16/11/2000

Third Quarter Trading Statement (1 July to 30 September 2000)

In the third quarter of 2000, the Group made further progress in terms of improving operating performance, reducing its span of activities and developing its remaining businesses.

Operating profit from continuing businesses (now principally Deluxe, Gaming and Hard Rock) was significantly ahead of the same period last year with strong results in Gaming and Hard Rock more than compensating for lower profits in Deluxe. Operating cash flow was strongly positive. The overall outlook for the fourth quarter is satisfactory, underpinned by the stronger volumes in Deluxe usual at this time of the year, and accordingly, we anticipate the full year results to be in line with our expectations.

Gaming operating profit continues to be very good, with both Mecca and Grosvenor profits much higher than last year. The Gaming division is now clearly the biggest profit contributor to the Group. Following the success of recent relocations we intend to accelerate development, albeit selectively, across the two estates.

The improved results at Hard Rock have continued with operating profit for the quarter ahead of 1999 due largely to reduced overheads following last year's restructuring. Like for like revenue trends were the same as in the first half of the year. The enhanced Hard Rock web site is attracting a high level of interest and is supporting our links with music related businesses. Following the announcement of deals for hotels and casinos at the half year we are hopeful that other franchise prospects will be brought to fruition in the coming months.

As anticipated, Deluxe experienced a difficult third quarter. Operating profit from video duplication was adversely affected by the loss of the Fox Home Entertainment contract in the USA and continued margin pressure in Europe. The restructuring of video in the USA, with duplication now centred on the Arkansas facility, has been completed leaving this business with lower costs and better positioned to service its customers effectively. The DVD facility in California is fully integrated into Deluxe and a modest capacity expansion has been completed. In film processing, total footage was a little ahead of last year but lower average pricing led to slightly reduced turnover and operating profit. Prospects for the fourth quarter are positive however, with a strong release schedule planned. The new Rome film laboratory will open before the end of the year.

The disposal of the UK Holidays business was completed on 20 October. Operating profit for this business up to the date of disposal was broadly similar to 1999, before an FRS 15 charge of £9 million. We have now raised some £1.4 billion from disposals in the past 12 months leaving the Group with substantially reduced net debt. Following the purchase of 10% of the Group's ordinary shares earlier in the year, a further 7.4% has been purchased during the last month, bringing the total expenditure on share buybacks to over £200 million in the year to date. The Group intends to use the authority currently

in place to buy back more shares over the coming months.

The Group expects to announce its preliminary results for the full year to 31 December 2000 on 2 March 2001.

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Enquiries:-

The Rank Group Plc
Ian Dyson - Finance Director - Tel: 020 7535 8013
Martin Rowland - Investor Relations - Tel: 020 7535 8083

The Maitland Consultancy
Angus Maitland - Tel: 020 7379 5751
Laura Frost