

GRUPO MODELO CONTINENTE

**CONSOLIDATED
FINANCIAL STATEMENTS
IAS/IFRS
30 September 2006**

MODELO CONTINENTE, SGPS, SA
Sociedade Gestora de Participações Sociais
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

Board of Directors' Report - Modelo Continente, S.G.P.S., S.A.

In accordance with Portuguese Law and the statutes of the company, we hereby present to shareholders the Report of Modelo Continente, S.G.P.S., S.A. for the nine months ended 30 September 2006.

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.

Business Activity

The consolidated turnover of Modelo Continente for the first nine months of 2006 totalled 2,197 million Euro. In Portugal, where the company is now focusing its activity, turnover grew by 14% compared to the same period of last year. This positive trend was due to the following:

- a positive performance from the store network on a like for like basis;
- the high level of organic growth that the company has achieved over the last twelve months in which an extra 46 thousand m² of sales area were added;
- acquisition of the Star Travel Agency.

On a consolidated basis, the company's turnover fell by 22% compared to the first nine months of 2005. This fall is explained by the disposal of the retail activity in Brazil last December, which had contributed 896 million Euro to consolidated turnover in the same period of 2005.

In the first nine months of this year, consolidated operational cash flow totalled 158 million Euro. This amount, which refers solely to business activity in Portugal, increased 16% compared to the same period of 2005.

On a consolidated basis, operational cash flow fell by 33 million Euro, and is explained by the disposal of the company's Brazilian operation, which took place at the end of 2005. In addition, the operational cash flow of the Brazilian business benefited from a non recurring inflow of 29 million Euro in 2005, relating to the disposal of 10 stores located in São Paulo, Brazil in June 2005.

The consolidated net profit of Modelo Continente totalled 91 million Euro for the first nine months of the year, and benefited from a non recurring profit of 12 million Euro as a result of a positive adjustment at the beginning of this year to the price agreed for the sale of Sonae Distribuição Brasil, following the conclusion of the contractually agreed due diligence process. Excluding non recurring items for 2006 referred to above, and the non recurring profit of 29

million Euro in 2005 resulting from the sale of 10 stores in São Paulo, Brazil, consolidated net profits showed a sharp increase of 43 million Euro.

Investment Programme

Modelo Continente ended the third quarter of the year with 442 stores covering a total of 517 thousand m² of sales area.

These figures mean that the company is on track to achieve its organic growth objectives. In the first nine months of 2006, 47 new stores were opened with a sales area of more than 18 thousand m² of sales area, and 60 Star brand stores were acquired, thus adding around 3 thousand m² to the total sales area.

In the food retail sector, Modelo Continente put into effect its clearly stated intention of opening new regional retail stores, thus making its services available to an increasingly wider range of customers. In this respect, the opening of units in Fafe, Arroja, Lousada, Alhos Vedros and Trofa, totalling around 9 thousand m², should be noted.

In addition and with the goal of offering improved conditions for its customers and upgrading the services available, the company refurbished more than 13 currently existing stores.

In the non food sector, Modelo Continente kept to its commitment of increasing its number of stores, thus getting closer to a greater number of Portuguese people. As a result, the company opened 42 new stores in the first nine months of the year, equal to around 9 thousand m².

As mentioned in previous press releases, Modelo Continente continued to analyse and develop new areas of business that will enrich the portfolio of services available to its customers. To that end, the company launched two new formats this year – Worten Mobile and the Área Saúde – which aim to complement existing services.

The company's investment plan involves opening more than 25 thousand additional m² of sales area before the end of the current year, 14 thousand m² in food retail and 11 thousand m² in non food retail.

Loss of status as a public company

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 25 September 2006.

Matosinhos, 3 November 2006

The Board of Directors

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

CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2006 AND AS AT 31 DECEMBER 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 28)

ASSETS	Notes	IFRS	
		30-09-2006	31-12-2005
NON CURRENT ASSETS			
Tangible and intangible assets	7	1,371,651,491	1,220,878,083
Goodwill	8	61,141,604	47,164,598
Investments	9	72,636,354	61,888,443
Deferred tax assets	11	25,696,068	24,126,376
Other non-current assets		1,847,574	839,152
Total non current assets		<u>1,532,973,091</u>	<u>1,354,896,652</u>
CURRENT ASSETS			
Inventory		343,393,497	325,206,095
Other current assets	10	384,405,224	241,935,839
Investments	9	12,012,010	10,560,475
Cash and cash equivalents	12	65,467,299	563,855,996
Total current assets		<u>805,278,030</u>	<u>1,141,558,405</u>
TOTAL ASSETS		<u><u>2,338,251,121</u></u>	<u><u>2,496,455,057</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	13	1,100,000,000	1,100,000,000
Reserves and retained earnings		(308,587,006)	(467,504,160)
Net profit for the period attributable to the shareholders of Modelo Continente		89,196,624	214,122,570
Total equity attributable to the Shareholders of Modelo Continente		<u>880,609,618</u>	<u>846,618,410</u>
Minority interests		10,424,182	8,717,734
TOTAL EQUITY		<u>891,033,800</u>	<u>855,336,144</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	14	602,396,086	602,203,217
Other non-current liabilities	15	12,495,811	17,719,446
Deferred tax liabilities	11	38,179,241	37,487,973
Provisions	18	26,239,464	27,775,929
Total non-current liabilities		<u>679,310,602</u>	<u>685,186,565</u>
CURRENT LIABILITIES			
Loans	14	9,819,403	168,411,148
Trade creditors and other current liabilities	17	757,914,703	787,521,200
Provisions	18	172,613	-
Total current liabilities		<u>767,906,719</u>	<u>955,932,348</u>
TOTAL LIABILITIES		<u><u>1,447,217,321</u></u>	<u><u>1,641,118,913</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,338,251,121</u></u>	<u><u>2,496,455,057</u></u>

The accompanying notes are part of these consolidated financial statements

The Board of Directors

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

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 28)

IFRS

	Notes	30-09-2006	30-09-2005		TOTAL
		TOTAL	Activities		
			Continued	Discontinued	
Operating income:					
Sales		2,096,247,241	1,920,633,661	892,972,765	2,813,606,426
Services rendered		100,979,413	14,322,245	2,877,218	17,199,463
Other operating income		180,365,981	172,515,217	70,331,208	242,846,425
Total operating income		2,377,592,635	2,107,471,123	966,181,191	3,073,652,314
Operating expenses:					
Cost of sales		(1,650,481,150)	(1,531,089,387)	(696,063,119)	(2,227,152,506)
External supplies and services		(289,094,575)	(193,200,693)	(106,876,568)	(300,077,261)
Staff costs		(247,676,597)	(218,712,733)	(86,028,349)	(304,741,082)
Depreciation and amortization	7	(59,355,590)	(51,757,764)	(17,588,063)	(69,345,827)
Provisions and impairment losses	18	(4,640,816)	(893,534)	(8,504,686)	(9,398,220)
Other operational expenses		(27,956,413)	(26,059,104)	(24,881,086)	(50,940,190)
Total operational expenses		(2,279,205,141)	(2,021,713,215)	(939,941,871)	(2,961,655,086)
Net operating profit		98,387,494	85,757,908	26,239,320	111,997,228
Financial loss		(13,340,650)	(20,162,097)	(18,146,099)	(38,308,196)
Profit/(loss) related to associated companies		492,685	1,620,134	340,880	1,961,014
Profit/(loss) related to investments	22	13,529,552	(447,804)		(447,804)
Profit/(loss) before income tax		99,069,081	66,768,141	8,434,101	75,202,242
Income tax	21	(8,197,192)	(10,316,393)	599,435	(9,716,958)
Profit/(loss) after income tax		90,871,889	56,451,748	9,033,536	65,485,284
Consolidated profit/(loss) for the period					
Attributable to:					
Equity holders of Modelo Continente, SGPS, S.A		89,196,624	55,486,705	9,033,536	64,520,241
Minority interests		1,675,266	965,043		965,043
Net Profit/(loss) per share (basic and diluted)	23	0.08	0.05	0.01	0.06

The accompanying notes are part of these consolidated financial statements

The Board of Directors

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

CONSOLIDATED INCOME STATEMENT BY NATURE

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 28)

IFRS

	Notes	3rd Quarter 2006	3rd Quarter 2005		TOTAL
		TOTAL	Activities		
			Continued	Discontinued	
Operating income:					
Sales		792,476,165	714,341,403	305,413,945	1,019,755,348
Services rendered		44,538,289	4,946,323	1,094,129	6,040,452
Other operating income		61,406,928	54,859,448	16,029,559	70,889,007
Total operating income		898,421,382	774,147,174	322,537,633	1,096,684,807
Operating expenses:					
Cost of sales		(621,220,152)	(569,923,526)	(236,501,066)	(806,424,592)
External supplies and services		(108,046,995)	(66,910,716)	(41,478,983)	(108,389,699)
Staff costs		(82,222,556)	(72,739,957)	(31,443,709)	(104,183,666)
Depreciation and amortization	7	(20,278,368)	(17,489,998)	(6,196,389)	(23,686,387)
Provisions and impairment losses	18	(3,839,668)	(1,353,106)	(753,244)	(2,106,350)
Other operational expenses		(9,941,156)	(8,118,287)	(6,929,707)	(15,047,994)
Total operational expenses		(845,548,895)	(736,535,590)	(323,303,098)	(1,059,838,688)
Net operating profit/(loss)		52,872,487	37,611,584	(765,465)	36,846,119
Financial profit/(loss)		(4,038,184)	(7,483,368)	(5,239,926)	(12,723,294)
Profit/(loss) related to associated companies		621,512	1,357,811	340,880	1,698,691
Profit/(loss) related to investments	22	1,064,055	(447,804)	-	(447,804)
Profit/(loss) before income tax		50,519,870	31,038,223	(5,664,511)	25,373,712
Income tax	21	(3,190,949)	(3,565,116)	(21,092)	(3,586,208)
Profit/(loss) after income tax		47,328,921	27,473,107	(5,685,603)	21,787,504
Consolidated profit/(loss) for the three month period		47,328,921	27,473,107	(5,685,603)	21,787,504
Attributable to:					
Equity holders of Modelo Continente		46,402,309	27,417,167	(5,685,603)	21,731,564
Minority interests		926,613	568,244	-	568,244
Profit/(loss) per share (basic and diluted)	23	0.04	0.02	(0.01)	0.02

The accompanying notes are part of these consolidated financial statements

The Board of Directors

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 September 2006 AND 2005 (Amounts expressed in Euro)

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 28)

	Attributable to Shareholders of Parent Company						Total	Minority interests	Total Equity
	Share capital	Statutory reserves	Conversion reserves	Hedging reserves	Others reserves and retain earnings	Net profit/(loss)			
Balance at 1 January 2005	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 2004									
Transfer to legal reserves and retained earnings	-	4,200,000			114,888,499	(119,088,499)	-	-	-
Changes in reserves									
Generated in current year	-	-	150,087,387	873,298	-	-	150,960,685	-	150,960,685
Others	-	-	-	-	(2,822,935)	-	(2,822,935)	(191)	(2,823,126)
Net consolidated profit (loss) for the nine month period ending 30 September 2005	-	-	-	-	-	64,520,241	64,520,241	965,043	65,485,284
Balance at 30 September 2005	1,100,000,000	90,200,000	158,472,273	1,780,555	(560,223,519)	64,520,241	854,749,550	8,295,860	863,045,410
Balance at 1 January 2006	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	-	-	-	-	(55,000,000)	-	(55,000,000)	-	(55,000,000)
Changes in reserves									
Generated in current year	-	-	(166,064)		-	-	(166,064)	-	(166,064)
Acquisition of subsidiaries	-	-	-	-			-	31,182	31,182
Others	-	-	-		(39,352)	-	(39,352)		(39,352)
Net consolidated profit (loss) for the nine month period ending 30 September 2006	-	-	-	-	-	89,196,624	89,196,624	1,675,266	90,871,890
Balance at 30 September 2006	1,100,000,000	90,200,000	(40,675)	-	(398,746,331)	89,196,624	880,609,618	10,424,182	891,033,800

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, S.G.P.S., S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 28)

	Notes	30-09-2005		Total	
		30-09-2006	Activities		
		Continued	Discontinued		
OPERATING ACTIVITIES					
Net cash flow from operating activities (1)		113,485,774	(43,157,828)	9,621,357	(33,536,471)
INVESTING ACTIVITIES					
Cash receipts related to:					
Investments		28,106,348	122,352	31,947	154,299
Tangible and intangible assets		16,514,231	12,357,056	53,343,506	65,700,562
Interest and similar income		4,547,783	7,171,896	6,252,191	13,424,087
Dividends		1,344,815	64,641	-	64,641
Loans granted		329,276,000	88,551,000	-	88,551,000
		<u>379,789,177</u>	<u>108,266,945</u>	<u>59,627,644</u>	<u>167,894,589</u>
Cash payments related to:					
Investments		(48,418,204)	(26,761,353)	6,758,821	(20,002,532)
Tangible and intangible assets		(152,900,941)	(103,547,986)	(41,959,013)	(145,506,999)
Loans granted		(535,789,837)	(103,551,000)	-	(103,551,000)
		<u>(737,108,982)</u>	<u>(233,860,339)</u>	<u>(35,200,192)</u>	<u>(269,060,531)</u>
Net cash used in investing activities (2)		<u>(357,319,805)</u>	<u>(125,593,394)</u>	<u>24,427,452</u>	<u>(101,165,942)</u>
FINANCING ACTIVITIES					
Cash receipts related to:					
Loans obtained		722,000,071	408,857,384	162,501,344	571,358,728
Share capital increase in group companies		16,000	-	-	-
		<u>722,016,071</u>	<u>408,857,384</u>	<u>162,501,344</u>	<u>571,358,728</u>
Cash payments related to:					
Loans obtained		(897,588,963)	(320,405,809)	(205,029,162)	(525,434,971)
Interest and similar charges		(24,911,690)	(25,806,799)	(23,079,406)	(48,886,205)
Cash payments related to:		(54,999,980)	(74)	-	(74)
		<u>(977,500,633)</u>	<u>(346,212,682)</u>	<u>(228,108,568)</u>	<u>(574,321,250)</u>
Net cash used in financing activities (3)		<u>(255,484,562)</u>	<u>62,644,702</u>	<u>(65,607,224)</u>	<u>(2,962,522)</u>
Net increase/(decrease) in cash and cash equivalents (4)=(1)+(2)+(3)		<u>(499,318,593)</u>	<u>(106,106,520)</u>	<u>(31,558,415)</u>	<u>(137,664,935)</u>
Effect of foreign exchange rate		(20,150)	(40,514)	(4,804,783)	(4,845,297)
Cash and cash equivalents at the beginning of the period	12	(560,773,649)	(226,754,010)	(28,955,309)	(255,709,319)
Cash and cash equivalents at the end of the period	12	<u>61,475,206</u>	<u>120,688,004</u>	<u>2,201,677</u>	<u>122,889,681</u>

The accompanying notes are part of these financial statements

The Board of Directors

MODELO CONTINENTE, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2006

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese – Note 28)

1. INTRODUCTION

MODELO CONTINENTE, SGPS, S.A. (“the Company” or “Modelo Continente”), with 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”).

2. BASIS OF PRESENTATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the preparation of the financial statements for the year ended 31 December 2005.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The subsidiaries, its head offices and percentage of capital held as of 30 September 2006 and 31 December 2005 are as follows:

Company	Head Office	Percentage of Capital held 30.09.06		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 Retalista 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(Espanha)	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	Lisboa	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%	-	-

Company	Head Office	Percentage of Capital held 30.09.06		Percentage of Capital held 31.12.05	
		Direct	Total	Direct	Total
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 Imobiliária, 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%
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%
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 Empreendimentos 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(The Netherlands)	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(The Netherlands)	100.00%	100.00%	100.00%	100.00%
Sport Zone – Comércio de Artigos de Desporto, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
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.

- a) On 31 January 2006 the group purchased an additional 40% of the share capital of Star – Viagens e Turismo, S.A. and therefore the full consolidation method was adopted for the company and its subsidiaries (equity method on December 2005)
- b) Subsidiary purchased on 26 May 2006
- c) The subsidiary Modelo Investimentos Brasil, Ltda, was incorporated by merger in Sonae Capital Brasil, Ltda. on 31 March 2006.
- d) Former Sonae Medicamentos, Ltda
- e) The subsidiary Modis International Trade, S.A. was incorporated by merger in Sonae Retalho España S.A., on 12 June 2006.
- f) Subsidiary liquidated on 25 August 2006.
- g) Former Pinto Ribeiro Supermercados, S.A.

5. INVESTMENTS IN ASSOCIATED COMPANIES

The associated companies, their head offices and the percentage of the share capital held as at 30 September 2006 and 31 December 2005 are as follows:

Company	Head Office	Percentage of Capital held		Percentage of Capital held		Carrying amount	
		30.09.06		31.12.05		30.09.06	31.12.05
		Direct	Total	Direct	Total		
c) Fundo Investimento Imobiliário Fechado Imosede	Maia	33.81%	33.81%	-	-	13,593,216	
a) Star - Viagens e Turismo, S.A.	Porto	-	-	50.00%	50.00%	-	7,478,262
b) Mundo Vip-Operadores Turísticos, S.A.	Lisbon	33.33%	33.33%	-	-	3,064,140	-
Sonaegest-Soc. Gestora de Fundos de Investimento, S.A.	Maia	40.00%	40.00%	40.00%	40.00%	561,339	554,402
Sempre a Postos-Produtos Alimentares e Utilidades, S.A.	Lisbon	25.00%	25.00%	25.00%	25.00%	260,389	48,097
						17,479,084	8,080,761

Associated companies were included in the consolidation under the equity method.

- a) As a result of the additional purchase of 40% of this company's share capital, the company became a subsidiary of the Group.
- b) Associated company acquired on 31 January 2006.
- c) Associated company acquired on 31 July 2006.

6. CHANGES IN CONSOLIDATION PERIMETER

The main purchases and disposals of companies over the nine month period ending on 30 September 2006 were as follows:

Purchases

Company	Head Office	Percentage of Capital held		Percentage of Capital held	
		30.09.06		31.12.05	
		Direct	Total	Direct	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.	Maia	90.00%	90.00%	50.00%	50.00%

Effect of purchases and disposals

The purchases referred to above had the following impact upon the consolidated financial statements as at 30 September 2006:

	Acquisition date	30.09.06
	Carrying Amount	Carrying Amount
Net assets purchased		
Tangible and intangible assets	17,891,538	20,003,396
Other current assets	18,170,445	18,587,093
Cash and cash equivalents	737,907	507,927
Deferred taxes	1,035,918	681,858
Loans	(1,277,895)	(1,647,920)
Other liabilities	(39,636,320)	(36,707,124)
	<u>(3,078,407)</u>	<u>1,425,230</u>
Goodwill (Note 8)	9,337,327	
Minority interests	11,809	
Provision recorded in previous years for accumulated losses on associated companies		
	<u>775,929</u>	
Purchase price	<u><u>7,046,658</u></u>	
Net cash-flow outcoming from purchase		
Payments made	7,046,658	
Cash and cash equivalents purchased	(737,907)	
	<u><u>6,308,751</u></u>	

The impacts of the purchases above (reported on 31 January 2006) on the consolidated income statement were as follows:

Operating income	91,786,969
Operating costs	(90,507,725)
Financial profit	(316,513)
	<u>962,731</u>
Net profit before tax	
Income tax	352,093
	<u>610,638</u>
Net profit for the period	

7. TANGIBLE AND INTANGIBLE ASSETS

During the nine month period ending 30 September 2006, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, were as follows:

Tangible assets

	Land and buildings	Machinery and equipment	Transport 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	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 consolidation perimeter	10,867,929	1,606,960	-	2,103,400	92,475	-	87,713	1,467,690	887,860	17,114,027
Capital expenditure	13,030,249	455,073	80,268	3,231,236	13,163	-	-	100,907,031	4,100,864	121,817,884
Disposals	(15,656,882)	(2,625,861)	(365,268)	(986,791)	(10,034)	-	-	(990)	-	(19,645,826)
Foreign exchange rate effect	23,390	1,227	(98)	1,168	-	-	42	(4,020)	-	21,709
Transfers	23,282,356	49,471,905	909,403	973,265	1,406,184	-	(762)	(82,123,815)	-	(6,081,464)
Closing balance	<u>1,009,777,821</u>	<u>454,519,646</u>	<u>14,741,650</u>	<u>94,974,159</u>	<u>7,212,210</u>	<u>80,429</u>	<u>2,037,517</u>	<u>58,532,270</u>	<u>10,837,277</u>	<u>1,652,712,979</u>
Accumulated depreciations, amortizations 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 consolidation perimeter	479,243	438,036	-	1,156,155	8,514	-	56,986	-	-	2,138,934
Depreciations for the period	12,551,201	29,503,089	696,990	7,676,574	839,455	-	33,686	-	-	51,300,995
Disposals	(156,148)	(1,850,217)	(319,742)	(733,654)	(9,912)	-	-	-	-	(3,069,673)
Foreign exchange rate effect	(369)	131	34	126	-	-	-	-	-	(78)
Transfers	(133,813)	(1,596,130)	(4,334)	(2,792,614)	8,261	-	(636)	-	-	(4,519,266)
Closing balance	<u>123,926,620</u>	<u>225,111,620</u>	<u>11,883,996</u>	<u>59,076,340</u>	<u>4,247,379</u>	<u>80,429</u>	<u>1,848,370</u>	<u>-</u>	<u>-</u>	<u>426,174,754</u>
Carrying amount	<u><u>885,851,201</u></u>	<u><u>229,408,026</u></u>	<u><u>2,857,654</u></u>	<u><u>35,897,819</u></u>	<u><u>2,964,831</u></u>	<u><u>-</u></u>	<u><u>189,147</u></u>	<u><u>58,532,270</u></u>	<u><u>10,837,277</u></u>	<u><u>1,226,538,225</u></u>

Intangible assets

	Development costs	Industrial property and other rights c)	Software	Conveyance of property	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		26,400	1,498,648	3,051,103		626,982		5,203,133
Capital expenditure		75,084,725	51,325			13,024,063	469,500	88,629,613
Disposals			(2,478)					(2,478)
Foreign exchange rate effect			48					48
Transfers		2,152,034	931,324	(686,362)		(2,531,705)		(134,709)
Closing balance	369,198	81,193,984	88,892,522	14,044,044	-	18,493,980	469,500	203,463,228
Accumulated depreciations, amortizations and impairment losses								
Opening balance	71,896	1,813,564	35,776,724	10,390,161				48,052,345
Changes in consolidation perimeter		19,670	797,700	1,469,318				2,286,688
Depreciations for the period	55,380	604,692	6,608,186	786,337				8,054,595
Disposals			(826)					(826)
Foreign exchange rate effect			(2)					(2)
Transfers		584,955	(572,742)	(55,051)				(42,838)
Closing balance	127,276	3,022,881	42,609,040	12,590,765	-	-	-	58,349,962
Carrying amount	241,922	78,171,103	46,283,482	1,453,279	-	18,493,980	469,500	145,113,266

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

	30.09.06	31.12.05
Remodelling and expansion of stores in Portugal	54,946,491	33,637,911
New projects in Portugal	18,908,806	9,948,271
	<u>73,855,297</u>	<u>43,586,182</u>

- b) The most significant amounts included under the caption "Advances on account of tangible assets" refer to prepayments made related to Modelo's stores projects.
- c) During the first semester of 2006, the Group purchased from Sonae, SGPS, S.A. a group of commercial brands, including Continente's brand, on the total amount of 75,000,000 Euros.

These brands were classified as intangible assets with indefinite useful life, which is not being amortized, but subjected to impairment tests at least once a year.

8. GOODWILL

Over the nine months period ending 30 September 2006 and 2005, movements in goodwill, as well as in the corresponding impairment losses, were as follows:

	30.09.06	30.09.05
Gross value		
Opening balance	47,164,598	265,293,994
New companies in the consolidation perimeter (Note 6)	9,337,327	3,358,961
Transfers (Note 9)	7,478,262	-
Foreign exchange rate effect	-	77,372,062
Closing balance	<u>63,980,187</u>	<u>346,025,017</u>
Impairment Losses Acumulated		
Increments	2,838,583	-
Closing Balance	<u>2,838,583</u>	<u>-</u>
Net Value	<u>61,141,604</u>	<u>346,025,017</u>

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

The amount referred as "Transfers" is entirely related to goodwill of the subsidiary Star-Viagens e Turismo, S.A., which were recorded in 31 December 2005, as "Investments in associated companies" (note 9) and were transferred to this caption, as a result of the acquisition of an additional 40% share capital of that company (note 6).

9. INVESTMENTS

As at 30 September 2006, this caption is made up as follows:

	30.09.06		30.09.05	
	Non current	Current	Non current	Current
<u>Investments in associated companies</u>				
Opening balance at 1 January	8,080,761	-	40,590,323	-
Purchases over the nine month period	16,383,901	-	7,028,356	-
Disposals over the nine month period	-	-	(31,868,885)	-
Transfers (note 8)	(7,478,262)	-	-	-
Equity method effect	492,685	-	1,574,632	-
Closing balance at 30 September	17,479,085	-	17,324,426	-
<u>Other financial investments</u>				
Opening balance at 1 January	54,278,095	10,500,000	1,224,596	-
Purchases over the nine month period	11,389,604	1,490,511	-	-
Disposals over the nine month period	(11,363,289)	(232,290)	-	-
Increase/(decrease) in fair value	693,938	128,802	-	-
Foreign exchange rate effect	(4,351)	57,800	-	-
Closing balance at 30 September	54,993,997	11,944,823	1,224,596	-
Accumulated impairment losses	(496,728)	-	(470,413)	-
	54,497,269	11,944,823	754,183	-
<u>Derivative financial instruments</u>				
Opening balance at 1 January	-	60,475	-	87,325,645
Purchases over the nine month period	-	46,608	-	-
Disposals over the nine month period	-	(60,475)	-	-
Increase/(decrease) in fair value	-	20,579	-	(76,214,653)
Closing balance at 30 September	-	67,187	-	11,110,992
<u>Advances on financial investments</u>				
Opening balance at 1 January	-	-	7,760,486	-
Purchases over the nine month period	660,000	-	(8,665,545)	-
Foreign exchange rate effect	-	-	905,059	-
Closing balance at 30 September	660,000	-	-	-
	72,636,354	12,012,010	18,078,609	11,110,992

The detail of the other financial investments is made up as follow:

a) 1,304,411 Euro, related mainly to companies shares. The investment in non-listed shares and whose fair value was not estimated because it was not reliably measured is maintained at acquisition cost, deducted of eventual impairment losses. The shares of listed companies are recorded by their fair value.

b) 64,322,740 Euro related to deposit amounts on an Escrow Account that are invested in Participation Units of a high rating investment fund. That amount is classified in current asset (10,628,802 Euro) and non-current asset (53,689,586 Euro) in accordance with the time maturity of the guarantee rendered.

10. OTHER CURRENT ASSETS

As at 30 September 2006 and 31 December 2005, other current assets are detailed as follows:

	30.09.06	31.12.05
Trade accounts receivable	37,712,189	28,760,170
Taxes recoverable	49,572,936	37,793,072
Other debtors	70,467,578	85,310,181
Advances to fixed assets suppliers	153,249	75,201,741
Other loans granted (Note 20)	219,487,041	21,018,647
Other current assets	26,441,541	10,661,819
	403,834,534	258,745,630
Accumulated impairment losses (Note 18)	(19,429,310)	(16,809,791)
	<u>384,405,224</u>	<u>241,935,839</u>

The caption "Other debtors" is essentially composed by receivables related with: (i) the sale of the Brazilian subsidiaries amounting to 4,425,464 Euro (Note 17) (8,850,000 Euro as at 31 December 2005); (ii) suppliers' accounts receivable amounting to 34,494,393 Euro (28,107,111 Euro as at 31 December 2005); (iii) the amount of 14,576,053 Euro (equal on 31 December 2005) related to the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security refers to taxes paid subject to appeal, the outcome of which the Board of Directors believes will be favourable to the Company; (iv) VAT recoverable from real estate assets acquisitions amounting to 2,650,598 Euro (8,572,458 Euro as at 31 December 2005).

The caption "Other current assets" is essentially made of interests receivable amounting to 2,686,300 Euro (252,324 Euro as at 31 December 2005); commercial bonus receivable from suppliers amounting to 11,295,622 Euro (3,055,670 Euro as at 31 December 2005); prepayments of advertising amounting to 707,506 Euro (120,285 Euro as at 31 December 2005); prepaid rents amounting to 4,126,380 Euro (2,707,938 Euro as at 31 December 2005) and insurance premiums paid in advance, amounting to 1,955,432 Euro (1,038,293 Euro as at 31 December 2005).

11. DEFERRED TAX

As at 30 September 2006 and 31 December 2005 deferred Tax Assets and Liabilities, according to its temporary differences that generated them, is made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	30.09.06	31.12.05	30.09.06	31.12.05
Diference between fair value and purchase cost	-	-	1,588,037	1,588,037
Harmonization adjustments (amortizations and depreciations)	173,780	252,939	29,883,851	29,115,608
Provisions and impairment losses not accepted for tax purposes	2,795,503	2,925,739	-	-
Write off of fixed assets	10,941,069	11,100,684	-	-
Write off of deferred costs	23,656	37,385	47,263	-
Valuation of financial derivatives	7,172	47,738	14,785	16,631
Reinvestment of capital gains	-	-	3,665,678	3,726,929
Revaluation of tangible fixed assts	-	-	2,979,625	3,040,768
Tax losses carried forward	11,754,888	9,761,891	-	-
Others	-	-	2	-
	<u>25,696,068</u>	<u>24,126,376</u>	<u>38,179,241</u>	<u>37,487,973</u>

Carried forward tax losses in accordance with tax returns and income tax estimates of the group companies that recorded the corresponding deferred tax assets, on 30 September 2006 and 31 December 2005 (considering an exchange rate at that dates) had the following expiration dates:

	30.09.06			31.12.05		
	Tax losses	Deferred tax asset	Expiration date	Tax losses	Deferred tax asset	Expiration date
Withold expiration date						
Originated in 2000	16,638	4,576	2006			
Originated in 2001	3,026,410	832,263	2007	3,229,649	888,154	2007
Originated in 2002	12,851,514	3,534,168	2008	12,876,252	3,540,969	2008
Originated in 2003	10,471,069	2,879,543	2009	9,154,493	2,517,486	2009
Originated in 2004	3,485,323	958,463	2010	2,848,318	783,287	2010
Originated in 2005	7,418,745	2,040,155	2011	7,389,076	2,031,995	2011
Originated in 2006	5,475,336	1,505,720	2012			2012
	<u>42,745,035</u>	<u>11,754,888</u>		<u>35,497,788</u>	<u>9,761,891</u>	

The deferred tax assets recognized arising from tax losses carried forward were evaluated, and were only recorded if it was probable that taxable profits would occur in the future which may be offset against available tax losses or against deductible temporary differences. This evaluation was based on Modelo Continente's companies business plans, periodically reviewed and updated, and on available and identified tax planning opportunities.

As at 30 September 2006 there are tax losses carried forward amounting to 206,026,482 Euro for which no deferred tax asset was recognized for prudential reasons.

	30.09.06			31.12.05		
	Tax losses	Deferred tax asset	Expiry date	Tax losses	Deferred tax asset	Expiry date
Originated in 2000	46,580	12,810	2006	46,285	12,729	2006
Originated in 2001	2,079,478	571,856	2007	2,079,478	571,856	2007
Originated in 2002	5,483,906	1,508,074	2008	68,969,158	18,966,518	2008
Originated in 2003	193,100	53,102	2009	64,524	17,744	2009
Originated in 2004	329,687	90,664	2010	49,655	13,655	2010
Originated in 2005	197,851,040	54,409,036	2011	181,347,805	49,870,646	2011
Originated in 2006	42,691	11,740	2012			
	<u>206,026,482</u>	<u>56,657,282</u>		<u>252,556,905</u>	<u>69,453,148</u>	

12. CASH AND CASH EQUIVALENTS

As at 30 September 2006 and 31 December 2005 cash and cash equivalents can be detailed as follows:

	30.09.06	31.12.05
Cash at hand	3,453,192	1,964,645
Bank deposits	61,581,899	555,850,840
Treasury applications	432,208	6,040,511
Cash and cash equivalents on balance sheet	<u>65,467,299</u>	<u>563,855,996</u>
Bank overdrafts (Note 14)	<u>(3,992,093)</u>	<u>(3,082,347)</u>
Cash and cash equivalents on statement of cash flows	<u>61,475,206</u>	<u>560,773,649</u>

Bank overdrafts are recorded in the balance sheet under Current loans

13. SHARE CAPITAL

As at 30 September 2006, 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 income, with a nominal value of 1 Euro each. As at that date, the company and the group companies did not hold any own shares.

As at 30 September 2006, the following entities held more than 20% of the subscribed share capital:

Entity	%
Sonae, S.G.P.S, S.A.	79.43
Sonae Investments, B.V.	19.96

As decided in the General Meeting of Shareholders, 20 September 2006, it was asked to CMVM the loss of the status of public company (de-listing). As a consequence of the favourable deliberation made in 22 September 2006, the shares representing the Share Capital of the company were excluded from trading in the Eurolist by Euronext Lisbon, in 26 of September 2006.

14. LOANS

As at 30 September 2006 and 31 December 2005, loans were made up as follows:

	30.09.06				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	1,815,664	1,400,000	1,827,949	1,400,000	161,011,020	1,400,000	161,011,020	1,400,000
Bond loans	-	592,944,653	-	597,000,000	-	592,279,778	-	597,000,000
Other loans	-	326,063	-	326,063	-	326,063	-	326,063
Bank overdraft (Note 12)	3,992,093	-	3,992,093	-	3,082,347	-	3,082,347	-
Derivative financial instruments	26,079	-	-	-	198,293	-	-	-
	5,833,836	594,670,716	5,820,042	598,726,063	164,291,660	594,005,841	164,093,367	598,726,063
Obligations under finance leases	3,985,567	7,725,370	3,985,567	7,725,370	4,119,488	8,197,376	4,119,488	8,197,376
	9,819,403	602,396,086	9,805,609	606,451,433	168,411,148	602,203,217	168,212,855	606,923,439

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

	30.09.06	31.12.05
2006	7,043,900	168,212,855
2007	4,962,565	4,191,861
2008	2,761,795	1,978,287
2009	102,225,714	101,629,680
2010	267,064,214	266,924,755
After 2010	232,198,854	232,198,856
	616,257,042	775,136,294

Bond loans

As at 30 September 2006 bond loans are as follows:

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

MODELO CONTINENTE / 2003 BONDS

1,640,000 bonds – Nominal Value: 50 Euro.

Maximum term: eight years

Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.75% per annum.

Interest Payment: half yearly in arrears, on 15 April and 15 October of each year.

Redemption: at par, in one payment on 15 October 2011, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE / 2004 BONDS

10,000,000 bonds – Nominal Value: 10 Euro.

Maximum term: five years.

Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1.15% per annum.

Interest Payment: half yearly in arrears, on 18 March and 18 September of each year.

Redemption: at par, in one payment on 18 March 2009, the maturity date of the loan. Early redemption is not possible, either by initiative of the issuer or the bondholders.

MODELO CONTINENTE / 2005/2010 BONDS

265,000 bonds – Nominal Value: 1,000 Euro.

Maximum term: five years.

Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.70% per annum.

Interest Payment: half yearly in arrears, on 3 February and 3 August of each year.

Redemption: at par, in one payment on 3 August 2010, the maturity date of the loan except if an early redemption occurs.

Early redemption (Call-Option): early redemption is possible by initiative of the issuer, either totally or partially (by reducing the nominal value of the bonds), on the 2nd, 3rd or 4th year of maturity. In this situation the issuer is obliged to pay a prize of 0.125% over de reimbursed value.

MODELO CONTINENTE / 2005/2012 BONDS

15,000,000 bonds – Nominal Value: 10 Euro.

Maximum term: seven years.

Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 0.85% per annum.

Interest Payment: half yearly in arrears, on 2 February and 2 August of each year.

Redemption: at par, in one payment on 2 August 2012 the payment date of the 14th coupon, except if 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 payment dates of 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bank loans – non current

A bank loan of 2,800,000 Euro obtained from a financial institution, repayable up to 2007, bearing interest payable half yearly at usual market rates. As of 30 September 2006, 1,400,000 Euro are considered as current loans.

Other loans – non currents

At 30 September 2006 this caption relates with repayable subsidies granted by IAPMEI under the Measure of Support to the Energy Potential and Rationalization (MAPE). These subsidies do not bear interests and had been attributed for a 12 years period, with a grace period of 3 years redemption after contribution. The subsidies will be redeemed in half-yearly instalments, occurring the first six months after the grace period.

15. OTHER NON CURRENT LIABILITIES

As at 30 September 2006 and 31 December 2005 other non current liabilities caption were made up as follows:

	<u>30.09.06</u>	<u>31.12.05</u>
Participating companies (Note 20)	10,000,000	14,398,994
Other non current trade accounts payable	789,740	1,233,523
Share-based payments (Note 16)	1,706,071	2,086,929
	<u>12,495,811</u>	<u>17,719,446</u>

16. 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 Group at the vesting date.

Liabilities arising from deferred performance bonuses at 30 September 2006 and 31 December 2005 are made up as follows:

	Year of grant	Expiry year	Number of participants	Fair value	
				<u>30.09.06</u>	<u>31.12.05</u>
<u>Shares</u>					
	2003	2006	38	-	5,050,842
	2004	2007	40	2,695,226	2,215,319
	2005	2008	39	2,227,168	1,830,150
	2006	2009	42	1,627,558	
<u>Total</u>				<u>6,549,952</u>	<u>9,096,311</u>

The amounts recorded as at 30 September 2006 and 31 December 2005 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 under Other non current liabilities (Note 15)	1,706,071	2,086,929
Recorded under Other current liabilities (note 17)	2,470,624	5,050,842
Recorded under Reserves in Equity	<u>(1,093,837)</u>	<u>(1,654,230)</u>
Amounts recorded under Staff costs	<u>3,082,858</u>	<u>5,483,541</u>

17. OTHER CURRENT LIABILITIES

As at 30 September 2006 and 31 December 2005 the caption other current liabilities were made up as follows:

	30.09.06	31.12.05
Suppliers	593,451,299	598,484,705
Related undertakings	104	340,395
a) Other accounts payable	59,141,235	84,489,611
Taxes and contributions payable	18,199,195	29,088,267
Accrued costs	82,263,689	68,483,611
Deferred income	2,388,557	1,583,769
Share-based payments (Note 16)	2,470,624	5,050,842
	<u>757,914,703</u>	<u>787,521,200</u>

a) the caption "Other accounts payable" includes a put option over the shares of a disposed group company during 2005 conceded to former shareholders of that company amounting 37,069,900 BRL (74,139,801 BRL as at 31 December 2005), approximately 14 millions Euro (27 million Euro as at 31 December 2005). In the event of the exercise of this put option the Group will resell the acquired shares by 4,425,464 Euro (8,850,000 Euro as of 31 December 2005), as defined in the sale agreement of that subsidiary (Note 10). During the period the previous shareholders exercised 50% of put option and the acquired shares were sold to the buyer of that former subsidiary.

18. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and impairment losses over the nine month period ending 30 September 2006 were as follows:

Caption	Opening balance	Increases a)	Decreases	Closing balance
Accumulated impairment losses in investments (Note 9)	470,413	26,315	-	496,728
Accumulated impairment losses in goodwill (Note 8)	-	2,838,583	-	2,838,583
Accumulated impairment losses in current assets (Note 10)	16,809,791	7,129,265	(4,509,746)	19,429,310
Impairment losses - inventory	10,696,473	8,198,955	(8,803,470)	10,091,958
Provisions	<u>27,775,929</u>	<u>296,702</u>	<u>(1,660,554) b)</u>	<u>26,412,077</u>
	<u>55,752,606</u>	<u>18,489,820</u>	<u>(14,973,770)</u>	<u>59,268,656</u>

a) Increases include 5,458,061 Euro related to companies purchased during the period, as well as 124,089 Euro related to the effect of changes in the foreign exchange rate in opening balances.

b) The decrease in the caption Provisions includes the amount of (775,929) Euro regarding a provision to cover accumulated losses recorded by a former associated company which is now fully consolidated as a result of an additional acquisition.

Impairment losses are deducted from the corresponding asset.

19. CONTINGENT ASSETS AND LIABILITIES

	30.09.06	31.12.05
Guarantees rendered:		
related to tax claims awaiting outcome	55,421,138 a)	54,009,154
related to local and municipal claims awaiting outcome	10,003,662	8,439,969
Others	6,770,191	4,538,251

a) Includes guarantees amounting to 27,897,768 Euro and 26,546,914 Euro related to corporate income tax assessments and to VAT processes respectively.

20. RELATED PARTIES

As at 30 September 2006 and 31 December 2005 balances and transactions with related parties were made up as follows:

Transactions	Sales and services rendered		Purchases and services attained		Interest income		Interest expense	
	30.09.06	30.09.05	30.09.06	30.09.05	30.09.06	30.09.05	30.09.06	30.09.05
Parent and group companies	232,781	199,377	335,355	317,348	2,557,711	479,393		
Associated companies	298,033	1,150,071	224,414	1,740,724				
Participated companies	33,528,857	31,683,207						
Participating companies							246,006	295,893
Other related parties	13,338,661	10,880,642	68,189,480	74,461,042	1,528	399,378	21,209	50,909
	<u>47,398,332</u>	<u>43,913,297</u>	<u>68,749,249</u>	<u>76,519,114</u>	<u>2,559,239</u>	<u>878,771</u>	<u>267,215</u>	<u>346,802</u>

Transactions of fixed assets	Purchase of assets		Disposal of assets	
	30.09.06	30.09.05	30.09.06	30.09.05
Parent Company	75,000,000			
Associated companies				41,245
Other related parties	44,381,437	44,582,625	15,814,229	71,686
	<u>119,381,437</u>	<u>44,582,625</u>	<u>15,814,229</u>	<u>112,931</u>

Balance	Accounts receivable		Accounts payable		Loans			
	30.09.06	31.12.05	30.09.06	31.12.05	Payable		Receivable	
					30.09.06	31.12.05	30.09.06	31.12.05
Parent company	7,777	75,000,000	102,207	260,400			219,485,000	13,861,000
Associated companies	1,071	166,988	64,616	241,837			1,000,000	7,107,000
Participated companies	10,659,152	12,498,470	131,504	83,436				
Participating companies				45,955	10,000,000	14,325,652	4,807	
Other related parties	10,245,555	20,258,645	24,235,475	40,054,083		73,338		
	<u>20,913,555</u>	<u>107,924,103</u>	<u>24,533,802</u>	<u>40,685,711</u>	<u>10,000,000</u>	<u>14,398,990</u>	<u>220,489,807</u>	<u>20,968,000</u>

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

21. INCOME TAX

Income tax for the nine month period ended 30 September 2006 and 2005 is made up as follows:

	30.09.06	30.09.05
Current tax	8,039,714	10,020,950
Deferred tax	157,478	(303,992)
	<u>8,197,192</u>	<u>9,716,958</u>

22. NET PROFIT RELATED TO INVESTMENTS

Net profit related to investments includes, approximately, 12,300,000 Euro related to adjustments to the sale price of the subsidiary Sonae Distribuição Brasil, S.A. which occurred in 2005.

23. EARNINGS PER SHARE

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

	30.09.06		30.09.05	
	Activities		Activities	
	Continued	Continued	Discontinued	Total
Net profit				
Net profit taken into consideration to calculate diluted earnings per share (Net profit for the period)	89,196,624	55,486,705	9,033,536	64,520,241
Net profit taken into consideration to calculate diluted earnings per share	<u>89,196,624</u>	<u>55,486,705</u>	<u>9,033,536</u>	<u>64,520,241</u>
Number of share				
Weighted average number of shares used to calculated basic Earnings per share	1,100,000,000	1,100,000,000		1,100,000,000
Weighted average number of shares used to calculated the diluted earnings per share	<u>1,100,000,000</u>	<u>1,100,000,000</u>		<u>1,100,000,000</u>
Earning per share (basic and diluted)	0.08	0.05		0.06

24. DIVIDENDS

In the Annual General Meeting held on 31 March of 2006 it was approved the distribution of dividends amounting to 55,000,000 Euro corresponding to 0.05 Euro per share.

25. SEGMENT INFORMATION

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

- Portugal
- Brazil

The contribution of the principal business segments to the Consolidated Income Statement for the nine month period ending on 30 September 2006 and 2005 can be detailed as follows:

	Portugal		Brazil	Consolidated		Euro
	30.09.06	30.09.05	30.09.05	30.09.06	30.09.05	
<u>Operating income</u>						
Sales	2,197,226,654	1,934,445,722	896,360,167	2,197,226,654	2,830,805,889	
Operating cash-flow (EBITDA)	158,054,391	136,735,679	54,005,600	158,054,391	190,741,279	
Operating profits (EBIT)	98,387,495	84,559,006	27,438,222	98,387,495	111,997,228	
FTE's	20,977	18,989	19,640	20,977	38,629	
Number of stores	442	320	160	442	480	
Sales areas ('000 m ²)	517	473	372	517	845	

26. SUBSEQUENT EVENTS

On the 16th October 2006, Sonae S.G.P.S., S.A. became the wholly-owner of Modelo Continente S.G.P.S., S.A., as a result of the registration on this date in the Commercial Registration Office of the acquisition of all the shares representing the share capital of the company held by the remaining shareholders.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on the 3rd November 2006.

28. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with IAS 34. In the event of discrepancies the Portuguese language version prevails.

Matosinhos, 3 November 2006

MODELO CONTINENTE, SGPS, SA

**INDIVIDUAL
FINANCIAL STATEMENTS
IAS/IFRS**

30 September 2006

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

BALANCE SHEETS AS AT 30 SEPTEMBER 2006 AND AS AT 31 DECEMBER 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 18)

ASSETS	Notes	IFRS	
		30-09-2006	31-12-2005
NON CURRENT ASSETS			
Tangible and intangible assets		969,754	711,839
Investments	4	1,356,276,351	1,321,128,781
Deferred tax assets		2,118	75,490
Other non-current assets	5	311,395,692	312,434,192
Total non current assets		<u>1,668,643,915</u>	<u>1,634,350,302</u>
CURRENT ASSETS			
Other debtors and other current assets	6	1,115,733,303	902,927,669
Derivatives		20,579	-
Cash and cash equivalents	7	52,668	450,008,364
Total current assets		<u>1,115,806,550</u>	<u>1,352,936,033</u>
TOTAL ASSETS		<u><u>2,784,450,465</u></u>	<u><u>2,987,286,335</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	8	1,100,000,000	1,100,000,000
Reserves and retained earnings		995,714,702	1,278,422,253
Net profit/(loss) for the period		72,511,428	(227,707,550)
TOTAL EQUITY		<u>2,168,226,130</u>	<u>2,150,714,703</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	9	594,344,653	593,679,778
Deferred tax liabilities		141,052	157,879
Total non-current liabilities		<u>594,485,705</u>	<u>593,837,657</u>
CURRENT LIABILITIES			
Loans	9	1,403,514	161,304,312
Other current liabilities	10	20,335,116	81,429,663
Total current Liabilities		<u>21,738,630</u>	<u>242,733,975</u>
TOTAL LIABILITIES		<u>616,224,335</u>	<u>836,571,632</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,784,450,465</u></u>	<u><u>2,987,286,335</u></u>

The accompanying notes are part of these financial statements

The Board of Directors,

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

INCOME STATEMENT BY NATURE

FOR THE QUARTER AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 18)

	Notes	IFRS		IFRS	
		3rd Quarter 06	30-09-2006 Accumulated	3rd Quarter 05	30-09-2005 Accumulated
Operating income:					
Service rendered		4,513,634	13,390,727	4,125,967	12,325,528
Other operating income		478,399	970,025	18,617	3,105,785
Total operating income		<u>4,992,033</u>	<u>14,360,752</u>	<u>4,144,584</u>	<u>15,431,313</u>
Operating expenses:					
External supplies and services		(310,974)	(1,026,586)	(302,439)	(883,863)
Staff costs		(603,185)	(1,410,643)	(975,883)	(2,599,604)
Depreciation and amortization		(70,529)	(211,586)	(70,528)	(211,477)
Other operational expenses		(418,078)	(878,212)	(115,837)	(3,253,468)
Total operational expenses		<u>(1,402,766)</u>	<u>(3,527,027)</u>	<u>(1,464,687)</u>	<u>(6,948,412)</u>
Net operating profit/(loss)		<u>3,589,267</u>	<u>10,833,725</u>	<u>2,679,897</u>	<u>8,482,901</u>
Financial profit/(loss)	12	23,265,751	36,636,327	6,961,983	22,500,337
Profit/(loss) related to investments	13	-	17,891,933	-	16,020,665
Profit/(loss) before income tax		<u>26,855,018</u>	<u>65,361,985</u>	<u>9,641,880</u>	<u>47,003,903</u>
Income tax		5,225,236	7,149,442	1,373,966	(4,700,900)
Profit/(loss) for the nine month period	14	<u>32,080,255</u>	<u>72,511,428</u>	<u>11,015,846</u>	<u>42,303,003</u>
Profit/(loss) per share (basic and diluted)		<u>0.03</u>	<u>0.07</u>	<u>0.01</u>	<u>0.04</u>

The accompanying notes are part of these financial statements

The Board of Directors,

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 18)

	<u>Share Capital</u>	<u>Reserves and Retained earnings</u>	<u>Net profit/(loss)</u>	<u>Total Equity</u>
Balance at 1 January 2005	1,100,000,000	1,198,418,311	80,003,942	2,378,422,253
Appropriation of profit of 2004				
Appropriation of net profit/loss of 2004		80,003,942	(80,003,942)	-
Net profit/(loss) for the nine month period ending 30 September 2005			42,303,003	42,303,003
Balance at 30 September 2005	<u>1,100,000,000</u>	<u>1,278,422,253</u>	<u>42,303,003</u>	<u>2,420,725,256</u>
Balance at 1 January 2006	1,100,000,000	1,278,422,253	(227,707,550)	2,150,714,703
Appropriation of consolidated profit of 2005				
Appropriation of net profit/loss of 2005	-	(227,707,550)	227,707,550	-
Distribution of retained earnings	-	(55,000,000)	-	(55,000,000)
Net profit/(loss) for the nine month period ending 30 September 2006	-		72,511,428	72,511,428
Balance at 30 September 2006	<u>1,100,000,000</u>	<u>995,714,702</u>	<u>72,511,428</u>	<u>2,168,226,130</u>

The accompanying notes are part of these financial statement:

The Board of Directors,

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

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 18)

	<u>Notes</u>	<u>30-09-2006</u>	<u>30-09-2005</u>
<u>OPERATING ACTIVITIES</u>			
Net cash flow from operating activities (1)		<u>28,149,331</u>	<u>25,013,951</u>
<u>INVESTMENTS ACTIVITIES</u>			
Cash receipts related to:			
Investments		-	10,200
Interests and similar income		43,451,928	28,374,354
Dividends		14,200,887	16,015,465
Loans granted		2,589,062,000	1,248,213,012
Others		-	-
		<u>2,646,714,815</u>	<u>1,292,613,031</u>
Cash payments related to:			
Investments		(31,456,524)	
Tangible and intangible assets		(469,500)	(5,346)
Loans granted		(2,797,465,500)	(1,345,400,614)
Others		-	-
		<u>(2,829,391,524)</u>	<u>(1,345,405,960)</u>
Net cash used in investing activities (2)		<u>(182,676,709)</u>	<u>(52,792,929)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts related to:			
Loans obtained		<u>798,106,000</u>	<u>1,003,965,300</u>
		<u>798,106,000</u>	<u>1,003,965,300</u>
Cash Payments related to:			
Loans obtained		(1,017,529,520)	(1,003,987,400)
Interest and similar charges		(20,715,040)	(7,524,372)
Dividends		(54,999,980)	(74)
		<u>(1,093,244,540)</u>	<u>(1,011,511,846)</u>
Net cash used in financing activities (3)		<u>(295,138,540)</u>	<u>(7,546,546)</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(449,665,918)</u>	<u>(35,325,524)</u>
Cash and cash equivalents at the beginning of the period		<u>449,715,072</u>	<u>45,241,354</u>
Cash and cash equivalents at the end of the period	7	<u>49,154</u>	<u>9,915,830</u>

The accompanying notes are part of these financial statements

The Board of Directors,

MODELO CONTINENTE, SGPS, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDING 30 SEPTEMBER 2006

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 18)

1. INTRODUCTION

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

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

2. BASIS OF PRESENTATION

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

3. PRINCIPAL ACCOUNTING POLICES

The accounting policies adopted are consistent with those used in the preparation of the financial statements for the year ended 31 December 2005.

4. INVESTMENTS

As of 30 September 2006 and 31 December 2005, the detail of investments was as follows:

Company	30.September.2006		31.December.2005	
	% Held	Aquisition Price	% Held	Aquisition Price
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 de Investimento Imobiliário Fechado Imosede	33.81%	13,525,000		
Fundo de Investimento Imobiliário Imosonae Dois	100.00%	133,625,251	99.98%	115,697,320
Fundo Fechado de Investimento Imobiliário Efisa Imobiliário	100.00%	43,913,700	100.00%	43,913,700
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%	420,459	10.00%	420,459
Marcas MC zRt	100.00%	79,545	100.00%	79,545
Modelo Continente - Operações de Retalho, SGPS, S.A.	100.00%	1,000,000,000	100.00%	1,000,000,000
Modelo Continente Hipermercados, S.A.	46.20%	2,304,446	46.20%	2,304,446
Modelo Investimentos Brasil, S.A.			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%	11,387,016	100.00%	11,387,016
Ok Bazar - Comércio Geral, S.A.	100.00%	1,953,945	100.00%	1,953,945
Predicomercial - Promoção Imobiliária, S.A.	10.00%	187,548	10.00%	187,548
Sempre à Mão - Sociedade Imobiliária, S.A.	100.00%	50,000	100.00%	50,000
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	25.00%	249,399	25.00%	249,399
Sesagest - Projectos e Gestão Imobiliária, S.A.	100.00%	36,677,088	100.00%	36,677,088
Sociloures - Sociedade Imobiliária, S.A.	100.00%	10,000,000	100.00%	10,000,000
Soflorin, B.V.	100.00%	57,309,037	100.00%	57,309,037
Sonae Capital Brasil, Lda	37.00%	23,334,858		
Sonae Retalho Espanha, S.A.	100.00%	2,549,832	100.00%	2,549,832
Sonae, SGPS, S.A.	0.003%	53,500	0.003%	53,500
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 e Consultoria, S.A.	100.00%	1,259,784	100.00%	1,259,784
Todos os Dias - Comércio Ret. e Expl. Centros Comerciais, S.A.	100.00%	1,180,000	100.00%	1,180,000
Worten - Equipamentos para o Lar, S.A.	10.00%	2,494	10.00%	2,494
		1,356,276,351		1,321,128,781

During the period ended 30 September, the Company acquired participation units of the real estate investment fund “Fundo de Investimento Imobiliário Imosonae Dois”, becoming the owner of 100% of the participation units of the fund.

Additionally, the Company subscribed 33.81% participation units of the real estate investment fund “Fundo de Investimento Imobiliário Fechado Imosede”.

During the same period the subsidiary Modelo Investimentos Brasil, S.A. was incorporated into Sonae Capital Brasil, Lda. Later, the Company acquired more 9,999 quotes of Sonae Capital Brasil, Lda, now holding 37% of its share capital.

5. OTHER NON CURRENT ASSETS

As of 30 September 2006 and 31 December 2005, the caption other non current assets were detailed as follows:

	<u>30.September.2006</u>	<u>31.December.2005</u>
Loans to group companies	311,395,692	312,434,192

6. OTHER CURRENT ASSETS

As of 30 September 2006 and 31 December 2005, the detail of the caption other current assets was as follows:

	<u>30.September.2006</u>	<u>31.December.2005</u>
Clients	176	20,047,466
Group companies	1,056,108,391	795,283,310
Advances to fix assets suppliers	2,041	75,002,041
Other debtors	3,550,467	2,679,180
Taxes and contributions receivable	5,439,622	6,837,566
Deferred costs	306,251	53,728
Accrued income	50,326,355	3,024,378
	<u>1,115,733,303</u>	<u>902,927,669</u>

a) The caption "Group companies" refers mainly to: (i) 966,561,100 Euro relating to short term loans to group companies;(ii) 75,000,000 Euro relating to a credit assignment to the subsidiary "Marcas – MC ZRT" in connection with the acquisition of brands made by that company; (v) 14,547,291 Euro relating to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies.

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

c) Accrued income caption includes 36.912.086 Euro related with interest earned from Group companies, as well as 13,414,269 Euro related to the accrual of fees related with services rendered to group companies in Portugal.

7. CASH AND CASH EQUIVALENTS

As of 30 September 2006 and 31 December 2005, the caption "Cash and Cash Equivalents" can be detailed as follows:

	<u>30.September.2006</u>	<u>31.December.2005</u>
Bank deposits	52,668	450,008,364
Cash and cash equivalents on balance sheet	<u>52,668</u>	<u>450,008,364</u>
Bank overdrafts (Note 9)	(3,514)	(293,292)
Cash and cash equivalents on the statement of cash flow	<u>49,154</u>	<u>449,715,072</u>

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

8. SHARE CAPITAL

As at 30 September 2006, and 31 December 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.

As at 30 September 2006, the following entities held more than 20% of the subscribed share capital:

Entity	%
Sonae, S.G.P.S, S.A.	79.43
Sonae Investments, B.V.	19.96

As decided in the General Meeting of Shareholders, on the 20th September 2006, it was required to CMVM the loss of the status of public company (de-listing). As a consequence of the favourable deliberation made in 22 September 2006, the shares representing the Share Capital of the company were excluded from trading on the Eurolist by Euronext Lisbon on the 26th of September 2006.

9. LOANS

As of 30 September 2006 and 31 December 2005, loans are made up as follows:

	30.September.2006				31.December.2005			
	Book Value		Nominal Value		Book Value		Nominal Value	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans	1,400,000	1,400,000	1,400,000	1,400,000	161,011,020	1,400,000	161,011,020	1,400,000
Bank overdrafts	3,514		3,514		293,292		293,292	
Bond loans		592,944,653		597,000,000		592,279,778		597,000,000
	1,403,514	594,344,653	1,403,514	598,400,000	161,304,312	593,679,778	161,304,312	598,400,000

Bond loans

Bond loans can be detailed as follows:

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

MODELO CONTINENTE - 2003

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.

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.

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.**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.Bank loans

Includes:

a) A bank loan of 2,800,000 Euro obtained from a financial institution, repayable from 2006 to 2007, bearing interest payable half yearly at normal market rates. At present, 1,400,000 Euro are considered as non current liabilities and 1,400,000 Euro remaining as current liabilities

10. OTHER CURRENT LIABILITIES

As of 30 September 2006 and 31 December 2005 the detail of “Other current liabilities” is made up as follows:

	30.September.2006	31.December.2005
Suppliers	188,686	12,872
Group companies	7,606,558	65,837,200
Other creditors	5,562,254	37,701
Tax and contributions payable	223,487	4,928,417
Accrued costs	6,754,131	10,415,180
Derivatives	-	198,293
	20,335,116	81,429,663

a) The caption “Group companies” refers mainly to: (i) a payable amount of 4,462,500 Euro relating to a short term loan from group companies; (ii) the amount of 3,144,058 Euro relating to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies.

11. CONTINGENT ASSETS AND LIABILITIES

As of 30 September 2006 and 31 December 2005 contingent assets and liabilities was made up as follows:

	<u>30.September.2006</u>	<u>31.December.2005</u>
Guarantees rendered:		
related to tax additional assesments	20,779,158	19,065,102

No provision has been recognized for these tax additional assessments, to which some guarantees were made, as the Board of Directors expects they will be resolved with no additional liability to the company.

12. NET FINANCIAL PROFIT

As of 30 September 2006 this caption includes the amount of 54,821,086 Euro (39,596,888 Euro on 30 September 2005) related to interests earned and the amount of 17,336,657 Euro (15,134,505 Euro on 30 September 2005) related to beared interests.

13. NET PROFIT RELATED TO INVESTMENTS

As of 30 September 2006 and 30 September 2005 and in the quarters ending in those dates, the net profit/loss related to investments was as follows:

	<u>2006</u>		<u>2005</u>	
	3rd Quarter	Accumulated	3rd Quarter	Accumulated
Dividends	-	14,200,887	-	16,015,465
Profit/losses with investments disposals	-	(24,750,954)	-	5,200
Investment impairment losses	-	28,442,000	-	-
	-	<u>17,891,933</u>	-	<u>16,020,665</u>

As a result of the merger referred to in Note 4, a loss related with the investment in Modelo Investimentos Brasil, S.A. was recognized and the related impairment loss was reversed.

14. EARNINGS PER SHARE

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

	<u>30.September.2006</u>	<u>30.September.2005</u>
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	72,511,428	42,303,003
Net profit taken into consideration to calculate diluted earnings per share	<u>72,511,428</u>	<u>42,303,003</u>
Number of shares		
Weighted average number of shares used to calculated basic earnings per share	1,100,000,000	1,100,000,000
Weighted average number of share used to calculated the diluted earnings per share	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Earnings per share (basic and diluted)	<u>0.07</u>	<u>0.04</u>

The Annual General Meeting held on 31 March of 2006 approved the distribution of dividends amounting to 55,000,000 Euro corresponding to 0.05 Euro per share.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorized for issue on the 3rd November 2006.

16. INFORMATION REQUIRED BY LAW

Art 5, item 4 of Decree-Law 318/94

During the nine month period ended on the 30 September 2006, shareholders' loan agreements were signed with the following companies:

- Contibomba – Comércio e Distribuição de Combustíveis, S.A.
- Imoresultado – Sociedade Imobiliária, S.A.
- SRE – Projectos e Consultoria, S.A.
- Sonvecap, B.V.

As at 30 September 2006, the receivable balances related to the agreements mentioned above were as follows:

Loans granted:

Company	Balance at 30.09.2006
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	144,000
Contimobe - Imobiliária de Castelo de Paiva, S.A.	35,000,000
Fozimo – Sociedade Imobiliária, S.A.	2,112,000
Igimo – Sociedade Imobiliária, S.A.	682,000
Imoconti – Sociedade Imobiliária, S.A.	20,214,965
Imomuro - Sociedade Imobiliária, S.A.	4,211,897
Imoresultado – Sociedade Imobiliária, S.A.	417,000
Infofield – Informática, S.A.	7,835,000
Modelo, SGPS, S.A.	547,945,100
Modelo.Com - Vendas por Correspondência, S.A.	3,266,998
Modelo Continente Hipermercados, S.A.	84,973,500
Modelo Continente - Operações de Retalho, SGPS, S.A.	15,171,000
Ok Bazar - Comércio Geral, S.A.	9,942,000
Predicomercial - Promoção Imobiliária, S.A.	11,806,000
Sempre à Mão - Sociedade Imobiliária, SA	86,000
Sesagest - Projectos e Gestão Imobiliária, S.A.	53,309,000
Sociloures - Sociedade Imobiliária, S.A.	39,470,000
Sofforin, B.V.	38,157,330
Sonae Retalho Espanha, S.A.	60,002
Sonae, S.G.P.S.,S.A.	219,485,000
Sonvecap, B.V.	158,115,000
Sportzone - Comércio de Artigos de Desporto, S.A.	6,941,000
SRE - Projectos e Consultoria, S.A.	0
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	1,077,000
Worten - Equipamentos para o Lar, S A.	17,535,000
	<u>1,277,956,792</u>

As of 30 September 2006, the payable balances related to the agreements mentioned above were as follows:

Loans obtained – Short term:

Company	Balance at 30.09.2006
Modelo.Com - Vendas por Correspondência, S.A.	(2,518,500)
Modelo Hiper - Imobiliária, S.A.	(1,812,000)
SRE - Projectos de Consultoria, S.A.	(132,000)
	<u>(4,462,500)</u>

17. SUBSEQUENT EVENTS

On the 16 October 2006, Sonae S.G.P.S., S.A. became the wholly-owner of Modelo Continente S.G.P.S., S.A., as a result of the registration on this date in the Commercial Registration Office of the acquisition of all the shares representing the share capital of the company held by the remaining shareholders.

18. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with IAS 34. In the event of discrepancies the Portuguese language version prevails.

Matosinhos, 3 November 2006