MODELO CONTINENTE

CONSOLIDATED FINANCIAL STATEMENTS IAS/IFRS

31 DECEMBER 2006

(Translation of financial statements originally issued in Portuguese - Note 44)

MODELO CONTINENTE, SGPS, SA
Head Office: R. João Mendonça, 529 - 4464-501 SENHORA DA HORA
Porto Commercial Registry Fiscal Nr. 501532927
Share Capital 1.100.000.000 Euro

Management Report for Modelo Continente, SGPS, S.A.

To the Shareholders,
In accordance with Portuguese Law and the company's articles of association, we hereby present the management report of Modelo Continente, SGPS, S.A. for the year ending 31 December 2006.

Preliminary Notes

On 13 December 2005, Modelo Continente, SGPS, S.A. disposed of its entire shareholding in the Brazilian company Sonae Distribuição Brasil, S.A., thus ceasing its retail activity in the country. As a result, it is not possible to directly compare the results for 2006 with those of the previous year.

In order to facilitate the reading and understanding of the company's performance, the following text refers to the activity developed in 2005 as if Modelo Continente's business had been focused on the Portuguese market (as is the case currently).

With Sonae SGPS, SA acquiring total control of Modelo Continente SGPS, SA under the regulations specified in paragraph 3 of Article 490 of the Commercial Companies' Code, Modelo Continente SGPS, SA lost its status as a public company (de-listing), and has thus been excluded from the Euronext stock exchange in Lisbon since 22 September 2006.

Economic background

In 2006, the world economy continued the strong growth that has taken place over the last few years at a rate slightly higher than 5%. This performance was the result of growth of around 7% in developing economies and 3% in developed ones, the latter being higher by a half percentage point compared to 2005.

Strong growth occurred in most world economies and was all the more remarkable taking into account the generalised rises in raw material prices, in particular oil, despite overall inflation being kept under control, and rises in base interest rates, although these continued at relatively low levels.

The Portuguese economy once again followed the overall positive trend of the world economy. In 2006, Portuguese GDP grew in real terms by only 1.3%, although this was above the rate recorded in 2005 of 0.5%.

The slight economic recovery in the country was however still not enough to begin again the process of real convergence with the Euro zone, which halted at the beginning of the decade.

During 2006, growth of the Portuguese economy was restricted by zero real growth in internal demand, which was due to:

- another fall in investment, driven by the less confident outlook of

business in previous years;

- the slow down in private consumption given that against a background of moderate growth in disposable income and deteriorating levels of family debt, the progressive increase in interest rates inevitably limited growth of consumption;
- a decrease in public consumption, as a result of control over public spending made necessary by efforts to consolidate the budget deficit.

In 2006, the factor favouring economic growth was international trade, as a result of a sharp increase in exports, which increased by around 8.8% in real terms when compared with 2005.

The still weak recovery of the Portuguese economy was accompanied by improvement in most of the indices of consumer and business confidence, particularly concerning economic growth and the stability of the unemployment rate. A progressive acceleration of economic activity can now be expected in Portugal, although this will not for the time being result in convergence in real terms with the Euro zone.

Main factors affecting the retail market

Over the last few years, the Portuguese retail market has been characterised by the following factors:

- marked growth in supply, reflected in an increase in sales area;
- diversification of commercial formats;
- increasingly demanding consumers, contrasting with the relative stagnation in purchasing power in recent times;
- generalised improvement in service levels from the different retailers, against a background of increasing supply specialisation.

More specifically in 2006, and in relation to food retail, the year was marked by the large number of openings of new stores, as a result of the changes in the law concerning new commercial units introduced in 2004. Over the year 2006, the main food retail brands opened more than 110,000 m2 of sales area, equal to an increase of around 7% in the installed supply base. In the two years following the change to the regulatory framework in the sector, the total sales area has increased by a significant 14%, equal to more than 200,000 m2.

Continued strong growth of installed capacity means that supply density in Portugal is at a significantly higher level than in the retail sector of most other European countries. Current levels of density together with a background of controlled inflation and a weak growth in demand (evidenced by the recent growth in real terms of private consumption), immediately put increased competitive pressures on the retail business in Portugal.

The trend mentioned above of supply growth increases competition between the main operators, so that the price factor and promotional activity become critical, with an inevitable negative impact on profit margins.

During the year, inflation figures for food and non alcoholic beverages issued by the Portuguese National Statistics Institute, showed an average increase of 2.7%. This continues the trend of lower inflation growth rates for these items compared to the main retail cost items (in particular, energy, transport and labour costs), resulting in a special emphasis on operators' productivity indices.

As is the case in the majority of European economies, growth in income per head of the Portuguese has not led to growth in consumption per head of food products. On the contrary, demand in non food retail has shown greater growth, being especially noteworthy the increasing proportion of Portuguese consumer incomes spent on these types of item.

This trend has led over the last few years to new and alternative store formats to be set up in Portugal in the non food retail area, which broaden the offer available and serve an increasingly demanding customer in terms of product choice or the most appropriate service for his/her requirements.

Because of the wide range of operators and segments making up the non food retail sector, the growth of supply, measured by the increase in the number of m2 of gross locable area in shopping centres, has exceeded that of food retail in 2006, and this trend is expected to accelerate over the coming years.

Strategic background

Looking at the most important milestones of the path of the company, is also to highlight some of the most important moments of the process of modernisation of the Portuguese retail sector, and in a more general way, of the country's economy.

Modelo Continente is retail market leader in Portugal and an international benchmark, especially in terms of profitability. This position was achieved thanks to a strategy followed over the last twenty years and based on four key factors:

- profound knowledge of the market, which has meant that it has allowed an efficient and pro active value proposal to be made to the consumer;
- the combination of strong growth rates with high levels of operational efficiency;
- strong and continuous investment in innovation;
- focus on non food formats (of a more specialist nature), as a complement to basic food retail.

A period of twenty years has been enough for Portugal to come very close to European consumer standards, in a process of development of the retail

sector that has transformed it into one of the most developed and competitive economic areas.

The strong supply growth rate of food retail, with the consequent impact on related densities, was forecast and anticipated in good time by Modelo Continente, and was the justification for a range of strategic options which have been implemented over the last few years.

In this respect, the company invested early in broadening its business portfolio, taking advantage of existing synergies and developing new innovative non food based formats in the Portuguese market. More recently, the company has strengthened the portfolio with new concepts, examples of which are Área Saúde (health areas), Zippy (children and baby articles), Worten Mobile (specialist in the telecommunications area) and Star (travel agencies), the latter by acquisition.

Following the strategic direction of growth and consolidation of its position in its base markets, and benefiting from the change in the regulatory framework in the sector, Modelo Continente has increased the number of its stores, broadening its coverage of the Portuguese market, and as a result, making its value proposal available to an ever increasing number of Portuguese people. In this respect, the company continues to implement actions that allow its expansion plan to be achieved:

- in regions of high potential, by strengthening its presence;
- in districts in which the company does not yet operate, with the result that today, Modelo Continente covers around 70% of Portuguese families through its current store network and their catchment areas.

Increasingly demanding consumers, the appearance of new operators in the market, some of which are global players in the categories in which they operate, and the unfavourable trend of costs (with increases exceeding those of prices charged to customers), place a real and growing pressure on business profitability. In this context, the sustainability of the value proposal presented to the consumer demands a continuous investment in strengthening productivity indices.

Anticipating this trend, Modelo Continente began a process of improvement of internal procedures some years ago, with the goal of increasing productivity and focusing employees on tasks involving greater interaction with and adding greater value for customers. The success achieved in carrying out these programmes have increased confidence and redoubled the efforts of employees to implement them.

At the same time, the company has renewed and reinvented its store organisational models. Important investments have also been made in improving information systems, modernising the logistics structure, and training and developing staff.

In addition and as a result of the actions implemented, Modelo Continente is today owner of brands which have the greatest levels of confidence from the Portuguese consumer. It is recognised as the company which has innovated most in the sector, benefiting from a culture that has been built over a period

of the last twenty years, supported by a young, lean and motivated team, which has been increased over the last year by around 1,900 new employees.

Modelo Continente has combined

- strong organic growth,
- significant investment in new business areas and
- a relentless search to strengthen productivity indices,

with a growing focus on the customer. This concern is evident in all the initiatives undertaken, in particular in the management of suggestions and complaints, and in the carrying out of market studies which allow managers to take appropriate action, which is crucial to sustain the competitive advantage in the marketplace.

In this way, the company aims to increase customer satisfaction and loyalty, adjusting its value proposal to the constant demands of customers and keeping pace with the cultural, social and economic changes occurring in Portugal.

Thus, during 2006 and as a result of the actions carried out over the last few years, the company began a highly important project involving a multi disciplinary team with the goal of launching a broad ranging customer loyalty programme. The launch of the Continente and Modelo customer cards already took place at the beginning of 2007, and has been very well received. Building on this step, the company plans to take actions which will allow this relationship of confidence, which has always been a competitive advantage of the company, to be sustained and strengthened.

Business Activity

The consolidated turnover of Modelo Continente in 2006 totalled 3,091 million Euro, an increase of 13% in Portugal compared to 2005. Important factors in achieving this result were as follows:

- the positive performance of the store network on a like for like basis for most brands;
- the increase in the number of stores, with the opening of 45 thousand m2 of new sales area, mainly of the Modelo brand;
- the acquisition of the Star Travel Agency, with Modelo Continente thus broadening the available offer of services to its customers.

In 2006, the consolidated operational cash flow of the company amounted to 254 million Euro. This amount includes an increase of 19 million Euro over the same period of 2005 in the Portuguese market, an increase of 8%.

Profits on Ordinary Activities totalled 156 million Euro, up 17 million Euro on 2005.

The consolidated net profit for the year totalled 160 million Euro for the year,

equal to more than 5% of turnover. Compared to 2005, this figure increased by 29%, reflecting a very positive trend in the company's profitability.

Financial Structure

At the end of December 2006, the company's consolidated net debt stood at 377 million Euro, and was the result of sustained cash flow generation and the level of investments made.

This figure was 181 million Euro higher than at the end of 2005, but the great financial strength of the company continues to be maintained, reflected in a ratio of debt to operational cash flow of 1.5.

Over the year 2006, Modelo Continente invested in net terms around 246 million Euro, an amount approximately equal to cash flow generated in the same period.

In this respect, the increase in debt is due mainly to the acquisition of own shares: the company acquired 100 million own shares at an overall cost of 205 million Euro at the end of the year 2006.

Investment Programme

During 2006, Modelo Continente accomplished its extensive opening and refurbishment plan, in accordance with the strategic guidelines described in previous communications.

The company closed the year 2006 with a store network of 480 units, with an area of more than 543,000 m2, which includes a portfolio made up of three food retail formats that have been complemented over the last few years by 9 non food retail formats.

In food retail, the company increased its geographical coverage in Portugal, covering new regional markets, and providing its services to an increasingly wide range of customers. In this sector, the company inaugurated 11 stores, adding 22,000 m2 of sales area to its portfolio.

At the same time, and with the goal of strengthening the value proposal for its customers in the Portimão area, the company converted its Modelo brand unit there into a store of the Continente chain.

In the non food retail sector, the high rate of organic growth continued, with more than 23,000 m2 (+14%) being added among 76 units.

In addition, and with the goal of adding to the solutions offered to customers of Modelo Continente, the Star chain was acquired, while the brands Worten Mobile and Área Saúde were launched, which have quickly been accepted very positively by customers.

Sustainable Development

As retail leader in Portugal, and operating a broad ranging and diversified portfolio of food and non food based formats, Modelo Continente takes responsibility for its actions and any impacts that these can have on all stakeholders involved.

In this respect, the company has built a strong, competitive and sustainable culture, based on a stable and coherent set of Values and Principles, which cover the behavioural, economic, social and environmental aspects.

The quantitative information demonstrating the good results achieved over the last few years only give a partial view of the effective contribution of the company towards the sustainable development model in the economic and social area. As the reader will see in the sustainability report which will be published for the first time in 2007 relating to the year 2006, progress made will be fully described, and performance indicators for the three pillars of sustainability (economic, environmental and social) will be disclosed.

Corporate Governance

On 31 March 2006, the Annual Shareholders' General Meeting appointed the following Board of Directors for the four year period 2006/2009, as publicly announced to the markets on 5 April 2006:

- Belmiro Mendes de Azevedo - Chairman
- Nuno Manuel Moniz Trigoso Jordão – CEO
- Ângelo Gabriel Ribeirinho dos Santos Paupério – CFO
- Álvaro Carmona e Costa Portela – Non-executive Director
- Duarte Paulo Teixeira de Azevedo – Non-executive Director

Over and above the appointments mentioned above, no other significant changes took place during the period, and the guidelines defined in 2005 concerning Corporate Governance remain unchanged.

Outlook

Modelo Continente will continue to focus its efforts according to the guidelines already defined: growing and strengthening its value proposal to customers, through continuous investment in efficiency and innovation.

With the intention of strengthening its leadership of the Portuguese market, the company will continue the strong pace of openings of new units, which will allow the installed sales area to increase by more than 10%.

As far as food based retail is concerned, Modelo Continente plans to open more than 10 new units in 2007, seeking to reach an increasing number of Portuguese people.

Turning to non food retail and during the same period, the company intends to widen its store network, strengthening its benchmark position in the Portuguese retail market. For this, around 90 new units are expected to be added to the existing network, divided among the different formats and equal to more than 35,000 m2.

The company will also maintain the pace of renovation of its store network, and it is estimated that in 2007 more than 50 stores will be refurbished, equal to about 10% of installed units.

In addition, new formats to install in the base Portuguese market will be studied, which will generate new growth paths, based on taking advantage of synergies of competencies and internal resources. At the same time, studies will continue to be made of a possible broadening of the current businesses to new geographical areas.

Over the years, the company has sought to consolidate the high levels of satisfaction with its customers, an approach which allowed Continente brand to achieve for the fifth consecutive year the "Brand of trust" award in the retail sector. Taking advantage of this asset, the company intends to move forward seeking an even closer relationship with its customers, based on the launch of its customer card in food retail. In non food retail, the company will refine current customer loyalty programmes, associated with its existing customer cards, seeking to consolidate the good results already achieved.

The cumulative beneficial impact of the actions described above mean that Modelo Continente outlines over time the sustainability of its business model, based on a set of highly ethical principles, on the excellence of its relationship with different stakeholders, and on a strong awareness and adherence to the principles of corporate social responsibility.

Proposal for Profit Distribution for the company Modelo Continente, SGPS, S.A.

The board of Directors of Modelo Continente, SGPS, S.A. will propose a dividend distribution of 75 million Euro at the Annual Shareholders' General Meeting, equal to a dividend pay-out ratio of approximately 50% of consolidated net profits of a recurring nature.

The net profits for the year of Modelo Continente, SGPS, S.A. as a stand alone holding company, totalled 80,335,955.37 Euro, for which the Board of Directors propose the following distribution:

Legal reserve	4,800,000.00	Euro
Free reserves	535,955.37	Euro
Dividends	75,000,000.00	Euro
Total	80,335,955.37	Euro

Vote of thanks

We thank all our customers, suppliers, financial institutions and shareholders for their support and their preference during the year. We also thank the external auditors and statutory auditors for all their co-operation throughout the year. And finally, a special word of thanks to all of Modelo Continente's employees for the enthusiasm, dedication and competence that they demonstrated once again in 2006.

Matosinhos, 12 March 2007

The Board of Directors

Glossary

- Gross sales (gs): the value of all transactions at the check out counters of the company's stores plus the sales to companies not included in the consolidation perimeter of Modelo Continente SGPS, S.A.
- Net sales (ns): the value of gross sales, less directly related taxes (e.g. VAT in Portugal)
- Turnover (t): the value of net sales and services rendered
- Operating cash-flow (EBITDA): operating results + amortisations and depreciation + provisions + impairment losses - reversal of impairment losses
- Operating results (EBIT): consolidated net profit for the period + income tax - investment profit/losses - profits/losses of associated companies - net financial expenses
- Profits on ordinary activities: operating results + net financial expenses
- Cash flow: net profit of the period + amortizations and depreciation + provisions + impairment losses - reversal of impairment losses
- Net investment: increase in gross fixed assets (tangible and intangible) - divestment of fixed assets (tangible and intangible)
- Net debt: current borrowings + non current borrowings + financial leasing creditors + derivatives – cash and cash equivalents – current investments under negotiation
- Average debt: average of net debt at end of each quarter of the year

Report on Corporate Governance

Modelo Continente, SGPS, S.A.
31 December 2006

This appendix gives a brief description of the Corporate Governance practices of Modelo Continente SGPS, SA. Given that this is an appendix to the Board of Directors' Report, it should be read together with and as a complement to that document. Certain aspects in this appendix are cross referenced to the main body of the report as it was felt that it was more appropriate to deal with them in the main body of the report to avoid repetition.

It has been prepared in accordance with Regulation 7/2001 of 20 December 2001 of the CMVM (Portuguese Stock Exchange Commission) together with those changes made in Regulation 11/2003 of 19 November 2003 and Regulation 10/2005 of 3 November 2005.

In view of the fact that Modelo Continente, SGPS, S.A lost its status as a publicly quoted company and is now not listed on the Euronext Lisbon stock Exchange since 22 September 2006, the date on which Sonae SGPS, S.A acquired total control of the company, this report has been prepared on a voluntary basis with the aim of better informing the financial markets.

0 – Statement of compliance

The adoption of the recommendations of the CMVM on corporate governance is explicit in this report and in each of the chapters into which it is divided.

1 – Information Disclosure

1.1 Decision making process

As at 31 December 2006, the Board of Directors of Modelo Continente, SGPS, and SA was made up of five members, as shown below.

- Belmiro Mendes de Azevedo (Chairman)
- Nuno Manuel Moniz Trigoso Jordão (CEO)
- Ângelo Gabriel Ribeirinho dos Santos Paupério (CFO)
- Álvaro Carmona e Costa Portela (Director)
- Duarte Paulo Teixeira de Azevedo (Director)

The members of the Board of Directors have collective duties of co-ordination and management of various functional departments.

During 2006, the functional organisation of the company was as follows:

Board of Directors
↓
Functional Departments
Operations
Commercial
Logistics
Procurement
Store development
Marketing
Human resources
Information systems
Finance
Management Planning and Control
Audit and Risk management
Legal
Environment
Lost prevention

The company also has a Remuneration Committee as described in paragraph 1.9 below. No other Committees with management responsibilities exist.

1.2 Risk Control

At Modelo Continente, risk management is part of the company's culture, and is present in all functional areas. It is the responsibility of each manager to identify, evaluate and manage the risks that might compromise the achievement of the goals of the business.

The analysis and management of strategic and external risks is carried out by the Board of Directors of the company as part of the annual planning cycle.

In terms of business processes, the main risks are identified and actions to mitigate them are planned and monitored by the different functional units.

The analysis and cover of financial risks are dealt with by Modelo Continente's financial department.

For those risks that have an impact across the organisation, in particular large scale change projects and those involving the preparation of contingency and business recovery plans, structured risk management programmes are developed with the involvement of the management of the units involved.

Risk Management activity is supported in a more direct manner by the Risk Management and Audit functions, whose main areas of action are described below:

Risk Management

As part of the process of evaluating relevant business risks for the company, the risk management and audit function defined a matrix of risks (BRM – "Business Risk Model"). This process is a part of the international standard "Enterprise Risk Management – Integrated Framework" of the COSO ("The Committee of Sponsoring Organizations of the Tredaway Commission"), and includes identifying and systematising the risks that affect the organisation, prioritising them according to their impact and probability of occurrence and identifying their most relevant causes.

In relation to managing the risks concerning the physical security of people and critical business assets, a periodic process of self-control of physical security has been implemented in stores with the goal of preparing a diagnostic check on exposure to physical safety risks, identifying their main causes and implementing corrective actions. At the same time, audits are carried out to check to what extent these measures have been implemented. For the remaining assets that are required for the main activities of the company (warehouses, manufacturing centres and administrative buildings), physical safety risk analyses are periodically carried out, with preventive and corrective actions implemented for the risks identified.

Concerning business continuity, the company has prepared crisis management manuals and business continuity plans for stores, warehouses and information systems with the main goals being, in the case of a high impact disaster incident, to guarantee the continuity of operations, and minimise financial and brand image losses. The financial cover of insurable risks is regularly reviewed.

Process and Compliance Audits

In relation to processes of higher operational risk for the company, the process and compliance audit function carries out a systematic monitoring of risk transactions, in particular sales, sales returns and the purchase of goods.

Information Systems Audit

The information systems audit function analyses and checks the computer controls that ensure the running and efficiency of the company, especially in relation to the confidentiality, integrity and availability of data. In this area, the company has adopted the international standard ISO27001 ("British Standard") and is currently in the process of finalising the implementation of COBIT ("Control Objectives for IT" of the ISACA), which covers the life cycle of the management of information systems.

As part of this activity, specific audits on data bases and critical business applications, on servers and communications infrastructure, tests on intrusion to commercial web sites and on the physical security of computer centres, are carried out. In relation to business continuity, scenarios for the recovery of computer systems and operational contingency plans have been defined.

1.3 Disclosure concerning share capital

As at 31 December 2006, the share capital, which was wholly subscribed and paid up, was made up of 1,100,000,000 ordinary shares, each with a nominal value of 1 Euro.

At the Shareholders' General Meeting held on 20 September 2006, the decision was taken to de-list the company from the Lisbon stock exchange, which was later approved by the CMVM (Portuguese Stock Exchange Commission) on 22 September 2006.

On 16 October 2006, Sonae, SGPS, S.A announced publicly that in accordance with paragraph 3 of Article 490 of the Commercial Companies Code, it had acquired on that date the entire share capital of Modelo Continente, SGPS, S.A, not already held by any of its affiliated companies, thus exercising total direct control and through the company controlled by it, Modelo Continente, SGPS, S.A.

At the end of 2006, the company acquired 100,000,000 own shares at a cost of 2.05 Euro per share from those companies owning its share capital, Sonae, SGPS, S.A. (52,800,000 shares) and Sonae Investments, B.V. (47,200,000 shares).

As at 31 December 2006, the ownership of the subscribed share capital of the company was as follows:

Entity	**%**
Sonae, SGPS, S.A.	74.98
Sonae Investments, B.V.	15.93
Own shares	9.09

As at 31 December 2006, Efanor, SGPS, S.A and its affiliates owned 52.94% of the share capital of Sonae, SGPS, S.A.

1.4 Share price performance

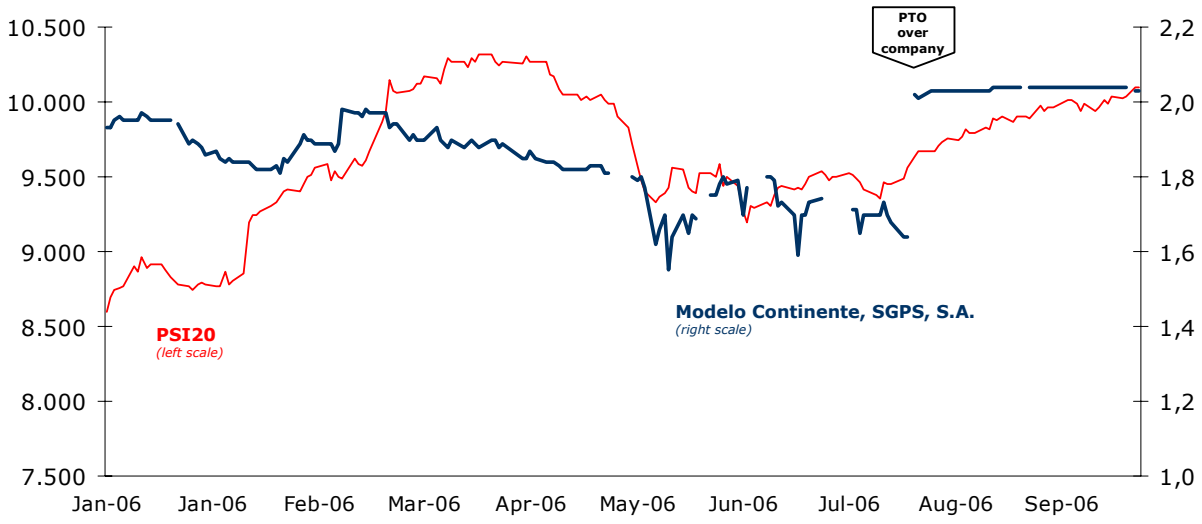
With the acquisition of total control of Modelo Continente SGPS, S.A mentioned above, it lost its status as a publicly quoted company, and was excluded from the official Lisbon Euronext stock exchange as from 22 September 2006.

However, up to the above mentioned date, the shares of Modelo Continente, SGPS, S.A were traded on the Euronext Lisbon stock exchange with the following key technical information:

Company name:	Modelo Continente, SGPS, SA
Share capital:	1,100,000,000 Euros
Nominal value of shares:	1€
Number of shares:	1,100,000,000
Stock exchange:	Euronext Lisbon
ISIN/Euronext Code:	PTMOC0AE0007
Reuters:	MDCT.IN1
Bloomberg:	MCON PL
Central Code:	MOCAE

Over the period from 1 January to 22 September 2006, the average share price of the company was 1.88 Euro, reaching a maximum of 2.04 Euro and a minimum of 1.55 Euro. The last share price was recorded on 22 September 2006 and was 2.03 Euro. The price trend of the share over this period is shown on the graph below, and for comparative purposes that of the Portuguese stock exchange index (Psi20).

Trend of the Modelo Continente share price and the Psi20
during 2006



Trend of the Modelo Continente share price and transactions
during 2006

Note: The gaps in the share price trend line refer to those stock market sessions when no trading in the company's shares took place.

The trend of the key stock market indicators for the company during the last three years was as follows:

	2004* 1 Jan. - 31 Dec.	2005 1 Jan. - 31 Dec.	2006 1 Jan. - 22 Sep.
Key data			
Share capital (€)	1,100,000,000	1,100,000,000	1,100,000,000
Number of shares	1,100,000,000	1,100,000,000	1,100,000,000
Nominal share value (€)	1.0	1.0	1.0
Share price (€)			
Beginning of period	1.45	1.47	1.98
Maximum	1.64	2.05	2.04
Minimum	1.35	1.49	1.55
Average	1.45	1.69	1.88
End of period	1.46	1.98	2.03
Transactions (value per day, €)			
Maximum	2,824,880	475,427	6,379,351
Minimum	0	0	0
Average	35,290	17,642	84,382
Transactions (number per day, €)			
Maximum	3,818,745	710,233	13,013,793
Minimum	0	0	0
Average	51,166	29,499	165,484
Share capitalisation			
End of period (€)	1,606,000,000	2,178,000,000	2,233,000,000
Change	3%	36%	3%

* The consolidated results as at 31December 2004 have been prepared according to Portuguese generally accepted acounting principles (POC), while those for 2005 and 2006 were prepared using the international financial reporting standards (IFRS)

In order to assist in analysing adequately the trend of the share price in 2006, the most relevant events and press releases of the company were as follows:

	SUBJECT	ISSUING SITE	CMVM SITE	EURONEXT	DGRN SITE	LOCAL PRESS
1	**PRIVILEGED INFORMATION**					
1.1	Information about the 2005 consolidated results	03.03.2006	02.03.2006	03.03.2006	-	-
1.2	Information about Sonae SGPS SA's offer to acquire shares in Modelo Continente, SGPS, SA	06.10.2006	06.10.2006	06.10.2006	-	-
1.3	Information about registering the shares acquired by Sonae, SGPS, S.A.	16.10.2006	17.10.2006	17.10.2006	-	-

2	**EARNINGS ANNOUNCEMENTS**					
2.1	Information about the 2005 consolidated results (English version))	03.03.2006	03.03.2006	03.03.2006	-	-
2.2	Annual accounts for the year 2005	05.04.2006	05.04.2006	06.04.2006	11.05.2006	-
2.3	Annual accounts for the year 2005 (English version)	05.04.2006	05.04.2006	06.04.2006	-	-
2.4	Information about the consolidated results for the six months ending 30 June 2006	06.09.2006	06.09.2006	07.09.2006	-	-
2.5	Information about the consolidated results for the six months ending 30 June 2006 (English version)	06.09.2006	06.09.2006	07.09.2006	-	-
2.6	Accounts for the six months ending 30 June 2006	20.09.2006	20.09.2006	-	-	-
2.7	Accounts for the six months ending 30 June 2006 (English version)	20.09.2006	20.09.2006	-	-	-
2.8	Press Release about the consolidated results for the first quarter of 2006	04.05.2006	04.05.2006	05.05.2006	-	-
2.9	Press Release about the consolidated results for the first quarter of 2006 (English version)	05.05.2006	05.05.2006	05.05.2006	-	-
2.10	Information concerning the first quarter of 2006	19.05.2006	19.05.2006	19.05.2006	-	-
2.11	Information concerning the first quarter of 2006 (English version)	19.05.2006	19.05.2006	19.05.2006	-	-
2.12	Information about the results for the first nine months of 2006	03.11.2006	03.11.2006	06.11.2006	-	-
2.13	Information about the results for the first nine months of 2006 (English version)	03.11.2006	03.11.2006	06.11.2006	-	-
2.14	Information about the consolidated results for the third quarter of 2006	22.11.2006	22.11.2006	-	-	-
2.15	Information about the consolidated results for the third quarter of 2006 (English version)	22.11.2006	22.11.2006	-	-	-
3	**INFORMATION ABOUT CORPORATE GOVERNANCE**					
3.1	Report on Corporate Governance	28.08.2006	28.08.2006	-	-	-
3.2	Report on Corporate Governance (English version)	28.08.2006	28.08.2006	-	-	-
4	**STATUTORY ENTITIES**					
4.1	Resignation of directors	25.01.2006	25.01.2006	25.01.2006	30.03.2006	-
4.2	Statutory entities	05.04.2006	05.04.2006	06.04.2006	11.05.2006	-
5	**DIVIDENDS AND INTEREST ON BONDS**					
5.1	Payment of dividend for the year 2005	31.03.2006	31.3.2006	03.04.2006	03.04.2006	-
5.2	Payment of the 1st Coupon of "Modelo Continente 2005/2012" Bonds	13.01.2006	13.01.2006	13.01.2006	12.01.2006	-
5.3	Payment of the 1st Coupon of "Modelo Continente 2005/2010" Bonds	13.01.2006	13.01.2006	13.01.2006	12.01.2006	-
5.4	Payment of the 4th Coupon of "Modelo Continente 2004" Bonds	02.03.2006	02.03.2006	03.03.2006	24.02.2006	03.03.2006
5.5	Payment of the 5th Coupon of "Modelo Continente 2003" Bonds	22.03.2006	22.03.2006	23.03.2006	21.03.2006	24.03.2006
5.6	Payment of the 2nd Coupon of "Modelo Continente 2005/2010" Bonds	13.07.2006	13.07.2006	13.07.2006	14.07.2006	-
5.7	Payment of the 2nd Coupon of "Modelo Continente 2005/2012" Bonds	17.07.2006	17.07.2006	17.07.2006	17.07.2006	-
5.8	Payment of the 5th Coupon of "Modelo Continente 2004" Bonds	04.09.2006	04.09.2006	04.09.2006	04.09.2006	-
5.9	Payment of the 6th Coupon of "Modelo Continente 2003" Bonds	22.09.2006	22.09.2006	22.09.2006	25.9.2006	-
6.	**ANNOUNCEMENT OF MEETINGS**					
6.1	Shareholders' Annual General Meeting	13.02.2006	13.02.2006	17.02.2006	13.02.2006	-
6.2	Extraordinary General Meeting	10.08.2006	10.08.2006	10.08.2006	11.08.2006	-
7	**SHAREHOLDINGS IN LISTED COMPANIES**					
7.1	Information about qualified shareholdings	24.04.2006	24.04.2006	24.04.2006	-	-
7.2	Information about qualified shareholdings	08.09.2006	08.09.2006	08.09.2006	-	-
8	**TRANSACTIONS IN OWN SHARES**					

8.1	Information about decisions concerning disposal/acquisition of own shares	05.04.2006	05.04.2006	06.04.2006	-	-
9	**DE-LISTING AND ENTIRE SHAREHOLDING ACQUISITIONS**					
9.1.	Information about the request for de-listing	22.09.2006	22.09.2006	25.09.2006	-	-
9.2	Other information about de-listing	16.10.2006	16.10.2006	17.10.2006	-	-
10	**APPROVAL FOR THE TRADING OF STOCKS AND SHARES**					
10.1	Publication of prospectus for the trading of "Modelo Continente 2005/2010" Bonds	02.03.2006	01.03.2006	03.03.2006	-	-
11	**SUMMARY OF ANNUAL INFORMATION DISCLOSED**					
11.1	Information disclosed concerning the year 2005	15.05.2006	15.05.2006	15.05.2006	-	-
12	**OTHER INFORMATION**					
12.1	Publication required by the Commercial Registry concerning the partial alteration of articles of association	-	-	-	11.05.2006	-
12.2	Publication required by the Commercial Registry concerning the acquisition of shares by Sonae, SGPS, S.A.	-	-	-	19.10.2006	-

1.5 Distribution of dividends

No dividend distribution was made for the year 2004. For 2005, a distribution of 0.05 Euro per share was made, making a total dividend of 55 million Euro. For 2006, a proposal will be made to the Shareholders' Annual General Meeting for a dividend distribution of 75 million Euro, which corresponds to a dividend pay-out ratio of approximately 50% of recurring consolidated net profits.

1.6 Share Plans and Stock Option Plans

The Remuneration Committee of Modelo Continente, SGPS, S.A. approved on 16 March 2005 the rules defining the conditions of the granting of a deferred compensation plan. The goal of this plan is to give the opportunity to managers to share in the value created by their direct involvement in the definition of strategy and management of the businesses. Those eligible are directors and managers of Modelo Continente, SGPS, S.A. whose involvement has the most impact on the performance of the businesses.

Deferred compensation is awarded by the management body concerning managers and by the Remuneration Committee concerning directors, as a percentage of the value of the annual performance premium awarded.

The amount of the deferred compensation varies in direct proportion to a portfolio of shares of Sonae, SGPS, SA. The compensation plans are valued on the date they are awarded at the share prices quoted on the Portuguese stock exchange of those shares making up the basket. For this, the lower of the following share prices is used: that at the close of business on the first working day after the Shareholders' General Meeting or the average closing price for the 30 days prior to the Shareholders' General meeting.

The Director/manager can choose to:

- Acquire at zero cost three years after the award date a number of shares equal, in Euro, to the value of deferred compensation awarded and at the share prices mentioned above, or

- Acquire three years after the award date, at the share price at the date of award, a number of shares calculated by applying the Black-Scholes model to the value in Euro of the deferred compensation awarded.

In either case, the acquisition can be made between exactly three years after the date of the award and the end of that year. The company reserves the right to give the equivalent value in cash instead of shares. The right to deferred compensation expires when the Director/manager leaves Modelo Continente, SGPS, S.A. but continues up to the date of payment in the case of retirement. In case of death or permanent disability, the deferred compensation plan is valued at market prices and given to the individual or his/her heirs.

1.7 Related Party Transactions

The company did not have business dealings with any member of the Board of Directors.

The only transactions with the Statutory Auditor were those related to his official duties and his fees were paid as described in paragraph 1.10 below.

Transactions with group companies or those controlled by Modelo Continente were made at arms length, were part of the normal business activity of the company. In this respect, the acquisition during 2006 of 100 million own shares at a cost of 2.05 Euro per share by companies owned by Sonae, SGPS, S.A e Sonae Investments, BV should be mentioned.

1.8 Investor relations

Modelo Continente has always based its strategic options on creating the best conditions for remunerating the capital invested in it by its shareholders, and is one of its fundamental management commitments. Up to the present date, the policies applied have led to increases in the asset values of the company and levels of profitability for shareholders, which mean that these commitments have been fully met with results that have been well above those of the market.

Until 2006, Modelo Continente was a publicly listed company on the Euronext stock exchange in Lisbon. As such, the company always followed the rule of expeditiously informing the capital markets of all relevant facts about the company, thus ensuring equal treatment to all parties involved and equal access to information by investors.

To that end, it used the normal channels of communication, putting special emphasis on using new information technologies. Here, the main highlight is the company website (www.modelocontinente.pt) that acts as a focal point for a wide range of questions put by investors and the general public, as well as being a repository of historical information about the company, in particular financial statements, earnings announcements and the most important corporate presentations.

Although in 2006 the company was de-listed from the stock exchange following a public sales offer for the entire share capital of the company by its majority shareholder, Sonae, SGPS, S.A, the practices of transparency and information sharing continue unchanged.

Also continuing its work unchanged is the Investor Relations Office, which is technically well equipped and has a dedicated team, acting as a focal point for the Portuguese and international investment community.

The Office helps a wide range of parties involved with the capital markets, in particular small private investors and the university community, as well as the main financial analysis teams in the Portuguese and international retail sector. Contact information is as follows:

Rua João Mendonça, 529 – 6ºDto
4464-501 Senhora da Hora (Matosinhos – Portugal)
Telephone: +351.22.9561958
Fax: +351.22.9561318
Email: investor.relations@modelocontinente.pt

1.9 Remuneration Committee

The Shareholders' General Meeting appoints a Remuneration Committee with the same term of office as the statutory bodies. Its mission, in accordance with paragraph 2 of Article twenty-six of the company's articles of association, is to approve the remuneration of members of the Board of Directors.

In Modelo Continente, SGPS, SA, the current Remuneration Committee is made up of Sonae SGPS, SA represented by Professor José Manuel Trindade Neves Adelino and Bruno Walter Lehmann, who are not members of the Board of Directors.

1.10 Auditor's Annual Fees

The company's auditors are Deloitte & Associados, SROC, who, in 2006, billed the company and its affiliated and associated companies included in the consolidation, a total of 1,189,000 Euro (of which 145,000 thousand Euro related to affiliates abroad). Of the total, 31% were audit and statutory audit fees, and 69% were for other services.

These other services are provided by different specialists than those who are involved in audit, so that we believe that the independence of the auditor is assured.

2 - Shareholder representation and voting rights

The articles of association of the company only allow participation in the Shareholders' General Meeting to shareholders who can provide proof of their title as shareholders and who, at least eight days before the date of the meeting, have those shares:

- registered in their names in the company's share register;
- deposited with a financial institution duly authorised in accordance with the law or;
- entered in an electronic shareholding account at the stock market register.

The deposit with a financial intermediary and those entered in an electronic shareholding account at the stock market register, have to be confirmed in writing by the respective intermediary, and this letter must be received by the company at least eight days before the General Meeting is held.

Shareholders can only attend the General Meeting if they inform the Chairman of the Board of the Shareholders' Meeting of their intention to do so, in writing, at least three days before the General Meeting is held, unless they have confirmed the deposit with a financial intermediary or the electronic shareholding account at the stock market register.

One vote corresponds to each group of one thousand shares, and each shareholder has as many votes as results from dividing the total number of shares he/she owns by one thousand, rounded down to the nearest whole number, without limit.

Shareholders who are private individuals can be represented at Shareholders' General Meetings by their spouse or direct family, a director or other shareholder, by sending a letter to the Chairman of the Board of the Shareholders' Meeting, stating the name and address of the representative and the date of the meeting.

Corporate entities will be represented by a person nominated by them by written letter whose authenticity will be verified by the Chairman of the Board of the Shareholders' General Meeting.

For as long as the company is listed on the Stock Exchange, shareholders can vote by correspondence but only in relation to changes to the articles of association and election of statutory bodies.

Correspondence votes will only be taken into account when received at the company's headquarters by registered mail addressed to the Chairman of the Board of the Shareholders' General Meeting, and received at least three days before the meeting, subject to proof of title of the related shares.

The voting declaration should be signed by the holder of the shares or by his legal representative and, in the case of a private individual should be accompanied by an authenticated copy of his identity card, and in the case of a corporate entity, the signature should be authenticated by a notary public testifying to his/her status and powers.

Written voting papers shall only be considered valid when they clearly set out in an unambiguous manner:

a) The agenda item or items to which they refer;
b) The specific proposal to which they relate with an indication of the respective proposer or proposers;
c) The precise and unconditional voting intention on each proposal, as well as whether this is maintained, if the proposal is altered by its proposer.

Nonetheless, a shareholder is permitted to include in a written voting paper, in relation to an identified proposal, the intention to vote against all alternative proposals, in relation to the same item on the agenda, without further specification.

It is assumed that shareholders have abstained from any proposals that are not specifically included in their written voting papers.

Nonetheless, a shareholder may make a vote on a specific proposal conditional on the approval or rejection of another proposal within the same item on the agenda at the General Meeting.

It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person substituting him, to verify correspondence voting declarations, eliminating any votes relating to declarations that are not accepted.

In accordance with paragraph 2 of article 22 of the articles of association, the shareholder must provide proof of his/her ownership of shares at least 8 days prior to the date of the Shareholders' General Meeting.

The individual company and consolidated financial statements and other documents required by law, as well as the proposals made by the Board of Directors for approval by the General meeting, will be available for consultation by shareholders at the head office and the company website (www.modelocontinente.pt) as from fifteen days prior to the date of the Shareholders' Annual General Meeting.

The General Meeting may pass resolutions at the first meeting as long as shareholders representing over fifty percent of the share capital of the company are present or represented, unless the law demands a different quorum.

The right to vote electronically is not contemplated in the company's articles of association.

Following the publication of Decree Law 76 A/2006 of 29 March, and within the legal time limit established, Modelo Continente, SGPS, S.A will proceed with a partial alteration to the company's articles of association, as a result of some changes in relation to voting rights, as required by law and in line with the recommendations of the CMVM (Portuguese Stock Exchange Commission).

3 - Company Rules

3.1 Codes of conduct and Internal Regulations

Modelo Continente, SGPS, SA values and principles are widely spread and deeply rooted in the company's culture. The key aspects are a business culture (leadership, openness to change, loyalty and rigour, transparency), responsibility towards employees (equal treatment, professional development, safety), social responsibility (social and environmental awareness, openness to society, trust and ethics) and political independence. Employees act scrupulously to comply with their duties of diligence and confidentiality in dealings with third parties, protecting the company's position in situations of conflict of interest. In this area, no written code of conduct for management bodies or other internal regulation relating to this subject exists.

3.2 Risk Management

i) Internal audit and risk management

In 2006, the company improved its ability to carry out monitoring in the sales area with the support of a new tool acquired by the company, which makes it possible to follow up on a daily basis a number of indicators, and as a result to detect the existence of fraud earlier.

In addition, the company carries out compliance audits on the critical business variables, including purchases, sales, cancellations, returns, discount tickets and inventories. It also carries out other audits of a more operational nature, such as compliance with environmental legislation, store access for handicapped people, the correct labelling of products and out of stock situations for promotional items, and also key business process audits, including local changes to sales prices, consumer credit and the centralised checking of goods sent from the various warehouses to stores.

The company gave special attention to issues concerning the security of information systems, and carried out various activities in this area. For example, a Business Continuity Plan was prepared during the year with the involvement of the main areas of the business, and with the goal of making available to Modelo Continente a management tool to be used in crisis situations, resulting from an accident that totally destroys the Computer Centre. In the same period, an access profile audit was carried out on the Retek application, in order to evaluate the current level of protection of access to its information, in relation to integrity, availability and the confidentiality of the data, as well as other security audits and intrusion tests.

In 2006, risk management was focused on the risk analysis of critical business assets (such as warehouses, Meat, Fish and Baking/Pastry Production centres), analysing systematically the risks that can endanger the continuity of operations and the safety of employees and customers, and on food safety auditing through daily food safety audits in stores and warehouses.

Also in 2006 an analysis of the Cold Store process flow was undertaken: cold store operations were recorded and analysed throughout the Distribution Chain with the goal of increasing knowledge about existing problems and improving refrigeration conditions.

In accordance with the principle of developing, training and adding value to our human resources, various members of the Audit and Risk Management department of Modelo Continente SGPS, S.A were awarded international certifications, thus adding to the specific knowledge of the team in this area. Some examples are the CIA certification ("Certified Internal Auditor") of the IIA ("The Institute of Internal Auditors"), the "Lead Auditor BS ISO/IEC 27001:2005" certification of the BSI ("British Standards Institution"), which is recognised by the IRCA ("International Register of Certified Auditors") and the CCSA ("Certification in Control Self Assessment") certification, also awarded by the IIA.

Also to be noteworthy was the award in 2006 of the prize "Highly Commended" as part of the "European Risk Management Awards" for the implementation of the "Control Risk Self Assessment" process in the company's food stores.

ii) Financial risks

As far as financial risks are concerned, Modelo Continente is mainly exposed to risks arising from fluctuations in interest and exchange rates. To ensure management of these risks, the group uses derivatives with the objective of limiting its exposure to these fluctuations. It is not the company's aim to use these for speculative purposes.

3.3 Limits to exercising voting rights or to the transfer of shares, shareholders' agreements and special shareholders' rights

Over and above the number of shares (1,000) that correspond to a vote and the representation rules mentioned above, there are no other limitations on voting rights, nor are there any restrictions on transferring shares. The company has not taken any measures that would hinder the success of a public tender offer for the purchase of shares.

4.

4.1 Management bodies

As at 31 December 2006, the Board of Directors of Modelo Continente, SGPS, SA was made up of five members, who have collective duties of co-ordination and management of various functional departments. The mandate of this Board of Directors is four years and ends in 2009. The directors were elected from a single list. No alternative list was presented by any shareholder. During 2006, the Board met 10 times, and the respective minutes were written up in the minute book.

Currently, the Board of Directors is made up of the following members:

		Executive*	Non Executive*	Non Independent*
· **Belmiro Mendes de Azevedo**	(Chairman)		x	x
· **Nuno Manuel Moniz Trigoso Jordão**	(CEO)	x		x
· **Ângelo Gabriel Ribeirinho dos Santos Paupério**	(CFO)	x		x
· **Álvaro Carmona e Costa Portela**	(Director)		x	x
· **Duarte Paulo Teixeira de Azevedo**	(Director)		x	x

**as defined in regulation nº10/2005 of the CMVM (Portuguese Stock Exchange Commission)*

As part of the business decision making process, those executive members of the Board of Directors have the following duties:

- **Nuno Manuel Moniz Trigoso Jordão**
  has responsibility for overall co-ordination, in line with the duties of a traditional CEO

- **Ângelo Gabriel Ribeirinho dos Santos Paupério**
  has responsibility for overall co-ordination in line with the duties of a CFO

A brief curriculum vitae of each director now follows, with details of their qualifications, professional activities and the most relevant directorships held in other companies:

Belmiro Mendes de Azevedo

Curriculum Vitae

Personal information

Place of birth: Marco de Canaveses, Portugal
Birth date: 17-02-1938
Marital status: married
Children: 3

Academic record

1963 University degree in Industrial Chemical Engineering (FEUP)
1973 PMD (Programme for Management Development) - Harvard Business School
1985 Financial Management Programme - Stanford University
1987 Strategic Management - Wharton University

Career information

1963-1964 Technician in the Textile Industry
1965-1967 Sonae Research and Development Manager
1967-1984 Managing Director and Board Director of Sonae
1985-1988 Chairman of the Executive Committee of Sonae Indústria e Investimentos, SA
1989-1999 Chairman of the Board of Directors of Sonae Investimentos, SGPS, SA
Since 1999 Chairman of the Board of Directors of Sonae SGPS, SA

Other duties

Member of the European Union Hong-Kong Business Cooperation Committee
Member of the International Advisory Board of Allianz AG
Member of the Harvard Business School European Advisory Board
Member of the Management of Cotec – Portugal
Member of the European Round Table of Industrialists
Founder member of the Manufuture Portugal Forum

Distinctions

"Grand Cross of the Order of Infante D. Henrique" bestowed by His Excellency the President of the Portuguese Republic.
"Encomienda de Numero de la Orden del Mérito Civil" bestowed by His Majesty King Juan Carlos of Spain.
"Order of the Southern Cross" bestowed by His Excellency the President of the Federal Republic of Brazil.
Honorary Fellow of the London Business School.

Offices held in other companies[1]

Chairman of the Board of Directors of:

- Sonae, SGPS, SA
- Sonae Indústria, SGPS, SA
- Sonae Sierra, SGPS, SA
- Sonaecom, SGPS, SA
- Sonae Capital, SGPS, SA
- Efanor Investimentos, SGPS, S.A.
- Tableros de Fibras, SA

Nuno Manuel Moniz Trigoso Jordão

Curriculum Vitae

Personal information

Place of birth: Lisbon, Portugal
Date of birth: 27-04-1956
Marital status: married
Children: 4

Academic record

1978 University degree in Economics – ISCTE (University of Lisbon)

Career information

1984-1986 Operations Manager of Pingo Doce Supermarkets (Retail)
1986-1987 Manager of Amadora Continente Hypermarket (Retail)
1988-1989 Managing Director of Modelo Continente (Retail)
Since 1990 Board Director of Modelo Continente Hipermercados, SA (Retail)
Since 1991 Chairman of the Board of Directors of Modelo Continente, SGPS, S.A. and of a number of its affiliates (Retail)
Since 2000 Executive Vice-Chairman of Sonae, SGPS, SA

Offices held in other companies[1]

Chairman of the Board of Directors of most of the companies controlled or in which Modelo Continente, SGPS, S.A and Sonae Turismo, SGPS, S.A have majority shareholdings (listed in the Notes of the Annexe to the Balance Sheet and Profit and Loss Accounts of these companies).

Member of the Board of Directors of Sonae, SGPS, SA, Sonae Capital, SGPS, S.A and Sonae Turismo, SGPS, S.A..

[1] This list is not complete, only mentioning the most relevant companies.

Ângelo Gabriel Ribeirinho dos Santos Paupério

Curriculum Vitae

Personal information

Place of birth: Vila Nova de Gaia, Portugal
Date of birth: 14-09-1959
Marital status: married
Children: 4

Academic record

1982	University degree in Civil Engineering (FEUP)
1988	Masters in Business Administration - MBA (ISEE)

Career information

1982-1984	Structural designer at Tecnopor
1984-1989	Higher technician at EDP (Energia)
1989-1991	Manager of Television project at Sonae Tecnologias de Informação
1991-1994	Manager of Planning and Management Control at Sonae Investimentos, SGPS, SA
Since 1994	Board Director of various companies of Sonae Distribuição, SGPS, S.A. (Retail)
Since 1996	CFO of Sonae Distribuição, SGPS, S.A. and Board Director of Modelo Continente, SGPS, S.A. and of several of its affiliates (Retail)
Since 2000	Executive Vice-Chairman and CFO of Sonae, SGPS, SA, Board Director of Sonae Sierra, SGPS, SA, Executive Board Director of Sonae Capital, SGPS, S.A. and Chairman of the Finance Committee of Sonae, SGPS, SA

Other duties

Since 1989	Member of statutory entities of APGEI (Portuguese Management and Industrial Engineering Association) Guest lecturer at the Higher Institute of Business Studies

Offices held in other companies[1]

Member of the Boards of Directors of most of the companies controlled or of which Modelo Continente, SGPS, SA, Sonae Capital, SGPS, S.A. and Sonae Turismo, SGPS, S.A. have majority shareholdings (listed in the Notes of the Annexe to the Balance Sheet and Profit and Loss Accounts of these companies).

Member of the Board of Directors of:

- Sonae, SGPS, SA
- Sonae Sierra, SGPS, SA
- Sonae Capital, SGPS, SA

[1] This list is not complete, only mentioning the most relevant companies.

- Sonae Turismo, SGPS, SA
- Sonae Investments BV

Álvaro Carmona e Costa Portela

Curriculum Vitae

Personal information

Place of birth: Porto, Portugal
Date of birth: 04-07-1951
Marital status: married
Children: 3

Academic record

1974 University degree in Mechanical Engineering (FEUP)
1983 Masters in Business Administration - MBA (Universidade Nova de Lisboa)
1997 AMP / ISMP - Harvard Business School

Career details

1972-1976 Laboratory Manager BIAL (Pharmaceutical Industry)
1974-1977 Mechanics Department Assistant (FEUP)
1976-1979 Chairman of BIAL Laboratories Management (Pharmaceutical Industry)
1979-1985 Board Director with responsibilities in the areas of Finance, Planning and Exports of COPAM - Companhia Portuguesa de Amidos, SA (Starch Industry) and a number of affiliated companies
1985-1986 Assistant Managing Director and later Managing Director of Módis (Logistics and Procurement at Sonae Distribuição)
1986-1991 Board Director, later Chairman of the Executive Committee and then Chairman of the Board of Directors of Sonae Distribuição, SGPS, SA
Since 1990 Chairman of the Executive Committee of Sonae Sierra, SGPS, SA
Since 1999 Executive Vice-chairman of Sonae, SGPS, SA

Other duties

1999-2002 Co-founder and Board Director of EPRA- European Public Real Estate Association
1996-2001 Member of the ICSC Europe Jury Award
Since 2004 *Trustee* of the European Shopping Centre Trust
Since 2004 Member of the Eurohypo International Advisory Board
Since 2005 *Trustee* of the International Council of Shopping Centres

Offices held in other companies

Member of the Board of Directors of:

- Sonae, SGPS, SA
- Sonae Sierra, SGPS, SA
- Sonae Capital, SGPS, SA

Chairman of the Board of Directors of most of the companies controlled by and in which Sonae Sierra, SGPS, S.A. holds majority shareholdings (listed in the Notes of the Annexe to the Balance Sheet and Profit and Loss Accounts of this company).

Duarte Paulo Teixeira de Azevedo

Curriculum Vitae

Personal information

Place of birth: Porto
Date of birth: 31-12-1965
Marital status: married
Children: 3

Academic record

1986 University degree in Chemical Engineering - Ecole Polytechnique Féderále de Lausanne
1989 Masters in Business Administration - MBA (ISEE)
1994 Executive Retailing Program - Babson College
1996 Strategic Uses of Information Technology Program - Stanford Business School
2002 IMD - Breakthrough Program for Senior Executives - Lausanne

Career information

1988-1990 Analyst and Investment Project Manager at Sonae Tecnologias de Informação
1990-1993 Organisational Development Projects Manager and Commercial Manager of New Businesses at Sonae Indústria (Wood Based Panels)
1993-1996 Planning and Management Control Manager at Sonae Investimentos, SGPS, SA
1996-1998 Board Director of Modelo Continente Hypermarkets. (Retail)
1998-2000 Chairman of the Executive Committee of Optimus (Mobile Telecommunications Operator).
Since 2000 Chairman of the Executive Committee of Sonaecom, SGPS, S.A. and Executive Vice Chairman of Sonae, SGPS, SA

Other duties

Since 1988 Member of APGEI (Portuguese Management and Industrial Engineering Association)
Since 2000 Founder member of the EGP (Porto Management School)
2001-2002 Chairman of Apritel (Association of Telecommunications Operators)
2003 Co-author of the book "Reforming Portugal"
Since 2004 Member of the Consultative Group "Commitment Portugal"

Offices held in other companies[1]

Member of the Board of Directors of:

- Sonae, SGPS, SA
- Sonae Indústria, SGPS, SA
- Sonaecom, SGPS, SA

- Sonae Capital, SGPS, SA
- Efanor Investimentos, SGPS, SA
- Imparfin – Investimentos e Participações Financeiras, SGPS, SA

Chairman of most of the companies controlled or in which Sonaecom, SGPS, S.A. holds the majority of the share capital (listed in the Notes to the Annexe of the Balance Sheet and Profit and Loss Account of this company).

None of the above mentioned directors own shares in Modelo Continente, SGPS, SA.

There now follows a summary of the history of each of the above mentioned directors as members of the Board of Directors of Modelo Continente, SGPS, S.A.:

- **Belmiro Mendes de Azevedo**

Has been a director since 13 April 1999 and has had consecutive mandates from 1998 to 2001, from 2002 to 2005 and from 2006 to 2009. Previously he was appointed on 7 August 1985 for a mandate which ended in 1986, and was later appointed for the mandate from 1987 to 1989, and resigned on 31 March 1989.

- **Nuno Manuel Moniz Trigoso Jordão**

Has been a director since 31 March 1989 having consecutive mandates from 1987 to 1989, from 1990 to 1993, from 1994 to 1997, from 1998 to 2001, from 2002 to 2005 and from 2006 to 2009.

- **Ângelo Gabriel Ribeirinho dos Santos Paupério**

Has been a director since 29 August 1995 in consecutive mandates from 1994 to 1997, from 1998 to 2001, from 2002 to 2005 and from 2006 to 2009.

- **Álvaro Carmona e Costa Portela**

Has been a director since 31 March 2006 for the mandate from 2006 to 2009. Previously he was appointed for the mandate from 1987 to 1989, and later for the mandate from 1990 to 1993, resigning on 26 March 1991. Later he was appointed for the mandate from 1994 to 1997, resigning on 6 September 1996.

- **Duarte Paulo Teixeira de Azevedo**.

Has been a director since 31 March 2006 for the mandate from 2006 to 2009. Previously he was appointed on 6 September 1996 for the mandate from 1994 to 1997 and later was appointed for the mandate from 1998 to 2001, resigning on 31 March 2000 and was appointed again for the same mandate on 12 June 2001.

In addition, there exists no Executive Committee or any other Committee with management competencies. No internal control committees were set up to evaluate the company governance or structure, since this evaluation is carried out during meetings of the Board of Directors.

No list of incompatibilities was defined nor the maximum number of cumulative duties of directors in the management bodies of other companies. This was because directors of the company generally exercise management duties in companies belonging to Modelo Continente.

4.2 Remuneration

In 2006, members of the Board of Directors were paid in total 1,609,248 Euro relating to the Modelo Continente Group, of which 855,888 Euro were performance bonuses.

The performance bonus is indexed to a group of financial indicators that best align the interests of Directors with those of the company and its shareholders. Half of this bonus is deferred and will only be paid in 2009, and may increase or decrease, depending on share price performance.

The Chairman of the Board of Directors had a total fixed remuneration of 50,000 Euro. The average remuneration of the executive Board members in 2006 was 1,559,248 Euro that includes performance bonuses of 855,888 Euro. Non executive members of the Board of Directors did not receive any remuneration from any Modelo Continente group company.

The Board of Directors believes that the information given above concerning remunerations is sufficient and that to give details for each director, as recommended by the CMVM, goes beyond the general principles governing the duty to inform and is of marginal usefulness to shareholders' interests.

4.3 Policy for communicating irregularities

Modelo Continente pays very special attention to detecting, taking responsibility for and correcting in a timely manner irregularities that may occur within its organisation.

The most frequent issues are concerned with mistakes from time to time in store operations (concerning customer attendance, the range of products or equipment, among others). The main detectors of these are the 2,400,000 weekly customers to the stores of the company in Portugal. Many of these customers make a complaint or leave a suggestion with the team of the store where the irregularity took place.

Modelo Continente values very highly these contacts since the customer is giving the company an opportunity to resolve a problem and identify areas of improvement that directly benefit that particular customer and others who are also affected.

In order to deal with these issues in a just and timely manner, the company developed some ten years ago a Suggestions and Complaints System, with a decentralised structure of contact persons in various departments of the organisation and under the direct responsibility and follow up of the Board of Directors. The Marketing department is responsible for the central coordination and control of the entire process, although the issues are dealt with and answers given to the customer by the unit directly concerned, with the knowledge and co-responsibility of the specific areas involved (e.g. Quality Control, Legal Department etc).

In 2006, with the Decree Law 156/2005 of 1 January 2006 coming into effect, which made a complaints book mandatory in commercial establishments, the system described above was strengthened.

At the same time, Modelo Continente (as part of the Sonae Group) has an Ombudsman available to its employees and to the public in general.

The Ombudsman functions as an entity that complements the suggestions and complaints procedure. He/she reports directly to the Chairman of the Sonae Group, and his/her mission is to ensure that claims, complaints and suggestions that are made by customers, suppliers and employees of the company are appropriately dealt with.

The post of the Ombudsman affirm and promote in an appropriate way the legally protected rights and interests of customers, users or suppliers of the company, ensure that justice is done, wrongs righted and improve the quality and efficiency of services provided by the company. He/she can be contacted at the following e mail address provedor@sonae.pt, or at the following address:
Lugar do Espido, Via Norte

Apartado 1011 - 4471-909 Maia Portugal
Tel: 22 010 4631 - Fax: 22 010 4784

Matosinhos, 12 March 2007

Modelo Continente, SGPS, S.A.

NOTE RELATING TO ARTICLE 447 OF THE COMMERCIAL COMPANY CODE ("CÓDIGO DAS SOCIEDADES COMERCIAIS")

SECURITIES HELD BY THE MEMBERS OF CORPORATE BOARDS AND RESPECTIVE TRANSACTIONS DURING 2006

SHARES	Date	Acquisitions		Disposals		Held at 31.12.2006
		Quantity	Average value €	Quantity	Average value €	Quantity
THE BOARD OF DIRECTORS						
Belmiro Mendes de Azevedo						
Efanor Investimentos, SGPS, SA (1)						49.999.997
Sonae, SGPS, SA						14.901
Ângelo Gabriel Ribeirinho dos Santos Paupério						
Sonae, SGPS, SA						4.564
Alvaro Carmona e Costa Portela						
Sonae, SGPS, SA						25.934
Duarte Paulo Teixeira de Azevedo						
Efanor Investimentos, SGPS, SA (1)						1
Imparfin, SGPS, SA (3)						150.000
Sonae, SGPS, SA						
Shares attributed under a Share Based Compensation Plan	11.05.2006	236.318	0			596.909

Notes:

(1) Efanor Investimentos, SGPS, SA

Sonae, SGPS, SA	658.804.410
Pareuro, BV (2)	20.000

(2) Pareuro, BV

Sonae, SGPS, SA	400.000.000

(3) Imparfin, SGPS, SA

Sonae, SGPS, SA	4.105.273

Modelo Continente, SGPS, S.A.

NOTE RELATING TO ARTICLE 448 OF THE COMMERCIAL COMPANY CODE

SHAREHOLDERS

	Number of shares at 31.12.2006
Sonae, SGPS, SA (1)	824.780.810
Sonae Investments, BV	175.219.190

Notes:

(1) Efanor Investimentos, SGPS, SA	
Sonae, SGPS, SA	658.804.410
Pareuro, BV (2)	20.000
(2) Pareuro, BV	
Sonae, SGPS, SA	400.000.000

Modelo Continente, SGPS, S.A.

QUALIFIED PARTICIPATIONS

Pursuant to paragraph e) article 8 of the Stock Exchange Commission ("Comissão do Mercado de Valores Mobiliários" Regulation 04 indicate the shareholders with qualified participations at 31 December 2006

Shareholders		Number of shares	% Voting rights
Sonae, SGPS, SA		824.780.810	82,48%
Sonae Investments, BV		175.219.190	17,52%
	Total imputable	1.000.000.000	100,00%
Own shares (1)		100.000.000	
	Total imputable	100.000.000	

Note:
(1) Acquired at 22 November 2006

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

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 44)

ASSETS	Notes	IFRS 31-12-2006	IFRS 31-12-2005
NON CURRENT ASSETS			
Tangible assets	7	1.245.522.480	1.159.162.807
Goodwill	8	61.141.604	47.164.598
Intangible assets	7	149.164.529	61.715.276
Investments in associated companies	5,9	17.823.351	8.080.761
Others financial investments	9	34.230.053	53.807.682
Deferred tax assets	14	23.413.248	24.126.376
Other non-current assets	10	1.825.831	839.152
Total non current assets		1.533.121.096	1.354.896.652
CURRENT ASSETS			
Inventory	15	340.651.297	325.206.095
Trade accounts receivable		30.300.343	18.487.609
Other accounts receivable	11	75.878.963	174.993.339
State and public entities	12	58.282.812	37.793.072
Other current assets	13	12.315.265	10.661.819
Other financial investments	9	33.261.362	10.560.475
Cash and cash equivalents	16	359.415.148	563.855.996
Total current assets		910.105.190	1.141.558.405
TOTAL ASSETS		2.443.226.286	2.496.455.057
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	17	1.100.000.000	1.100.000.000
Own Shares		(205.000.000)	
Reserves and retained earnings		(307.971.049)	(467.504.160)
Net profit for the year attributable to the shareholders of Parent company		158.079.602	214.122.570
Total equity attributable to the Shareholders of Parent company		745.108.553	846.618.410
Minority interests	18	10.930.910	8.717.734
TOTAL EQUITY		756.039.463	855.336.144
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank Loans	19		1.400.000
Bonds	19	593.166.278	592.279.778
Obligations under finance leases	19, 20	8.051.112	8.197.376
Other Loans	19	313.779	326.063
Other non-current liabilities	22	13.001.800	17.719.446
Deferred tax liabilities	14	36.985.189	37.487.973
Provisions	27	21.978.393	27.775.929
Total non-current liabilities		673.496.551	685.186.565
CURRENT LIABILITIES			
Bank Loans	19	163.539.818	164.093.367
Obligations under finance leases	19, 20	4.195.233	4.119.488
Derivatives	19, 21	116.043	198.293
Other loans	19	12.285	
Trade accounts payable	24	637.520.855	598.484.705
Other accounts payable	25	77.110.117	89.880.848
State and public entities	12	44.717.120	29.088.267
Other current liabilities	26	86.339.698	70.067.380
Provisions	27	139.103	-
Total current liabilities		1.013.690.272	955.932.348
TOTAL LIABILITIES		1.687.186.823	1.641.118.913
TOTAL EQUITY AND LIABILITIES		2.443.226.286	2.496.455.057

The accompanying notes are part of these financial statements

The Board of Directors

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

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE QUARTERS ENDED 31 DECEMBER 2006 AND 2005
(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 44)

(Not-audited Income Statements)

	IFRS			
	4th Quarter 06	4th Quarter 05		
		Operations		
	TOTAL	Continued	Discontinued	TOTAL
Operating income:				
Sales	863.287.660	805.484.023	242.560.562	1.048.044.585
Services rendered	30.046.529	4.950.154	823.929	5.774.083
Other operating income	88.094.984	94.140.451	5.690.411	99.830.862
Total operating income	981.429.173	904.574.628	249.074.902	1.153.649.530
Operating expenses:				
Cost of sales	(673.146.983)	(632.256.310)	(188.871.019)	(821.127.329)
External supplies and services	(107.115.180)	(76.389.357)	(30.799.173)	(107.188.530)
Staff costs	(88.937.904)	(81.984.051)	(27.557.374)	(109.541.425)
Depreciation and amortization	(20.985.151)	(17.480.542)	(4.658.592)	(22.139.134)
Provisions and impairment losses	49.223	92.605	(611.154)	(518.549)
Other operational expenses	(14.694.982)	(14.047.400)	(2.126.139)	(16.173.539)
Total operational expenses	(904.830.977)	(822.065.055)	(254.623.451)	(1.076.688.506)
Net operating profit/(loss)	76.598.196	82.509.573	(5.548.549)	76.961.024
Financial profit/(loss)	(5.220.383)	(7.642.514)	(42.237)	(7.684.751)
Profit/(loss) related to associated companies	344.266	(1.359.835)	144.454	(1.215.381)
Profit/(loss) related to investments	(820.407)	13.482	89.303.833	89.317.315
Profit/(loss) before income tax	70.901.672	73.520.706	83.857.501	157.378.207
Income tax	(1.511.965)	(6.824.054)	(557.680)	(7.381.734)
Profit/(loss) after income tax	69.389.707	66.696.652	83.299.821	149.996.473
Consolidated profit/(loss) for the quarte	69.389.707	66.696.652	83.299.821	149.996.473
Attributable to:				
Equity holders of Parent Company	68.882.978	66.302.508	83.299.821	149.602.329
Minority interests	506.729	394.144	-	394.144
Profit/(loss) per share (basic and diluted	0,07	0,06	0,08	0,14

The Board of Directors

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

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 44)

		IFRS			
		31-12-2006	31-12-2005		
			Operations		
	Notes	TOTAL	Continued	Discontinued	TOTAL
Operating income:					
Sales	33	2.959.534.901	2.726.117.684	1.135.533.327	3.861.651.011
Services rendered	33	131.025.942	19.272.399	3.701.147	22.973.546
Other operating income	34	268.460.965	269.214.290	73.462.997	342.677.287
Total operating income		3.359.021.808	3.014.604.373	1.212.697.471	4.227.301.844
Operating expenses:					
Cost of sales	15	(2.323.628.133)	(2.163.345.697)	(884.934.138)	(3.048.279.835)
External supplies and services		(396.209.755)	(272.385.001)	(134.880.790)	(407.265.791)
Staff costs		(336.614.501)	(300.696.784)	(113.585.723)	(414.282.507)
Depreciation and amortization	7	(80.340.741)	(69.238.310)	(22.246.655)	(91.484.965)
Provisions and impairment losses	27	(4.591.593)	(800.929)	(9.115.840)	(9.916.769)
Other operational expenses	35	(42.651.395)	(40.106.500)	(27.007.225)	(67.113.725)
Total operational expenses		(3.184.036.118)	(2.846.573.221)	(1.191.770.371)	(4.038.343.592)
Net operating profit/(loss)		174.985.690	168.031.152	20.927.100	188.958.252
Financial profit/(loss)	36	(18.561.033)	(27.568.281)	(18.424.666)	(45.992.947)
Profit/(loss) related to associated companies	9	836.951	260.299	485.334	745.633
Profit/(loss) related to investments	37	12.709.145	(434.322)	89.303.833	88.869.511
Profit/(loss) before income tax		169.970.753	140.288.848	92.291.601	232.580.449
Income tax	38	(9.709.157)	(17.140.447)	41.755	(17.098.692)
Profit/(loss) after income tax		160.261.596	123.148.401	92.333.356	215.481.757
Consolidated profit/(loss) for the quarte		160.261.596	123.148.401	92.333.356	215.481.757
Attributable to:					
Equity holders of Parent Company	39	158.079.602	121.789.214	92.333.356	214.122.570
Minority interests		2.181.994	1.359.187		1.359.187
Profit/(loss) per share (basic and diluted)	39	0,15	0,11	0,08	0,19

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 YEARS ENDED 31 DECEMBER 2006 AND 2005
(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 44)

	Notes	Attributable to Shareholders of Parent Company								Minority interests	Total Equity
		Share Capital	Own Shares	Legal Reserves	Translation Reserve	Hedging Reserve	Others Reserves and Retained earnings	Net profit/(loss)	Total		
Balance at 1 January 2004	17	1.100.000.000	-	86.000.000	8.384.886	907.257	(672.289.083)	119.088.499	642.091.559	7.331.008	649.422.567
Appropriation of consolidated profit of 2005								-	-		
Transfer to legal reserves and retained earnings		-	-	4.200.000			114.888.499	(119.088.499)	-	-	-
Changes in reserves											
Generated in the year		-	-	-	127.910.020	-	-	-	127.910.020	-	127.910.020
Transferred to net income	6	-	-	-	(136.169.517)	(907.257)	-	-	(137.076.774)	-	(137.076.774)
Changes in the consolidation perimeter		-	-	-	-	-	-	-	-	27.539	27.539
Others		-	-	-	-	-	(428.965)	-	(428.965)	-	(428.965)
Net consolidated profit for the period		-	-	-	-	-	-	214.122.570	214.122.570	1.359.187	215.481.757
Balance at 31 December 2005		1.100.000.000		90.200.000	125.389	-	(557.829.549)	214.122.570	846.618.410	8.717.734	855.336.144
Balance at 1 January 2006	17	1.100.000.000	-	90.200.000	125.389	-	(557.829.549)	214.122.570	846.618.410	8.717.734	855.336.144
Appropriation of consolidated profit of 2005											-
Transfer to legal reserves and retained earnings		-	-	-	-	-	214.122.570	(214.122.570)	-	-	-
Distributed dividends	40	-	-	-	-	-	(55.000.000)	-	(55.000.000)	-	(55.000.000)
Acquisition of own shares	17		(205.000.000)	-	-	-	-	-	(205.000.000)	-	(205.000.000)
Changes in reserves									-		-
Changes in fair value		-	-	-	-	-	22.000	-	22.000	-	22.000
Generated in the year		-	-	-	385.320	-	-	-	385.320	-	385.320
New Companies acquired	18	-	-	-	-	-	-	-	-	31.182	31.182
Others		-	-	-	-	-	3.221	-	3.221	-	3.221
Net consolidated profit for the year		-	-	-	-	-	-	158.079.602	158.079.602	2.181.994	160.261.596
Balance at 31 December 2006		1.100.000.000	(205.000.000)	90.200.000	510.709	-	(398.681.758)	158.079.602	745.108.553	10.930.910	756.039.463

The accompanying notes are part of these financial statement

The Board of Directors

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Translation of financial statements originally issued in Portuguese - Note 44)

(Amounts expressed in Euro)

	Notes	31-12-2006	31-12-2005		
			Operations		
OPERATING ACTIVITIES		TOTAL	Continued	Discontinued	TOTAL
Cash receipts from trade debtors		3.162.265.711	2.742.171.597	1.141.959.171	3.884.130.768
Cash payments to trade suppliers		(2.533.510.663)	(2.252.219.857)	(1.018.563.757)	(3.270.783.614)
Cash paid to employees		(331.977.598)	(289.643.314)	(103.882.106)	(393.525.420)
Net cash flow generated by operations		296.777.450	200.308.426	19.513.308	219.821.734
Income taxes paid/(received)		(18.178.530)	(16.588.337)	1.002.466	(15.585.871)
Other cash receipts/payments from operating activities		13.082.081	(30.085.939)	21.536.811	(8.549.128)
Net cash flow from operating activities (1)		291.681.001	153.634.150	42.052.585	195.686.735
INVESTING ACTIVITIES					
Cash receipts related to:					
Investments					
Disposal of subsidiaries	37	12.564.414	223.142	540.147.438	540.370.580
Other investments	9	16.573.114	28.411.642	115.351	28.526.993
Tangible and intangible assets		22.268.037	15.839.524	60.623.672	76.463.196
Interest and similar income		8.812.177	12.271.414	10.953.040	23.224.454
Dividends		162.169	64.641	-	64.641
Loans granted		1.102.358.000	185.428.992	214.008	185.643.000
		1.162.737.911	242.239.355	612.053.509	854.292.864
Cash payments related to:					
Investments					
Acquisition of subsidiaries	6	235.751	(10.301.382)		(10.301.382)
Other investments	9	(43.275.936)	(11.081.013)	7.021.869	(4.059.144)
Tangible and intangible assets		(220.199.054)	(223.913.989)	(46.147.434)	(270.061.423)
Loans granted		(1.089.388.739)	(206.611.000)	-	(206.611.000)
Others			(63.500.000)	-	(63.500.000)
		(1.352.627.978)	(515.407.384)	(39.125.565)	(554.532.949)
Net cash used in investing activities (2)		(189.890.067)	(273.168.029)	572.927.944	299.759.915
FINANCING ACTIVITIES					
Cash receipts related to:					
Loans obtained		1.639.076.000	1.049.743.621	201.675.731	1.251.419.352
Capital increase in subsidiaries		16.000	-	-	-
		1.639.092.000	1.049.743.621	201.675.731	1.251.419.352
Cash payments related to:					
Loans obtained		(1.656.064.963)	(1.125.086.071)	(262.830.601)	(1.387.916.672)
Interest and similar charges		(27.879.887)	(42.096.921)	(26.723.978)	(68.820.899)
Dividends		(54.999.980)	-	-	-
Acquisition of own shares		(205.000.000)	-	-	-
		(1.943.944.830)	(1.167.182.992)	(289.554.579)	(1.456.737.571)
Net cash used in financing activities (3)		(304.852.830)	(117.439.371)	(87.878.848)	(205.318.219)
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(203.061.896)	(236.973.250)	527.101.681	290.128.431
Effect of foreign exchange rate		20.759	(6.988.813)	(7.947.086)	(14.935.899)
Cash and cash equivalents at the beginning of the year	16	(560.773.649)	(226.754.010)	(28.955.309)	(255.709.319)
Cash and cash equivalents at the end of the year	6,16	357.690.994	(3.230.427)	564.004.076	560.773.649

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 YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in Euro)

(Translation of Notes originally issued in Portuguese – Note 44)

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 consolidated financial statements are presented in Euro as this is the currency mainly used by the Group. The transactions in foreign exchange are included in accordance with the accounting policy detailed in Note 2.2.d).

2. MAIN ACCOUNTING POLICIES

The main 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 based upon the books and accounting records of the companies included in the consolidation (Notes 4 and 5) on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") applicable on 1 January 2006, as adopted by the European Union.

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

These consolidated financial statements have been prepared under the historical cost convention, except for some financial instruments which are measured at fair value (Note 2.11).

Even though IFRS 7 – "Financial Instruments" had already been issued as of 31 December 2006 its applicability is only mandatory for the years beginning 1 January 2007. Modelo Continente, SGPS, S.A. decided for the non early application of IFRS7. Its application would only result in an increase of the disclosed information.

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 by the full consolidation method 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 to 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 year 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 in the consolidation process.

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, in which case a provision is recorded on that amount.

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 reversed.

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, are 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. 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:

	End of period	Period average	End of period	Period average
Brazilian real	0.35564	0.36658	0.36443	0.33279

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 a 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 out coming 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 income 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.

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 the 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.

Accounting for leases where the Group is the lessor

For operating lease contracts where the Group is lessor, assets remain recorded in the Group's balance sheet, and the revenue is recognized on a straight line basis during the period of the contract.

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.

Grants related to incurred costs are recorded as profit in the extent there is a reasonable assurance that these will be received, that the granted costs have already being incurred and that the Company will comply with the conditions necessary for its grant.

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 Other operating income. 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 and other accounts payable

Trade and other 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 hedge 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.

i) Own shares

Own shares are recorded at acquisition cost as a deduction to equity. Profits or losses resulting from disposal of own shares are recorded directly in equity not affecting the profit or loss for the period.

2.12. Share based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the evolution of the Sonae SGPS, SA shares' price.

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 current and non-current 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.

Deferred tax assets and liabilities are not recognized when the temporary differences arise from goodwill or from the initial recognition of assets and liabilities except if the referred assets and liabilities are recognised in result of a business combination.

The deferred tax assets recognized are reviewed at each balance sheet date, 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 are recorded in the financial statements of each subsidiary based on the functional currency of that subsidiary using the exchange rates on the date of each transaction.

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, except 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

In each year, the geographical segments applicable to the group are identified. As at December 31, 2006 no secondary segment was identified.

Information regarding geographical segments is disclosed in Note 40.

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. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The subsidiaries, its Head offices and percentage of capital held as of 31 December 2006 and 2005 are as follows:

Company	Head Office	Percentage of Capital held 31.12.06		Percentage of Capital held 31.12.05	
		Direct	Total	Direct	Total
Parent company					
Modelo Continente SGPS, S. A.	Matosinhos				
Modelo Continente					
Best Offer – Prestação de Informações pela Internet, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
b) Bertimóvel - Sociedade Imobiliária, S.A.	Matosinhos	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%
Canasta – Empreendimentos Imobiliários, S.A.	Maia	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%
Cumulativa - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
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%
Distrifin - Comercio y Prestacion de Servicios, S.A.	Madrid(Spain)	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%
a) Equador & Mendes - Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	-	-
Estevão Neves - Hipermercados da Madeira, S.A.	Madeira	100.00%	100.00%	100.00%	100.00%
a) Exit - Travel - Agencia de Viagens e Turismo On Line, S.A.	Maia	100.00%	90.00%	-	-
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%
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	Lisbon	100.00%	100.00%	100.00%	100.00%
Fundo de Investimento Imobiliário Imosonae Dois	Maia	100.00%	100.00%	99.98%	99.98%
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%
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%
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%
f) Informeios - Projectos e Representações, S.A.	Lisbon	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%
Marcas MC, zRT	Budapest	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%
MJLF-Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Modelo - Distribuição de Materiais de Construção, S.A.	Maia	50.00%	50.00%	50.00%	50.00%
e) 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%
c) Modelo Investimentos Brasil, S.A.	São Paulo(Brazil)	100.00%	100.00%	100.00%	100.00%

	Company	Head Office	Percentage of Capital held 31.12.06		Percentage of Capital held 31.12.05	
			Direct	Total	Direct	Total
	Modis - Distribuição Centralizada, S.A.	Matosinhos	100,00%	100,00%	100,00%	100,00%
a)	Nova Equador Internacional - Agencia de Viagens e Turismo, Lda	Lisbon	75,00%	67,50%	-	-
	Ok Bazar - Comércio Geral, S.A.	Ermesinde	100,00%	100,00%	100,00%	100,00%
h)	Parcium Imobiliária, S.A.	Porto	100,00%	100,00%	-	-
	Predicomercial – Promoção Imobiliária, S.A.	Maia	100,00%	100,00%	100,00%	100,00%
	Peixes do Continente-Indústria e Distribuição de Peixes, S.A.	Matosinhos	100,00%	100,00%	100,00%	100,00%
g)	Solaris Supermercados, S.A.	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Selifa - Sociedade de Emprendimentos Imobiliários de Fafe, S.A.	Maia	100,00%	100,00%	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(Neatherland)	100,00%	100,00%	100,00%	100,00%
c)	Sonae Capital Brasil, Ltda	São Paulo(Brazil)	100,00%	100,00%	-	-
d)	SM Empreendimentos Imobiliários, Ltda	Porto Alegre(Brazil)	100,00%	100,00%	100,00%	100,00%
	Sonae Retalho España – Servicios Generales, S.A.	Madrid(Spain)	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(Neatherland)	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%
	SRE - Projectos e Consultadoria, S.A.	Maia	100,00%	100,00%	100,00%	100,00%
a)	Star-Viagens e Turismo, S.A.	Lisbon	90,00%	90,00%	50,00%	50,00%
	Tlantic Sistemas de Informação, Ltda	Porto Alegre(Brazil)	100,00%	100,00%	100,00%	100,00%
	Todos os Dias – Comércio Ret. E Explor.Centros Comerciais, S.A.	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) As of 31January 2006 an additional share of 40% in Star – Viagens e Turismo, S.A. was purchased and for that reason this company and its subsidiaries changed their consolidation method (equity method as of 31 December 2005).
b) Subsidiary purchased on 26 May 2006.
c) Subsidiary Modelo Investimentos Brasil, Lda was incorporated by merger in Sonae Capital Brasil, Lda on 31 March 2006.
d) Subsidiary Sonae Medicamentos, Lda changed its social designation to SM Empreendimentos Imobiliários, Lda.
e) Subsidiary Modis International Trade, S.A. was incorporated by merger in Sonae Retalho España, S.A. on 12 June 2006.
f) Subsidiary dissolved on 25 August 2006
g) Subsidiary Pinto Ribeiro- Supermercados, S.A. changed its social designation to Solaris Supermercados, S.A.
h) Subsidiary purchased on 21 December 2006.

5. INVESTMENTS IN ASSOCIATED COMPANIES

The associated companies, their head offices and the percentage of the share capital held as at 31 December 2006 and 2005 are as follows:

Company	Head Office	Percentage of Capital held 31.12.06 Direct	Percentage of Capital held 31.12.06 Total	Percentage of Capital held 31.12.05 Direct	Percentage of Capital held 31.12.05 Total	Book Value 31.12.06	Book Value 31.12.05
c) Fundo de Investimento Imobiliário Fechado Imosede	Maia	33.81%	33.81%	-	-	13,734,183	-
a) Star - Viagens e Turismo, S.A.	Lisbon	-	-	50.00%	50.00%	-	7,478,262
b) Mundo Vip - Operadores Turísticos, S.A.	Lisbon	33.33%	33.33%	-	-	3,023,478	-
Sonaegest - Soc. Gestora de Fundos de Investimento,S.A.	Maia	40.00%	40.00%	40.00%	40.00%	558,894	554,402
Sempre a Postos - Produtos Alimentares e Utilidades, S.A.	Lisbon	25.00%	25.00%	25.00%	25.00%	506,796	48,097
						17,823,351	8,080,761

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

a) As a result of the additional purchase of 40% of its share capital this company became a subsidiary and therefore consolidated by the full consolidation method.
b) Associated company purchased on 31 January 2006.
c) Associated company purchased on 31 July 2006.

Additionally, the main financial indicator's aggregated amounts of these associated companies are as follows:

	Total of assets		Total of liabilities		Income		Profit/(loss) for the year	
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Fundo de Investimento Imobiliário Fechado Imosede	65,406,375	-	24,787,718	-	1,622,716	-	618,857	-
Mundo Vip - Operadores Turísticos, S.A. a)	13,086,899	-	12,092,222	-	62,294,681	-	495,712	-
Sonaegest - Soc. Gestora de Fundos de Investimento,S.A.	1,496,438	1,441,631	99,199	55,623	406,916	284,670	20,693	(12,313)
Sempre a Postos - Produtos Alimentares e Utilidades, S.A.	15,011,792	13,929,542	12,984,606	12,310,978	59,443,674	57,252,845	408,622	91,578
	95,001,504	15,371,173	49,963,745	12,366,601	123,767,987	57,537,515	1,543,884	79,265

a) For purposes of consolidated financial statements it was used the information as of November 2006 as the financial statements as of 31 December 2006 were not yet available.

6. CHANGES IN CONSOLIDATION PERIMETER

The main purchases and disposals of companies over the year ended 31 December 2006 were as follows:

Purchases

Company	Head Office	Percentage of Capital held 31.12.06 Direct	Percentage of Capital held 31.12.06 Total	Percentage of Capital held 31.12.05 Direct	Percentage of Capital held 31.12.05 Total
Bertimóvel-Sociedade Imobiliária, S.A.	Matosinhos	100.00%	100.00%		
Equador & Mendes-Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	50.00%	37.50%
Exit-Travel-Agencia de Viagens e Turismo On Line, S.A.	Maia	100.00%	90.00%	50.00%	25.00%
Nova Equador Internacional-Agencia de Viagens e Turismo, Lda	Lisbon	75.00%	67.50%	50.00%	37.50%
Star-Viagens e Turismo, S.A.	Lisbon	90.00%	90.00%	50.00%	50.00%
Parcium Imobiliária, S.A.	Porto	100.00%	100.00%		

The purchases referred to above had the following impact on the consolidated financial statements as at 31 December 2006:

	Travel Agencies Book Value	Others Book Value	Fair value Adjustment	Total Value
Net assets purchased				
Tangible and intangible assets (note 7)	5,497,807	12,393,731		17,891,538
Investments	12,143			12,143
Other current assets	17,916,289	1,069,962	83,181	19,069,432
Cash and cash equivalents	974,431	7,339,573		8,314,004
Deferred taxes	1,035,918	(128)		1,035,790
Loans	(1,256,399)	(21,496)		(1,277,895)
Other liabilities	(27,157,208)	(12,766,211)		(39,923,419)
	(2,977,019)	8,015,431	83,181	5,121,593
Goodwill (Note 8)	8,685,939	651,388		9,337,327
Minotiry interest	11,809			11,809
Provision created in previous years as a result of the aplication of the equity method (Note 27)	775,929			775,929
Purchase price	6,496,658	8,666,819		15,246,658
Payments made	6,496,658	1,550,000		8,046,658
Payments to be made in the future		7,200,000		7,200,000
	6,496,658	8,750,000		15,246,658
Net cash-flow out coming from purchase				
Payments made	6,496,658	1,550,000		8,046,658
Cash and cash equivalents acquired	(974,431)	(7,339,573)		(8,314,004)
	5,522,227	(5,789,573)		(267,346)
Aditional purchased shares in subsidiaries				31,595
				(235,751)

The impact of the above mentioned purchases on the consolidated income statement is made up as follows:

Operating income		117,436,998
Operating costs		(116,039,874)
Financial profit /(loss)		(191,559)
	Net profit before tax	1,205,565
Income tax		(786,528)
	Net profit/(loss) for the period	419,037

If the above mentioned purchases had been reported with reference to 1 January 2006, the consolidated net profit for the year ending 31 December 2006 would have increased by 288,357.57 Euro and operating income increased by 6,423,345 Euro.

The main acquisitions and disposals for the year ended 31 December 2005 were as follows:

Purchases

Company	Head Office	Percentage of Capital held 31.12.2005 Direct	Total
Cumulativa - Sociedade Imobiliária, S.A.	Maia	100.00%	100.00%
Pinto Ribeiro - Supermercados, S.A.	Viana do Castelo	100.00%	100.00%
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.A.	Maia	100.00%	100.00%
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	Lisbon	100.00%	100.00%
Fundo de Investimento Imobiliário Imosonae Dois	Maia	99.98%	99.98%

Effect of purchases and disposals

The above mentioned purchases had the following impact in the consolidated financial statements as of 31 December 2005:

	Acquisition date		
	Book Value	Fair value Adjustment	Fair value on the Acquisition date
Net assets purchased			
Tangible and intangible assets	178,668,216	4,753,375	183,421,591
Inventory	489,222		489,222
Other current assets	1,799,942		1,799,942
Cash and cash equivalents	16,878,724		16,878,724
Deferred tax	629,619	(1,588,037)	(958,418)
Loans	(592,712)		(592,712)
Other liabilities	(38,186,216)		(38,186,216)
	159,686,795	3,165,338	162,852,133
Minority interests			(27,732)
Goodwill (Note 8)			3,363,961
Purchase price			166,188,362
Payments made			6,577,342
Payments to be made in the future			159,611,020
			166,188,362
Net cash-flow out coming from purchase			
Payments made			6,577,342
Cash and cash equivalents acquired			(16,878,724)
			(10,301,382)

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

Operating expenses		1,910,571
Operating costs		(2,263,501)
Financial profit /(loss)		(103,893)
	Net profit before tax	(456,823)
Income tax		(29,657)
	Net profit for the period	(427,166)

If the above mentioned purchased companies had been consolidated with reference to 1 January 2005, the consolidated net profit for the year ending 31 December 2005 would have been increased by near 6 millions Euros.

Disposals

Company		Head Office	Percentage of Capital held 31.12.2005 Direct	Percentage of Capital held 31.12.2005 Total	Percentage of Capital held 31.12.2004 Direct	Percentage of Capital held 31.12.2004 Total
Iginha - Sociedade Imobiliária, S.A.		Matosinhos	-	-	100,00%	100,00%
Sonae Distribuição Brasil, S.A.	(a)	Porto Alegre(Brazil)	98,45%	98,45%	96,56%	96,56%
Sonae Promotora de Vendas. Ltdª	(a)	Porto Alegre(Brazil)	100,00%	100,00%	-	-
Modelo Investimentos Financeiros, Ltdª	(a)	Porto Alegre(Brazil)	100,00%	100,00%	-	-

(a)Subsidiaries classified as discontinued operations.

Net assets of these subsidiaries as at the date of disposal are as follows:

	Disposal of a subsidiary Disposal date	Discontinued operations Disposal date
Net assets disposed of		
Tangible assets	6,108,843	259,485,452
Intangible assets		16,621,726
Goodwill		290,966,757
Other non current assets		57,559,863
Deferred tax assets		42,774,185
Inventories		137,142,840
Other current assets	168	89,809,803
Cash and cash equivalent	325,142	23,856,638
Other non current liabilities	(332,000)	(60,554,885)
Deferred tax liabilities		(5,710,217)
Other current liabilities	(6,005,462)	(265,186,050)
	96,691	586,766,112
Translation reserve		(136,169,517)
Other disposal allowances		24,103,648
	96,691	474,700,243
Net gains or losses resulting from the disposal	5,309	89,303,833
Price of disposal	102,000	564,004,076
Cash received	102,000	564,004,076
Net cash-flow outcoming from the disposal		
Cash received	102,000	564,004,076
Cash and cash equivalents disposed of	(325,142)	(23,856,638)
	(223,142)	540,147,438
Future amounts to be received		8,550,000
Financial debt at disposal date		86,302,562
Enterprise value of the subsidiaries sold		635,000,000

The Other disposals allowances include a provision on the amount of 27,000,000 Euro (21,978,394 as of 31 December 2006) to face to future outflows (Note 27), as well as an amount of 8,550,000 Euro income recognized against the caption Account receivable (Note 11). This amount relates to receivables of the company that acquired Sonae Distribuição Brasil, S.A. and that will be settled on the date of exercise of the put option sold by the Modelo Investimentos Brasil, S.A. to the former shareholders (meanwhile incorporated by merger in Sonae Capital Brasil, Ltda.).

The mentioned sold put option is recorded under Other Accounts payable in the amount of 74,139,801 BRL, approximately 27 millions euro (Note 25).

During 2006 the former shareholders of Sonae Distribuição Brasil exercised 50% of the put option they held over Group Modelo Continente, and so the amounts recorded under the captions Accounts receivable (Note 11) and Other Accounts payables (Note 25) amounted to 4,425,464 Euro and 37,069,900 BRL (near 13 million Euro) respectively, as of 31 December 2006.

Part of the cash received from the sale of Brazilian assets amounting to 63,500,000 euro is deposited in an Escrow Account and guarantees contractual contingent liabilities (Note 9).

The impact of these disposals on the income statement in the year ending 31 December 2005 can be analysed as follows:

	Disposal of a subsidiary 2005	Discontinued operation 2005
Sales		1,135,533,327
Other operating income		77,164,144
Cost of sales		(884,934,138)
Other operating expenses	(10,740)	(306,836,233)
Financial profit /(loss)	60,778	(17,939,332)
Profit /(loss) befor income tax	50,038	2,987,768
Income tax	(13,761)	41,755
Net profit	36,277	3,029,523
Gains or losses on the disposals	5,309	89,303,833
	41,586	92,333,356

7. TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2006 and 2005, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, were made up as follows:

Tangible Assets - 2006

	Land and buildings	Machinery and equipment	Transporte equipment	Office equipment	Tools and utensils	Reusable conatiners	Ther tangible assets	Tangible assets in progress a)	Advances on account of tangible assets b)	Total
Gross assets:										
Opening balance	978.230.779	405.610.342	14.117.345	89.651.881	5.710.422	80.429	1.950.524	38.286.374	5.848.553	1.539.486.649
Changes in concolidation perimeter - Purc	10.867.929	1.606.960	-	2.103.400	92.475	-	87.713	1.467.690	887.860	17.114.027
Investments	14.186.123	1.307.352	89.371	5.104.729	42.819	-	632.350	136.010.175	10.411.186	167.784.105
Disposals	(20.839.853)	(16.162.273)	(510.542)	(1.477.901)	(81.621)	-	(32.657)	(133.308)	-	(39.238.155)
Foreign exchange rate effect	(151.002)	(28.885)	(1.427)	(13.490)	-	-	33	(4.013)	-	(198.784)
Transfers	45.494.675	86.710.079	1.651.654	777.664	2.555.280	-	(631.841)	(146.223.978)		(9.666.467)
Closing balance	1.027.788.651	479.043.575	15.346.401	96.146.283	8.319.375	80.429	2.006.122	29.402.940	17.147.599	1.675.281.375
Accumulated depreciation, amortization and impairment losses										
Opening balance	111.186.506	198.616.711	11.511.048	53.769.753	3.401.061	80.429	1.758.334	-	-	380.323.842
Changes in concolidation perimeter - Purc	479.243	438.036		1.156.155	8.514	-	56.986	-	-	2.138.934
Depreciations	16.879.167	40.167.142	975.817	10.263.167	1.207.842	-	45.452	-	-	69.538.587
Disposals	(156.148)	(12.249.774)	(456.175)	(1.108.825)	(75.916)	-	(32.657)	-	-	(14.079.495)
Foreign exchange rate effect	(8.336)	(4.285)	(262)	(2.607)		-		-	-	(15.490)
Transfers	334.619	(2.522.222)	(19.360)	(5.939.509)	3.034	-	(4.045)	-	-	(8.147.483)
Closing balance	128.715.051	224.445.608	12.011.068	58.138.134	4.544.535	80.429	1.824.070	-	-	429.758.895
Carrying amount	899.073.600	254.597.967	3.335.333	38.008.149	3.774.840	-	182.052	29.402.940	17.147.599	1.245.522.480

Intangible Assets - 2006

	Development costs	Industrial property and other rights (c)	Software	Premium paid for property occupation rights	Other intangible assets	Intangible assets in progress a)	Advances on account of intangible assets b)	Total
Gross assets:								
Opening balance	369,198	3,930,825	86,413,655	11,679,303		7,374,640		109,767,621
Changes in consolidation perimeter - Acquisitons		26,400	1,498,648	3,051,103		626,982		5,203,133
Investments		75,307,566	114,140	50,000		19,144,076	459,500	95,075,282
Disposals			(2,478)					(2,478)
Foreign exchange rate effect			(3,113)					(3,113)
Transfers	95,642	4,724,248	10,282,895	(871,699)		(13,826,328)	(184,500)	220,258
Closing balance	464,840	83,989,039	98,303,747	13,908,707	-	13,319,370	275,000	210,260,703
Accumulated depreciation, amortization and impairment losses								
Opening balance	71,896	1,813,564	35,776,724	10,390,161				48,052,345
Changes in consolidation perimeter - Acquisitons		19,670	797,700	1,469,318				2,286,688
Depreciations	76,412	910,988	8,882,504	932,250				10,802,154
Disposals			(826)					(826)
Foreign exchange rate effect			(946)					(946)
Transfers		584,955	(573,145)	(55,051)				(43,241)
Closing balance	148,308	3,329,177	44,882,011	12,736,678	-	-	-	61,096,174
Carrying amount	316,532	80,659,862	53,421,736	1,172,029	-	13,319,370	275,000	149,164,529

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

	31.12.06	31.12.05
Remodelling and expansion of stores in Portugal	27,214,918	36,850,888
Instalation licenses	3,352,407	3,621,399
Software projects	8,752,631	3,113,895
	39,319,956	43,586,182

b) the most significant amounts under the caption "Advances on account of tangible assets" mainly refers to projects of Modelo and Continente stores for which advance payments were made;

c) During the first half of 2006, the Group purchased to Sonae SGPS, SA a set of commercial brands, namely the brand Continent, for the total amount of 75,000,000 Euro.

This set of brands was classified as intangible asset with undefined expected useful life and for that reason was not depreciated.

Tangible Assets - 2005

	Land and buildings	Machinery and equipment	Transporte equipment	Office equipment	Tools and utensils	Reusable containers	Other tangible assets	Tangible assets in progress	Advances on account of tangible assets	Total
Gross assets:										
Opening balance	828,855,869	556,452,919	17,713,519	118,774,183	4,576,316	251,533	1,892,006	33,632,508	27,621,815	1,589,770,668
Changes in consolidation perimeter - Purchase (b) (Note 6)	182,331,961	1,304,691	64,413	121,028			-			183,822,093
Changes in consolidation perimeter - Disposals (b) (Note 6)	(117,394,899)	(240,883,468)	(5,849,337)	(36,916,027)			-	(10,159,425)	(608,298)	(411,811,454)
Investments	24,545,309	11,954,433	960,674	3,965,562	84,551		5,031	139,045,509	2,795,418	183,356,487
Disposals (a)	(50,258,449)	(43,480,699)	(1,824,503)	(8,366,827)	(620,927)	(171,104)	(132,797)	(674,956)		(105,530,262)
Foreign exchange rate effect	33,552,124	61,204,665	1,382,359	9,351,436			479	992,362	55,474	106,538,899
Transfers	76,598,864	59,057,801	1,670,220	2,722,526	1,670,482		185,805	(124,549,624)	(24,015,856)	(6,659,782)
Closing balance	978,230,779	405,610,342	14,117,345	89,651,881	5,710,422	80,429	1,950,524	38,286,374	5,848,553	1,539,486,649
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 - Purchase (b) (Note 6)	126,459	226,526	22,789	24,728			-	-		400,502
Changes in consolidation perimeter - Disposals (c) (Note 6)	(17,190,937)	(104,671,446)	(3,821,090)	(20,533,686)			-	-		(146,217,159)
Depreciations	15,346,683	49,649,555	1,446,452	13,106,290	720,276		18,685	-		80,287,941
Disposals (c)	(4,688,339)	(23,523,113)	(1,510,008)	(5,778,125)	(616,284)	(171,104)	(132,788)	-		(36,419,761)
Foreign exchange rate effect	4,346,911	24,273,321	895,572	4,798,191				-		34,313,995
Transfers	833,088	(3,123,687)	1,392	(2,776,707)	(8,761)		(2,920)	-		(5,077,595)
Closing balance	111,186,506	198,616,711	11,511,048	53,769,753	3,401,061	80,429	1,758,334	-	-	380,323,842
Carrying amount	867,044,273	206,993,631	2,606,297	35,882,128	2,309,361	-	192,190	38,286,374	5,848,553	1,159,162,807

Intangible assets - 2005

	Development costs	Industrial property and other rights	Software	Premiuns paid for property occupation rights	Other Intangible Assets	Intangible assets in progress	Advances on account of intangible assets	Total
Gross assets:								
Opening balance	233,669	5,011,725	80,410,148	11,679,303		3,681,437		101,016,282
Changes in consolidation perimeter - Purchase (b) (Note 6)		(13,696,463)	(10,401,826)					(24,098,289)
Investments		10,955,029	1,452,260			18,331,285		30,738,574
Disposals		(816,716)	(1,042,853)			(74,568)		(1,934,137)
Foreign exchange rate effect		1,579,230	2,278,160					3,857,390
Transfers	135,529	898,020	13,717,766			(14,563,514)		187,801
Closing balance	369,198	3,930,825	86,413,655	11,679,303	-	7,374,640	-	109,767,621
Accumulated depreciation, amortization and impairment losses								
Opening balance	22,903	1,989,451	32,099,533	9,489,173				43,601,060
Changes in consolidation perimeter - Disposals (b) (Note 6)		(1,048,430)	(6,428,133)					(7,476,563)
Depreciations for the period	48,993	1,280,940	8,966,106	900,985				11,197,024
Disposals		(559,730)	(303,918)					(863,648)
Foreign exchange rate effect		146,878	1,444,530					1,591,408
Transfers		4,455	(1,394)	3				3,064
Closing balance	71,896	1,813,564	35,776,724	10,390,161	-	-	-	48,052,345
Carrying amount	297,302	2,117,261	50,636,931	1,289,142	-	7,374,640	-	61,715,276

a) The most significant amounts referred to as “Disposals” under “Land and Building” and “Machinery and Equipment” concern to 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, in other operating income, amounting to approximately 29 million Euros (Note 34).

b) The most significant amounts in the caption “Tangible and Intangible Assets - Changes in the perimeter – Disposals”, refers to the Brazilian subsidiaries sold (276,107,178 euro net value).

c) The most significant amounts in the caption “Tangible Assets - Changes in the consolidated perimeter – Purchase” refers to the acquisition of Participations Unities in Real Estate Investment Funds, which mainly own real estate assets related with retail operations in Portugal (174,980,901 euro) and purchases companies whose assets are mainly Land (approximately 8 millions Euro).

8. GOODWILL

In the years ended 31 December 2006 and 2005, movements in goodwill, as well as in the corresponding impairment losses, were as follows:

	31.12.06	31.12.05
Gross value:		
Opening balance	47,164,598	265,293,994
New companies in the consolidation perimeter (Note 6)	9,337,327	3,363,961
Transfers (Note 9)	7,478,262	-
Decreases (Note 6)		(290,966,757)
Foreign exchange rate effect	-	69,473,400
Closing balance	63,980,187	47,164,598
Accumulated impairment losses:		
Increases (note 27)	2,838,583	-
Closing balance	2,838,583	-
Net value	61,141,604	47,164,598

Goodwill decrease in 2005, is mainly caused by the sale of the Brazilian companies.

The amount referred to in transfers concerns only to goodwill from the subsidiary Star – Viagens e Turismo, S.A. which was recorded under the caption "Investments in associated companies" (Note 9) as of 31 December 2005 and that was transferred to this caption as a result of the additional purchase of 40% of its share capital (Note 6).

9. INVESTMENTS

As at 31 December 2006 and 2005, this caption is made up as follows:

	31.12.06		31.12.05	
	Non Current	Current	Non Current	Current
Investments in associated companies				
Opening balance at 1 January 2006	8,080,761	-	40,536,824	-
Purchases over the year	16,383,901	-	7,622,547	-
Disposals over the year	-	-	(39,491,435)	-
Transfers (Note 8)	(7,478,262)	-	-	-
Equity method effect	836,951	-	(587,175)	-
Closing balance at 31 December 2006	17,823,351	-	8,080,761	-
Other financial investments				
Opening balance at 1 January 2006	54,278,095	10,500,000	1,278,095	-
Purchases over the year	11,335,309	1,512,346	53,000,000	10,500,000
Disposals over the year	(11,308,993)	(778,925)	-	-
Increase/(decrease) in fair value	1,921,716	(442,863)	-	-
Transfers	(22,421,346)	22,421,346		-
Closing balance at 31 December 2006	33,804,781	33,211,904	54,278,095	10,500,000
Accumulated impairment losses (Note 27)	(474,728)	-	(470,413)	-
	33,330,053	33,211,904	53,807,682	10,500,000
Derivative financial instruments				
Fair value at 1 January 2006	-	60,475	-	87,325,645
Purchases over the year	-	49,458	-	-
Disposals over the year	-	(60,475)	-	-
Increase/(decrease) in fair value	-	-	-	(87,265,170)
Fair value at 31 December 2006	-	49,458	-	60,475
Advances on financial investments				
Opening balance at 1 January 2006	-	-	7,760,486	-
Purchases over the year	900,000	-	(8,947,081)	-
Exchange rate effect	-	-	1,186,595	-
Closing balance at 31 December 2006	900,000	-	-	-
Total in other financial investments	52,053,404	33,261,362	61,888,443	10,560,475

Investments purchases and disposals for the year ended 31 December 2006 are detailed as follows:

	Disposals		Purchases	
Company	Total price	Amount received	Total price	Amount payed
Fundo de Investimento Imobiliário fechado Imosede	-	-	13,525,000	13,525,000
Mundo VIP - Operadores Turísticos, S.A.	-	-	2,846,757	2,846,757
Stocks purchase and subsequent disposal (Notes 11 and 25)	4,425,465	4,425,465	13,183,888.00	13,183,888.00
Others	12,147,649	12,147,649	13,720,291	13,720,291
	16,573,114	16,573,114	43,275,936	43,275,936

The other financial investments can be detailed as follows:

a) 1,316,522 Euro (1.278.095 Euro as of 31 December 2005), essentially refers to share held in non listed companies. The investments in non listed companies and which fair value was not estimated due to the fact that it could not be measured reliably are recorded at acquisition cost less impairment losses. The investments held in publicly held companies are recorded at fair value.

b) 65,000,740 Euro (63,500,000 Euro as of 31 December 2005) deposited on an Escrow Account and that were invested in Participation Units in a monetary investment fund of superior rating. From this amount, 32,500,370 Euro (10,500,000 Euro as of 31 December 2005) is recorded under current assets and 32,500,370 Euro (53,000,000 Euro as of 31 December 2005) as non-current assets according to the vesting date of the given guarantee.

10. OTHER NON CURRENT ASSETS

As at 31 December 2006 and 2005, other non current assets are detailed as follows:

	31.12.06	31.12.05
Granted loans to associates	1,006,538	
Trade accounts receivable and other debtors	819,293	839,152
	1,825,831	839,152

The amount recorded under trade accounts receivable and other debtors mainly refer to legal deposits made by a Brazilian subsidiary.

11. OTHER CURRENT ASSETS

As at 31 December 2006 and 2005 other current assets are made up as follows:

	31.12.06	31.12.05
Other debtors		
Accounts receivable from suppliers	27,974,728	28,107,111
Special Regime for the Settlement of Debts to the Tax Authorities and Social Security (Decree – Law 248-A)	14,576,053	14,576,053
VAT-Real Estate Assets	15,533,273	8,572,458
Sale of fixed assets	8,148,867	324,191
Credit sales to third parties	4,226,904	2,070,958
Grants related to incurred costs	1,999,584	
Others	9,549,364	31,659,410
Advances to suppliers of fixed assets	333,380	75,201,741
Other loans granted (Note 30)		21,018,647
	82,342,153	181,530,569
Accumulated impairment losses (Note 27)	(6,463,190)	(6,537,230)
	75,878,963	174,993,339

The caption "Others" is essentially composed by receivables related to the sale of the Brazilian subsidiaries amounting to 4,425,465 Euro (8,550,000 Euro as of 31 December 2005) as well as VAT to be recovered relating to the operations of the travelling agencies in accordance with Decree Law 221/85 in the amount of 1,083,925 Euro.

As of 31 December 2005 this amount also includes an amount receivable of 17,585,870 Euro from related companies concerning to income from stores openings.

The amount described as Special Regime for the Settlement of Debts to the Tax Authorities and Social Security (Decree – Law 248-A) refers basically to taxes paid subject to appeal, the outcome of which, the Board of Directors believes will be favourable to the Company reason why no impairment loss was recorded for those assets.

The caption Grants refers to an amount receivable from government as operational grants and is related to costs incurred with human resources training. During the year ended 31 December 2006 it was recorded as profit an amount of 1,771,027 Euro related to these grants (Note 34).

12. STATE AND PUBLIC ENTITIES

As of 31 December 2006 and 2005 this caption is detailed as follows:

Assets	31.12.06	31.12.05
Income tax	15,165,745	7,734,512
Value Added Tax	42,325,229	29,048,377
Other taxes	791,838	1,010,183
	58,282,812	37,793,072
Liabilities		
Income tax	7,875,537	11,322,140
Value Added Tax	29,069,914	10,702,313
Withheld tax - Payroll	1,444,148	1,403,121
Social security contributions	6,265,659	5,594,173
Other taxes and other taxes witheld	61,862	66,520
	44,717,120	29,088,267

13. OTHER CURRENT ASSETS

As at 31 December 2006 and 2005 Other current assets are made up as follows:

	31.12.06	31.12.05
Discounts receivable from supliers	3,341,600	3,055,670
Interests receivable	444,314	252,324
Claims	314,225	330,085
Rents	2,922,485	2,707,938
Condominiums management fee's	1,596,516	1,607,429
Insurance premiums paid in advance	969,948	1,038,293
Comissions	701,512	
Others	2,024,665	1,670,080
	12,315,265	10,661,819

14. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2006 and 2005 can be detailed, taking into consideration its temporary differences, as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.06	31.12.05	31.12.06	31.12.05
Difference between fair value and purchase cost (Note 6)	-	-	1,588,037	1,588,037
Harmonization adjustments (amortizations and depreciations)	181,106	252,939	27,903,609	29,115,608
Provisions and impariment losses not accepted for tax purposes	4,270,132	2,925,739	-	-
Write off of fixed assets	9,340,215	11,100,684	-	-
Write off of deferred costs	20,165	37,385	43,932	-
Valuation of derivatives	30,751	47,738	13,106	16,631
Reinvestment of capital gains	-	-	3,512,705	3,726,929
Ravaluation of tangible fixed assets	-	-	2,328,427	3,040,768
Exchange rate differences not included for tax purposes			1,595,373	
Tax losses carried forward	9,570,879	9,761,891		-
	23,413,248	24,126,376	36,985,189	37,487,973

The movements that occurred in deferred tax assets and liabilities in the years ended 31 December 2006 and 2005 can be detailed as follows:

	Assets	Liabilities	Assets	Liabilities
Openning balance	24,126,376	37,487,973	59,731,623	43,623,446
Effects on net profit:				
Write off of intangible assets	(1,097,634)	-	(1,261,659)	-
Write off of tangible assets	(275,560)	-	78,801	-
Revaluation of fixed assets	-	(669,661)	-	(78,281)
Harmonization adjustments (amortizations and depreciations)	(67,181)	(155,031)	(1,256,961)	-
Writte off of accrual and deferral	(16,459)	44,592	(174,378)	245,436
Provisions and impairment losses not accepted for tax purposes	1,461,770	-	99,000	-
Impairment losses	-	-	-	-
Financial instruments	(15,826)	(3,030)	(2,771,191)	(3,082,220)
Tax losses carried forward	(281,319)	-	2,150,084	-
Reinvestment of capital gains	-	(81,669)	-	(81,669)
Exchange rate differences not included for tax purposes in brazilian subsidiaries		1,644,410		
Effects on tax rate change	(1,407,762)	(1,190,259)		
Others	-	-	-	-
	(1,699,971)	(410,648)	(3,136,304)	(2,996,734)
Effect on reserves:				
Valuation of derivates under hedge operations	-	-	(851,449)	(495,160)
Foreign exchange rate effect	(49,075)	(49,957)	10,527,129	1,477,964
Effects on tax rate change	-	(35,231)	-	-
Others	-	(7,076)	-	-
	(49,075)	(92,264)	- 9,675,680	982,804
Changes on consolidation perimeter effects (Note 6)				
Purchases	1,035,918	128	629,619	695
Difference between fair value and carrying amount at aquisition date	-	-	-	1,588,037
Disposals	-	-	(42,774,242)	(5,710,275)
	1,035,918	128	- (42,144,623)	(4,121,543)
Closing balance	23,413,248	36,985,189	24,126,376	37,487,973

Due to changes in the form of calculation of the tax rate for 2007, during the year ended 31 December 2006 the Group changed the tax rate used for the calculation of deferred taxes assets and liabilities from 27.5% to 26.5%, except in which concerns to deferred tax assets resulting from tax losses carried forward for which the apllied tax rate was 25%.

Tax returns of the group companies that recorded deferred tax assets arising on tax losses carried forward (considering exchange rates effective at that time) and the expiry date of the referred losses existing as at 31 December 2006 and 2005 are made up as follows:

	31-12-06			31-12-05		
	Tax Losses	Deferred tax assets	Expiry date	Tax Losses	Deferred tax assets	Expiry date
With limit time use						
Originated in 2000	16,638	4,160	2006			
Originated in 2001	2,509,559	627,389	2007	3,229,649	888,154	2007
Originated in 2002	12,905,938	3,226,484	2008	12,876,252	3,540,969	2008
Originated in 2003	10,304,696	2,576,173	2009	9,154,493	2,517,486	2009
Originated in 2004	3,172,510	793,128	2010	2,848,318	783,287	2010
Originated in 2005	7,435,642	1,858,911	2011	7,389,076	2,031,995	2011
Originated in 2006	362,870	90,718	2012			2012
	36,707,853	9,176,963		35,497,788	9,761,891	
Without limit time use	1,158,580	393,916				
	37,866,433	9,570,879				

Deferred tax assets recognized were evaluated and were only recorded to the extent it was probable that sufficient taxable profits will be available in the future against which the deferred tax assets can be used, or when taxable temporary differences are recognized by the same entity and expected to reverse in the same period. This evaluation was based in the business plans of the companies of Modelo Continente Group, which are periodically reviewed and updated, and in the identified and available opportunities by tax planning.

As of 31 December 2006 the Company had carried forward tax losses in the amount of 166,813,143 Euro (252,556,905 Euro as of 31 December 2005) for which no deferred tax assets were recognized for prudential reasons.

	31-12-06			31-12-05		
	Tax Losses	Deferred tax assets	Expiry date	Tax Losses	Deferred tax assets	Expiry date
With limit time use						
Originated in 2000				46.285	12.729	2006
Originated in 2001	3.661.629	915.408	2007	2.079.478	571.856	2007
Originated in 2002	3.871.960	967.991	2008	68.969.158	18.966.518	2008
Originated in 2003	1.675.290	418.823	2009	64.524	17.744	2009
Originated in 2004	1.521.758	380.440	2010	49.655	13.655	2010
Originated in 2005	146.488.121	36.622.030	2011	181.347.805	49.870.646	2011
Originated in 2006	340.626	85.156	2012			2012
	157.559.384	39.389.848		252.556.905	69.453.148	
With limit time use different from thementioned above	9.250.041	3.237.514				
Without limit time use	3.718	1.264				
	166.813.143	42.628.626				

15. INVENTORIES

As of 31 December 2006 and 2005 this caption can be detailed as follows:

	31.12.06	31.12.05
Merchandise	352,193,769	335,902,568
Accumulated impairment losses on inventories (Note 27)	(11,542,472)	(10,696,473)
	340,651,297	325,206,095

The cost of goods sold in the years ended 31 December 2006 and 2005, including the amounts related to discontinued activities (Note 6), amounted to 2,323,628,133 Euro and 3,048,279,835 Euro, respectively, and was determined as follows:

	31.12.06	31.12.05
Opening inventories	335,902,568	397,854,239
Foreign exchanges rate effect		32,630,323
Changes in the perimeter - Purchases		541,845
Changes in the perimeter - Disposals		(137,142,840)
Purchase	2,346,937,968	3,098,876,922
Inventories adjustments	7,864,634	8,938,086
Closing inventories	352,193,769	335,902,568
	2,322,782,133	3,047,919,835
Impairment losses (Note 27)	846,000	360,000
	2,323,628,133	3,048,279,835

The amounts recorded under “Inventory adjustments” for the years ended 31 December 2006 and 2005 correspond mainly to adjustments made in discounts received or to be received from suppliers included in the acquisition cost of inventories.

16. CASH AND CASH EQUIVALENTS

As at 31 December 2006 and 2005 cash and cash equivalents can be detailed as follows:

	31.12.06	31.12.05
Cash at hand	3,396,197	1,964,645
Bank deposits	355,570,923	555,850,840
Treasury applications	448,028	6,040,511
Cash and equivalents presented on Balance sheet	359,415,148	563,855,996
Bank overdrafts (Note 19)	(1,724,154)	(3,082,347)
Cash and equivalents presented on Cash flow statements	357,690,994	560,773,649

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

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

17. SHARE CAPITAL AND RESERVES

Share Capital

As at 31 December 2006 and 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

At the Shareholders' Meeting on 20 September 2006 it was decided that the Company should no longer be a public traded company, decision that was later ratified by the portuguese market securities regulator ("Comissão de Mercados de Valores Mobiliários", CMVM) on 22 September 2006.

As of 16 October 2006 Sonae, SGPS, S.A. made public the purchase of all the representative shares of the share capital withheld by third parties not controlled by that company, under the terms of de Article 490, number 3 of the Commercial Companies Code ("Código das Sociedades Comerciais"). With this operation the Company become a wholly owned subsidiary of Sonae, SGPS, S.A..

As at 31 December 2006, the subscribed share capital was held as follows:

Entity	%
Sonae, S.G.P.S, S.A.	74,98
Sonae Investments, BV (wholly owned subsidiary of Sonae SGPS, SA)	15,93
Own Shares	9,09

As of 31 December 2006, Efanor Investimentos S.G.P.S., S.A. and its subsidiaries held 52.94% of the share capital of Sonae, SGPS, S.A.. .

Own Shares

As of 31 December 2006 and 2005, own shares are detailed as follows:

	31.12.06	31.12.05
Own Shares - Nominal value	100,000,000	-
Own Shares - Prizes and discounts	105,000,000	-
Cash and cash equivalents in the cash-flow statements	205,000,000	-

During the year ended 31 December 2006 the Company purchased 100,000,000 own shares for the price of 2.05 Euro per share from its shareholders: Sonae SGPS, S.A. (52,800,000 shares) and Sonae Investments, BV (47,200,000 shares).

Reserves and Retained Earnings

	31.12.06	31.12.05
Legal Reserves	90,200,000	90,200,000
Conversion Reserves	510,709	125,389
	90,710,709	90,325,389
Reserves under Article 324 of the CSC	205,000,000	-
Fair Value Reserves	42,500	42,500
Other Reserves and Retained Earnings	(603,724,258)	(557,872,049)
	(398,681,758)	(557,829,549)
	(307,971,049)	(467,504,160)

As of 31 December 2006 the company had 90,200,000 Euro (the same amount at 31 December 2005) of legal reserves. These reserves cannot be distributed except upon

dissolution of the company, but can be used to absorb losses after all the other reserves have been used up, or to increase capital.

As a result of the acquisition of own shares, free reserves in the same amount as their acquisition cost were made unavailable in accordance with article 324 of Commercial Companies Code ("Código das Sociedades Comerciais"). This reserve cannot be used until the referred own shares are extinct or disposed to a Company outside the group.

18. MINORITY INTERESTS

Movements in minority interests over the years ended 31 December 2006 and 2005 were as follows:

	31.12.06	31.12.05
Opening balance on 1 de January	8,717,734	7,331,008
Changes in equity - Acquisition of subsidiary	31,182	27,539
Profit for the year attributable to minority interests	2,181,994	1,359,187
Closing balance on 31 December	10,930,910	8,717,734

19. LOANS

As at 31 December 2006 and 2005, loans are made up as follows:

	31.12.06				31.12.05			
	Book Value		Nominal Value		Book Value		Nominal Value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	161,815,664	-	161,815,664	-	161,011,020	1,400,000	161,011,020	1,400,000
Bonds	-	593,166,278	-	597,000,000	-	592,279,778	-	597,000,000
Other loans	12,285	313,779	12,285	313,779	-	326,063	-	326,063
Bank overdrafts (Note 16)	1,724,154	-	1,724,154	-	3,082,347	-	3,082,347	-
	163,552,103	593,480,057	163,552,103	597,313,779	164,093,367	594,005,841	164,093,367	598,726,063
Derivatives	116,043	-	-	-	198,293	-	-	-
Obligations under finance leases	4,195,233	8,051,112	4,195,233	8,051,112	4,119,488	8,197,376	4,119,488	8,197,376
	167,863,379	601,531,169	167,747,336	605,364,891	168,411,148	602,203,217	168,212,855	606,923,439

The repayment schedule of nominal value of borrowing (including bank loans and obligations under finance leases) may be summarized as follows:

	31.12.06	31.12.05
2006		168,212,855
2007	167,747,336	4,191,861
2008	3,253,851	1,978,287
2009	102,610,174	101,629,680
2010	267,302,013	266,924,758
2011	82,029,992	82,029,992
2012	150,042,467	150,042,467
After 2012	126,394	126,394
	773,112,227	775,136,294

Bond loans

As of 31 December 2006 bond loans are made up 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

Bonds - MODELO CONTINENTE / 2003
1,640,000 bonds – Nominal Value: 50 euro.
Maximum term: 8 (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% p.a.
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.

Bonds - MODELO CONTINENTE / 2004
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 5 (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% p.a..
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.

Bonds - MODELO CONTINENTE 2005/ 2010
265,000 bonds – Nominal Value: 1,000 euro.
Maximum term: 5 (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% p.a..
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, in one payment on 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.

Bonds - MODELO CONTINENTE 2005/ 2012
15,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 7 (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% p.a..
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 reimbursed dates of 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

<u>Other loans – non currents</u>

At 31 December 2006 this caption corresponded to repayable grants from IAPMEI under the Measure of Support to the Energy Potential and Rationalization (MAPE).These grants do not bear interests and had been attributed by a 12 years period, with a grace period of 3 years redemption after attribution. The grants will be redempted in half-yearly instalments, occurring the first six months after the grace period. 12,285 Euro are now classified in the caption “Other loans – currents”.

Bank loans

This caption includes the issue of short term commercial paper in the amount of 160,000,000 Euro which bear interests at normal market rates and also a bank loan reimbursable in 2007 in the amount of 1,400,000 Euro.

20. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2006 and 2005, this caption is made up as follows:

	31.12.06	31.12.05
Net book value of assets acquired under finance leases		
Land and buildings	13,598,069	13,414,106
Office equipment	5,682,069	4,662,255
	19,280,138	18,076,361

Leasing creditors	Minimum lease payments		Present value of minimum lease payments	
Leasing payable amounts	31.12.06	31.12.05	31.12.06	31.12.05
2006		4,408,134		4,119,488
2007	4,571,267	2,968,942	4,195,233	2,773,340
2008	3,461,396	2,073,632	3,211,384	1,942,058
2009	2,717,797	1,675,571	2,573,945	1,593,451
2010	2,315,070	1,920,862	2,265,783	1,888,527
	13,065,530	13,047,141	12,246,345	12,316,864
Future finance chareges	(819,185)	(730,277)		
	12,246,345	12,316,864		
Amount due for settlement within 12 months (current liabilities)			4,195,233	4,119,488
Amount due for settlement after 12 months (non-current liabilities)			8,051,112	8,197,376

Lease agreements bear interest at usual market rates, have defined life time lessee and the lessee has call options over the leased assets.

As of 31 December 2006 and 2005, the fair value of financial obligations under financial lease contracts is similar to its book value.

The Group's obligations under finance leases are secured by the lessors' title of the leased assets.

21. DERIVATIVES

Currency derivatives

The Group uses currency derivatives, essentially, to hedge future exchange rate fluctuations.

As at 31 December 2006, the fair value of the currency derivatives, calculated taking into consideration present market value of equivalent financial instruments, is estimated as follows:

	31.12.06	31.12.05
Assets	49,458	60,475
Liabilities	(116,043)	-
	(66,585)	60,475

Gains and losses for the year arising from changes in the fair value of instruments that did not qualify for hedging accounting treatment, amounting to (127,060) Euro (61,048 Euro in 2005), were recorded directly in the income statement under financial profit/(loss).

Interest rate derivatives

As at 31 December 2006, the derivatives used by the Group essentially refers to "swaps" ("cash flow hedges"). These were negotiated to hedge the interest rate risk inherent to bank loans by the group. During 2006, the bank loans underlying the derivatives were reimbursed before the maturity date. Therefore and in accordance with the accounting standards adopted, these derivatives can no longer be classified as hedging instruments, although they contribute to reduce the net exposure of the Group to changes in interest rates. These financial instruments maturity date was December 2006:

The estimated fair value is as follows:

	31.12.06	31.12.05
Liabilities		(198,293)
	-	(198,293)

These interest rate derivatives were 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 its financial strength and credit risk established by internationally recognized rating agencies. These counterparts are nationally and internationally recognized first class financial institutions.

Fair value of derivatives

The fair value of the derivatives is detailed as follows:

	Assets (Note 9)		Liabilities (Nota 19)	
	31.12.06	31.12.05	31.12.06	31.12.05
Speculation derivatives	49,458	60,475	116,043	198,293
	49,458	60,475	116,043	198,293

22. OTHER NON CURRENT LIABILITIES

As at 31 December 2006 and 2005 other non current liabilities were made up as follows:

	31.12.06	31.12.05
Participating companies (Note 31)	10,000,000	14,325,652
Other non current trade accounts payable	767,334	1,233,523
Share-based payments (Note 23)	2,234,466	2,086,929
	13,001,800	17,646,104

As of 31 December 2006 and 2005, the caption Other non current liabilities refers mainly to the estimated amounts to fulfil the legal and tax obligations of a Brazilian subsidiary which was considered appropriate to face future losses on lawsuits and for which legal deposits exist, which are recorded under the captions Other non current trade accounts receivable (Note 10).

The amount payable to participating companies refers to a shareholders' loan granted by a minority shareholder to a subsidiary that bears interest at usual market rate. The fair value of this loan is similar to its book value.

23. SHARE BASED PAYMENT PLANS

In 2006 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 Sonae Group at the vesting date.

Liabilities arising from deferred performance bonuses as at 31 December 2006 and 2005 are made up as follows:

	Year of grant	Vesting year	Number of participants	Fair value 31.12.06	Fair value 31.12.05
Shares					
	2003	2006	38	-	5,050,842
	2004	2007	40	2,970,651	2,215,319
	2005	2008	39	2,454,762	1,830,150
	2006	2009	42	1,793,878	
Total				7,219,291	9,096,311

The amount recorded in the financial statements as at 31 de Dezembro de 2006 and 2005, that are related to the responsibilities incurred from the date in which each plan was granted to the period then ended, can be presented as follows:

Recorded as Other non current liabilities	2,234,466	2,086,929
Recorded as Other current liabilities	2,970,651	5,050,842
Recorded in profit and loss in previous years	(1,093,837)	(1,654,230)
Recorded in Staff costs	4,111,280	5,483,541

The share based payment plans costs are recognized during the years between the grant and vesting date as payroll costs. Payments related with share based payments made during 2006 amounted to 6,043,936 Euro (1,485,596 Euro in 2005).

24. TRADE ACCOUNTS PAYABLE

As of 31 December 2006 and 2005 this caption can be detailed as follows:

	31.12.06	31.12.05
Suppliers - current account	476,211,283	462,356,092
Suppliers - invoices w aiting approval	161,309,572	136,128,613
	637,520,855	598,484,705

At 31 December 2006 and 2005 the caption Trade accounts payable resulted from usual Group business. The Board of Directors understands that the book value of these accounts payable is similar to its fair value.

25. OTHER ACCOUNTS PAYABLES

As of 31December 2006 and 2005 Other current liabilities were made up as follows:

	31.12.06	31.12.05
Partipated and participating companies	319,071	340,395
Suppliers of fixed assets	40,549,692	46,071,845
Amounts payable to related parties	-	8,396,819
Others accounts payable	36,241,354	35,071,789
	77,110,117	89,880,848

The caption Other accounts payables includes:

a) put option sold to the shareholders of one Brazilian subsidiary (disposed in 2005) amounting to 37,069,900 BRL (74,139,801 BRL in 2005), approximately 13 millions euro, over the shares of that participated company. After the exercise of this put option the Group is obliged to resell these shares for the amount of 4,425,464 Euro, as defined in the sale agreements of that subsidiary (amount recorded in the caption Other accounts receivables).

b) 7,331,133 Euro (4,144,161 Euro in 2005) relating to forms of payment withheld by the customers, namely vouchers, gift cards and discount cards.

c) Approximately, 3 million Euro concerning the amount to be paid to the purchaser of Sonae Distribuição Brasil, S.A. resulting from the settled agreements, which were integrally provided for (Note 6).

26. OTHER CURRENT LIABILITIES

As at 31 December 2006 and 2005 “Other current liabilities” were made up as follows:

	31.12.06	31.12.05
Personnel costs	53,750,630	45,838,755
Share-based payments (Note 23)	2,970,651	5,050,842
Accrued interests	9,493,077	6,577,431
Advertising and promotion	6,378,828	4,628,911
Other external supplies and services	9,074,673	3,258,734
Real Estate Municipality tax	3,860,842	3,906,273
Other liabilities	810,997	806,434
	86,339,698	70,067,380

The caption “Personnel costs” refers mainly to payroll amounts to be paid during 2007 as holiday and holiday pay.

27. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses for the year ended 31 December 2006 is as follows:

Rubricas	Openning balance	Increases a)	Decreases b)	Closing balance
Accumulated impairment losses on investments (Note 9)	470,413	26,315	(22,000)	474,728
Accumulated impairment losses on goodwill (Note 8)	-	2,838,583	-	2,838,583
Accumulated impairment losses on trade accounts receivable	10,272,561	2,732,287	(1,837,708)	11,167,140
Accumulated impairment losses on other debtors (Note 11)	6,537,230	4,276,111	(4,350,151)	6,463,190
Accumulated impairment losses - inventory (Note 15)	10,696,473	6,537,334	(5,691,335)	11,542,472
Provisions for losses in subsidiaries (Note 6)	775,929	-	(775,929)	-
Provisions	27,000,000	172,613	(5,055,117)	22,117,496
	55,752,606	16,583,243	(17,732,240)	54,603,609

a) Increases include 5,458,061 Euro regarding companies purchased during the year ended 31 December 2006.

b) In the decreases are included the following amounts:

- (775,929) Euro concerning a provision for accumulated losses recorded by a subsidiary which is now consolidated through the full consolidation method, resulting from the purchase of an additional amount of its share capital (Note 6);

- (4,504,809) Euro relating to contingencies that were materialized during 2006, as well as the effect of exchange rate changes in the amount of (516,797) Euro, as it mainly refers to obligations to be settled in BRL.

Impairment losses are deducted from the corresponding asset carrying amount.

28. CONTINGENT ASSETS AND LIABILITIES

	31.12.06		31.12.05
Guarantees rendered:			
related to tax claims awaiting outcome	50.887.200	a)	54.009.154
related to local and municipal claims awaiting outcome	8.568.362		8.439.969
Others	16.099.991	b)	4.538.251

a) Includes guarantees amounting to 29,550,873 Euro and 18,110,885 Euro related to appeals against additional corporate income tax and VAT assessments, respectively.
b) Includes guarantees in the amount of 8,083,055 Euro relating to VAT reimbursement requests.

No provision has been recorded for the liabilities that could arise from these processes, as the Board of Directors believes that they will be resolved without loss to the Company.

29. FINANCIAL COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

As at 31 December 2006 the Group did not hold any contractual commitments concerning fixed assets acquisition or other kind of financial commitments not reflected in the balance sheet.

30. OPERATING LEASES

As of 31 December 2006 an amount of 33,845,973 Euro was recorded as cost for the period concerning borne rents due to operating lease contracts, mainly referring to leased real estate.

Additionally, as at that date, the Group held as lessee operating lease contracts whose minimum lease payments schedule is made up as follows:

	31.12.06
Due on:	
Annual contracts:	
2007 automatically renewable	22,739,347
Multiannual contracts:	
2007	14,932,536
2008	12,521,761
2009	12,009,459
2010	9,631,641
2011	6,865,087
After 2011	8,212,621
	86,912,453

During the year ended 31 December 2006, an amount of 10,582,457 Euro was recorded as income for the period relating to rents received due to operating lease contracts which mostly concern commercial galleries and stores exploited by the Group.

Additionally, as at that date, the group held as lessor operating lease contracts whose minimum lease payments schedule is made up as follows:

	31.12.06
Due on:	
2007 automatically renewable	2,736,163
2007	7,312,065
2008	5,073,046
2009	3,568,130
2010	1,924,737
2011	1,030,393
After 2011	611,824
	22,256,358

31. RELATED PARTIES

Balances and transactions with related parties as of 31 December 2006 and 2005 are detailed as follows:

	Sales and services rendered		Purchase and services attained		Interest income		Interest expense	
Transactions	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Parent company	316,826	265,836	568,403	600,522	3,800,147	656,486	101,300	15,749
Associated companies	478,368	1,587,795	318,286	2,449,367		47,413		
Participated companies	48,047,084	46,462,392						
Participating companies							318,967	386,267
Other related parties	19,263,062	14,622,828	95,527,343	97,712,882	2,431	303,137	24,596	121,233
	68,105,340	62,938,851	96,414,032	100,762,771	3,802,578	1,007,036	444,863	523,249

	Purchase of assets		Disposal of assets	
Transactions of fixed assets	31.12.06	31.12.05	31.12.06	31.12.05
Parent company	75,000,000			
Associated companies			15,769,755	41,245
Other related parties	60,718,044	74,146,665	66,644	36,099
	135,718,044	74,146,665	15,836,399	77,344

					Loans			
	Accounts receivable		Accounts payables		Payables		Receivable	
Balances	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
Parent company	59,854	75,000,000	203,095	260,400				13,861,000
Associated companies	683,776	166,988	391,909	241,837			1,000,000	7,107,000
Participated companies	12,804,052	12,498,470	155,357	83,436				
Participating companies				45,955	10,000,000	14,325,652	6,538	
Other related parties	10,526,303	20,258,645	19,711,625	40,054,083		73,338		
	24,073,985	107,924,103	20,461,986	40,685,711	10,000,000	14,398,990	1,006,538	20,968,000

The amounts recorded under Loans payable to participating companies refers to loans granted by shareholders of subsidiaries which bear interests at market rates.

As referred in Note 17 the Company purchased to its shareholders 100,000,000 own shares for the amount of 205,000,000 Euro.

Other related parties caption includes transactions with Sonae Group's companies as well as subsidiaries of Efanor Investimentos, SGPS, S.A..

32. REMUNERATION AND OTHER COMPENSATION ATTRIBUTED TO THE MEMBERS OF THE BOARD OF DIRECTORS

The Fixed Remuneration and Performance Bonus attributed to the members of the Board of Directors, by the companies included in the consolidation, calculated on an accruals basis, amounted to 1,609,248 Euro from which 855,888 Euro relates to performance bonus.
Additionally, the remuneration of the staff with responsibilities in the strategical management of the main Group companies amounted to 2,579,181 Euro, from which 1,105,961 relates to performance bonus.

33. SALES AND SERVICES RENDERED

Sales and Services rendered in 2006 and 2005 were as follows:

	31.12.06	31.12.05
Sales		
Continued operations	2,959,534,901	2,726,117,684
Discontinued operations		1,135,533,327
	2,959,534,901	3,861,651,011
Services rendered		
Continued operations	131,025,942	19,272,399
Discontinued operations	-	3,701,147
	131,025,942	22,973,546

The increase in services rendered is mainly due to the consolidation of travelling agencies through the full consolidation method (Note 6) which contributes with approximately 112 million Euros.

34. OTHER OPERATING INCOME

At 31 December 2006 and 2005 the caption "Other operating income" was made up as follows:

	31.12.06	31.12.05		
		Continued Operations	Discontinued Operations	Total
a) Supplementary revenues	252,388,286	253,516,679	31,821,479	285,338,158
Benefits from contractual penalities	471,638	8,464	-	8,464
Subventions received	1,771,027	-	-	
b) Gains on disposals of tangible assets	2,063,135	210,497	39,462,240	39,672,737
Reversal of Impairment losses	6,188,014	2,141,113	2,179,278	4,320,391
Other income	5,578,865	13,337,537	-	13,337,537
	268,460,965	269,214,290	73,462,997	342,677,287

a) The caption Supplementary revenues refers basically to revenues from the Group's suppliers concerning to: i) copartnership on promotions carried out in Modelo Continente stores, ii) placement of the suppliers products in preferential locations in the Group's stores, and iii) discounts obtained for immediate payment.

b) As of 31 December 2005, gains on disposals of tangibles assets recorded as Discontinued Operations refers mainly to the disposal in the first semester of 10 commercial establishments in S. Paulo (Brazil), by the subsidiary Sonae Distribuição Brasil which was disposed of in the end of 2005.

35. OTHER OPERATING COSTS

At 31 December 2006 and 2005 the caption "Other operating costs" was made up as follows:

	31.12.06	31.12.05		
	Operations Continued	Continued	Operations Discontinued	Total
Costs of Automatic payment terminals	19,317,237	18,352,429	9,799,072	28,151,501
Local government tax over Real Estate properties	2,480,544	1,723,252	2,580,612	4,303,864
Other tax	1,428,392	1,569,010	6,452,213	8,021,223
Losses on the Disposal of tangible assets	4,537,311	3,067,912	6,349,117	9,417,029
Losses on the Disposal of intangible assets	8,927	-	-	-
Donations	5,363,772	5,003,420	-	5,003,420
Fines and penalities	428,467	197,117	303	197,420
Uncollectible debts	1,708,159	3,584,351	-	3,584,351
Other costs	7,378,586	6,609,009	1,825,908	8,434,917
	42,651,395	40,106,500	27,007,225	67,113,725

36. FINANCIAL PROFIT/(LOSS)

Net financial profit / (loss) for the years ended 31 December 2006 and 2005 are made up as follows:

	31.12.06	31.12.05		
		Continued	Operations Discontinued	Total
Losses				
Interest beared				
Bank overdrafts and loans	(1,298,117)	(8,577,746)	(14,678,898)	(23,256,644)
Bonds	(22,558,763)	(10,897,693)		(10,897,693)
Lease Agreements	(379,914)	(347,744)		(347,744)
Others	(461,086)	(1,550,676)	(107,238)	(1,657,914)
	(24,697,880)	(21,373,859)	(14,786,136)	(36,159,995)
Exchange rate losses	(2,933,836)	(1,280,450)	(230,415)	(1,510,865)
Losses in the valuation of derivatives	(60,475)	(7,820,937)		(7,820,937)
Other financial losses	(5,218,967)	(11,617,651)	(14,605,688)	(26,223,339)
	(32,911,158)	(42,092,897)	(29,622,239)	(71,715,136)
Net financial profit/(loss)	(18,561,033)	(27,568,281)	(18,424,666)	(45,992,947)
Income				
Interests earned	9,161,576	6,742,205	1,008,315	7,750,520
Exchange rate income	3,679,302	2,184,461	244,534	2,428,995
Financial discounts received	-	96,192	4,352,351	4,448,543
Profits in the valuation of derivatives	173,592	2,906,092		2,906,092
Other financial income	1,335,655	2,595,666	5,592,373	8,188,039
	14,350,125	14,524,616	11,197,573	25,722,189

37. PROFIT/(LOSS) RELATING TO INVESTMENTS

Financial profit related to investments in the year ended 31 December 2006 includes an amount of 12,564,414 Euro related to a revision of the sale price of the subsidiary Sonae Distribuição Brasil, S.A. disposed of in the end of 2005.

38. INCOME TAX

Income tax for period ended 31 December 2006 and 2005 is made up as follows:

	31.12.06	31.12.05
Current Tax	9,602,480	16,959,122
Deferred Tax	106,677	139,570
	9,709,157	17,098,692

Total income tax charge for the year can be reconciled to the accounting profit as follows:

	31.12.06	31.12.05
Profit/(loss) before income tax	169,970,776	232,580,449
Income tax rate	27.50%	27.50%
	46,741,963	63,959,623
Effect of provisions and impairment losses not considered for tax purposes	(1,330,658)	7,413,721
Differences in profit/(loss) in the disposal of assets for tax and accounting purposes	(890,268)	(109,238,730)
Others	5,707,310	700,535
Use of tax losses for which no deferred taxes assets were recognised in the past	(40,960,242)	(1,362,665)
Tax losses of the current year which did not give place to the recognition of deferred tax assets	1,865,633	58,919,819
Tax rates different from portuguese tax rate	(978,719)	(3,978,285)
Effect of the change in tax rate used for purposes of calculation of deferred taxation	182,272	
Use or reversal of deferred tax	(826,915)	
Autonomous taxation and tax benefits	267,122	
Shortage / (excess) of previous years income tax estimate	(68,341)	684,674
Income tax	9,709,157	17,098,692

39. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2006 and 2005 were calculated taking into consideration the following amounts:

	31.12.06	31.12.05		
		Operations		
		Continued	Discontinued	Total
Net profit				
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	158,079,602	121,789,214	92,333,356	214,122,570
Net profit taken into consideration to calculate diluted earnings per share	158,079,602	121,789,214	92,333,356	214,122,570
Number of shares				
Weighted average number of shares used to calculated basic Earnings per share	1,089,315,068	1,100,000,000		1,100,000,000
Weighted average number of shares used to calculated the diluted earnings per share	1,089,315,068	1,100,000,000		1,100,000,000
Earning per share (basic and diluted)	0.15	0.11		0.19

The average number of shares was calculated considering the acquisition date of the 100,000,000 own shares in the end of the year ended 31 December 2006.

As of 31 December 2006 and 2005 there are no diluting effects on the number of circulating shares.

40. DIVIDENDS

In the Annual General Meeting held on 31 March of 2006 were attributed 55,000,000 Euro dividends, corresponding to 0.05 Euro per share.

41. SEGMENT INFORMATION

Geographical segments that have been identified in 2006 and 2005 period were:

- Portugal
- Brazil

The contribution of the main segments to the consolidated Income Statement for the years ended 31 December 2006 and 2005 can be detailed as follows:

Euro

	Portugal		Brazil	Consolidated	
	31-12-2006	31-12-2005	31-12-2005	31-12-2006	31-12-2005
Operating income					
Sales	3,090,560,843	2,726,117,684	1,135,533,327	3,090,560,843	3,861,651,011
Operating Cash-flow (EBITDA)	253,730,010	234,506,706	54,790,642	253,730,010	289,297,348
Operating profit (EBIT)	174,985,690	165,598,737	23,359,515	174,985,690	188,958,252
FTE's	21,329	19,438	19,640	21,329	39,078
Number of stores	480	335	-	480	335
Sales ares ('000 m^2)	543	495	-	543	495

42. SUBSEQUENT EVENTS

In the Shareholders General Meeting it will be proposed the payment of a gross dividend on a total amount of 75 million Euro.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 12 March 2006, but are subject to final approval of the Shareholders General Meeting as defined in Portuguese Commercial Law.

44. NOTE ADDED TO TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards. In the event of discrepancies, the Portuguese language version prevails.

Matosinhos, 12 March 2006

MODELO CONTINENTE, SGPS, SA

INDIVIDUAL
FINANCIAL STATEMENTS
IAS/IFRS

December 2006

MODELO CONTINENTE, SGPS, SA
Head Office: R. João Mendonça, 529 - 4464-501 SENHORA DA HORA
Porto Commercial Registry and Fiscal Nr. 501 532 927
Share Capital 1,100,000,000 Euro

DIRECÇÃO FINANCEIRA

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

COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euro)

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

ASSETS	Notes	IFRS 31-12-06	IFRS 31-12-05
NON CURRENT ASSETS			
Intangible assets	5	695.668	700.988
Tangible assets	5	10.043	10.851
Investments	4	1.350.118.831	1.321.128.781
Deferred tax assets	6	1.649	75.490
Loans to Group Companies	7	457.114.129	312.434.192
Total non current assets		1.807.940.320	1.634.350.302
CURRENT ASSETS			
Trade accounts receivable	8	21.191.886	20.047.466
Group companies	10	897.398.511	795.283.310
Other accounts receivable	11	2.709.977	2.679.180
State and public entities	9	10.954.848	6.837.566
Other current assets	12	3.521.868	78.080.147
Cash and cash equivalents	13	50.033.177	450.008.364
Total current assets		985.810.267	1.352.936.033
TOTAL ASSETS		2.793.750.587	2.987.286.335
EQUITY AND LIABILITIES			
EQUITY			
Share Capita	14	1.100.000.000	1.100.000.000
Own Shares	15	(205.000.000)	
Legal reserves	16	90.200.000	90.200.000
Other reserves	16	905.536.702	1.192.586.414
Retained earnings			(4.364.161)
Net profit / (loss) for the year		80.335.955	(227.707.550)
Total equity		1.971.072.657	2.150.714.703
TOTAL EQUITY		1.971.072.657	2.150.714.703
LIABILITIES			
NON CURRENT LIABILITIES			
Bank loans	17		1.400.000
Bonds	17	593.166.278	592.279.778
Deferred tax liabilities	6	115.282	157.879
Total non-current liabilities		593.281.560	593.837.657
CURRENT LIABILITIES			
Short term portion of non-current bank loans	17	161.400.000	161.011.020
Bank loans	17	2.594	293.292
Derivatives			198.293
Suppliers		81.620	12.872
Group companies	10	41.033.321	65.837.200
Other account payable	18	11.165.157	37.701
State and public entities	9	3.932.935	4.928.417
Other current liabilities	19	11.780.743	10.415.180
Total current liabilities		229.396.370	242.733.975
TOTAL LIABILITIES		822.677.930	836.571.632
TOTAL EQUITY AND LIABILITIES		2.793.750.587	2.987.286.335

The accompanying notes are part of these financial statemen

The Board of Directors

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

COMPANY INCOME STATEMENTS BY NATURE

FOR THE YEARS AND QUARTERS ENDED 31 DECEMBER 2006 AND 2005

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

(Amounts expressed in Euro)

	Notes	IFRS 4th Quarter 06 (Not audited)	IFRS 31-12-06 YTD	IFRS 4th Quarter 05 (Not audited)	IFRS 31-12-05 YTD
Operating Income					
Services rendered	22	4.223.332	17.614.059	4.904.277	17.229.805
Other operating income	23	974.025	1.944.050	744.745	3.850.530
Total operating income		5.197.357	19.558.109	5.649.022	21.080.335
Operating expenses					
External supplies and services		(328.362)	(1.354.948)	(291.212)	(1.175.075)
Staff costs		(594.656)	(2.005.299)	(1.896.462)	(4.496.066)
Amortization and depreciation	5	(70.721)	(282.307)	(70.528)	(282.005)
Other operating expenses	24	(1.040.382)	(1.918.594)	(679.857)	(3.933.325)
Total operating expenses		(2.034.121)	(5.561.148)	(2.938.059)	(9.886.471)
Net Operating profit /(loss)		3.163.236	13.996.961	2.710.963	11.193.864
Net financial profit/(loss)	25	(11.810.516)	24.825.811	4.731.475	27.231.812
Investment income / (loss)	26	-	17.891.933	(298.551.911)	(282.531.246)
Extraordinary income/ (loss)					
Profit / (loss) before taxes		(8.647.280)	56.714.705	(291.109.473)	(244.105.570)
Income tax	27	20.320.220	23.621.250	21.098.920	16.398.020
Net profit /(loss) for the year	28	11.672.940	80.335.955	(270.010.553)	(227.707.550)
Profit /(Loss) per share (basic and diluted)	28	0,011	0,074	(0,25)	(0,21)

The accompanying notes are part of these financial statements

The Board of Directors

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

COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts expressed in Euro)

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

	Notes	Share capital	Own Shares	Legal Reserves	Other Reserves	Retained earnings	Net profit/loss	Total Equity
Balance at 1 January 2005	14	1.100.000.000	-	86.000.000	1.288.436.859	(176.018.548)	80.003.942	2.378.422.253
Appropriation of net profit of 2004:								-
Appropriation of net profit/(loss) of 2004		-		4.200.000	(95.850.445)	171.654.387	(80.003.942)	-
Net profit/(loss) for the year ended 31 December 2005		-	-	-	-	-	(227.707.550)	(227.707.550)
Balance at 31 December 2005	14	1.100.000.000	-	90.200.000	1.192.586.414	(4.364.161)	(227.707.550)	2.150.714.703
Balance at 1 January 2006	14	1.100.000.000	-	90.200.000	1.192.586.414	(4.364.162)	(227.707.550)	2.150.714.702
Appropriation of net profit of 2005:								
Appropriation of net profit/(loss) of 2005		-	-			(227.707.550)	227.707.550	-
Distributed Dividends		-	-	-	(55.000.000)	-	-	(55.000.000)
Changes in reserves:				-				
Changes in fair vaue		-	-	-	22.000	-	-	22.000
Purchase of Own Shares	15	-	(205.000.000)	-	-	-	-	(205.000.000)
Net profit/(loss) for the year ended 31 December 2006		-	-	-	-	-	80.335.955	80.335.955
Others		-	-	-	(232.071.712)	232.071.712	-	-
Balance at 31 December 2006		1.100.000.000	(205.000.000)	90.200.000	905.536.702	-	80.335.955	1.971.072.657

The accompanying notes are part of these financial statements

The Board of Directors

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

COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(Amounts expressed in Euro)

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

	Notes	31-12-06	31-12-05
OPERATING ACTIVITIES			
Cash receipts from trade debtors		16.469.639	21.416.516
Cash payments to trade suppliers		1.324.072	1.080.290
Cash paid to employees		3.602.512	2.472.994
Net cash flow generated by operations		11.543.055	17.863.232
Income taxes paid/(received)		(8.477.708)	(8.790.139)
Other cash receipts/payments from operating activities		4.135.255	321.253
Net cash flow from operating activities (1)		24.156.018	26.974.624
INVESTING ACTIVITIES			
Cash receipt related to:			
Investments	4	16.199.520	624.849.075
Intangible assets		184.500	-
Interests and similar income		55.885.884	55.994.777
Dividends	26	14.200.887	16.021.796
Loans granted		4.588.519.463	2.734.783.617
		4.674.990.254	3.431.649.265
Cash payments related to:			
Investments	4	(34.276.524)	(297.288.413)
Tangible assets		(1.137)	(5.346)
Intangible assets		(459.500)	(75.000.000)
Loans granted		(4.755.736.910)	(2.633.388.714)
		(4.790.474.071)	(3.005.682.473)
Net cash used in investing activities (2)		(115.483.817)	425.966.792
FINANCING ACTIVITIES			
Cash receipts related to:			
Loans obtained		1.256.298.793	1.244.531.300
		1.256.298.793	1.244.531.300
Cash Payments related to:			
Loans obtained		(1.281.665.612)	(1.274.792.300)
Interest and similar charges		(22.989.891)	(18.206.624)
Dividends		(54.999.980)	(74)
Purchase of own shares		(205.000.000)	-
		(1.564.655.483)	(1.292.998.998)
Net cash used in financing activities (3)		(308.356.690)	(48.467.698)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(399.684.489)	404.473.718
Cash and cash equivalents at the beginning of the period	13	449.715.072	45.241.354
Cash and cash equivalents at the end of the period	13	50.030.583	449.715.072

The accompanying notes are part of these financial statements

The Board of directors

MODELO CONTINENTE, SGPS, S.A.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2006

(Amounts expressed in Euro)

(Translation of notes originally issued in Portuguese – Note 32)

1. INTRODUCTION

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

Its principal activity is the management of equity 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 from the books and accounting records prepared on a going concern basis and in accordance with the International Financial Reporting Standards ("IFRS") applicable at 31 December 2006, as adopted by the European Union.

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

Even though IFRS 7 – "Financial Instruments" had already been issued as of 31 December 2006 its applicability is only mandatory for the years beginning at or after 1 January 2007. Modelo Continente, SGPS, S.A. decided for the non early application of IFRS 7. Its application will only result in an increase of the disclosed information.

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 on accrual basis.

2.5. Financial Instruments

a) Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recorded according to IAS 27, at acquisition cost net impairment losses if any.

b) 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 profit or loss are subsequently carried at fair value without any deduction of 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 under the caption “Other reserves”, 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.

Gains or losses arising from change in fair value of investments measured at fair value through profit and loss are recorded directly in the income statement.

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

c) 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.

d) 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.

e) 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 2.8. 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.

f) Trade accounts payable

Accounts payable are stated as their nominal value.

g) 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 reasons 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;
- 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 has being hedge is highly probable.

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. When the hedged instrument is not measured at the 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.

In specific situations, when the derivatives instruments which were negotiated with hedging purposes do not fit in the IAS 39 requirement to the hedged instruments classification, fair value changes will affect the Profit and Loss statement.

h) Own shares

Own shares are recorded at acquisition cost as a deduction from equity. Profits or losses resulting from disposal of own shares are recorded directly in equity.

i) 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. Share based payments

Share based payments result from Deferred Performance Bonus Plans that are referenced to the evolution of the Sonae shares' price.

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 current and non-current liabilities, under a straight line basis, between the date the shares were granted and their vesting date, taking into a consideration the time elapsed between these dates.

2.7. 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 financial statements but disclosed when the existence of future economic benefit is probable.

2.8. Revenue recognition and accrual basis

Revenue from services rendered is recognized 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 they are attributed to the shareholders except if related to profits obtained previously to the acquisition of the affiliated company, in which case they are deducted to the purchase cost.

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.

2.9. 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.

2.10. 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 31 December 2006 and 2005, the detail of investments is as follows:

Company	31 December 2006		31 December 2005	
	% Held	Closing Balance	% Held	Closing Balance
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	100.00%	372,000	100.00%	372,000
Contimobe - Imobiliária Castelo Paiva, S.A.	10.00%	10,728,063	10.00%	10,728,063
Fozimo - Sociedade Imobiliária, S.A.	100.00%	24,940	100.00%	24,940
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	100.00%	43,913,700	100.00%	43,913,700
Fundo de Investimento Imobiliário Imosonae Dois	100.00%	117,425,732	99.98%	115,697,320
Fundo de Investimento Imobiliário Fechado Imosede	33.81%	13,525,000	-	-
Igimo - Sociedade Imobiliária, S.A.	100.00%	220,000	100.00%	220,000
Imoconti - Sociedade Imobiliária, S.A.	100.00%	50,000	100.00%	50,000
Imomuro - Sociedade Imobiliária, S.A.	100.00%	439,940	100.00%	439,940
Imoresultado - Sociedade Imobiliária, S.A.	100.00%	109,736	100.00%	109,736
Infofield - Informática, S.A.	10.00%	530,459	10.00%	420,459
Marcas MC zRt	100.00%	79,545	100.00%	79,545
Modelo Continente - Operações de Retalho, SGPS, S.A.	95.24%	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.	-	-	37.35%	19,640,219
Modelo, SGPS, S.A.	0.15%	562,444	0.15%	562,444
Modelo.Com - Vendas por Correspondência, S.A.	100.00%	12,637,016	100.00%	11,387,016
Ok Bazar - Comércio Geral, S.A.	100.00%	1,953,945	100.00%	1,953,945
Parcium Imobiliária, S.A.	100.00%	8,200,000	-	-
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. (a)	0.003%	75,500	0.003%	53,500
Sonae Capital Brasil, Lda	37.00%	23,334,858	-	-
Sonae Retalho España, S.A.	100.00%	2,549,831	100.00%	2,549,832
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%	1,180,000	100.00%	1,180,000
Worten - Equipamentos para o Lar, S.A.	10.00%	462,494	10.00%	2,494
		1,350,118,831		1,321,128,781

a) Measured at fair value as of 31 December of each year.

The movement of this caption during the years ended 31 December 2006 and 2005 can be detailed as follows:

	31 December 2006	31 December 2005
	Non Current	Non Current
Investments in group companies		
Opening balance at 1 January 2006	1,180,747,775	1,336,086,244
Purchases over the year	8,203,592	291,438,413
Disposals over the year		(176,660,640)
Others (Note 26)	(24,750,954)	(270,116,242)
Closing balance at 31 December 2006	1,164,200,413	1,180,747,775
Accumulated impairment losses (Note 20)	(448,413)	(28,912,413)
	1,163,752,000	1,151,835,362
Investments in associated companies		
Opening balance at 1 January 2006	249,399	249,399
Purchases over the year	-	-
Disposals over the year	-	-
Others	-	-
Closing balance at 31 December 2006	249,399	249,399
Accumulated impairment losses	-	-
	249,399	249,399
Supplementary capital		
Opening balance at 1 January 2006	2,480,000	2,480,000
Purchases over the year	-	-
Disposals over the year	-	-
Increase / (decrease) in fair value	-	-
Others	-	-
Closing balance at 31 December 2006	2,480,000	2,480,000
Real estate investment funds		
Opening balance at 1 January 2006	159,611,020	-
Purchases over the year	31,452,932	159,611,020
Disposals over the year	-	-
Distributions	(16,199,520)	-
Closing balance at 31 December 2006	174,864,432	159,611,020
Accumulated impairment losses	-	-
	174,864,432	159,611,020
Capital non-compulsory inflows on group companies		
Opening balance at 1 January 2006	6,953,000	1,103,000
Created over the year	1,820,000	5,850,000
Disposals over the year	-	-
Others		-
Closing balance at 31 December 2006	8,773,000	6,953,000
Accumulated impairment losses	-	-
	8,773,000	6,953,000
	1,350,118,831	1,321,128,781

The increase in the caption “Investments in group companies” amounting to 8,203,592 Euro includes the purchase of 100% of Parcium Imobiliária, S.A. for the amount of 8,200,000 Euro.

During the year ended 31 December 2006 Modelo Investimentos Brasil, S.A. was incorporated in Sonae Capital Brasil, Lda. As a result of this operation, the financial investment of 24,750,954 Euro and the recognised impairment losses amounting to 28,422,000 Euro in this associated company were written-off (Note 26).

The increase of 31,452,932 Euro in the caption “Real estate investment funds” concerns the purchase of participation units of the fund “Fundo de Investimento Imobiliário Imosonae Dois”, a closed real estate fund of private subscription, that made the company the holder of 100% of the fund’s units; and also to the subscription of 33.81% of participation units of the closed real estate fund of private subscription, Fundo de Investimento Imobiliário Fechado Imosede.

The amount of (16,199,520) Euro recorded in the caption “Real estate investment funds” concern to net profits distributed and received by the company which were recorded by the fund Fundo de Investimento Imosonae Dois, previously to its acquisition by the company.

5. TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2006, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, are made up as follows:

Intangible Assets:

Gross assets:	Opening balance 2005-12-31	Increases	Decreases	Closing balance 2006-12-31
Industrial property and other rights	1.401.602			1.401.602
Advances on account of intangible assets		459.500	184.500	275.000
	1.401.602	459.500	184.500	1.676.602

Accumulated depreciation, amortization and impairment losse	Opening balance 2005-12-31	Increases	Annulments/ reversals	Closing balance 2006-12-31
Industrial property and other rights	700.614	280.320		980.934
	700.614	280.320		980.934

Tangible Assets:

Gross assets:	Opening balance 2005-12-31	Increases	Decreases	Closing balance 2006-12-31
Machinery and equipment	2.464			2.464
Transport equipment	19.062			19.062
Office equipment	15.474	1.179		16.653
Other tangible assets	679			679
	37.679	1.179		38.858

Accumulated depreciation, amortization and impairment losse	Opening balance 2005-12-31	Increases	Annulments/ reversals	Closing balance 2006-12-31
Machinery and equipment	164	247		411
Transport equipment	19.062			19.062
Office equipment	6.923	1.740		8.663
Other tangible assets	679			679
	26.828	1.987		28.815

Total Net Assets:	Opening balance 2005-12-31	Increases	Decreases	Closing balance 2006-12-31
Intangible assets	700,988	179,180	184,500	695,668
Tangible assets	10,851	(808)		10,043

Changes in Advances on account of intangible assets concern the amounts paid as advance for future contracts of property occupation rights for a set of stores, some of which were transmitted to subsidiary companies.

During the year ended 31 December 2005, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, are made up as follows:

Intangible Assets

Gross Assets	Opening Balance 2005-12-31	Increase	Decrease	Closing Balance 2006-12-31
Industrial Property and other rights	1,401,602			1,401,602
	1,401,602			1,401,602

Accumulated Amortization and Impairment Losses	Opening Balance 2005-12-31	Increase	Decrease	Closing Balance 2006-12-31
Industrial Property and other rights	420,294	280,320		700,614
	420,294	280,320		700,614

Tangible Assets

Gross Assets	Opening Balance 2005-12-31	Increase	Decrease	Closing Balance 2006-12-31
Machinery and Equipment		2,464		2,464
Transport Equipment	19,062			19,062
Office Equipment	14,633	841		15,474
Other Tangible Assets	679			679
	34,374	3,305		37,679

Accumulated Amortization and Impairment Losses	Opening Balance 2005-12-31	Increase	Decrease	Closing Balance 2006-12-31
Machinery and Equipment		164		164
Transport Equipment	19,062			19,062
Office Equipment	5,402	1,521		6,923
Other Tangible Assets	679			679
	25,143	1,685		26,828

Total Net Assets:	2004-12-31	Increases	Decreases	2005-12-31
Intangible assets	981,308	(280,320)		700,988
Tangible assets	9,231	1,620		10,851

6. DEFERRED TAX

Deferred tax assets and liabilities as at 31 December 2006 and 2005 can be detailed, taking into consideration its temporary differences, as follows:

	31.Dezembro.2006		31.Dezembro.2005	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Financial Instruments			47,738	
Write off of Intangible Assets	1,649		27,752	
Differences between amortizations for accounting and tax purposes		115,282		157,879
	1,649	115,282	75,490	157,879

The movement of deferred tax assets and liabilities during the years 2006 and 2005 can be detailed as follows:

	31. December.2006	31. December.2005	31. December.2006	31. December.2005
Opening Balance	75,490	516,471	157,879	1,712,480
Effects on net income:				
Write off of intangibles assets	(26,040)	(157,468)		
Harmonization adjustments (amortizations)			(38,247)	(102,637)
Effect of financial instruments	(47,738)	(283,513)		(1,451,964)
Effect of changes in tax rate a)	(63)		(4,350)	
	(73,841)	(440,981)	(42,597)	(1,554,601)
Closing Balance	1,649	75,490	115,282	157,879

As of 31 December 2006, deferred tax assets resulting from reportable tax losses of 145,243,801 Euro (272,436,759 Euro as of 31 December 2005) were not recorded for prudential reasons.

Due to changes in the form of calculation of the tax for 2007, during the year ended 31 December 2006 the Company changed the tax rate used for the calculation of deferred taxes from 27.5% to 26.5%, except in which concerns to deferred tax assets resulting from tax losses carried forward for which the applied rate was 25%.

	31.December.2006			31.December.2005		
	Tax Losses	Deferred tax assets	Expiry date	Tax Losses	Deferred tax assets	Expiry date
Created in 2002	-	-	2008	85,045,075	23,387,396	2008
Created in 2005	145,243,801	36,310,950	2011	187,391,684	51,532,713	2011
	145,243,801	36,310,950		272,436,759	74,920,109	

In accordance with the present legislation, tax declarations can be reviewed and corrected by the tax authorities for a period of four years (ten years, inclusively, in what concerns to Social Security, and five years starting 2001) except when there are tax losses, granted tax benefits or when inspections, reclamations or impugnations are in course, in which case the deadlines are increased or even suspended. For that reason, tax declarations for the years 2003 to 2006 may still be object of review.

The Board of Directors believes that no liabilities will result to the Company from eventual reviews.

7. LOANS TO GROUP COMPANIES

As of 31 December 2006 and 2005, Other non current assets are detailed as follows:

	31.December.2006	31.December.2005
Loans to group companies (Note 30)	457,114,129	312,434,192

These loans bear interests at usual market rates and its fair value is similar to its book value.

8. TRADE ACCOUNTS RECEIVABLE

The amount of trade accounts receivable refers to Management Fee's and royalties, invoiced, mainly, to Modelo Continente, SGPS, S.A. Group companies.

9. STATE AND PUBLIC ENTITIES

As at 31 December 2006 and 2005 this caption is detailed as follows:

Assets:

	31.December.2006	31.December.2005
Income tax	10,954,848	6,837,566
	10,954,848	6,837,566

Liabilities:

	31.December.2006	31.December.2005
VAT	3,704,733	3,504,805
Social security	2,894	5,621
Withholding tax - Capital Gains	5,266	1,179,635
Other	220,042	238,356
	3,932,935	4,928,417

10. GROUP COMPANIES – CURRENT

As at 31 December 2006 and 2005 these captions can be detailed as follows:

Assets:

	31.December.2006	31.December.2005
Loans - short term (Note 30)	779,656,609	757,119,100
Interest charged but not received	16,441,477	22,678,318
Taxes - Special Regime for Taxation of Groups of Companies (a)	26,088,132	15,481,200
Credits assignement (b)	75,000,000	
Others	212,293	4,692
	897,398,511	795,283,310

Liabilities:

	31.December.2006	31.December.2005
Loans - short term (Note 30)	39,919,201	64,275,000
Interest charged but not payed	2,732	
Taxes - Special Regime for Taxation of Groups of Companies (a)	1,111,388	1,561,960
Others		240
	41,033,321	65,837,200

a) Income tax estimated by group companies taxed in accordance with the Special Regime for Taxing Groups of Companies

b) Credits assignments related to advances by Modelo Continente, SGPS, S.A. for the acquisition of commercial brands made in the name of Marcas MC zRt, by the purchase of the referred brands by this associated company (Note 12).

The book value of this caption is similar to its estimated fair value.

11. OTHER ACCOUNTS RECEIVABLES

As at 31 December 2006 and 2005 this caption is detailed as follows:

	31.December.2006	31.December.2005
Other accounts receivables	2,709,977	2,679,180
	2,709,977	2,679,180

This caption includes the amount of 2,650,000 Euro relating to taxes claimed against tax authorities. The Board of Directors believes that the claims will be decided in favour of the company, reason why no impairment loss was recorded.

12. OTHER CURRENT ASSETS

As at 31 December 2006 and 2005, the caption Other current assets can be detailed as follows:

	31.December.2006	31.December.2005
Advances to suppliers of fixed assets (Note10)	-	75,002,041
Deferred costs	59,591	53,728
Accrued income	3,462,277	3,024,378
	3,521,868	78,080,147

As at 31 December 2006, Accrued income includes (i) 3,392,085 Euro (2,689,547 Euro as at 31 December 2005) of interest earned on group companies loans, (ii) 70,192 Euro (184,722 Euro as of 31 December 2005) of interests earned on short term applications.

13. CASH AND CASH EQUIVALENTS

As of 31 December 2006 and 2005, the caption “Cash and Cash Equivalents” can be detailed as follows:

	31.December.2006	31.December.2005
Bank deposits	50,033,177	450,008,364
Cash and equivalents presented on Balance sheet	50,033,177	450,008,364
Bank overdrafts (Note 17)	(2,594)	(293,292)
Cash and equivalents presented on Cash flow statements	50,030,583	449,715,072

Cash and cash equivalents includes values of cash on hand, cash at banks, treasury applications and term deposits which mature in less than three months and are readily convertible and that are subject to insignificant risk of change in value. As at 31 December 2006 bank deposits includes 50,000,000 Euro of readily convertible term deposits which mature in the beginning of January.

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

14. SHARE CAPITAL

As of 31 December 2006 and 2005, 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.

At the Shareholders' Meeting on 20 September 2006 it was decided that the Company should no longer be a public traded company, decision that was later ratified by the Portuguese Securities Market Regulator (Comissão de Mercados de Valores Mobiliários - CMVM) on 22 September 2006.

As of 16 October 2006 Sonae, SGPS, S.A. made public the purchase of all the representative shares of the share capital withheld by third parties not controlled by the Company, under the terms of de Article 490, number 3 of the Código das Sociedades Comerciais. With this operation the Company become a wholly-owned subsidiary of Sonae SGPS, S.A.

As at 31 December 2006, the following entities held more than 20% of the subscribed share capital.

Entity	%
Sonae, SGPS, S.A.	74.98
Sonae Investments, B.V. (Wholly owned subsidiary of Sonae, SGPS, SA)	15.93
Own shares (Note 15)	9.09

As of 31 December 2006, Efanor Investimentos, SGPS, S.A. and its subsidiaries held 52.94% of Sonae SGPS, S.A. shares.

15. OWN SHARES

As of 31 December 2006 and 2005, own shares is made up as follows:

	31.December.2006	31.December.2005
Own shares - nominal value	100,000,000	-
Own Shares - discounts and prizes	105,000,000	-
	205,000,000	-

During the year ended 31 December 2006, the Company purchased 100,000,000 own shares from Sonae, SGPS, S.A. (52,800,000 shares) and Sonae Investments, B.V. (47,200,000 shares), by 2.05 Euro per share.

16. RESERVES

	31.December.2006	31.December.2005
Legal Reserves	90,200,000	90,200,000
Reserves under Article 324 of the CSC	205,000,000	
Fair Value Reserves	42,500	64,500
Other Reserves	700,494,202	1,192,521,914
	995,736,702	1,282,786,414

As of 31 December 2006 the company held 90,200,000 Euro of legal reserves. According to Portuguese Comercial Law (Portuguese Company's Act, "Código das Sociedades Comerciais") these reserves cannot be distributed except upon dissolution of the company, but can be used to absorb retained losses after all the other reserves have been used up, or to increase capital.

As a result of the acquisition of own shares (Note 15), free reserves in the same amount as their acquisition cost were made unavailable in accordance with article 324 of Portuguese Company's Act. This reserve cannot be used until the referred own shares are extinct or disposed to a Company outside the group.

17. LOANS

As of 31 December 2006 and 2005, loans are made up as follows:

	31.12.06				31.12.05			
	Book Value		Nominal Value		Book Value		Nominal Value	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Bank loans	161.400.000	-	161.400.000	-	161.011.020	1.400.000	161.304.312	2.800.000
Bank overdrafts (Note 13)	2.594	-	2.594	-	293.292	-	-	-
Bonds	-	593.166.278	-	597.000.000	-	592.279.778	-	597.000.000
	161.402.594	593.166.278	161.402.594	597.000.000	161.304.312	593.679.778	161.304.312	599.800.000

As of 31 December 2005 bond loans are made up 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

Bonds – MODELO CONTINENTE – 2003
1,640,000 bonds – Nominal Value: 50 euro.
Maximum term: 8 (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% p.a.
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.

Bonds – MODELO CONTINENTE – 2004
10,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 5 (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% p.a..
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.

Bonds – MODELO CONTINENTE – 2005/2010
265,000 bonds – Nominal Value: 1,000 euro.
Maximum term: 5 (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% p.a..
Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.
Redemption: at par, in one payment on 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 the reimbursed value.

Bonds – MODELO CONTINENTE – 2005/2010
15,000,000 bonds – Nominal Value: 10 euro.
Maximum term: 7 (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% p.a..
Interest Payment: half yearly in arrears, on the, 2 February and 2 August of each year.
Redemption: at par, in one payment on 2 August 2012, the payment day 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 reimbursed dates of 10th, 11th, 12th and 13th coupon without the obligation of paying any prize.

Bank loans

This caption includes the issue of short term commercial paper in the amount of 160,000,000 Euro which bear interests at normal market rates and also a bank loan reimbursable in 2007 in the amount of 1,400,000 Euro.

18. OTHER ACCOUNTS PAYABLES

As of 31December 2006 and 2005 other accounts payables is made up as follows:

	31.December.2006	31.December.2005
Other accounts payables	11,165,157	37,701
	11,165,157	37,701

The caption Other accounts payables includes an amount of 7,200,000 Euro related to the purchase of Parcium Imobiliária, S.A. which will be settled in 7 monthly payments, beginning on 31 January 2007.

19. OTHER CURRENT LIABILITIES

As of 31 December 2006 and 2005 Other current liabilities were made up as follows:

Accrued expenses:	31.December.2006	31.December.2005
Personnel costs	536,706	666,609
Accrued interests	9,517,966	6,630,286
Deferred performance bonuses	1,696,068	3,101,925
Others	30,003	16,360
	11,780,743	10,415,180

In 2006 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 2.6.

20. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses over the period ending 31 December 2006 were as follows:

Caption	Opening Balance	Increases	Dereases	Closing Balance
Impairment investments losses	28,912,413		28,464,000	448,413

The recorded decrease is mainly due to the reversal of the impairment losses on Modelo Investimentos Brasil, S.A., as a result of its incorporation in Sonae Capital Brasil, Lda. (Note 26).

21. CONTINGENT ASSETS AND LIABILITIES

	31.December.2005	31.December.2005
Guarantees		
related to tax additional assessments	22,595,842	19,065,102
	22,595,842	19,065,102

No provision has been recognized for these tax additional assessments as the Board of Directors expects them to be resolved with no additional liability to the company.

22. SERVICES RENDERED

This caption includes services rendered to Modelo Continente, SGPS, S.A. group companies located in Portugal.

23. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2006 and 2005 is made up as follows:

	31.December.2006	31.December.2005
Expenses Recover (a)	1,802,394	3,557,254
Other Operating Income	141,656	293,276
	1,944,050	3,850,530

a) Expenses paid by the company in name of its subsidiaries and re-charged to those (Note 24).

24. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2006 and 2005 can be made up as follows:

	31.December.2006	31.December.2005
Indirect taxes	1,799,327	3,637,350
Bank services	104,853	
Others	14,414	295,975
	1,918,594	3,933,325

Indirect taxes for the year 2006, correspond mainly to store opening taxes which had been re-charged to the group companies that manage those stores (Note 23).

25. NET FINANCIAL PROFIT / (LOSS)

As of 31 December 2006 and 2005 net financial profit / (loss) is made up as follows:

	31.December.2006	31.December.2005
Expenses:		
Interests:		
related to bank overdrafts and loans	1,212,532	2,158,307
related to non convertable bonds	22,558,762	10,897,693
others	479,520	7,461,785
	24,250,814	20,517,785
Losses in the valuation of derivatives		6,094,660
Other financial losses	1,334,018	1,031,853
	25,584,832	27,644,298
Net financial profit / (loss)	24,825,811	27,231,812
	50,410,643	54,876,110
Income:		
Interest earned	50,233,287	53,030,363
Profit in the valuation of derivatives	173,592	1,845,747
Other financial income	3,764	
	50,410,643	54,876,110

The caption Other financial losses relates mainly to up-front fees paid with the issuance of bonds.

26. INVESTMENT INCOME / (LOSS)

As at 31 December 2006 and 2005 and in the quarters ending in those dates, the net investment income / (loss) is made up as follows:

	2006		2005	
	4º Quarter	Accumulated	4º Quarter	Accumulated
Dividends		14,200,887	6,331	16,021,796
Profit in financial investments	-		23,191,097	23,196,297
Losses on financial investments (Note 4)	-	(24,750,954)	(293,307,339)	(293,307,339)
Investment impairment losses	-		(28,442,000)	(28,442,000)
Reversal of investment impairment losses (Note 20)	-	28,442,000		
	-	17,891,933	(298,551,911)	(282,531,246)

27. INCOME TAX

Income tax for the period 2006 and 2005 is made up as follows:

	31.Dezembro.2006	31.Dezembro.2005
Tax charge for the year	(2,189)	(2,400)
Excess / (Shortage) on previous year estimate	(3,990,568)	(495,522)
Current Tax	(3,992,757)	(497,922)
Write off of Intangible Assets	(26,103)	(157,468)
Difference between amortizations for accounting and tax purposes	42,597	102,637
Financial instruments	(47,738)	1,168,451
Tax losses (used on Special Regime of Taxing Groups of Companies)	26,462,606	15,782,322
Others	1,182,645	-
Deferred Tax	27,614,007	16,895,942
	23,621,250	16,398,020

The reconciliation of the profit / (loss) before taxes with the tax charge for the year as at 31 December 2006 and 2005 is as follows:

	31.December.2006	31.December.2005
Profit/ (loss) before income	56,714,705	(244,105,571)
Tax rate	27.50%	27.50%
	15,596,544	(67,129,032)
Use of tax losses not recognized in the past	(37,812,931)	-
Not recognized deferred tax assets arising on carried forward tax losses	-	51,532,713
Not recognized deferred tax assets arising on impairment losses	(7,821,550)	7,821,550
Shortage/Excess of previous year tax charge	3,990,568	495,522
Difference between gains or losses for tax and accounting purposes	4,916,177	(4,737,549)
Non taxed dividends	(3,905,244)	(4,405,994)
Others	1,415,187	24,770
Income Tax	(23,621,250)	(16,398,020)

28. EARNINGS PER SHARE

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

	31. December.2006	31. December.2005
Net		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	80,335,955	(227,707,550)
Net profit into consideration to calculate diluted earnings per share	80,335,955	(227,707,550)
Number of shares		
Weighted average number of shares used to calculated the basic Earnings per share	1,089,315,068	1,100,000,000
Weighted average number of shares used to calculated the diluted Earnings per share	1,089,315,068	1,100,000,000
Earnings per share (basic and diluted)	0.074	(0.21)

The average number of shares was calculated considering the acquisition date of the 100,000,000 own shares in the end of the year 2006.

As of 31 December 2006 and 2005 there are no diluting effects on the number of circulating shares.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved for issuance by the Board of Directors on the 12 March 2007.

The net profit for the year was of 80,335,955.37 Euro and the Board of Directors proposes the following distribution:

Legal reserve	4,800,000.00
Free reserves	535,955.37
Dividends	75,000,000.00

30. INFORMATION REQUIRED BY LAW

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

During the year ended 31 December 2006, shareholders' loan contracts were entered into with the following companies:

Contimobe – Imobiliária Castelo de Paiva, S.A.
Fozimo – Sociedade Imobiliária, S.A.
Imoconti – Sociedade Imobiliária, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imoresultado – Sociedade Imobiliária, S.A.
Modelo Continente Hipermercados, S.A.
OK Bazar – Comércio Geral, S.A.
Predicomercial – Promoção Imobiliária, S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.
Sesagest – Projectos e Gestão Imobiliária, S.A.
Sociloures – Sociedade Imobiliária, S.A.
Soflorin, B.V.
Sonae Retalho Espanha, S.A.
Sonvecap, B.V.
Sportzone – Comércio e Artigos de Desporto, S.A.
Worten – Equipamentos para o Lar, S.A.

During the twelve month period ending 31 December 2006, short-term treasury loan contracts were entered into with the following companies:

Canasta – Empreendimentos Imobiliários, S.A.
Carnes do Continente – Indústria e Distribuição de Carnes, S.A.
Citorres – Sociedade Imobiliária, S.A.
Contibomba – Comércio e Distribuição de Combustíveis, S.A.
Contimobe – Imobiliária Castelo de Paiva, S.A.
Cumulativa – Sociedade Imobiliária, S.A.
Efanor – Design e Serviços, S.A.
Efanor – Indústria de Fios, S.A.
Equador & Mendes – Agência de Viagens e Turismo, S.A.
Fozimo – Sociedade Imobiliária, S.A.
Fozmassimo – Comércio e Indústria de Produtos Alimentares, S.A.
Global S – Hipermercados, S.A.
Igimo – Sociedade Imobiliária, S.A.
Imoconti – Sociedade Imobiliária, S.A.
Imomuro – Sociedade Imobiliária, S.A.
Imoresultado – Sociedade Imobiliária, S.A.
Infofield – Informática, S.A.
MJLF – Empreendimentos Imobiliários, S.A.
Modalfa – Comércio e Serviços, S.A.
Modelo Com – Vendas por Correspondência, S.A.
Modelo Continente – Operações de Retalho, SGPS, S.A.
Modelo Continente Hipermercados, S.A.
Modelo Hiper – Imobiliária, S.A.
Modelo, SGPS, S.A.
Modis – Distribuição Centralizada, S.A
Nova Equador Internacional – Agência de Viagens e Turismo, Lda.
OK Bazar – Comércio Geral, S.A.
Parcium Imobiliária, S.A.
Peixes do Continente – Indústria de Peixes, S.A.
Selifa – Sociedade de Empreendimentos Imobiliários, S.A.
Sempre à Mão – Sociedade Imobiliária, S.A.
Sesagest – Projectos e Gestão Imobiliária, S.A.
Sociloures – Sociedade Imobiliária, S.A.

Soflorin, B.V.
Sonae, SGPS, S.A.
Sportzone – Comércio e Artigos de Desporto, S.A.
SRE – Projectos e Consultoria, S.A.
Star – Agência de Viagens e Turismo, S.A.
Todos os Dias – Comércio Retalhista e Exploração de Centros Comercias, S.A.
Worten – Equipamentos para o Lar, S.A.

As of 31 December 2006, the receivable balances related to the contracts mentioned above were as follows:

Loans granted (Notes 7 and 10):

COMPANY	31.December.2006	31.December.2005
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	172,000	133,000
Contimobe - Imobiliária de Castelo de Paiva, S.A.	35,000,000	-
Fozimo – Sociedade Imobiliária, S.A.	2,050,000	2,166,000
Igimo – Sociedade Imobiliária, S.A.	654,000	698,000
Imoconti – Sociedade Imobiliária, S.A.	19,763,401	19,815,965
Imomuro - Sociedade Imobiliária, S.A.	4,175,897	4,158,897
Imoresultado – Sociedade Imobiliária, S.A.	357,000	407,000
Modelo, SGPS, S.A.	575,286,000	580,022,100
Modelo Com. - Vendas pro Correspondência, S.A.	-	3,266,998
Modelo Continente Hipermercados, S.A.	225,418,500	94,227,000
Ok Bazar - Comércio Geral, S.A.	10,044,000	12,859,000
Parcium Imobiliária, S.A.	41,259,000	-
Predicomercial - Promoção Imobiliária, S.A.	11,219,000	11,113,000
Sempre à Mão - Sociedade Imobiliária, SA	93,000	28,000
Sesagest - Projectos e Gestão Imobiliária, S.A.	50,169,000	49,592,000
Sociloures - Sociedade Imobiliária, S.A.	39,281,000	32,773,000
Soflorin, B.V.	38,157,330	202,265,330
Sonae Retalho España, S.A.	60,001	466,002
Sonvencap, B.V.	158,701,000	-
Sportzone - Comércio de Artigos de Desporto, S.A.	3,411,000	6,530,000
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	1,027,000	1,125,000
Worten - Equipamentos para o Lar, S A.	20,472,609	47,907,000
	1,236,770,738	1,069,553,292

These amounts are recorded in accordance with their maturity in current assets (Note 10) or non- current assets (Note 7).

As of 31 December 2006 and 2005, the payable balances related to the contracts mentioned above were as follows:

Loans obtained – Short term (Note 10):

COMPANY	31.December.2006	31.December.2005
Infofield - Informática, S.A.	-	(571,000)
Modalfa - Comércio e Serviços, S.A.	(1,878,000)	-
Modelo.Com - Vendas por Correspondência, S.A.	(194,201)	(4,590,000)
Modelo Continente - Operações de Retalho, SGPS, S.A.	(35,615,000)	(52,523,000)
Modelo Hiper - Imobiliária, S.A.	(2,040,000)	(2,193,000)
Sonvecap, B.V.	-	(3,790,000)
SRE - Projectos de Consultoria, S.A.	(192,000)	(608,000)
	(39,919,201)	(64,275,000)

31. SUBSEQUENT EVENTS

At 15 February 2007 the Board of Directors of Modelo Continente, SGPS, S.A., Modelo SGPS, S.A. and Parcium Imobiliária, S.A., approved a merger project by which Modelo, SGPS, S.A. and Parcium Imobiliária, S.A. are incorporated in Modelo Continente, SGPS, S.A.. Consequently, Modelo Continente, SGPS, S.A. own shares are attributed to the other shareholder of the incorporated subsidiaries (Soflorin, B.V. also a subsidiary of the company). The project was registered in Commercial Registry of Maia on 22 February 2007.

32. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards. In the event of discrepancies the Portuguese language version prevails.

Matosinhos, 12 March 2007

CORPORATE BOARDS

BOARD OF DIRECTORS

Engº. Belmiro Mendes de Azevedo (President)
Dr. Nuno Manuel Moniz Trigoso Jordão
Engº. Ângelo Gabriel Ribeirinho dos Santos Paupério
Engº. Álvaro Carmona e Costa Portela
Engº. Duarte Paulo Teixeira de Azevedo

ALTERNATE STATUTORY AUDITOR IN FUNCTIONS

Deloitte & Associados, SROC, SA, represented by
Dr. António Marques Dias – Statutory Auditor

BOARD OF THE SHAREHOLDERS' GENERAL MEETING

Dr. Carlos Manuel Teixeira Osório de Castro - President
Drª. Alice de Assunção Castanho Amado - Vice-President
Dr. António Manuel Ramos de Oliveira - Secretary

SALARY COMMITEE

Sonae, SGPS, SA, represented by
Prof. Dr. José Manuel Trindade Neves Adelino
Engº. Bruno Walter Lehmann

COMPANY SECRETARY

Drª. Alice da Assunção Castanho Amado - Secretary
Drª. Júlia Maria Moreira da Silva Santos – Alternate Secretary

STATUTORY AUDIT AND AUDITORS' REPORT

(Translation of a report originally issued in Portuguese)

Introduction

1. In compliance with applicable legislation we hereby present our Statutory Audit and Auditors' Report on the consolidated and individual financial information contained in the Report of the Board of Directors, and the consolidated and individual financial statements of Modelo Continente, S.G.P.S., S.A. ("Company") for the year ended 31 December 2006, which comprise the consolidated and individual balance sheets (that present a total of 2,443,226,286 Euro and 2,793,750,587 Euro, respectively, and consolidated and individual equity of 756,039,463 Euro and 1,971,072,657 Euro, respectively, including consolidated net profit attributable to the Company's Equity Holders of 158,079,602 Euro and an individual net profit of 80,335,955 Euro), the consolidated and individual statements of profit and loss by nature, of cash flows and changes in equity for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors is responsible for: (i) the preparation of consolidated and individual financial statements that present a true and fair view of the financial position of the Company and of the companies included in the consolidation, the consolidated and individual results of their operations and their consolidated and individual cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) informing any significant facts that have influenced the operations of the Company and companies included in the consolidation, their financial position and results of operations.

3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our examination.

Scope

4. Our examination was performed in accordance with the Auditing Standards issued by the Portuguese Institute of Statutory Auditors, which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and individual financial statements are free of material misstatement. Such an examination includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated and individual financial statements and assessing the significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. Such an examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting principles used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated and individual financial statements and assessing that, in all material respects, the consolidated and individual financial information is complete, true, timely, clear, objective and licit. Our examination also includes verifying that the consolidated and individual financial information included in the Report of the Board of Directors is consistent with the consolidated and individual financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated and individual financial position of Modelo Continente, S.G.P.S., S.A. as of 31 December 2006, the consolidated and individual results of its operations and its consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Porto, 12 March, 2007

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DELOITTE & ASSOCIADOS, SROC S.A.
Represented by António Marques Dias

REPORT AND OPINION OF THE STATUTORY AUDITOR

(Translation of a report originally issued in Portuguese)

To the Shareholders of
Modelo Continente, S.G.P.S., S.A.

In compliance with the applicable legislation and our mandate we hereby submit our Report and Opinion which covers our work and the consolidated and individual documents of account of Modelo Continente, S.G.P.S., S.A. for the year ended 31 December 2006, which are the responsibility of the Company's Board of Directors.

We accompanied the operations of the Company and its principal affiliated companies, the timely writing up of their accounting records and their compliance with statutory and legal requirements, having obtained from the Boards of Directors and personnel of the Company and its principal affiliated companies all the information and explanations required.

In performing our work, we examined the consolidated and individual Balance sheets as of 31 December 2006, the consolidated and individual Statements of profit and loss by nature, of changes in equity and of cash flows for the year then ended and the related notes. Additionally, we examined the Report of the Board of Directors for the year 2006. As consequence of our legal examination we have issued the Statutory Audit and Auditors' Report.

Considering the above, in our opinion the consolidated and individual financial statements referred to above and the Report of the Board of Directors, including the profit appropriation proposal included therein, are in accordance with the accounting, legal and statutory requirements and so can be approved by the Shareholders' General Meeting.

We wish to thank the Company's Board of Directors and personnel, as well as the statutory boards and personnel of the Group companies for the assistance provided to us.

Porto, 12 March 2007

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DELOITTE & ASSOCIADOS, SROC, S.A.
Represented by António Marques Dias