CPI GROUP LTD
ANNUAL GENERAL MEETING
18 NOVEMBER 2004

CHAIRMAN'S ADDRESS

You will have read the Annual Report, and within that my and the Chief Executive's Report. Last year CPI group examined closely each of the activities in which it was engaged, and decided to exit activities that did not meet budgeted expectations and appeared unlikely to do so. This was particularly the case with Imaging, a specialised activity that, while it markets to similar customers as paper merchants, does not provide the synergies expected. It was a difficult decision, and involved write-downs of stock, costs for some redundancies, and a write-down of goodwill.

The exit from Imaging after the previous sale of the Trading division, reduced the company's warehouse requirements, and changed the mix of warehousing needed, and it was decided to sell the Sydney premises at Wetherill Park.

This had the additional advantage of releasing cash for use in the core businesses, adding further to improved cash flow from tighter stock management. With the exception of a debtors securitisation facility, the company now has modest and mostly seasonal requirements for bank finance.

Consistent with CPI's increased focus on paper and ink products, the Company acquired Boomerang Paper, a specialist in carbonless paper operating throughout Australia. Following a period of rationalisation of this business it is expected that Boomerang will contribute to profitability.

Shareholders will be aware from Note 33 to the Company's Accounts in the Annual Report that a contingent liability exists in respect of a dispute with a supplier. A claim has now been served on the Company by the supplier, the Stora Enso group, for approximately $4 million, and a counter-claim has been served on the supplier by CPI. Having considered legal advice, the Company is confident about the merit of its case, but expects that profitability will be impacted for the duration of the course of the action and counter-action in the coming months.

We are pleased to report that after the lengthy process of restructuring the company has finally returned to operating at a profitable level, but we caution that continued work is required to achieve, eventually, a satisfactory return on funds. The Company is determined to accomplish this.

On the 30th September 2004 the Company's preference shares converted into equity shares, making a total of 62.8 million ordinary shares, with an estimated net asset backing of approximately 80 cents. While this increases the challenge of achieving a sound commercial return on paid up capital, it also strengthens the balance sheet of the Company. This enables CPI to consider further acquisitions in the paper industry where opportunities arise.

I would like to conclude by paying tribute to the expertise and dedication of my fellow directors. Increasingly, these days there is a preconceived idea of "one shape and size fits all" of how a board of directors should be composed. CPI's board has a mix of independent directors, major stakeholders and executives, with different but complementary experience and expertise.

In the past several years CPI has completely changed its strategy and its management structure, undertaken a difficult divestment program, cut debt, established cash flow, and refocused on its core activities. This difficult and complex transformation was able to be achieved because of the range of input and insight at board meetings, and the fact that those responsible for implementing the board's decisions sit at the board table and are part of the decision making process.

It should not be deduced from these comments that your Board is complacent about its performance, nor that directors are above scrutiny. As well as fulfilling all their fiduciary obligations including acting in the interests of the Company, directors are expected to perform to a high standard. If the performance of the company can be improved by changing the composition of the board such action will be taken without hesitation.

<u>Gerry van Wyngen</u>
Chairman