



Report 3rd Quarter 2008



StepStone ASA

Demand for Talent Management drives 25% revenue growth during third quarter

Q3 2008 Highlights vs. Q3 2007

- Revenue up 25% to €31.8m
- Increased EBITDA margin at 19%
- Cash flow from operations up 33% to €5.0m from €3.8m
- Signed a record single contract for Online: commitment in excess of €1.3m to end of 2009
- Record third quarter demand for talent management products: 95 new customers and continued extension of customer commitments.

Summary

Company

StepStone, a leading global provider of total talent solutions, reported a 25% increase in third quarter revenues to €31.8m, from €25.4m in Q3 2007. Underlying organic revenue growth excluding recent acquisitions was a healthy 21%.

StepStone operates a unique business model. The “Software as a Service” products generate predictable revenues and cash flows whilst the online products continue to benefit from the ongoing structural shift away from traditional media to online search and matching.

The company strategy is to have a portfolio of products delivered to a wide geographic base of customers. The volume based online products enhance the company’s ability to take advantage of favourable economic conditions, whilst the software as a service based talent management products soften the impact of potential adverse economic conditions due to the inherent predictability of the monthly revenue streams from an increasing international customer base.

EBITDA for the third quarter was €6.1m, up from €45m a year ago. EBITDA margin increased to 19% from 18%.

Online

Demand for the company’s online products increased in September after the traditionally slower summer months of July and August. Total invoiced sales of online products in the third quarter of 2008 were up 24% versus the same period last year. The current quarter sales will impact future quarter revenues due to the deferred revenue recognition model which the company uses.

Online demand in European markets is however developing at markedly different rates. StepStone’s online sales in Germany continued to grow at a rate consistent with that of the last few quarters, whilst there is a clear deceleration of growth rate in most other markets.



Online revenue in Q3 2008 was €18.5m, 21% higher than the same quarter in 2007. The underlying organic growth rate was 17%.

EBITDA delivered in the quarter was €5.8m compared to €4.6m in Q3 2007. The margin was 31%, up from 30% in Q3 2007.

Solutions

Demand for the company's talent management products remained robust during the quarter, attracting 95 new talent management customers and the company continued to complete an increasing number of cross sale and up sale transactions amongst its extensive customer base.

By the end of September there were over 1,500 customers using StepStone's talent management products - providing an increasingly significant and predictable monthly recurring revenue stream.

Solutions revenue was €13.2m in the quarter, 31% higher than the same period in 2007. The underlying organic growth rate was 28%.

Solutions EBITDA was €2.1m, up from €1.4m in Q3 2007. Margins improved to 16% compared to 13% in the same quarter of 2007.

Financial position

The company further strengthened its financial position during the quarter as a result of generating strong operating cash flows and completing a substantial new financing facility.

The company generated €5.0m of operating cash in the quarter bringing the total generated in the year to date to €17.0m. This compares to €15.8m for the whole of 2007.

In July, StepStone entered into a three year, €40m financing facility with Skandinaviska Enskilda Banken AB ("SEB"). Draw downs under this facility are at a small premium over Euribor

During the third quarter the company took the opportunity to repurchase at or around par value €4.7m of the 2010 outstanding Loan Notes, thus facilitating significant reductions in the future monthly interest cost.

In addition the company settled €3.2m in respect of past acquisitions and repaid €3.8m of the subordinated debt, with all transactions being completed from existing cash balances.

At the end of September the company had €23.7m of cash at bank and €5m of the 2010 Loan Notes payable. €0.4m of the SEB facility has been utilised.



Outlook

StepStone has a portfolio of software products and services delivered to a wide geographic base of customers. Our business is well financed and growing - third quarter revenue growth was 25%.

The final quarter of the year is traditionally the company's strongest, and we see little reason at present to indicate any change to this fourth quarter trend.

However, after the unprecedented economic turmoil of the last three months, economic conditions are tightening across Europe which is in turn impacting customer confidence.

Our expectation is that overall growth will continue to soften into 2009. In anticipation, the company will continue to closely manage its cost base and cash generation.

The Board looks forward to reporting further year on year improvement in the final quarter of 2008.

The Board
22 October 2008



Operating Results

Online

StepStone's online search and match products are focused on building online talent communities. Second quarter revenue grew 21%, driven primarily by the overall continued shortage of available talent required by our customers and the well reported structural migration of job advertising from off line media and newspapers to online search and match properties such as StepStone. Organic revenue growth for online was 17% year on year.

The company budgeted for a slow down in growth rates in 2008 and, as expected, revenue growth rates have decelerated. Organic growth has been decreasing from 41% in Q1 2008 to 17% in Q3 2008. Online costs have been managed in anticipation of these growth rates and therefore third quarter EBITDA margins have been maintained at over 30%.

Demand for the company's online products increased in September after the traditionally slower summer months of July and August. Total sales of online products sales in the third quarter of 2008 were up 24% versus the same period last year.

Online demand in European markets is however developing at markedly different rates. StepStone's online sales in Germany continued to grow at a rate consistent with that of the last few quarters, whilst there is a clear deceleration of growth rate in most other markets.

Online signed a record customer contract during September, a commitment in excess of €1.3m to the end of 2009. Other new and renewing customers for Online included: Brunel Engineering, Forsvarsbygg, Framtiden, Group 4 Securicor, ITT flygt, Kelly Services, KPMG, MC Technologies, Newell Rubbermaid, Novozymes, Selor, Statoil, SteepConsult, Torm Shipping and UPS Europe.

User sessions were 29.2m in the quarter, 11% higher than in Q3 2007. The number of listings carried on our websites decreased and at 30 September 2008 amounted to 65,869. This was 13% lower than on the same day in 2007. Vacancies decreased by 15% to 79,658 at 30 September 2008 from 94,171 at 30 September 2007.

Online revenue for the quarter was €18.5m up 21% from €15.3m in Q3 2007. Online EBITDA increased to €5.8m, up from €4.6m in Q3 2007. Online EBITDA margin increased to 31% compared to 30% a year ago. Online deferred revenue grew to €20.1m, 35% higher than the €14.8m recorded at 30 September 2007.



Solutions

There was strong demand for the company's talent management products with a third quarter record of 95 new customers. In addition StepStone continued to complete an increasing number of cross sale and up sale transactions amongst its extensive customer base.

This acceleration in customer adoption will further drive increases in revenue in the coming quarters.

By the end of September over 1,500 customers were using StepStone's talent management products - providing an increasingly significant and predictable recurring revenue stream.

New customers contracting during the quarter included: Hollard Insurance in Australia, Group Aveve in Belgium, JTI (China) and Neo Derm (HK) in China, Spar Nord Bank and FL Smidth in Denmark, CarlsonWagonlit Travel in France, Deutsche Telekom, WestLB and ThyssenKrupp in Germany, Telefonica International in Spain, Rockwool in Netherlands, Yara International and First Hotels in Norway, Credit Suisse in Singapore, Skanska and Thomas Cook in Sweden, Bunge in Switzerland, Burberry, Accident Exchange and Xchanging in the UK and Checkpoint Systems in the US.

Solutions revenue was €13.2m in Q3 2008, 31% higher than the same quarter in 2007. The underlying organic growth rate was 28%.

The company continues to invest in Solutions with International expansion, customer services, customer success and sales and marketing headcount being the prime focus. This investment is set to continue in the coming months.

Solutions EBITDA was €2.1m up from €1.4m in the same quarter last year. Solutions EBITDA increased to 16% from 13% in Q3 2007.

Solutions deferred revenue grew to €7.3m, 33% higher than the €5.5m recorded at 30 June 2007.



Group Results

Income statement

Revenues and Adjusted EBITDA reached new records in the quarter.

Revenue for the quarter was €31.8m, an increase of 25% compared to revenue of €25.4m in Q3 2007. Included in this increase is 21% organic revenue growth.

The company has continued its strong tradition of cost control and, in anticipation of decelerating growth rates, has minimised the growth in its cost base. Between Q1 2008 and Q3 2008 the increase in the total cost base has been restricted to 6%. However, the company has continued to increase the amount that is being invested in product development.

The Corporate costs for Q3 2008 include a proportion of the expected costs of the planned listing on the London Stock Exchange. This is currently expected to be completed in the fourth quarter.

Profitability also continued to increase. Adjusted EBITDA was €6.1m compared to €4.5m a year ago. Adjusted EBITDA margin for the quarter increased to 19% from 18% in Q3 2007.

Deferred revenue has grown from €20.3m on 30 September 2007 to €27.4m at the end of Q3 2008, an increase of 35%.

The Group share option charge was €0.8m in the quarter the same charge as in Q3 2007.

Depreciation and amortisation for Q3 2008 comprised €0.9m in respect of depreciation of Assets at historic cost (compared to €0.8m in Q3 2007) and €0.6m in respect of amortisation of Intangible assets arising on acquisition (€0.3m in Q3 2007).

The company has made an initial assessment of the fair values to the intangible assets (including customer relationships, intellectual property, software and brands) acquired with Webbjob, Sourcea, LVE and Level4 during the quarter. The assessment will be finalised within the next 9 months. €1.0m has initially been attributed.

The profitability in StepStone Deutschland AG has continued to increase and the company now expects to repay the remainder of the entire Subordinated loan by the end of 2008. As a result, there has been an accelerated recognition of imputed interest thereon with a €0.3m charge in Q3 2008. The remaining €0.3m imputed interest will be expensed in Q4 2008.

A charge of €0.3m was incurred in respect of the Loan Notes 2010. This includes interest payable and the accelerated write off of deferred costs related to the €4.7m of Loan Notes 2010 that were acquired during the quarter.

It remains the company's practice to review its deferred tax, tax and fair value assumptions in the fourth quarter.

Profit after tax for the quarter was €3.2m, up from €2.2m in Q3 2007.



Financial position

The company continues to be prudent in the management of its financial position.

In the third quarter StepStone generated €5.0m from operations bringing the total generated in the year to date to €17.0m. This compares to €15.8m for the whole of 2007.

In July, StepStone entered into a three year, €40m financing facility with Skandinaviska Enskilda Banken AB (`SEB`). Draw downs under this facility are at a small premium over Euribor.

During the third quarter, €4.7m of the Loan Notes 2010, which are currently paying an interest rate NIBOR plus 4.75%, were repurchased at or very close to par value. In addition the company settled €3.6m in respect of past acquisitions and repaid €3.8m of the subordinated debt, all using existing cash balances. The remaining €3.75m Subordinated debt is expected to be settled in Q4 2008 after which the interest of Axel Springer in StepStone Deutschland AG will be accounted for as a minority interest.

At the end of September the company had €23.7m of cash at bank and €5m of Loan Notes payable. Only €0.4m had been utilised on the SEB facility.



Trend Data

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By Line of Business	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Online					
Revenue	18,514	18,355	18,029	16,923	15,296
Operating expenses	12,687	12,295	12,259	11,738	10,686
Online EBITDA	5,827	6,060	5,770	5,185	4,610
Solutions					
Revenue	13,241	12,582	11,757	11,665	10,140
Operating expenses	11,171	10,939	10,342	9,797	8,786
Solutions EBITDA	2,070	1,643	1,415	1,868	1,354
Corporate and Other					
Operating expenses	1,822	1,655	1,484	1,488	1,419
Group share option charge	846	1,540	1,169	1,416	772
Corporate EBITDA	(2,668)	(3,195)	(2,653)	(2,904)	(2,191)
Total Group					
Operating profit before Group share option charges and Depreciation and amortisation ("Adjusted EBITDA")	6,075	6,048	5,701	5,565	4,545
Depreciation and amortisation	1,448	1,298	1,074	1,418	1,097
Group share option charge	846	1,540	1,169	1,416	772
Operating profit ("EBIT")	3,781	3,210	3,458	2,731	2,676

Total Group	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Total revenue	31,755	30,937	29,786	28,588	25,436
Total operating expenses	25,680	24,889	24,085	23,023	20,891
Operating profit before Group share option charges and Depreciation and amortisation ("Adjusted EBITDA")	6,075	6,048	5,701	5,565	4,545
Group share option charge	846	1,540	1,169	1,416	772
Total EBITDA	5,229	4,508	4,532	4,149	3,773
Depreciation and amortisation	1,448	1,298	1,074	1,418	1,097
Operating profit ("EBIT")	3,781	3,210	3,458	2,731	2,676

StepStone Online Operational Statistics

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Listings (End of quarter)	65,869	73,245	71,792	64,817	75,325
Vacancies (End of quarter)	79,658	89,641	89,445	75,417	94,171
CVs - Total (End of quarter)	1,598,001	1,503,536	1,324,792	1,273,847	1,267,145
User Sessions (Quarterly numbers)	29,233,867	27,177,560	26,254,267	25,146,709	26,408,403

Notes to Trend Data

- The trend data is not part of the quarterly financial statements and is unaudited.
- Adjusted EBITDA is EBITDA before Group share option charges. Adjusted EBITDA is not defined under IFRS and has been shown as the directors consider this to be helpful for a better understanding of the performance of the group's underlying business. It may not be comparable with similarly titled profit measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit.
- Share options are awarded by the Board and managed within StepStone as a Corporate cost. Group share option charge comprises the cost of equity-settled share-based payment transactions calculated in accordance with IFRS 2, the group's potential tax liability on vested but unexercised share option at the balance sheet date and the cost of the buyback obligation (cancelled in Q2 2007) calculated accordance with IFRS2, for all employees in all divisions. For the purposes of this Trend data, Group share option charges are considered to be a Corporate expense.
- In this Trend data, Online EBITDA and Solutions EBITDA include only the tax charge in respect of vested and exercised share options of employees in those divisions.



StepStone ASA

Q3 2008 Quarterly Financial Statements

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 September 2008 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first nine months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining three months of the financial year, and major related parties transactions.

The Board
Oslo, 22 October 2008



Quarterly financial statements - 3rd Quarter 2008

Consolidated condensed income statement

€ 000

	Note	3rd Quarter		1 January to 30 September		Full year
		2008	2007	2008	2007	2007
Revenue		31,755	25,436	92,478	69,892	98,480
Personnel costs		17,141	14,522	50,357	41,081	56,851
Other operating expenses		9,385	7,141	27,852	20,533	29,202
Depreciation and amortisation	2	1,448	1,097	3,820	3,072	4,490
Total operating expenses		27,974	22,760	82,029	64,686	90,543
Operating profit		3,781	2,676	10,449	5,206	7,937
Analysis of Operating profit:						
Operating profit before Group share option charges and Depreciation and amortisation		6,075	4,545	17,824	11,250	16,815
Group share option charge	3	(846)	(772)	(3,555)	(2,972)	(4,388)
Depreciation and amortisation	2	(1,448)	(1,097)	(3,820)	(3,072)	(4,490)
Operating profit		3,781	2,676	10,449	5,206	7,937
Financial income		138	145	458	381	772
Fair value adjustment of subordinated loan		(223)	-	(223)	-	(1,808)
Imputed interest on subordinated loan	9	(95)	(244)	(445)	(483)	(691)
Imputed interest on deferred consideration		(55)	(141)	(350)	(509)	(643)
Notes payable		(326)	(256)	(897)	(622)	(892)
Other financial expenses		66	(1)	47	(285)	(224)
Financial expenses		(633)	(642)	(1,868)	(1,899)	(4,258)
Profit before tax		3,286	2,179	9,039	3,688	4,451
Tax		(103)	-	(146)	(16)	4,216
Profit for the period		3,183	2,179	8,893	3,672	8,667
Basic earnings per share		0.03	0.02	0.07	0.03	0.07
Diluted earnings per share	8	0.02	0.02	0.06	0.03	0.06



Quarterly financial statements - 3rd Quarter 2008

Consolidated condensed balance sheet

€ 000

	Note	30 September 2008	30 September 2007	31 December 2007
Non - current assets				
Property, plant & equipment		4,037	3,561	3,609
Intangible assets	4	70,116	64,145	62,604
Deferred income tax assets	6	12,600	7,000	12,951
Long term receivables		379	313	358
Total non - current assets		87,132	75,019	79,522
Current assets				
Trade receivables		33,462	26,417	31,914
Other current assets		5,141	3,967	3,853
Cash and bank deposits	7	23,711	31,709	30,172
Total current assets		62,314	62,093	65,939
Total assets		149,446	137,112	145,461
Equity and Liabilities				
Shareholders' equity				
Share capital	8	6,344	6,218	6,272
Share premium reserve		35,283	33,690	34,587
Accumulated profits		40,152	17,009	22,005
Foreign currency translation differences		4,421	8,828	8,435
Other reserves		-	3,109	4,423
Total shareholders equity		86,200	68,854	75,722
Non current liabilities	9	11,016	22,502	20,362
Current liabilities				
Trade payables		3,963	4,226	5,175
Current deferred and invoiced revenue	10	26,848	19,949	22,811
Other current liabilities and provisions	11	21,419	21,581	21,391
Total current liabilities		52,230	45,756	49,377
Total equity and liabilities		149,446	137,112	145,461

The quarterly numbers are unaudited



Quarterly financial statements - 3rd Quarter 2008

Consolidated condensed cash flow statement

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	3rd Quarter		1 January to 30 September		Full year
	2008	2007	2008	2007	2007
Cash flow from operating activities					
Profit for period	3,183	2,179	8,893	-	8,667
Adjustments for:					
Depreciation and amortisation	1,448	1,097	3,820	-	4,490
Share based compensation	1,419	845	4,945	3,526	3,118
Foreign exchange loss (gain)	-	4	(55)	(55)	93
Interest income	-	-	-	-	-
Interest expense	373	385	1,018	823	3,278
Tax	147	(86)	147	-	(4,334)
	6,570	4,424	18,768	4,294	15,312
Changes in working capital and other adjustments	(1,567)	(665)	(1,735)	(168)	456
Cash generated from operating activities	5,003	3,759	17,033	4,126	15,768
Cash flow from investing activities					
Acquisition of subsidiaries, net of cash acquired	(3,192)	(3,374)	(9,719)	(28,763)	(29,357)
Purchase of intangible assets	(650)	(400)	(1,840)	(1,218)	(1,618)
Purchase of plant, property and equipment	(529)	(960)	(1,977)	(2,140)	(2,804)
Net cash used in investing activities	(4,371)	(4,734)	(13,536)	(32,121)	(33,779)
Cash flow from financing activities					
Proceeds from issuance of share capital	-	3,380	3	2,515	3,473
Repayment of subordinated loan	(3,750)	-	(3,750)	-	(5,000)
Repayment of loan notes	(4,704)	-	(4,704)	-	-
Payment of SEB facility fee and associated costs	(908)	-	(908)	-	-
Other financing activities	7	(2)	(24)	(37)	(252)
Net cash from financing activities	(9,355)	3,378	(9,383)	2,478	(1,779)
Net increase (decrease) in cash and cash equivalents	(8,723)	2,403	(5,886)	(25,517)	(19,790)
Cash and cash equivalents at beginning of period	31,944	27,823	29,087	48,599	48,599
Effect of exchange rates on cash and cash equivalents	(481)	398	(461)	787	278
Cash and cash equivalents at end of period *	22,740	30,624	22,740	23,869	29,087

* Excludes restricted cash of €971 as of 30 September 2008 (€1,085 as of 30 September 2007)



Quarterly financial statements - 3rd Quarter 2008

Statement of changes in equity

€ 000

	Share capital	Share premium	Accumulated profits	Foreign currency translation differences	Other reserves*	Total shareholders equity
01 January 2007	5,823	26,326	13,336	9,367	1,288	56,140
Net profit for the period			8,667			8,667
Currency translation effects		1	2	(932)	17	(912)
Issuance of share capital	449	9,195				9,644
Cost of issuing new share capital		(935)				(935)
Share-based compensation					3,118	3,118
31 December 2007	6,272	34,587	22,005	8,435	4,423	75,722
Net profit for the period			3,047			3,047
Currency translation effects	48	78		(1,353)		(1,227)
Issuance of share capital	23	626				649
Cost of issuing new share capital		(1)				(1)
Share-based compensation					2,031	2,031
31 March 2008	6,343	35,290	25,052	7,082	6,454	80,221
Transfer of other reserves to accumulated profits **			6,454		(6,454)	
Net profit for the period			2,663			2,663
Currency translation effects		12	(126)	(195)		(321)
Issuance of share capital	1					13
Cost of issuing new share capital		(19)				(19)
Share-based compensation ***			1,495			1,495
30 June 2008	6,344	35,283	35,538	6,887	-	84,052
Net profit for the period			3,183			3,183
Currency translation effects			12	(2,466)		(2,454)
Share-based compensation ***			1,419			1,419
30 September 2008	6,344	35,283	40,152	4,421	-	86,200

* Other reserves is credit to reserves in respect of share based compensation charge in the Income Statement.

** In Q2 2008, in order to better reflect the distributable nature of the reserve, other reserves in respect of share option costs have been transferred to accumulated profits.

*** The debit in respect of the IFRS 2 element of the share option charge on the face of the Income Statement is not a deduction from distributable reserves and is therefore credited back to accumulated profits in the Balance Sheet and on the face of the Statement of Changes in Equity



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 1 - Basis of preparation, summary of significant accounting policies and other information

Basis of preparation

These quarterly financial statements are prepared in accordance with the Interim Financial Reporting Standard (IAS 34) issued by the International Accounting Standards Board using the same accounting policies and principles as those stated in the 2007 Annual Report.

The full year to 31 December 2007 figures are audited. All quarterly figures are unaudited.

Principal activities

The activities of StepStone ASA and its subsidiaries (together "StepStone Group" or the "Group") are the provision of technology enabled Total Talent Solutions to individuals and employers. StepStone ASA, the parent company (the "Company"), is a corporation and is legally domiciled in Norway with its legal address at Thunes vei 2, N-0274 Oslo. The Company has its listing on Oslo Børs (Oslo Stock Exchange – OSE) "Main list" in Oslo, Norway.

Other information

A description of the principle risks and uncertainties related to the company is set out on pages 5 to 7 of the Registration Document filed by the company on 13 May 2008.

This document is available from <http://www.stepstone.com/documents/StepStone%20ASA%20-%20Registration%20Document%20080509.pdf>

The principle risks and uncertainties for the remaining three months of the year are business, market and strategy risks, operational and technology risks, financial risks and legal uncertainty and risk factors relating to the shares.

Note 2 - Depreciation and amortisation

€ 000	3rd Quarter		1 January to 30 September		Full year 2007
	2008	2007	2008	2007	
Depreciation of purchased tangible and intangible assets	869	823	2,573	2,208	3,186
Amortisation of intangible assets arising on acquisition	579	274	1,247	864	1,304
	<u>1,448</u>	<u>1,097</u>	<u>3,820</u>	<u>3,072</u>	<u>4,490</u>

IFRS requires the Company to attribute fair values to intangible assets of acquired companies. The excess of the purchase price over the net tangible and identifiable intangible assets is recorded as goodwill. A preliminary allocation of the purchase price between tangible, intangible assets and goodwill is undertaken after acquisition but subject to review and change over the next twelve months.

When performing the preliminary purchase price allocation the company considers, among other factors, the intention for future use of acquired assets, analyses of historical financial performance and estimates of future performance of the acquired company's products. The fair value of intangible assets may also be based, in part, on valuations by independent professional values. Such valuations require the company to make significant estimates and assumptions, especially with respect to intangible assets.

The intangibles that the Company has recognised on recent acquisitions have been regarding the value of the Intellectual Property Rights (IPR) associated with software and platforms of the acquired entities and also the long term value of the customer relationships (Customers) that the acquired entity has built up. These intangibles are being amortised over 3-5 years for IPR and 5-8 years for Customers. See also Note 4.

Note 3 - Group share option charge

€ 000	3rd Quarter		1 January to 30 September		Full year 2007
	2008	2007	2008	2007	
Group share option charge – fair value of option grants	1,419	845	4,945	1,821	3,135
Group share option charge – tax on vested but not yet exercised options	(573)	(73)	(1,390)	1,166	1,268
	<u>846</u>	<u>772</u>	<u>3,555</u>	<u>2,987</u>	<u>4,403</u>

The Group offers share options, without payment, to employees. The options vest over a period of 1 to 4 years, depending on the number granted. Initial grants to employees normally vest over 4 years. Most additional grants ("Evergreen grants") vest over 3 years. Once vested, they are generally exercisable once a quarter. Each option will expire 10 years from the date they were granted except for the options granted in 2002, most of which expire at the earlier of 7 years from date of vesting or 10 years from the day of grant. On leaving the company, an employee has a period of 6 months to exercise any options that have vested up to the date employment terminated. The fair value of the share options granted is calculated using the Black-Scholes model. This is the indicative cost to the Company of each option issued, calculated in accordance with IFRS2 (Share-based compensation). The significant input variables in the model are the share price at grant date, exercise price, standard deviation of expected share price, expected option life (1 year after vesting date) and risk free rate (daily NIBOR rates from the Norwegian Bank). Expected volatility is based on statistical analysis of historical daily share prices modified where identifiable factors may indicate that unadjusted historical experience is a relatively poor predictor of future experience.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 4 - Intangible assets

€ 000	Goodwill	Purchased intangible assets	Intangible assets arising on acquisition	Total intangible assets
01 January 2007	26,150	2,181	1,253	29,584
Related to Jobfinder	2,848	-	320	3,168
Related to ExecuTRACK	25,405	395	4,600	30,400
Related to Recruiter	1,419	-	400	1,819
Additions	-	1,618	37	1,655
Amortisation	-	(1,365)	(1,306)	(2,671)
Currency translation differences	(1,371)	(11)	31	(1,351)
31 December 2007	54,451	2,818	5,335	62,604
Related to Webjobb	1,358	-	142	1,500
Related to Level 4	2,334	-	-	2,334
Related to Sourcea	948	-	100	1,048
Additions	-	593	-	593
Amortisation	-	(249)	(294)	(543)
Currency translation differences	(1,095)	270	(302)	(1,127)
31 March 2008	57,996	3,432	4,981	66,409
Related to Sourcea	2,521	-	-	2,521
Additions	-	686	293	979
Amortisation	-	(429)	(374)	(803)
Currency translation differences	166	(523)	311	(46)
30 June 2008	60,683	3,166	5,211	69,060
Related to LVE	4,292	17	500	4,809
Related to Sourcea	(673)	-	220	(453)
Related to Level 4	(1,362)	-	(140)	(1,502)
Additions	-	650	-	650
Amortisation	-	(562)	(579)	(1,141)
Currency translation differences	(1,563)	61	195	(1,307)
30 September 2008	61,377	3,332	5,407	70,116

The initial accounting for a business combination is determined provisionally in the quarter in which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities and the cost of the combination can be determined only provisionally. The company takes time to carefully assess the identifiable assets, liabilities or contingent liabilities acquired. The Company recognises any adjustments to those provisional values as a result of completing the initial accounting within 12 months following the acquisition date.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 5 - Acquisitions

Sourceca

On 1 January 2008, the Company acquired Sourceca, a leading French niche market job board focused on Telesales, Banking, Marketing and Secretarial Services. The initial consideration was €1.5 m, to be settled in cash. €1.0m was paid in Q1 2008 and the remaining €0.5m was paid in Q2 2008. Further payments will be made in 2009 dependent upon financial performance in 2008.

Webjobb

On 18 February 2008, StepStone ASA, through its wholly owned subsidiary StepStone Norge AS, completed the acquisition of Webjobb AS, owner of the Statsjobb public sector job board brands in Norway, Denmark and Sweden. Although the legalities were finalised in February, effective control of Webjobb transferred to StepStone on 1 January 2008 and Webjobb has been consolidated from that date. The total consideration is expected to be €1.5m, payable in cash. €0.8m is payable on closing and the balance over the next 12 months.

Level 4

On 17 March 2008, the Company announced an agreement to acquire LEVEL4 Performance Consulting Limited, a Hong Kong company and its subsidiary in mainland China (together "LEVEL4"). The initial consideration was €0.8 m, settled in cash, for 70% of the issued share capital. There is a put and call option over the remaining 30% with the price dependent on future financial performance. The options are exercisable from 2011 to 2012. Although the Company fully expects the option to be exercised, the minority shareholder retains their right to share in profits until the option is exercised and therefore the 30% is being treated as minority interest.

In Q2 2008 an estimate for the option cost had been treated as deferred consideration and the subsidiary consolidated as though it was fully owned. This treatment has been reversed in Q3 with subsequent adjustments to Interest on deferred consideration, Goodwill and Minority Interest. Level4 currently has net liabilities and there is no binding obligation on the minority shareholder to inject further capital, therefore the Minority Interest is nil and will remain so until Level4 returns to a net asset position.

Les Villages Emploi

On 16 July 2008, the company announced the acquisition of Les Villages Emploi (LVE), a French group of four websites including one aggregator site and three specialised market job boards. The sites cover a broad range of employment opportunities including Technical positions, Sales and Marketing, Administration, Finance and Accounting roles. StepStone has acquired LVE for an initial consideration of €3.6 m, settled in cash, together with further payments in 2009 dependent upon financial performance in 2008.

The balance sheet of Sourceca at acquisition comprised:	€ 000
Non current assets	11
Current assets	471
Cash	85
Equity	(44)
Current liabilities	(523)
The balance sheet of Webjobb at acquisition comprised:	€ 000
Current assets	39
Cash	119
Equity	69
Current liabilities	(227)
The balance sheet of Level 4 at acquisition comprised:	€ 000
Non current assets	64
Current assets	338
Cash	110
Equity	124
Non current liabilities	-
Current liabilities	(636)



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 5 - Acquisitions (continued)

The balance sheet of Les Villages Emploi at acquisition comprised:	€ 000
Non current assets	7
Current assets	262
Cash	408
Equity	109
Current liabilities	(786)

The Company is undertaking a process of assessing the accounting policies and procedures and identifying any intangible assets of the acquisitions. In Sourcea €0.3m of the purchase price has been allocated to customer related intangibles which are being amortised over 5 years. For Webjobb €0.1m has been ascribed to customer relationships and this asset is being amortised over 5 years. For Level4 €0.1m has been ascribed to customer relationships and this asset is being amortised over 8 years. For Les Villages Emploi €0.5m has been ascribed to customer relationships and this asset is being amortised over 5 years.

The year to date results include the following contributions from companies acquired during the year.

€ 000	Consolidated from	Revenue	Costs	Profit / (Loss)
Company				
Sourcea	01 Jan 08	1,244	1,070	174
Webjobb*	01 Jan 08	n/a	n/a	n/a
Level 4	17 Mar 08	652	700	(48)
Les Villages Emploi	16 Jul 08	379	251	128

* On acquisition, Webjobb was immediately absorbed in to StepStone Norge. The combined entity operates fully on the StepStone platform with both sales teams selling all the available products without distinction between "Webjobb" and "StepStone". Therefore no data exists for Webjobb individually.

Note 6 - Deferred tax asset

In Q4 2007 the German deferred tax asset was decreased from €7,000 to €5,500 to reflect the expected utilisation in 2007. At the same time an asset of €6,500 has been recognised in StepStone ASA, which is due to an increased expectation that some of the Norwegian tax losses will be realised in the foreseeable future. Additionally smaller assets have been recognised in the UK, Swedish and Danish operations.

The movement in the deferred tax in Q1, Q2 and Q3 2008 is due to the revaluation of local currency balance sheets to Euro.

Note 7 - Cash and bank deposits

€ 000	30 September 2008	30 September 2007	31 December 2007
Cash and cash equivalents	22,740	30,624	29,087
Restricted bank deposits	971	1,085	1,085
	23,711	31,709	30,172

Cash and cash equivalents includes €9,972 (€10,204 at 30 September 2007) held by StepStone Deutschland AG.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 8 - Share capital

Number of shares in 1 000, values in € 000

	Ordinary Shares	
	Number	Issued and fully paid
01 January 2007	117,903	5,823
Issuance of new shares for financing	5,881	291
Issuance of new shares in business combinations	3,292	158
31 December 2007	127,076	6,272
Correction to historic exchange rates	-	48
Issuance of new shares for financing	13	1
Issuance of new shares in business combinations	449	22
31 March 2008	127,538	6,343
Issuance of new shares for financing	18	1
30 June 2008	127,556	6,344
30 September 2008	127,556	6,344

Q1 2008

On 29 January 2008 the Company issued 448,854 shares at an agreed price of NOK 11.30 as part of the purchase price paid to acquire i-GRasp.
 On 14 March 2008 the Company issued 12,672 shares at an average price of NOK 7.26 to employees who exercised their options.
 On 31 March 2008 the Company had in issue 127,537,907 shares of NOK 0.40 each and a registered share capital of NOK 51,015,162.80.

Q2 2008

On 14 May 2008 the Company issued 18,289 shares at an average price of NOK 5.39 to employees who exercised their options.
 On 30 June 2008 the Company had in issue 127,556,196 shares of NOK 0.40 each and a registered share capital of NOK 51,022,478.40.

Q3 2008

On 30 September 2008 the Company had in issue 127,556,196 shares of NOK 0.40 each and a registered share capital of NOK 51,022,478.40.
 There were 17,150,155 options outstanding with a weighted average exercise price of NOK 17.75 of which 7,310,297 were exercisable with a weighted average exercise price of NOK 13.99.

Earnings per share

	Basic	Diluted
Weighted average number of shares in year to 30 September 2008	127,498	144,556

Note 9 - Non current liabilities

€ 000	30 September 2008	30 September 2007	31 December 2007
Notes payable	4,908	10,302	9,945
Subordinated loan	3,445	9,511	6,527
Non current deferred and invoiced revenue (Note 10)	504	396	300
Non current finance lease liabilities	1	-	4
Deferred consideration	2,158	2,266	3,046
Other non current liabilities	-	27	540
	11,016	22,502	20,362

Notes payable

On 25 September 2006 the Company launched a NOK 150,000,000 program of senior unsecured floating rate notes. These Notes payable carry a margin of 4.75% above 3-month NIBOR and are repayable on 27 September 2010. Interest is payable quarterly. The company has given a limited number of covenants to note holders the most significant of which are that dividend payments shall not exceed 50% of profits after tax and total book equity shall exceed 40% of capital employed. The Company issued NOK 100 million of notes. At the same time the Company purchased NOK 20 million of the notes. During Q3 2008, the Company purchased NOK 39 million of the notes in the open market. Net Notes payable outstanding at 30 September 2008 amounted to NOK 41 million which are included in Non current liabilities.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 9 - Non current liabilities (continued)

Subordinated loan	
01 January 2007	(8,795)
Repayment	5,000
Fair value adjustment	(1,808)
Financing cost	(924)
31 December 2007	(6,527)
Financing cost	(172)
31 March 2008	(6,699)
Financing cost	(178)
30 June 2008	(6,877)
Repayment	3,750
Fair value adjustment	(223)
Financing cost	(95)
30 September 2008	(3,445)

Axel Springer, as part of the transaction to acquire 49.9% of the shares of StepStone Deutschland AG in 2004, acquired a Subordinated loan in that company with a face value of €15.0m. StepStone ASA also holds a Subordinated loan of €15.0m.

These loans were issued between 1997 and 2001 to fund €30m of losses of StepStone Deutschland AG and subordinated on 1 January 2002. To avoid over indebtedness, repayments of both Subordinated loans may only be made from future profits. Neither Subordinated loan holder has an automatic right to repayment.

Both Subordinated loans are accounted for in accordance with International Financial Reporting Standards (IAS 39). IFRS requires that each subordinated loan acquired was, on initial recognition, recorded as a financial liability at fair value. On the basis that there was no history of sustained profits in StepStone Deutschland AG the fair value in 2004 of each €15m Subordinated loan was estimated to be €2.5m. In accordance with IFRS the difference between this amount and the face value of the Subordinated loan held by Axel Springer AG is being charged to the income statement as a Financial expense over the period it is expected to take StepStone Deutschland AG to generate €30m of profits.

If the fair value of the subordinated loan is determined to have changed, for example through a revision of the expected pattern of repayment, IFRS (IAS 39) requires that the carrying amount of the loan is adjusted to reflect actual and revised estimated cash flows and the change in fair value has to be recorded through Financial expense. The Company carried out a detailed review in Q4 2006. As a result of the increased profitability and the decision of the shareholders of StepStone Deutschland AG to commence repayment of both subordinated loans their fair value was increased by €8.1m. Therefore, the Financial Statement of StepStone ASA increased the book value of the Subordinated loan held by Axel Springer AG by €8.1m. During Q4 2006 €2.5m was paid by StepStone Deutschland AG to each shareholder in respect of their subordinated loans resulting in a closing balance of €8.8m at 31 December 2006.

In Q4 2007 StepStone Deutschland AG repaid €10.0m of the loan equally to Axel Springer AG and StepStone ASA. These repayments are larger than anticipated when fair valuing the Subordinated loan in Q4 2006. In light of actual profits and repayments and the increased expectation regarding future cash generation and repayment to shareholders, the fair value of each of the Subordinated loans has been increased by €1.8m in Q4 2007. Therefore the fair value of the Subordinated loan held by Axel Springer AG at 31 December 2007, repayable only from profits generated in 2008 and beyond, is recorded at €6.5m. The non-discounted liability to Axel Springer AG was €7.5m at 31 December 2007.

In Q3 2008 a further €3.75m was repaid to each subordinated loan holder. The current expectation is that there will be full repayment on both Subordinated loans during 2008, funded from profits and cash generated in 2008. In 2009 the interest of Axel Springer AG in StepStone Deutschland AG will be accounted for as minority interest.

The historic revenues and net liabilities of StepStone Deutschland AG have been:-

StepStone Deutschland AG

€ 000	2004	2005	2006	2007
Revenue	7,604	10,981	15,095	24,112
Opening Net Liabilities (Negative Equity)	29,883	27,826	25,172	20,351
Retained Profits	(2,057)	(2,654)	(4,821)	(9,378)
Closing Net Liabilities	27,826	25,172	20,351	10,973

The tax losses of StepStone Deutschland AG have sheltered profits from 2004 to date. However, these losses are expected to be substantially utilised by the end of 2008, resulting in tax charges in 2009.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 10 - Deferred and invoiced revenue

€ 000	30 September 2008	30 September 2007	31 December 2007
Balance to be recognised within one year	26,903	19,949	22,811
Balance to be recognised after one year	504	396	300
	<u>27,407</u>	<u>20,345</u>	<u>23,111</u>

Segmental analysis of deferred revenue

€ 000	Online	Solutions	Total
Q3 2007	14,837	5,508	20,345
Q4 2007	16,516	6,595	23,111
Q1 2008	19,695	7,843	27,538
Q2 2008	19,653	8,546	28,199
Q3 2008	<u>20,103</u>	<u>7,304</u>	<u>27,407</u>

Note 11 - Other current liabilities

€ 000	30 September 2008	30 September 2007	31 December 2007
Deferred consideration	4,049	5,132	4,505
Public duties payable	5,914	5,999	8,039
Other current liabilities	10,520	9,782	8,366
Other short term debt	936	668	481
	<u>21,419</u>	<u>21,581</u>	<u>21,391</u>

The current deferred consideration is the estimated amount payable within 12 months of the balance sheet date to the former ExecuTRACK, Recruiter, Sourcea and Les Villages Emploi shareholders. The amounts are payable in cash.

Note 12 - Events after the balance sheet date

Share Capital

On 6 October 2008, the Company issued 236,789 shares at NOK 12.80 to certain senior managers of StepStone ASA. Those managers subscribed for the shares on 31 July 2008 in cash utilising payments they received in respect of 2007 performance.



Notes to the quarterly financial statements - 3rd Quarter 2008

Note 13 - Segment information by quarter

€ 000	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Segment revenues (see below for analysis by geography)					
Online	18,514	18,355	18,029	16,923	15,296
Solutions	13,241	12,582	11,757	11,665	10,140
	<u>31,755</u>	<u>30,937</u>	<u>29,786</u>	<u>28,588</u>	<u>25,436</u>
Segment personnel costs and other operating expenses					
Online	12,687	12,295	12,259	11,738	10,686
Solutions	11,171	10,939	10,342	9,797	8,786
	<u>23,858</u>	<u>23,234</u>	<u>22,601</u>	<u>21,535</u>	<u>19,472</u>
Profit / (loss) from operating divisions before depreciation and amortisation and share option charge					
Online	5,827	6,060	5,770	5,185	4,610
Solutions	2,070	1,643	1,415	1,868	1,354
	<u>7,897</u>	<u>7,703</u>	<u>7,185</u>	<u>7,053</u>	<u>5,964</u>
Segment share option charge					
Online	(248)	517	69	177	128
Solutions	7	320	110	57	163
	<u>(241)</u>	<u>837</u>	<u>179</u>	<u>234</u>	<u>291</u>
Segment depreciation, amortisation and impairments					
Online	562	482	357	470	428
Solutions	553	495	471	784	658
	<u>1,115</u>	<u>977</u>	<u>828</u>	<u>1,254</u>	<u>1,086</u>
Profit / (loss) from operating divisions after depreciation and amortisation and share option charge					
Online	5,513	5,061	5,344	4,538	4,054
Solutions	1,510	828	834	1,027	533
	<u>7,023</u>	<u>5,889</u>	<u>6,178</u>	<u>5,565</u>	<u>4,587</u>
Enterprise level expenses					
Depreciation, amortisation and impairments	333	321	246	164	11
Share option charge	1,088	703	990	1,182	481
Personnel costs and other operating expenses	1,822	1,655	1,484	1,488	1,419
	<u>3,243</u>	<u>2,679</u>	<u>2,720</u>	<u>2,834</u>	<u>1,911</u>
Operating profit ("EBIT")	<u>3,780</u>	<u>3,210</u>	<u>3,458</u>	<u>2,731</u>	<u>2,676</u>
Note					
Group share option charge					
Online	(248)	517	69	177	128
Solutions	7	320	110	57	163
Enterprise level	1,088	703	990	1,182	481
	<u>847</u>	<u>1,540</u>	<u>1,169</u>	<u>1,416</u>	<u>772</u>
Geographic segments					
€ 000	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Revenues					
Nordic & UK	11,956	12,624	11,967	11,984	10,684
Northern	6,032	5,960	5,769	4,862	4,499
Central	13,767	12,353	12,050	11,742	10,266
	<u>31,755</u>	<u>30,937</u>	<u>29,786</u>	<u>28,588</u>	<u>25,449</u>

The quarterly numbers are unaudited