MODELO CONTINENTE

CONSOLIDATED FINANCIAL STATEMENTS IAS/IFRS

30 September 2005

(Translation of financial statements originally issued in Portuguese - Note 32)

MODELO CONTINENTE, SGPS, SA
Sociedade Gestora de Participações Sociais
Head Office: R. João Mendonça, 529 - 4464-501 SENHORA DA HORA
Porto Commercial Registry Nr. 38045
Fiscal Nr. 501 532 927 - Share Capital 1.100.000.000 Euro
" sociedade com o capital aberto ao investimento do público "

Modelo Continente, SGPS, SA

"Company open to investment by the general public"
Head Office: Rua João Mendonça, nº 529, 4464 - 501 Senhora da Hora
Share Capital: 1.100.000.000 Euro
Porto Commercial Registry Nº 38 045
Fiscal Nº 501 532 927

To the shareholders,

In compliance with relevant legislation and the company's articles of association, we hereby present the Board of Directors' Management Report of Modelo Continente SGPS, SA for the first nine months of 2005.

Economic and market background

In Portugal, Modelo Continente has been operating against a background of persistently very low business and consumer confidence, caused by the weak rate of GDP growth and high levels of unemployment. Faced with increasing difficulties to export and a high budget deficit, the country has lost competitiveness, and lacks the conditions necessary to start moving again towards the GDP per capita levels of its European partners. This background has had a very strong and immediate impact on consumer behaviour in Portugal in favour of lower average priced products and a strong attraction to promotional activities.

In addition, the company has been subject to a sharp increase in competition in the market through a more than 7% increase in the available sales area over the last two years. This growth, equal to around 90,000 m2, has led to market share being redistributed in those areas in which a new commercial unit is located. This situation is likely to worsen as new stores are authorised under the new commercial licensing regulations.

In Brazil, the market has been characterised recently by strong political instability and a sharp slowdown in the economic growth of the country to a level close to 3%. Economic performance remains heavily dependent on exports, given that internal demand is being negatively impacted by high interest rates in the country.

Despite recent reductions to around 19%, real interest rates are amongst the highest in the world, given the fact that inflation in the country continues to under control at around 5%. This situation puts a heavy burden on local consumers and investors, and penalises Modelo Continente in particular, which is faced not only with a market demand that is below its potential, but also with unfair competition from the deeply rooted "informal economy" culture.

Business activity

Gross sales of Modelo Continente totalled 3,280 million euro in the first nine months of the year, up 12% compared to the same period of 2004.

In the first nine months of the year, Modelo Continente's store portfolio operating in this market recorded gross sales of 2,186 million euro, up 4% on the same period of 2004. This figure includes an overall growth of 2% across food retail stores that were severely impacted by increased competitive pressures, and an increase of more than 10% in non food retail.

During the period, gross sales of Modelo Continente totalled 3.4 thousand million Brazilian Real, an increase of 12% in local currency, excluding the 10 Big hypermarkets disposed of in the São Paulo metropolitan area. On a like for like basis, sales increased 18%. This level of sales continues to show the good performance of the company in the country, particularly in comparison with the benchmark sector average and with its main competitors. Converted to Euro, gross sales were 1,094 million Euro, a growth of 30%, including the impact of an average appreciation of the Real against the Euro of around 18% in the period.

Cumulative operating cash flow was 191 million Euro, equal to 6.8% of net sales. This amount was 7 million Euro higher than last year, and includes the impact of the disposal of stores in Brazil mentioned above.

During the same period, operating cash flow in Portugal was 137 million Euro, equal to a ratio of 7.1% on net sales. This ratio, which was lower than the same period of 2004, reflects an exceptional growth in the company's promotional activity over recent months as a reply to the more competitive market and to the economic background that provoked a less positive course on the demand side.

Operating cash flow for this business segment of Modelo Continente was 54 million Euro (6.0% of net sales), an increase of 19 million Euro compare to the same period of last year. This increase was due in particular to the disposal of the stores mentioned above.

Expansion programme

Modelo Continente ended September 2005 with a total of 480 stores with 845,000 m2 of sales area.

In Portugal, during the period, the expansion plans of the company were reflected in the opening of 40,000 new m2 of sales area, equal to 5 new food retail and 33 non food retail stores. This enabled Modelo Continente to end the period with a network of 320 stores covering a total of 473,000 m2.

In Brazil the company's network of stores comprised 160 units with 372,000 m2 of sales area, with strong coverage and competitive position in the three southern states of the country.

Financial and Balance Sheet Analysis

Modelo Continente closed the first nine months of 2005 with net sales of 2,814 million Euro, equal to an increase of 11% compared to the same period of 2004.

Cumulative operating cash flow was 191 million Euro, equal to 6.8% of net sales. This amount was 7 million Euro higher than last year, and includes the impact of the disposal of stores in Brazil mentioned above.

Consolidated net profit for the period was 65 million Euro, and compares positively with the profit for the same period of last year. Once again, there was a further fall in financial charges of 5 million Euro, as a result of both a fall in the level of the average debt cost and a reduction in the net debt levels to around 700 million euro.

This further reduction in debt coupled with the recent financial restructuring of the company resulting in significantly extended debt maturities, has contributed towards further strengthening the solid financial structure of Modelo Continente.

Outlook

In Portugal, the company will continue to follow its strategic direction with an extensive plan of opening of new units, in particular the next Continente hypermarkets in Loures and Covilhã, as well as 2 Modelo shopping galleries that will open before the end of 2005. The investment effort will also involve maintaining a proactive position towards identifying and licensing new locations to add to the portfolio of existing formats, while also evaluating new business concepts that can be developed from the core assets and competencies for which the company is recognised in the Portuguese market.

The company's development will also involve a strongly innovative approach and will increasingly focus on the customer, as well as giving very special attention to optimising internal business processes. In this area, special mention should be made of the renewal of the image of the Continente chain, maintaining the focus on continuous modernisation and innovation that has differentiated the company in the Portuguese market.

As far as Modelo Continente's operation in Brazil is concerned, the outlook remains in line with that stated previously: after an initial phase of strong investment to reach critical mass, and the subsequent phase of acquiring market knowledge, operating experience and fine tuning of concepts, the company will continue to take a realistic perspective as to where it makes sense to strengthen, maintain or reduce the current allocation of capital employed by asset clusters..

Matosinhos, 28 October 2005

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2005 AND AS AT 31 DECEMBER 2004

(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 32

ASSETS	Notes	IFRS 30-09-05	IFRS 31-12-04	Local GAAP 31-12-04
NON CURRENT ASSETS				
Tangible and intangible assets	7	1.295.363.257	1.194.149.971	1.246.965.252
Goodwill	8	346.025.017	265.293.994	
Investments	9	18.078.609	49.104.992	41.221.322
Deferred tax assets	12	71.481.208	59.731.623	
Other non-current assets	10	52.898.117	44.528.376	44.528.377
Total non current assets		1.783.846.208	1.612.808.956	1.332.714.951
CURRENT ASSETS				
Inventory		456.992.549	387.517.766	387.517.766
Other debtors and other current assets	11	301.898.805	183.344.416	242.652.563
Investments	9	11.110.992	87.325.645	
Cash and cash equivalents	13	132.297.282	260.096.724	260.007.397
Total current assets		902.299.628	918.284.551	890.177.726
TOTAL ASSETS		2.686.145.836	2.531.093.507	2.222.892.677
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	14	1.100.000.000	1.100.000.000	1.100.000.000
Reserves and retained earnings		(309.770.691)	(576.996.940)	(776.614.877)
Net profit (loss) for the period attributable to the shareholders of Modelo Continente, SGPS		64.520.241	119.088.499	114.415.880
Total equity attributable to the Shareholders of Modelo Continente, SGPS		854.749.550	642.091.559	437.801.003
Minority interests	15	8.295.860	7.331.008	18.860.054
TOTAL EQUITY		863.045.410	649.422.567	456.661.057
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans	16	753.373.300	607.526.175	609.175.306
Other non-current liabilities	18	58.228.778	44.338.488	55.634.373
Deferred tax liabilities	12	45.796.812	43.623.446	
Provisions	21	24.873.718	17.251.593	17.237.462
Total non-current liabilities		882.272.608	712.739.702	682.047.141
CURRENT LIABILITIES				
Loans	16	105.043.952	251.603.218	157.278.460
Trade creditors and other current liabilities	20	834.436.139	916.684.825	926.440.178
Provisions	21	1.347.727	643.195	465.841
Total current liabilities		940.827.818	1.168.931.238	1.084.184.479
TOTAL LIABILITIES		1.823.100.426	1.881.670.940	1.766.231.620
TOTAL EQUITY AND LIABILITIES		2.686.145.836	2.531.093.507	2.222.892.677

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

CONSOLIDATED INCOME STATEMENT BY NATURE

FOR THE THIRD QUARTERS AND THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 32)

	Notes	IFRS 3rd Quarter 05	IFRS 30-09-2005 Accumulated	IFRS 3rd Quarter 04	IFRS 30-09-04 Accumulated	Local GAAP 30-09-04 Accumulated
Operating income:						
Sales		1.019.755.348	2.813.606.426	935.823.025	2.533.607.951	2.532.102.713
Services rendered		6.040.452	17.199.463	5.308.510	16.820.589	17.493.478
Other operational income		70.889.007	242.846.425	63.605.360	190.575.167	147.735.328
Total operational income		1.096.684.807	3.073.652.314	1.004.736.895	2.741.003.707	2.697.331.519
Operating expenses:						
Cost of sales		(806.424.592)	(2.227.152.506)	(739.414.154)	(1.987.316.694)	(1.986.330.981)
External supplies and services		(108.389.699)	(300.077.261)	(95.039.403)	(268.463.558)	(264.879.847)
Staff costs		(104.183.666)	(304.741.082)	(84.808.828)	(261.817.185)	(262.279.251)
Depreciation and amortization	7	(23.686.387)	(69.345.827)	(20.844.721)	(62.160.128)	(70.586.827)
Provisions and impairment losses	21	(2.106.350)	(9.398.220)	(1.040.550)	(3.059.092)	(5.693.054)
Other operational expenses		(15.047.994)	(50.940.190)	(13.715.238)	(39.585.478)	(13.720.297)
Total operational expenses		(1.059.838.688)	(2.961.655.086)	(954.862.894)	(2.622.402.135)	(2.603.490.257)
Net operating profit/(loss)		36.846.119	111.997.228	49.874.001	118.601.572	93.841.262
Financial profit/(loss)		(12.723.294)	(38.308.196)	(12.293.906)	(43.154.898)	(36.842.204)
Profit/(loss) related to associated companies		1.698.691	1.961.014	905.157	566.823	256.702
Profit/(loss) related to investments		64.500	(447.804)	105.000	105.141	17.108.306
Profit/(loss) before income tax		25.886.016	75.202.242	38.590.252	76.118.638	74.364.066
Income tax	25	(3.586.208)	(9.716.958)	(6.076.451)	(11.686.322)	(12.304.718)
Profit/(loss) after income tax		22.299.808	65.485.284	32.513.801	64.432.316	62.059.348
Consolidated profit/(loss) for the perioc		22.299.808	65.485.284	32.513.801	64.432.316	62.059.348
Attributable to:						
Equity holders of Modelo Continente		21.731.564	64.520.241	31.846.930	63.153.056	60.887.787
Minority interests	15	568.244	965.043	666.871	1.279.260	1.171.561
Profit/(loss) per share (basic and diluted)	26	0,02	0,06	0,03	0,06	0,06

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 32)

	Attributable to Shareholders of Parent Company					
	Share capital	Reserves and retained earnings	Net profit/(loss)	Total	Minority interests	Total Equity
Balance at 1 January 2004	1.100.000.000	(578.683.653)	-	521.316.347	11.214.733	532.531.080
Changes in reserves						
Translation reserves	-	15.537.970		15.537.970	-	15.537.970
Hedge reserves	-	531.658		531.658	-	531.658
Others	-	(5.373.041)		(5.373.041)	(5.845.921)	(11.218.962)
Net consolidated profit (loss) for the nine month period ending 30 September 2004	-	-	63.153.056	63.153.056	1.279.259	64.432.315
Balance at 30 September 2004	1.100.000.000	(567.987.066)	63.153.056	595.165.990	6.648.071	601.814.061
Balance at 1 January 2005	1.100.000.000	(576.996.940)	119.088.499	642.091.559	7.331.008	649.422.567
Appropriation of consolidated profit of 2004:						
Transfer to legal reserves and retained earnings	-	119.088.499	(119.088.499)	-	-	-
Changes in reserves						
Translation reserves	-	150.087.387		150.087.387	-	150.087.387
Hedge reserves	-	873.298		873.298	-	873.298
Others	-	(2.822.935)		(2.822.935)	(191)	(2.823.126)
Net consolidated profit (loss) for the nine month period ending 30 September 2005			64.520.241	64.520.241	965.043	65.485.284
Balance at 30 September 2005	1.100.000.000	(309.770.691)	64.520.241	854.749.550	8.295.860	863.045.410

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

CONSOLIDATED STATMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 32)

OPERATING ACTIVITIES	Notes	30-09-05	30-09-04
Net cash flow from operating activities (1)		(33.536.471)	5.964.283
INVESTING ACTIVITIES			
Cash receipts related to:			
Investments		154.299	503.055
Tangible and intangible assets		65.700.562	3.961.308
Interest and similar income		13.424.087	12.173.229
Dividends		64.641	105.141
Loans granted		88.551.000	
Others			557.764
		167.894.589	17.300.497
Cash payments related to:			
Investments		(20.002.532)	(46.044.747)
Tangible and intangible assets		(145.506.999)	(105.172.145)
Loans granted		(103.551.000)	(25.000.000)
Others		-	-
		(269.060.531)	(176.216.892)
Net cash used in investing activities (2)		(101.165.942)	(158.916.395)
FINANCING ACTIVITIES			
Cash receipts related to:			
Loans obtained		571.358.728	485.753.247
Others		-	
		571.358.728	485.753.247
Cash payments related to:			
Loans obtained		(525.434.971)	(587.461.926)
Interest and similar charges		(48.886.205)	(44.634.417)
Dividends		(74)	(67)
Others			
		(574.321.250)	(632.096.410)
Net cash used in financing activities (3)		(2.962.522)	(146.343.163)
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(137.664.935)	(299.295.275)
Effect of foreign exchange rate		(4.845.297)	(393.901)
Cash and cash equivalents at the beginning of the period	13	(255.709.319)	(321.380.521)
Cash and cash equivalents at the end of the period	13	122.889.681	22.479.147

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 32)

1. INTRODUCTION

MODELO CONTINENTE, SGPS, S.A. ("the Company" or "Modelo Continente"), holds its Head-office in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal, is the Parent-company of a group of companies, as detailed in Notes 4 and 5 ("Modelo Continente Group"). The Group's operations and segments of business are described in Note 28.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated Financial statements are as follows:

2.1. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005, as adopted by the European Union.

International Financial Reporting Standards (IFRS) were adopted for the first time in 2005. As a result, the transition date from the Portuguese generally accepted accounting principles to the standards referred above is 1 January 2004, as established by IFRS 1 – "First time adoption of International Financial Reporting Standards".

According to that standard, the adjustments as at the date of transition to IFRS (1 January 2004) were recorded under Equity and are described in Note 31. This note also includes the description of the adjustments made to the last annual financial statements presented (31 December 2004).

Interim financial statements are presented quarterly, in accordance with IAS 34 – "Interim Financial Reporting".

The accompanying consolidated financial statements have been prepared from the books and accounting records of the companies included in the consolidation (Notes 4 and 5) on a going concern basis and under the historical cost convention, except for some financial instruments which are stated at fair value (Note 2.11).

2.2. Consolidation principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

Investments in companies in which the Group withholds, directly or indirectly, more than 50% of the voting rights at Shareholders' General Meetings or is able to govern the financial and operating policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements by the full consolidation method. The equity and net profit attributable to minority shareholders are shown separately, under the caption Minority interests, in the consolidated balance sheet and consolidated statement of profit and loss, respectively. The companies included in the consolidated financial statements are listed in Note 4.

When losses attributable to the minority interests in a consolidated subsidiary exceed the minority interest in the equity of the subsidiary, the excess, and any further losses attributable to the minority interests, are charged against the majority interest except to the extent that the minority shareholders have a binding obligation and are able to, cover such losses. If the subsidiary subsequently reports profits, such profits are allocated against the majority interest until the minority's share of losses previously absorbed by the majority had been recovered.

Assets and liabilities of each subsidiary are measured at their fair values at the date of acquisition. Any excess on the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.c)). Any difference of the cost of acquisition below the fair value of the identifiable net assets acquired is recognized as income in the statements of profit and loss of the period of acquisition, after the reassessment of the estimated fair value. Minority interests include their proportion of the fair value of net identifiable assets and liabilities recognized on acquisition of subsidiaries.

The profit/loss of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments to the financial statements of companies within the group are performed, whenever necessary, in order to adapt the accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated within the consolidation.

Whenever the Group hold, in substance, the control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full integration method.

b) Investments in associated companies

Investments in associated companies (companies where the Group holds a significant influence but does not hold the control or the joint control over the decisions, through the participation in the financial and operating decisions – usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at acquisition cost, adjusted by the amount corresponding to the Group's share on the changes in equity (including the net profit) of the associated companies against profits and losses generated in the period and by the dividends received.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill (Note 2.2.c)), which is recorded in the caption where the investments in associated companies is recognized. Any shortage of the cost of acquisition against the fair value of the identifiable net assets acquired is recognized as income in the income statement in the period in which it was purchased after granting that the estimated fair value of the purchased net assets was reassessed.

An assessment of investments in associates is performed when there is an indication that the asset might be impaired. Any impairment loss existing as of the balance sheet date is recorded as cost in the consolidated income statement. When impairments recorded in prior years no longer exist, these are reversed.

When the group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value except to the extent of the Group's commitment to the associate.

Unrealized gains arising from transactions with associates are eliminated to the extent of the group's interest in the associate against that investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Financial investments in associated companies are disclosed in note 5.

c) Goodwill

The difference between the acquisition cost of investments in group and associated companies and the fair value of the identifiable assets and liabilities of those companies at the date of acquisition are stated, if positive, under Goodwill or under Investments in associated companies (Note 8). The difference between the acquisition cost of investments in subsidiaries based in foreign countries and the fair value of their identifiable assets and liabilities at the date of acquisition are stated at the functional currency of those subsidiaries. The conversion to the Group's currency (Euro) is made at the closing balance foreign exchange rate. The foreign exchange rate differences arising from the conversion are recorded under Translation reserves in Reserves and retained earnings.

Goodwill is not amortized, being tested for impairment on an annual basis. Impairment losses related to goodwill identified in the period are recorded in the statement of profit and loss under Provisions and impairment losses.

Impairment losses related to goodwill cannot be reverted.

The differences between the acquisition cost of Group companies and associated companies and the fair value of the identifiable assets and liabilities of those companies at the date of acquisition, if negative, were recorded, at the date of acquisition and after reassessment of the fair value of the identifiable assets and liabilities acquired, as a gain.

Goodwill recognized prior to the transition date

Goodwill arising from acquisitions made prior to the date of transition to IFRS (1 January 2004) were maintained by the same amount as in accordance with generally accepted accounting principals in Portugal being adjusted by intangible assets which do not meet IFRS criteria for recognition and subject to impairment tests. The impacts of these adjustments were recorded under Retained earnings, in accordance with IFRS 1. Goodwill arising from the acquisition of foreign companies was re-expressed at the functional currency of each subsidiary, retrospectively. The foreign exchange rate differences generated in the conversion were also recorded under retained earnings (IFRS 1).

d) Conversion of financial statements of foreign entities

Assets and liabilities within the financial statements of foreign entities are translated to Euro using the closing balance foreign exchange rates. Profit and loss and cash flows are translated to Euro using the average foreign exchange rate for the period. The foreign exchange rate differences originated after 1 January 2004 are recorded as equity under Translation reserves in Reserves and retained earnings. Foreign exchange rate differences originated prior to 1 January 2004 (date of transition to IFRS) were written-off through retained earnings.

Goodwill and adjustments to the fair value arising from the acquisition of foreign entities are recorded as assets and liabilities of the referred entities and translated to Euro at the closing balance foreign exchange rate.

When a foreign entity is sold, the accumulated exchange rate difference is recorded in the income statement as a loss or gain from disposal of financial investments.

The foreign exchange rates used for the conversion of foreign subsidiaries, jointly controlled entities and associated companies are listed as follows:

	30.09.05		31.12.04	30.09.04	
	End of period	Period Average	End of period	End of period	Period Average
Brazilian Real	0,37441	0,31947	0,27665	0,28281	0,27475

2.3. Tangible assets

Tangible assets acquired until 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost in accordance with the generally accepted accounting principles in Portugal until that date, net of amortizations and depreciations and accumulated impairment losses (“Deemed cost”).

Tangible assets acquired after that date are recorded at acquisition cost, net of depreciations and accumulated impairment losses.

Depreciation is provided on a straight line basis, as from the date the asset is first used, taking into consideration the estimated useful life for each class of assets.

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	50
Basic equipment	10 to 15
Transport equipment	5
Tools and containers	4
Fixture and fittings	10
Other tangible assets	5

Maintenance and repair costs related to tangible assets are recorded directly as costs in the year they are incurred.

Tangible assets in progress represent fixed assets still in course of construction/promotion and are stated at acquisition cost net of eventual impairment losses. These assets are depreciated from the date they are concluded or start being in use.

Gains or losses outcoming from the sale or disposal of tangible assets are determined based upon the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either Other operating expenses or Other operating losses.

2.4. Intangible assets

Intangible assets are stated at acquisition cost, net of depreciations and accumulated impairment losses. Intangible assets are only recognized if, inherent to these, it is probable those future economic benefits will flow for the Group, are controlled by the Group and if their cost can be reliably measured.

Research costs inherent to new technical know-how are recorded in the income statement when incurred.

Development costs related to assets for which the Group demonstrates capacity to complete its development, start to sell or use and for which it is probable that the developed asset will create future economic benefits are capitalized. Development costs which do not fulfil these criteria are recorded as a cost in the year in which are incurred.

Internal costs related to the maintenance and development of software are recorded as cost. Only costs directly attributable to projects for which the existence of future economic benefits is probable are capitalized as intangible assets.

Depreciation is computed, starting from the date of use, on a straight line basis in accordance with the estimated useful life, usually 5 years, except for property occupation rights which are amortized in accordance with the duration of the contract which establishes these rights.

In what brands and patents which do not hold a defined useful life are concerned, depreciations are not calculated. Its book value is subject to impairment tests on an annual basis.

2.5. Accounting for leases

Accounting for leases where a Group is the lessee

Lease contracts are classified as (i) a finance lease if the risks and rewards inherent to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards inherent to ownership do not lie with the lessee.

Classifying a lease as finance or as operating lease depends on the substance of transaction rather than the form of the contract.

Fixed assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Both the finance charge and the depreciation expenses for depreciable assets are recorded in the income statement in the period in which they are incurred.

Operating lease payments are recorded as cost for the year in the income statement under a straight line basis over the lease period.

2.6. Government grants

Government grants are recorded at fair value when there is a reasonable assurance that these will be received and that the Company will comply with the conditions necessary for its grant.

Grants related to assets are recorded as assets under the Other non current liabilities caption, the gain being recorded in the income statement under a straight line basis in connection with the estimated useful life of the inherent acquired assets.

2.7. Impairment of non-current assets, except for goodwill

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is recorded when it is concluded that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. The reversal is recorded in the statement of profit and loss as operating profit. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.8. Borrowing costs

Borrowing costs are normally recognized as expense in the period in which they are incurred.

Borrowing costs relating directly to the acquisition, construction or production of fixed assets are capitalized as part of the cost of the qualified asset. Borrowing costs are capitalized from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the asset is suspended. Any eventual financial income derived from a loan obtained and allocable to a qualifying asset, are deducted to the financial expenses that qualify for capitalization.

2.9. Inventories

Inventories held by the group are stated at acquisition cost, deducted from quantity discounts received or to be received from suppliers, which is lower than their market value. Inventories are valued at the last purchase price. Attending to the rotation level of inventories at the stores this method is not materially different from FIFO or average cost.

The difference between the inventory cost and its net realizable value, if negative, is recorded as an operating expense under Cost of sales.

2.10. Provisions

Provisions are recognized when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation.

Provisions are reviewed and adjusted at the balance sheet to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the involved parties.

2.11. Financial instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are recorded as Non current assets unless they mature within less than 12 months from the balance sheet date. This caption comprises investments which hold a defined maturity and which the Group intend and withhold the capacity to hold onto until the inherent maturity date. Investments measured at fair value through profit or loss are classified as current assets. Available-for-sale investments are classified as non current assets.

All purchases and sales of investments are recognized on the trade date, independently of the liquidation date.

Investments are initially measured at cost, which is the fair value at the date they were purchased, including transaction costs if related to Held to maturity and Available-for-sale investments.

Available-for-sale investments and investments measured at fair value through profits or loss are subsequently recorded at fair value excluding any deduction of transaction costs which may be incurred during its sale taking into consideration the stock market price at the balance sheet date. Investments in equity instruments that do not have a stock market price and whose fair value cannot be reliably measured are stated at cost less impairment losses.

Gains or losses arising from changes in fair value of available-for-sale investments are recorded directly under the Fair value reserve in Equity, until the investment is sold or otherwise disposed of, or until it is considered to be impaired, at which time the cumulative gain or loss previously recorded in equity is transferred to net profit or loss for the period.

Changes in the fair value of investments measured at fair value through profit and loss are included in the consolidated income statement for the period.

Held to maturity investments are carried at amortized cost using the effective interest rate method, net of capital reimbursements and interest income received.

b) Accounts receivable

Receivables are stated at their nominal value less eventual impairment losses (recorded under the caption Impairment losses in accounts receivable) so that those receivables reflect their net realizable value.

c) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based upon their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accrual basis, in accordance with the accounting policy defined in Note 2.8. The portion of the effective interest rate regarding up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated at their nominal value.

f) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest risks on loans obtained. The conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of the amount, maturity dates of the interest and repayment schedules of the loans and for these reason they qualify as perfect hedges.

The Group's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecasted transaction that is being hedged is highly probable.

Cash flow hedge instruments used by the Group to hedge the exposure to changes in the interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to the corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recorded in the income statement over the same period in which the hedged instrument affects the income statement.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded and deferred in equity under the caption Hedging reserve are transferred to profit and loss of the year or in the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

In those cases in which the derivatives, despite being negotiated to hedge financial risks inherent to the business (essentially, currency “forwards” to cover future imports), do not fulfil the criteria for hedge accounting under IAS 39, changes in the fair value are recorded directly in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract and when these are not stated at fair value. Gains and losses which are not realizable are recorded in the Income statement.

Additionally, the Group also negotiates, in specific situations, interest rate derivatives and foreign exchange rate derivatives directed to hedge fair values. In these cases, the derivatives are stated at fair value through the Income statement. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through the profit and loss.

g) Equity instruments

Equity instruments are those that represent a residual interest upon the Group's net assets and are recorded by the amount received, net of costs incurred with their issuance.

h) Cash and cash equivalents

Cash and cash equivalents includes cash at hand, cash at banks by means of in demand and term deposits and other treasury applications which mature in less than three months and that are subject to insignificant risk of changes in its value.

For the preparation of the consolidated statement of cash flows, cash and cash equivalents caption also includes bank overdrafts, which are included in the balance sheet caption Loans.

2.12. Share based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the evolution of the Sonae shares' price and/or of its publicly held subsidiaries.

Share based payments liabilities are measured at fair value on the date they are granted (usually in March each year) and are subsequent re-evaluated at the end of each reporting period based on the number of shares granted and the corresponding fair value at the closing date. The obligations are recorded under personnel costs and other liabilities, under a straight line basis, between the date the shares were granted and their vesting date, taking into consideration the time elapsed between these dates when referring to shares or call options which can be net settled through down payment. In the case of equity-settled share-based payment transactions, these obligations are stated as Personnel expenses and Reserves and are recorded on a straight line basis between the date the shares are granted and their vesting date.

2.13. Contingent assets and liabilities

Contingent liabilities are not recorded in the consolidated financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when the existence of future economic benefit is probable.

2.14. Income tax

Income tax is determined based upon the taxable income of each company included in the consolidation perimeter taking into consideration deferred taxes when applicable.

Current income tax is determined based on the taxable income of companies included in the consolidation, in accordance with the tax rules in force in their respective country of incorporation, considering the interim period income and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in Equity.

2.15. Revenue recognition and accrual basis

Revenue inherent to the sale of goods is recognized in the consolidated income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recorded net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recorded in the consolidated income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognized as income in the year in which they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses in future years, thus being recorded in the income statement of the future period.

2.16. Balances and transactions expressed in foreign currencies

Transactions in currencies other than Euro are translated to Euro using the exchange rate prevailing as of the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign entity at the foreign exchange rates prevailing as of that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each subsidiary, taking into consideration the foreign exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between the historical foreign exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as profits or loss for the period, excepting those related to non-monetary assets or liabilities, in which, the adjustments to the fair value are directly recorded under equity.

When exposure to currency risk is aimed to be minimized, the Group negotiates hedging currency derivatives (Note 2.11.f)).

2.17. Subsequent events

Post-balance-sheet events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-balance-sheet events that are not adjusting events are disclosed in the notes to the consolidated financial statements when considered to be material.

2.18. Segment information

All business and geographic segments of the Group are identified on an annual basis.

Information regarding the Groups income and its net performance per business segment is included in Note 28.

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes neither in accounting policies nor correction of errors.

4. <u>GROUP COMPANIES INCLUDED IN THE CONSOLIDATION</u>

The subsidiaries, its Head offices and percentage of capital held as of 30 September 2005 and 31 December 2004 are as follows:

		Percentage of Capital held		Percentage of Capital held	
	Head	30.09.2005		31.12.2004	
Company	**Office**	**Direct**	**Total**	**Direct**	**Total**
<u>Parent Company</u>					
Modelo Continente SGPS, S. A.	Matosinhos				
<u>Modelo Continente</u>					
Best Offer – Prestação de Informações pela Internet, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Bikini, Portal de Mulheres, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Cacetinho – Comércio Retalhista e Expl. Centros Comerciais, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
e) Canasta – Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%		
Tlantic Sistemas de Informação, Ltda	Porto Alegre(Brazil)	100.00%	100.00%	100.00%	100.00%
Carnes do Continente – Industria e Distribuição Carnes, S.A.	Santarém	100.00%	100.00%	100.00%	100.00%
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Citorres - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
a) Cumulativa - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	-	-
Contifin - S.G.P.S., Lda	Matosinhos	89.90%	89.90%	89.90%	89.90%
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Contimobe - Imobiliária de Castelo de Paiva, S.A.	Castelo Paiva	100.00%	100.00%	100.00%	100.00%
Difusão - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Efanor – Design e Serviços, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Efanor - Industria de Fios, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Estevão Neves - Hipermercados da Madeira, S.A.	Madeira	100.00%	100.00%	100.00%	100.00%
Fozimo - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Fozmassimo – Comércio e Indústria de Produtos Alimentares, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Global S Hipermercado, Lda.	Matosinhos	100.00%	100.00%	100.00%	100.00%
IGI – Investimento Imobiliário, S.A.	Porto	100.00%	100.00%	100.00%	100.00%
Igimo – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
b) Iginha – Sociedade Imobiliária, S.A.	Matosinhos	-	-	100.00%	100.00%
Imoconti – Sociedade Imobiliària, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoestrutura – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Imomuro – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Imoponte – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%

	Company	Head Office	Percentage of Capital held 30.09.2005 Direct	Total	Percentage of Capital held 31.12.2004 Direct	Total
	Imoresultado – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Imosistema – Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Informeios - Projectos e Representações, S.A.	Lisboa	100.00%	100.00%	100.00%	100.00%
	Infofield – Informática, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Inventory - Acessórios de Casa, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Maxoffice – Artigos e Serviços para Escritório, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
f)	MJLF-Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%		
	Modelo - Distribuição de Materiais de Construção, S.A.	Maia	50.00%	50.00%	50.00%	50.00%
	Modis International Trade, S.A.	Madrid(Spain)	100.00%	100.00%	100.00%	100.00%
	Modalfa – Comércio e Serviços, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo.Com - Vendas por Correspondência, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo – Sociedade Gestora de Participações Sociais, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo Continente Hipermercados, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo Investimentos Brasil, S.A.	São Paulo(Brazil)	100.00%	100.00%	100.00%	100.00%
d)	Modelo Investimentos Financeiros, Ltda.	Porto Alegre(Brazil)	100.00%	100.00%	-	-
	Modis - Distribuição Centralizada, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modis, S.G.P.S., Lda	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Ok Bazar - Comércio Geral, S.A.	Ermesinde	100.00%	100.00%	100.00%	100.00%
	Predicomercial – Promoção Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
c)	Pinto Ribeiro – Supermercados, S.A.	Viana do Castelo	90.00%	90.00%	-	-
g)	Selifa - Sociedade de Emprendimentos Imobiliários de Fafe, S	Maia	100.00%	100.00%		
	Sempre à Mão - Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Sesagest – Projectos e Gestão Imobiliária, S.A.	Porto	100.00%	100.00%	100.00%	100.00%
	Sociloures – Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Socijofra – Sociedade Imobiliária, S.A.	Gondomar	100.00%	100.00%	100.00%	100.00%
	Soflorin, B.V.	Amsterdam(The Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonae Distribuição Brasil, S.A.	Porto Alegre(Brazil)	97.67%	97.67%	96.56%	96.56%
a)	Sonae Promotora de Vendas, Ltda	Porto Alegre(Brazil)	100.00%	100.00%	-	-
	Sonae Retalho España – Servicios Generales, S.A.	Madrid(Spain)	100.00%	100.00%	100.00%	100.00%
	Sondis, B.V.	Amsterdam(The Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Sontária - Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Sonvecap, B.V.	Amsterdam(The Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sport Zone – Comércio de Artigos de Desporto, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Distrifin - Comercio y Prestacion de Servicios, S.A.	Madrid(Spain)	100.00%	100.00%	100.00%	100.00%
	SRE - Projectos e Consultadoria, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
	Todos os Dias – Comércio Ret. E Explor.Centros Comerciais,	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Worten – Equipamentos para o Lar, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%

These subsidiaries were included in the consolidated financial statements by the full consolidation method as mentioned in Note 2.2.a)

a) Change in entity's name, having been purchased in the first semester of 2005.
b) Subsidiary sold on 20 June 2005.
c) Subsidiary purchased on 30 June 2005.
d) Subsidiary founded on 13 April 2004 and which remained inactive until May of 2005.
e) Subsidiary purchased on 26 July 2005.
f) Subsidiary purchased on 11 July 2005.
g) Subsidiary purchased on 27 July 2005.

5. INVESTMENTS IN ASSOCIATED COMPANIES

The associated companies, their head offices and the percentage of the share capital held as at 30 September 2005 and 31 December 2004 are as follows:

	Company	Head Office	Percentage of Capital held 30.09.2005 Direct	Total	Percentage of Capital held 31.12.2004 Direct	Total
	Star-Viagens e Turismo, S.A.	Lisbon	50,00%	50,00%	50,00%	50,00%
a)	Sonae Retalho Especializado, S.G.P.S., S.A.	Maia	-	-	49,90%	49,90%
	Sonaegest-Soc. Gestora de Fundos de Investimento,S.A.	Maia	40,00%	40,00%	40,00%	40,00%
	Sempre a Postos-Produtos Alimentares e Utilidades, S.A.	Lisbon	25,00%	25,00%	25,00%	25,00%

Associated companies were included in the consolidation under the equity method, as referred to in Note 2.2.b).

a) Associated company sold on 28 June 2005.

6. CHANGES IN CONSOLIDATION PERIMETER

The main purchases and disposals of companies over the nine month period ending on 30 September 2005 are as follows:

Purchases

Company	Head Office	Capital held 30.09.2005 Direct	Total	Capital held 31.12.2004 Direct	Total
Cumulativa - Sociedade Imobiliária, S.A.	Maia	100,00%	100,00%	-	-
Pinto Ribeiro - Supermercados, S.A.	Viana do Castelo	90,00%	90,00%	-	-
Canasta-Empreendimentos Imobiliários, S.A.	Maia	100,00%	100,00%		
MJLF-Empreendimentos Imobiliários, S.A.	Maia	100,00%	100,00%		
Selifa-Soc. de Empreend. Imobiliários de Fafe,S	Maia	100,00%	100,00%		

Effect of purchases and disposals

The purchases referred to above had the following impact upon the consolidated financial statements as at 30 September 2005:

	Carrying amount	Fair value adjustment	Fair value Purchase date	Fair value 30-09-05
Net assets purchased				
Tangible and intangible assets	2.571.058	5.869.632	8.440.690	13.257.223
Inventory	489.222		489.222	186.619
Other current assets	729.261		729.261	943.296
Cash and cash equivalents	979.090		979.090	683.153
Deferred taxes	566.658	(1.525.076)	(958.418)	(864.972)
Loans	(592.712)		(592.712)	(239.376)
Other liabilities	(5.873.752)		(5.873.752)	(11.022.049)
	(1.131.175)	4.344.556	3.213.381	2.943.894
Goodwill (Note 8)			3.358.961	
Purchase price			6.572.342	
Payments made			6.391.787	
Future payments to be made			180.555	
			6.572.342	
Net cash-flow outcoming from purchase				
Payments made			6.391.787	
Cash and cash equivalents purchased			(979.090)	
			5.412.697	

The impact of the purchase on the consolidated income statement is made up as follows:

Operating income		486.815
Operating costs		(717.886)
Financial loss		(55.649)
	Net profit before tax	(286.720)
Income tax		(17.233)
	Net profit for the period	(269.487)

Disposals

Company	Head Office	Sharecapital held 30.09.2005 Direct	Sharecapital held 30.09.2005 Total	Sharecapital held 31.12.2004 Direct	Sharecapital held 31.12.2004 Total
Iginha - Sociedade Imobiliária, S.A.	Matosinhos	-	-	100,00%	100,00%

Net assets as at the date of disposal and 31 December 2004 are presented as follows:

	Disposal date	31.12.2004
Net assets disposed of		
Tangible and intangible assets	6.108.843	
Other current assets	168	22.500.900
Cash and cash equivalents	325.142	1.051
Other liabilities	(6.337.462)	(20.996.620)
	96.691	1.505.331
Net gains or losses resulting from the disposal	5.309	
Price of disposal	102.000	
Cash received	102.000	
Future amounts to be received		
	102.000	
Net cash-flow outcoming from the disposal		
Cash received	102.000	
Cash and cash equivalents disposed of	(325.142)	
	(223.142)	

The impact upon the income statement as of the disposal date and 31 December 2004 of the disposal of these companies is made up as follows:

		Date of disposal	31.12.2004
Operating income		-	3.000.978
Operating costs		(10.740)	(20.938)
Financial profit / loss		60.778	(797.857)
	Net profit before tax	50.038	2.182.183
Income tax		(13.761)	(393.933)
	Net profit for the period	36.277	1.788.250

7. <u>TANGIBLE AND INTANGIBLE ASSETS</u>

During the nine months period ending 30 September 2005, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, are made up as follows:

Tangible assets

	Land and buildings	Machinery and equipment	Transporte equipment	Office equipment	Tools and utensils	Reusable containers	Other tangible assets	Tangible assets in progress a)	Advances on account of tangible assets b)	Total
Gross assets:										
Opening balance	828.855.869	556.452.919	17.713.519	118.774.183	4.576.316	251.533	1.892.005	33.632.508	27.621.815	1.589.770.667
Changes in consolidation perimeter	1.871.232	1.240.676	64.413	121.028			-	(557.521)	(212.625)	2.527.203
Capital expenditure	18.975.496	10.073.976	886.365	3.244.216	26.655		-	89.071.905		122.278.613
Disposals (c)	(43.200.662)	(26.371.576)	(832.160)	(3.859.872)	(30.710)	(225)		(602.858)		(74.898.063)
Foreign exchange rate effect	34.968.727	66.997.751	1.552.130	10.270.037				1.180.115	169.337	115.138.097
Transfers	37.689.360	27.314.358	976.160	2.734.732	962.637		(10.365)	(48.951.278)	(21.978.180)	(1.262.576)
Closing balance	879.160.022	635.708.104	20.360.427	131.284.324	5.534.898	251.308	1.881.640	73.772.871	5.600.347	1.753.553.941
Accumulated depreciation, amortization and impairment losses										
Opening balance	112.412.641	255.785.555	14.475.941	64.929.062	3.305.830	251.533	1.875.357	-		453.035.919
Changes in consolidation perimeter	122.214	225.992	22.790	24.728			-	-		395.724
Depreciations for the period	11.439.338	37.769.713	1.080.187	9.946.694	502.773		8.406	-		60.747.111
Disposals	(4.495.243)	(9.019.657)	(564.767)	(2.220.865)	(29.506)	(225)		-		(16.330.263)
Foreign exchange rate effect	4.606.495	26.993.275	992.351	5.321.258				-		37.913.379
Transfers	130.929	(195.119)	1.532	(315.064)	(8.751)		(13.830)	-		(400.303)
Closing balance	124.216.374	311.559.759	16.008.034	77.685.813	3.770.346	251.308	1.869.933	-	-	535.361.567
Carrying amount	754.943.648	324.148.345	4.352.393	53.598.511	1.764.552	-	11.707	73.772.871	5.600.347	1.218.192.374

Intangible assets

	Development costs	Industrial property and other rights	Software	Premiuns paid for property occupation rights	Other intangible assets	Intangible assets in progress a)	Advances on account of intangible assets	Total
Gross assets:								
Opening balance	233.669	5.011.725	80.410.148	11.679.303		3.681.438		101.016.283
Changes in consolidation perimeter								-
Capital expenditure		10.338.817	1.277.955			13.531.365		25.148.137
Disposals		(116.726)	(11.583)			(75.900)		(204.209)
Foreign exchange rate effect		2.362.364	2.604.351					4.966.715
Transfers		659.479	2.379.169			(2.796.443)		242.205
Closing balance	233.669	18.255.659	86.660.040	11.679.303	-	14.340.460	-	131.169.131
Accumulated amortizations and impairment losses								
Opening balance	22.903	1.989.451	32.099.533	9.489.173				43.601.060
Changes in consolidation perimeter								-
Amortizations for the period	35.050	967.421	6.920.506	675.739				8.598.716
Disposals		(897)	(9.467)					(10.364)
Foreign exchange rate effect		180.325	1.625.513					1.805.838
Transfers		4.456	(1.458)					2.998
Closing balance	57.953	3.140.756	40.634.627	10.164.912	-	-	-	53.998.248
Carrying amount	175.716	15.114.903	46.025.413	1.514.391	-	14.340.460	-	77.170.883

a) the most significant amounts included in the captions "Tangible and intangible assets in progress" correspond to the following:

Remodelling and expansion of stores in Portugal	31.739.411
Remodelling and expansion of stores in Brasil	6.281.791
New projects in Portugal	48.096.038
	86.117.240

b) the most significant amounts under the caption "Advances on account of tangible assets" refer to the following projects:

Project for Continente and Modelo stores	4.556.126
Project for stores in Brasil	1.044.221
	5.600.347

c) The most significant amounts related to the caption "Disposals" under "Land and Building" and "Machinery and Equipment" concern the disposal of 10 shopping centres which operated under the brand "Big" located in S. Paulo, Brazil by Sonae Distribuição Brasil, Lda. The disposal resulted in an inflow amounting to approximately 326 million BRL and a consolidated gain for the Group amounting to approximately 29 million Euro.

8. GOODWILL

Over the nine months period ending 30 September 2005, movements in goodwill, as well as in the corresponding impairment losses, are as follows:

	Goodwill
Gross value:	
Opening balance	265.293.994
New companies in the consolidation perimeter (Note 6)	3.358.961
Foreign exchange rate effect	77.372.062
Closing balance	346.025.017

Goodwill is not depreciated. Impairment tests are performed on an annual basis.

9. INVESTMENTS

As at 30 September 2005, this caption is made up as follows:

	Non current	Current
Investments in associated companies		
Opening balance at 1 January 2005	40.590.323	-
Purchases over the nine month period	7.028.356	-
Disposals over the nine month period	(31.868.885)	-
Equity method effect	1.574.632	-
Closing balance at 30 September 2005	17.324.426	-
Investments available for sale		
Opening balance at 1 January 2005	1.224.596	-
Closing balance at 30 September 2005	1.224.596	
Accumulated impairment losses (Note 21)	(470.413)	
	754.183	-
Derivative financial instruments (Note 17)		
Fair value at 1 January 2005		87.325.645
Increase/(decrease) in fair value		(76.214.653)
Fair value at 30 September 2005	-	11.110.992
Advances on financial investments		
Opening balance at 1 January 2005	7.760.486	-
Purchases over the nine month period	(8.665.545)	-
Foreign exchange rate effect	905.059	-
Closing balance at 30 September 2005	-	-
	18.078.609	11.110.992

Investments in associated companies include goodwill amounting to 8,875,168 Euro (8,176,661 Euro on 31 December 2004).

During the nine month period the associated company Sonae Retalho Especializado, S.G.P.S., S.A. was sold to a subsidiary of Sonae, S.G.P.S.

The amount recorded under “Investments available for sale” essentially refers to shares held in companies which are not publicly held and for which the fair value was not estimated due to the fact that they could not be measured credibly. As a result, these investments are recorded at purchase cost net of any impairment losses.

10. OTHER NON CURRENT ASSETS

As at 30 September 2005 and 31 December 2004, other non current assets are detailed as follows:

	30.09.05	31.12.04
Trade accounts receivable and other debtors	48.943.727	39.353.115
Taxes recoverable	3.954.390	5.175.261
	52.898.117	44.528.376

The amount recorded under Trade accounts receivable and other debtors refer to legal deposits made by a Brazilian subsidiary (Note 18).

11. OTHER CURRENT ASSETS

As at 30 September 2005 and 31 December 2004 Other current assets are made up as follows:

	30.09.05	31.12.04
Trade accounts receivable	35.202.330	32.811.602
Taxes recoverable	42.223.145	33.889.426
Other debtors	201.628.635	129.966.237
Advances to suppliers	58.643	9.210
Other loans granted (Note 24)	15.000.000	
Other current assets	26.841.485	6.253.423
	320.954.238	202.929.898
Accumulated impairment losses (Note 21)	(19.055.433)	(19.585.482)
	301.898.805	183.344.416

The amounts recorded under the caption Other Debtors refer essentially to: (i) credit sales made, basically, in Brazil, through pre-dated cheques, as well as accounts receivable relating to sales paid for by credit cards, which were received from financial entities during October 2005; (ii) receivable amounts related to the sale of fixed assets in the last months of 2004; (iii) Assets inherent to trade accounts payable; and (iv) amounts receivable related to the sale of an investment held by a subsidiary.

12. DEFERRED TAX

Deferred tax assets and liabilities as at 30 September 2005 and 31 December 2004 can be detailed, taking into consideration its temporary differences, as follows:

	Deferred tax assets		Deferred tax liabilities	
	30.09.05	31.12.04	30.09.05	31.12.04
Difference between fair value and purchase cost (Note 6)	-	-	1.588.037	-
Harmonization adjustments (amortizations and depreciations)	1.680.886	1.291.601	35.004.905	33.101.789
Provisions and impariment losses not accepted for tax purposes	3.503.283	3.429.033	-	-
Write off of fixed assets	10.715.142	11.681.306	-	-
Write off of deferred costs	50.749	211.763	-	-
Valuation of financial derivatives	2.372.635	3.670.378	2.398.046	3.593.966
Reinvestment of capital gains	-	-	3.747.346	3.808.597
Ravaluation of tangible fixed assets	-	-	3.058.478	3.119.094
Tax losses carried forward	53.158.513	39.447.542	-	-
	71.481.208	59.731.623	45.796.812	43.623.446

Tax returns of the group companies that resulted in the recording of deferred tax assets through tax losses carried forward (considering exchange rates at that date) and the expiry date of the referred losses existing as at 31 December 2004 are made up as follows:

	Tax losses	Deferred tax asset	Expiry date
Withold expiry date			
Originated in 1999	59,925	16,479	2005
Originated in 2000	800,575	220,158	2006
Originated in 2001	3,003,074	825,846	2007
Originated in 2002	11,783,165	3,240,370	2008
Originated in 2003	8,262,433	2,272,169	2009
Originated in 2004	1,354,651	372,529	2010
	25,263,823	6,947,551	
Do not withold expiry date			
Originated in 1999	20,073,303	3,498,798	
Originated in 2000	29,235,545	4,219,443	
Originated in 2001	10,260,994	1,215,915	
Originated in 2002	139,437,889	23,565,835	
	199,007,731	32,499,991	
	224,271,554	39,447,542	

The gain of the Brazilian Real against the Euro within the nine month period ending 30 September 2005 resulted in an increase in deferred tax assets of approximately 11,478,000 Euro related to the corresponding losses in Brazil.

13. CASH AND CASH EQUIVALENTS

As at 30 September 2005 and 31 December 2004 cash and cash equivalents can be detailed as follows:

	30.09.05	31.12.04
Cash at hand	2.154.731	1.943.338
Bank deposits	130.142.551	245.778.386
Treasury applications	-	12.375.000
Cash and cash equivalents on balance sheet	132.297.282	260.096.724
Bank overdrafts (Note 16)	(9.407.601)	(4.387.405)
Cash and cash equivalents on the statement of cash flows	122.889.681	255.709.319

Bank overdrafts are recorded in the balance sheet under Current loans.

14. SHARE CAPITAL

As at 30 September 2005, the share capital, which is fully subscribed and paid for, is made up by 1,100,000,000 ordinary shares which do not hold right to any fixed reimbursement, with a nominal value of 1 Euro each. As at that date, the company and the group companies did not hold any own shares.

As at 30 September 2005, the following entities held more than 20% of the subscribed share capital:

Entity	%
Sonae, S.G.P.S, S.A.	75.64
Banco Santander Totta, S.A.	22.42

15. MINORITY INTERESTS

Movements in minority interests over the nine month period ending 30 September 2005 are as follows:

	30.09.05
Opening balance on 1 January 2005	7.331.008
Changes in Equity of Subsidiaries	(191)
Profit for the period attributable to minority interests	965.043
Closing balance on 30 September 2005	8.295.860

16. LOANS

As at 30 September 2005 and 31 December 2004, loans are made up as follows:

	30.09.05				31.12.04			
	Book value		Nominal value		Book value		Nominal value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	53.413.897	18.390.912	53.291.931	18.377.190	152.980.383	281.585.260	152.980.383	297.175.551
Bond loans	-	592.058.153	-	597.000.000	-	177.958.653	-	182.000.000
Other loans		133.364.792		129.999.755		134.888.140		129.999.755
Bank overdraft (Note 13)	9.407.601		9.407.601	-	4.387.405	-	4.387.405	-
Derivative financial instruments (Note 17)	38.520.279				92.486.786			
	101.341.777	743.813.857	62.699.532	745.376.945	249.854.574	594.432.053	157.367.788	609.175.306
Obligations under finance leases	3.702.175	9.559.443	3.702.175	9.559.444	1.748.644	13.094.122	1.748.644	13.094.122
	105.043.952	753.373.300	66.401.707	754.936.389	251.603.218	607.526.175	159.116.432	622.269.428

The repayment schedule of nominal value of borrowing may be summarized as follows:

	30.09.05	31.12.04
2005	58.503.908	168.593.078
2006	149.795.973	422.001.628
2007	9.380.022	3.675.959
2008	2.628.379	1.680.863
2009	102.096.921	101.588.042
2010	266.932.893	1.846.290
After 2010	232.000.000	82.000.000
	821.338.096	781.385.860

Bond loans

As at 30 September 2005 bond loans are as follows:

Modelo Continente / 2003	82,000,000
Modelo Continente / 2004	100,000,000
Modelo Continente / 2005 / 2010	265,000,000
Modelo Continente / 2005/2012	150,000,000

MODELO CONTINENTE / 2003 BONDS
1,640,000 bonds - Nominal Value: 50 Euro.
Maximum term: eight years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.75% per annum.
Interest Payment: half yearly in arrears, on 15 April and 15 October of each year.
Redemption: at par, in one payment on 15 October 2011, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE / 2004 BONDS
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: five years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1.15% per annum.

Interest Payment: half yearly in arrears, on 18 March and 18 September of each year.
Redemption: at par, in one payment on 18 March 2009, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE / 2005 / 2010 BONDS
265,000 bonds – Nominal Value: 1,000 euro.
Maximum term: five years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.70% per annum.
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, at the end of the 5th year in one payment on 3 August 2010, the maturity date of the loan, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the 2nd, 3rd or 4th year of maturity. In this situation the issuer is obliged to pay a prize of 0.125% over de reimbursed value.

MODELO CONTINENTE / 2005 / 2012 BONDS
15,000,000 bonds – Nominal Value: 10 euro.
Maximum term: seven years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.85% per annum.
Interest Payment: half yearly in arrears, on 2 February and 2 August of each year.
Redemption: at par, in one payment on 2 August 2012, the payment date of the 14th coupon, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursement dates of the 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bank loans – non current

Includes:

a) A bank loan of 4,000,000 Euro obtained from a financial institution, repayable up to 2007, bearing interest payable half yearly at normal market rates. As of 30 September 2005, 2,800,000 Euro are considered as non current liabilities and the remaining as current liabilities;

b) A bank loan of 41,604,632 BRL (15,577,190 Euro), repayable up to 2010, bearing interest payable monthly at normal market rates.

Other loans – non currents

At 30 September 2005 this caption corresponded to a loan obtained from an external entity, which bears interest at normal market rates and is repayable in 2006.

For presentation purposes, taking into consideration that this loan holds a non-risk application amounting to 27,500,000 Euro which matures at the same date as the inherent loan, the Company decided to record the loan (157,499,755 Euro) net of the referred financial investment as allowed legally.

Additionally the book value of the loan includes 3,365,037 Euro (4,888,385 Euro as at 31 December 2004) concerning a fair value hedge obtained through negotiated interest rate swaps (Note 17) net of the swaps' interest accruals and net of its up-front fees.

17. DERIVATIVES

Currency derivatives

The Group uses currency derivatives, essentially, to hedge future cash flows.

The Group contracted several currency forwards, swaps and options in order to manage its exchange rate exposure.

As at 30 September 2005, the fair value of the currency derivatives, calculated taking into consideration present market value of equivalent financial instruments, is estimated as follows:

	30.09.05	31.12.04
Assets	263.195	307.485
Liabilities		(573)
	263.195	306.912

Gains and losses for the nine month period arising from changes in the fair value of instruments that did not qualify for hedging accounting treatment, amounting to 573 Euro, were recorded directly in the income statement under financial profit.

Additionally, the group sold currency call options in order to hedge the fair value of bought embedded currency call options for which the host contract is a non current loan obtained. The fair value of these options, which is identical to the fair value of the hedged options, amounts to 4,702,733 Euro (5,494,113 Euro at 31 December 2004) having both asset and liabilities been recorded.

Interest rate derivatives

As at 30 September 2005, the derivatives used by the Group essentially refer to "swaps" ("cash flow hedges"). These were negotiated to hedge the interest rate risk inherent to bank loans amounting to 140,000,000 Euro (140,000,000 Euro as at 31 December 2004). However, the bank loans underlying the derivates were reimbursed before the maturity date during this period and so, in accordance with the main accounting standards adopted, they can no longer be classified as hedging instruments. The estimated fair value is as follows:

	30.09.05	31.12.04
Liabilities	(1.158.307)	(1.204.549)
	(1.158.307)	(1.204.549)

These interest rate derivatives are valued at fair-value, at the balance sheet date, based on valuations performed within the Group using specific software and on external valuations when this software does not deal specific instruments. The fair value of the swaps was calculated, with reference to the balance sheet date, based upon the discounted cash flow of the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg.

Counterparts issuing derivative financial instruments are selected based on financial strength and credit risk established by internationally recognized rating agencies. These counterparts are nationally and internationally recognized first class financial institutions.

Additionally, the Group negotiated interest rate derivatives (interest rate swaps) aiming to hedge the fair value of specific fixed interest rate loans. The fair value of these derivatives was recorded under the income statement, having the effectively hedged portion of the loans - which are registered at amortized cost - been adjusted. The fair value of these derivatives amounts to 6,145,064 Euro (8,823,290 Euro as at 31 December 2004).

Interest rate and foreign Exchange rate derivatives

As at 30 September 2005 the Group held derivatives aimed to hedge interest rate and foreign exchange rate risk. These are directed, mainly, to eliminate the volatility resulting from foreign Exchange rate changes inherent to the hedged assets or liabilities and the outcoming interest. These derivatives imply the replacement of the interest rate inherent to the hedging instrument by a marketable interest rate for assets and liabilities stated in local currency for each subsidiary which holds the instruments.

In order to ascertain that the derivatives withhold their hedging aim, it is assured that the main characteristics of the derivative coincide with those of the hedged instrument. These characteristics include, essentially, their nominal value, exchange dates and interest payment.

These hedging instruments are evaluated at fair value at the balance sheet date following the criteria used for other derivatives held by the Group.

As at 30 September 2005, the fair value of these hedging instruments amounted to (32,659,239) Euro and are directed to hedging the fair value of the hedged instrument.

	30.09.05	31.12.04
Assets		72.700.757
Liabilities	(32.659.239)	(85.787.551)
	(32.659.239)	(13.086.794)

Fair value of derivatives

The fair value of the derivatives is detailed as follows:

	Assets (Note 9)		Liabilities (Note 16)	
	30.09.05	31.12.04	30.09.05	31.12.04
Exchange rate derivatives		-	1.158.307	573
Hedging derivatives	11.110.992	87.325.645	37.361.972	92.486.213
	11.110.992	87.325.645	38.520.279	92.486.786

18. OTHER NON CURRENT LIABILITIES

As at 30 September 2005 and 31 December 2004 other non current liabilities were made up as follows:

	30.09.05	31.12.04
Participating companies (Note 24)	16.394.187	14.325.652
Other non current trade accounts payable	38.320.756	28.358.606
Share-based payments (Note 19)	3.513.835	1.654.230
	58.228.778	44.338.488

The caption Other non current liabilities refers basically to the estimated amounts to fulfil the judicial obligations of the Brazilian subsidiary which are considered sufficient to face uncertain losses on lawsuits, for which legal deposits exist, which are recorded under the captions Trade accounts receivable and Other non current assets (Note 10).

19. SHARE BASED PAYMENT PLANS

In 2005 and in previous years, Modelo Continente Group granted deferred performance bonuses to its directors and eligible employees. These are based on shares to be acquired at nil cost, three years after they were attributed to the employee. The purchase can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the choice to settle its responsibilities in cash rather than through shares. The option can only be exercised if the employee still works for the Group at the vesting date.

Liabilities arising from deferred performance bonuses are valued in accordance with that referred to in note 2.12. As at 30 September 2005 and 31 December 2004 the market value of the Groups obligations is made up as follows:

	Year of grant	Expiry year	Number of participants	Fair value 30.09.05	Fair value 31.12.04
Shares					
	2002	2005	40		950.383
	2003	2006	40	2.220.204	1.817.349
	2004	2007	49	1.809.030	1.327.994
	2005	2008	41	1.693.520	
Total				5.722.754	4.095.726

The amounts recorded as at 30 September 2005 and 31 December 2004 related to the responsabilities incurred from the date in which each plan was granted to the period then ended can be presented as follws:

	30.09.05	31.12.04
Recorded under Other non current liabilities	3.513.835	1.654.230
Recorded under Other current liabilities		950.383
Recorded under Reserves in Equity	(1.654.230)	(1.239.372)
Amounts recorded under Staff costs	1.859.605	1.365.241

20. OTHER CURRENT LIABILITIES

As at 30 September 2005 and 31 December 2004 other current liabilities were made up as follows:

	30.09.05	31.12.04
Trade accounts receivable	667.571.470	754.894.097
Related undertakings	83	766.498
Other acounts payable	36.617.054	43.864.945
Taxes and contributions payable	26.774.388	39.336.757
Accrued costs	100.775.305	74.171.575
Deferred income	2.697.839	2.700.570
Share-based payments (Note 19)		950.383
	834.436.139	916.684.825

Share put options were granted by the group to the shareholders of one of its subsidiaries. If these were to be fulfilled, according to the contracted specifications, the Group would run in obligations which, globally, would amount to a maximum of 35.5 million USD (approximately 29.5 million Euro).

21. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses over the nine month period ending 30 September 2005 were as follows:

Caption	Opening balance	Increases a)	Decreases	Closing balance
Accumulated impairment losses in investments (Note 9)	470.413	-	-	470.413
Accumulated impairment losses in current assets (Note 11)	19.585.482	1.773.461	(2.303.510)	19.055.433
Provisions	17.894.788	13.898.285	(5.571.628) b)	26.221.445
	37.950.683	15.671.746	(7.875.138)	45.747.291

a) Increases include 6,260,216 Euro regarding the foreign Exchange rate effect of the Opening balances, having these been recorded under Translation reserves. These also include 1,149,964 Euro (3,599,600 BRL) related to incoming costs resulting from the disposal of the stores in Brazil (Note 7).
b) A provision for accumulated losses amounting to (2,836,382) Euro was reverted by an associated company, as well as that recorded under Other operating income amounting to (643,194) Euro.

Impairment losses are deducted from the corresponding asset. The Provisions caption includes 23,636,697 Euro related to lawsuits in which a Brazilian subsidiary is involved.

22. CONTINGENT ASSETS AND LIABILITIES

	30.09.05		31.12.04
Guarantees rendered:			
related to tax claims awaiting outcome	50.945.571	a)	36.080.134
related to local and municipal claims awaiting outcome	8.355.903		7.782.492
Others	4.788.768		4.638.101

a) Includes guarantees amounting to 27,257,082 Euro and 22.826.308 Euro related to appeals against additional corporate income tax assessments and to VAT processes respectively.

23. FINANCIAL COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

As at 30 September 2005 the Group did not hold any contractual commitments concerning fixed assets acquisition

24. RELATED PARTIES

Balances and transactions with related parties are detailed as follows:

	Sales and services rendered		Purchases and services attained		Interest income		Interest expense	
Transactions	30.09.05	30.09.04	30.09.05	30.09.04	30.09.05	30.09.04	30.09.05	30.09.04
Parent and group companies	600.273	453.342						
Associated companies	549.798	89.816	1.740.724	1.577.019				
Participated companies	31.683.207	32.279.821						
Participating companies	199.377	263.479	317.348	309.523	479.393	259.267	295.893	251.120
Other related parties	10.880.642	12.076.622	74.461.042	61.506.442	399.378		50.909	
	43.913.297	45.163.080	76.519.114	63.392.984	878.771	259.267	346.802	251.120

	Accounts receivable		Accounts payable		Loans			
					Payable		Receivable	
Balance	30.09.05	31.12.04	30.09.05	31.12.04	30.09.05	31.12.04	30.09.05	31.12.04
Parent company	931.582	464.505		5.417				
Associated companies	367.676	143.572	211.742	84.586				
Participated companies	9.428.359	6.969.998	45.215					
Participating companies			86.284	210.018	15.825.654	14.325.652	15.000.000	
Other related parties	56.321.417	36.762.645	25.861.029	22.844.299	568.533			
	67.049.034	44.340.720	26.204.270	23.144.320	16.394.187	14.325.652	15.000.000	-

The amount recorded under Loans payable to participating companies refer to loans granted by shareholders of subsidiaries which bear interest at market rates.

25. INCOME TAX

Income tax for the nine month period ended 30 September 2005 and 2004 is made up as follows:

	30.09.05	30.09.04
Current tax	10.020.950	10.283.847
Deferred tax	(303.992)	1.402.475
	9.716.958	11.686.322

26. EARNING PER SHARE

Earning per share for the period was calculated taking into consideration the following amounts:

	30.09.05	30.09.04
Net profit		
Net profit taken into consideration to calculate diluted earnings per share (Net profit for the period)	65.485.284	64.432.316
Net profit taken into consideration to calculate diluted earnings per share	65.485.284	64.432.316
Number of shares		
Weighted average number of shares used to calculate basic Earnings per share	1.100.000.000	1.100.000.000
Weighted average number of shares used to calculate the diluted earnings per share	1.100.000.000	1.100.000.000
Earning per share (basic and diluted)	0,06	0,06

27. DIVIDENDS

In the Annual General Meeting held on 5 April of 2005 no dividends were attributed.

28. SEGMENT INFORMATION

The contribution of the principal business segments to the Income Statement for the nine month period ending on 30 September 2005 and 2004 can be detailed as follows:

Euro

30 September 2005	Portugal	Brazil	Consolidated
Operating income			
Sales	1,920,633,661	892,972,765	2,813,606,426
Operating cash-flow (EBITDA) **a)**	136,735,679	54,005,600	190,741,279
Operating profit (EBIT)	84,559,007	27,438,221	111,997,228
Number of stores	320	160	480
Sales areas ('000 m^2)	473	372	845

euros

30 September 2004	Portugal	Brazil	Consolidated
Operating income			
Sales	1,851,261,221	682,346,730	2,533,607,951
Operating cash-flow (EBITDA) **a)**	148,331,403	35,489,389	183,820,792
Operating profit (EBIT)	99,858,089	18,743,483	118,601,572
Number of stores	281	167	448
Sales areas ('000 m^2)	433	431	864

a) Operating profit plus amortizations, depreciations, provisions and impairment losses

The contribution of each segment towards Consolidated Net Applied Equity for the nine month period ended 30 September 2005 can be presented as follows:

30 September 2005	Portugal	Brazil	Consolidated
Tangible and intangible fixed assets	1,005,466,374	289,896,883	1,295,363,257
Goodwill	49,698,570	296,326,447	346,025,017
Investments	10,708,401	7,370,207	18,078,608
Deferred tax assets	26,098,615	45,382,593	71,481,208
Inventory	327,089,027	129,903,522	456,992,549
Other assets	204,833,655	149,963,268	354,796,923
Deferred tax liabilities	-39,840,075	-5,956,737	-45,796,812
Provisions	-1,237,021	-24,984,424	-26,221,445
Other liabilities	-673,824,845	-218,840,073	-892,664,918
Net applied Equity	**908,992,701**	**669,061,686**	**1,578,054,387**

Net applied Equity = Total Equity + Net financial debt

Net financial debt = Non current loans + Current loans - Current investments - Cash and cash equivalents

29. SUBSEQUENT EVENTS

After 30 September 2005 no relevant facts occurred.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 28 October 2005.

31. FIRST TIME ADOPTION OF "INTERNATIONAL FINANCIAL REPORTING STANDARDS"

The Group adopted International Financial Reporting Standards (IFRS) in 2005, having taken into consideration "IFRS 1 – First-Time Adoption of International Financial Reporting Standards". In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting the financial statements prepared under Portuguese GAAP ("POC") to the financial statements re-expressed under International Financial Reporting Standards (IFRS) can be detailed as follows:

	1-01-04			31-12-04		
	LOCAL GAAP	Transition to IFRS	IFRS	LOCAL GAAP	Transition to IFRS	IFRS
NON CURRENT ASSETS						
Tangible and intangible assets	1.230.027.490	(62.106.228)	1.167.921.262	1.246.965.252	(52.815.281)	1.194.149.971
Goodwill		252.692.088	252.692.088		265.293.994	265.293.994
Investments	35.452.413	6.897.823	42.350.236	41.221.322	7.883.670	49.104.992
Deferred tax assets		61.697.269	61.697.269		59.731.623	59.731.623
Other non-current assets	48.826.105	219.536	49.045.641	44.528.377	(1)	44.528.376
Total non current assets	1.314.306.008	259.400.488	1.573.706.496	1.332.714.951	280.094.005	1.612.808.956
CURRENT ASSETS						
Inventory	385.923.777		385.923.777	387.517.766		387.517.766
Trade Debtors and other current assets	163.620.370	(53.082.518)	110.537.852	242.652.563	(59.308.147)	183.344.416
Investments	136.079.991	109.969.542	246.049.533		87.325.645	87.325.645
Cash and cash equivalents	182.262.567	7.058	182.269.625	260.007.397	89.327	260.096.724
Total current assets	867.886.705	56.894.082	924.780.787	890.177.726	28.106.825	918.284.551
TOTAL ASSETS	2.182.192.713	316.294.570	2.498.487.283	2.222.892.677	308.200.830	2.531.093.507
EQUITY						
Share Capital	1.100.000.000		1.100.000.000	1.100.000.000		1.100.000.000
Reserves and retained earnings	(768.814.739)	190.131.087	(578.683.652)	(776.614.877)	199.617.937	(576.996.940)
Net profit (loss) for the period attributable to the shareholders of Modelo Continente, SGPS			-	114.415.880	4.672.619	119.088.499
Total equity attributable to the shareholders of Modelo Continente, SGPS	331.185.261	190.131.087	521.316.348	437.801.003	204.290.556	642.091.559
Minority interests	30.592.482	(19.377.758)	11.214.724	18.860.054	(11.529.046)	7.331.008
TOTAL EQUITY	361.777.743	170.753.329	532.531.072	456.661.057	192.761.510	649.422.567
LIABILITIES						
NON-CURRENT LIABILITIES						
Loans	591.051.863	17.973.125	609.024.988	609.175.306	(1.648.131)	607.527.175
Other non-current liabilities	52.220.078	2.394.232	54.614.310	55.634.373	(11.295.885)	44.338.488
Deferred tax liabilities		44.004.607	44.004.607		43.623.446	43.623.446
Provisions	5.838.834	3.498.779	9.337.613	17.237.462	14.131	17.251.593
Total non-current liabilities	649.110.775	67.870.743	716.981.518	682.047.141	30.693.561	712.740.702
CURRENT LIABILITIES						
Loans	327.807.132	(37.071)	327.770.061	157.278.460	94.324.758	251.603.218
Trade accounts payable and other current liabilities	842.560.421	77.921.310	920.481.731	926.440.178	(9.755.353)	916.684.825
Provisions	936.642	(213.741)	722.901	465.841	177.354	643.195
Total current liabilities	1.171.304.195	77.670.498	1.248.974.693	1.084.184.479	84.746.759	1.168.931.238
TOTAL EQUITY AND LIABILITIES	2.182.192.713	316.294.570	2.498.487.283	2.222.892.677	308.201.830	2.531.094.507

As at 1 January 2004 and 31 December 2004, the impact upon equity of the transition to IFRS can be detailed as follows:

	Conversion adjustments to IFRS	
	01.01.04	31.12.04
Adjustments to the financial statements in Local GAAP		
Restatement under assets of goodwill which had been written off by reserves net of impairment losses	252,692,088	265,293,994
Conversion adjustments to IFRS		
Net financial debt including fair value valuation of hedging derivatives	12,531,386	9,504,431
Deferred taxes resulting from valuation of hedge financial instruments at fair value	6,383,037	76,412
Write-off of tangible and intangible assets	(55,208,401)	(44,931,610)
Deferred taxes resulting from conversion adjustments to IFRS	7,223,463	13,345,825
Consolidation of companies priorly excluded	2,092	-
Write-off of accruals and deferrals	(5,941,519)	(11,608,031)
Other current liabilities	(41,499,267)	(38,479,738)
Others	(5,429,550)	(439,773)
Total adjustments from conversion to IFRS	(81,938,759)	(72,532,484)
Total adjustments	170,753,329	192,761,510

The impact inherent to the conversion to IFRS is essentially related to the treatment of the following captions:

Goodwill

IFRS indicates that goodwill should be presented as an asset of the subsidiary acquired and therefore recorded under the functional currency of that subsidiary. This amount is translated to the reporting currency at the foreign exchange rate in effect at the corresponding balance sheet date. Foreign exchange rate differences arising from this translation are recorded in equity. This accounting treatment differs from that which was 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 established by Local GAAP.

Goodwill arising from purchases of companies prior to the date of transition to IFRS (1 January 2004) was kept by the same amounts presented according to LOCAL GAAP expressed in the currency of the corresponding subsidiary company. The differences originated from this conversion process are presented in the financial information under the caption “Retained Earnings”, in accordance with IFRS 1.

By adopting IFRS, the company, thus, increased its assets by 265,293,994 Euro. Of this amount, around 216 MEuro 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 will not be amortised.

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 revaluated in accordance with generally accepted accounting principles in Portugal up to that date, less depreciation and accumulated impairment losses (“Deemed Cost”).

The value of the adjustment relative to Tangible and Intangible Assets in the balance sheet as at 31 December 2004 was 44,931,610 Euro.

Deferred taxes

The adjustment for deferred taxes relates to the impact of temporary differences between carrying amounts and the taxable amounts. In 2004, this adjustment amounted to 13,422,237 Euro, and essentially results from the write off of fixed assets in the company's balance sheet as mentioned in the previous note.

Additionally, the amounts of deferred taxes shown under the captions "Accruals and deferrals" in "Other current assets" and "Other current liabilities" according to POC were reclassified to the captions "Deferred tax assets" and "Deferred tax liabilities" as non-current assets and liabilities.

Trade accounts payable and Other liabilities

With the adoption of IFRS, Modelo Continente recorded the written put option to third parties over shares held upon a Brazilian subsidiary. This procedure, which is followed under IFRS, results in a difference, when compared to Local GAAP, amounting to 38,479,738 Euro in the consolidated financial information (41,499,267 Euro on 1 January 2004). This is the amount which, as at 31 December 2004, is estimated to be necessary for Modelo Continente to acquire full control of its Brazilian operations (as detailed in the explanatory notes to the annual management report for FY2004, prepared and presented according to Local GAAP).

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

The adjustment in the captions concerning accruals and deferrals totals, approximately, 11,608,031 Euro, and is related, mainly, to the write off of interest costs, resulting from stating derivatives at fair value and the recognition of up front fees, which are netted from the loan due at its initial recording.

Similarly, net financial debt decreased 9,504,431 Euro. This is explained by the same facts referred to above for accruals and deferrals - the recognition of up front fees of loans contracted by Modelo Continente and valuation at fair value of derivatives – qualified as hedging instruments – embedded in these loans.

Additionally, the effect of the conversion to IFRS upon the balance sheet as at 30 September 2004 can be detailed as follows:

	30-09-04		
	Local GAAP	Transition to IFRS	IFRS
NON CURRENT ASSETS			
Tangible and intangible assets	1.267.141.666	(56.615.295)	1.210.526.371
Goodwill		270.143.281	270.143.281
Investments	35.234.058	7.809.442	43.043.500
Deferred tax assets		62.987.584	62.987.584
Other non-current assets	52.164.950	(12.006)	52.152.944
Total non current assets	1.354.540.674	284.313.006	1.638.853.680
CURRENT ASSETS			
Inventory	385.144.405		385.144.405
Trade Debtors and other current assets	240.598.736	(65.578.686)	175.020.050
Investments	36.899.868	74.881.416	111.781.284
Cash and cash equivalents	30.069.526	9.529.999	39.599.525
Total current assets	692.712.535	18.832.729	711.545.264
TOTAL ASSETS	2.047.253.209	303.145.735	2.350.398.944
EQUITY			
Share Capital	1.100.000.000		1.100.000.000
Reserves and retained earnings	(772.032.755)	204.045.689	(567.987.066)
Net profit (loss) for the period attributable to the equity holders of Modelo Continente	60.887.787	2.265.269	63.153.056
Total equity attributable to the equity holders of Modelo Continente	388.855.032	206.310.958	595.165.990
Minority interests	18.459.181	(11.811.110)	6.648.071
TOTAL EQUITY	407.314.213	194.499.848	601.814.061
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	713.120.533	(17.732.425)	695.388.108
Other non-current liabilities	62.306.608	4	62.306.612
Deferred tax liabilities		45.850.171	45.850.171
Provisions	7.727.920	579.197	8.307.117
Total non-current liabilities	783.155.061	28.696.947	811.852.008
CURRENT LIABILITIES			
Loans	124.165.275	92.124.095	216.289.370
Trade creditors and other current liabilities	731.980.388	(12.200.004)	719.780.384
Provisions	638.272	24.849	663.121
Total current liabilities	856.783.935	79.948.940	936.732.875
TOTAL EQUITY AND LIABILITIES	2.047.253.209	303.145.735	2.350.398.944

As at 30 September 2004, the impact upon equity of the conversion to IFRS can be detailed as follows:

	Conversion Adjustmens to IFRS
	30.09.04
Adjustments to financial statements Portuguese GAAP	
Restatement under assets of goodwill which had been written off by reserves net of impairment losses	270.143.282
Conversion adjustments to IFRS	
Net financial debt including fair value valuation of hedge derivatives	10.019.746
Deferred taxes resulting from valuation of hedge financial instruments at fair value	107.745
Write-off of tangible and intangible assets	(47.242.721)
Deferred taxes resulting from conversion adjustments to IFRS	13.059.794
Write-off of accruals and deferrals	(15.480.798)
Other current assets	(40.760.240)
Others	4.653.040
Total adjustments from conversion to IFRS	(75.643.434)
Total adjustments	194.499.848

The explanations inherent to these adjustments are, essentially, the same as those given previously for the Balance-sheet as at 1 January and 31 December 2004.

The effect upon the income statements for the year ending on 31 December 2004 and for the nine month period ending 30 September 2004 can be detailed as follows:

	31.12.04			30.09.04		
	LOCAL GAAP	Transition to IFRS	IFRS	LOCAL GAAP	Transition to IFRS	IFRS
Operating income						
Sales	3.577.610.129	(6.865)	3.577.603.264	2.532.102.713	1.505.238	2.533.607.951
Services rendered	22.565.663		22.565.663	17.493.478	(672.889)	16.820.589
Other operating income	218.652.446	50.539.094	269.191.540	147.735.328	42.839.839	190.575.167
Total operating income	3.818.828.238	50.532.229	3.869.360.467	2.697.331.519	43.672.188	2.741.003.707
Operating expenses			-			-
Cost of sales	(2.800.220.829)	(1.101.156)	(2.801.321.985)	(1.986.330.981)	(985.713)	(1.987.316.694)
External supplies and services	(364.143.699)	(5.808.488)	(369.952.187)	(264.879.847)	(3.583.711)	(268.463.558)
Personnel expenses	(354.863.711)	308.250	(354.555.461)	(262.279.251)	462.066	(261.817.185)
Depreciation of tangible and intangible assets	(96.134.174)	11.092.204	(85.041.970)	(70.586.827)	8.426.699	(62.160.128)
Provisions and impairment	(8.601.039)	6.698.080	(1.902.959)	(5.693.054)	2.633.962	(3.059.092)
Other operating expenses	(15.920.812)	(48.605.127)	(64.525.939)	(13.720.297)	(25.865.181)	(39.585.478)
Total operating expenses	(3.639.884.264)	(37.416.237)	(3.677.300.501)	(2.603.490.257)	(18.911.878)	(2.622.402.135)
Net operating profit/(loss)	178.943.974	13.115.992	192.059.966	93.841.262	24.760.310	118.601.572
Financial profit/(loss)	(51.334.951)	(2.929.880)	(54.264.831)	(36.842.204)	(6.312.694)	(43.154.898)
Profit/(loss) related to associated companies	(1.469.126)	909.477	(559.649)	256.702	310.121	566.823
Profit/(loss) related to investments	6.617.001	(6.511.860)	105.141	17.108.306	(17.003.165)	105.141
Profit/(loss) before income tax	132.756.898	4.583.729	137.340.627	74.364.066	1.754.572	76.118.638
Income tax	(16.747.685)	456.326	(16.291.359)	(12.304.718)	618.396	(11.686.322)
Profit/(loss) after income tax	116.009.213	5.040.055	121.049.268	62.059.348	2.372.968	64.432.316

The adjustments arising from the transition to International Financial Reporting Standards, which have impact upon net profit for the year ending 31 December 2004, for the nine month period ending 30 September 2004 and for the third quarter of 2004 ending on 30 September 2004 can be detailed as follows:

	31.12.04	30.09.04	3rd Quarter 2004
Write-off of tangible and intangible assets net of amortizations and depreciations	5.384.359	5.922.241	1.097.189
Deferred taxes resulting from conversion adjustments to IFRS	982.128	-	
Write-off of deferred costs	909.028	(1.469.681)	577.020
Use of equity method for associated companies	909.477	310.120	57.076
Derivatives and marketable securities	(2.693.834)	(3.655.083)	449.919
Others	(451.103)	1.265.371	596.803
Total adjustments from conversion to IFRS	5.040.055	2.372.968	2.778.007

The conversion to IFRS resulted, mainly, in the following impacts upon the Net profit:

Amortisation and Depreciation

As referred to in the above note which explained the changes relating to tangible and intangible assets, repair and maintenance expenses are recorded as cost for the accounting period, thus leading to a reduction in the depreciation charge in 2004 of 11,092,204 Euro.

Financial Gain and Losses

Decrease in net financial profit amounting to 2,929,880 Euro inherent to income from titled funds held (4,724,424 euros). Under IFRS, these units are stated at fair value and the opening balance sheet already includes related income, while under Local GAAP, this income was only recorded in the first quarter of 2004, coinciding with the moment in which those units were sold.

Besides the abovementioned adjustments, it is important to note the following changes, which, despite not having any impact upon the net profit, correspond to reclassifications within the captions which make up the income statement:

Extraordinary Gains and Losses

According to local GAAP, 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 the operating cash flow (EBITDA). Under IFRS, this classification does not exist. As a result, the amounts involved were reclassified within the income statement according to their specific nature, essentially affecting net operating profit.

Provisions for stocks

Under Local GAAP, reductions in the value of stocks are presented under the caption "Provisions" while under IFRS they are presented as "Cost of Sales", thus explaining the decrease in provisions. As detailed in the notes to the 2004 consolidated financial statements prepared according to Local GAAP, 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 Local GAAP.

Regarding the statement of cash-flows, the most significant impacts refer to the restatement of payments related to intangible assets, within investment activities, which, under IFRS, are not considered as such and are reclassified under operating expenses.

32. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese according to International Financial Reporting Standards (IFRS). In the event of discrepancies the Portuguese language version prevails.

Matosinhos, 28 October 2005

MODELO CONTINENTE, S.G.P.S., S.A.

INDIVIDUAL FINANCIAL STATEMENTS

IAS / IFRS

30 SEPTEMBER 2005

MODELO CONTINENTE, S.G.P.S., S.A.

BALANCE SHEET AS AT 30 SEPTEMBER 2005 AND AS AT 31 DECEMBER 2004

(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 19)

ASSETS	Notes	IFRS 30-09-05	IFRS 31-12-04	Local GAAP 31-12-04
NON CURRENT ASSETS				
Tangible and intangible assets		782.368	990.539	716.735
Investments	4	1.339.443.230	1.339.448.230	2.195.471.837
Deferred tax assets	5	263.668	516.471	-
Other non-current assets	6	929.647.296	855.553.195	-
Total non current assets		2.270.136.562	2.196.508.435	2.196.188.572
CURRENT ASSETS				
Other debtors and other current assets	7	852.234.212	834.374.016	841.958.784
Investments	8	6.145.064	8.823.291	-
Cash and cash equivalents	9	10.034.948	45.271.844	45.271.844
Total current assets		868.414.224	888.469.151	887.230.628
TOTAL ASSETS		3.138.550.786	3.084.977.586	3.083.419.200
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	10	1.100.000.000	1.100.000.000	1.100.000.000
Reserves and retained earnings		1.278.422.253	1.198.418.311	1.192.290.776
Net profit (loss) for the period		42.303.003	80.003.942	83.437.126
TOTAL EQUITY	17	2.420.725.256	2.378.422.253	2.375.727.902
LIABILITIES				
NON CURRENT LIABILITIES				
Loans	11	594.858.153	180.758.653	184.800.000
Deferred tax liabilities	5	1.163.234	1.712.480	-
Total non-current liabilities		596.021.387	182.471.133	184.800.000
CURRENT LIABILITIES				
Loans	11	1.319.117	1.218.842	1.230.489
Other current liabilities	12	120.485.026	522.865.358	521.660.809
Total current liabilities		121.804.143	524.084.200	522.891.298
TOTAL LIABILITIES		717.825.530	706.555.333	707.691.298
TOTAL EQUITY AND LIABILITIES		3.138.550.786	3.084.977.586	3.083.419.200

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

INCOME STATEMENTS BY NATURE

FOR THE QUARTER AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 19)

		IFRS				Local GAAP
			30-09-05		30-09-04	30-09-04
	Notes	3rd Quarter 05	Year to Date	3rd Quarter 04	Year to Date	Year to Date
Operating Income						
Services Rendered		4.125.967	12.325.528	4.181.166	11.774.905	11.774.905
Other operational income		18.617	3.105.785	27.419	77.343	22.882
Total operational income		4.144.584	15.431.313	4.208.585	11.852.248	11.797.787
Operating expenses						
External supplies and services		(302.439)	(883.863)	(609.339)	(1.822.867)	(1.822.867)
Payroll		(975.883)	(2.599.604)	(342.780)	(2.509.042)	(2.509.042)
Depreciation and amortization		(70.528)	(211.477)	(70.446)	(211.311)	(507.819)
Other operational expenses		(115.837)	(3.253.468)	(181.003)	(1.571.225)	(1.331.375)
Total operational expenses		(1.464.687)	(6.948.412)	(1.203.568)	(6.114.445)	(6.171.103)
Net operationg profit/(loss)		2.679.897	8.482.901	3.005.017	5.737.803	5.626.684
Financial profit/(loss)		6.961.983	22.500.337	7.448.024	19.412.475	23.629.394
Profit/(loss) related to investments	14	-	16.020.665	-	20.665.733	20.665.733
Extraordinary profit/(loss)						(586.407)
Profit/(loss) before income tax		9.641.880	47.003.903	10.453.041	45.816.011	49.335.404
Income tax		1.373.966	(4.700.900)	1.631.703	389.642	(22.983)
Profit/(loss) for the period	15	11.015.846	42.303.003	12.084.744	46.205.653	49.312.421
Profit/(loss) per share (Basic and diluted)		0,01	0,04	0,01	0,04	0,04

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 19)

	Notes	Share capital	Reserves and Retained earnings	Net profit/loss	Total Equity
Balance at 1 January 2004	17	1.100.000.000	1.198.778.757	-	2.298.778.757
Appropriation of 2003 net profit					
Transfer to legal reserves and retained earnings		-			-
Changes in reserves					
Other		-	318.454		318.454
Net profit/(loss) for the nine month period ending 30 September 2004		-	-	46.205.653	46.205.653
Balance at 30 September 2004	17	1.100.000.000	1.199.097.211	46.205.653	2.345.302.864
Balance at 31 December 2004	17	1.100.000.000	1.198.418.311	80.003.942	2.378.422.253
Appropriation of 2004 net profit					
Transfer to legal reserves and retained earnings		-	80.003.942	(80.003.942)	-
Net profit/(loss) for the nine month period ending 30 September 2005				42.303.003	42.303.003
Balance at 30 September 2005		1.100.000.000	1.278.422.253	42.303.003	2.420.725.256

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIODS ENDED AT 30 SEPTEMBER 2005 AND 2004

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 19)

	Notes	30-09-05	30-09-04
OPERATING ACTIVITIES			
Net cash flow from operating activities (1)		25.013.951	26.227.837
INVESTING ACTIVITIES			
Cash receipts related to:			
Investments		10.200	3.175.842
Interests and similar income		28.374.354	29.688.595
Dividends		16.015.465	20.665.733
Loans granted		1.248.213.012	1.312.969.561
Others			
		1.292.613.031	1.366.499.731
Cash payments related to:			
Investments		-	(27.862.923)
Tangible and intangible assets		(5.346)	(1.602)
Loans granted		(1.345.400.614)	(1.678.078.288)
Others			
		(1.345.405.960)	(1.705.942.813)
Net cash used in investing activities (2)		(52.792.929)	(339.443.082)
FINANCING ACTIVITIES			
Cash receipts related to:			
Loans obtained		1.003.965.300	504.344.900
		1.003.965.300	504.344.900
Cash Payments related to:			
Loans obtained		(1.003.987.400)	(430.166.624)
Interest and similar charges		(7.524.372)	(9.405.990)
Dividends		(74)	(67)
		(1.011.511.846)	(439.572.681)
Net cash used in financing activities (3)		(7.546.546)	64.772.219
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(35.325.524)	(248.443.026)
Cash and cash equivalents at the beginning of the period		45.241.354	253.352.588
Cash and cash equivalents at the end of the period	9	9.915.830	4.909.562

The accompanying notes are part of these financial statements

The Board of directors

MODELO CONTINENTE, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDING AT 30 SEPTEMBER 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 19)

1. INTRODUCTION

MODELO CONTINENTE, SGPS, S.A. ("the Company" or "Modelo Continente") is a Portuguese corporation with shares listed on the Euronext Lisbon, whose head office is in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal.

Its principal activity is the management of investments (Note 4).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying financial statements are as follows:

2.1. Basis of preparation

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2005.

International Financial Reporting Standards (IFRS) were adopted for the first time in 2005. As a result, the transition date from the Portuguese generally accepted accounting principles to the standards referred above is 1 January 2004, as established by IFRS 1 – "First time adoption of International Financial Reporting Standards".

According to that standard, the adjustments as at the date of transition to IFRS (1 January 2004) were recorded under Equity and are described in Note 17. This note also includes the description of the adjustments made to the last annual financial statements presented (31 December 2004).

Interim financial statements are presented quarterly, in accordance with IAS 34 – "Interim Financial Reporting".

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for some financial instruments which are stated at fair value (Note 2.5).

2.2. Tangible Assets

Tangible assets acquired until 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost in accordance with the generally accepted accounting principles in Portugal until that date, net of amortizations and depreciations and accumulated impairment losses (“Deemed cost”).

Tangible assets acquired after that date, are recorded at acquisition cost, net of depreciations and accumulated impairment losses.

Depreciation is provided on a straight line basis, as from the date the asset is available for use, taking into consideration the estimated useful life for each class of assets.

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	50
Basic equipment	10 to 15
Transport equipment	5
Tools and containers	4
Fixture and fittings	10
Other tangible assets	5

2.3. Intangible Assets

Intangible assets are stated at acquisition cost, net of depreciations and accumulated impairment losses. Intangible assets are only recognized if, inherent to these, it is probable that future economic benefit will flow for the Company, are controlled by the Company and if their cost can be reliably measured.

Depreciation is provided on a straight line basis, as from the date the asset is available for use, taking into consideration the estimated useful life for each class of assets.

2.4. Borrowing costs

Borrowing costs are normally recognized as expense in the period in which they are incurred.

2.5. Financial Instruments

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. The investments classified as held to maturity have defined maturity and the Company has intention and capacity to maintain them until the maturity date.
Investments measured at fair value through profit or loss are classified as current assets.
Available-for-sale investments are classified as non current assets.

All purchases and sales of investments are recognized on the trade date, independently of the liquidation date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs if related to Held to maturity and Available-for-sale investments.

Available-for-sale and investments measured at fair value through profits or loss are subsequently carried at fair value without any deduction for transaction costs which may be incurred on its sale by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognized directly under the Fair value reserve in Equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is transferred to net profit or loss for the period.

Held to maturity investments are carried at amortized cost using the effective interest rate method, net of capital reimbursements and interest income received.

Investments in subsidiaries are recorded according with IAS 27, at cost less eventual impairment losses.

b) Accounts receivable

Receivables are stated at their nominal value less eventual impairment losses, recorded under the caption Impairment losses in accounts receivable, so that those receivables reflect their net realizable value.

c) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based upon their contractual substance, independently from the legal form they assume.

d) Loans

Loans are recorded as liabilities at their nominal value net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the statement of profit and loss on an accrual basis, in accordance with the accounting policy defined in Note 2.7. The portion of the effective interest rate regarding up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

e) Trade accounts payable

Accounts payable are stated as their nominal value.

f) Derivatives

The Company uses derivatives in the management of its financial risks, only to hedge such risks. Derivatives are not used by the Group for trading purposes.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest and exchange rates risks on loans obtained. The conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of the amount, maturity dates of the interest and repayment schedules of the loans and for these reason they qualify as perfect hedges.

The Company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- there is adequate documentation of the hedging relationships at the inception of the hedge;

Cash flow hedge instruments used by the Company to hedge the exposure to changes in the interest and exchange rates of its loans are initially accounted for at cost and subsequently adjusted to the corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognized in the statement of profit and loss over the same period in which the hedged instrument affects the income statement.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded and deferred in equity under the caption Hedging reserve are transferred to profit and loss of the year or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract and this is not stated at fair value with gains and losses not realizable are recorded in the Profit and Loss statement.

Additionally, the Group also negotiates, in specific situations, interest rate derivatives and foreign exchange rate derivatives directed to hedge fair values. In these cases, the derivatives are stated at fair value through the Income statement. When the hedged instrument is not measured at fair value (i.e. loans which are recorded at amortized cost) the book value is adjusted by the amount which is effectively hedged through the profit and loss.

g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at banks in demand and term deposits and other treasury applications which mature in less than three months that are subject to insignificant risk of change in value.

For purposes of the statement of cash flows, cash and cash equivalents caption also includes bank overdrafts, which are included in the balance sheet caption Loans.

2.6. Contingent assets and liabilities

Contingent liabilities are not recorded in the financial statements, being disclosed, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the consolidated financial statements but disclosed when the existence of future economic benefit is probable.

2.7. Revenue recognition and accrual basis

Revenue from services rendered is recognized in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Dividends are recognized as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognized in the income statement.

2.8. Subsequent events

Post-balance-sheet events that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-balance-sheet events that are not adjusting events are disclosed in the notes when material.

2.9. Income tax

Modelo Continente is taxed in accordance with Special Regime of Taxing Groups of Companies (Parent company). Each company included in this regime records income tax for the year in its individual accounts in the caption "Group companies". Where a subsidiary contributes with a tax loss, it reflects, in its individual accounts, the amount of tax corresponding to the loss to be compensated by the profits of the other companies covered by in this regime.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in Equity

3. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

During the period there were no changes neither in accounting policies nor correction of errors.

4. INVESTMENTS

As of 30 September 2005 and 31 December 2004, the detail of investments is as follows:

euro

Company	30.09.2005 % Held	30.09.2005 Acquisition price	31.12.2004 % Held	31.12.2004 Acquisition price
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	100,00%	272.000	100,00%	272.000
Contimobe - Imobiliária Castelo Paiva, S.A.	8,07%	5.924.043	8,07%	5.924.043
Fozimo - Sociedade Imobiliária, S.A.	100,00%	24.940	100,00%	24.940
Igimo - Sociedade Imobiliária, S.A.	100,00%	220.000	100,00%	220.000
Iginha - Sociedade Imobiliária, S.A.	0,00%		10,00%	5.000
Imoconti - Sociedade Imobiliária, S.A.	100,00%	50.000	100,00%	50.000
Imomuro - Sociedade Imobiliária, S.A.	100,00%	189.940	100,00%	189.940
Imoresultado - Sociedade Imobiliária, S.A.	100,00%	109.736	100,00%	109.736
Infofield - Informática, S.A.	10,00%	420.459	10,00%	420.459
Modelo Continente - Operações de Retalho, SGPS, S.A.	100,00%	1.000.000.000	100,00%	1.000.000.000
Modelo Continente Hipermercados, S.A.	46,20%	2.304.446	46,20%	2.304.446
Modelo Investimentos Brasil, S.A.	10,97%	72.034.667	10,97%	72.034.667
Modelo, SGPS, S.A.	0,15%	562.444	0,15%	562.444
Modelo-Com - Vendas por Correspondência, S.A.	100,00%	6.387.016	100,00%	6.387.016
Modis, SGPS, Ldª.	60,00%	1.197	60,00%	1.197
Ok Bazar - Comércio Geral, S.A.	100,00%	1.953.945	100,00%	1.953.945
Predicomercial - Promoção Imobiliária, S.A.	10,00%	187.548	10,00%	187.548
Sempre à Mão - Sociedade Imobiliária, S.A.	100,00%	50.000	100,00%	50.000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	25,00%	249.399	25,00%	249.399
Sesagest - Projectos e Gestão Imobiliária, S.A.	100,00%	36.677.088	100,00%	36.677.088
Sociloures - Sociedade Imobiliária, S.A.	100,00%	10.000.000	100,00%	10.000.000
Soflorin, B.V.	100,00%	57.309.037	100,00%	57.309.037
Sonae, SGPS, S.A.	0,003%	53.500	0,003%	53.500
Sonae Distribuição Brasil, S.A.	34,32%	129.510.898	34,32%	129.510.898
Sonae Retalho España, S.A.	100,00%	2.549.832	100,00%	2.549.832
Sondis, B.V.	100,00%	6.752.491	100,00%	6.752.491
Sonvecap, B.V.	100,00%	3.000.000	100,00%	3.000.000
Sportzone - Comércio de Artigos de Desporto, S.A.	10,00%	706.326	10,00%	706.326
SRE - Projectos de Consultadoria, S.A.	100,00%	1.259.784	100,00%	1.259.784
Todos os Dias-Comércio Ret. e Expl. de Centros Comerciais, S.A.	100,00%	680.000	100,00%	680.000
Worten - Equipamentos para o Lar, S.A.	10,00%	2.494	10,00%	2.494
		1.339.443.230		1.339.448.230

5. DEFERRED TAX

Deferred tax assets and liabilities as at 30 September 2005 and 31 December 2004 can be detailed, taking into consideration its temporary differences, as follows:

euro

	30.09.05		31.12.04	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Financial Instruments	197.837	980.832	331.251	1.451.964
Write off of intangible assets	65.831		185.220	
Harmonization adjustments (amortizations)		182.402		260.516
	263.668	1.163.234	516.471	1.712.480

6. OTHER NON CURRENT ASSETS

As of 30 September 2005 and 31 December 2004, the caption other non current assets are detailed as follows:

	30.09.2005	31.12.2004
		euro
Loans to group companies	929.647.296	855.553.195

7. OTHER CURRENT ASSETS

As of 30 September 2005 and 31 December 2004, the caption other current assets are detailed as follows:

	30.09.2005	31.12.2004
		euro
Clients	880.977	431.749
Related companies	794.967.032	824.565.887
Other debtors	3.358.360	3.555.248
Taxes and contribuitions receivable	3.875.000	4.555.517
Deferrals costs	308.080	616.990
Accrued income	48.844.763	648.625
	852.234.212	834.374.016

The caption "Related companies" refers essentially to: (i) a receivable amount of 448,183,235 Euros relating to the sale of investments during 2002;(ii) a receivable amount of 395,503 Euros relating to group company interest invoiced but not received; (iii) the amount of 338,488,500 Euros relating to short term loans to group companies; (iv) a receivable amount of 7,899,794 relating to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies.

The Other Debtors caption, includes the amount of approximately 2,650,000 Euro related to tax claims. The Board of Directors of Modelo Continente understands that the outcome of this claim will be favourable.

As at 30 September 2005, the Accruals and deferrals caption includes 36,765,629 Euro regarding interest upon loans granted to Group companies, as well as 12,079,134 Euros related to the accrual of royalties inherent to its brand.

8. INVESTMENTS

As of 30 September 2005, this caption corresponds to derivative instruments contracted to manage the exposure of Modelo Continente, SGPS, S.A. Group to loan interest rates.

9. CASH AND CASH EQUIVALENTS

As of 30 September 2005 and 31 December 2004, the caption "Cash and Cash Equivalents" can be detailed as follows:

	30.09.2005	31.12.2004
		euro
Cash at hand		
Bank deposits	10.034.947	
Treasury applications		45.271.844
Cash and cash equivalents on balance sheet	10.034.947	45.271.844
Bank overdrafts (Note 11)	-119.117	-30.490
Cash and equivalents on the statement of cash flow	9.915.830	45.241.354

Bank overdrafts are recorded in the balance sheet under Current loans.

10. SHARE CAPITAL

As of 30 September 2005 and 31 December 2004, the share capital, which is fully subscribed and paid for, is made up of 1,100,000,000 ordinary shares with a nominal value of 1 Euro each.

11. LOANS

As of 30 September 2005 and 31 December 2004, loans are made up as follows:

euro

	30.09.2005				31.12.2004			
	Book Value		Nominal Value		Book Value		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans	1.319.117	2.800.000	1.319.117	2.800.000	1.218.842	2.800.000	1.230.489	2.800.000
Bonds		592.058.153		597.000.000		177.958.653		182.000.000
	1.319.117	594.858.153	1.319.117	599.800.000	1.218.842	180.758.653	1.230.489	184.800.000

As at 30 September 2005 bond loans are as follows:

Modelo Continente / 2003	82,000,000
Modelo Continente / 2004	100,000,000
Modelo Continente - 2005 / 2010	265,000,000
Modelo Continente - 2005 / 2012	150,000,000

MODELO CONTINENTE / 2003 BONDS
1,640,000 bonds - Nominal Value: 50 Euro.
Maximum term: eight years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.75% per annum.
Interest Payment: half yearly in arrears, on 15 April and 15 October of each year.
Redemption: at par, in one payment on 15 October 2011, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE / 2004 BONDS
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: five years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1.15% per annum.

Interest Payment: half yearly in arrears, on 18 March and 18 September of each year.
Redemption: at par, in one payment on 18 March 2009, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE - 2005 / 2010 BONDS
265,000 bonds – Nominal Value: 1,000 euro.
Maximum term: five years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.70% per annum.
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, at the end of the 5th year in one payment on 3 August 2010, the maturity date of the loan, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the 2nd, 3rd or 4th year of maturity. In this situation the issuer is obliged to pay a prize of 0.125% over de reimbursed value.

MODELO CONTINENTE - 2005 / 2012 BONDS
15,000,000 bonds – Nominal Value: 10 euro.
Maximum term: seven years.
Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.85% per annum.
Interest Payment: half yearly in arrears, on 2 February and 2 August of each year.
Redemption: at par, in one payment on 2 August 2012, the payment date of the 14th coupon, except if it an early redemption occurs.
Early redemption (call-option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the reimbursement dates of the 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bank loans

Includes:

a) A bank loan of 4,000,000 Euro obtained from a financial institution, repayable from 2006 to 2007, bearing interest payable half yearly at normal market rates. As of 30 September 2005, 2,800,000 Euro are considered as non current liabilities and 1,200,000 Euro remaining as current liabilities

b) The amount of 119,117 euros corresponds to bank overdrafts (Note 9).

12. OTHER CURRENT LIABILITIES

As of 30 September 2005 and 31 December 2004 other current liabilities were made up as follows:

	30.09.2005	31.12.2004
		euro
Suppliers	148.701	18.825
Related companies	105.535.357	511.360.508
Other creditors	32.108	12.822
Taxes and contribuitions payable	232.217	5.847.240
Accrued costs	13.378.336	4.421.414
Derivatives	1.158.307	1.204.549
	120.485.026	522.865.358

The caption "Accrued costs" contains the amount of 10,890,273 Euro relating to the presentation of payable interests on an accrual basis.

13. CONTINGENT ASSETS AND LIABILITIES

	30.09.2005	31.12.2004
		euro
Guarantees rendered:		
related to tax awaiting outcome	18.817.627	17.556.249
	18.817.627	17.556.249

The Group did not record any provision upon eventual risks out coming from claims which are covered by guarantees. It is the Board of Directors understanding that no liabilities towards the Company will arise from the outcome of those claims.

14. RESULTS RELATED TO INVESTMENTS

As of 30 September 2005 and 2004 and in the quarters ending in those dates, the net profit/loss related to investments is as follows:

	2005		2004	euro
	3rd Quarter	Accumulated	3rd Quarter	Accumulated
Dividends		16.015.465		20.665.733
Earnings with investments disposals		5.200		
	0	16.020.665		20.665.733

15. EARNINGS PER SHARE

Earnings per share for the period were calculated taking into consideration the following amounts:

	30.09.2005	30.09.2004
		euro
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	42.303.003	46.205.653
Net profit taken into consideration to calculate diluted earnings per share	42.303.003	46.205.653
Number of shares		
Weighted average number of shares used to calculated basic Earnings per share	1.100.000.000	1.100.000.000
Weighted average number of shares used to calculated the diluted earnings per share	1.100.000.000	1.100.000.000
Earnings per share (basic and diluted)	0,04	0,04

16. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on the 28 October 2005.

17. FIRST TIME ADOPTION OF "INTERNATIONAL FINANCIAL REPORTING STANDARDS"

The Group adopted International Financial Reporting Standards (IFRS) in 2005, having taken into consideration "IFRS 1 – First-Time Adoption of International Financial Reporting Standards". In terms of presentation of the financial statements, the transition date was set at 1 January 2004.

The effect on the balance sheets as at 1 January 2004 and 31 December 2004 of converting the financial statements prepared under Portuguese GAAP ("POC") to the financial statements re-expressed under International Financial Reporting Standards (IFRS) can be detailed as follows:

Euro

	1.01.2004			31.12.2004		
		Transition to IFRS			Transition to IFRS	
	POC	IFRS	IFRS	POC	IFRS	IFRS
NON CURRENT ASSETS						
Tangible and intangible assets	1.343.204	(72.510)	1.270.694	716.735	273.804	990.539
Investment Properties	-	-	-	-	-	-
Investments	1.213.524.262	(490.913)	1.213.033.349	2.195.471.837	(856.023.607)	1.339.448.230
Deferred tax assets	-	750.812	750.812	-	516.471	516.471
Other non-current assets	528.439.312	-	528.439.312	-	855.553.195	855.553.195
Total non current assets	1.743.306.778	187.389	1.743.494.167	2.196.188.572	319.863	2.196.508.435
CURRENT ASSETS						
Inventory	-	-	-	-	-	-
Other current assets	933.373.674	(2.787.649)	930.586.025	841.958.784	(7.584.768)	834.374.016
Investments	-	149.313.226	149.313.226	-	8.823.291	8.823.291
Cash and cash equivalents	248.687.423	(136.079.991)	112.607.432	45.271.844	-	45.271.844
Total current assets	1.182.061.097	10.445.586	1.192.506.683	887.230.628	1.238.523	888.469.151
TOTAL ASSETS	2.925.367.875	10.632.975	2.936.000.850	3.083.419.200	1.558.386	3.084.977.586
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	1.100.000.000	-	1.100.000.000	1.100.000.000	-	1.100.000.000
Own Shares	-	-	-	-	-	-
Reserves and retained earnings	1.124.953.482	6.487.981	1.131.441.463	1.192.290.776	6.127.535	1.198.418.311
Net profit (loss) for the period	67.337.294	-	67.337.294	83.437.126	(3.433.184)	80.003.942
Total Equity	2.292.290.776	6.487.981	2.298.778.757	2.375.727.902	2.694.351	2.378.422.253
TOTAL EQUITY	2.292.290.776	6.487.981	2.298.778.757	2.375.727.902	2.694.351	2.378.422.253
LIABILITIES						
NON-CURRENT LIABILITIES						
Loans	86.000.000	-	86.000.000	184.800.000	(4.041.347)	180.758.653
Other non-current liabilities		-	-	-	-	-
Deferred tax liabilities	-	2.872.537	2.872.537	-	1.712.480	1.712.480
Provisions	-	-	-	-	-	-
Total non-current liabilities	86.000.000	2.872.537	88.872.537	184.800.000	(2.328.867)	182.471.133
CURRENT LIABILITIES						
Loans	15.848.679	(11.648)	15.837.031	1.230.489	(11.647)	1.218.842
Other current liabilities	531.228.420	1.284.105	532.512.525	521.660.809	1.204.549	522.865.358
Provisions	-	-	-	-	-	-
Total current liabilities	547.077.099	1.272.457	548.349.556	522.891.298	1.192.902	524.084.200
TOTAL LIABILITIES	633.077.099	4.144.994	637.222.093	707.691.298	(1.135.965)	706.555.333
TOTAL EQUITY AND LIABILITIES	2.925.367.875	10.632.975	2.936.000.850	3.083.419.200	1.558.386	3.084.977.586

As of 1 January 2004 and 31 December 2004, the impact upon equity of the transition to IFRS can be detailed as follows:

euro

	01.01.2004	31.12.2004
Tangible and intangible assets	-52.570	201.710
Financial Instruments	6.286.161	2.619.197
Other deferred taxes	254.390	(126.566)
	6.487.981	2.694.341

The effect on the balance sheet as of 30 September 2004 of converting the financial statements to International Financial Reporting Standards (IFRS) can be detailed as follows:

			euro
	30.09.2004		
		Transition to IFRS	
	POC	IFRS	IFRS
NON CURRENT ASSETS			
Tangible and intangible assets	836.987	223.999	1.060.986
Investments	1.312.390.628	(478.913)	1.311.911.715
Deferred tax assets	-	377.352	377.352
Other non-current assets	813.535.872	-	813.535.872
Total non current assets	2.126.763.487	122.438	2.126.885.925
CURRENT ASSETS			
Inventory	-	-	-
Other current assets	898.084.783	(6.857.163)	891.227.620
Investments	-	35.707.071	35.707.071
Cash and cash equivalents	32.279.528	(27.369.870)	4.909.658
Total current assets	930.364.311	1.480.038	931.844.349
TOTAL ASSETS	3.057.127.798	1.602.476	3.058.730.274
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	1.100.000.000	-	1.100.000.000
Own Shares	-	-	-
Reserves and retained earnings	1.192.290.776	6.806.435	1.199.097.211
Net profit (loss) for the period	49.312.421	(3.106.768)	46.205.653
Total Equity	2.341.603.197	3.699.667	2.345.302.864
TOTAL EQUITY	2.341.603.197	3.699.667	2.345.302.864
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	186.000.000	(4.199.597)	181.800.403
Other non-current liabilities		-	-
Deferred tax liabilities	-	1.561.901	1.561.901
Provisions	-	-	-
Total non-current liabilities	186.000.000	(2.637.696)	183.362.304
CURRENT LIABILITIES			
Loans	97	(11.647)	(11.550)
Other current liabilities	529.524.504	552.152	530.076.656
Provisions	-	-	-
Total current liabilities	529.524.601	540.505	530.065.106
TOTAL LIABILITIES	715.524.601	(2.097.191)	713.427.410
TOTAL EQUITY AND LIABILITIES	3.057.127.798	1.602.476	3.058.730.274

As of 30 September 2004, the impact upon equity of the conversion to IFRS can be detailed as follows:

	euro
	30.09.2004
Tangible and intangible assets	71.764
Financial Instruments	3.373.512
Other deferred taxes	254.391
	3.699.667

The effect upon the income statements for the year ending on 31 December 2004 and 30 September 2004 can be detailed as follows:

	31.12.2004			30.09.2004		euro
	POC	Transition to IFRS	IFRS	POC	IFRS IFRS	IFRS
Operating income:						
Sales	-	-	-	-	-	-
Services rendered	20.603.424	-	20.603.424	11.774.905	-	11.774.905
Other operating income	5.792.866	74.694	5.867.560	22.882	54.461	77.343
Total operating income	26.396.290	74.694	26.470.984	11.797.787	54.461	11.852.248
Operating expenses						
External supplies and services	(1.162.425)	-	(1.162.425)	(1.822.867)	-	(1.822.867)
Personnel expenses	(3.381.226)	(1)	(3.381.227)	(2.509.042)	-	(2.509.042)
Amortizations and depreciations of tangible and intangible assets	(628.070)	346.313	(281.757)	(507.819)	296.508	(211.311)
Provisions and impairment	-	-	-	-	-	-
Other operating expenses	(914.776)	(244.365)	(1.159.141)	(1.331.375)	(239.850)	(1.571.225)
Total operating expenses	(6.086.497)	101.947	(5.984.550)	(6.171.103)	56.658	(6.114.445)
Net operating profit/(loss)	20.309.793	176.641	20.486.434	5.626.684	111.119	5.737.803
Financial profit/(loss)	32.888.051	(4.841.866)	28.046.185	23.629.394	(4.216.919)	19.412.475
Profit/(loss) related to investments	20.665.733	-	20.665.733	20.665.733	-	20.665.733
Extraordinary profit/(loss)	(566.174)	566.174	-	(586.407)	586.407	-
Profit/(loss) before income tax	73.297.403	(4.099.051)	69.198.352	49.335.404	(3.519.393)	45.816.011
Income tax	10.139.723	665.867	10.805.590	(22.983)	412.625	389.642
Net profit for the period	83.437.126	(3.433.184)	80.003.942	49.312.421	(3.106.768)	46.205.653

The adjustments arising on the transition to International Financial Reporting Standards, which have impact upon net profit for the year ending 31 December 2004 and for the three and nine month periods ending 30 September 2004, can be detailed as follows:

			euro
	31.12.2004	30.09.2004	3rd Quarter 2004
Tangible and intangible assets	254.280	124.334	4.921
Financial Instruments	(3.687.464)	(3.231.102)	609.364
	(3.433.184)	(3.106.768)	614.285

18. INFORMATION REQUIRED BY LAW

Art 5, item 4 of Decree-Law 3318/94

During the nine month period ending 30 September 2005, shareholders' loan contracts were entered into with the following companies:

Modelo Continente Hipermercados, S.A.
Sociloures – Sociedade Imobiliária, S.A.
Soflorin, B.V.
Sport-Zone – Comércio e Artigos de Desporto, S.A.
Worten – Equipamentos para o Lar, S.A.

During the nine month period ending 30 September 2005, short-term treasury loan contracts were entered into with the following companies:

Contibomba – Comércio e Distribuição de Combustíveis, S.A.
Igimo – Sociedade Imobiliária, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imoresultado – Sociedade Imobiliária, S.A.
Modis, S.G.P.S., Lda
Sempre à Mão – Sociedade Imobiliária, S.A.
Sonae, S.G.P.S., S.A.
Sondis, B.V.
Soflorin, B.V.

As of 30 September 2005, the receivable balances related to the contracts mentioned above were as follows:

Loans granted:

	euro
Company	30.09.05
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	247.000
Fozimo – Sociedade Imobiliária, S.A.	2.252.000
Igimo – Sociedade Imobiliária, S.A.	717.000
Imoconti – Sociedade Imobiliária, S.A.	20.413.965
Imomuro - Sociedade Imobiliária, S.A.	4.430.897
Imoresultado – Sociedade Imobiliária, S.A.	406.000
Modelo.Com - Vendas por Correspondência, S.A.	2.939.998
Modelo Continente - Operações de Retalho, SGPS, SA	30.767.000
Modelo Continente Hipermercados, S.A.	610.550.500
Modis, SGPS, Lda.	0
Ok Bazar - Comércio Geral, SA	12.899.000
Predicomercial - Promoção Imobiliária, S.A.	9.907.000
Sempre à Mão - Sociedade Imobiliária, SA	54.000
Sesagest - Projectos e Gestão Imobiliária, S.A.	52.371.000
Sociloures - Sociedade Imobiliária, S.A.	25.543.000
Sondis, B.V.	267.007.104
Soflorin, B.V.	38.614.330
Sonae , S.G.P.S., S.A.	15.000.000
Sonae Retalho España, S.A.	466.002
Sportzone - Comércio de Artigos de Desporto, S.A.	9.669.000
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	1.506.000
Worten - Equipamentos para o Lar, S A.	162.375.000
	1.268.135.796

As of 30 September 2005, the payable balances related to the contracts mentioned above were as follows:

Loans obtained – Short term:

Company	30.09.05 (euro)
Modelo, S.G.P.S., S.A.	-90.956.900
Iginha - Sociedade Imobiliária, S.A.	-10.000
Modelo Hiper - Imobiliária, S.A.	-1.791.000
SRE - Projectos de Consultoria, S.A.	-556.000
	-93.313.900

19. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese according to International Financial Reporting Standards (IFRS). In the event of discrepancies the Portuguese language version prevails.

Matosinhos, 28 October 2005