



Powel ASA 1st Quarter Revenue Increases 15.2%

Powel Signs Breakthrough Contract in United States

Powel ASA increased operating revenues by 15.2 % to 53.6 MNOK for the first quarter of 2006, compared to 46.5 MNOK for the same period in 2005. The EBITDA margin for the first quarter was 1.0% (0.6 MNOK), compared to 3.0% (1.3 MNOK) for the same period last year. The cash position increased to MNOK 97 at the end of Q1 (78). Overall, financial results for the first quarter of 2006 are in line with expectations.

Dayton Power and Light, a 500,000+ meter investor owned utility in West-central Ohio, U.S. signed a multi-million order for Powel's Utility Decision Support Platform (UDSP) software suite. This contract represents a significant breakthrough in the U.S. Power Industry's adoption of Powel's Operational Resource Planning (ORP) solutions. The ORP message – creating an operational equivalent to Enterprise Resource Planning (ERP) – was the competitive edge in winning this contract.

Q1 Highlights

During the first quarter, Powel completed 5 major installations in Scandinavia which included advancing much of the year's software testing plan into the first quarter, affecting Q1 EBITDA. The company will benefit from this effort in other deliveries during the rest of 2006.

Revenues increased by 65% in Sweden and 14% in the United States. These increases were the direct result of solution deliveries to new and existing customers. The Nordic market remains very strong and provides good net margins, creating a solid base for continued growth. The company continues to invest in internationalization and R&D to support strategic growth.

Powel's order backlog at the end of the first quarter 2006 was 120 MNOK, compared to 100 MNOK at the end of the first quarter 2005. The total new contract volume in the first quarter was 32 MNOK.

Power Business Area

In the first quarter of 2006, Powel signed a contract with Telenor Sinclus as their subcontractor for a metering system to *e.on* in Sweden. This is a significant success for large-scale use of ELIN in the Nordic automatic meter management (AMM) market. *e.on* has outsourced its meter reading and Powel is contributing an important element of the total service solution. There is a trend towards outsourcing AMM projects and Powel expects to be involved in other large upcoming . In particular, we are well positioned with existing products and customers in the rapidly expanding Swedish market for AMM.

The Q3/2005 acquisition of Tuben Teknik AB has proven successful, as evidenced by passing the AMM Site Acceptance Test for SAMS, a consortium of 35 Swedish utilities. This group represents 20% of the Swedish AMM market, and Powel will be able to provide add-on products for the entire consortium. Powel expects crossover sales in the future with these customers. In addition, the consortium itself continues to grow by adding additional members.

The Norwegian AMM market is also beginning to grow. Powel finalized a large MDMS contract with Lyse Energy. Together with Lyse Energy, Powel is planning several strategic developments that will strengthen our Meter Data Management Software (MDMS) offering on the billing side of the "meter-to-cash" operations.

In Eastern Europe, Powel signed a contract in Croatia for delivery of a Power Market Simulator. As a first step, we will create a training simulator, which we expect will lead to more opportunities in this area. Powel's Distributor in the Czech Republic has also signed a new contract for delivery of MDMS to Plzen Heating Company. This win is an evidence of the system's versatility.

In the generation segment of the market, the Site Acceptance Test for Powel's Integrated Control Center (ICC) generation software at *e.on* was approved, which is an important milestone for this



project. The installation with Fortum OY is proceeding as planned and Powel has agreed on a partnership agreement with E-Co for the next three years.

The total value of new contracts for the power business in Q1 was 15.1 MNOK.

Utility Business Area

Activity in North America is growing. Powel-MiniMax Inc. signed a major long-term contract with Dayton Light & Power Inc. (DPL), an investor owned utility listed on the New York Stock Exchange. This four year, multi-million dollar contract represents a breakthrough in the adoption of Powel's solutions by large North American customers.

Implementations of our Utility Decision Support Platform (UDSP) solution with four utilities are on schedule, and will be completed by the end of 2006. The UDSP module for field design (Powel StakeOut Editor) has been contracted and delivered to Trico Electric Cooperative. Altogether, Powel signed 11 new customer contracts in North America during Q1. The total value of these contracts represents approximately seven million NOK in Q1. This number does not include the Dayton Power & Light contract, which was signed in April.

ScadaCam is our system for surveillance of remote sub-station facilities. An interactive system, tailored to high voltage T&D facilities, features motion and automatic remote temperature detection. It can be accessed and operated over the Internet. ScadaCam is a cost effective solution to surveillance of transformer, substation, and other industrial installations. A pilot test of the system has been started.

Activity in Norway remains high as we continue to implement new modules and expand the use of our Powel NetBas and Gemini solutions. Specifically, the Gemini Terrain and 3D Modelling software has increased market share during the first quarter. The total sales of this product have been above expectations after release of a new module developed in collaboration with Veidekke ASA, a major contractor in Norway. There are more than 650 Terrain licenses in the Norwegian market and the software is applied by many of the largest contractors and consultants in Norway.

Powel also signed a new distributor agreement with KMD in Denmark. In Sweden, the close relationship with Vattenfall continues to grow.

Total new contract volume for the utility business in Q1 was 16.4 MNOK.

Market Outlook

Powel's Operational Resource Planning (ORP) message is beginning to be heard and accepted by the market. This is a key differentiator between Powel and its competitors and played a critical role in our wins at Dayton Power and Light and Benton PUD in the U.S.

Our relationships with recognized industry players continue to grow and have been well received by the market. Our ongoing mission and market message, "Helping Utilities Work Smarter" is attracting interest among utilities large and small. We are also succeeding in our efforts to help current customers and prospects in all our markets understand the importance of Operational Resource Planning (ORP). This strategy will be vital as utilities continue to integrate the many disparate applications that support operational processes.

Legislators in the Netherlands have passed new AMM legislation requiring monthly electric meter reading and two-way load control by 2012. This will lead to the Netherlands becoming, we believe, the next promising AMM market in Europe. We are well positioned to capitalize on this new legislation.



International Financial Reporting Standards (IFRS)

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31. December 2005.

These condensed consolidated interim financial statements are approved by the Board of Directors.

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

Oslo, 18 May 2006

The Board of Directors

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About Powel ASA

Powel is a worldwide supplier of business-critical systems for generators, transmission and distribution utilities, as well as solutions for municipal water and wastewater services. Our considerable experience as a software developer for generators and utilities in a deregulated and highly competitive market make Powel ASA a market leader.

Powel software products are employed by more than 1,100 customers, including Vattenfall AB (Sweden), Statkraft Energi AS (Norway), *e.on* (Sweden), Fortum OY (Finland), Oslo, Bergen and Trondheim municipalities (Norway), Florida Light & Power (U.S.), Energie NB Power (Canada) and Wright-Hennepin Cooperative Electric Association (U.S.).

Powel ASA has two business areas: **Power** and **Utility**.

Power develops and supplies IT solutions to power generators and traders. Variations in hydropower production capacity, which depend on precipitation and seasonal factors, call for comprehensive data models for optimization of power system operations. As a software provider, Powel is well positioned in the large emerging market of automatic meter reading (AMR) for electricity, gas, and heat.

Utility provides software and services to transmission and distribution utilities, as well as solutions for municipalities in water and wastewater. Powel's solutions help utilities access, analyze and act on critical information quickly and effectively. This is especially important today as utilities rebuild after the devastating effects of recent storms and hurricanes that occurred throughout the western hemisphere.

Q1 2006 - Powel ASA

PROFIT AND LOSS STATEMENT	QUARTER		YEAR TO DATE
	Q1 2006	Q1 2005	31.12.2005
(All figures in NOK 1.000)			
Operating revenues	53.589	46.525	201.604
Cost of goods sold	2.412	2.897	13.918
Payroll and related costs	33.870	28.679	115.325
Other operating expenses	16.756	13.571	59.200
Total operating expenses	53.038	45.147	188.443
EBITDA	551	1.378	13.161
Depreciation of tangible assets	1.305	835	2.626
Depreciation of intangible assets	1.844	1.445	5.435
EBIT	-2.598	-902	5.100
Net financial items	213	2.631	6.510
Profit/ Loss before tax	-2.385	1.729	11.610
Tax	-491	-1.562	-7.692
Net profit/ loss	-2.876	167	3.918
EBITDA - margin	1,0 %	3,0 %	6,5 %
EBIT - margin	-4,8 %	-1,9 %	2,5 %
Earnings per share (NOK)	-0,15	0,01	0,24
Earnings per share diluted (NOK)	-0,15	0,01	0,24
Outstanding shares	19.173	15.708	19.173
No. of employees (end of period)	234	210	232
Research and Development (R&D)	10.438	7.138	16.664
R&D capitalized	3.443	2.500	7.866
Internationalisation	5.948	4.584	2.359

BALANCE SHEET	31.03.2006	31.03.2005	31.12.2005
(all figures in NOK 1.000)			
Assets			
Fixed assets			
Software and licenses	19.005	12.756	20.109
Development costs	40.152	26.924	38.347
Customer portfolio	16.294	14.945	16.755
Goodwill	50.396	48.662	51.222
Deferred tax assets	4.777	12.070	5.415
Total intangible fixed assets	130.624	115.357	131.848
Total tangible fixed assets	6.083	4.718	4.987
Total financial assets	320	685	315
Total fixed assets	137.027	120.760	137.150
Current assets			
Accounts receivables	30.257	42.877	39.483
Other short-term receivables	3.829	3.289	4.721
On-going projects	39.641	14.842	20.183
Bank deposits, cash, etc	97.259	71.885	50.708
Total current assets	170.986	132.893	115.095
Total assets	308.013	253.653	252.245
Equity and liabilities			
Equity			
Contributed equity			
Share capital	19.173	15.708	19.173
Treasury shares	-61	0	0
Share premium reserve	91.404	44.443	91.404
Total contributed equity	110.516	60.151	110.577
Retained earnings			
Other equity	59.547	60.238	65.373
Total retained earnings	59.547	60.238	65.373
Total equity	170.063	120.389	175.950
Long-term liabilities			
Pension liabilities	10.333	8.657	11.133
Deferred tax liabilities	11.508	10.950	11.980
Other long-term liabilities	0	70	276
Total long-term liabilities	21.841	19.677	23.389
Current liabilities			
Bank overdraft	0	12.814	0
Accounts payable	10.685	14.074	5.509
Public duties payable	23.027	19.378	13.186
Other short-term liabilities	21.856	23.148	21.665
Prepayments on WIP	60.541	44.173	12.546
Total current liabilities	116.109	113.587	52.906
Total liabilities	137.950	133.264	76.295
Total equity and liabilities	308.013	253.653	252.245



CASH FLOW ANALYSIS	Q1 2006	Q1 2005	31.12.05
Cash flow from operating activities			
Ordinary profit before taxes and depreciations	764	4.009	19.671
Changes in working capital	42.139	28.647	-8.900
Other operating changes	10.998	7.203	-3.714
Cash flow from operating activities	53.901	39.859	7.057
Cash flow from investment activities	-3.989	-2.558	-19.147
Cash flow from financing activities	-1.758	-2.424	38.705
Exchange rate effect on cash	-1.603	-125	-226
Net change in cash / cash equivalents	46.551	34.752	26.389
Cash and cash equivalents opening balance	50.708	24.319	24.319
Cash and cash equivalents closing balance	97.259	59.071	50.708

STATEMENT OF RECOGNIZED INCOME AND EXPENSE			
Figures in NOK 1000	31 March 2006	31 March 2005	31 December 2005
Foreign exchange translation differences	529	-125	-1.414
Exchange differences on net investment	-2.132	0	1.169
Costs related to share issue	0	-2.087	-5.961
Tax effect of costs related to share issue	0	584	1.669
Revaluation of financial instruments	0	19	19
Net income recognised directly in equity	-1.603	-1.609	-4.518
Profit for the period	-2.876	167	3.918
Total recognised income and expense for the period	-4.479	-1.442	-600
Attributable to:			
Equity holders of the parent	-4.479	-1.442	-600
Total recognised income and expense for the period	-4.479	-1.442	-600

CAPITAL AND RESERVES						
	Share capital	Share premium	Fair value reserves	Translation reserves	Total retained earnings	Total equity
Balance per 1 January 2005	15.708	44.443	0	-1.004	62.684	121.831
Total recognised income and expense	0	0	19	-125	-1.336	-1.442
Balance pr 31 March 2005	15.708	44.443	19	-1.129	61.348	120.389
Balance per 1 January 2006	19.173	91.405	19	-1.249	66.602	175.950
Treasury shares	-61	0	0	0	-1.347	-1.408
Total recognised income and expense	0	0	0	-1.603	-2.876	-4.479
Balance pr 31 March 2006	19.112	91.405	19	-2.852	62.379	170.063
Balance per 1 January 2005	15.708	44.443	0	-1.004	62.684	121.831
Total recognised income and expense	0	-4.292	19	-245	3.918	-600
Share issues	3.465	51.254	0	0	0	54.719
Balance pr 31 December 2005	19.173	91.405	19	-1.249	66.602	175.950

**SEGMENT REPORTING:**

UTILITY			
NOK 1.000	31.03.2006	31.03.2005	31.12.2005
Sales revenue	30.323	24.551	104.161
EBITDA	-1.995	-1.197	-6.496
Depreciation	1.867	1.795	4.683
EBIT	-3.862	-2.992	-11.179

POWER			
NOK 1.000	31.03.2006	31.03.2005	31.12.2005
Sales revenue	23.266	21.974	97.443
EBITDA	2.546	2.575	19.657
Depreciation	1.282	485	3.378
EBIT	1.264	2.090	16.279

TOTAL			
NOK 1.000	31.03.2006	31.03.2005	31.12.2005
Sales revenue	53.589	46.525	201.604
EBITDA	551	1.378	13.161
Depreciation	3.149	2.280	8.061
EBIT	-2.598	-902	5.100

REVENUE DISTRIBUTION YEAR TO DATE - UTILITY						
NOK 1.000	Norway	Sweden	EU	North America	Other	TOTAL
Licenses and maintenance	11.484	2.043	273	2.784	31	16.615
Services	8.250	2.960	45	1.651	0	12.906
Other	0	76	135	591	0	802
TOTAL	19.734	5.079	453	5.026	31	30.323
	65,1 %	16,7 %	1,5 %	16,6 %	0,1 %	100,0 %

REVENUE DISTRIBUTION YEAR TO DATE - POWER						
NOK 1.000	Norway	Sweden	EU	North America	Other	TOTAL
Licenses and maintenance	3.830	4.532	4.193	68	74	12.697
Services	2.353	4.572	2.720	696	0	10.341
Other	-282	470	40	0	0	228
TOTAL	5.901	9.574	6.953	764	74	23.266
	25,4 %	41,2 %	29,9 %	3,3 %	0,3 %	100,0 %

REVENUE DISTRIBUTION YEAR TO DATE - TOTAL						
NOK 1.000	Norway	Sweden	EU	North America	Other	TOTAL
Licenses and maintenance	15.314	6.575	4.466	2.852	105	29.312
Services	10.603	7.532	2.765	2.347	0	23.247
Other	-282	546	175	591	0	1.030
TOTAL	25.635	14.653	7.406	5.790	105	53.589
	47,8 %	27,3 %	13,8 %	10,8 %	0,2 %	100,0 %