



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.

REPORT THIRD QUARTER 2006

Highlights from third quarter 2006 include:

- Revenue of 48.3 MNOK (+7.4% relative to 44.9 MNOK in third quarter 2005)
- Positive EBITDA (+2.7 MNOK)
- Increased order backlog (135 MNOK)
- Strong performance in Nordic market creating solid base for international growth
- Partner agreement with Nota AS (Skagerak Energi AS)
- Street light project with Hafslund AS
- Important contracts with Vattenfall both within Grid Management and Automatic Meter Management (AMM)
- Break even net results in USA
- Operating expenses reflect continued investment in product development and internationalization

Outlook

- Overall strong focus by hydro generators on high prices and scarce water resources in the Nordic countries
- Strong growth in the Automatic Meter Management market
- Increased interest in Field Solutions
- Increased need for reinvestments in water and sewage infrastructure



Powel ASA Q3 Revenue Increases 7.4%

Powel Order Backlog 135 MNOK

Q3 Financial Report

Powel ASA increased operating revenues by 7.4% to 48.3 MNOK for the third quarter of 2006, compared to 44.9 MNOK for the same period in 2005. For the 9 first months of 2006 Powel ASA's operating revenue was 152.6 MNOK, compared to 143.8 MNOK for the same period in 2005. The EBITDA for the third quarter was 2.7 MNOK, compared to 2.8 MNOK for the same period last year. The EBITDA for the first 9 months of 2006 was -1.3 MNOK, compared to 6.2 MNOK for the same period last year.

The Nordic market remains very strong and provides good net margins, creating a solid base for international growth. In particular the Automatic Meter Management (AMM) and Field Solutions are growing.

Powel's order backlog at the end of the third quarter 2006 was 135 MNOK compared to 121 MNOK at the end of the third quarter 2005.

Power Business Area

Power business area revenue for Q3 was 23.1 MNOK and EBITDA 3.2 MNOK, compared to 22.4 MNOK, and 4.1 MNOK for the same quarter last year.

Powel signed a partnership agreement with Nota AS (Skagerak Energi AS). The services will be provided within the business area of Automatic Meter Management (AMM). This contract confirms Powel's strong position in the energy utility industry. It is the 10th strategic contract of its kind with a key Nordic energy utility, representing also an important source of refining 'best practise' for Powel's domain expertise.

Powel signed a development contract with Vattenfall within the AMM business area. The contract will strengthen our leading position in the Automatic Meter Management sector in the Nordic countries.

Utility Business Area

Utility business area revenue for Q3 was 25.2 MNOK and EBITDA -0.5 MNOK, compared to 22.5 MNOK, and -1.3 MNOK for the same quarter last year.

A major new contract was Powel Street Light with Hafslund Nett AS. This contract includes development of a new product suitable for both the Municipal and Energy market.

In Sweden a new large service contract was signed with Vattenfall for upgrade of their NetBas system.

Fifteen new transmission and distribution utility clients were added as part of the Argus transaction in Denmark. This gives Powel a strong position in Denmark's utility market. The transaction was well received among the new clients and has led to a new software license reseller agreement with the Danish company, Breakout Image.

Sales of Gemini product within surveying to civil contractors in Norway have increased during the period.

During the third quarter Powel Inc. in North American signed contracts and started implementing several projects:

- Dayton Power & Light, a major NetBas client in the United States, is currently implementing its Operational Resource Planning system, including field and back office software.
- The expanded sales in field operations software and hardware included Southwestern Electric Cooperative, Dakota Electric, Kootenai, Overton, Rush Shelby, and Sulpher Springs



Market Outlook

We are expecting positive movement in the field solution space. Powel's mobile operations software, including design, inspections, work order management, and maintenance are well positioned as the market starts to pick up.

Our new strong market position in Denmark has contributed to a better sales position among other utilities in Denmark.

The Market for Automatic Meter Management solutions is growing in both Europe and North America. Increasing sales of electronic meters prepared for two ways communication is a good indicator. Two way communications also open up new possibilities for direct demand control as an important tool to balance the demand and production of electrical energy.

We are positioning ourselves to meet the coming market within Automatic Meter Management. We see the need for Powel's solutions in this market, driven by new rules and legislation.

The combination of Powel's Automatic Meter Management and Grid Management products are well positioned to handle Street Light Management.

Hydro electric generators are becoming more focused on optimizing reservoir water use. The role of Hydro Power Production both in the USA and Europe is being addressed by authorities, in particular in combination with other production sources such as thermal, wind and bio-energy.



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.

Trondheim, 02 November 2006

The Board of Directors

Contacts in Powel ASA:

Jon Einar Værnes, CEO
Mobile: +47 48 16 45 55
email: jev@powel.no

Øystein Sæther, CFO
Mobile: + 47 48 16 45 58
email: oys@powel.no



Powel ASA
Kløbuveien 194
7037 Trondheim, Norway

Telephone: + 47 73 80 45 00
Telefax: + 47 73 80 45 01
www.powel.com



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 SF (Norway), Sydkraft Vattenkraft AB (Sweden), *e.on* (Sweden), Fortum (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.

Q3 2006 - Powel ASA

PROFIT AND LOSS STATEMENT	QUARTER		YEAR TO DATE		
	Q3 2006	Q3 2005	30.09.2006	30.09.2005	31.12.2005
(All figures in NOK 1.000)					
Operating revenues	48.297	44.985	152.589	143.881	201.604
Cost of goods sold	1.777	3.763	9.504	8.903	13.918
Payroll and related costs	28.093	26.017	96.839	83.992	115.325
Other operating expenses	15.689	12.322	47.587	44.705	59.200
Total operating expenses	45.559	42.102	153.930	137.600	188.443
EBITDA	2.738	2.883	-1.341	6.281	13.161
Depreciation of tangible assets	703	863	2.347	2.105	2.626
Depreciation of intangible assets	1.820	1.166	5.612	3.689	5.435
EBIT	215	854	-9.300	487	5.100
Net financial items	248	-2.030	1.260	519	6.510
Profit/ Loss before tax	463	-1.176	-8.040	1.006	11.610
Tax	-1.067	-1.362	-1.546	-4.440	-7.692
Net profit/ loss	-604	-2.538	-9.586	-3.434	3.918
EBITDA - margin	5,7 %	6,4 %	-0,9 %	4,4 %	6,5 %
EBIT - margin	0,4 %	1,9 %	-6,1 %	0,3 %	2,5 %
Earnings per share (NOK)	-0,03	-0,16	-0,50	-0,22	0,24
Earnings per share diluted (NOK)	-0,03	-0,16	-0,50	-0,22	0,24
Outstanding shares	19.173	16.173	19.173	15.708	19.173
No. of employees (end of period)	235	236	235	236	232
Research and Development (R&D) NOK 500,- per hour	7.744	2.290	18.674	11.001	11.109
R&D capitalized NOK 500,- per hour	3.546	2.210	9.373	7.270	7.866
Internationalisation	3.430	5.717	13.836	14.563	2.359

NOTES:

An internal price of NOK 750,- per hour has previously been used for information purposes for R&D costs. For capitalization in the accounts, NOK 500,- has been used. To harmonize the information, NOK 500,- has been used from Q3 2006 on both numbers. The change does not affect the P&L.

There has been some minor reclassification of salary expenses between salary and other operating expenses in previous reported numbers.

Exchange differences on net investments in foreign operations are booked directly to equity. According to IAS 12 taxes related to such items are also to be booked directly to equity. This has not been done in previous periods, as it has been booked to P&L. As a consequence previous periods have been adjusted. The effect on the numbers as of 30.09.05 is an increased tax cost of 0.6 MNOK.

QUARTERLY NUMBERS	2005				2005	2006		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
(All figures in NOK 1.000)								
Operating revenues	46.525	52.371	44.985	57.723	201.604	53.589	50.703	48.297
Total operating expenses	45.147	50.351	42.102	50.843	188.443	53.038	55.333	45.559
EBITDA	1.378	2.020	2.883	6.880	13.161	551	-4.630	2.738
EBIT	-902	535	854	4.613	5.100	-2.598	-6.917	215
Profit/ Loss before tax	1.729	452	-1.176	10.605	11.610	-2.385	-6.118	463
Net profit/ loss	167	-1.064	-2.538	7.356	3.921	-3.473	-5.509	-604
EBITDA - margin	3,0 %	3,9 %	6,4 %	11,9 %	6,5 %	1,0 %	-9,1 %	5,7 %
EBIT - margin	-1,9 %	1,0 %	1,9 %	8,0 %	2,5 %	-4,8 %	-13,6 %	0,4 %
Earnings per share (NOK)	0,01	-0,07	-0,16	0,38	0,24	-0,18	-0,29	-0,03
Earnings per share diluted (NOK)	0,01	-0,07	-0,16	0,38	0,24	-0,18	-0,29	-0,03
Outstanding shares	15.708	15.708	16.173	19.173	19.173	19.173	19.173	19.173

BALANCE SHEET	30.09.2006	30.09.2005	31.12.2005
(all figures in NOK 1.000)			
Assets			
Fixed assets			
Software and licenses	19.693	19.469	20.109
Development costs	43.275	31.343	38.347
Customer portfolio	16.101	14.946	16.755
Goodwill	50.060	50.217	51.222
Deferred tax assets	4.272	8.076	5.415
Total intangible fixed assets	133.401	124.051	131.848
Total tangible fixed assets	6.848	5.162	4.987
Total financial assets	289	955	315
Total fixed assets	140.538	130.168	137.150
Current assets			
Accounts receivables	31.754	24.861	39.483
Other short-term receivables	8.267	4.790	4.721
On-going projects	31.103	24.576	20.183
Bank deposits, cash, etc	49.328	39.936	50.708
Total current assets	120.452	94.163	115.095
Total assets	260.990	224.331	252.245
Equity and liabilities			
Equity			
Contributed equity			
Share capital	19.173	16.173	19.173
Treasury shares	-33	0	0
Share premium reserve	91.404	44.442	91.404
Total contributed equity	110.544	60.615	110.577
Retained earnings			
Other equity	54.567	65.485	65.373
Total retained earnings	54.567	65.485	65.373
Total equity	165.111	126.100	175.950
Long-term liabilities			
Pension liabilities	10.357	8.451	11.133
Deferred tax liabilities	11.091	10.819	11.980
Other long-term liabilities	0	201	276
Total long-term liabilities	21.448	19.471	23.389
Current liabilities			
Accounts payable	4.465	6.923	5.509
Public duties payable	15.988	12.593	13.186
Prepayments on WIP	37.679	18.296	12.546
Bank overdraft	0	17.319	0
Other short-term liabilities	16.299	23.629	21.665
Total current liabilities	74.431	78.760	52.906
Total liabilities	95.879	98.231	76.295
Total equity and liabilities	260.990	224.331	252.245



CASH FLOW ANALYSIS	Q3 2006	Q3 2005	30.09.2006	30.09.2005	31.12.05
Cash flow from operating activities					
Ordinary profit before taxes and depreciations	2.984	853	-83	6.799	19.671
Changes in working capital	-6.106	-25.239	20.898	4.146	-8.900
Other operating changes	-5.602	9.329	-7.161	-1.360	-3.714
Cash flow from operating activities	-8.724	-15.057	13.654	9.585	7.057
Cash flow from investment activities	-7.455	-1.046	-13.782	-10.655	-19.147
Cash flow from financing activities	535	-1.957	-1.072	-714	38.705
Exchange rate effect on cash	2.271	675	-180	83	-226
Net change in cash / cash equivalents	-13.373	-17.385	-1.380	-1.701	26.389
Cash and cash equivalents opening balance	62.701	40.003	50.708	24.319	24.319
Cash and cash equivalents closing balance	49.328	22.618	49.328	22.618	50.708

STATEMENT OF RECOGNIZED INCOME AND EXPENSE				
Figures in NOK 1000	30.sep 2006	30.sep 2005	31. December 2005	
Foreign exchange translation differences		1.530	158	-1.414
Exchange differences on net investment		-1.710	-75	1.169
Costs related to share issue		0	-2.940	-5.961
Tax effect of costs related to share issue		0	823	1.669
Revaluation of financial instruments		-74	19	19
Net income recognised directly in equity	-254	-2.015	-4.518	
Profit/loss for the period	-9.587	-3.435	3.918	
Total recognised income and expense for the period	-9.841	-5.450	-600	
Attributable to:				
Equity holders of the parent	-9.841	-5.450	-600	
Total recognised income and expense for the period	-9.841	-5.450	-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
Issue of new shares	465	9.254				9.719
Total recognised income and expense	0	0	19	83	-5.552	-5.450
Balance pr 30 September 2005	16.173	53.697	19	-921	57.132	126.100
Balance per 1 January 2006	19.173	91.405	19	-1.249	66.602	175.950
Treasury shares	-33	0	0	0	-965	-998
Total recognised income and expense	0	0	-74	-180	-9.587	-9.841
Balance pr 30 September 2006	19.140	91.405	-55	-1.429	56.050	165.111
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	Q3 2006	Q3 2005	30.09.2006	30.09.2005	31.12.2005
Sales revenue	25.176	22.535	81.302	75.606	104.161
EBITDA	-494	-1.288	-8.573	-8.097	-6.496
Depreciation	1.380	1.060	4.217	3.171	4.683
EBIT	-1.874	-2.348	-12.790	-11.268	-11.179

POWER					
NOK 1.000	Q3 2006	Q3 2005	30.09.2006	30.09.2005	31.12.2005
Sales revenue	23.121	22.450	71.287	68.275	97.443
EBITDA	3.232	4.171	7.232	14.378	19.657
Depreciation	1.143	969	3.742	2.623	3.378
EBIT	2.089	3.202	3.490	11.755	16.279

TOTAL					
NOK 1.000	Q3 2006	Q3 2005	30.09.2006	30.09.2005	31.12.2005
Sales revenue	48.297	44.985	152.589	143.881	201.604
EBITDA	2.738	2.883	-1.341	6.281	13.161
Depreciation	2.523	2.029	7.959	5.794	8.061
EBIT	215	854	-9.300	487	5.100

REVENUE DISTRIBUTION YEAR TO DATE - TOTAL						
NOK 1.000	Norway	Sweden	EU	North America	Other	TOTAL
Licenses and maintenance	50.803	14.190	8.621	6.668	307	80.589
Services	27.409	21.160	8.270	11.239	0	68.078
Other	0	0	0	3.923	0	3.923
TOTAL	78.212	35.350	16.891	21.830	307	152.590
	51,3 %	23,2 %	11,1 %	14,3 %	0,2 %	100,0 %