

The Rank Group Plc

Interim Results 2001

A lun Cathcart
Chaim an

M i k e S m i t h
C h i e f E x e c u t i v e

Rank Group

Management team

David Boden	M D Gaming
Pete Beaudrault	President and CEO Hard Rock
Phil Clement	Deluxe
Cyril Drabinsky	President and CEO Deluxe Film Worldwide
Peter Pacitti	President and CEO Deluxe Video Worldwide

Key points

- Operating profit still moving ahead
 - Gaming strong
 - Hard Rock improved
 - Deluxe resilient
- Near four fold increase in EPS
- Cash flow robust
- Interim dividend increase of 5%

Ian Dyson
Finance Director

Summary of results

£m	2001	2000
Continuing businesses		
Turnover	<u>645.4</u>	<u>682.7</u>
Operating profit	96.0	86.8
Discontinued businesses	-	9.5
Associates	1.7	(13.6)
Interest	<u>(14.9)</u>	<u>(40.6)</u>
Profit before tax	<u><u>82.8</u></u>	<u><u>42.1</u></u>
Earnings per share	9.2p	2.5p

Turnover

£m	Deluxe	Hard Rock	Gaming	US Holidays	Group
2000 reported	303	128	227	25	683
Adjustments					
Fox	(36)				(36)
Clean on trading			(18)		(18)
27th week		(6)			(6)
2000 adjusted	267	122	209	25	623
2001 reported	282	131	209	23	645
Currency impact	(17)	(10)	0	(2)	(29)
2001 adjusted	265	121	209	21	616
Underlying change	-1%	-1%	0%	-16%	-1%

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Operating profit

£m	2001	2000	Change
Gaming	45.6	39.5	15%
Hard Rock	24.0	21.9	10%
Deluxe	22.7	23.5	(3%)
US Holidays	6.7	8.2	(18%)
Central and other	(3.0)	(6.3)	52%
Operating profit*	<u>96.0</u>	<u>86.8</u>	11%

* Continuing businesses

Gaming

£m	2001	2000
Turnover		
M ecca B ingo	118.8	117.9
G rosvenor Casinos	68.2	84.5
RIM S	22.4	24.5
	<u>209.4</u>	<u>226.9</u>
Operating profit		
M ecca B ingo	35.0	28.2
G rosvenor Casinos	9.7	10.8
RIM S	0.9	0.5
	<u>45.6</u>	<u>39.5</u>

Grosvenor Casinos

£m	2001	2000
Turnover		
London	30.8	47.5
UK Provinces	32.5	31.7
Belgium	4.9	5.3
	<u>68.2</u>	<u>84.5</u>
Operating profit		
London	3.5	5.4
UK Provinces	6.0	5.1
Belgium	0.2	0.3
	<u>9.7</u>	<u>10.8</u>

Hard Rock

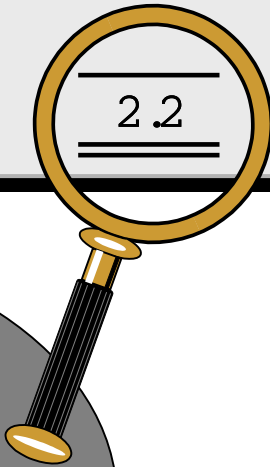
£m	2001	2000
Turnover		
Owned cafes	122.0	123.3
Franchise and other income	8.6	4.3
	<u>130.6</u>	<u>127.6</u>
Operating profit		
Owned cafes	22.5	26.7
Franchise and other income		
- Cafes	7.4	4.7
- Hotels	1.2	0.1
Advertising and promotion	-	(3.0)
Overheads	(5.3)	(6.6)
Restructuring	(1.8)	-
	<u>24.0</u>	<u>21.9</u>

Hard Rock

£m	2001	2000
Reported profit	24.0	21.9
Restructuring costs	1.8	-
Territory franchise sales	(3.3)	(1.1)
27th week	-	(2.0)
Currency impact	-	1.5
Adjusted profit	<u>22.5</u>	<u>20.3</u>

Hard Rock

£m	2001	2000	Grow th
Reported profit	24.0	21.9	
Restructuring costs	1.8	-	
Territory franchise sales	(3.3)	(1.1)	
27th week	-	(2.0)	
Currency impact	-	1.5	
Adjusted profit	<u>22.5</u>	<u>20.3</u>	<u>2.2</u>



GROW TH	£m
Cafes	(0.7)
Franchise	
-Cafes	0.5
-Hotels	1.1
Overheads	<u>1.3</u>
	<u>2.2</u>

Hard Rock – like for like sales

%	First half	Q 3*	Year to date
Food and Beverage	-0.5	-1.0	-0.6
Merchandise	-7.1	-2.9	-5.9
Total	-3.5	-1.9	-3.0

%	First half	Q 3*	Year to date
USA	-5.0	-3.5	-4.6
Europe	+3.8	+5.3	+4.3

* 9 weeks to date

Deluxe

£m	2001	2000
Turnover		
Film Processing	154.3	135.6
Video Duplication	124.8	166.3
DVD Replication	2.9	1.4
	<u>282.0</u>	<u>303.3</u>
Operating profit		
Film Processing	23.4	22.7
Video Duplication	1.5	2.9
DVD Replication	(2.2)	(2.1)
	<u>22.7</u>	<u>23.5</u>

Deluxe Video

£m	2001	2000
Turnover		
US	81.2	114.9
Europe	<u>43.6</u>	<u>51.4</u>
	<u>124.8</u>	<u>166.3</u>
Operating profit		
US	4.8	3.4
Europe	<u>(3.3)</u>	<u>(0.5)</u>
	<u>1.5</u>	<u>2.9</u>

Video US - restructuring benefit

£m	Turnover	Profit
2000 reported	114.9	3.4
Fox in pact	<u>(36.0)</u>	<u>(7.3)</u>
2000 proforma	78.9	(3.9)
2001 actual	<u>81.2</u>	<u>4.8</u>
Benefit	<u><u>2.3</u></u>	<u><u>8.7</u></u>

Interest

- £25.7m reduction
- Average rate of 7.5% (2000 – 7.4%)
 - gross debt was 98% fixed at rate of 7.5%
- Second half interest rate will reduce
 - interest rate swaps
 - refinancing of £65m fixed debt

Tax

- Effective rate reduced to 19.5% (2000 – 21.5%)
- FRS 19
 - implementation in 2002
 - tax rate naturally tends towards statutory rates
 - recognition of deferred tax asset
 - no impact on cash flow

Exceptional items

£m	2001
Deluxe Video Europe restructuring	(6.9)
Sale and leaseback of Arkansas	14.4
Other disposals	(1.0)
	<u>6.5</u>

Cash flow

£m	2001	2000
Operating activities	104.1	181.3
Capex	(51.7)	(82.3)
Sale of fixed assets	<u>32.7</u>	<u>10.3</u>
Operating cash flow	85.1	109.3
Interest, tax and dividends	(85.0)	(122.6)
Distributions from associates	<u>2.4</u>	<u>1.2</u>
Free cash flow	2.5	(12.1)
Acquisitions / disposals	(2.2)	308.0
Share buy back	<u>-</u>	<u>(119.8)</u>
	<u><u>0.3</u></u>	<u><u>176.1</u></u>
Net debt	334.6	1,048.7

Capital expenditure

£m	2001	2000	2001 estimate
Gaming	22.2	19.3	45-50
Hard Rock	11.7	5.4	30-35
Deluxe	17.1	10.1	35-40
Discontinued and other	0.7	47.5	-
	<u>51.7</u>	<u>82.3</u>	<u>110-125</u>

M i k e S m i t h
C h i e f E x e c u t i v e

Rank Group

The trading environment

- Economic downturn
 - little discernible impact
- Being vigilant
 - cost reduction
 - strengthened marketing

M ecca B i n g o

- Another record result
- Strong competitive performance
- Marketing plans
- Acquisitions and development

Grosvenor Casinos

- Mixed result
- Continued estate enhancement
- Hard Rock casino development
- Wellpositioned for Gambling Review recommendations
- Internet Gaming later this year

The Gambling Review

- Very enthusiastic
- A real opportunity for growth
- Significant profit gains
- Bingo / casino flexibility
- Investment requirement containable
- Strong competitive position
- Timing? New Legislation?

Hard Rock

- More than held our own !
- Trading environment
- Local marketing
- Development
- Brand endorsement
 - hotels
 - casinos

Deluxe

- Film
 - footage still increasing
 - new labs
- Video
 - restructuring success
 - high service levels
- DVD
 - market remains difficult

Conclusion

- Gaming
- Hard Rock } Growth + development
- Deluxe - strong contributor
- Capacity to act