



Lupatech invests in off-shore activities of Cordoaria São Leopoldo and increases its portfolio of products for the oil and gas sector

Caxias do Sul, RS, Brazil, September 18, 2006 --- Lupatech S.A. (BOVESPA: LUPA3), executed on this date an "Investment Agreement and Other Covenants" with CORDOARIA SÃO LEOPOLDO S.A. (CSL) aiming at the association of high technological compound businesses.



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CSL is one of the world's leading manufacturers of ropes for anchoring deep and ultra-deep water oil platforms, mainly in off-shore applications. Brazil has a leadership position in the development of new technologies for the oil and gas off-shore exploration, activity in large expansion in the world, mainly in the Gulf of Mexico and in the West Coast of Africa in addition to the Brazilian coast.

Besides producing ropes for off-shore applications, CSL also produces a line of nautical ropes for sailboats in general, fishing industry, coastwise and long distance navigation, hardware, as well as special ropes which are used in climbing, rappel and radical sports. The transaction executed today includes only the off-shore businesses.

The agreement states that Lupatech will invest in assets related to CSL's off-shore ropes, which will be absorbed into a new company, CORDOARIA SÃO LEOPOLDO OFF-SHORE LTDA (CORDOARIA OFF-SHORE).

Mr. José Abu-Jamra, CSL's controller, was invited to become a member of Lupatech's Board of Directors and the Board of Executive Officers of Lupatech, being responsible for the activities of CORDOARIA OFF-SHORE. He will also become a shareholder of Lupatech S.A.

The amount of the transaction with CORDOARIA OFF-SHORE is R\$80 million. CSL recorded an EBITDA margin of 27% in 2005 and its net revenue from off-shore businesses in 2006 is estimated at a close to R\$100 million. We estimate that CORDOARIA OFF-SHORE will have a shareholders' equity of around R\$60 million and with no indebtedness. Additionally, the transaction comprises the aspects of the industrial, technological property and know-how of CSL in off-shore businesses.

Lupatech will invest its own funds, arising from the Primary Offering of Shares carried out in May 2006, in the amount of R\$50 million; additionally, new shares of Lupatech S.A. will be issued, in the number equivalent to R\$30 million, which will be transferred to CSL. The way how the capital increase will be made has not been decided yet.

The number of registered common shares of Lupatech S.A. to be issued will only be defined in the fifteen (15) days prior to the date of the investment and will have their



issuance price determined based on the weighted average quotation of the shares of Lupatech in this period. These shares will be issued without the rights relating to the fiscal year ended on December 31, 2006.

Should the value of Lupatech's shares, transferred to CSL, does not reach R\$50 million in any of the 365 days subsequent to the date of delivery of the shares, Lupatech will complement the necessary amount in cash.

The conclusion of the transaction is subject to the usual diligences and is estimated for the 4th quarter of 2006.

With this transaction, Lupatech intends to strengthen its exposure to the Oil and Gas (off-shore) sector, which is in large expansion in the worldwide market, by means of a company with long tradition in the supply of ropes for off-shore applications and with a high technological and quality reputation.

This transaction takes place in line with Lupatech's consolidation strategy in the Brazilian and Latin American market.

By setting up CORDOARIA OFF-SHORE, the Company intends, more and more, to leverage commercial relationships with the world's main oil and gas producers, as well as with shipyards that build platforms for oil exploration in deep and ultra deep waters, thus generating important synergies for the Flow Segment.

About CSL – Founded in 1929, CSL is one of the world's most respected rope companies. With headquarters in the City of São Leopoldo, in the State of Rio Grande do Sul, in Brazil, it holds a total area of 15,000 m² and counts on a built area of 8,000 m². It has an production capacity of 600 tonnes/month of ropes, counts on efficient rope resistance measurement equipment and has representatives to access its main clients. CSL has ISO 9001:2000 certification and its products comply with the stipulations of world's main certification companies. CSL serves several oil and gas producers, in Brazil and abroad, mainly Petrobras.

Lupatech S.A. Profile - Lupatech S.A. has two lines of businesses. The **Flow Segment**, where it is a nationwide leader in the production and trading of industrial valves, mainly for the oil, gas, chemical, pharmaceutical, pulp and paper, building industries through brands such as "MNA", "Valmicro" and "Mipel" and the **Metal Segment** where it holds an outstanding position in the international market in the development and production of parts, complex parts and sub-assemblies mainly destined to the worldwide automotive industry through steel injection and investment casting processes, where it is a pioneer in Latin America. It also operates in the casting of carcasses in metal alloys with high resistance to corrosion, focused on the sectors of industrial valves and pumps, mainly for applications in the processes for the oil and gas industry.

For further information, please access the website www.lupatech.com.br/ri.