Rank Group

News Release

18 May 2004

The Rank Group Plc

Update on Deluxe Contracts

In its trading statement issued on 27 April 2004, The Rank Group Plc ("Rank" or "Group") reported that it was in discussions regarding two Deluxe Media contracts that were due to expire in 2004, and two film contracts which it was seeking to extend early.

Deluxe Media

Deluxe Media Services ("DMS"), has extended one of the two outstanding contracts which covers the production of VHS and the distribution of VHS and DVD in the US until at least the end of 2005. As part of the new arrangements, DMS has gained additional compression, encoding and authoring business from the studio concerned.

In respect of the other outstanding contract, which relates primarily to the european DVD manufacturing and distribution business, DMS has been informed that the studio concerned will be transferring the business to a new supplier on a staged basis over the period to July 2005. In 2003, this contract accounted for 48% of DVD units supplied and 18% of total packaged media units distributed by DMS. In view of the anticipated timing of transfer of the business, Rank expects that there will only be a small impact on the Group's operating profit before exceptional items in 2004.

Whilst the loss of this contract is disappointing, active negotiations for additional contract business in both the US and Europe are currently in progress and are expected to reach a conclusion over the next few months. The underlying growth in the DVD market is expected to remain strong for the next few years, but the ability of DMS to continue to deliver an acceptable return and maintain profitability at the level anticipated in 2004 will be dependent upon gaining new studio contracts.

Subject to progress made on new contract wins during the remainder of the year, an exceptional charge may be incurred in 2004 relating to the impairment of certain manufacturing and distribution assets associated with the lost contract.

Deluxe Film

In Deluxe Film, the Group has successfully extended one of the two contracts referred to in the trading statement and which was due to expire in 2006. The contract, which represented 15% of 2003 contracted volume, has been extended until 2009 so that approximately 82% of Deluxe Film's total 2003 contracted volume is now secure until 2006 and 55% is secure until at least 2009. Discussions regarding the other contract are continuing and the Group is confident that it too will be extended within the next few months.

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