

NET SALES UP, BUT PROFITABILITY DOWN

- Net sales grew by 80% to EUR 113.0 million in January–June.
- The company continued to outperform the market and its market share rose to 23%.
- Operating profit decreased by 9% to EUR 4.3 million.
- Earnings per share amounted to EUR 0.01.
- Full-year net sales are expected to total EUR 230–260 million and relative profitability, expressed as operating profit percentage, is estimated to be approximately 6%.

This interim report has been prepared in accordance with the IFRS and IAS34, following the principles for recognition and measurement set out in IAS34, as well as the accounting principles described in the Annual Report. The report has not been audited.

Mats Eriksson, President and CEO:

"The mobile phone market grew at an even faster pace than estimated, leading to a significant increase in Salcomp's net sales. We continued to outperform the market. Measures required by strong growth, such as the faster than expected roll-out of new production lines, as well as external factors, such as a steep increase in material expenses and the customs strike in Brazil, burdened our operating profit, which fell clearly short of the comparison period.

The result was a clear disappointment to us at Salcomp. Corrective actions, such as cost structure development, are on-going in all functions. Their impact on Salcomp's result will be visible already in the following quarter.

I believe that the strong growth will continue in the charger market in the second half of the year and that our market share will improve. Growth management is a demanding task but I am convinced that we can meet the challenges and improve our profitability."

Second Quarter

Net sales increased by 65% in April–June, amounting to EUR 59.0 million (EUR 35.8 million in 4-6/2005). The increase in net sales could be attributed to the number of chargers sold rising to 52.3 million (36.1 million) and

the average sales price rising by approximately 14% to EUR 1.13. In addition to market growth, Salcomp was able to increase its market share to some 23% (some 19%).

Operating profit dropped to EUR 0.2 million (EUR 3.3 million) as a result of a faster than estimated roll-out of new production lines in response to increasing demand. Operating profit was further eroded by unexpectedly steep increase in material costs. The rising oil and copper prices in particular have driven up the prices of components. Production costs also increased due to an extended customs strike in Brazil, which brought the supply of components and raw materials to a halt. This resulted in some of the production being suspended or components being substituted with more expensive alternatives.

Administrative and R&D expenses rose over the comparison period, especially due to the costs of the Brazilian plant acquired in November 2005 and to certain administrative expenses that occurred in April–June.

The second quarter result totaled EUR -1.5 million (EUR 1.7 million), while earnings per share were EUR -0.05 (EUR 0.05). Excluding the calculative tax item, earnings per share amounted to EUR -0.03 (EUR 0.07).

Net Sales and Result

Salcomp's net sales increased by 80% in January-June to EUR 113.0 million (EUR 62.7 million in 1-6/2005). The number of chargers sold rose to 100.4 million (63.9 million) and the average sales price to EUR 1.12 (EUR 0.98).

The Group's operating profit totaled EUR 4.3 million (EUR 4.7 million), while the operating profit percentage was 3.8% (7.5%).

The Group's net financial expenses amounted to EUR 2.3 million (EUR 1.7 million). Financial expenses for the period rose due to higher market interest rates. Taxes for the period totaled EUR 1.6 million (EUR 0.9 million). They include a calculative item of EUR 1.5 million resulting from the parent company's tax-deductible goodwill amortization.

Salcomp's net result totaled EUR 0.5 million (EUR 2.1 million) and earnings per share EUR 0.01 (EUR 0.06). Excluding the calculative tax item, earnings per share amounted to EUR 0.05 (EUR 0.11).

R&D and Capital Expenditure

The Group's R&D expenditure in January–June amounted to EUR 2.8 million (EUR 1.8 million). At the end of June, 124 people worked in research and development. Expenses rose as a result of equipment purchases and an increase in the headcount. R&D focused on developing new products for key customers.

Capital expenditure in January–June amounted to EUR 2.8 million (EUR 2.1 million) and mainly focused on increasing production capacity in China and revamping the information system in Brazil.

The 6-million-euro plant investment in Chennai, India, which the company decided to make in April, is expected to come on line in the first half of 2007. Preparations are proceeding as scheduled.

Financing

Cash flow from operations was EUR 1.3 million positive in the second quarter, mainly due to a decrease in net working capital. Cash flow from operations in the review period was EUR 6.1 million negative due to the first quarter increase in the net working capital.

The Group's equity ratio at the end of June was 29.3% (19.2%) and gearing was 104.7% (249.4%) Interest-bearing debt totaled EUR 53.6 million (EUR 61.3 million) at the end of the period.

Personnel

The Group employed 7,770 (4,644) people at the end of June: 6,387 people in China, 1,321 in Brazil, 3 in the United States and 59 in Finland. The headcount increase came mainly from the growth in production volumes and the acquisition of the production plant in Brazil in November 2005.

In order to develop the administrative and reporting systems, production activities in China and Brazil have been transferred to a

new subsidiary, Salcomp Manufacturing Oy. This will cause changes in job descriptions and the composition of the Group's Management Board. Salcomp's Management Board currently consists of Mats Eriksson (President and CEO) Päivi Luoti (Communications), Osmo Oja (Global Operations), Antero Palo (Sales and Marketing), Juha Raussi (Research and Development), Markku Saarikannas (Strategic Planning), Antti Salminen (CFO), Juha Samsten (Quality and Environment) and Heikki Turtiainen (CTO).

Salcomp launched negotiations in April in compliance with the Act on Co-operation in order to discuss the centralization of the company's administrative operations in Finland to Salo. The negotiations were completed on June 2, 2006. As a result, four posts in financial administration will be transferred to Salo and one post in payroll administration will be outsourced in the course of 2006. Global operations, including logistics, production technology and information management – some 15 people in all – will remain in Kemijärvi. The goal of centralization is to enhance operations.

Shares and Shareholders

Salcomp's share price fluctuated between EUR 2.76 and EUR 3.69. The closing price at the end of June was EUR 2.85. Share trading amounted to EUR 74.4 million and 23.2 million shares. According to the book-entry system, Salcomp had 740 shareholders at the end of the period. Foreign ownership at the end of June was 66.4%.

Outlook for the rest of 2006

The global market for chargers is expected to show higher growth than previously estimated. Salcomp is also expected to increase its market share compared with 2005 and reach net sales of EUR 230–260 million. Owing to the weak performance seen in the second quarter, full-year operating profit, expressed as operating profit percentage, is estimated to be around 6%.

Helsinki, August 7, 2006

Salcomp Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

(EUR 1 000)

	1-6/2006	1-6/2005	Change %	1-12/2005
Net sales	112 962	62 683	80.2%	156 028
Cost of sales	-101 823	-53 369	90.8%	-133 172
Gross margin	11 139	9 311	19.6%	22 856
Other operating income	235	235	0.0%	344
Sales and marketing expenses	-932	-807	15.5%	-1 680
Administrative expenses	-3 313	-2 257	46.8%	-4 989
Research and development expenses	-2 817	-1 771	59.1%	-4 052
Other operating expenses	-38	6	-733.3%	-22
Operating profit	4 274	4 717	-9.4%	12 457
Financial income	239	101	136.6%	143
Financial expenses	-2 489	-1 789	39.1%	-4 375
Profit before tax	2 024	3 029	-33.2%	8 225
Income tax expense	-1 566	-905	73.0%	-2 460
Profit for the period	458	2 124	-78.4%	5 766

CONSOLIDATED INCOME STATEMENT

(EUR 1 000)

	4-6/2006	4-6/2005	Change %
Net sales	59 020	35 789	64.9%
Cost of sales	-54 397	-29 961	81.6%
Gross margin	4 623	5 828	-20.7%
Other operating income	27	95	-71.6%
Sales and marketing expenses	-447	-358	24.9%
Administrative expenses	-2 360	-1 377	71.4%
Research and development expenses	-1 610	-936	72.0%
Other operating expenses	-13	6	-316.7%
Operating profit	220	3 258	-93.2%
Financial income	7	46	-84.8%
Financial expenses	-1 189	-875	35.9%
Profit before tax	-962	2 429	-139.6%
Income tax expense	-529	-726	-27.1%
Profit for the period	-1 491	1 703	-187.5%

CONSOLIDATED BALANCE SHEET

(EUR 1 000)

	30.6.2006	30.6.2005	Change %	31.12.2005
Non-current assets				
Property, plant and equipment	16 712	14 934	11.9%	17 075
Goodwill	66 412	66 412	0.0%	66 412
Other intangible assets	112	267	-58.1%	296
Deferred tax assets	3 362	1 882	78.6%	2 829
	86 598	83 496	3.7%	86 612
Current assets				
Inventories	24 222	12 895	87.8%	24 987
Trade and other receivables	40 958	25 247	62.2%	30 722
Cash and cash equivalents	5 410	2 187	147.4%	5 726
	70 590	40 329	75.0%	61 435
Total assets	157 188	123 825	26.9%	148 046
Equity and liabilities				
Share capital	9 833	8 285	18.7%	8 285
Share issue	0	0		105
Premium fund	22 035	5 934	271.3%	5 934
Retained earnings	14 131	9 495	48.8%	13 877
	45 999	23 714	94.0%	28 200
Non-current liabilities				
Deferred tax liabilities	7 448	4 484	66.1%	6 012
Interest-bearing liabilities	43 742	51 847	-15.6%	0
Provisions	40	79	-49.4%	40
	51 230	56 410	-9.2%	6 052
Current liabilities				
Trade and other payables	50 113	34 216	46.5%	53 179
Interest-bearing current liabilities	9 846	9 485	3.8%	60 615
	59 959	43 701	37.2%	113 794
Total equity and liabilities	157 188	123 825	26.9%	148 046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR 1 000)

Attributable to equity holders of the parent

	Share capital	Share issue	Premium fund	Translation differences	Retained earnings	Total equity
Equity at January 1, 2005	8 236	150	41 110	-480	-27 785	21 231
Translation differences	0	0	0	359	0	359
Profit for the period	0	0	0	0	2 124	2 124
Losses covered from Premium Fund	0	0	-35 277	0	35 277	0
Total recognized income and expense for the period	0	0	-35 277	359	37 401	2 483
Share issue	49	-150	101	0	0	0
Equity at June 30, 2005	8 285	0	5 934	-121	9 616	23 714
Equity at January 1, 2006	8 285	105	5 934	618	13 258	28 200
Translation differences	0	0	0	-203	0	-203
Profit for the period	0	0	0	0	458	458
Total recognized income and expense for the period	0	0	0	-203	458	255
Share issue	1 548	-105	16 101	0	0	17 544
Equity at June 30, 2006	9 833	0	22 035	415	13 716	45 999

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1 000)

	1-6/2006	1-6/2005	Change %	1-12/2005
Cash flow before change in working capital	6 806	6 752	0.8%	16 985
Change in working capital:				
Financial items and taxes	-8 937	-2 160	313.8%	-1 305
Net cash flow from operating activities	-6 053	3 083	-296.3%	10 769
Cash flows from investing activities	-4 142	-1 853	123.5%	-6 441
Cash flow before financing	-10 195	1 230	-928.9%	4 328
Repayment of borrowings	-7 027	-4 716	49.0%	-5 433
Paid share issue	16 962	0		105
Net cash flow from financing activities	9 935	-4 716	-310.7%	-5 328
Change in cash and cash equivalents	-260	-3 486	-92.5%	-1 000
Cash and cash equivalents at the beginning of the period	5 726	6 135	-6.7%	6 135
Translation correction to cash and cash equivalents	-56	-462	-87.9%	591
Cash and cash equivalents at the end of the period	5 410	2 187	147.4%	5 726

KEY FIGURES

	1-6/2006	1-6/2005	Change %	1-12/2005
Sold chargers, Mpcs	100.4	63.8	57.4%	152.2
Average sales price, EUR	1.12	0.98	14.3%	1.03
Net sales, MEUR	113.0	62.7	80.2%	156.0
EBITDA, MEUR	7.0	6.8	3.2%	17.2
EBITDA%, %	6.2%	10.8%		11.0%
Operating profit, MEUR	4.3	4.7	-9.4%	12.5
Operating profit percentage, %	3.8%	7.5%		8.0%
Earning per share, EUR	0.01	0.06	-83.3%	0.18
Equity per share, EUR	1.26	0.72	75.0%	0.86
Return on equity, %	2.5%	18.9%	-86.8%	23.3%
Return on capital employed, %	9.6%	11.2%	-14.3%	14.3%
Return on net assets, %	32.7%	53.2%	-38.5%	68.0%
Equity ratio, %	29.3%	19.2%	52.6%	19.1%
Gearing, %	104.7%	249.4%	-58.0%	194.6%
Capital expenditure, MEUR	2.8	2.1	32.7%	9.0
Capital expenditure, % of net sales	2.4%	3.3%	-26.4%	5.8%
Personnel on average	7 260	4 322	68.0%	5 050
Personnel at end of period	7 770	4 644	67.3%	6 304
Number of shares on average	36 621 599	32 820 485		32 839 450
Number of shares at the end of period	38 975 190	32 839 450		32 975 190
Highest share price, EUR	3.69			
Lowest share price, EUR	2.76			
Average share price, EUR	3.18			
Traded shares, Mpcs	23.2			
Traded shares, MEUR	74.4			

LIABILITIES

(EUR 1 000)

	1-6/2006	1-6/2005	Change %	1-12/2005
For own debt				
Company and real estate mortgages	170 000	154 000	10.4%	168 000
Others	364	175	108.0%	386
Leasing and rental liabilities	7 700	5 102	50.9%	7 546
	178 064	159 277	11.8%	175 932

DERIVATIVE INSTRUMENTS

(EUR 1 000)

	1-6/2006	1-6/2005	1-12/2005
Value of underlying currency options	6 411	3 033	5 282
Market value of currency options	164	-138	-157

QUARTERLY INFORMATION

	4-6/06	1-3/06	9-12/05	7-9/05	4-6/05	7/05-6/06
Sold chargers, kpcs	52 255	48 160	45 815	42 560	36 100	188 790
Net sales, kEUR	59 020	53 942	48 617	44 731	35 789	206 310
Operating profit, kEUR	220	4 054	3 580	4 160	3 258	12 014
Operating profit percentage, %	0.4%	7.5%	7.4%	9.3%	9.1%	5.8%
Average sales price, EUR	1.13	1.12	1.06	1.05	0.99	1.09