

MODELO CONTINENTE

**CONSOLIDATED
FINANCIAL STATEMENTS
IAS/IFRS
31 March 2006**

(Translation of financial statements originally issued in Portuguese - Note 31)

MODELO CONTINENTE, SGPS, SA

Sociedade Gestora de Participações Sociais

Head Office: R. João Mendonça, 529 - 4464-501 SENHORA DA HORA

Porto Commercial Registry/Fiscal Nr. 501 532 927

Fiscal Nr. 501 532 927 - Share Capital 1,100,000,000 Euro

" sociedade com o capital aberto ao investimento do público "

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 first quarter of 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 Summary

Modelo Continente ended the first quarter of 2006 with consolidated turnover of 646 million Euro. In Portugal, where the company has now focused its activity, this figure represents a significant increase of 9%.

The main factors contributing towards this positive trend were as follows:

- the opening of new stores over the last 12 months;
- the acquisition of control of the Star¹ travel agency, which has strengthened Modelo Continente's business portfolio in non food retail.

On the other hand, the company's turnover was negatively impacted by the calendar effect of the Easter festival, which this year took place after the close of the quarter, and which last year fell during the month of March.

In consolidated terms, the company's turnover fell by 26% compared to the figure of the first quarter 2005. This is explained by the disposal last December of the retail activity in Brazil, which contributed 287 million Euro to turnover last year.

In the first three months of the year, Modelo Continente's consolidated operational cash flow was 35 million Euro. This amount was the same as that recorded in Portugal last year during the same period, and compares unfavourably with last year due to the calendar impact mentioned above.

In consolidated terms, operational cash flow fell by 12 million Euro compared to the first quarter of 2005, explained by the disposal of company's Brazilian operation that took place at the end of last year.

¹ Modelo Continente owns 90% of the share capital of this company since February 2006

Consolidated net profits for the period were 21 million Euro, compared to 10 million Euro in the first quarter of 2005. This figure benefited from an additional inflow of 13 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 to Wal-Mart, following the conclusion of the contractual due diligence process.

Net debt reached significantly low levels, totalling 428 million Euro at the end March 2006. This figure also benefited from the inflow referred to above relating to the disposal of the retail activity in Brazil, thus strengthening further the already healthy financial position of the company.

Investment programme

In Portugal, Modelo Continente's objectives are focused on consolidating its market share in food retail through coverage of regional markets with growth potential. To that end, the company continued to follow its strategy of rapid opening of new stores and refurbishment of existing ones, maintaining for this high levels of investment. Thus, the investment plan for the company in 2006 includes the opening of 12 Modelo units, as well as the refurbishment of more than 30 existing stores, of which 2 Modelo units were opened to date.

In non food retail, Modelo Continente intends to continue increasing its network of stores operating in the Portuguese market, increasingly extending its range of products and services. With that aim in mind, during the first quarter of 2006, the company officially opened six new stores and added to its portfolio the Star brand, offering a range of integrated travel and tourism services. Meanwhile, the company will further analyze in depth possible opportunities of broadening the current business activities to new geographies, as well as developing new business areas.

Matosinhos, 3 May 2006

The Board of Directors

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

CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2006 AND AS AT 31 DECEMBER 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 31)

ASSETS	Notes	IFRS	
		31-03-06	31-12-05
NON CURRENT ASSETS			
Tangible and intangible assets	7	1.248.803.305	1.220.878.083
Goodwill	8	63.328.800	47.164.598
Investments	9	68.810.891	61.888.443
Deferred tax assets	12	26.195.902	24.126.376
Other non-current assets	10	874.709	839.152
Total non current assets		<u>1.408.013.607</u>	<u>1.354.896.652</u>
CURRENT ASSETS			
Inventory		342.203.822	325.206.095
Other current assets	11	242.024.905	241.935.839
Investments	9	10.500.000	10.560.475
Cash and cash equivalents	13	175.399.656	563.855.996
Total current assets		<u>770.128.383</u>	<u>1.141.558.405</u>
TOTAL ASSETS		<u><u>2.178.141.990</u></u>	<u><u>2.496.455.057</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	14	1.100.000.000	1.100.000.000
Reserves and retained earnings		(310.376.697)	(467.504.160)
Net profit (loss) for the period attributable to the shareholders of the parent company		20.568.334	214.122.570
Total equity attributable to the Shareholders of the parent company		<u>810.191.637</u>	<u>846.618.410</u>
Minority interests	15	8.957.093	8.717.734
TOTAL EQUITY		<u>819.148.730</u>	<u>855.336.144</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans	16	603.592.220	602.203.217
Other non-current liabilities	18	13.762.432	17.719.446
Deferred tax liabilities	12	38.089.545	37.487.973
Provisions	21	27.804.148	27.775.929
Total non-current liabilities		<u>683.248.345</u>	<u>685.186.565</u>
CURRENT LIABILITIES			
Loans	16	10.648.804	168.411.148
Other current liabilities	20	664.923.498	787.521.200
Provisions	21	172.613	
Total current liabilities		<u>675.744.915</u>	<u>955.932.348</u>
TOTAL LIABILITIES		<u>1.358.993.260</u>	<u>1.641.118.913</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2.178.141.990</u></u>	<u><u>2.496.455.057</u></u>

The accompanying notes are part of these financial statements

The Board of Directors

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

CONSOLIDATED INCOME STATEMENT BY NATURE

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 31)

	Notes	IFRS			TOTAL
		31.03.2006	31.03.2005		
		TOTAL	Operations		
		Continued	Discontinued		
Operating income:					
Sales		624.914.746	586.449.469	285.878.065	872.327.534
Services rendered		20.954.019	4.718.862	821.019	5.539.881
Other operating income		60.224.486	60.431.236	9.456.564	69.887.800
Total operating income		706.093.251	651.599.567	296.155.648	947.755.215
Operating expenses:					
Cost of sales		(501.069.066)	(471.048.829)	(224.827.855)	(695.876.684)
External supplies and services		(79.198.114)	(62.264.791)	(30.284.551)	(92.549.342)
Staff costs		(83.256.052)	(72.664.497)	(24.814.254)	(97.478.751)
Depreciation and amortization	7	(19.318.449)	(16.953.204)	(5.237.951)	(22.191.155)
Provisions and impairment losses	21	(129.338)	1.415.716	(809.261)	606.455
Other operating expenses		(7.794.257)	(9.882.242)	(5.329.126)	(15.211.368)
Total operating expenses		(690.765.276)	(631.397.847)	(291.302.998)	(922.700.845)
Net operating profit/(loss)		15.327.975	20.201.720	4.852.650	25.054.370
Financial profit/(loss)		(4.108.872)	(6.059.812)	(6.877.173)	(12.936.985)
Profit/(loss) related to associated companies		(144.170)	(124.166)		(124.166)
Profit/(loss) related to investments		12.550.105			-
Profit/(loss) before income tax		23.625.038	14.017.742	(2.024.523)	11.993.219
Income tax	25	(2.820.248)	(1.794.143)	(148.078)	(1.942.221)
Profit/(loss) after income tax		20.804.790	12.223.599	(2.172.601)	10.050.998
Consolidated profit/(loss) for the period		20.804.790	12.223.599	(2.172.601)	10.050.998
Attributable to:					
Equity holders of Modelo Continente		20.568.334	11.980.378	(2.172.603)	9.807.775
Minority interests		236.456	243.223		243.223
Profit/(loss) per share (basic and diluted)	26	0,02	0,01	(0,00)	0,01

The accompanying notes are part of these financial statements.

The Board of Directors

1) Prepared in accordance with International Financial Reporting Standards (IAS/IFRS) and not audited.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006 AND 2005

(Amounts expressed in Euro)

(Translation of financial statements originally issued in Portuguese - Note 31)

Attributable to Shareholders of Parent Company

	Share capital	Legal Reserves	Translation Reserves	Hedging Reserves	Other Retain. Earnings	Net profit/(loss)	Total	Minority interests	Total Equity
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	-				119.088.499	(119.088.499)	-	-	-
Changes in reserves									
Generated in the period	-	-	15.341.211	-	-	-	15.341.211	-	15.341.211
Transfers to net profit/(loss)	-	-	-	(724.169)	-	-	(724.169)	-	(724.169)
Changes in the consolidation perimeter	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	161.588	-	161.588	-	161.588
Net consolidated profit/loss for the period	-	-	-	-	-	9.807.775	9.807.775	243.223	10.050.998
Balance at 31 March 2005	1.100.000.000	86.000.000	23.726.097	183.088	(553.038.996)	9.807.775	666.677.964	7.574.231	674.252.195
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 the period	-	-	(27.135.822)	-	-	-	(27.135.822)	-	(27.135.822)
Transfers to net profit/(loss)	-	-	25.286.608	-	-	-	25.286.608	-	25.286.608
Entering of new companies	-	-	-	-	(42.448)	-	(42.448)	2.903	(39.545)
Others	-	-	-	-	(103.445)	-	(103.445)	-	(103.445)
Net consolidated profit/loss for the period	-	-	-	-	-	20.568.334	20.568.334	236.456	20.804.790
Balance at 31 March 2006	1.100.000.000	90.200.000	(1.723.825)	-	(398.852.872)	20.568.334	810.191.637	8.957.093	819.148.730

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 THREE MONTH PERIOD ENDED 31 MARCH 2006 AND 2005
(Amounts expressed in Euro)
(Translation of financial statements originally issued in Portuguese - Note 31)

	31.03.2006	31.03.2005		Total	
	Notes	Operations			
		Continued	Discontinued		
<u>OPERATING ACTIVITIES</u>					
Net cash flow from operating activities (1)		(153.392.706)	(165.931.560)	(13.196.519)	(179.128.079)
<u>INVESTING ACTIVITIES</u>					
Cash receipts related to:					
Investments		12.550.105			
Tangible and intangible assets		445.486	8.383.228	768.904	9.152.132
Interest and similar income		2.198.314	6.018.806	1.428.998	7.447.804
Dividends			392.807		392.807
Loans granted		115.000	21.108.000		21.108.000
		<u>15.308.905</u>	<u>35.902.841</u>	<u>2.197.902</u>	<u>38.100.743</u>
Cash payments related to:					
Investments		(10.744.520)	(15.551.238)	(918.127)	(16.469.365)
Tangible and intangible assets		(65.651.256)	(30.557.607)	(9.412.307)	(39.969.914)
Loans granted		(3.091)	(46.108.000)		(46.108.000)
		<u>(76.398.867)</u>	<u>(92.216.845)</u>	<u>(10.330.434)</u>	<u>(102.547.279)</u>
Net cash used in investing activities (2)		<u>(61.089.962)</u>	<u>(56.314.004)</u>	<u>(8.132.532)</u>	<u>(64.446.536)</u>
<u>FINANCING ACTIVITIES</u>					
Cash receipts related to:					
Loans obtained			118.171.601	31.972.095	150.143.696
		-	118.171.601	31.972.095	150.143.696
Cash payments related to:					
Loans obtained		(164.359.337)	(93.498.459)	(29.957.188)	(123.455.647)
Interest and similar charges		(10.541.707)	(9.039.806)	(7.387.103)	(16.426.909)
Dividends		(48)			
		<u>(174.901.092)</u>	<u>(102.538.265)</u>	<u>(37.344.291)</u>	<u>(139.882.556)</u>
Net cash used in financing activities (3)		<u>(174.901.092)</u>	<u>15.633.336</u>	<u>(5.372.196)</u>	<u>10.261.140</u>
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(389.383.760)</u>	<u>(206.612.228)</u>	<u>(26.701.247)</u>	<u>(233.313.475)</u>
Effect of foreign exchange rate		<u>(83.278)</u>	<u>(4.325)</u>	<u>(982.258)</u>	<u>(986.583)</u>
Cash and cash equivalents at the beginning of the period		<u>(560.773.649)</u>	<u>(226.754.012)</u>	<u>(28.955.309)</u>	<u>(255.709.321)</u>
Cash and cash equivalents at the end of the period	13	<u>171.473.167</u>	<u>20.146.109</u>	<u>3.236.320</u>	<u>23.382.429</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 THREE MONTH PERIOD ENDED 31 MARCH 2006

(Translation of financial statements originally issued in Portuguese – Note 31)

(Amounts expressed in Euro)

1. INTRODUCTION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS” – previously named International Accounting Standards – “IAS”), issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) or by the previous Standing Interpretations Committee (“SIC”), applicable on 1 January 2006.

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

The accounting policies adopted by the group are in accordance with the policies described in the financial statements for the year ended on 31 December 2005.

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 included in the consolidation, its Head offices and percentage of capital held as of 31 March 2006 and 31 December 2005 are as follows:

Company	Head Office	Percentage of Capital held 31.03.06		Percentage of Capital held 31.12.05	
		Direct	Total	Direct	Total
<u>Parent Company</u>					
Modelo Continente SGPS, S. A.	Matosinhos				
<u>Modelo Continente</u>					
Best Offer – Prestação de Informações pela Internet, S.A.	Maia	100,00%	100,00%	100,00%	100,00%
Bikini, Portal de Mulheres, S.A.	Maia	100,00%	100,00%	100,00%	100,00%
Cacetinho – Comércio Retalhista e Expl. Centros Comerciais, S.A.	Matosinhos	100,00%	100,00%	100,00%	100,00%
Canasta – Empreendimentos Imobiliários, S.A.	Maia	100,00%	100,00%	100,00%	100,00%
Carnes do Continente – Indústria 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 - Indústria de Fios, S.A.	Matosinhos	100,00%	100,00%	100,00%	100,00%
a) Equador & Mendes - Agencia de Viagens e Turismo, Lda	Lisbon	67,50%	67,50%	37,50%	37,50%
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	90,00%	90,00%	50,00%	50,00%
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 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%
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%
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%

Company	Head Office	Percentage of Capital held		Percentage of Capital held	
		31.03.06		31.12.05	
		Direct	Total	Direct	Total
Modelo Continente Hipermercados, S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Modelo Continente – Operações de Retalho, S.G.P.S., S.A.	Matosinhos	100.00%	100.00%	100.00%	100.00%
Modelo Hiper Imobiliária, S.A.	Maia	100.00%	100.00%	100.00%	100.00%
Modelo Investimentos Brasil, S.A.	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
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	67.50%	67.50%	37.50%	37.50%
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%
Pinto Ribeiro – Supermercados, S.A.	Viana do Castelo	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(Netherlands)	100.00%	100.00%	100.00%	100.00%
Sonae Medicamentos, Ltda	Porto Alegre(Brazil)	100.00%	100.00%	100.00%	100.00%
Sonae Retalho Espanha – 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(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) The participation acquired in 31 January 2006 obliged to the change of the consolidation method (equity method during 2005).

5. INVESTMENTS IN ASSOCIATED COMPANIES

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

Company	Head Office	Percentage of Capital held		Percentage of Capital held	
		31.03.06		31.12.05	
		Direct	Total	Direct	Total
a) Mundo Vip-Operadores Turísticos, S.A.	Lisbon	33.33%	33.33%		
Sonaegest-Soc. Gestora de Fundos de Investimento,S.A.	Maia	40.00%	40.00%	40.00%	40.00%
Sempre a Postos-Produtos Alimentares e Utilidades, S.A.	Lisbon	25.00%	25.00%	25.00%	25.00%

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

a) Associated company purchased on 31 January 2006.

6. CHANGES IN CONSOLIDATION PERIMETER

The main purchases and disposals of companies over the three month period ending on 31 March 2006 were as follows:

Purchases

Company	Head Office	Percentage of Capital held		Percentage of Capital held	
		31.03.06		31.12.05	
		Direct	Total	Direct	Total
Equador & Mendes-Agencia de Viagens e Turismo, Lda	Lisbon	67.50%	67.50%	37.50%	37.50%
Exit-Travel-Agencia de Viagens e Turismo On Line, S.A.	Maia	90.00%	90.00%	50.00%	50.00%
Nova Equador Internacional-Agencia de Viagens e Turismo, Lda	Lisbon	67.50%	67.50%	37.50%	37.50%
Star-Viagens e Turismo, S.A.	Maia	90.00%	90.00%	50.00%	50.00%

Purchases and disposals effects

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

	Acquisition date	
	31.3.06	31.3.06
	Book Value	Book Value
Net assets purchased		
Tangible and intangible assets	5,497,807	5,771,118
Inventory		
Other current assets	18,164,956	20,062,410
Cash and cash equivalents	737,907	374,475
Deferred taxes	1,035,918	1,238,721
Loans	(1,256,399)	(831,329)
Other liabilities	(27,157,209)	(29,886,655)
	<u>(2,977,020)</u>	<u>(3,271,260)</u>
Goodwill (Note 8)	8,685,940	
Minority Interests	11,809	
	<u>5,720,729</u>	
Purchase price		
Provision created in previous years arising from the Equity Method	(775,929)	
Future payments to be made	6,496,658	
	<u>5,720,729</u>	
Net cash-flow outcoming from purchase		
Cash and cash equivalents purchased	(737,907)	
	<u>(737,907)</u>	

The impacts of the purchases on the consolidated income statement were made up as follows:

Operating income	17,279,946
Operating expenses	(17,688,971)
Financial profit	(56,189)
	<u>(465,214)</u>
Income tax	(170,976)
	<u>(294,238)</u>
Profit/loss before income tax	
Net profit/loss for the period	

7. TANGIBLE AND INTANGIBLE ASSETS

During the three months period ending 31 March 2006, the movement in tangible and intangible assets as well as depreciations and accumulated impairment losses, was made up 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 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 consolidation perimeter	799,535	1,258,810		2,103,400	92,475		87,713	122,193		4,464,126
Capital expenditure	5,615,988	108,537	441	2,582,317	2,526		86,737	29,658,251		38,054,797
Disposals		(494,402)	(298,555)	(222,126)	(7,747)			(379,626)		(1,402,456)
Foreign exchange rate effect	229,828	11,197	843	15,875			208	6,560		264,511
Transfers	4,562,062	16,568,651	255,966	(1,217,748)	554,929		(2,259)	(22,912,073)	(873,321)	(3,063,793)
Closing balance	989,438,192	423,063,135	14,076,040	92,913,599	6,352,605	80,429	2,122,923	44,781,679	4,975,232	1,577,803,834
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 consolidation perimeter	281,125	378,711		1,156,154	8,514		56,985	-	-	1,881,489
Depreciations for the period	4,126,920	9,498,906	228,932	2,539,386	248,014		10,975	-	-	16,653,133
Disposals		(247,203)	(294,142)	(76,212)	(6,885)		-	-	-	(624,442)
Foreign exchange rate effect	5,690	3,026	247	2,428			-	-	-	11,391
Transfers	(134,965)	(158,672)		(2,412,349)	9,485		-	-	-	(2,696,501)
Closing balance	115,465,276	208,091,479	11,446,085	54,979,160	3,660,189	80,429	1,826,294	-	-	385,548,912
Carrying amount	873,972,916	214,971,656	2,629,955	37,934,439	2,692,416	-	296,629	44,781,679	4,975,232	1,182,254,922

Intangible assets

	Development costs	Industrial property and other rights	Software	Premiums paid for property occupation rights	Other intangible assets	Intangible assets in progress a)	Advances on account of intangible assets	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	1,497,148	3,051,103		626,982		5,201,633
Capital expenditure		18,648				4,126,965		4,145,613
Disposals								-
Foreign exchange rate effect			2,805					2,805
Transfers		756,873	(3,457)			(799,236)	469,500	423,680
Closing balance	369,198	4,732,746	87,910,151	14,730,406	-	11,329,351	469,500	119,541,352
Accumulated 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	797,474	1,469,318				2,286,462
Amortizations for the period	18,460	168,585	2,207,553	270,718				2,665,316
Disposals								-
Foreign exchange rate effect			271					271
Transfers		558,796	(570,221)					(11,425)
Closing balance	90,356	2,560,615	38,211,801	12,130,197	-	-	-	52,992,969
Carrying amount	278,842	2,172,131	49,698,350	2,600,209	-	11,329,351	469,500	66,548,383

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

Remodelling and expansion of stores in Portugal	41,487,930
New projects in Portugal	10,888,178
	<u>52,376,108</u>

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

Project for Continente and Modelo stores	5,444,737
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8. GOODWILL

Over the three month period ending 31 March 2006, the movement in goodwill, as well as in the corresponding impairment losses, was as follows:

	31.03.06	31.12.05
Gross value:		
Opening balance	47,164,598	265,293,994
New companies in the consolidation perimeter (Note 6)	8,685,940	3,363,961
Transfers (Note 6)	7,478,262	-
Decreases	-	(290,966,757)
Foreign exchange rate effect	-	69,473,400
Closing balance	<u>63,328,800</u>	<u>47,164,598</u>

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

The amount included in transfers refers exclusively to the Goodwill of Star-Viagens e Turismo, S.A., which was recorded in the caption "Investments in associated companies" as of 31 December 2005 (Note 9) and was transferred to this caption as result from the additional acquisition of 40% of the entity (Note 6).

9. INVESTMENTS

As at 31 March 2006, this caption is made up as follows:

	31.03.06		31.03.05	
	Non current	Current	Non current	Current
<u>Investments in associated companies</u>				
Opening balance at 1 January 2006	8,080,761	-	40,590,323	-
Purchases over the three month period	2,858,899	-	9,793	-
Transfers (note 8)	(7,478,262)	-	-	-
Equity method effect	(144,169)	-	139,139	-
Closing balance at 31 March 2006	<u>3,317,229</u>	<u>-</u>	<u>40,739,255</u>	<u>-</u>
<u>Other financial investments - non currents</u>				
Opening balance at 1 January 2006	54,278,095	-	1,224,596	-
Purchases over the three month period	11,718,465	-	-	-
Disposals over the three month period	-	-	-	-
Foreign exchange rate effect	(6,170)	-	448,542	-
Closing balance at 31 March 2006	<u>65,990,390</u>	<u>-</u>	<u>1,224,596</u>	<u>-</u>
Accumulated impairment losses (Note 21)	(496,728)	-	(470,413)	-
	<u>65,493,662</u>	<u>-</u>	<u>754,183</u>	<u>-</u>
<u>Derivative financial instruments (Note 17)</u>				
Fair value at 1 January 2006	-	60,475	-	87,325,645
Increase/(decrease) in fair value	-	(60,475)	-	(5,935,627)
Closing balance at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,390,018</u>
<u>Other financial investments - current</u>				
Opening balance at 1 January 2006	-	10,500,000	-	-
Closing balance at 31 March 2006	<u>-</u>	<u>10,500,000</u>	<u>-</u>	<u>-</u>
<u>Advances on financial investments</u>				
Opening balance at 1 January 2006	-	-	7,760,486	-
Purchases over the three month period	-	-	(1,597,114)	-
Foreign exchange rate effect	-	-	448,542	-
Closing balance at 31 March 2006	<u>-</u>	<u>-</u>	<u>6,611,914</u>	<u>-</u>
	<u>68,810,891</u>	<u>10,500,000</u>	<u>48,105,352</u>	<u>81,390,018</u>

The amount recorded under "Other financial investments" refers to:

a) the amount of 1,278,095 Euro mainly refers to shares held. The investments held in non listed companies and whose fair value can not be reliably measured are recorded at acquisition cost deducted of eventual impairment losses. Shares held in listed companies are recorded at fair value.

b) the amount of 63,500,000 Euro relates to a deposit in an Escrow Account. According to the guarantee schedule, (10,500,000) Euro were recorded as current assets and (53,000,000) as non current assets.

c) the amount of 11,692,150 Euro corresponds to a long-term bank deposit of BRL 30,866,288.

10. OTHER NON CURRENT ASSETS

As at 31 March 2006 and 31 December 2005 the caption "Other non current assets" is made up as follows:

	<u>31.03.06</u>	<u>31.12.05</u>
Trade accounts receivable and other debtors	874,709	839,152

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

11. OTHER CURRENT ASSETS

As at 31 March 2006 and 31 December 2005 the caption "Other current assets" is made up as follows:

	<u>31.03.06</u>	<u>31.12.05</u>
Trade accounts receivable	39.080.271	28.760.171
Taxes and contributions recoverable	48.323.646	37.793.072
Other debtors	66.931.680	85.310.181
Advances to suppliers	75.582.874	75.201.741
Other loans granted (Note 24)	13.865.692	21.018.647
Other current assets	<u>20.320.884</u>	<u>10.661.819</u>
	264.105.047	258.745.631
Accumulated impairment losses (Note 21)	<u>(22.080.142)</u>	<u>(16.809.792)</u>
	<u><u>242.024.905</u></u>	<u><u>241.935.839</u></u>

The amounts recorded under the caption "Other Debtors" refers essentially to: (i) disposals of the Brazilian subsidiaries in the amount of 8,850,925 Euro; (ii) accounts receivable from suppliers amounting to 24,416,661 Euro; (iii) the amount of 14,576,053 Euro which is related to the Special Regime for the Settlement of Debts to the Tax Authorities and Social Security which refers to taxes paid subject to appeal, whose outcome the Board of Directors believes will be favourable to the Company; (iv) recoverable VAT amounting to 8,309,390 Euro related to real estate property.

The caption "Advances to suppliers of fixed assets" includes the amount of 75,000,000 euro paid to Sonae, SGPS, S.A. as an advance of a future purchase of commercial brands (Note 24).

The caption "Other current assets" is essentially composed by discounts receivable from suppliers amounting to 8,120,000 Euro; publicity and advertising amounting to 2,133,000 Euro; rents amounting to 4,350,000 Euro; insurance amounting to 1,740,000 Euro.

12. DEFERRED TAX

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

	Deferred tax assets		Deferred tax liabilities	
	31.03.06	31.12.05	31.03.06	31.12.05
Difference between fair value and purchase cost	-	-	1,588,037	1,588,037
Harmonization adjustments (amortizations and depreciations)	229,186	252,939	29,776,208	29,115,608
Provisions and impairment losses not accepted for tax purposes	2,945,954	2,925,739	-	-
Write off of fixed assets	11,112,991	11,100,684	-	-
Write off of deferred costs	32,579	37,385	-	-
Valuation of financial derivatives	18,710	47,738	-	16,631
Reinvestment of capital gains	-	-	3,706,512	3,726,929
Rvaluation of tangible fixed assets	-	-	3,018,788	3,040,768
Tax losses carried forward	11,856,482	9,761,891	-	-
	<u>26,195,902</u>	<u>24,126,376</u>	<u>38,089,545</u>	<u>37,487,973</u>

Tax returns of the group companies that resulted in the recording of deferred tax assets through tax losses carried forward (considering Exchange rates at that date) and the expiry date of the referred losses existing as at 31 March 2006 and 31 December 2005 are made up as follows:

	31.03.06			31.12.05		
	Tax losses	Deferred tax assets	Expiry date	Tax losses	Deferred tax assets	Expiry date
Originated in 2000	130,254	35,820	2006			
Originated in 2001	3,141,855	864,010	2007	3,229,649	888,154	2007
Originated in 2002	13,067,753	3,593,632	2008	12,876,252	3,540,969	2008
Originated in 2003	10,706,661	2,944,332	2009	9,154,493	2,517,486	2009
Originated in 2004	4,522,481	1,243,682	2010	2,848,318	783,287	2010
Originated in 2005	7,418,336	2,040,042	2011	7,389,076	2,031,995	2011
Originated in 2006	4,127,141	1,134,964	2012			2012
	<u>43,114,481</u>	<u>11,856,482</u>		<u>35,497,788</u>	<u>9,761,891</u>	

The deferred tax assets arising on the adjustments to IFRS were only recorded if it was probable that taxable income would flow to the company in order to recover those deferred tax assets. Deferred tax assets resulting from tax losses carried forward were re-assessed against each company's business plans, which are regularly updated, and available tax planning opportunities. Deferred tax assets have only been recorded to the extent that future profits will arise which may be offset against available tax losses or against deductible temporary differences.

As of 31 December 2005 the Company had carried forward tax losses in the amount of 252,556,905 Euro (191,008,457 Euro as of 31 December 2004) for which no deferred tax asset was recognized for prudential reasons.

	31.03.06			31.12.05		
	Tax losses	Deferred tax asset	Expiry date	Tax losses	Deferred tax asset	Expiry date
Originated in 2000	46,285	12,729	2006	46,285	12,729	2006
Originated in 2001	4,381,866	1,205,013	2007	2,079,478	571,856	2007
Originated in 2002	66,445,601	18,272,540	2008	68,969,158	18,966,518	2008
Originated in 2003	1,546,497	425,287	2009	64,524	17,744	2009
Originated in 2004	1,241,726	341,475	2010	49,655	13,655	2010
Originated in 2005	179,713,620	49,421,246	2011	181,347,805	49,870,646	2011
Originated in 2006	158,922	43,704	2012			
	<u>253,534,517</u>	<u>69,721,994</u>		<u>252,556,905</u>	<u>69,453,148</u>	

13. CASH AND CASH EQUIVALENTS

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

	<u>31.03.06</u>	<u>31.12.05</u>
Cash at hand	2,171,462	1,964,645
Bank deposits	172,640,020	555,850,840
Treasury applications	588,174	6,040,511
Cash and cash equivalents on balance sheet	<u>175,399,656</u>	<u>563,855,996</u>
Bank overdrafts (Note 16)	<u>(3,926,489)</u>	<u>(3,082,347)</u>
Cash and cash equivalents on the statement of cash flows	<u><u>171,473,167</u></u>	<u><u>560,773,649</u></u>

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

14. SHARE CAPITAL

As at 31 March 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 reimbursement, with a nominal value of 1 Euro each. As at that date, the company and the group companies did not hold any own shares.

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

<u>Entity</u>	<u>%</u>
Sonae, S.G.P.S, S.A.	75.64
Banco Santander Totta, S.A.	22.42

15. MINORITY INTERESTS

Movements in minority interests over the three month period ending 31 March 2006 and 31 December 2005 were made up as follows:

	<u>31.03.06</u>	<u>31.12.05</u>
Opening balance on 1 January 2006	8,717,734	7,331,008
Changes in Equity of Subsidiaries	2,903	27,539
Profit for the period attributable to minority interests	<u>236,456</u>	<u>1,359,187</u>
Closing balance on 31 March 2006	<u><u>8,957,093</u></u>	<u><u>8,717,734</u></u>

16. Loans

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

	31.03.06				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	2,231,329	1,400,000	2,231,329	1,400,000	161,011,020	1,400,000	161,011,020	1,400,000
Bond loans	-	592,501,403	-	597,000,000	-	592,279,778	-	597,000,000
Other loans	-	326,063	-	326,063	-	326,063	-	326,063
Bank overdraft (Note 13)	3,926,489	-	3,926,489	-	3,082,347	-	3,082,347	-
Derivative financial instruments (Note 17)	175,075	-	-	-	198,293	-	-	-
	6,332,893	594,227,466	6,157,818	598,726,063	164,291,660	594,005,841	164,093,367	598,726,063
Obligations under finance leases	4,315,911	9,364,754	4,315,911	9,364,754	4,119,488	8,197,376	4,119,488	8,197,376
	10,648,804	603,592,220	10,473,729	608,090,817	168,411,148	602,203,217	168,212,855	606,923,439

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

	31.03.06	31.12.05
2006	9,642,278	168,212,855
2007	4,935,527	4,191,861
2008	2,621,440	1,978,287
2009	102,175,528	101,629,680
2010	266,990,920	266,924,755
After 2010	232,198,853	232,198,856
	618,564,546	775,136,294

Bond loans

As at 31 March 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 0.70% per annum.

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

Redemption: at par, at the end of the 5th year in one payment on 3 August 2010, the maturity date of the loan, except if 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.

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 early 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 reimbursement dates of the 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 normal market rates. As of 31 March 2006, 1,400,000 Euro are classified as non current liabilities and the remaining as current liabilities.

Other loans – non currents

At 31 March 2006 this caption corresponds to repayable subsidies granted from IAPMEI under the Measure of Support to the Energy Potential and Rationalization (MAPE). These subsidies do not bear interests and had been attributed by a 12 years period, with a grace period of 3 years redemption after attribution. The subsidies will be redeemed in half-yearly instalments, occurring the first six months after the grace period.

17. DERIVATIVES

Currency derivatives

The Group uses currency derivatives, essentially, to hedge future cash flows and to manage its exchange rate exposure.

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

	31.03.06	31.12.05
Assets		60,475
Liabilities	47,115	-
	<u>47,115</u>	<u>60,475</u>

Gains and losses for the three month period arising from changes in the fair value of instruments that did not qualify for hedging accounting treatment, amounting to (107,591) Euro, were recorded directly in the income statement under financial profit.

Interest rate derivatives

As at 31 March 2006, the derivatives used by the Group essentially refer to “swaps” (“cash flow hedges”). These were negotiated to hedge the interest rate risk inherent to bank loans. During 2005, 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:

The estimated fair value is as follows:

	31.03.06	31.12.05
Liabilities	(127,960)	(198,293)
	<u>(127,960)</u>	<u>(198,293)</u>

These interest rate derivatives are valued at fair-value, at the balance sheet date, based on valuations performed within the Group using specific software and on external valuations when this software does not deal specific instruments. The fair value of the swaps was calculated, with reference to the balance sheet date, based upon the discounted future cash flows resulting from 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 their 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 (Note 16)	
	31.03.06	31.12.05	31.03.06	31.12.05
Speculation derivatives		60,475	175,075	198,293
Hedging derivatives			-	-
	<u>-</u>	<u>60,475</u>	<u>175,075</u>	<u>198,293</u>

18. OTHER NON CURRENT LIABILITIES

As at 31 March 2006 and 31 December 2005 the caption “Other non current liabilities” was made up as follows:

	31.03.06	31.12.05
Participating companies (Note 24)	10,000,000	14,398,994
Other non current trade accounts payable	816,881	1,233,523
Share-based payments (Note 19)	2,945,551	2,086,929
	<u>13,762,432</u>	<u>17,719,446</u>

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

19. SHARE BASED PAYMENT PLANS

In 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 no 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 as at 31 March 2006 and 31 December 2005 are made up as follows:

	Year of grant	Expiry year	Number of participants	Fair value	
				31.03.06	31.12.05
Shares					
	2003	2006	38	5,864,113	5,050,842
	2004	2007	40	2,572,024	2,215,319
	2005	2008	39	2,124,835	1,830,150
	2006	2009	42	1,574,208	
Total				12,135,180	9,096,311

The amounts recorded as at 31 March 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	2,945,551	2,086,929
Recorded under Other current liabilities	5,864,113	5,050,842
Recorded under Reserves	(7,137,771)	(1,654,230)
Amounts recorded under Staff costs	<u>1,671,893</u>	<u>5,483,541</u>

20. OTHER CURRENT LIABILITIES

As at 31 March 2006 and 31 December 2005 the caption "Other current liabilities" was made up as follows:

	31.03.06	31.12.05
Suppliers	428,691,122	598,484,705
Related companies	55,000,036	340,395
a) Other accounts payable	74,386,283	84,489,611
Taxes and contributions payable	22,862,511	29,088,267
Accrued costs	76,235,710	68,483,611
Deferred income	1,883,723	1,583,769
Share-based payments (Note 19)	5,864,113	5,050,842
	<u>664,923,498</u>	<u>787,521,200</u>

a) The caption "Other accounts payables" includes an amount of BRL 74,139,801, approximately 27 million euro related to a put option over the shares of a disposed group company during 2005 sold to former shareholders of that company. After the exercise of this put option the Group will resell these shares by 8,850,000 Euro, as defined in the sale agreements of that subsidiary.

21. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

The movement in provisions and impairment losses over the three month period ending 31 March 2006 was 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 current assets (Note 11)	16,809,791	5,388,472	(118,121)	22,080,142
Impairment losses - inventory	10,696,473		(43,887)	10,652,586
Provisions	27,775,929	1,239,394	(1,038,562) b)	27,976,761
	55,752,606	6,654,181	(1,200,570)	61,206,217

- a) Increases include 1,064,787 Euro regarding the foreign Exchange rate effect of the Opening balances, having this been recorded under Translation reserves. These also include 5,460,056 Euro related to companies acquired in this period.
- b) A provision recorded in the caption "Other accounts receivable" and a provision for accumulated losses recorded in an associated company, amounting to (262,633) Euro and (775,929) Euro respectively, were reversed.

Impairment losses are deducted from the corresponding assets.

22. CONTINGENT ASSETS AND LIABILITIES

	31.03.06	31.12.05
Guarantees rendered:		
related to tax claims awaiting outcome	53,814,973 a)	54,009,154
related to local and municipal claims awaiting outcome	8,439,969	8,439,969
others	5,207,760	4,538,251

- a) Includes guarantees amounting to 27,259,899 Euro and 25,543,999 Euro related to appeals against additional corporate income tax assessments and to VAT processes respectively.

23. FINANCIAL COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

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

24. RELATED PARTIES

Balances and transactions with related parties are detailed as follows:

Transactions	Sales and services rendered		Purchases and services attained		Interest income		Interest expense	
	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05	31.03.06	31.03.05
Parent company	85,073		107,197		141,174	199,634		
Associated companies	107,199	126,326	76,989	599,694				
Participated companies	10,460,673	9,949,983						
Participating companies							100,877	83,913
Other related parties	4,832,800	3,761,857	21,915,268	26,023,803	1,321			
	<u>15,485,745</u>	<u>13,838,166</u>	<u>22,099,454</u>	<u>26,623,497</u>	<u>142,495</u>	<u>199,634</u>	<u>100,877</u>	<u>83,913</u>

Fixed assets transactions	Fixed Assets Purchases		Fixed Assets Disposals	
	31.03.06	31.03.05	31.03.06	31.03.05
Associated companies				41,245
Other related parties	10,565,329	11,009,266	441	736
	<u>10,565,329</u>	<u>11,009,266</u>	<u>441</u>	<u>41,981</u>

Balance	Accounts receivable		Accounts payable		Loans Payable		Loans Receivable	
	31.03.06	31.12.05	31.03.06	31.12.05	31.03.06	31.12.05	31.03.06	31.12.05
Parent company	75,007,705	75,000,000	41,679,963	260,400			13,861,000	13,861,000
Associated companies	167,884	166,988		241,837				7,107,000
Participated companies	8,333,142	12,498,470	57,725	83,436				
Participating companies				45,955	10,000,000	14,325,652		
Other related parties	10,335,442	20,258,645		40,054,083		73,338	3,090	
	<u>93,844,173</u>	<u>107,924,103</u>	<u>41,737,688</u>	<u>40,685,711</u>	<u>10,000,000</u>	<u>14,398,990</u>	<u>13,864,090</u>	<u>20,968,000</u>

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

25. INCOME TAX

Income tax for the three month period ended 31 March 2006 and 2005 is made up as follows:

	31.03.06	31.03.05
Current tax	3,253,087	3,597,707
Deferred tax	(432,839)	(1,655,486)
	<u>2,820,248</u>	<u>1,942,221</u>

26. EARNINGS PER SHARE

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

	31.03.06		31.03.05	
	Operations		Operations	
	Continued	Continued	Discontinued	Total
Net profit				
Net profit taken into consideration to calculate diluted earnings per share (Net profit for the period)	20,568,334	11,980,378	(2,172,603)	9,807,775
Net profit taken into consideration to calculate diluted earnings per share	<u>20,568,334</u>	<u>11,980,378</u>	<u>(2,172,603)</u>	<u>9,807,775</u>
Number of shares				
Weighted average number of shares used to calculate basic Earnings per share	1,100,000,000	1,100,000,000		1,100,000,000
Weighted average number of shares used to calculate 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)	<u>0.02</u>	<u>0.01</u>		<u>0.01</u>

27. DIVIDENDS

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

28. SEGMENT INFORMATION

The geographical segments identified in the three month period ended 31 March 2006 and 2005 were:

- Portugal
- Brazil

The contribution of each segment to the consolidated income statement at 31 March 2006 and 2005 can be detailed as follows:

	Portugal		Brazil	Consolidated	
	31.03.06	31.03.05	31.03.05	31.03.06	31.03.05
Operating income					
Sales	645,868,764	591,168,331	286,699,084	645,868,764	877,867,415
Operating cash-flow (EBITDA)	34,657,642	35,224,063	11,415,007	34,657,642	46,639,070
Operating profit (EBIT)	15,327,976	19,834,533	5,219,837	15,327,976	25,054,370
Number of stores	402	289	171	402	460
Sales areas ('000 m ²)	502	438	438	502	876

The amounts related to the Brazil segment at 31 December 2005 refers almost totally to discontinued operations.

The contribution of each segment towards the consolidated balance sheet can be presented as follows:

	euro					
	Portugal		Brazil		Consolidated	
	31.03.06	31.12.05	31.03.06	31.12.05	31.03.06	31.12.05
Tangible and intangible fixed assets	1,309,505,886	1,270,447,432	71,437,075	59,483,692	1,380,942,961	1,329,931,124
Inventory	342,203,822	325,206,095			342,203,822	325,206,095
Other assets	432,120,258	817,205,420	22,874,949	24,112,418	454,995,207	841,317,838
Total assets	2,083,829,966	2,412,858,947	94,312,024	83,596,110	2,178,141,990	2,496,455,057
Payables	1,181,120,058	1,445,810,610	30,741,912	30,552,239	1,211,861,970	1,476,362,849
Other liabilities	119,052,668	137,418,211	28,078,622	27,337,853	147,131,290	164,756,064
Total liabilities	1,300,172,726	1,583,228,821	58,820,534	57,890,092	1,358,993,260	1,641,118,913
Investment in fixed tangible and intangible assets	51,761,713	351,888,632	104,456	46,028,523	51,866,169	397,917,155
Financial assets in associated companies	3,317,229	8,080,761			3,317,229	8,080,761
Provisions for financial investments - Equity a)	(775,929)	(3,297,474)			(775,929)	(3,297,474)

a) A provision for accumulated losses recorded in an associated company and amounting to (775,294) Euro, (3,297,474 Euro) in 2005 was reversed.

29. SUBSEQUENT EVENTS

No relevant facts have occurred after 31 March 2006.

30. APPROVAL OF THE FINANCIAL STATEMENTS

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

31. EXPLANATION ADDED FOR TRANSLATION

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

Matosinhos, 3 May 2006

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

**INDIVIDUAL FINANCIAL
STATEMENTS**

31 MARCH 2006

(Translation from the Portuguese original)

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

BALANCE SHEET AS AT 31 MARCH 2006 AND AS AT 31 DECEMBER 2005

(Amounts expressed in Euro)

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

ASSETS	Notes	IFRS	
		31.03.2006	31.12.2005
NON CURRENT ASSETS			
Tangible and intangible assets	5	1.110.811	711.839
Investments	4	1.339.056.712	1.321.128.781
Deferred tax assets	6	9.740	75.490
Other non-current assets	7	298.149.192	312.434.192
Total non current assets		<u>1.638.326.455</u>	<u>1.634.350.302</u>
CURRENT ASSETS			
Other current assets	8	1.009.178.044	902.927.669
Cash and cash equivalents	9	145.010.338	450.008.364
Total current assets		<u>1.154.188.382</u>	<u>1.352.936.033</u>
TOTAL ASSETS		<u><u>2.792.514.837</u></u>	<u><u>2.987.286.335</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	10	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		22.646.661	(227.707.550)
TOTAL EQUITY		<u>2.118.361.363</u>	<u>2.150.714.703</u>
LIABILITIES			
NON CURRENT LIABILITIES			
Loans	11	593.901.403	593.679.778
Deferred tax liabilities	6	147.145	157.879
Total non-current liabilities		<u>594.048.548</u>	<u>593.837.657</u>
CURRENT LIABILITIES			
Loans	11	1.657.504	161.304.312
Other current liabilities	12	78.447.422	81.429.663
Total current liabilities		<u>80.104.926</u>	<u>242.733.975</u>
TOTAL LIABILITIES		<u>674.153.474</u>	<u>836.571.632</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2.792.514.837</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 THREE MONTH PERIOD ENDED 31 MARCH 2006 AND 2005

(Amounts expressed in Euro)

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

		<u>31.03.2006¹</u>	<u>31.03.2005¹</u>
	<u>Notes</u>		
Operating Income			
Services Rendered		4.447.859	4.108.751
Other operating income		186.880	1.837.834
Total operating income		<u>4.634.739</u>	<u>5.946.585</u>
Operating expenses			
External supplies and services		(317.437)	(298.087)
Staff costs		(1.160.690)	(735.306)
Depreciation and amortization	5	(70.529)	(70.448)
Other operating expenses		(309.915)	(2.211.257)
Total operating expenses		<u>(1.858.571)</u>	<u>(3.315.098)</u>
Net operating profit/(loss)		2.776.168	2.631.487
Financial profit/(loss)		7.014.708	7.280.587
Profit/(loss) related to investments	15	<u>14.200.887</u>	<u>12.793.595</u>
Profit/(loss) before income tax		23.991.763	22.705.669
Income tax		<u>(1.345.102)</u>	<u>(2.731.399)</u>
Profit/(loss) for the three month period	16	<u>22.646.661</u>	<u>19.974.270</u>
Profit/(loss) per share (Basic and diluted)	16	<u>0,02</u>	<u>0,02</u>

The accompanying notes are part of these financial statements.

1) Prepared in accordance with International Financial Reporting Standards (IAS/IFRS) and not audited.

The Board of Directors

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

STATEMENTS OF CHANGE IN EQUITY

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006 AND 2005

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

	Share capital	Reserves and Retained earnings	Net profit/loss	Total Equity
Balance at 1 January 2005	1.100.000.000	1.199.349.288	79.072.965	2.378.422.253
Appropriation of profit of 2004:				
Appropriation of net profit of 2004		79.072.965	(79.072.965)	-
Net profit/loss for the three month period ended 31 March 2005			19.974.270	19.974.270
Balance at 31 March 2005	<u>1.100.000.000</u>	<u>1.278.422.253</u>	<u>19.974.270</u>	<u>2.398.396.523</u>
Balance at 1 January 2006	1.100.000.000	1.278.422.253	(227.707.550)	2.150.714.703
Appropriation of profit of 2005:				
Appropriation of net profit of 2005	-	(282.707.550)	227.707.550	(55.000.000)
Net profit/loss for the three month period ended 31 March 2006	-		22.646.661	22.646.661
Balance at 31 March 2006	<u>1.100.000.000</u>	<u>995.714.702</u>	<u>22.646.661</u>	<u>2.118.361.363</u>

The accompanying notes are part of these financial statements:

The Board of Directors

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

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTH PERIOD ENDED AT 31 MARCH 2006 AND 2005

(Amounts expressed in Euro)

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

	<u>Notes</u>	<u>31-03-2006</u>	<u>31-03-2005</u>
<u>OPERATING ACTIVITIES</u>			
Net cash flow from operating activities (1)		21.529.909	16.584.410
<u>INVESTING ACTIVITIES</u>			
Cash receipts related to:			
Investments		-	
Interests and similar income		24.920.775	21.326.965
Loans granted		958.510.000	313.486.000
Others			17.181.274
		<u>983.430.775</u>	<u>351.994.239</u>
Cash payments related to:			
Investments		(17.927.932)	
Tangible and intangible assets		(939.000)	(2.180)
Loans granted		(1.063.569.000)	(314.552.430)
Others			(116.117.000)
		<u>(1.082.435.932)</u>	<u>(430.671.610)</u>
Net cash used in investing activities (2)		<u>(99.005.157)</u>	<u>(78.677.371)</u>
<u>FINANCING ACTIVITIES</u>			
Cash receipts related to:			
Loans obtained		72.243.000	146.895.300
		<u>72.243.000</u>	<u>146.895.300</u>
Cash Payments related to:			
Loans obtained		(290.512.020)	(137.247.000)
Interest and similar charges		(9.217.922)	(2.611.831)
Dividends		(48)	(74)
		<u>(299.729.990)</u>	<u>(139.858.905)</u>
Net cash used in financing activities (3)		<u>(227.486.990)</u>	<u>7.036.395</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(304.962.238)</u>	<u>(55.056.566)</u>
Cash and cash equivalents at the beginning of the period	9	449.715.072	45.241.354
Cash and cash equivalents at the end of the period	9	<u>144.752.834</u>	<u>(9.815.212)</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 THREE MONTH PERIOD ENDED 31 MARCH 2006

(Amounts expressed in Euro)

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

1. INTRODUCTION

MODELO CONTINENTE, SGPS, S.A. ("the Company" or "Modelo Continente") is a Portuguese corporation with shares listed on the Euronext Lisbon, whose head office is in Rua João Mendonça n° 529, 4464-501 Senhora da Hora, Portugal.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

2.1. Basis of preparation

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to financial years beginning on 1 January 2006.

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

The accounting policies adopted by the group are in accordance with the policies described in the financial statements for the year ended 31 December 2005.

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 March 2006 and 31 December 2005, the detail of investments was as follows:

Company	31.03.2006		31.12.2005	
	% Held	Acquisition price	% Held	Acquisition 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 Fechado de Investimento Imobiliário Efisa Imobiliário	100,00%	43.913.700	100,00%	43.913.700
Fundo de Investimento Imobiliário Imosona e Dois	100,00%	133.625.251	99,98%	115.697.320
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	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, SGPS, S.A.	0,003%	53.500	0,003%	53.500
Sonae Retalho Espanha, S.A.	100,00%	2.549.832	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 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
		<u>1.339.056.712</u>		<u>1.321.128.781</u>

5. TANGIBLE AND INTANGIBLE ASSETS

As at 31 March 2006, movements in tangible and intangible assets as well as depreciations and accumulated impairment losses, were made up as follows:

Intangible Assets

	Industrial property and other rights	Intangible assets in progress	Total
Gross Assets:			
Opening balance	1,401,602	-	1,401,602
Acquisitions	-	469,500	469,500
Closing balance	<u>1,401,602</u>	<u>469,500</u>	<u>1,871,102</u>
Accumulated depreciation, amortization and impairment losses:			
Opening balance	700,614	-	700,614
Depreciations for the period	70,080	-	70,080
Closing balance	<u>770,694</u>	<u>-</u>	<u>770,694</u>
Carrying amount	<u>630,908</u>	<u>469,500</u>	<u>1,100,408</u>

Tangible Assets

	Equipment	Transport equipment	Office equipment	Other tangible assets
Gross Assets:				
Opening balance	2,464	19,062	15,474	679
Acquisitions		-		-
Closing balance	2,464	19,062	15,474	679
Accumulated depreciations, amortization and impairment losses:				
Opening balance	164	19,062	6,923	679
Depreciations for the period	62	-	387	-
Closing balance	226	19,062	7,310	679

6. DEFERRED TAX

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

	31.03.2006		31.12.2005	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Financial instruments	5.753		47.738	
Write off of intangible assets	3.987		27.752	
Harmonizations adjustments (amortizations)		147.145		157.879
	9.740	147.145	75.490	157.879

7. OTHER NON CURRENT ASSETS

As of 31 March 2006 and 31 December 2005, the caption "Other non current assets" was detailed as follows:

	31.03.2006	31.12.2005
Loans to group companies (Note 18)	298,149,192	312,434,192

8. OTHER CURRENT ASSETS

As of 31 March 2006 and 31 December 2005, the caption "Other current assets" was detailed as follows:

	31.03.2006	31.12.2005
Clients	327.219	20.047.466
Group companies	907.804.667	795.283.310
Advances to suppliers of fixed assets	75.469.500	75.002.041
Other accounts receivable	2.753.824	2.679.180
Taxes and contributions receivable	5.244.460	6.837.566
Deferred costs	92.244	53.728
Accrued income	17.486.130	3.024.378
	1.009.178.044	902.927.669

- a) The caption "Group companies" refers essentially to: a receivable amount of 876,463,100 Euro relating to short-term loans to group companies; (ii) a receivable amount of 162,709 Euro relating to group company interests charged but not yet received; (iii) a receivable amount of 14,200,888 Euro relating to dividends not yet received from group companies; (iv) a receivable amount of 4,692 Euro relating to other debts from group companies; (v) and the receivable amount of 16,973,278 Euro relating to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies.

- b) The "Other accounts receivable" caption includes the amount of approximately 2,650,000 Euro, related to tax claims. The Modelo Continente's Board of Directors understands that the outcome of this claim will be favourable to the Company.
- c) The caption "Advances to suppliers of fixed assets" includes the amount of 75,000,000 Euro related to an advance for the acquisition of commercial brands to Sonae, S.G.P.S, S.A..

9. CASH AND CASH EQUIVALENTS

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

	31.03.2006	31.12.2005
Bank deposits	145,010,338	450,008,364
Cash and cash equivalents on balance sheet	145,010,338	450,008,364
Bank overdrafts (Note 11)	(257,504)	(293,292)
Cash and cash equivalents on the statement of cash flow	144,752,834	449,715,072

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

10. SHARE CAPITAL

As of 31 March 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 of 31 March 2006, the following entities held more than 20% of the subscribed share capital:

<u>Entity</u>	<u>%</u>
Sonae, S.G.P.S, S.A.	75.64
Banco Santander Totta, S.A.	22.42

Sonae, S.G.P.S., S.A. is controlled by Efanor Investimentos, S.G.P.S., S.A. and its group companies by 56.7%.

11. LOANS

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

	31.03.2006				31.12.2005			
	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	257,504		257,504		293,292		293,292	
Bond loans		592,501,403		597,000,000		592,279,778		597,000,000
	1,657,504	593,901,403	1,657,504	598,400,000	161,304,312	593,679,778	161,304,312	598,400,000

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 / 2003 BONDS

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

Maximum term: eight years.

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

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

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

MODELO CONTINENTE / 2004 BONDS

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

Maximum term: five years.

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

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

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

MODELO CONTINENTE 2005/2010 BONDS

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

Maximum term: five years.

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

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

Redemption: at par, at the end of the 5th year in one payment on 3 August 2010, the maturity date of the loan, except if 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.

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 early 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 reimbursement dates of the 10th, 11th, 12th and 13th coupon, without the obligation of paying any prize.

Bank loans

Includes:

a) A bank loan of 2,800,000 Euro obtained from a financial institution, repayable up to 2007, bearing interest payable half yearly at normal market rates. As of 31 March 2006, 1,400,000 Euro are considered as non current liabilities and the remaining as current liabilities.

b) The amount of 257,504 Euro refers to bank overdrafts (Note 9).

12. OTHER CURRENT LIABILITIES

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

	31.03.2006	31.12.2005
Suppliers	165.379	12.872
Associated companies	51.492.335	65.837.200
Other accounts payable	17.871.359	37.701
Taxes and contributions payable	437.956	4.928.417
Accrued costs	8.352.434	10.415.180
Derivatives	127.959	198.293
	<u>78.447.422</u>	<u>81.429.663</u>

- a) The caption "Group companies" refers essentially to: (i) the payable amount of 5,617,000 Euro related to short-term loans from group companies; (ii) the payable amount of 240 Euro relating to group company interest invoiced but not yet paid; (iii) the payable amount of 41,599,570 Euro relating to dividends to be paid to participating companies; (iv) the payable amount of 4,275,525 Euro related to income tax calculated by the group companies taxed in accordance with the Special Regime for Taxing Groups of Companies.
- b) The caption "Other accounts payable" includes essentially 13,400,466 Euro relating to dividends to be paid to other shareholders.

13. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

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

	Opening balance	Increases	Decreases	Closing balance
Impairment losses in investments	<u>29,912,413</u>			<u>29,912,413</u>

14. CONTINGENT ASSETS AND LIABILITIES

As of 31 March 2006 and 31 December 2005 contingent assets and liabilities were made up as follows:

	31.03.2006	31.12.2005
Guarantees rendered:		
related to tax awaiting outcome	<u>18,868,105</u>	<u>19,065,102</u>

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

15. RESULTS RELATED TO INVESTMENTS

As of 31 March 2006 and 2005, the net profit/loss related to investments was as follows:

	<u>31.03.2006</u>	<u>31.03.2005</u>
Dividends	14,200,887	12,793,595

16. EARNING PER SHARE

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

	<u>31.03.2006</u>	<u>31.03.2005</u>
Net profit		
Net profit taken into consideration to calculate diluted earnings per share (Net profit for the period)	22,646,661	19,974,270
Net profit taken into consideration to calculate diluted earnings per share	<u>22,646,661</u>	<u>19,974,270</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 shares used to calculated the diluted earnings per share	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Earning per share (basic and diluted)	<u>0.02</u>	<u>0.02</u>

The Annual General Meeting held on 31 March 2006 approved the payment of dividends amounting to 55,000,000 Euro, equal to a payment of 0.05 Euro for each of the 1,100,000,000 shares making up the share capital.

17. APPROVAL OF THE FINANCIAL STATEMENTS

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

18. INFORMATION REQUIRED BY LAW

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

During the three month period ending 31 March 2006, short-term treasury loan contracts were celebrated 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 of 31 March 2006, the receivable balances related to these types of contracts are as follows:

Loans granted – Short and Long Term:

Companies	31.03.2006
Contibomba - Comércio e Distribuição de Combustíveis, S.A.	143,000
Fozimo – Sociedade Imobiliária, S.A.	2,186,000
Igimo – Sociedade Imobiliária, S.A.	706,000
Imoconti – Sociedade Imobiliária, S.A.	20,362,965
Imomuro - Sociedade Imobiliária, S.A.	4,298,897
Imoresultado – Sociedade Imobiliária, S.A.	423,000
Modelo, S.G.P.S., S.A.	561,689,100
Modelo.Com - Vendas por Correspondência, S.A.	3,266,998
Modelo Continente Hipermercados, S.A.	199,542,000
Ok Bazar - Comércio Geral, SA	12,872,000
Predicomercial - Promoção Imobiliária, S.A.	11,113,000
Sempre à Mão - Sociedade Imobiliária, SA	30,000
Sesagest - Projectos e Gestão Imobiliária, S.A.	49,376,000
Sociloures - Sociedade Imobiliária, S.A.	38,249,000
Sofflorin, B.V.	37,631,330
Sonae Retalho Espanha, S.A.	466,002
Sportzone - Comércio de Artigos de Desporto, S.A.	6,530,000
Todos os Dias - Comércio Ret. e Expl. de Centros Comerciais, S.A.	1,148,000
Worten - Equipamentos para o Lar, S.A.	34,571,000
	1,174,612,292

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

Loans obtained – Short term:

Companies	31.03.2006
Modelo.Com - Vendas por Correspondência, S.A.	-3,341,000
Modelo Hiper - Imobiliária, S.A.	-2,276,000
	-5,617,000

19. EXPLANATION ADDED FOR TRANSLATION

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

Matosinhos, 3 May 2006