

## **MODELO CONTINENTE, SGPS, S.A.**

"Company with its share capital open to public investment"  
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Share Capital: 1.100.000.000 Euro  
Porto Commercial Registry n° 38045  
Fiscal nr. 501 532 927

### **RELEVANT FACT**

Modelo Continente, SGPS, S.A., a publicly listed company, informs that its affiliate Modelo Investimentos Brasil, S.A. ("MIB") has signed an agreement with the Wal-Mart group for the sale of the whole of its shareholding in Sonae Distribuição Brasil, S.A. ("SDB"), a Brazilian company, for a total valuation of 635 million euro. After this transaction, MIB will maintain assets (mainly real estate), worth more than 15 million euro.

SDB currently operates 140 stores located in the Brazilian states of Rio Grande do Sul, Paraná, Santa Catarina and S.Paulo, with a total sales area of 370 thousand square metres. These stores had approximately 3.1 thousand million Brazilian Real of net sales in 2004 (about 1.2 thousand million euro at the current exchange rate), and generated recurrent operational cash flow (EBITDA) of around 120 million Brazilian Real (about 45 million euro at the current exchange rate).

Modelo Continente's decision to go ahead with this divestment in the Brazilian market was influenced by the difficulty that the business has had in attaining profitability levels in excess of the high cost of capital employed in that country. This difficulty has been due in particular to the high levels of real interest rates over the last few years, that have made the cost of capital extremely high.

Under the conditions outlined, this transaction will not impact significantly the consolidated equity of Modelo Continente, SGPS, S.A. The cash inflow will, however, contribute to strengthen the financial structure of the company, and for a more aggressive implementation of the investment plan for the business portfolio in Portugal - where Modelo Continente anticipates new development opportunities both in food and non food area. The strong reduction in debt, coupled with the high cash-flow generation, will also allow the study of new investment opportunities in other markets, namely in the non food area.

Matosinhos, 14 December 2005

The Board of Directors