PRESS RELEASE

Modelo Continente SGPS, SA discloses its audited consolidated financial statements for the year 2004 in accordance with international financial reporting standards (IFRS)

(21 April 2005)

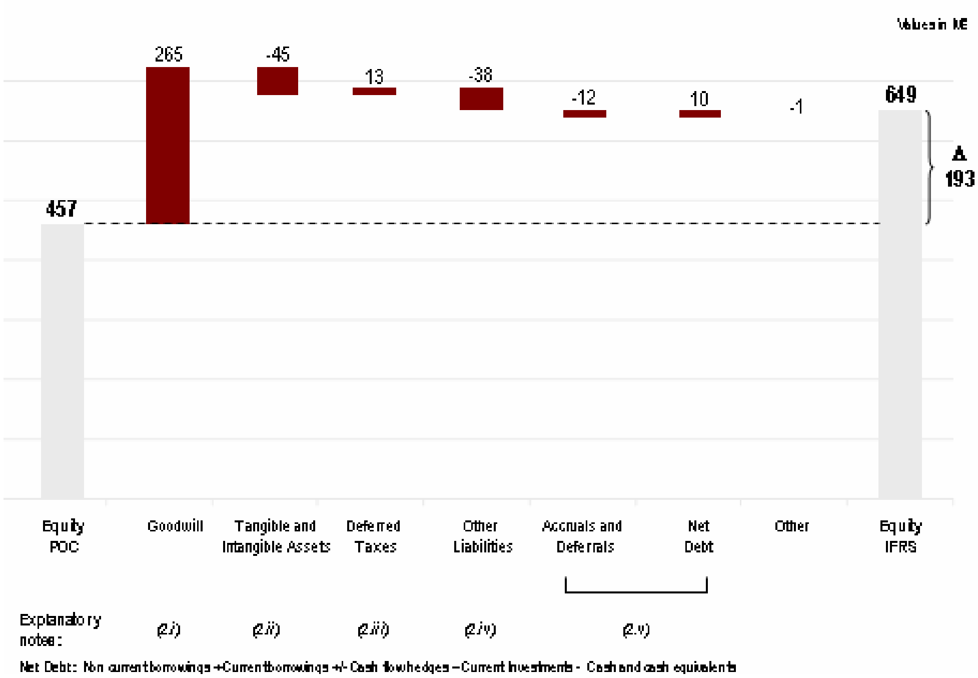
The consolidated financial statements of Modelo Continente for the year 2004 resulting from the use of international financial reporting standards (IFRS) and compared to those based on Portuguese generally accepted accounting rules (POC), led to:

- **An increase in equity, including minority interests of 193 million Euro** (M€) as at 31 December, and
- **An increase of 5 M€ in net profits, including minority interests.**

1. Background to the transition process from POC to IFRS at Modelo Continente

- In accordance with the European Parliament and Council Regulation nr. 1606/2002, and following Modelo Continente's announcement at the time the consolidated financial statements for the year 2004 were disclosed, **the company announces that it will use IFRS for all financial statements to be released in the future.**
- The **objective of this press release is to show and explain the main adjustments to the 2004 consolidated financial statements as a consequence of migrating from Portuguese Accounting Standards (POC) to IFRS**. Thus, Modelo Continente allows the financial markets in a timely fashion to understand better the impact of the new standards that will be used in 2005 for its financial statements.
- In order that the quarterly results in 2005 are comparable with the same periods of 2004, **Modelo Continente will show the 2004 figures restated in accordance with IFRS**, and indicate the main differences in the financial statements as a result of using the new standards, in particular their impact on Equity and Profits
- **With the adoption of IFRS, Modelo Continente allows investors, journalists and the entire financial community to analyse its financial statements on an internationally recognised basis** to be used from 2005 onwards by most European companies, thus facilitating their interpretation and comparability with other companies in the market.
- Although a more detailed analysis of consolidated information is given in the pages that follow, **main differences arising from the adoption of IFRS compared to POC**, can be summarised as at 31 December 2004, as follows:
    1. **Increase in equity of 193 M€**. This increase is explained mainly by presenting goodwill as an asset that had previously been written off against reserves, a prudent policy previously adopted by the company;
    2. **Increase of 5 M€ in net profits**, resulting mainly from a reduction in depreciation.

2. Main impacts on consolidated equity as at 31 December 2004



The impact of the change to IFRS is basically due to the treatment of the following accounting lines:

(2.i) Goodwill

IFRS state that goodwill should be presented as an asset, in local currency at the exchange rate in effect on the date of the acquisition by the company of the assets involved. This amount is later converted into the reporting currency at the Exchange rate in effect at the corresponding balance sheet date. Exchange rate differences arising from this translation are disclosed in equity.

This accounting treatment differs from that adopted by Modelo Continente since 2001. Using a prudent accounting policy, of which the financial markets were aware, goodwill was written off against reserves (equity). This was a different approach to that recommended by POC.

By adopting IFRS, the company thus increased assets and equity by 265 M€. Of this amount, 217 M€ relate to operations in the Brazilian market with the remainder relating to operations in Portugal. These amounts will be subject to annual impairment tests, and thus will not be amortised.

This adjustment is the most significant change resulting from the conversion of Modelo Continente's consolidated financial statements to IFRS.

(2.ii) **Tangible and Intangible Assets**

Tangible and Intangible assets acquired up to 1 January 2004 (date of transition to IFRS) are shown in the accounts at acquisition cost, or at acquisition cost re-valued in accordance with generally accepted accounting principles in Portugal up to that date, less depreciation and accumulated impairment losses.

As far as tangible fixed assets are concerned, the new standards demand that capitalised maintenance and repair costs should be considered as costs of the period in which they occur. For this reason, in IFRS, the amount relating to this type of cost in the opening balance sheet (1 January 2004), was written off against reserves. The value of this adjustment was 32 M€ in the balance sheet as at 31 December 2004.

By implementing IFRS, Modelo Continente ceased to record research, development and start up expenses as intangible assets, which, are now considered as costs of the accounting period. In the same way as with tangible fixed assets, Modelo Continente wrote off against reserves all such amounts relating to intangible assets mentioned above, as at the opening balance sheet date. This adjustment in the consolidated balance sheet as at 31 December 2004, amounted to around 12 M€, compared to the amounts arrived at using POC.

(2.iii) Deferred taxes

The adjustment for deferred taxes relates to the impact of temporary differences between the accounting cost base and the related tax base. In 2004, this adjustment amounted to 13 M€, and is mainly the result of the write off of fixed assets in the company's balance sheet as mentioned in note *(2.ii)*.

(2.iv) Other liabilities

With the adoption of IFRS, Modelo Continente now consolidates 100% of its operations in the Brazilian market. The application of the new standard results in a difference compared to the POC consolidated accounts, increasing the line "Trade creditors and other current liabilities" by 38 M€. This is the estimated amount, as at 31 December 2004, necessary for Modelo Continente to acquire full control of its Brazilian operations (as detailed in the explanatory notes to the annual management report for the year 2004, prepared and presented according to Portuguese accounting principles).

(2.v) Accruals and Deferrals and net financial debt (including fair value of derivatives)

The adjustment in the line accruals and deferrals totals around 12 M€, and is explained mainly by the following:

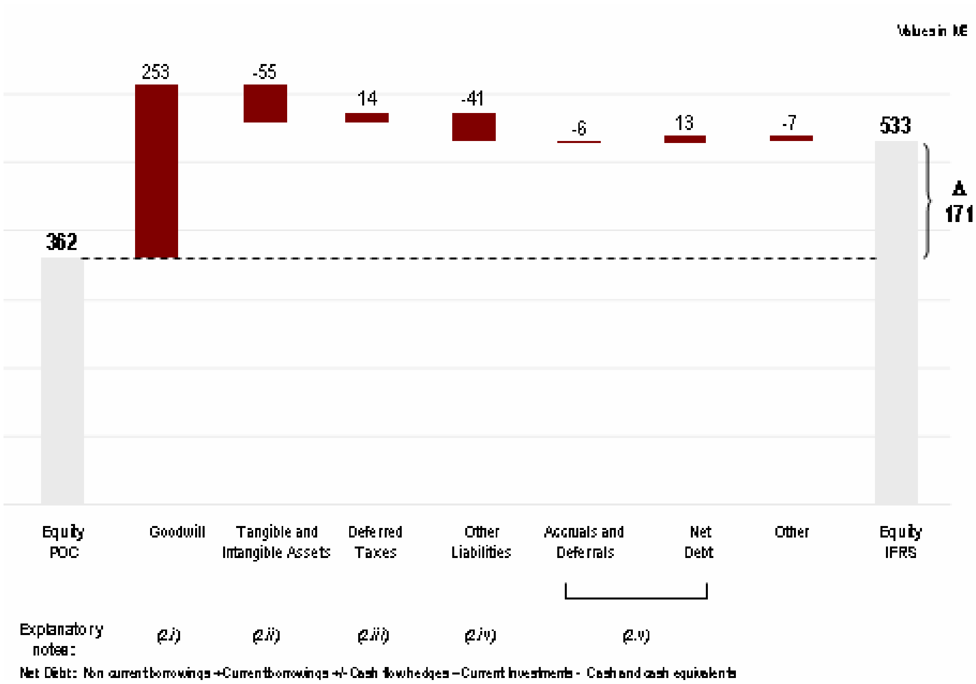
- Write off of interest costs (3 M€) resulting from stating derivatives at fair value;
- Up front fees (7 M€) that are now deducted from the loan due value at initial recognition.

Similarly, net financial debt reduced 10 M€ explained by the same factors as for accruals and deferrals: recognition of up front fees of loans contracted by Modelo Continente and valuation at fair value of derivatives – hedging instruments – embedded in these loans.

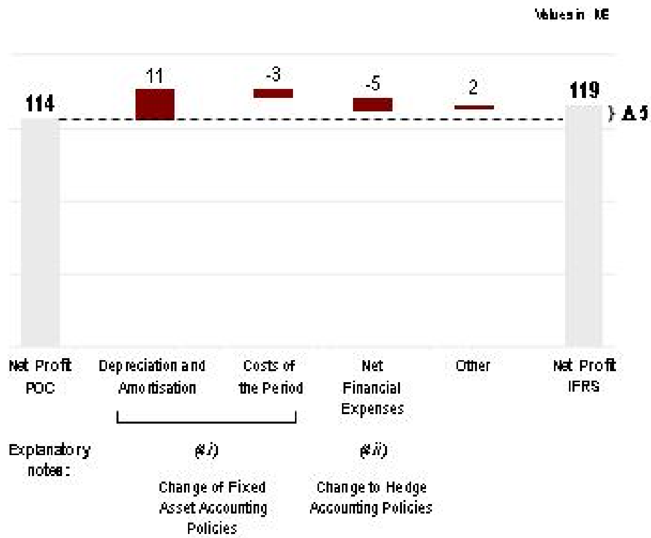
3. Main impacts on equity as at 1 January 2004 (opening balance sheet)

The table below details the most significant adjustments that were made to the opening balance sheet (1 January 2004) in order to prepare Modelo Continente's financial statements according to IFRS.

Essentially, the reasons given for these adjustments are the same explanations given in item 2 of this press release.



4. Main impacts on 2004 consolidated net profits



Main impacts of the change to IFRS concern are as follows:

(4.i) Amortisation and Depreciation

As referred to in note *(2.ii)* that explained changes relating to tangible and intangible assets, repair and maintenance expenses are recorded as a cost of the accounting period, thus leading to a reduction in the depreciation charge in 2004 of 11 M€. This movement arises due to a reduction in fixed assets in the opening balance sheet and a corresponding reduction in reserves.

At the same time, during 2004, capital expenditure in tangible and intangible assets was reviewed for compliance with IFRS. This review resulted in 3 M€ of additional costs for the year which under POC would have been capitalised.

***(4.ii)* Net Financial Expenses**

The reduction of 5 M€ in net financial expenses resulted from income from investment fund units - “Current investments”. Under IFRS, these units are stated at fair value and the opening balance sheet already includes related income, while under POC, this income was only recognised in the first quarter of 2004, at the time the units were sold.

Over and above these adjustments, it is important to note the following changes, which, although they do not have any impact on profit, correspond to account reclassifications in the profit and loss account:

Extraordinary Gains and Losses

According to POC, accounting transactions outside the scope of the company’s normal business or relating to prior years, are classified as “Extraordinary Gains and Losses”, and are not included in operational cash flow (EBITDA). Under IFRS, this classification does not exist. As a result, amounts involved were reclassified to operational accounting lines according to their specific nature.

Provisions for stocks

Under POC, reductions in the value of stocks are shown in the line “Provisions” while under FRS they are shown as “Cost of Sales”, thus explaining the reduction of provisions. As detailed in the notes to the 2004 consolidated financial statements prepared according to POC, the total of “Provisions” is mainly made up of provisions for stocks, thus explaining the reduction in the line “Provisions and impairment losses” in IFRS compared to POC.

5. Comparative consolidated profit and loss account: IFRS vs POC

Profit and Loss	Consolidated						Portugal				Brazil			
	IFRS		POC		Variance		IFRS		POC		IFRS		POC	
	M€	% vl	M€	% vl	M€	D pp	M€	% vl	M€	% vl	M€	% vl	M€	% vl
Gross Sales	4.159	116	4.159	116	-	-	2.957	114	2.957	114	1.202	123	1.202	123
Net Sales	3.578	100	3.578	100	-	-	2.600	100	2.600	100	977	100	977	100
Operational Cash Flow (EBITDA)	**279**	**7,8**	**284**	**7,9**	**-5**	**-0,1**	**233**	**9,0**	**242**	**9,3**	**46**	**4,7**	**41**	**4,2**
Depreciation and Amortisation	-85	-2,4	-96	-2,7	11	0,3	-65	-2,5	-76	-2,9	-20	-2,1	-21	-2,1
Provisions and impairment losses	-2	-0,1	-9	-0,2	7	0,2	-1	0,0	-8	-0,3	-1	-0,1	-1	-0,1
Operational Profit (EBIT)	**192**	**5,4**	**179**	**5,0**	**13**	**0,4**	**167**	**6,4**	**159**	**6,1**	**25**	**2,5**	**20**	**2,1**
Net Financial Expenses	-54	-1,5	-51	-1,4	-3	-0,1								
Profits on Ordinary Activities	**138**	**3,9**	**128**	**3,6**	**10**	**0,3**								
Extraordinary Gains and Losses	-	-	7	0,2	-7	-0,2								
Share of results of Associated Undertakings	-1	0,0	-1	0,0	1	0,0								
Investment Income	0	0,0	-	-	0	0,0								
Profit before Tax	**137**	**3,8**	**133**	**3,7**	**5**	**0,1**								
Taxation	-16	-0,5	-17	-0,5	0	0,0								
Net Profit for the Period	**119**	**3,3**	**114**	**3,2**	**5**	**0,1**								
Atrributable to Equity Holders of MC	**121**	**3,4**	**116**	**3,2**	**5**	**0,1**								
Attributable to Minority Interests	-2	-0,1	-2	0,0	0	0,0								

6. Comparative opening balance sheet as at 1 January 2004

Balance Sheet	IFRS	POC	Variance
Assets			
Non-Current Assets	**1.574**	**1.356**	**218**
Tangible and Intangible Assets	1.168	1.258	-90
Goodwill	253		253
Investments	42	41	1
Deferred Tax Assets	62	41	20
Other Non-Current Assets	49	15	34
Current Assets	**925**	**827**	**98**
Stocks	386	386	0
Trade Debtors and Other Current Assets	111	122	-12
Cash Flow Hedges (derivatives)	105		105
Investments	141	136	5
Cash and Cash Equivalents	182	182	0
Total Assets	**2.498**	**2.182**	**316**
Equity and Liabilities			
Equity	**533**	**362**	**171**
Equity attributable to Equity Holders of MC	521	331	190
Equity attributable to Minority Interests	11	31	-19
Non-Current Liabilities	**717**	**693**	**24**
Borrowings	609	591	18
Deferred Tax Liabilities	38	44	-6
Other Non-Current Liabilities	61	52	9
Provisions	9	6	3
Current Liabilities	**1.249**	**1.128**	**121**
Borrowings	328	328	
Cash Flow Hedges (derivatives)	79		79
Trade Creditors and other Current Liabilities	841	799	42
Provisions	1	1	
Total Equity and Liabilities	**2.498**	**2.182**	**316**

Values in M€

7. Comparative consolidated balance sheet as at 31 December 2004

Balance Sheet	IFRS	POC	Variance
Assets			
Non-Current Assets	**1.613**	**1.376**	**237**
Tangible and Intangible Assets	1.194	1.247	-53
Goodwill	265		265
Investments	49	41	8
Deferred Tax Assets	60	43	16
Other Non-Current Assets	45	45	
Current Assets	**918**	**847**	**71**
Stocks	388	388	0
Trade Debtors and Other Current Assets	183	199	-16
Cash Flow Hedges (derivatives)	87		87
Investments		12	-12
Cash and Cash Equivalents	260	248	12
Total Assets	**2.531**	**2.223**	**308**
Equity and Liabilities			
Equity	**649**	**457**	**193**
Equity attributable to Equity Holders of MC	642	438	204
Equity attributable to Minority Interests	7	19	-12
Non-Current Liabilities	**711**	**723**	**-12**
Borrowings	594	609	-15
Deferred Tax Liabilities	44	41	3
Other Non-Current Liabilities	56	56	0
Provisions	17	17	0
Current Liabilities	**1.171**	**1.044**	**127**
Borrowings	157	157	0
Cash Flow Hedges (derivatives)	92		92
Trade Creditors and other Current Liabilities	920	886	34
Provisions	1	0	0
Total Equity and Liabilities	**2.531**	**2.223**	**308**

Values in M€

8. Main IFRS accounting policies adopted

In accordance with IFRS, only a full set of financial statements (including balance sheet, profit and loss account, a statement of changes in equity and a cash flow statement, together with comparative financial information, accounting policies and explanatory notes) enables an appropriate understanding of the financial position, profits from operations and cash flows of the company. Thus, the information shown in this press release should be understood as preliminary since it was prepared, and the adjustments identified were calculated, using accounting policies (to be disclosed in the notes to the quarterly financial statements for the period ending 31 March 2005) defined in accordance with IFRSs effective as of 31 December 2004. These standards may be different from those that will be effective on the date of disclosure of the first complete set of IFRS financial statements (although no new standards are expected to be issued or adopted up to 31 December 2005).

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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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