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CPI GROUP LIMITED

ANNUAL GENERAL MEETING REPORT
 NOVEMBER 1999

gains next year, ie Year 2000. One of our business partners, Stora Group, has a similar division to CPI Trading, called OPTI, which has experienced enormous success in the past three years, and a recent visit by one of its senior executives was a tremendous help.

Raflatac Oceania

- > This is our most disappointing business unit, and to date the joint venture has not delivered anywhere near its promise.
- > Our new Chief Executive Officer, Mr Murray Hine, is here today and we know that under his guidance and leadership,

profit levels that should be achieved from this manufacturing entity, will be achieved.

New Zealand

- > We have made a substantial turnaround in this market and on top of last year's significant improvement, are well ahead for the first quarter of the current period.
- > Some very large contracts have recently been established and CPI remains extremely positive of profit levels to come from New Zealand. It has been a long haul but worth the perseverance.

Summary

- > We are optimistic regarding the group outlook. We have implemented a massive amount of restructuring and cost-cutting and the present businesses will all grow solidly this current fiscal year.
- > Our new IT platform is now firmly enconced and we are actively pursuing all new business opportunities – either by way of organic growth or acquisitions.
- > Having said all of the above, we are subject to local conditions and it is fair to say that, other than for some specific economic business sectors, the economy is relatively flat.

Many thanks to my fellow directors, management, staff and shareholders for your continued support.

I Harry

Managing Director

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State of the art imaging technology on display in CPI Graphic's new showroom

ANNUAL GENERAL MEETING

CPI GROUP'S SEVENTH ANNUAL GENERAL MEETING AS A PUBLIC COMPANY WAS HELD ON FRIDAY 5 NOVEMBER AT CORPORATE HEADQUARTERS IN BRAESIDE, MELBOURNE.

THIS REPORT GIVES THE KEYNOTE ADDRESSES AT THE AGM BY CPI CHAIRMAN, MR SANDY MURDOCH, AND MANAGING DIRECTOR, MR IAN HARRY.

CHAIRMAN'S ADDRESS

Welcome to the seventh Annual General Meeting of CPI Group Limited. We are holding the meeting here at Braeside to show how the four activities of the Group have been consolidated into our expanded premises at Mills Road.

The past year was a most successful one for the Group – and a particularly busy one for management with the consolidation of CPI's Graphics division within the overall Group premises in all states of Australia (except New South Wales).

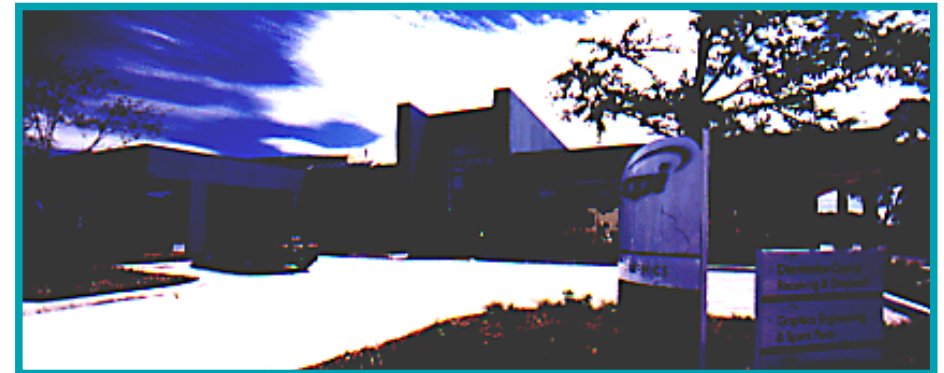
- > Sales revenue — \$420 million, an increase of 44%
- > EBITDA — \$27.2 million, an increase of 135%

- > Net profit after tax — \$11.0 million, an increase of 280%
- > A final dividend of 7¢ per share declared and paid on 15 October.

This was a sound result for the Group and a base from which we can continue to grow.

The results reflect the first full year of trading following the acquisition of our Graphics business and the formation of our pressure-sensitive products manufacturing and distribution partnership with Raflatac Oceania (UPM Kymmene Group, Finland).

Both of these initiatives have strengthened and broadened the Group, making CPI a full service supplier to the graphic arts and printing industry.



CPI's four business units are now fully integrated at Braeside.

The four operating units, CPI Papers, CPI Graphics, CPI Trading and Raflatac Oceania are now well established.

Our Managing Director, Ian Harry, will provide more details for you on each business unit. I would like to comment on management's effort that has gone into restructuring and consolidating CPI over the past year. Management has worked hard ensuring that we achieve our objectives of being able to fully service the graphic arts and printing industry. I thank them for their contribution and commitment.

While I am speaking of staff, I would like to give special mention to the efforts of our managing director, Ian Harry. This market is not easy and we all know that within the paper industry, there are times of varying prices and pressure on margins. Ian and his team have taken steps to ensure that we operate in the most efficient way to minimise any impact of these variations. With the expansion and addition of other activities, less than half of our business is now directly in paper.

Thank you Ian and your team for a job well done.

The addition of our two new non-executive directors, Graeme John and Pat Stone, certainly, I believe, adds value.



CPI Graphic's new machinery and print finishing showroom

Both are successful in their own fields of endeavour and have contributed significantly to our Board. We now have a good balance of executive and non-executive directors with appropriate business experience.

The future of CPI looks bright. We see good economic conditions continuing in Australia and New Zealand for this financial year. The Olympics in Sydney will give New South Wales, our largest business operation, a lift in revenue. Development of a new operating base at Wetherill Park has commenced, and is to be completed in the first half of next financial year (this is a much needed facility to service the NSW market).

We have undertaken the necessary review for Year 2000

and believe we are in good shape. We are in the process of setting up for the GST, which, in terms of compliance, will cost business significant amounts, and CPI are taking all the necessary steps to ensure a minimal impact of this new tax.

I would like to thank all directors for their input during the year and look forward to working with you in the year to come.

Your directors are confident of another sound year for the company.

In closing, our thanks to all shareholders. We look forward to providing you with an increasing return on your investment.

A.S. Murdoch
Chairman

MANAGING DIRECTOR'S ADDRESS

It has been a very pleasing year for CPI, with the majority of initiatives showing results contributing to our record \$11 million profit after tax. I will give you some comments on current performance of individual divisions and then conclude with the group position.

CPI Papers

- > CPI Papers has shown a big improvement on the previous year.
- > Our first quarter this year is in line with expectations and it has been further enhanced by an unbudgeted price increase of 5% on 3 November, with the strong possibility of a further 5% price increase on 1 February 2000.

Increased pulp prices and stronger paper demand from Asia, particularly China, are driving these price rises. Europe is also experiencing very strong market conditions, and North America shows no signs of slackening demand.

- > We remain extremely confident for the remainder of the year in our Papers Division.

CPI Graphics

- > There is very strong demand for the printing machinery we sell, which is being driven by printers' requirement to automate so they can reduce costs and shifts.
- > Our forward order book is very strong with an unprecedented number of new business prospects.

> The need for technological change is also leading to very strong sales on the consumables side of our business.

> We are very pleased with results to date and, as with CPI Papers, remain very optimistic for our performance over the year.

CPI Trading

> While we are not achieving our anticipated market growth, we are still trading profitably in the current period.

> The trading business has huge growth potential and we are very optimistic and committed to it.

> A total review of our position is under way and we do expect, with a slight change of marketing direction and stronger presence, to make good growth



Recently completed Braeside distribution centre