Pollard Banknote

News Release

POLLARD BANKNOTE LIMITED ANNOUNCES 3RD QUARTER FINANCIAL RESULTS

WINNIPEG, Manitoba, November 3, 2010 /CNW/ — Pollard Banknote Limited (TSX: PBL) ("Pollard") today released its financial results for the three and nine months ended September 30, 2010.

HIGHLIGHTS	3rd Quarter ended September 30, 2010	3rd Quarter ended September 30, 2009
Sales	$ 41.7 million	$ 48.4 million
Gross Profit	$ 8.1 million	$ 11.4 million
Selling and Administration	$ 5.1 million	$ 5.2 million
Realized F/X Gain (Loss)	$ (0.1 million)	$ 1.0 million
Adjusted EBITDA	$ 4.4 million	$ 6.2 million

"We are not satisfied with our third quarter results," remarked John Pollard, Co-Chief Executive Officer. "These results do, however, reflect the impact of our various improvement initiatives as we have generated higher gross margins relative to the first half of 2010. More efficient operation of our in-line press and other manufacturing improvements are seeing concrete results."

"The mix of work in the third quarter improved to a greater amount of higher value work compared to the second quarter. Volumes were below budget partially due to the timing of certain orders from a few individual customers. We expect our volumes in the fourth quarter to be significantly higher than the third quarter."

"We are very pleased about being named the new primary supplier to the Minnesota Lottery, a new contract won recently in a competitive bid process. A number of other opportunities exist over the next few quarters that we will be aggressively pursuing and we continue to see positive signals for volumes in 2011."

POLLARD BANKNOTE LIMITED

On May 14, 2010, Pollard Banknote Income Fund (the "Fund") and Pollard Holdings Limited Partnership ("Pollard LP") completed a conversion (the "Conversion") to a publically traded corporation, Pollard Banknote Limited ("Pollard"). Pursuant to the terms of the Conversion, holders of Fund units received, in exchange for each of their Fund units, one common share of Pollard. Pollard Equities Limited, the holder of the Class B and Class C limited partnership units (collectively, the "Exchangeable LP Units") of Pollard LP and the associated Special Voting Units, received, in exchange for each group of one Exchangeable LP Unit (together with the accompanying Special Voting Unit), one common share of Pollard.

As a result of the Conversion, Pollard became the 100% owner of both the Fund and Pollard LP, with Pollard LP continuing to operate the business of manufacturing and selling lottery and gaming products.

After conversion there was no substantive change in the ultimate ownership of Pollard. As a result, the Conversion will be accounted for under the continuity of interests method. One consolidated financial statement incorporating the results of both the Fund and Pollard LP will be prepared. Comparative figures will be restated reflecting the combined results of both entities. As the Canadian operations of Pollard are now taxable under the *Income Tax Act* (Canada), the difference between the tax values and the net book value of the Canadian assets and liabilities have been recorded as future tax assets and liabilities in the comparative figures.

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, except per share information)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales	$41.7	$48.4	$126.1	$145.0
Cost of Sales	33.6	37.0	102.7	116.0
Gross Profit	8.1	11.4	23.4	29.0
Gross Profit as a % of sales	*19.4%*	*23.6%*	*18.6%*	*20.0%*
Selling and Administration Expenses	5.1	5.2	15.2	16.5
Expenses as a % of sales	*12.2%*	*10.7%*	*12.1%*	*11.4%*
Realized Foreign Exchange Loss (Gain)	(0.1)	1.0	0.8	3.5
Loss (Gain) as a % of sales	*(0.2%)*	*2.1%*	*0.6%*	*2.4%*
Net Income (note 1)	1.5	7.7	2.4	14.9
Net Income as a % of sales	*3.6%*	*15.9%*	*1.9%*	*10.3%*
Adjusted EBITDA	4.4	6.2	13.7	15.1
Earnings per share	$0.06	$0.33	$0.10	$0.63

Note 1: Net Income in the three months ending September 30, 2010, was lower than the third quarter of 2009 primarily as a result of the decrease in the non-cash mark-to-market gain on foreign currency contracts of $4.4 million and the unrealized foreign exchange gain of $0.7 million.

Net Income in the nine months ending September 30, 2010, was lower than the first nine months of 2009 primarily as a result of the decrease in the non-cash mark-to-market gain on foreign currency contracts of $7.7 million and the unrealized foreign exchange gain of $1.7 million.

	September 30, 2010	December 31, 2009
Total Assets	$139.6	$154.3
Total Long Term Liabilities	$79.2	$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.

Results of Operations – Three months ended September 30, 2010

During the three months ended September 30, 2010, Pollard achieved sales of $41.7 million, compared to $48.4 million in the three months ended September 30, 2009. Factors impacting the $6.7 million sales decrease were:

- During the three months ended September 30, 2010, Pollard generated approximately 71% of its revenue in U.S. dollars including a significant portion of international sales which are priced in U.S. dollars. During the third quarter of 2010 the actual U.S. dollar value was converted to Canadian dollars at $1.05, compared to a rate of $1.11 during the third quarter of 2009. This decrease in the U.S. dollar value resulted in an approximate decrease of $1.5 million in revenue relative to the third quarter of 2009. Also during the third quarter of 2010, the strengthening of the Canadian dollar against the Euro resulted in an approximate decrease of $0.4 million in revenue relative to the third quarter of 2009.

- Instant ticket volumes for the third quarter of 2010 were lower than the third quarter of 2009 which decreased sales by $3.2 million, due to the timing of certain orders. In addition, a decrease in average selling price compared to 2009 reduced sales by $1.2 million as a result of greater mix of lower priced sales. Charitable Gaming volume decreased during the quarter reducing sales by $0.4 million when compared to 2009.

Cost of sales was $33.6 million in the third quarter of 2010 compared to $37.0 million in the third quarter of 2009. Lower exchange rates on U.S. dollar transactions in the third quarter of 2010 decreased cost of sales approximately $0.9 million. In addition, cost of sales was lower due to lower production volumes and the impact of cost saving associated with the closure of the Kamloops facility.

Gross profit earned in the third quarter of 2010 was $8.1 million (19.4% of sales) as compared to $11.4 million (23.6% of sales) earned in the third quarter of 2009. This decrease was due mainly to the decrease in volumes, lower average selling prices and the impact of the stronger Canadian dollar.

The 19.4% gross margin achieved in the third quarter is higher than the first two quarters in 2010, reflecting the ongoing impact of the cost savings of the Kamloops closure and other manufacturing initiatives.

Selling and administration expenses were $5.1 million in the third quarter of 2010 which is lower than $5.2 million in the third quarter of 2009 due to certain cost containment strategies.

Foreign exchange gain was $0.6 million in the third quarter of 2010 compared to a gain of $0.2 million in the third quarter of 2009. Within the 2010 foreign exchange gain are unrealized gains of $0.5 million, relating to a $0.7 million unrealized foreign exchange gain on U.S. dollar denominated debt (caused by the strengthening of the Canadian dollar between the balance sheets dates of June 30, 2010 and September 30, 2010) partially offset by unrealized net losses of $0.2 million on U.S. dollar denominated receivables and payables, and $0.1 million in realized gains on the increased value of U.S. dollar denominated receivables.

A non-cash mark-to-market gain of $0.3 million was recorded during the quarter ending September 30, 2010, on interest rate swap contracts no longer designated as hedges. In addition, amortization of $0.3 million of the previously recorded mark-to-market losses on these interest rate swaps, recorded as accumulated other comprehensive loss, was expensed in the third quarter of 2010.

Adjusted EBITDA was $4.4 million in the third quarter of 2010 compared to $6.2 million in the third quarter of 2009. The primary reason for the decrease in Adjusted EBITDA was lower gross margin of $3.3 million, partially offset by lower realized foreign exchange losses of $1.1 million and lower profit share expense of $0.4 million.

Amortization includes amortization of property and equipment and intangible assets and totaled $2.0 million during the third quarter of 2010 which is similar to $2.0 million during the third quarter of 2009.

Interest expense increased to $1.3 million in the third quarter of 2010 from $1.0 million in the third quarter of 2009 due primarily to higher interest rates associated with the new syndicated credit facility.

A final warranty reserve adjustment of $0.2 million was expensed in the third quarter of 2010. The warranty reserve relates to product produced in Fiscal 2009 for a specific customer as the originally delivered product no longer meets the contractual quality requirements.

Income tax recoverable was $0.1 million in the third quarter of 2010, an effective rate of (5%), 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.

Net Income decreased to $1.5 million in the third quarter of 2010 from $7.7 million in the third quarter of 2009. The primary reasons for the decline were the decrease in gross profit of $3.3 million and an elimination of the non-cash mark-to-market gain on foreign exchange currency contracts of $4.4 million, which were partially offset by reduction in income taxes of $1.1 million, lower profit share expense of $0.4 million and a greater foreign exchange gain of $0.4 million.

Earnings per share decreased to $0.06 per share in the third quarter of 2010 from $0.10 in the third quarter of 2009.

Use of Non-GAAP Financial Measures

Reference to "Adjusted EBITDA" is to earnings before interest, taxes, amortization, 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 and warranty reserve accruals. 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 Canadian GAAP and does not have a standardized meaning prescribed by Canadian 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 Canadian 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

We continue to see signs that the pace of growth in the instant lottery ticket market is increasing and believe the market for instant tickets and related services will continue to generate steady growth. We expect our volumes in the fourth quarter to be higher than the third quarter.

The pressure on prices witnessed in the first half of 2010 continued to be present in the third quarter and we expect these pressures to continue into 2011. Various negative economic factors facing governments coupled with aggressive pricing practices by other instant ticket suppliers will result in ongoing challenges to our average selling price.

Our New Jersey contract has been extended until June 2011. We have no other major contracts coming due in 2010 or 2011 when extensions are considered. Production under our recently awarded contract with the Minnesota Lottery began during the third quarter and there exists a number of lottery contract opportunities coming due over the next 18 months that we will be bidding on very aggressively.

The Canadian dollar remained strong relative to the U.S. dollar during the quarter. We 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. A continuing strong Canadian dollar does place negative pressure on our operating margins. In addition, we generate a small portion of our revenue in Euros. Over the course of the most recent quarter the Euro strengthened relative to the Canadian dollar and a stronger Euro impacts positively on operating results.

A number of initiatives have been undertaken relative to improving our manufacturing efficiencies and reducing our cost structure. The results of these initiatives should start to generate improving margins into 2011.

Our charitable gaming product line continues to perform well by maintaining volumes in a challenging market and improving margins through effective cost management. Volumes are expected to increase slightly over the short term due to additional pull tab vending machine sales and pull tabs to the lottery market.

Effective September 30, 2010 our credit facility was renewed until October 31, 2011.

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 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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