**News Release**

# POLLARD BANKNOTE ANNOUNCES 1ST QUARTER FINANCIAL RESULTS

**WINNIPEG, Manitoba, May 5, 2010 /CNW/ — Pollard Banknote Income Fund** (TSX Symbol PBL.UN) (the "Fund") today released the financial results of the Fund and Pollard Holdings Limited Partnership ("Pollard LP") for the three months ended March 31, 2010.

| **HIGHLIGHTS** | 1st Quarter ended March 31, 2010 | 1st Quarter ended March 31, 2009 |
|---|---|---|
| **Sales** (1) | $ 41.2 million | $ 47.0 million |
| **Gross Profit** (1) | $ 7.6 million | $ 8.1 million |
| **Selling and Administration** (1) | $ 4.8 million | $ 5.6 million |
| **Realized F/X Loss** (1) | $ 0.6 million | $ 0.5 million |
| **EBITDA** (1) | $ 3.7 million | $ 4.0 million |
| **Net Income (Loss)** (1) | $ 2.7 million | $ (2.3 million) |
| | | |
| **Adjusted Distributable Cash** (1) | $ 1.9 million | $ 2.2 million |
| **Distributions** (1) | $ 1.6 million | $ 5.7 million |
| **Adjusted Distributable Cash per unit** (1) | $ 0.0789 | $ 0.0930 |
| **Distributions per unit** (2) | $ 0.0675 | $ 0.2376 |
| **Payout ratio** (3) | 85.5% | 255.5% |

(1) *Amounts are for Pollard LP for the period ended March 31, 2010.*

(2) *Distributions per unit are for the Fund for the period ended March 31, 2010.*

(3) *Payout ratio is calculated as Distributions per unit divided by Adjusted Distributable Cash per unit.*

“The first quarter of 2010 continued to see a number of important structural changes implemented throughout our organization”, stated John Pollard, Co-Chief Executive Officer. “While the first quarter operating results were lower than target, we anticipate the changes made in this and prior quarters to have sizeable positive impacts on our operating income.”

“Our volume of instant lottery tickets sold in the first quarter of 2010 was slightly higher than the first quarter of 2009. However, the strengthening Canadian dollar resulted in a decline in our revenue compared to last year.”

“Our Kamloops facility was closed in February with significant reductions in our overhead and per unit costs already being realized starting in March. The performance of our new press has improved considerably, in terms of both overall production levels and improved efficiencies. Both of these key initiatives will result in significant improvements to our cost structure going forward.”

## THE FUND

The Fund commenced business operations on August 5, 2005, and earnings from the Fund’s investment in Pollard LP have been accounted for using the equity method of accounting. Under this method, the Fund’s share of earnings of Pollard LP is adjusted for the amortization of certain intangible assets arising from the use of purchase accounting and certain administrative expenses. The results of operations of the Fund are dependent on the performance of Pollard LP. The Fund has declared distributions totaling $0.0675 per unit during the period ended March 31, 2010.

## POLLARD LP

Pollard LP is one of the leading providers of products and services to lottery and charitable gaming industries throughout the world. Management believes Pollard LP 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, 2010** | Three months ended March 31, 2009 |
|---|---|---|
| Sales | **$41.2** | $47.0 |
| Cost of Sales | **33.6** | 38.9 |
| Gross Profit | **7.6** | 8.1 |
| *Gross Profit as a % of sales* | ***18.4%*** | *17.2%* |
| Selling and Administration Expenses | **4.8** | 5.6 |
| *Expenses as a % of sales* | ***11.7%*** | *11.9%* |
| Realized Foreign Exchange loss | **0.6** | 0.5 |
| *Loss as a % of sales* | ***1.5%*** | *1.1%* |
| EBITDA | **3.7** | 4.0 |
| *EBITDA as a % of sales* | ***9.0%*** | *8.5%* |
| | **March 31, 2010** | December 31, 2009 |
| Total Assets | **$95.9** | $105.0 |
| Total Long Term Liabilities | **$77.7** | $76.5 |

The previous selected financial and operating information has been derived from, and should be read in conjunction with, the consolidated financial statements of Pollard LP.

**Results of Operations – Three months ended March 31, 2010**

During the three months ended March 31, 2010, Pollard LP achieved sales of $41.2 million, compared to $47.0 million in the three months ended March 31, 2009. Factors impacting the $5.8 million sales decrease were:

- During the three months ended March 31, 2010, Pollard LP generated approximately 66% 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 2010 the average U.S. dollar value versus the Canadian dollar was $1.06, compared to $1.25 during the first quarter of 2009. This 14.6% decrease in the U.S. dollar value resulted in an approximate decrease of $4.7 million in revenue relative to the first quarter of 2009.

- The volume of instant ticket and related services sales generated during the first quarter of 2010 was slightly greater than the volume in the comparable three months of 2009, resulting in $0.6 million higher sales. A decrease in the average selling price of instant tickets reduced sales by $1.7 million when compared to the first quarter of 2009. The lower average selling price was due to changes in the mix of products sold.

Cost of sales was $33.6 million in the first quarter of 2010 compared to $38.9 million in the first quarter of 2009 due primarily to the lower exchange rate on U.S. dollar transactions in the first quarter of 2010 and higher costs in 2009 related to significant reproduction costs of two significant orders and certain manufacturing inefficiencies.

Gross profit decreased from $8.1 million (17.2% of sales) in the first quarter of 2009 to $7.6 million (18.4% of sales) in the first quarter of 2010. The decrease in gross profit primarily reflects the greater impact on sales of the strengthening of the Canadian dollar compared to the impact on cost of sales.

Selling and administration expenses were $4.8 million in the first quarter of 2010 compared to $5.6 million in the first quarter of 2009. The primary reasons for the decline were reduced professional fees and travel costs.

In the first quarter of 2010 a foreign exchange gain of $0.6 million was recorded, compared to a loss of $1.6 million in the first quarter of 2009. Within the foreign exchange gain are unrealized gains of $1.2 million relating to the foreign exchange gain on U.S. dollar denominated debt (caused by the strengthening of the Canadian dollar), partially offset by realized losses on accounts receivables of $0.2 million and $0.4 million in realized losses relating to forward hedge contracts (caused by a stronger Canadian dollar relative to fixed exchange rates in the hedges).

EBITDA was $3.7 million in the first quarter of 2010 compared to $4.0 million in the first quarter of 2009. EBITDA margins were 9.0% in the first quarter of 2010 compared to

8.5% in the first quarter of 2009. The primary reasons for the decline in EBITDA were lower gross profit, lower other income, higher realized foreign exchange loss and higher profit share expense, partially offset by decreased selling and administration costs.

Amortization includes amortization of property and equipment and intangible assets, primarily patents, and totaled $1.6 million during the first quarter of 2010 which is similar to $1.7 million during the first quarter of 2009.

Interest expense increased from $1.0 million in the first quarter of 2009 to $1.3 million in the first quarter of 2010 due primarily to higher interest rates associated with the new syndicated credit facility completed on October 30, 2009.

A non-cash mark-to-market gain of $0.8 million was recorded in the three months ended March 31, 2010, compared to a non-cash mark-to-market loss of $1.9 million recognized in the comparable period of 2009. On March 12, 2010, Pollard LP sold its remaining foreign currency contracts totaling US$18.0 million, resulting in the reversal of the previously recognized mark-to-market loss.

Income tax expense was $0.1 million in the first quarter of 2010 compared to $0.8 million in the first quarter of 2009. The income tax expense is lower due to differences relating to the foreign exchange impact of Canadian dollar denominated debt in the U.S. subsidiaries.

Net Income was $2.7 million in the first quarter of 2010 compared to a Net Loss of $2.3 million in the first quarter of 2009. Decreased gross profit and higher interest expense were offset by decreased selling and administration expenses, lower income taxes, increased gains on foreign exchange compared to foreign exchange losses in 2009 and large mark-to-market gains on foreign exchange contracts compared to mark-to-market losses in 2009.

Pollard LP generated $1.9 million in Adjusted Distributable Cash, or $0.08 per unit, for the first quarter of 2010.

## Use of Non-GAAP Financial Measures

Reference to “EBITDA” is to earnings before interest, income taxes, amortization, unrealized foreign exchange gains and losses, mark-to-market gains and losses on foreign exchange contracts and interest rate swaps, facility closing reserve and long term incentive plan expense. Reference to “Adjusted Distributable Cash” is to cash available for distribution to Unitholders, calculated as cash flow from operations, before changes in non-cash working capital, less maintenance capital expenditures. Management views Adjusted Distributable Cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. Adjusted Distributable Cash is important as it summarizes the funds available for distribution to Unitholders. As the Fund and Pollard LP will distribute substantially all of its cash on an ongoing basis and since EBITDA and Adjusted Distributable Cash are metrics used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to Net Income, EBITDA and Adjusted Distributable Cash are useful supplementary measures.

EBITDA, Adjusted Distributable Cash, Maintenance Capital Expenditures and Growth Capital Expenditures are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to Net Income or Loss determined in accordance with GAAP as indicators of the Fund's and Pollard LP's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

## Outlook

The outlook for the instant lottery ticket market is for moderate growth as measured by retail sales. The majority of our revenue is generated under existing long term contracts. The recent announcement of the first time award of a contract with the Kentucky Lottery is a reflection of our competitive strength and we anticipate continuing to compete aggressively on further new contract opportunities.

The impact of the Kamloops facility closure will result in significantly reduced overhead costs and lower per unit production costs due to the efficiencies of operating in fewer, but larger, production facilities. The full impact of this improved cost structure will not be realized until the second quarter, as the consolidation only occurred during the later part of the first quarter.

Our new press is now operating near expected levels. Improved efficiencies will continue to be achieved over the next few quarters as further operating improvements are implemented.

The Canadian dollar continued to strengthen relative to the U.S. dollar during the first quarter of 2010. In March we sold the remainder of our forward foreign exchange contracts and this sale will eliminate any further mark-to-market accounting gains or losses on foreign currency contracts on our income statement. We will continue to manage our currency exposure risk to the U.S. dollar through our natural hedges including sourcing purchase inputs in U.S. currency, utilizing U.S. dollar denominated debt to hedge balance sheet exposure and efficiently using our U.S. based production facilities. However, further strengthening of the Canadian dollar relative to the U.S. dollar would impact negatively on our operating results.

Our charitable games division grew its volume in the first quarter of 2010 and these volumes are expected to be sustained during the remainder of 2010. Licensed products volume was lower in the first quarter and is expected to increase in the second and third quarter.

The conversion of Pollard Banknote Income Fund to a publicly traded corporation is set to be voted on at the May 6, 2010 annual and special meeting. If the plan is approved by Unitholders, the conversion is expected to be effective May 14, 2010. The conversion is as a result of the Federal Government eliminating certain income tax advantages of the income trust structure and will afford Pollard greater ability to invest in future business opportunities.

The conversion is anticipated to result in a tax free transfer for Unitholders who will exchange each of their units on a one-for-one basis for shares in the new corporation, to be called Pollard Banknote Limited. Dividends are expected to be set at 3 cents per share per quarter, with the first quarterly dividend for the two months ended June 30, 2010, of 2 cents per share expected to be paid in July.

The strength of our balance sheet will continue to improve as the impact of the reduced distributions, lower capital expenditures and improved operating results will reduce our outstanding debt balance.

Pollard Banknote believes that its credit facilities and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for investment in capital expenditures, working capital and distributions 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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