

Press release

Consolidated Results for the year ended 31 December 2005

2 March 2006

(translation from the Portuguese version)

Highlights

- **Consolidated gross sales of 4.5 thousand million Euro**
- **Net profits for the year of 215 million Euro**
- **Investment totalling 360 million Euro**

Notes

- i) *On 13 December 2005, Modelo Continente, SGPS, S.A. disposed of its entire shareholding in the Brazilian company Sonae Distribuição Brasil, S.A., thus ceasing its retail activity in the country. In the middle of last year, the company had also finalised the sale of 10 hypermarkets in the São Paulo metropolitan area. As a result, it is not possible to directly compare the results for 2005 with those of the previous year. Nonetheless, in those parts of this report that relate to activity in 2005, mention will be made of the business of the company in both markets, while the current situation of Modelo Continente's business portfolio will be described in specific sections of this report.*
- ii) *As stated in Modelo Continente's press release of 21 April 2005, and in accordance with the European Parliament and Council Regulation nr 1606/2002, the company presents its consolidated financial statements for the year ended 31 December 2005 in accordance with international financial reporting standards (IFRS).*

MODELO CONTINENTE SGPS

Summary

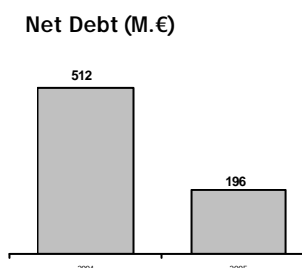
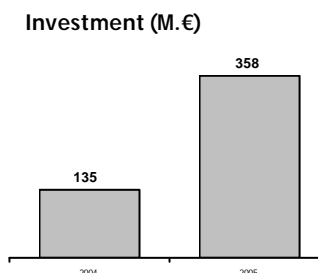
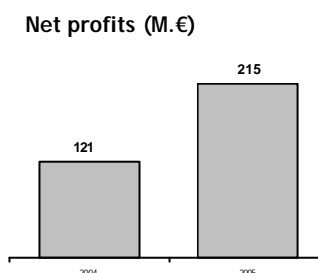
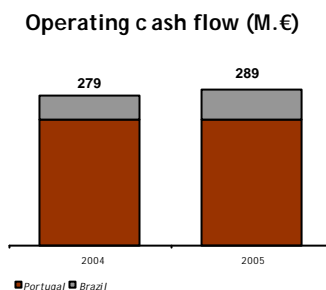
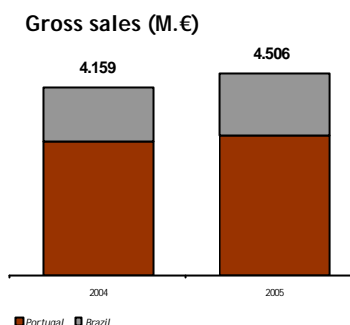
Consolidated gross sales of Modelo Continente totalled 4,506 million euro in 2005. In Portugal, sales were 3,115 million Euro, an increase of 5%, while activity in Brazil contributed 1,391 million Euro. The latter figure is not directly comparable with 2004, since it covers only 11 months of business activity, and also reflects the disposal of 10 stores in the middle of the year.

Cumulative operating cash flow in the same period was 289 million Euro, equal to 7.5% of net sales. Compared to last year, this was equivalent to an increase of 4%, or 10 million Euro. Portugal's contribution was 235 million Euro (8.6% of net sales), increasing by 2 million Euro compared to 2004, while in Brazil, the figure totalled 55 million Euro.

Consolidated net profits of the period were 215 million Euro, increasing by 94 million compared to 2004. This increase includes 89 million Euro from the sale of Brazilian operations, that led to a transfer to profit and loss account from reserves of the exchange rate gains generated by Brazilian operations, which had already been included in shareholders' equity in September of 2005.

Throughout the year, Modelo Continente overall investment totalled the significant amount of around 360 million Euro. This amount included expenditure on refurbishments on existing stores but was mainly spent on opening 55 new stores and on preparing the expansion plan for future growth. It also included an investment of 175 million Euro in the acquisition of participation units of Real Estate Investment Funds, which mainly hold real estate assets in the retail business in Portugal.

As at 31 December, the company's net debt totalled 196 million Euro. This is an unusually low value, and is the result of the disposal of the retail business in Brazil, despite the high level of investment.



Business analysis

... in Portugal

In Portugal, a sharp slowdown in economic activity has been the main feature recently. This performance resulted in cumulative negative growth rate gaps when compared to Euro Zone's economic dynamics. This growing weakness was reflected in 2005 in the stagnation of GDP at the same level as the previous year, as a result of the poorer performance of all the main key economic indicators.

At the same time, the regulatory background changed with new commercial licensing laws allowing the opening of new stores. In view of the fact that expansion of the retail sector had been subject to legislation constraints for around 3 years, the change has resulted in retail operators carrying out many of their previously identified expansion plans in a relatively short space of time.

Thus, in relation to those formats making up Commercial Units of Relevant Size, in 2005 alone, more than 90,000 m² of sales area were opened, equal to an increase of around 6%. Non food retail also showed very strong growth, either linked to the opening of new shopping centres or the opening of new units on a stand alone basis. In terms of the overall Portuguese market, the increase in supply once again exceeded the nominal growth rate of demand.

In 2005, gross sales of Modelo Continente's retail business in Portugal totalled 3,115 million Euro, up 5% compared to the year 2004.

- In Food Retail, gross sales amounted to 2,344 million Euro, up 3%. This trend resulted from a sharp increase in sales volumes that more than offset the general fall in prices that occurred in the period.
- Non Food Retail contributed 771 million Euro to total gross sales, an increase of 13%. This area benefited from the strong expansion plan of the brands with an increase of 30% in sales area over the last two years (with the opening of around 60 new stores).

Also in Portugal, and for the same period, operating cash flow was 235 million Euro, equal to 8.6% of net sales and an increase of 2 million Euro compared to the previous year.

- Of this total, 196 million Euro relate to food retail. This was equal to 9.4% of related net sales and was 0.3 p.p. below that of 2004, due to the strong promotional activity undertaken to strengthen the leadership position of the brands, and to an increase in costs from the very much higher volume of goods handled. At the same time, the fall in the profitability over sales reflects temporarily the high proportion of recently opened stores, which in the operating cycle have profiles that are more unfavourable during the first few months after opening.
- In a year which had a important number of store openings by competitors and weak consumer growth, the non food retail stores of Modelo Continente in Portugal had operating cash flow of 38 million Euro. This was equal to an increase of 2 million Euro compared to 2004, and to 6.0% of related net sales.

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... in Brazil

Retail operations in Brazil contributed 1,391 million Euro to total gross sales of the company in 2005. This figure is not comparable to 2004, in view of the fact that 2005 only includes 11 months of business, and also reflects the disposal of 10 hypermarkets in the São Paulo region in the middle of the year.

With this decision, Modelo Continente ceased its retail activity in Brazil based on the perception that, with a high probability, the Brazilian operation would not deliver a level of profitability compatible with the respective cost of opportunity.

The Brazilian operation generated an operating cash flow of 55 million Euro, equal to a net sales ratio of 4.8%.

Investment and capital structure

The expansion and refurbishment program continued to be the priority of the company during 2005 with 55 new stores opened and over 30 refurbishments in Portugal. More than 62,000 m² of sales area were added to the company's stores in the country, an increase of 14% over 2004.

- In food retail, the company opened three new Continente Hypermarkets (Antas, Loures and Covilhã - the latter being a conversion from the previous Modelo unit on the site), 5 Modelo hypermarkets and a Modelo Bonjour supermarket.
- The non food retail portfolio was also strengthened with 47 new stores, including 11 Worten, 6 Modalfa, 11 Sportzone, 4 Maxmat, 8 Vobis and 7 Zippy. During the year, the company also developed a new business concept, offering customers a specific health area in the Loures hypermarket, under the new law that has liberalised the sale of drugs that do not require a doctor's prescription.

Also in this area, the company continued to develop new projects that will allow the store portfolio to be expanded in the near future. It should be remembered that to date the company has obtained licences equal to 100,000 m² of new sales area. This addition means a potential growth of 20% over the current sales area, and will enable the company to consolidate its leadership position in the Portuguese retail sector.

In addition, the company invested 175 million Euro in the acquisition of participation units of Real Estate Investment Funds, which mainly hold real estate assets in the retail business in Portugal.

Taking into account all the above, the company overall investment totalled around 360 million Euro.

Despite the high levels of investment, net debt as at 31 December stood at 196 million Euro. This level is unusually low due to the impact of the disposal of the retail business in Brazil.

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Key Operational Indicators

Summary information

Portugal	unit	2005	2004	change	
				value	%
Nr of stores		335	282	53	19%
Food		113	107	6	6%
Non food		222	175	47	27%
Sales area	'000m ²	495	433	62	14%
Food	'000m ²	327	299	28	9%
Non food	'000m ²	168	134	34	25%
Gross sales	M.€	3,115	2,957	158	5%
Food	M.€	2,344	2,274	70	3%
Non food	M.€	771	683	88	13%
Net sales	M.€	2,726	2,600	126	5%
Food	M.€	2,083	2,025	58	3%
Non food	M.€	643	575	68	12%
Operational cash-flow	M.€	235	233	2	1%
Food	M.€	196	197	0	0%
Non food	M.€	38	36	2	6%
Operational cash-flow (% of net sales)		8,6%	9,0%	-0,3 p.p.	-
Food		9,4%	9,7%	-0,3 p.p.	-
Non food		6,0%	6,3%	-0,3 p.p.	-

Brazil	unit	2005	2004	change	
				value	%
Nr of stores		0	150	-150	-100%
Sales area	'000m ²	0	437	-437	-100%
Gross sales	M.€	1,391	1,202	189	16%
Net sales	M.€	1,136	977	158	16%
Operational cash-flow	M.€	55	46	8	18%
Operational cash-flow (% of net sales)		4,8%	4,7%	0,1 p.p.	-

Outlook

Now that Modelo Continente is no longer present in the retail sector in Brazil, the company's focus in 2006 will be on Portugal, in both the food and non food sectors.

In this market, the goals of the company will be aimed at consolidating market share in the food sector through cover of regional markets that have business potential. Here, a strategy of rapid opening of new stores and refurbishment of the existing store portfolio will be followed, and for this it will be necessary to maintain high levels of investment. Thus, the investment plan for 2006 forecasts the opening of 12 Modelo units, and the refurbishment of more than 30 existing stores.

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Aggressive competitive environment is expected to continue so that Modelo Continente has also planned a number of actions that will allow it to sustain its competitiveness and high profile of its food stores. In this respect, specific guidelines will be followed designed to promote greater promotional efficiency, to take advantage of the increase of the scale of its operations due to the accelerated expansion process, and to capitalise on the market recognition achieved for the range of private label goods and first price products.

Also key will be the programmes to be carried out in the area of operational efficiency, which will allow more effective control of costs and consequently lead to productivity gains.

As for non retail formats, the outlook is for continued accelerated growth pace for the various brands. The expansion plan for 2006 includes around 40 new units, located both in Modelo shopping galleries and in new large scale shopping centres. This strategy will enable each of the businesses to create differentiated competitive advantages in the specific markets in which they operate, based on a platform of more efficient logistics and the ability to reduce fixed operational unit costs.

Also in this area, teams will remain focused on increasing efficiency and profitability levels of the businesses, while also improving technical competencies and operation service levels, as well as increasing their knowledge of consumers and strengthening communication with them.

At the same time, further studies will be carried out to support the possibility of broadening the current businesses to new geographical areas as well as developing new business areas.

Dividend distribution

A proposal to distribute a dividend of 0.05 Euro per share, equal to 55 million euro, will be made at the Shareholders' General Meeting.

Matosinhos, 2 March 2006
The Board of Directors

Glossary

- Gross sales: the value of all transactions at the check out counters of the company's stores + Sales to companies not included in the consolidation perimeter of Modelo Continente SGPS, S.A..
- Net sales: the value of gross sales, less directly related taxes (e.g. VAT in Portugal).
- Operating cash-flow (EBITDA): Operating results - Amortizations and Depreciation - Provisions - Impairment losses + Reversal of impairment losses, with the exception of impairment losses and reversal of impairment losses relating to customers and suppliers, given their operational and recurrent nature.
- Operating results (EBIT): Consolidated net profit for the period - Income tax + Investment profit/losses + Profits/Losses of associated companies + Financial results.
- Investment: increase of gross tangible fixed assets.
- Net debt: Bank loans + Bond + Other loans + Bank overdrafts + Derivatives + Financial leasing creditors - Cash and cash equivalents - Current investments under negotiation.

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Consolidated Profit and Loss

Summary information

	December 05		December 04		change	
	M.€	% vI	M.€	% vI	M.€	%
Gross sales	4,506	117	4,159	116	346	8%
Net sales	3,862	100	3,578	100	284	8%
EBITDA	289	7,5	279	7,8	10	4%
Depreciation and amortization	-91	-2,4	-85	-2,4	-6	8%
Provisions	-9	-0,2	-2	-0,1	-7	-
EBIT	189	4,9	192	5,4	-3	-2%
Net financial expenses	-46	-1,2	-54	-1,5	8	-15%
Profits on Ordinary Activities	143	3,7	138	3,9	5	4%
Share of results of associated undertakings	1	0,0	-1	0,0	1	-
Investment income	89	2,3	0	0,0	89	-
Profit before tax	233	6,0	137	3,8	95	69%
Taxation	-17	-0,4	-16	-0,5	-1	5%
Net Profit for the Period	215	5,6	121	3,4	94	78%
Attributable to equity holders of MC	214	5,5	119	3,3	95	80%
Attributable to minority interests	1	0,0	2	0,1	-1	-

Consolidated Balance Sheet

Summary information

	December 05		December 04		Change	
	M.€	%	M.€	%	M.€	%
Non-current assets						
Tangible and intangible assets	1,221	49%	1,194	47%	27	2%
Goodwill	47	2%	265	10%	-218	-82%
Investments	62	2%	49	2%	13	26%
Deferred tax assets	24	1%	60	2%	-36	-60%
Other non-current assets	1	0%	45	2%	-44	-98%
Current Assets						
Stocks	325	13%	388	15%	-62	-16%
Trade debtors	18	1%	20	1%	-2	-9%
Other current assets	223	9%	163	6%	60	37%
Investments	11	0%	87	3%	-77	-88%
Cash and cash equivalents	564	23%	260	10%	304	117%
Total Assets	2,496	100%	2,531	100%	-35	-1%
Equity attributable to equity holders of MC	847	34%	642	25%	205	32%
Equity attributable to minority interests	9	0%	7	0%	1	19%
Total Equity	855	34%	649	26%	206	32%
Non-current liabilities						
Borrowings	594	24%	594	23%	0	0%
Financial leasing creditors	8	0%	13	1%	-5	-37%
Deferred tax liabilities	37	2%	44	2%	-6	-14%
Other non-current liabilities	18	1%	44	2%	-27	-60%
Provisions	28	1%	17	1%	11	61%
Current Liabilities						
Borrowings	164	7%	157	6%	7	4%
Financial leasing creditors	4	0%	2	0%	2	136%
Cash flow hedges (derivatives)	0	0%	92	4%	-92	-100%
Trade creditors	598	24%	728	29%	-129	-18%
Other current liabilities	189	8%	189	7%	0	0%
Provisions			1	0%	-1	-100%
Total Equity	1,641	66%	1,882	74%	-241	-13%
Total equity and liabilities	2,496	100%	2,531	100%	-35	-1%

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CONTINENTE

Modelo

Modelo
Bonjour

worten

MODALFA

**SPORT
ZONE**

OBIS

m
Maxmat

ZIPPY
kidstore

Modelo Continente, SGPS, SA
"Sociedade aberta"
Head-Office: Rua João Mendonça,
nº 529, 4464 - 501 Senhora da
Hora
Share Capital: 1.100.000.000
Euros
Fiscal Nr / Porto Commercial
Registry Nr . 501 532 927

Modelo Continente is in permanent contact with financial markets through its Investor Relations department, which will be pleased to answer any questions or provide information.

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In line with the recommendations of CMVM, an office has been set up specifically designed to support private investors.

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