative weather on the ultimate consumer of our pull-tab and bingo products. Over 2014 we would expect the charitable gaming business to remain similar to 2013.

Our 2014 capital expenditures are expected to be significantly higher than in recent years due to the initiation of the approximate \$20 million expansion plan regarding installation of a new press line, moving existing press capacity and various related expenditures. The costs of this expansion will be incurred over the next 18 months.

Pollard believes our ongoing cash flow from operations, our current bank facility capacity and our subordinated debt facility will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital and dividends at expected 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.

For Further Information Please Contact:

John Pollard
Co-Chief Executive Officer
Telephone: (204) 474-2323 ext 204
Facsimile: (204) 453-1375

Doug Pollard
Co-Chief Executive Officer
Telephone: (204) 474-2323 ext 275
Facsimile: (204) 453-1375

Rob Rose
Chief Financial Officer
Telephone: (204) 474-2323 ext 250
Facsimile: (204) 453-1375

SEDAR: 00022394
(PBL)

CO: Pollard Banknote Limited