

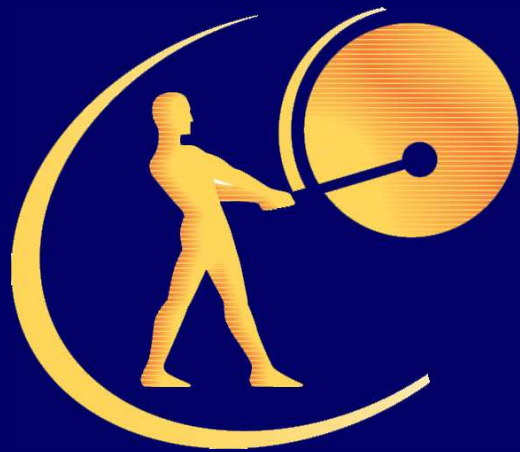
Rank Group

**Interim results
2006**

Friday 1st September 2006

Agenda

- Interim results
 - Peter Gill
- Business assessment & strategic priorities
 - Ian Burke



Rank Group

Peter Gill
finance director

Interim financial headlines continuing operations

- Revenue up 7.2% to £426.1m
- Operating profit down 5.8% to £58m
- Adjusted profit before tax down 2.9% to £40.7m
- Adjusted EPS 5.1p (2005: 4.6p)
- Operating cash flow £24.4m (2005: £44.3m)
- Net debt £555.2m (2005 year end £739.4m)
- Dividend per share 2.0p

Adjusted profit*

£m	2006	2005
Revenue	<u>426.1</u>	<u>397.3</u>
Operating profit	58.0	61.6
Joint ventures	(0.9)	(0.7)
Interest	<u>(16.4)</u>	<u>(19.0)</u>
Profit before tax	<u><u>40.7</u></u>	<u><u>41.9</u></u>
Effective tax rate	20.0%	29.6%
Adjusted earnings per share	5.1p	4.6p

* Profits and earnings before discontinued operations, exceptional items, foreign -exchange on inter-company balances net of hedging and amortisation of equity component of convertible bond

Operating profit

£m	2006	2005
Gaming	46.5	52.0
Hard Rock	18.9	16.4
US Holidays	1.1	1.1
Central costs	(8.5)	(7.9)
	<u>58.0</u>	<u>61.6</u>

Gaming

£m	Revenue		Operating profit	
	2006	2005	2006	2005
Bingo	149.1	149.3	36.0	43.2
Casinos	109.6	100.3	20.5	18.0
Interactive	18.6	12.4	3.1	0.3
Overhead			(13.1)	(9.5)
	<u>277.3</u>	<u>262.0</u>	<u>46.5</u>	<u>52.0</u>

Bingo

£m	Revenue		Operating profit	
	2006	2005	2006	2005
Mecca Bingo	133.9	133.9	31.8	38.5
Top Rank Espana	15.2	15.4	4.2	4.7
	<u>149.1</u>	<u>149.3</u>	<u>36.0</u>	<u>43.2</u>

Mecca Bingo	2006	2005
Admissions ('000)	9,956	10,122
Spend per head (£)	13.45	13.23

Casinos

£m	Revenue		Operating profit	
	2006	2005	2006	2005
London - upper	13.5	10.8	2.8	2.1
London - mainstream	35.1	33.1	6.2	5.0
Provincial	54.8	50.4	11.0	10.4
Belgium	6.2	6.0	0.5	0.5
	<u>109.6</u>	<u>100.3</u>	<u>20.5</u>	<u>18.0</u>

Grosvenor UK	2006	2005
Admissions ('000)	2,282	2,106
Spend per head (£)	45.35	44.79

Interactive Blue Square

£m	Gross win/revenue	
	2006	2005
Gaming	10.2	5.7
Sportsbook	8.4	6.7
	<u>18.6</u>	<u>12.4</u>
Operating profit	<u>3.1</u>	<u>0.3</u>

Hard Rock

£m	Revenue		Operating profit	
	2006	2005	2006	2005
Company cafes	120.4	110.7	13.8	12.7
Franchise cafes	4.3	2.8	3.6	2.2
Hotels & casinos	9.0	7.8	7.7	6.3
Equity distributions			2.9	2.5
Overheads			(9.1)	(7.3)
	<u>133.7</u>	<u>121.3</u>	<u>18.9</u>	<u>16.4</u>

Statutory profit & loss

£m	2006	2005
Adjusted profit before tax	40.7	41.9
Foreign exchange on inter-company balances	7.5	(7.7)
Amortisation of equity component of convertible bond	(1.5)	(1.5)
Profit before tax and exceptional items	<u>46.7</u>	<u>32.7</u>
Exceptional items*	(26.8)	-
Profit before tax	<u>19.9</u>	<u>32.7</u>
Taxation	(3.7)	(12.9)
Discontinued operations	(6.6)	(14.7)
Profit for the period	<u><u>9.6</u></u>	<u><u>5.1</u></u>

* loss on disposal of investment in Universal Studios Japan (£12.1m) and refinancing costs (£14.7m)

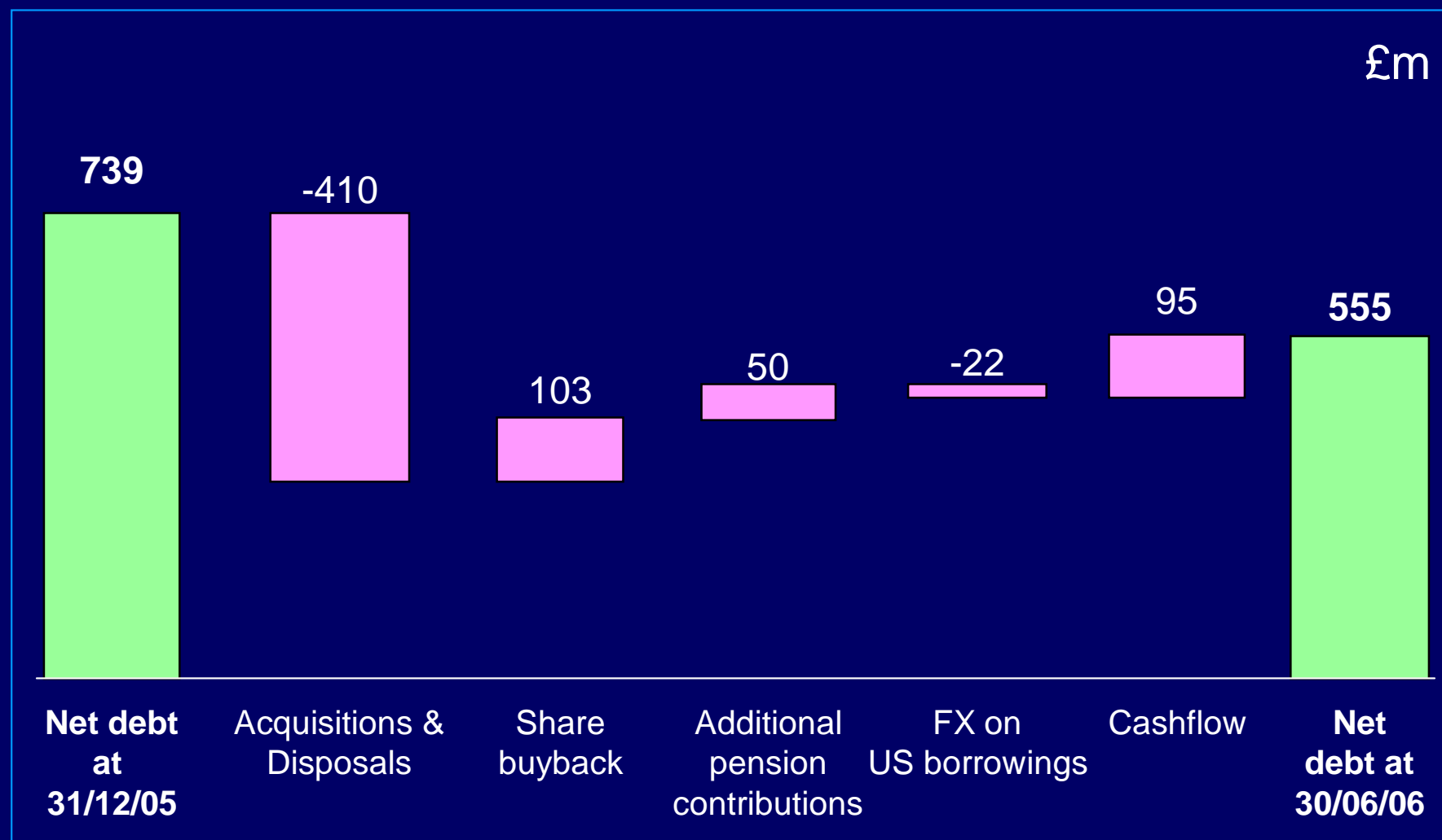
Discontinued operations (Deluxe Film & Deluxe Media)

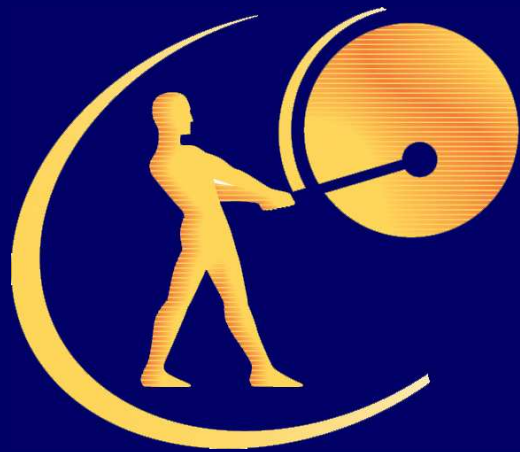
£m	Film		Media	
	2006	2005	2006	2005
Operating profit (loss)	1.3	29.0	(10.0)	(12.4)
Exceptional operating items	-	-	-	(13.2)
Operating profit (loss) after exceptional items	<u>1.3</u>	<u>29.0</u>	<u>(10.0)</u>	<u>(25.6)</u>
Net profit (loss)	<u><u>1.0</u></u>	<u><u>20.9</u></u>	<u><u>(7.6)</u></u>	<u><u>(35.6)</u></u>

Group cash flow

£m	2006	2005
Continuing Operations		
Cash inflow from operating activities	51.0	57.8
Capital expenditure	(28.3)	(14.1)
Fixed assets disposals	1.7	0.6
Operating cash inflow from continuing operations	<u>24.4</u>	<u>44.3</u>
Acquisitions, disposals and capital distributions	<u>409.5</u>	<u>14.1</u>
	433.9	58.4
Interest, tax and dividend payments	(101.5)	(79.0)
Share buy-back	(102.7)	-
Additional contribution to pension fund	(50.0)	-
Cash outflow relating to discontinued operations	<u>(17.8)</u>	<u>(58.1)</u>
Cash inflow (outflow)	<u><u>161.9</u></u>	<u><u>(78.7)</u></u>

Movement in net debt





Rank Group

Ian Burke
chief executive

Rank Group strategic priorities

- Re-energise Rank Gaming
- Establish appropriate group cost structure
- Maintain growth of Hard Rock and examine strategic options
- Exit Deluxe Media and other non-core interests
- Complete balance sheet restructuring

Rank Gaming context

- Right time for shake-up
 - good market positions
 - no2 in UK bingo; no2 in UK casino
 - respected operator in Spanish bingo
 - on-line gaming & sportsbook operations
 - experienced and responsible operator
 - under-performance in recent years
 - emerging challenges and opportunities

Rank Gaming

- Tighter and more efficient management structure put in place
 - merger of corporate functions with Gaming
 - simplified & more focused management structure
 - Blue Square integrated within Rank Gaming
- Situational assessments and action plans developed for each business
 - focus on gaming product, service and standards

Mecca Bingo context

- Established brand
- Sound historic financial characteristics
 - 24% operating margin*
- Stable membership base
 - >1 million active members
- Opportunities from further deregulation

* before divisional overhead

Mecca Bingo context

- Recent trends
 - admissions erosion & spend-per-head increases
 - rising business costs (inc. duty & taxation)
 - regulatory & legislative changes
 - smoking ban
 - 'loss' of Section 21 machines/prizeline for cash
- Loss of competitiveness & market share
 - declining prizeboards & high participation fees undermine customer value
 - competitor impact
 - under-investment in developing club estate

Mecca Bingo priorities

- Address Mecca Bingo's competitive positioning
- Create efficient cost structure for Mecca Bingo clubs
- Mitigate smoking ban impact

Mecca Bingo

competitive positioning

- Re-establish reputation for quality & value
 - drive prizeboards & admissions through reduced participation fee percentage
 - raise service levels and standards
- Review and improve club portfolio
 - six clubs closed in 2006 (to August)
 - two new clubs opened in H1; one opened in H2
 - targeted capex to improve competitive positioning and drive incremental returns

Mecca Bingo market share 2006



Mecca Bingo cost structure

- Review and address club costs
 - club crewing model
 - re-alignment of club roles
 - c200 redundancies in Mecca
 - improved labour scheduling
 - purchasing and other operational efficiencies
- Cost savings to soften impact of smoking ban

Mecca Bingo smoking ban

- Smoking ban in Scotland from 26 March 2006
- Immediate effect on club revenues and profits*
 - 6% decline in admissions
 - 9% decline in spend per head
 - 14% decline in revenue
 - unusually hot weather exacerbates effect

* 13 week period from 27 March to 26 June 2006, set against comparable period in 2005

Mecca Bingo smoking ban

- Adapt product to meet challenge
 - greater flexibility in bingo sessions
 - tactical use of linked interval games
 - use of technology to drive spend per head
- Smoking ban across UK during 2007
 - opportunity to attract non-smokers to bingo

Top Rank Espana

- 11 high quality clubs
 - 28% operating margin*
- Limited expansion opportunities
- Smoking ban from 2006
 - partial ban with phased introduction

* before divisional overhead

Grosvenor Casinos context

- Established & experienced casinos operator
- Good historic financial characteristics
 - 19% operating margin*
- Growing membership base
 - >0.6 million active members
- Significant opportunities from deregulation

* before divisional overhead

Grosvenor Casinos context

- Recent trends encouraging
 - catalyst of ‘early freedoms’ from October 2005
 - 9.3% revenue growth in H1
 - 8.3% admissions growth in H1
- Further deregulation to come
 - relaxation of advertising restrictions
 - extension of permitted gaming activities

Grosvenor Casinos context

- Increasingly competitive marketplace
 - market supply expected to exceed 200 casinos by 2010 under 1968 Act licences
 - 17 new casinos under 2005 Act
- Threat of smoking ban
 - no direct experience
 - Scottish operators report little impact
 - negative experiences in other global jurisdictions

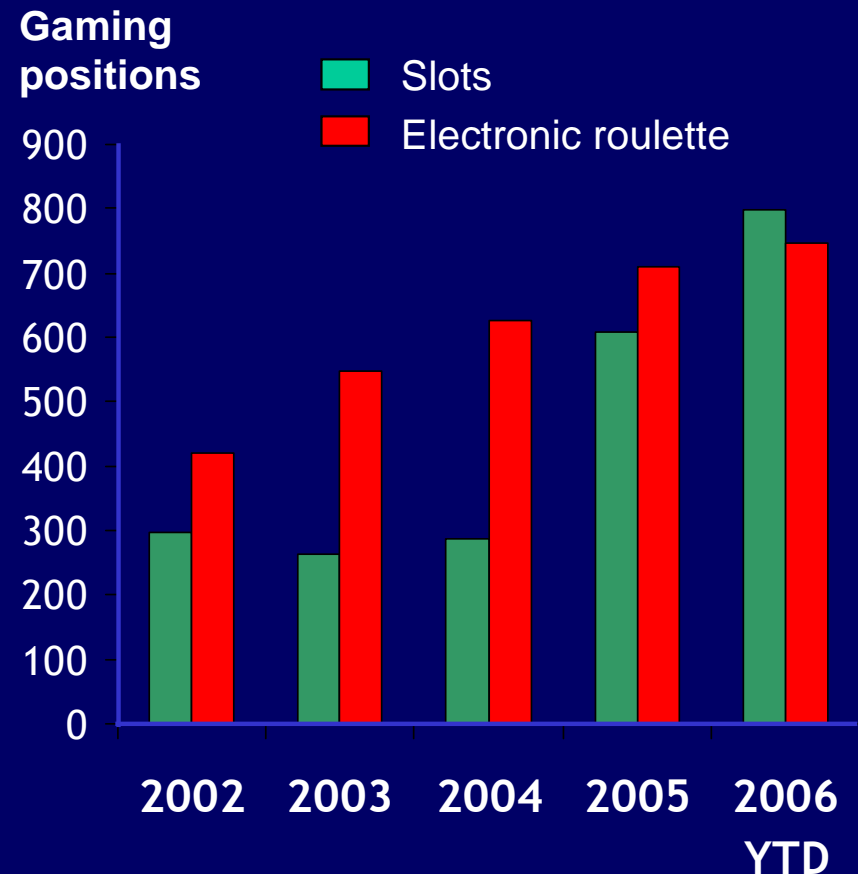
Grosvenor Casinos priorities

- Position Grosvenor to benefit from demand growth for mainstream casinos
- Grow estate through addition of new licences

Grosvenor Casinos positioning

- Continue to broaden and improve casino offering
 - best in class service
 - electronic gaming development
 - expand and improve card room operations

Grosvenor Casinos - growth in electronic gaming



Grosvenor Casinos positioning

- Improve quality of existing estate
 - selective ‘relocation’ of licences to superior premises
 - selective extensions of existing casinos
- Exit non-core assets
 - closure of two loss-making casinos
 - sale of Clermont Club for £31m

Grosvenor Casinos grow estate

- 1968 Act - High number of licences secured
 - 8 provincial casino ‘cold licences’ granted
 - majority of new casinos to be opened by 2009
- 2005 Act - Grosvenor in strong position
 - Rank’s expertise in casino, bingo and sportsbook
 - careful identification of opportunities
 - clarity still required on locations and cost

Grosvenor Casinos Belgium

- Deregulation benefits for Belgian casinos
 - 2 casinos - Middlekerke & Blankenberge
 - opportunity to extend gaming products
 - electronic roulette and video poker from 2007
 - growth in slot machine capacity
 - bingo and card room poker permitted from 2007

Blue Square context

- Acquired by Rank in 2003
 - **then** - principally telebet and online sportsbook
 - **now** - multi-channel gaming and sportsbook
- Track record of innovation
 - development of differentiated gaming & sportsbook products
- Underperformance since acquisition

Blue Square priorities

- Integrate with retail gaming businesses
 - Group centre for technological development
 - games development & cross-marketing
- Improve operational performance
 - customer acquisition through multi-product & multi-brand offers
 - continued product innovation
 - differentiated marketing & customer service

Group cost structure savings

- £6m Corporate and Gaming overhead savings identified
 - closure of Rank Corporate HQ, London
 - simplification of management structures
 - elimination of role duplication

Hard Rock context

- Strong brand
- Good operating performance
 - 19% operating margin*
- Broad development platform
 - Cafes
 - Hotels
 - Casinos

* Excludes equity distributions from URHP and central overhead

Hard Rock priorities

- Maintain steady growth in company-operated cafes
 - improve customer offering
 - improve quality of portfolio
- Pursue development opportunities with appropriate capital investment
 - Cafes - franchise model
 - Hotels - management contracts & licensing agreements
 - Casino-hotels - licensing agreements
- Consolidation of brand ownership

Hard Rock strategic review

- Strong operating performance
- Opportunities for significant further growth
- Capital required to support ambitions
- Limited synergies with Rank Gaming
- Appropriate time to review and test market

Exit Deluxe Media & non-core interests

- Deluxe Media Services
 - exit of UK now complete
 - in negotiations to dispose of remaining businesses
 - DVD replication and distribution, USA
 - Distribution, Europe
- US Holidays
 - review of exit options commenced

Balance sheet complete restructuring

- 2.0 times target dividend cover
- 3.5 - 4.0 times target net debt/EBITDA
- Share buy-back to recommence
- Use of proceeds from sale & leaseback to be determined following completion of Hard Rock strategic review

Summary

- Good progress made in past six months
- Priorities now:
 - implement performance improvement actions in Gaming
 - deliver identified cost savings
 - exit remaining Deluxe Media businesses
 - conclude Hard Rock review
- Outlook



Rank Group

**Interim results
2006**