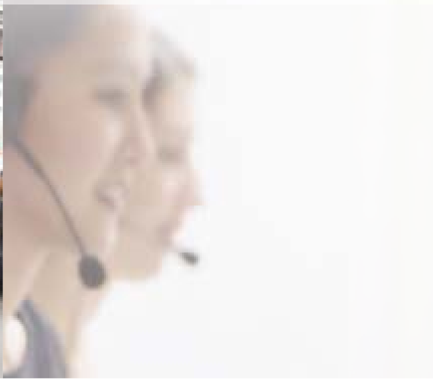
Annual Report 2010

GEFA Gesellschaft für Absatzfinanzierung mbH

GEFA-Leasing GmbH

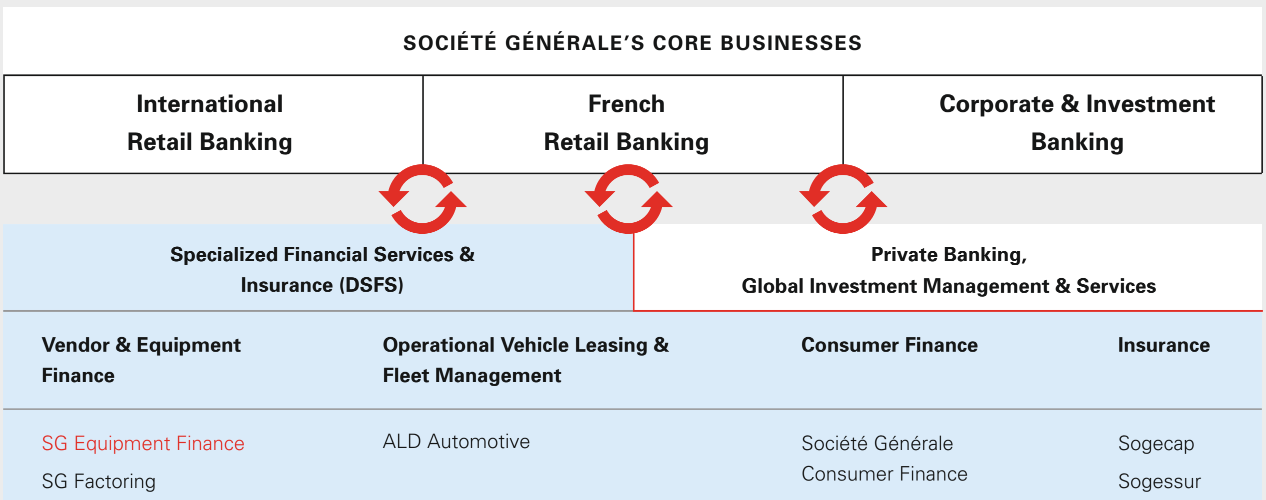
SOCIETE GENERALE
Equipment Finance

This is GEFA



This annual report is also available in German from
GEFA Gesellschaft für Absatzfinanzierung mbH
GEFA-Leasing GmbH
Robert-Daum-Platz 1
42117 Wuppertal
Germany

Structure of the Group



GEFA's performance at a glance

KEY PERFORMANCE INDICATORS				
€ million **GEFA Gesellschaft für Absatzfinanzierung mbH** **GEFA-Leasing GmbH**	**2010**	**2009**	**2008**	**2007**
SGEF Germany's new business	2,370	2,486	3,265	3,085
GEFA joint ventures and SGEF KG	136	208	155	110
GEFA's new business	2,234	2,279	3,110	2,975
Breakdown of GEFA's new business				
Credit	1,156	1,091	1,619	1,660
Hire purchase	495	495	572	365
Leasing	583	692	918	950
Profits transferred under profit-transfer agreements	110.3	47.0	76.1	6.7
Managed assets	6,130	6,510	6,810	6,301
of which: GEFA Bank	4,286	4,403	4,642	4,168
of which: GEFA-Leasing	1,844	2,108	2,168	2,133
Total assets	7,522	8,023	8,463	7,572
Capital and reserves	815	815	815	578
Number of employees	778	761	763	739
Cost/income ratio (%)	52	51	53	60
PEMA Group	**2010**	**2009**	**2008**	**2007**
Average number of vehicles leased	11,651	10,362	12,547	12,055
Number of employees	584	586	569	523

Contents

Award-winning solutions

GEFA is the leading specialist in equipment and vendor finance. We offer attractive leasing and credit solutions for vendors and direct customers under the SG Equipment Finance brand.

The SG Equipment Finance Group has received two awards from respected finance magazine Leasing Life. The Group, which is represented by GEFA in Germany, was named 'European Lessor of the Year' and 'Vendor Finance Provider of the Year' at the awards ceremony on 4 November 2010.

The winners were chosen by a panel of judges consisting of financial and industry experts. SG Equipment Finance was selected as the best European lessor for its strategic positioning and market resilience and as the best vendor finance provider in Europe for its consistent, wide range of financial products.

SG Equipment Finance is the first company ever to win two Leasing Life awards in one year.

Jean-Marc Mignerey,
CEO of SG Equipment Finance

What drives us

The economic recovery is opening up new avenues for small and medium-sized enterprises. Although the challenges remain significant after the economic and financial crisis, the opportunities are increasing. Many companies are now able to achieve more and can plan for growth with confidence. GEFA wants to work with them to shape this future.

Today's companies are lean and agile, full of ideas and highly effective. The same can be said of GEFA, which has enhanced its services, optimised processes and accelerated its decision-making and work flows.

We, and our customers, are not driven by economic considerations and risk provisioning alone. Imagination, motivation and enthusiasm give us momentum; rationality and emotion combine to generate business success.

We are creating flexibility through our customer-focused finance solutions and new services. Trust is underpinned by fairness and understanding. We want to support you as a competent and reliable partner.

True to our motto:
We support. You succeed.

The senior management of GEFA and PEMA at the annual sales conference in April 2011 (from left to right):

Peter Ström, member of PEMA's Management Board
Jochen Jehmlich, spokesman for GEFA's Management Board
Hervé Bardin, spokesman for PEMA's Management Board
Dr Rolf Hagen, member of GEFA's Management Board
Maurice Caulliez, member of GEFA's Management Board

Surprisingly rapid recovery of the German economy

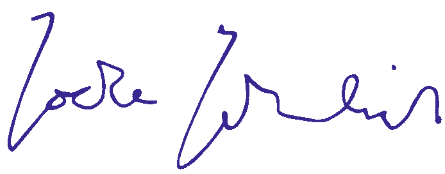
In 2010, our customers, GEFA and the German economy as a whole regained their former strength. The challenges remained considerable, however, and not everything has yet returned to where it was before the crisis.

Nevertheless, gross domestic product grew by an impressive 3.6 per cent, and many companies also recorded significant gains in production and turnover. The volume of incoming orders was unexpectedly high and opportunities blossomed. Our customers' capacity utilisation rose and, in the second half of the year, they displayed more inclination to invest – from which the leasing sector benefited more and more in the fourth quarter onwards. The volume of new business at GEFA increasingly picked up in the last few months of 2010.

GEFA significantly boosted its earnings, above all due to far lower risk costs, improved processes and rigorous cost management. Profit from ordinary activities after taxes more than doubled. We will continue to pursue our initiatives to restructure our internal operations and to optimise sales. These steps will enable us to maintain our earnings power in the years to come, even if pressure on margins increases. We are focusing more than ever on the profitability of our business in light of new requirements on banks (Basel III).

Rising levels of capital spending give us hope for 2011. Having put their investing activities on hold in 2008 and 2009, companies now have to invest more heavily in machinery and equipment. We also expect to see expansion investment again as a result of the favourable economic climate. An anticipated rise in spending on capital equipment combined with our product range – which we have expanded again – should provide a boost to GEFA's business. There is also strong demand for our new services, especially truck rentals from our subsidiary PEMA.

We expect the economic upturn to be sustained and we are well prepared for this growth. Just as we did when times were tough, we want to reliably and actively support our small and medium-sized customers in prospering markets.



Jochen Jehmlich, spokesman for GEFA's Management Board

Always on the move in a spirit of continuity and fairness

Interview with Dirk Blitz, proprietor of Blitz Spedition & Logistik, Gross-Umstadt

Dirk Blitz

In 2009 and 2010, the financial and economic crisis had a considerable impact on the balance sheets of many companies, in turn affecting their credit ratings with banks. Relationships between banks and businesses often suffered as a result. This does not always have to be the case, however, as proved by the cooperation between GEFA and Blitz Spedition & Logistik. Based in Gross-Umstadt near Frankfurt am Main, the haulage firm has a fleet of 45 swap-body trucks. Proprietor Dirk Blitz aims for continuity in his business decisions, a strategy that has always served him well. The most important quality that he expects from his business partners is fairness.

Dirk Blitz (haulage contractor) speaks to Stephan Keppler (editor of NFM Nutzfahrzeuge Management magazine) and Matthias Bräuer (head of the Central region at GEFA).

KEPPLER: Mr Blitz, how long have you been working with GEFA now?
BLITZ: Over 20 years. And ten of those with Mr Bräuer.

KEPPLER: Are there particular reasons why you have been a loyal customer of GEFA for such a long time?
BLITZ: Of course there are ups and downs when you work together over a lengthy period. But if you are treated fairly and the terms and conditions are right, then you'll remain loyal. We know GEFA and we know that we can rely on them – in the good times and the bad. A two-way relationship has been established on the basis of mutual trust.

KEPPLER: How beneficial is it that GEFA is familiar with your industry?
BLITZ: GEFA's longstanding industry expertise is a major advantage because the freight forwarding sector in which I work has its own particular characteristics. It pays to have a funding partner at our side that feels at home in our industry.

"We know GEFA and we know that we can rely on them." **Dirk Blitz**

KEPPLER: What capabilities do you think a financial service provider needs?
BLITZ: Especially when it comes to spending on vehicles, I have to first consider very carefully what I am looking for – in the long term as well as in the medium and short terms. Once I've decided what I want, I generally need my funding partner to act quickly. That works with GEFA because it knows our company very well and we regularly discuss my plans.

BRÄUER: We also see that as a very important reason for our close relationship with Mr Blitz. He has extensive market experience, and we at GEFA try to find the best solution for his business. It's not just about the terms and conditions but about liability, the volume of capital expenditure, the breakdown and the product mix.

Matthias Bräuer

Stephan Keppler

"PEMA makes a very important contribution to the overall strategy of GEFA and the SG Equipment Finance Group."
Matthias Bräuer

KEPPLER: For example whether you decide to buy or rent your vehicles?
BLITZ: Exactly. We have bought vehicles for many years and either financed them traditionally or leased them. But just over a year ago, we also began renting them. It enables us to be much more flexible because there are very strong seasonal fluctuations in my industry and, during periods of high capacity utilisation, we notch up a huge mileage.

KEPPLER: Does that mean you use short-term rentals to cope with these fluctuations?
BLITZ: It varies. We also rent trucks for longer periods if it makes sense. Ultimately, it is essential to have the right mix. If we buy, we have the resources for the good times but it's a risk during periods of low capacity utilisation.

"If you are treated fairly and the terms and conditions are right, you'll remain a loyal business partner."
Dirk Blitz

BRÄUER: We shouldn't forget that we are experiencing a time in which things change very quickly. It's great for Mr Blitz to be able to say that he only wants to bear 50 to 75 per cent of his financing risk from now on. The remainder will be borne by his rental partner PEMA, one of the leading truck and trailer rental companies in Europe.

KEPPLER: PEMA has belonged to GEFA since 2008. Has the acquisition paid off?
BRÄUER: Certainly, especially as PEMA fits perfectly into our strategy and puts us in a unique position in the market. We are the only non-captive financing company that can offer its customers a full range of rental products and a wide variety of services.

Within the overall strategy of GEFA and the SG Equipment Finance Group, PEMA makes a very important contribution to our portfolio of products and services for trucks and trailers. Take Mr Blitz's company, for example. This customer has a loan from GEFA, a rental agreement with PEMA, a fuel card and the SG Equipment Finance service card. Everything under one roof, in other words.

KEPPLER: Are the two cards new products?
BRÄUER: We have been offering the fuel card, which we developed in cooperation with DKV Euro Service, since early 2009, but the number of users grew significantly in 2010. We began offering the service card at the start of this year.

KEPPLER: What are the benefits of the cards?
BRÄUER: Truck, bus and coach drivers can use the fuel card to make cashless payments at filling stations across Europe. Mr Blitz then simply receives one invoice. The card incorporates a service that informs drivers of where along their route they can always obtain the best-priced fuel. We are not talking about small amounts here, but thousands of euros per month. If this service means drivers stop at filling stations where fuel costs a few cents less, the diesel bill will fall considerably.

KEPPLER: What about the SG Equipment Finance service card?
BRÄUER: It offers other benefits. It enables our customers to obtain products and services from selected cooperation partners at discounted rates. We have given Blitz a card limit of € 25,000 per month, for example, with which the company can buy tyres, lubricants and spare parts.

KEPPLER: So the service card helps you keep costs as low as possible?
BLITZ: It works very well in fact, just as the fuel card does. And that's extremely important because there is very little leeway in my industry and we have to seize every opportunity to reduce costs. It's very much like a gearbox: a number of cogwheels meshing with each other. We have to keep as many cogs as possible turning in order to ensure that everything runs smoothly. If companies like GEFA help me with this, then I am of course grateful for the valuable services that they offer.

Keppler: Mr Blitz, thank you for the conversation.

Report by the Management Board

Strong growth in the German economy during 2010 has made up for much of the decline in previous years. Rising by 3.6 per cent, gross domestic product (GDP) recorded its sharpest climb since German reunification. However, it remained below its pre-crisis level.

German GDP grew at more than twice the rate of GDP for the euro zone and the EU as a whole in 2010, having suffered a greater contraction in 2009. Economic growth stimulus came from within Germany and from foreign trade. The effect of the trade balance had curbed economic activity in previous years, but in 2010 it contributed 1.3 percentage points to the recovery of GDP. This was due to a price-adjusted increase in exports of 14.1 per cent and in imports of 12.6 per cent.

Capital spending is gaining momentum only gradually. Having slumped by 22.6 per cent in 2009, investment in equipment climbed by 10.9 per cent in 2010. However, it will have to achieve further double-digit growth in 2011 simply to return to its 2008 level. Construction investment has been less volatile than investment in equipment in recent years. It increased by 2.8 per cent in 2010 (2009: decrease of 1.5 per cent), resulting in a rise of 6.0 per cent in gross capital spending on plant and equipment.

Companies funded a large proportion of their spending on capital equipment from their cash flow. As a result, the volume of new business in the equipment leasing sector expanded by just 2.5 per cent in 2010, although there were significant differences between the individual leased assets. The leasing ratio fell slightly to 21 per cent.

Consumer spending, which accounts for the largest proportion of GDP, was up by 0.4 per cent in 2010 (2009: down by 0.2 per cent). Growth in government spending was more robust at 2.3 per cent (2009: 2.9 per cent); it has been increasing at a higher rate than personal consumption for a number of years.

All areas of the economy except for agriculture, forestry and fishing contributed to this growth. At 10.3 per cent, manufacturing (excluding construction) saw the sharpest rise in gross value added. Private-sector and public-sector services also recorded growth. Retailing & wholesaling, hospitality and transport boosted their output by 3.3 per cent. In 2010, the construction sector generated an increase in value added (rise of 1.8 per cent) for the first time in ten years.

The 13.4 per cent rise in corporate earnings and investment income in 2010 largely compensated for the decline in the previous two years (decrease of 12.6 per cent in 2009 alone). Employees' pay increased by 2.8 per cent (2009: gain of 0.2 per cent), primarily as a consequence of the improved situation in the labour market.

In 2010, there were an average of around 40.5 million people working in the German economy, 212,000 more than in 2009. Employment therefore reached a record level. However, the number of people employed declined by 1.7 per cent in manufacturing (excluding construction) and by 0.2 per cent in retailing & wholesaling, hospitality and transport – sectors that are particularly important for equipment leasing. Unemployment fell by 260,000 during 2010 and, by December, stood at slightly over three million people. The average unemployment rate reduced to 7.7 per cent (2009: 8.2 per cent).

The economic uptrend and improved earnings caused the number of company insolvencies to start falling from the second quarter. The total for 2010 came to 31,998, a year-on-year reduction of 2.1 per cent (2009: 32,687).

German public finances continued to be influenced by the financial crisis in 2010. Although tax revenues stabilised over the course of the year, the challenges remained significant. There was a rapid rise in public-sector debt – especially that of the federal government. The increase of 18.0 per cent – or € 304.4 billion – was the sharpest in absolute terms in the history of the Federal Republic of Germany. National debt therefore stood at € 1,999 billion – or € 24,450 per capita – at the end of 2010. The 'bad banks' were the main cause of the increase. The high national debt gave rise to worries about inflation. Consumer prices went up by 1.1 per cent on average in 2010 (2009: 0.4 per cent). Inflation rose from less than 1 per cent in the first few months to 1.7 per cent in December.

Monetary policy had not yet responded to economic growth, price rises and increased liquidity. In 2010, the European Central Bank kept the interest rate on its main refinancing operations at the historical low of 1.0 per cent, unchanged since May 2009.

The German government forecasts GDP growth of 2.6 per cent in 2011, largely due to brisker capital spending by companies. The driving forces are improved capacity utilisation, implementation of postponed projects and growing general confidence in the economy. The economic recovery is opening up new avenues for small and medium-sized enterprises. GEFA will support companies in seizing the growing number of opportunities.

KEY FIGURES

Despite the significant upwards trend in most areas of the German economy, the fallout from the financial and economic crisis continued to be felt in the year under review. Our customers, which are predominantly small or medium-sized enterprises, remained very hesitant about investing in new machinery, vehicles or equipment during the first six months of 2010. In the second half of the year, however, capital spending picked up from month to month.

The GEFA Group saw an encouraging rise in its profitability. Considerably lower risk costs and stringent cost management enabled us to greatly improve our earnings.

The GEFA Group's new business in 2010 came to € 2.370 billion, a small year-on-year decrease of 4.7 per cent. It comprises the turnover generated by the regions, our centres of competence (CoCs), joint ventures and the business booked through SG Equipment Finance SA & Co. KG. New lending business, which includes hire purchase (€ 495 million), increased slightly year on year to € 1.755 billion (2009: € 1.752 billion). Lease originations declined to € 615 million.

At the end of 2010, we had business relations with almost 58,000 direct customers and approximately 3,500 sales partners. We focused on acquiring new sales partners and consolidating our relations with existing ones.

Our total volume of managed assets amounted to € 6.130 billion at the end of 2010 (31 December 2009: € 6.510 billion). The total volume of all funded assets decreased to € 6.079 billion (end of 2009: € 6.461 billion).

The GEFA Group's capital and reserves remained unchanged at € 815 million. Of this total, GEFA Bank's capital and reserves amounted to € 764 million, while GEFA-Leasing's came to € 51 million. This solid capital base, combined with our good profitability, enhances our strong standing in the marketplace. GEFA continues to maintain a profit-and-loss transfer agreement with its shareholder SG Equipment Finance SA & Co. KG.

The increase in intercompany administrative charges was more than offset by lower premiums for insolvency insurance (Pension Security Association) and bonuses. Total administrative expenses, which include staff expenses and operating costs, increased by 7.4 per cent.

There was a slight rise in our cost/income ratio (CIR), from 51.0 per cent to 52.0 per cent. This is still a very good level for our sector.

The net interest income earned by GEFA Bank declined by 6.6 per cent owing to the smaller volume of credit extended.

We were able to significantly lower our risk costs on the back of improved economic conditions. Post-tax profit from ordinary activities climbed to € 110 million in 2010 (2009: € 47 million). The main reasons for this were lower write-downs of and valuation allowances on accounts receivable from customers as well as a reduction in start-up losses resulting from the smaller volume of new business originated by GEFA-Leasing. Savings from the expiry of the declining-balance depreciation allowances on new business generated in 2007 and 2008 also played a role.

GEFA Bank's net income, excluding the profits/losses transferred from subsidiaries, advanced to € 50 million due to the reduction in risk costs. Because almost all lease receivables are sold to GEFA Bank for funding purposes, defaults on leases impact on GEFA Bank.

GEFA Gesellschaft für Absatzfinanzierung mbH will transfer its profit to SG Equipment Finance SA & Co. KG under the profit-and-loss transfer agreement.

STRUCTURE OF SALES AND MARKETING

Our sales and marketing organisation comprises a regional sales and marketing network of eleven branches and 61 tele-offices plus the centres of competence (CoCs) at our head office in Wuppertal. The regional sales and marketing network ensures support for our customers and sales partners in each region. Our CoCs, which combine specialist industry, asset and product expertise, provide finance for vendors of high-value equipment. We offer services through the following CoCs: Agricultural Finance, Aviation Leasing, Financial Services, Insurance, Inventory Finance & Rental Finance, IT, Medical Equipment, Office Equipment, Project & Concept Management, and Vendor Management.

Our sales & marketing units still had to contend with low levels of demand in 2010, especially in the first six months. Many customers were cautious when it came to planning capital expenditure and preferred to focus on utilising existing capacity first. Competitive pressures on margins intensified among companies that had begun making new or replacement investments again.

There was a noticeable improvement in the volume of new business in the second half of 2010, and we expect further satisfactory growth levels in light of the successes notched up in early 2011.

In vendor management (by vendors we mean manufacturers, distributors and dealers), we have increased our staffing levels and created new structures. We now offer specialist advice and support to our various vendor groups in close collaboration with our sister companies in the SG Equipment Finance Group, of which there are 24 worldwide. We receive support from the Sales and Marketing department in Paris (formerly International Business Development, IBD), in which GEFA employees have taken on managerial and support roles.

Taking on challenges, shaping the future

18 billion euros in annual turnover and almost 87,000 employees make the medical equipment industry one of the cornerstones of the German economy.

8,000 doctors in Germany work with state-of-the-art medical equipment that has been financed by GEFA, primarily in the fields of dental equipment, ultrasound, imaging systems and endoscopy.

TRANSPORT

The Transport sales unit plays an important role in our business. It accounts for almost 60 per cent of new business volume. In this sales unit we look after direct customers and sales partners, supporting their investment plans and vendor concepts with innovative financing, leasing, insurance and service solutions. We finance and lease trucks, semi-trailer tractors, trailers, buses and coaches, fork-lift trucks, tractors, agricultural & forestry equipment, business jets, helicopters and watercraft.

Commercial freight haulage volumes slumped dramatically all over the world in 2009, badly affecting the German transport market. The situation gradually improved in the second half of 2010 onwards. However, it did not return to its pre-crisis level. We concluded new financing agreements and leases for equipment used in freight and passenger transport with a total volume of € 1.345 billion. The proportion of new business accounted for by lending and leasing was approximately the same as in 2009.

Commercial vehicles

In 2010, the commercial vehicles sector recovered relatively quickly from the massive declines of the previous year and was able to regain momentum. Sales of commercial vehicles rose to around 280,000 units in the market overall, corresponding to growth of 17 per cent. Registrations of heavy vehicles over 16t rose by more than 2 per cent. We achieved a similar level of growth. Our business from semi-trailer trucks expanded by over 6 per cent. Trailer and semi-trailer business also achieved an encouraging upturn.

Despite the largely positive trend in the commercial vehicles market, particularly in the second half of the year, vendors' unit sales were still far below their pre-crisis level.

For much of the year, freight forwarders remained reluctant to invest in new vehicles, while economic conditions continued to be difficult. This impacted on our new business volume, which declined slightly, by approximately 3 per cent. Although we recorded an increase in lending and hire purchase, leasing business contracted more significantly. Overall, we succeeded in defending our leading position in the commercial-vehicle finance market.

As the volume of freight transported by road has gone up considerably and many vehicle fleets are now in need of modernisation, we expect capital spending – and the accompanying demand for finance – to rise significantly in 2011. Our optimism here is based on strong growth in the rental business of our subsidiary PEMA and on the positive performance of our financing and leasing business in early 2011.

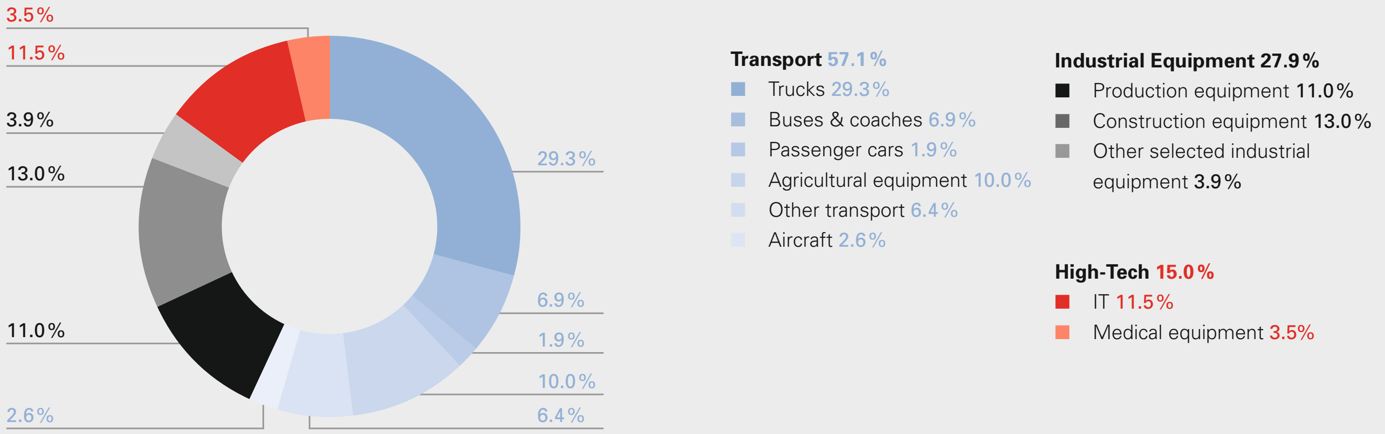
After the success of their appearance at the IAA commercial vehicles exhibition in Hannover in September 2010, GEFA and PEMA will also have a joint stand at the 'transport logistic' trade fair in Munich in May 2011.

PEMA

The rental business of our subsidiary PEMA was characterised by a sustained market recovery and rising prices for used commercial vehicles. PEMA had begun reducing the number of unrented vehicles in its fleet in 2009, which yielded results in the year under review. This boosted the capacity utilisation of the fleet to more than 90 per cent over the course of 2010.

Because of robust demand, the fleet was expanded to almost 15,000 rental vehicles. Besides the German market, the branches in Sweden, Denmark and Poland performed particularly well.

NEW-BUSINESS PORTFOLIO IN 2010 BY EQUIPMENT TYPE



There was a marked improvement in net income for 2010. PEMA will continually invest in expanding its fleet in 2011 so that it can offer its customers newer rental vehicles featuring the latest technology. We expect the volume of rental business to rise further on the back of the economic upturn and the appeal of rental products. The contribution to earnings made by the PEMA Group is anticipated to increase significantly.

TRUCKPORT

Our wholly owned subsidiary TRUCKPORT specialises in evaluating and remarketing commercial vehicles. Its team of experts and a dedicated reconditioning site help us remarket equipment returned after insolvencies. We also offer this service to third parties. In mid-2010, TRUCKPORT moved into its new head office in Karlstein. The site includes a 45,000m² storage area for commercial vehicles and a modern delivery centre.

The GEFA Group along with its subsidiaries PEMA and TRUCKPORT remarketed over 3,500 commercial vehicles and trailers in 2010. It is therefore one of Europe’s leading vendors of used commercial vehicles.

Buses and coaches

GEFA has been a major funding partner for the bus and coach sector for many years and is highly respected due to its in-depth sectoral and equipment expertise. We assist about a third of German bus and coach companies with their investment plans and have around 5,000 buses and coaches in our financing portfolio.

In 2010, we were unable to repeat the growth achieved in previous years because of the bus and coach sector’s reluctance to invest in new vehicles in the wake of the economic crisis.

We are confident that the number of registrations of buses and coaches will start to rise again in 2011. Coach tourism in Germany is gaining momentum and travel by bus or coach is becoming increasingly popular. Bus and coach manufacturers are boosting this trend by using innovative service components to make vehicles more comfortable, more convenient and safer. There are also interesting prospects for local bus services. These trends are being driven by growing environmental awareness and increased demand for low-energy transport systems.

Agricultural and forestry equipment

Our Agricultural Finance centre of competence caters to agricultural equipment vendors as well as agricultural contractors and farmers. Turnover from our agricultural equipment business, including from the financing business of prodecofinance GmbH & Co. KG, declined by 11 per cent in the year under review. The defining trends during the course of 2010 were low levels of capital spending, intense competitive pressures on margins and a higher number of companies with payment difficulties.

The industry is optimistic about 2011. Producer prices have returned to a high level and an increase in capital expenditure is expected again as agricultural equipment dealers have significantly reduced their inventories in recent years. Stimulus is also expected from the flagship trade fair AGRITECHNICA, which is scheduled for mid-November in Hannover.

Fork-lift trucks

Having suffered a considerable decline in 2009, business in fork-lift trucks recovered in the year under review. Total turnover climbed by 8 per cent, and vendors of fork-lift trucks and working platforms anticipate a similar level of growth in 2011. We bettered the industry's impressive performance in 2010 by achieving growth of approximately 15 per cent.

Aircraft

The business aviation market was still depressed by the fallout from the economic crisis in 2010. Despite a small increase in flight traffic, the number of business aircraft for sale increased. This caused market prices for aircraft to fall further worldwide. Demand only remained stable in the top-level segment for large business jets, where there were also some price rises.

Against this difficult background, our centre of competence AL Aviation Leasing GmbH signed 51 new agreements (2009: 53 agreements), including with 15 new customers. Funded assets declined by 9 per cent to around € 400 million.

We expect asset prices to stop falling and demand for business aircraft to pick up again in 2011 as part of the macroeconomic recovery. As in previous years, we will join forces with our European sister companies from SG Equipment Finance to exhibit at the EBACE aviation trade fair in Geneva and at the AERO trade fair in Friedrichshafen.

Barges and containers

Our barges and containers business also felt the impact of the difficult economic conditions in the German and international transport industry. We suffered a slight decline in turnover but are confident that opportunities for growth will return to this market as the volume of water-based transport increases.

INDUSTRIAL EQUIPMENT

Another key pillar of our business model besides Transport is Industrial Equipment. This area combines our financing and asset expertise related to construction equipment, machine tools, printing machinery, packing equipment, plastics-processing equipment, production equipment and other industrial equipment. The engineering and manufacturing sectors were hit hard by the global slump in orders that began to emerge in 2008. 2009 was the worst year in decades for the German engineering sector.

There was a rapid recovery in 2010, buoyed above all by rising demand in the export markets. German companies' machinery and equipment are relatively modern, so they only needed to invest in new capacity or replace old machinery to a limited extent. As a consequence, our new business volume contracted by around 8 per cent to € 660 million. Of this total, € 455 million stemmed from lending and hire purchase and € 205 million came from leases.

Construction equipment

Germany's primary construction industry did not experience the same upturn as the economy as a whole in 2010 despite extensive fiscal and economic stimulus packages. Whereas manufacturing companies, for example, achieved turnover growth of 12 per cent, turnover in the primary construction industry declined by a nominal 1 per cent.

The construction industry is traditionally an important area of business for GEFA's equipment and vendor finance products. We have extensive sectoral and equipment expertise as well as good contacts. In 2010, we suffered a slight decline as we were unable to avoid the industry's general trend of falling turnover.

The economy is forecast to stabilise in 2011, and we are intensifying our key sales relationships with construction equipment vendors. This gives us confidence that we will be able to boost our volume of new business. We expect to see stimulus from the rising number of building permits and incoming orders in the residential and commercial construction sector.

Production equipment

Following a catastrophic 2009 marked by a huge slump in orders, the engineering sector regained momentum in 2010 and generated an average increase in order intake of more than 30 per cent. The automotive industry, component suppliers, metal product manufacturers and processors as well as plastics companies largely enjoyed full capacity utilisation. There are longer delivery periods for some products due to significant reductions in raw materials inventories.

We maintained our longstanding, proven financing partnerships with many companies during the crisis, supporting them with intelligent bridging concepts. Professional risk management enabled us to keep our defaults in the engineering sector at a manageable level.

Many companies only found their feet again during the course of 2010 and gradually increased their capacities, which meant that capital spending varied from segment to segment within the industry. Whereas we achieved strong gains in the volume of new business from production equipment as well as rubber-processing and plastics-processing equipment, we experienced a further decline in business from printing machinery and machine tools.

Based on the continued good forecasts from the German Engineering Federation (VDMA) und the upturn in business during the first few months of 2011, we anticipate a return to satisfactory growth rates for new business this year.

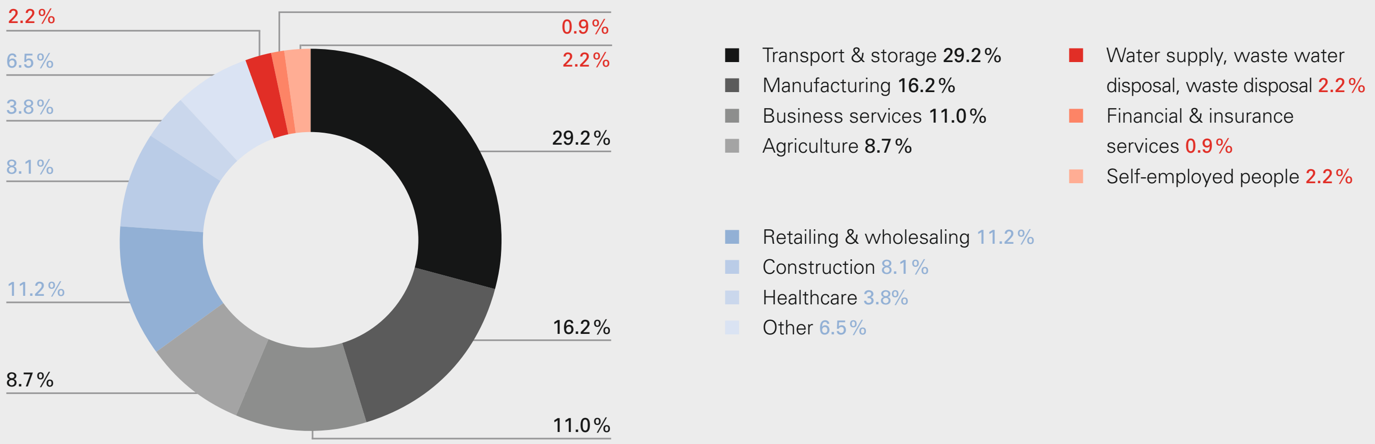
We will use EMO, a major international engineering fair in Hannover, to advise vendor partners in person. Along with our sister companies in the SG Equipment Finance Group, we will also profile ourselves as an expert funding partner with an international network.

Taking on challenges, shaping the future

1.1 per cent more turnover in the primary construction industry is the forecast of the German Construction Confederation for 2011. This means that it would increase to around € 82 billion.

2 billion euros or more is the amount we have made available to numerous companies in the construction industry over the last ten years. They have used these funds to invest in new construction machinery, vehicles and equipment.

NEW-BUSINESS PORTFOLIO IN 2010 BY SECTOR



HIGH-TECH

Developing innovative financial services for the high-tech markets is a very important aspect of our business strategy. We are convinced that the rapid advances being made in technology will open up attractive growth opportunities for our business. Moreover, the financial and economic crisis showed that high-tech is less vulnerable to crises and economic cycles than sectors such as transport and industrial equipment.

Our sales and marketing organisation in this business is geared to supporting vendors. We advise and support domestic and international vendor partners with the structuring, implementation and realisation of financing, leasing and funding programmes aimed at boosting the sale of high-quality industrial equipment. In doing so we work closely with the SG Equipment Finance network and the Paris-based Sales and Marketing department.

We expanded our new high-tech business by more than 13 per cent year on year, and it accounted for an even larger proportion of GEFA's total new business than it had in 2009.

Our Information Technology (IT) CoC enjoyed a highly successful year in 2010. This CoC serves hardware and software vendors and IT lessors. It managed to expand alliances with key manufacturers and enter into new vendor partnerships in 2010. For 2011, we expect continued growth in the hardware, software and services segments.

The Office Equipment CoC was unable to maintain its very strong performance from 2009. The situation was mixed because sales partners' turnover declined and the fall in prices for various asset groups impacted negatively on our new business. We restructured the CoC at the start of 2011, creating closer ties with the Medical Equipment CoC.

The Medical Equipment CoC supports vendors in the fields of dental equipment, ultrasound, imaging systems and endoscopy. Our clientele also includes large private hospitals and groups of doctors. Demand for financial services varied significantly in the different segments of medical equipment.

Whereas our business in the dental market remained below its 2009 level, we recorded a slight increase in turnover from ultrasound equipment and imaging systems. We also made gains in boosting vendors' sales of endoscopic devices by stepping up our partnership with a new vendor. Overall, though, our volume of new business was lower than it had been in 2009. Furthermore, many doctors held back from new capital expenditure in light of the discussions about the German government's healthcare reforms. On the whole, however, we are confident that we will be able to expand our medical equipment business in 2011.

Project and concept management

Our Project and Concept Management CoC is a back-office department that assists with the development of new business lines and strategies. A team of experts possesses a wide range of expertise that they use to help clarify tax matters and questions of civil law. Its tasks include drafting international insurance framework agreements and putting together custom financing solutions for vendor partners above and beyond the standard loan, leasing and hire purchase products.

Globalisation of the markets and cross-border business relations increasingly necessitate compliance with international regulations on companies and financial reporting standards. We also devise special solutions for our customers in this area.

We work closely with departments in the Société Générale Group, thereby creating synergies.

CENTRE OF COMPETENCE FOR INSURANCE

We have offered standardised and equipment-related insurance policies in connection with our financing and leasing products since 2007. In 2010, we were again highly satisfied with the performance of our insurance business. We optimised our range of insurance services and successfully launched innovative new products. Our insurance service encompasses a broad selection of products, from the offsetting of unsecured risk exposures, decreasing temporary insurance and various equipment-related insurance policies to business interruption insurance and electronics insurance.

Besides developing and optimising our products, we focused on expanding the IT platform needed for our growing insurance business.

By cooperating with leading insurers, we can obtain cost-effective premiums for our customers while ensuring they receive an optimum level of service. Constant premiums over the term of the financing agreement provide a transparent cost base for our customers.

For 2011, we have once again set ourselves ambitious targets for our insurance business and we anticipate that its profit contributions will grow steadily.

CENTRE OF COMPETENCE FOR FINANCIAL SERVICES

In our Financial Services CoC we develop special services for our direct customers. The fuel card introduced in the summer of 2009, which we offer to customers in the haulage and bus & coach travel sectors in cooperation with DKV Euro Service, met with very positive feedback in the year under review.

The SG Equipment Finance/DKV card enables GEFA customers to make cashless payments for fuel at more than 33,000 petrol stations in Europe and to pay toll, tunnel, bridge and ferry charges. The card comes with additional services, such as a 24-hour breakdown service and route planning recommendations that minimise costs. We are optimistic that the number of fuel cards issued and used will continue to rise significantly.

At the start of 2011 we launched another new service product for our transport customers, the SG Equipment Finance service card. We have teamed up with respected cooperation partners who offer our customers attractive deals on buying tyres, lubricants and spare parts.

In this way we are making significant progress in our evolution from a financing specialist to a service partner for transport companies.

CENTRE OF COMPETENCE FOR INVENTORY FINANCE AND RENTAL FINANCE

Our tailored inventory finance and rental finance products open up additional opportunities for manufacturers to boost their sales and provide dealers with financial flexibility and safeguard their ability to supply their customers. Inventory finance and rental finance are important tools within our sales strategy for retaining customers and acquiring vendor finance business.

We finance the procurement of inventories of high-value capital equipment without impairing suppliers' and vendors' liquidity. Repayments are made out of the sales proceeds.

We primarily finance commercial vehicles, buses and coaches, construction equipment, machine tools, agricultural equipment and municipal equipment.

In 2010, our business with vendors was initially held back by low inventory levels and limited creditworthiness. The situation did not improve until the second half of the year, and we were then able to enter into many new exposures. We did not achieve our targeted volume of funded assets, but we are confident that existing customers will draw down the credit lines made available to them to a greater extent as the economy recovers during 2011.

CENTRE OF COMPETENCE FOR VENDOR MANAGEMENT

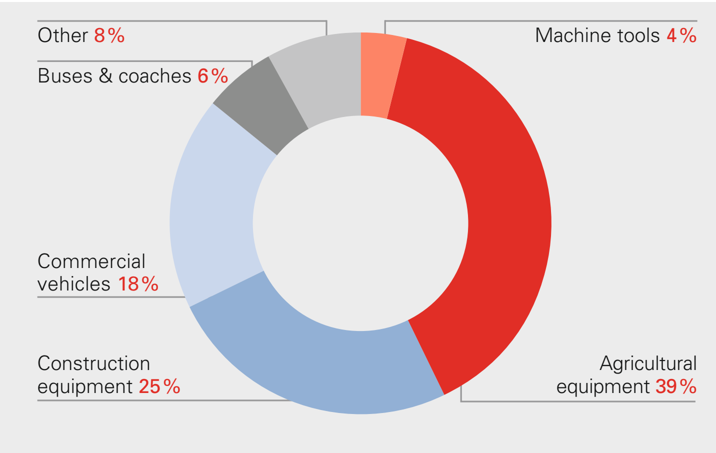
The main tasks of the Vendor Management CoC are to manage GEFA's cooperation agreements with banks throughout Germany and to coordinate its domestic and international sales partnerships.

We restructured our vendor business in 2010 in order to provide the various customer and target groups with even stronger support. Special support units were set up for international, multi-country, national and local vendors. To improve our sales partnerships with international and multi-country vendors, we work closely with our colleagues in the Sales and Marketing department at SG Equipment Finance's headquarters in Paris and with our sister companies in the Group.

The difficulties of the financial and economic crisis showed that our vendor finance business with sales partners rests on firm foundations.

Our leasing business as part of cooperation agreements with banks performed as expected due to the generally still weak demand for capital investment.

INVENTORY FINANCE & RENTAL FINANCE BY EQUIPMENT TYPE



In late 2009, as part of the process optimisation model KISS (keep it small and simple), we put in place the organisational structures required for small-ticket standard financing by setting up the Contract Service Centre (VSC). These financing products have been optimised for vendor partners and customers in terms of content, timing and processes. More than 25 per cent of all new contracts were handled using standard processes in 2010.

GEFA's field sales staff are being equipped with iPads so that they can use multimedia presentation technologies to provide comprehensive expert information about our products and services when they visit customers. They can also use a web-based offer-generation, decision-making and contract-preparation tool in order to quickly close and process binding standard financing contracts.

PROCESS MANAGEMENT

Centralised procurement by the Sourcing Shared Service Centre for all the German subsidiaries of Société Générale again led to considerable cost benefits in 2010. Overall, savings of almost € 4 million were generated for the six companies involved. A framework agreement for facility management concluded with a respected service provider will generate further savings.

We continued with our Six Sigma projects, which are designed to ensure that our customer relationship management is based on process-related theory and practice. The head of process management has been certified as a Master Black Belt, which enables us to train sponsors and Green Belts ourselves. We also received strong support from our parent company on this initiative. Two of GEFA's Six Sigma projects were shortlisted for the Group's best practice award in 2010.

As part of Société Générale's synergy concept, GEFA sold its Ulm premises in 2010; the branch there has rented new offices. Our branch in Erfurt has relocated to new offices shared with our sister company Hanseatic Bank in Erfurt. The Hannover branch also moved.

Besides significantly reducing costs, these collaborative projects enabled us to improve communication and expand cross-selling.

IT organisation

GEFA's IT organisation is involved in the harmonisation of IT within the Société Générale Group. It is helping with the transformation of transaction processing for SG Equipment Finance by developing and making available technical solutions. We again invested heavily in modernising and expanding our IT in 2010.

Taking on challenges, shaping the future

3,130 million tonnes of goods were transported on Germany's roads in 2010 according to an estimate by the Federal Ministry of Transport, Building and Urban Development. That is 1.2 per cent more than in 2009. Road transport therefore remains the most common way of moving goods.

65,000 light and heavy commercial vehicles on Europe's roads and motorways – at the minimum – have been financed by, leased or rented from GEFA or PEMA.

Credit approval system (CAS)
The new credit approval system (CAS), which was implemented in close cooperation with our longstanding development and marketing partner S&N AG, has proved its worth since going live. We will continually enhance the modular application system, which has been tried and tested as part of the internal ratings-based approach (IRBA), taking account of regulatory requirements.

Loan administration system
In 2011, we will implement the CASSIOPAE loan administration system from the French software company of the same name, replacing the KB-Online loan administration system that we have been using for more than two decades. This major change of systems will pose particular challenges for the interdisciplinary project team. Full training will be provided to facilitate the introduction of the new system.

IT infrastructure
One of our parent company's objectives under the 'Ambition 2015' initiative is to optimise the cost-effectiveness and technology of its global IT infrastructure. Liaising with the project teams at head office and in cooperation with the German Sourcing Shared Service Centre, our parent company is examining the potential economic benefits of technological consolidation as well as increased centralisation of the external procurement of IT infrastructure services.

IT project management
Various steps were again taken in 2010 to bring about long-term improvements to IT processes and IT services in connection with the 'improve it' strategic initiative. We underwent an external, independent audit for the ISO/IEC quality standards and our certification was renewed.

RISK MANAGEMENT AND BASEL

GEFA's risk management systems enable the entire Bank to be managed in accordance with its risk and earnings position. Timely monitoring and focused, active portfolio management ensure that risks are identified and contained at an early stage. Our risk strategy is consistent with our business strategy, as stipulated by the Minimum Requirements for Risk Management (MaRisk), and covers all material business lines and risk categories.

GEFA will continue to harness market opportunities so that it can achieve its corporate objectives. In doing so, it is essential to deal with risk responsibly. To maintain the right balance between risk and opportunities for profit, we systematically apply and continually refine our strategy for ensuring that risks can be sustained and contained as part of our overarching risk management approach.

MaRisk was also implemented in the version valid during the reporting period, as were the disclosure requirements of the Solvency Regulation (SolvV).

In accordance with the requirements of section 25a (1) of the German Banking Act (KWG), GEFA has set up a system to identify, assess, manage, monitor and communicate the risks it assumes. The risk strategy defines the rules for managing and monitoring risk. The responsible decision-makers put the risk strategy into practice in line with the resolutions of the Management Board. Collective responsibility for risk monitoring and management rests with the GEFA Management Board. Counterparty risk, market risk, liquidity risk, operational risk and concentration risk have been defined as material risks. Decision-makers in the individual entities manage risk within the limits set by the Management Board.

To safeguard GEFA's existence in the long term, it is essential that the assumed risks can be mitigated by appropriate aggregate risk cover. Irrespective of risk appetite, the Management Board decides on the proportion of risk-mitigation potential that is available as aggregate risk cover. As in the past, this risk cover was assessed very conservatively. All previously identified material risks are quantified and compared with the aggregate risk cover as part of the risk sustainability calculation. The risk sustainability calculation revealed that GEFA possessed highly adequate levels of capital, even under various stress scenarios. This means that GEFA was able to sustain its risks without difficulty at all times during 2010.

Our advanced Basel II approaches had a positive impact on our equity ratio in 2010. Further improvements were made to the accuracy of our scorecards for estimating the probability of default (PD) and the loss given default (LGD) in our business with corporate customers.

GEFA's cost of capital is based on the quality of the credit and leasing portfolio, which is determined by the credit standing of customers and the value of the assets being financed. As an equipment financier with more than 60 years' experience in the market and in-depth sectoral and equipment expertise, GEFA has been able to devise particularly appropriate credit rating methods. They allow physical collateral to be properly, individually appraised using an online credit application system. This quality-assured rating tool enables lending decisions to be made swiftly and expertly. Decision-makers at GEFA are responsible for approving loans.

GEFA's risk managers formulate risk policy, develop methods and processes, analyse the prevailing risk position on an ongoing basis and ensure transparent reporting. Risk analysis findings are presented at regular meetings of the Risk Committee, which makes recommendations to the Management Board. Fundamental decisions on the risk management strategy and tools are taken by the Management Board, to which the risk managers report directly as an impartial and independent function.

In addition, GEFA uses further methods and routines that provide a reliable way of making risks – including operational risk – transparent. 'Permanent supervision' is one of many systems used in this connection. This self-monitoring tool enables controls to be performed on sensitive procedures in GEFA's departments with the aim of averting or mitigating risk.

The Risk Committee meets monthly and its members include the Management Board. An Asset-Liability Management Committee also meets regularly, and its task is to manage and monitor interest-rate risk, currency risk and liquidity risk. A committee monitors and manages operational and compliance risk in accordance with the minimum requirements for the compliance function and additional obligations regarding rules of conduct, organisational requirements and transparency pursuant to section 31 et seq. of the German Securities Trading Act (WpHG) (MaComp) and section 25c KWG.

Our system for the early detection of risk enabled us to further improve key risk parameters of the rating system and optimise risk management. The steps that we have taken in the past to establish a comprehensive risk management system proved their worth during the economic and financial crisis. They again stood us and our customers in good stead during the year under review.

GEFA prepared itself in good time for the new Basel III requirements, which were published at the end of 2010. The aim of the requirements is to strengthen the capital base in qualitative and quantitative terms, improve risk identification and introduce new liquidity standards for the international banking system. We took suitable steps to implement the new regulations, above all in relation to the new capital requirements, which GEFA has now implemented.

EMPLOYEES

Exceptional demands were made of our employees in 2009 and 2010. The Management Board would like to thank all staff for their dedication, commitment and loyalty. Thanks also go to the employee representatives, with whom we maintained a close dialogue on business, personnel and social issues.

GEFA EMPLOYEES' YEARS OF SERVICE

Years of service	Employees
0 – 1	59
2 – 3	84
4 – 5	71
6 – 9	140
10 – 14	167
15 – 20	136
21 – 24	69
25 – 30	46
> 30	26

The number of current employees rose to 781, 20 more than in 2009. At the end of 2010 we employed 472 people at our head office in Wuppertal and 309 staff at our branches. 61 employees supported customers and sales partners from tele-offices. 45 members of staff – including 24 trainees and apprentices – were employed on fixed-term contracts. The average age of our workforce was 43.9 years at the end of 2010. The proportion of female employees rose slightly to 42 per cent.

AVERAGE AGE OF GEFA EMPLOYEES

Age (years)	Employees
20 – 25	36
26 – 30	44
31 – 35	76
36 – 40	116
41 – 45	178
46 – 50	148
51 – 55	115
56 – 60	62
61 – 65	23

GEFA-Leasing GmbH employed 91 people at the end of 2010; this headcount is included in the above figures.

During the year under review four employees celebrated 40 years of service with the Company. Another 16 employees reached their 25th anniversary, while 18 members of staff completed a decade of service. Our special thanks go to all of them for their longstanding loyal service at GEFA.

One current member of staff and eleven retirees passed away in 2010. We will always honour their memory.

Training and development

We attach great importance to developing talent within our workforce, especially in light of demographic change. That is why we continued to run our programmes for commercial, clerical and business information systems trainees. We hired all of the trainees who qualified in 2010.

At the end of 2010, 24 employees were still undertaking apprenticeships, traineeships or a university degree combined with vocational training. On this degree course, which we offer in collaboration with Baden-Württemberg Cooperative State University in Karlsruhe, students receive commercial, clerical or IT-related training while studying for a Bachelor of Arts (BA) degree.

As part of the Société Générale Group, GEFA can draw on the exclusive seminars and development programmes run by its parent company for its own talent management.

In 2010, we gave schoolchildren and students the chance to work as interns at GEFA and we employed young people from within the European Economic Area as part of the *Volontaire International en Entreprise* scheme.

Over the course of 2010, 142 employees underwent a total of 617 days of training. Language training accounted for a significant proportion of these.

STAFF SHARES SCHEME

Our staff once again had the opportunity to subscribe for shares in Société Générale at reduced rates in 2010. The take-up of this offer was high.

Corporate social responsibility

Our parent company Société Générale believes that it has a responsibility towards society and the environment. It attaches great importance to social and environmental matters. GEFA also supports charitable organisations in Germany in line with the objectives and activities defined in its corporate social responsibility (CSR) concept.

During 2010, we participated in Citizen Commitment Week, which took place in June, as well as in various charitable activities, placing particular emphasis on employees getting involved themselves. The charitable organisations that we supported in 2010 included Wuppertaler Tafel, Kindertal, UNICEF, Caritas and cancer charities.

We want to step up our CSR activities this year and are planning fundraising campaigns as well as charity work in which our employees can take part.

OUTLOOK

The German economy has recovered faster from the effects of the global economic and financial crisis than had been generally expected. It was especially the small and medium-sized enterprises – and not simply the major corporations – that proved robust and professional as they overcame the unusual challenges. Many of them emerged stronger from the crisis.

In view of the current optimistic economic forecasts for the majority of industries, we expect rising demand for equipment and vendor finance services. We have prepared for growth in new business by introducing new and innovative products and optimising our processes. Our aim is also to maintain the level of profitability achieved in 2010.

We will continue to do everything in our power to be a competent, reliable and fair funding and service partner to our customers and business partners.

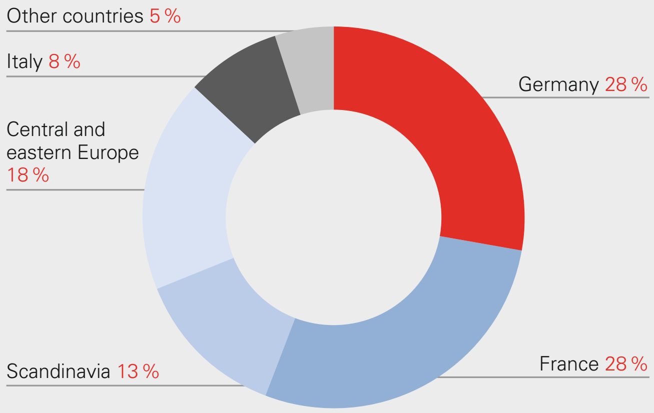
SG Equipment Finance in 2010: ready for the upturn in the leasing market

The SG Equipment Finance Group, which is a leading financial service provider in Europe and worldwide with a presence in 25 countries, has proved its resilience in a difficult economic climate.

Leaseurope, the European Federation of Leasing Company Associations, expects slight growth in the leasing market, based on the estimates of local organisations for 2010. Strong turnover growth was reported in the year under review, especially by countries hit hard by the crisis. SG Equipment Finance was able to consolidate its market leadership. It owes this success primarily to its sound business model, the high quality of its services for vendors and customers, plus efficient operational processes.

In 2010, SG Equipment Finance generated new business of € 8.6 billion, which was evenly spread across all core businesses and markets. The value of its managed assets was more than € 23 billion at the end of 2010. With sustained success in the vendor business, strong sales relationships, sound growth in the emerging markets of Brazil, China and Russia, and earnings at a record high level, SG Equipment Finance has demonstrated that it can perform well even in a challenging economic environment.

NEW BUSINESS BY COUNTRY IN 2010



SG Equipment Finance provides a full-service rental offering for commercial vehicles in nine European countries through its subsidiary PEMA. The rental fleet contained around 15,000 vehicles at the end of 2010, making PEMA the third-largest independent commercial-vehicle rental company in Europe. PEMA's new business volume rose by 22 per cent due to increasing demand in the transport sector. We anticipate similar growth in 2011.

SG Equipment Finance can rely on strong support from its parent company Société Générale, enabling it to pursue its business strategy and maintain close relationships with vendor partners and customers, even when it is more difficult to obtain funding.

In 2011, SG Equipment Finance will continue to pursue a strategy of profitable growth as the economy gradually recovers.

Our parent company Société Générale was the twelfth-largest European bank in terms of market capitalisation as at the end of 2010. It employs 157,000 people in 85 countries. In 2010, it posted profits of € 3.9 billion, underscoring the economy's recovery after the crisis. Société Générale had a sound core capital ratio (Tier 1 ratio of 10.6 per cent under Basel II and a core Tier 1 ratio of 8.5 per cent) at the end of 2010.

Société Générale is a leading provider of specialised financial services and insurance. Its division of the same name includes the equipment and vendor finance provider SG Equipment Finance.

Taking on challenges, shaping the future

33 million customers are served by Société Générale worldwide. The banking group employs 157,000 people and is present in 85 countries.

30,000 employees in 45 countries work in the Specialized Financial Services and Insurance division. Of these, more than 3,000 people are employed at SG Equipment Finance.

Management report for 2010

1. BUSINESS; ECONOMIC CONDITIONS

STRATEGY

GEFA Gesellschaft für Absatzfinanzierung mbH (GEFA) forms part of the SG Equipment Finance (SGEF) business unit in the Specialized Financial Services division of the Société Générale Group. SG Equipment Finance is also the umbrella brand for the equipment and vendor finance activities of Société Générale. Under this umbrella brand, GEFA and its subsidiaries and sister companies support clients and sales partners in Europe, Asia, the Americas and Australia, for which they can draw on the strengths of an international network. GEFA is one of Germany's leading vendor finance providers.

We offer our customers further financial services and products along the entire value chain in order to maintain our return on equity at a high level over the long term.

STRUCTURE OF SALES AND MARKETING

GEFA focused on its core businesses in the year under review. In line with the needs of our clients, we divided all our products, services and core competences into our three focus industries of Transport, Industrial Equipment and High-Tech. We continued to expand our centres of competence (CoCs), in which we pool financial expertise for certain sectors, products and vendor partners.

BUSINESS PERFORMANCE

In 2010, GEFA increased its new business (excluding receivables purchased from GEFA-Leasing GmbH) by 4 per cent to € 1.651 billion (2009: € 1.587 billion). Our margins were slightly narrower than they had been in 2009.

Of the total volume of new business, Transport generated € 1.008 billion (down 3 per cent), Industrial Equipment € 454 million (down 16 per cent) and High-Tech € 189 million (up 84 per cent). The reason for the increase generated by High-Tech is the acquisition of a new vendor with significant potential.

The volume of new business originated from agricultural equipment contracted by 23 per cent, having expanded in 2009. New business from production equipment declined for the second consecutive year. We achieved growth of almost 150 per cent in the IT sector.

ORGANISATIONAL MEASURES

The annual financial statements for the year ended 31 December 2010 have been prepared for the first time in accordance with the new regulations of the German Commercial Code (HGB), as amended by the German Accounting Law Modernisation Act (BilMoG) of 25 May 2009 (Federal Law Gazette (BGBI.) I, page 1,102). GEFA has exercised the option available under section 67 (8) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB – transitional provisions for the German Accounting Law Modernisation Act) and has not restated the comparative figures from 2009.

By revising our benchmarking and defining our key process indicators (KPIs), we increased process performance and made it more transparent in 2010. We also made further improvements to how we manage resources by applying the Six Sigma method.

We aim to cut our CO2 emissions and have already significantly reduced the amount of paper we use. Other projects are under way.

GEFA sold its Ulm premises in 2010 and will move to new offices in the town in 2011. Having sold our property in Hamburg in 2009, we moved into new premises in mid-2010. When leases expire, GEFA's strategy is to review the amount of rental space required, taking financial considerations into account. Sub-leases have generated some synergies within the Société Générale Group. GEFA has rented out some of its offices in Erkrath to ALD, while in Erfurt GEFA has sub-let offices from Hanseatic Bank. This strategy will continue in 2011, leading to further cost savings. We also expect these synergy projects to generate additional cross-selling of various products in the Group.

GEFA revises its business continuity planning (BCP) on an ongoing basis. We also provide regular reports to the Group. At head office, GEFA initiated a new business impact analysis for all areas and a threats and weaknesses analysis in 2010. The results affirmed the business contingency planning that we have had in place for years. We successfully tested parts of the business contingency planning in 2010.

INFORMATION TECHNOLOGY

We successfully completed the implementation of the credit approval system (CAS) in 2010. The credit approval process, with its updated functions and technology, has proved its worth since going live. Working with a long-standing partner, we will continually enhance the modular credit approval system, which has been tried and tested as part of the internal ratings-based approach (IRBA), taking account of regulatory requirements.

As part of the KBX project, we will install standard software in 2011 to replace the loan agreement administration system that we have been using for more than two decades. The standard software is already used in other business units of Société Générale. Due to various process and technological dependencies, this will be a major change of systems and will pose particular challenges for the interdisciplinary project team. Having completed the development and configuration work, the team is now carrying out quality assurance. This phase involves testing the functionality and data migration and thoroughly verifying the system's reliability. Full training on how to use the system is being prepared.

GEFA's IT organisation is involved in the group-wide harmonisation of IT and is helping with the transformation of transaction processing for SGEF by developing and making available technical solutions.

GEFA continued to drive the deployment of the treasury back-office module in 2010, which GEFA uses and makes available internationally. This service was rolled out to SGEF companies, including in Austria, the United Kingdom, Italy and China, in order to leverage functional and technological synergies in the SGEF Group by standardising funding processes. Greater use of the SAP platform will be achieved in cooperation with the relevant business unit in 2011 by adding further modules.

One of Société Générale's objectives under the 'Ambition 2015' initiative is to optimise the cost-effectiveness and technology of its global IT infrastructure. Liaising with the project teams at head office and in cooperation with the German Sourcing Shared Service Centre, our parent company is examining the potential economic benefits of technological consolidation as well as increased centralisation of the external procurement of IT infrastructure services.

Various steps were taken in 2010 to bring about long-term improvements to IT services and processes in connection with the 'improve it' strategic initiative.

All IT services and processes were examined by external, independent auditors for compliance with the ISO/IEC 20000 quality standards. The successful audit confirmed that the IT organisation operates in accordance with the standards and continually improves its work.

The KPI system, which was enhanced in 2010, forms the basis for all defined IT process and service reports that have been agreed with the departments – the IT organisation's internal customers. It serves to improve the management and monitoring of IT processes and raise the quality of IT services. The related documentation provides evidence to auditors of the standards reached.

As part of the TEMPO project, measurement and analysis tools were implemented in order to permanently monitor the performance, capacity utilisation and availability of IT systems. The aim is to safeguard the quality of IT services and configure the IT infrastructure in line with requirements.

OUTSOURCED FUNCTIONS

In accordance with section 25a (2) of the German Banking Act (KWG), GEFA has outsourced the following material functions used to conduct banking business:

- data centre
- use of a centralised service centre for automated retrieval of account information in accordance with section 24c KWG.

HUMAN RESOURCES

GEFA employed 651 people – measured in full-time equivalents – at the end of 2010; this was ten fewer than at the end of 2009. The workforce reflects the diversity of the Société Générale Group: employees from 23 different countries work together at GEFA as a professional team. They were aged between 21 and 65 years in 2010. The average age of our employees was 45.9 years, and 36.9 per cent of them were female. Part-time employment, flexible working-time models and, not least, childcare for the under-threes make it easier for both female and male employees to return to work after parental leave. Ten people were in pre-retirement part-time employment in 2010.

Since mid-2010, all training of young professionals has been provided exclusively by GEFA-Leasing GmbH.

GEFA took on four new employees during the year under review. Most of the new hires were again at GEFA-Leasing GmbH, which has had its own staff since 2007. In practice, there are now employees from both entities in almost all departments.

One current member of staff and 13 retirees passed away in 2010. We will always honour their memory.

BRANCHES

In addition to its head office and the branch in Berlin, which is registered as a branch office, the Company had ten other branches as at 31 December 2010. 275 people worked in our branches at the end of 2010.

Taking on challenges, shaping the future

9.745 billion passengers used buses, trams and trains in Germany's local public transport networks in 2010. That equates to a year-on-year rise of 39 million passengers or 0.4 per cent.

5,000 buses and coaches transporting passengers in the tourism and local public transport sectors are included in GEFA's funded assets. This makes GEFA the leading non-captive funding partner for the German bus and coach industry.

2. RESULTS OF OPERATIONS

INCOME

Net interest income fell by € 10.2 million to € 145.4 million in 2010. This decrease is mainly attributable to the lower volume of total credit extended, which had declined by € 308 million to € 5.505 billion by 31 December 2010. The margin on existing business remained at a high level. Average total credit extended reduced by 7.5 per cent (€ 457 million) to € 5.621 billion.

Income from profit transfer agreements increased by € 28.6 million to € 60.4 million. This amount includes the profits and losses transferred from GEFA-Leasing GmbH and TRUCKPORT Dienstleistungsgesellschaft für Nutzfahrzeuge GmbH. Due to the decline in new business and the resulting lower start-up losses, the profit transferred from GEFA-Leasing GmbH increased by € 27.2 million, from € 31.3 million in 2009 to € 58.5 million in 2010.

Other operating income was unchanged at approximately € 34 million.

ADMINISTRATIVE COSTS

Administrative expenses decreased by € 1.1 million in 2010. The increased intercompany administrative charges were more than offset by lower premiums for insolvency insurance (Pension Security Association) and smaller bonuses.

Staff expenses fell by € 2.4 million (decrease of 3.5 per cent) on 2009 to € 65.4 million. Of this total, € 1.1 million stemmed from lower premiums for insolvency insurance and € 0.4 million from severance packages.

Our cost management, which is based on benchmarks and budget targets, is aimed at achieving consistent and sustainable cost savings. Despite a 5 per cent decrease in the total volume of credit extended, operating costs nevertheless increased by 6.5 per cent to € 25.6 million in 2010 (2009: € 24.0 million). This rise was largely due to the € 1.2 million rise in intercompany administrative charges.

GEFA remains focused on cost management. Besides consolidating office space at our existing premises, we are working hard to improve procurement. The Sourcing Shared Service Centre achieved considerable success. Centralised strategic procurement by the Société Générale Group in Germany also generates significant benefits for GEFA.

Depreciation, amortisation and write-downs of tangible and intangible assets declined by 9 per cent year on year to € 3.0 million.

WRITE-DOWNS OF AND VALUATION ALLOWANCES ON ACCOUNTS RECEIVABLE

Write-downs of and valuation allowances on accounts receivable fell by 61.6 per cent, from € 73.9 million in 2009 to € 28.3 million in 2010. Lower net write-downs were required in the year under review owing to the cautious estimate made in 2009. At the same time, higher selling prices were obtained from the remarketing of used equipment, especially in the transport sector.

PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities after taxes rose to € 110.3 million in 2010. This amount includes the profits and losses transferred from GEFA-Leasing GmbH, TRUCKPORT Dienstleistungsgesellschaft für Nutzfahrzeuge GmbH and SG Equipment Finance Services GmbH.
GEFA's net income, excluding the profits/losses transferred from subsidiaries, advanced by € 34.6 million to € 50.0 million. This increase was essentially due to a € 45.5 million reduction in risk costs, which was partly offset by the € 10.2 million decrease in net interest income.

GEFA will transfer a profit of € 110.3 million (2009: € 47.0 million) to SG Equipment Finance SA & Co. KG (SGEF KG) under the profit-and-loss transfer agreement.

3. FINANCIAL POSITION

DEBT FINANCE

GEFA traditionally funds its lending, most of whose terms and conditions are fixed, mainly by raising fixed-rate loans with matching maturities. We used interest-rate instruments to hedge borrowing with non-matching maturities that entailed an interest-rate risk.

At the end of 2010, the notional amounts and fair values of interest-rate swaps and forward rate agreements amounted to:

	Currency	Quantity	Notional amount (€ million)	Positive fair value (€ million)	Negative fair value (€ million)
Interest-rate swaps	EUR	290	1,644.2	35.6	31.8
	USD	2	12.6		0.3
Forward rate agreements	EUR	3	9.6		0.2
	USD	1	10.2		0.0

At the end of 2010, liabilities to banks had decreased by € 354 million to € 4.588 billion (end of 2009: € 4.942 billion) owing to the smaller volume of accounts receivable from customers and banks. The amounts with an agreed term or notice period declined by € 381 million, while the amounts repayable on demand rose by € 27 million.

The liquidity ratio, as defined by the Liquidity Regulation and which is calculated on a monthly basis, met the requirements of section 11 KWG at all times. It amounted to 1.97 at the end of 2010 (end of 2009: 1.73).

CAPITAL AND RESERVES

As in 2009, GEFA will pay its entire profit in 2010 to its shareholder SGEF KG, with which it has a profit-and-loss transfer agreement. No funds were allocated to retained earnings. GEFA Bank's capital and reserves were unchanged at € 764.2 million at the end of 2010.

The total capital ratio as defined by section 10 (1) KWG – which is explained in more detail in the Solvency Regulation – came to 26.30 as at 31 December 2010 (31 December 2009: 24.76).

4. NET ASSETS

MANAGED ASSETS AND TOTAL ASSETS

The volume of managed assets (financing agreements), which does not include the lease receivables purchased from GEFA-Leasing GmbH, reduced from € 4.403 billion at the end of 2009 to € 4.286 billion at the end of 2010, which represented a decrease of 3 per cent.

Including the lease receivables purchased from GEFA-Leasing, GEFA's total assets at the end of 2010 had fallen to € 5.859 billion (31 December 2009: € 6.147 billion) due to the sharp contraction in accounts receivable from customers resulting from the small volume of new business.

ACCOUNTS RECEIVABLE FROM CUSTOMERS AND BANKS

Accounts receivable from customers and banks had declined to € 5.505 billion by 31 December 2010 (31 December 2009: € 5.812 billion). At the same time, the volume of off-balance-sheet transactions as defined by section 19 KWG increased to € 207.8 million (31 December 2009: € 115.2 million).

The large proportion of medium-term maturities for instalment loans and lease receivables purchased meant that our accounts receivable were highly liquid. The proportion of amounts outstanding that are repaid within a year came to 39 per cent (31 December 2009: 38 per cent).

The structure of our clientele remained virtually unchanged in 2010. Our borrowers were mainly small and medium-sized enterprises from the transport, services, construction and manufacturing sectors.

All exposures were assessed in accordance with critical standards that take account of clients' credit standing and collateral. Adequate specific valuation allowances were made for all identifiable risks. We also set aside an appropriate general valuation allowance for inherent risks.

Valuation allowances recognised in 2009 were utilised owing to company insolvencies. The economic trend made further valuation allowances necessary in 2010. The total valuation allowances of € 84 million made appropriate provision for risk. Risk costs declined to € 28.4 million in 2010 (2009: € 73.9 million). At 51 basis points of the average accounts receivable from customers, risk costs were considerably lower than in 2009 (146 basis points).

LIABILITIES AND PROVISIONS

Liabilities to banks contracted by € 354 million to € 4.588 billion due to the decline in accounts receivable from customers. At € 263 million, liabilities to customers remained virtually unchanged year on year (2009: € 267 million). Sundry liabilities, which rose by € 61.5 million to € 130.9 million, reflect the additional € 63.3 million in profit transferred to SGEF KG.

Provisions grew by a total of € 8.1 million to € 93.5 million. The largest of these items was provisions for pensions (€ 3.6 million), of which € 0.8 million was a result of applying the BilMoG transitional provision. There was also a rise in provisions for intercompany administrative charges (€ 1.9 million) and for impending losses from the excess of negative fair values over the positive fair values of interest-rate swaps (€ 2.0 million).

5. EVENTS AFTER THE BALANCE SHEET DATE

The Group's auditing activities were merged on 1 April 2010 to form the new Inspection and Internal Audit (IIA) unit, which in French is called *Direction de Control Périodique* (DCPE). From 2011 onwards, GEFA's internal audit activities will then be transferred to a Hamburg-based auditing unit, which is responsible for Société Générale's German entities. To this end, GEFA signed a service level agreement with the Frankfurt branch of Société Générale S.A. as the service provider and Société Générale S.A., Paris, in

January 2011. By appointing an internal audit officer pursuant to AT 9 paragraph 8 of the Minimum Requirements for Risk Management (MaRisk), GEFA will ensure proper internal auditing and comply with the requirements of AT 4.4 and BT 2.

6. RISK REPORT

GEFA refines its risk management systems on an ongoing basis. The aim of these systems is to examine all operational processes and functions to determine whether they could give rise to risks and, if so, how significant these risks might be. GEFA meets the growing requirements with respect to the management of these risks by constantly refining the tools it uses to identify, measure, control and manage the risks it assumes.

Taking account of the business strategy, the risk strategy sets limits for all of GEFA's material risks. In this context, the main tasks of risk management are the identification, analysis, quantification and measurement of risks.

As required by the Solvency Regulation (SolvV), regulatory disclosures quantify the risk exposures and provide information about the available equity components. In addition, GEFA has established an economic system for determining its ability to sustain risk, which compares the economic risk with the potential for covering the risk. This calculates how high the unexpected loss could be as the total of all material risks in GEFA's portfolio. Under the risk strategy, aggregate risk cover was limited to 50 per cent of the available potential for covering the risk.

The risk sustainability calculation takes account of counterparty risk, interest-rate risk and operational risk. GEFA does not use any approaches to minimising risk between the individual risk types in its risk sustainability calculation and has adopted a very conservative risk-mitigation approach.

The vast majority of GEFA's aggregate risk cover consists of high-quality Tier 1 capital (subscribed capital, capital reserve and retained earnings).

GEFA has defined a 'normal scenario' plus the following 'stress scenarios':

- mild recession
- severe recession
- sector-specific problems & remarketing scenario.

As part of quarterly risk reporting, GEFA's ability to sustain risk is calculated and stress tests are carried out, thereby ensuring that GEFA can cover any risk that materialises at any time. Our calculations showed that GEFA possessed highly adequate levels of capital and that, even under the aforementioned stress scenarios, utilisation of the aggregate risk cover was below 75 per cent.

As a financial holding company, SGEF KG is the parent institution of the Group as defined by German regulatory requirements.

We comply with the regulatory requirements and avoid conflicts of interest by strictly separating the distinct functions of risk management and risk monitoring. Responsibility for formulating and enforcing our risk policy lies with the Management Board. GEFA uses a risk management system to manage its risks. This provides decision-makers with the necessary information and is used to monitor the risk management process. Within the Group, GEFA is also integrated into the control and management functions of the Société Générale departments Credit Risk Management, Operational Risk Management and Treasury.

A monthly Risk Committee has been set up to manage and monitor risk, to enhance the portfolio and to discuss problem exposures.

TYPES OF RISK

Our risk management system evaluates market, credit and liquidity risk on an ongoing basis. It also monitors operational and strategic risks.

Market risk is the risk of potential losses as a result of adverse movements in market prices (interest rates, exchange rates). In order to manage its interest-rate risk, GEFA uses a value-at-risk approach. The value at risk (VaR) is calculated daily and measures to a probability of 99 per cent the maximum possible future losses on GEFA's Treasury portfolio under normal market conditions during a one-day holding period. The results of these calculations are reported immediately to the relevant decision-makers at GEFA and, once a month, to Société Générale S.A. In addition, Treasury's performance with respect to interest rates is calculated daily.

GEFA manages currency risk using the open currency exposure method. It defines its open currency exposure as its client-related lending business minus its borrowing and funding operations. Funding based on matching maturities and currencies is used to fully hedge GEFA's foreign-currency financing operations. This position is determined on the basis of the daily account balances from the payments system and the manual debtor records in this system.

Credit risk constitutes the risk that clients may fail to meet their contractually agreed payment obligations towards GEFA. This represents the single most important risk for GEFA and comprises default, creditworthiness, country, settlement and asset-specific risks. Lending decisions are made on the basis of clearly defined credit authorities. Creditworthiness is assessed using banks' customary credit rating procedures. Default risks are reassessed as part of an ongoing credit control process. Credit Control (head office) monitors compliance with credit authorities and credit ratings by conducting credit risk management checks as and when required. The current loan portfolio is regularly evaluated for the purposes of risk analysis. Asset-specific risks arise from the wear and tear and the depreciation of the asset being financed – to the extent that the asset is being used as collateral – and include the risk of the (partial) loss of the asset. Asset-specific risks consist in the excessive loss of an asset's value. As a result of economic cycles and changes in the markets for used equipment, the impairment of an asset's value may exceed the level of depreciation normally expected. GEFA seeks to mitigate this risk by regularly – or, if necessary, immediately – adjusting its valuation of assets.

Liquidity risk constitutes the risk of a counterparty being unable to meet its payment obligations at the time they fall due, of it being unable to obtain sufficient funds at the expected terms and conditions when needed and the risk of agreed credit lines being drawn down unexpectedly.

Besides the Treasury department, which is responsible for managing liquidity, the following departments are organisationally involved in cash management at GEFA:

- Payments Processing & Back-Office Treasury
- Credit Administration
- Neutral Controls of Bank Accounts.

These departments are engaged in transaction management, which involves initiating, managing and/or monitoring GEFA's material payment transactions (incoming and outgoing payments) and cash flows. They work closely with each other to ensure integrated liquidity management. Monitoring systems used in payments management ensure that overdue accounts receivable are promptly identified and reminders sent and that accounts payable are settled on time. Automatic procedures for transferring debit and credit entries (account transfer systems) enable day-to-day bank account turnover to be processed in a swift and timely manner.

Medium-term liquidity planning, which is part of the budgeting process, is carried out by the Treasury and Management Accounting departments at head office. The Risk Control function is responsible for monitoring compliance with the liquidity ratio and carrying out regulatory reporting in accordance with the Liquidity Regulation. The department reports to the Management Board in order to provide it with the necessary information.

Liquidity management in the narrower sense encompasses the management of cash and payment obligations, with accounts receivable from customers dominating cash in terms of volume and number. Accounts receivable from customers consists primarily of principal and interest payments that are payable monthly in the instalment loan business. The risk of customers defaulting on their payments is closely correlated with borrowers' creditworthiness. As part of its credit risk management activities GEFA avoids concentrations of risk at customer, Group, sectoral and regional level. Balances held with central banks and accounts receivable from banks are of minor importance.

Payment obligations largely result from liabilities with an agreed term. There are no payment obligations from option writing or notice deposits. Obligations arising from irrevocable capital commitments include purchase commitments for our hire purchase business.

GEFA is not exposed to the risk of unexpected withdrawal of customer deposits, which is more likely during times of crisis. It does not take savings deposits or other short-term deposits from customers in the form of call money or time deposits. Customer deposits are limited to advance payments taken as collateral for instalment loans. However, these advance payments are earmarked for the sole purpose of providing collateral security.

Revolving money market loans, which are exposed to the risk of follow-up financing, amounted to approximately 5 per cent of total assets at the balance sheet date, although the total credit facility available was only partially utilised.

Besides external liabilities, GEFA also has internal funding resources, with capital and reserves playing a dominant role at € 764 million. Under the Group's internal policies, capital and reserves for which no qualifying assets are available on the balance sheet are suitably invested by the parent company to ensure that they are consistently used over the long term. GEFA has opted to invest these assets synthetically using asset swaps. The chosen swap construction also ensures that the additional funds allocated to the Company in the form of capital and reserves are not withdrawn but, instead, remain in the Company as liquidity and a risk cushion.

Since GEFA largely funds its lending business on the basis of matching maturities (see the section on market risk), liquidity risk arising from mismatched liabilities is kept to a minimum.

In accordance with OECD guidelines, risk-adjusted premiums (risk-adjusted return on risk-adjusted capital [RARORAC]) are charged to GEFA for intra-group loans. In-house transfer pricing systems ensure that increases in funding costs resulting from changes in liquidity premiums and market fluctuations are priced as quickly as possible into the loans that GEFA offers its customers. GEFA constantly monitors its liquidity costs using a standard market information system from Reuters.

GEFA's cash management time horizons are classified as follows:

- daily cash management (liquidity monitoring & account operation)
- monthly liquidity planning
- short-term liquidity planning (up to twelve months)
- medium-term liquidity planning (up to three years).

Our **operational risk** is managed and monitored by the individual departments at GEFA. The Risk Control function reports to the Management Board in order to provide it with the necessary information. As part of the Group network, GEFA uses a web-based losses database, self-assessment, key risk indicators and scenario analysis. Our systems mitigate operational risk through their increasing levels of automation, regular workflow controls, security precautions and the use of suitably qualified staff. In addition to the Legal and Internal Audit departments, the Organisation department plays a key role in managing operational risk. A committee monitors operational risk as part of our risk strategy.

GEFA's Management Board coordinates the Company's **strategic risk** across the entire organisation. As part of their remit, the individual departments are responsible for the operational management of these risks, while the Risk Control function is responsible for analysing and monitoring them. GEFA's in-house management information system forms the basis for an effective cost and revenue management system.

BASEL II

Since 1 January 2008, GEFA has had permission from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), the German financial services regulator, and the Commission Bancaire, France's banking regulator, to use its own advanced internal ratings-based approach (IRBA) for lending business and to use the advanced measurement approach (AMA) for operational risk. By using qualitative and statistical methods, GEFA is now able to fine-tune its management of customer-related risks and remarketing proceeds and to monitor the development of risks in its existing and new business on a timely basis. We will continue to optimise our rating systems and our processes.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In line with the IFRS accounting used by the Société Générale Group, GEFA submitted Group reports based on IFRS accounting in addition to its German GAAP accounts during the year under review.

7. OUTLOOK

In 2010, we achieved good financial results in an economic climate characterised by a growing propensity to invest yet with company insolvencies remaining at a high level. We have raised our expectations regarding the volume of new business. Our sales and marketing plans and budgets take account of the recovery in our core markets. We expect our diversified client base, longstanding customer relationships, the quality of our products and our highly skilled workforce to pay dividends. We are fully exploiting synergies within SG Equipment Finance. By launching a number of strategic, organisational and personnel-related initiatives in 2010, we put in place the right conditions for our Company to deliver a strong performance. GEFA believes it is well equipped for the upturn.

OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

The financial crisis has enabled market participants to achieve higher margins, which will boost our earnings in the medium term. Our market share has remained largely unchanged.

As far as we can tell at present, there are no risks that might jeopardise GEFA's continued existence as a going concern. Our business situation going forward will be largely influenced by how the economy performs over time. Over the next few years we expect capital spending to grow significantly and risk costs to fall continually. However, we cannot rule out a negative macroeconomic impact from the euro crisis or developments in Arab and Asian countries.

On the whole, we expect our new business volume to expand in 2011. Allowing for our risk costs, we are forecasting good margins again – although price competition will be fiercer – and additional revenue growth. We expect the same situation in subsequent years, but with slightly narrower margins.

Given our healthy revenue and cost structure, we are confident that we will be able to report satisfactory results for 2011 and that we will maintain our high profitability levels as we move into 2012.

Wuppertal, March 2011
The Management Board

Balance Sheet of GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal

Balance sheet as at 31 December 2010

ASSETS	€	31 Dec 2010 €	31 Dec 2009 € '000
1. Cash reserve			
a) cash on hand	2,000.00		1
b) balances held with central banks	2,182.58	4,182.58	78
of which: with Deutsche Bundesbank € 2,182.58			
(31 December 2009: € 78 thousand)			
2. Accounts receivable from banks			
a) repayable on demand	9,648,551.62		10,217
b) other accounts receivable	8,304,918.71	17,953,470.33	10,057
3. Accounts receivable from customers		5,486,810,099.54	5,792,556
of which: loans to public-sector entities € 52,039,372.75			
(31 December 2009: € 58.223 million)			
4. Equity investments		1,188,782.88	1,198
of which: in banks € 25,564.59			
(31 December 2009: € 26 thousand)			
5. Investments in affiliated companies		265,291,129.04	265,251
of which: in financial services institutions € 25,564,594.06			
(31 December 2009: € 25.565 million)			
6. Intangible assets		7,171,086.19	6,794
7. Tangible assets		11,953,472.46	13,417
8. Sundry assets		67,120,729.71	46,182
9. Prepaid expenses		1,730,794.57	1,438
Total assets		**5,859,223,747.30**	**6,147,189**

LIABILITIES			
	€	31 Dec 2010 €	31 Dec 2009 € '000
1. Liabilities to banks			
a) repayable on demand	161,006,543.28		134,010
b) with agreed term or notice period	4,427,222,075.18	4,588,228,618.46	4,807,980
2. Liabilities to customers			
Other liabilities			
a) repayable on demand	11,292,530.34		10,275
b) with agreed term or notice period	251,262,677.73	262,555,208.07	257,102
3. Sundry liabilities		130,860,900.69	69,334
4. Deferred income		19,831,372.13	18,887
5. Provisions			
a) provisions for pensions and similar obligations	73,178,557.81		64,939
b) provisions for taxes	2,400,000.00		2,400
c) other provisions	17,954,285.09	93,532,842.90	18,047
6. Capital and reserves			
a) subscribed capital	136,500,000.00		136,500
b) capital reserve	536,022,229.31		536,022
c) retained earnings			
other retained earnings	91,692,575.74	764,214,805.05	91,693
Total liabilities		**5,859,223,747.30**	**6,147,189**
1. Contingent liabilities			
Liabilities arising from guarantees and indemnity agreements		13,080,196.14	9,150
2. Other obligations			
Irrevocable credit commitments		148,160,383.49	58,375

Income Statement of GEFA

Gesellschaft für Absatzfinanzierung mbH, Wuppertal

for the year ended 31 December 2010

EXPENSES	€	€	2010 €	2009 € '000
1. Interest expenses			172,640,261.36	203,606
2. Commission expenses			4,344,485.79	4,301
3. Administrative expenses				
a) Staff expenses				
aa) wages and salaries	50,553,058.69			51,550
ab) compulsory social security contributions and expenses for pensions and other employee benefits	14,874,733.50	65,427,792.19		16,283
of which: for pensions € 7,288,756.75 (2009: € 8.723 million)				
b) Other administrative expenses		25,600,285.06	91,028,077.25	24,034
4. Depreciation, amortisation and write-downs of and valuation allowances on tangible and intangible assets			3,041,672.82	3,343
5. Other operating expenses			3,037,207.39	2,093
6. Write-downs of and valuation allowances on accounts receivable and certain securities as well as additions to provisions for possible loan losses			28,371,494.61	73,910
7. Expenses from transfer of losses			64,552.28	82
8. Extraordinary expenses			816,747.62	–
9. Income taxes			907,718.70	–1
10. Other taxes, unless reported under item 5.			141,166.20	144
11. Profits transferred under profit-pooling, profit-transfer and partial profit-transfer agreements			110,330,513.45	47,038
Total expenses			**414,723,897.47**	**426,383**

INCOME	2010 €	2009 € '000
1. Interest income from lending and money market business	318,020,574.06	359,183
2. Current income from a) equity investments	111,811.68	81
3. Income from profit-pooling, profit-transfer and partial profit-transfer agreements	60,440,626.54	31,809
4. Commission income	1,969,577.27	1,548
5. Other operating income	34,181,307.92	33,762
Total income	**414,723,897.47**	**426,383**

Notes to the financial statements

I. GENERAL INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

BASIS OF PRESENTATION

The annual financial statements for the year ended 31 December 2010 have been prepared in accordance with the accounting principles of the Bank Accounting Directives Act (sections 340 et seq. of the German Commercial Code) and the Statutory Order on the Accounts of Banks and Financial Services Institutions (RechKredV) as amended on 11 December 1998. The provisions of the German Commercial Code (HGB) in the respective applicable version – including the relevant transitional provisions – have been applied. The annual financial statements for the year ended 31 December 2010 have been prepared for the first time in accordance with the new regulations of the HGB, as amended by the German Accounting Law Modernisation Act (BilMoG), which was adopted by the Bundesrat (second chamber of the German parliament) on 3 April 2009, announced in the Federal Law Gazette (BGBI. I, page 1,102) on 25 May 2009 and came into force on 29 May 2009. GEFA Gesellschaft für Absatzfinanzierung mbH has exercised the option available under section 67 (8) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB – transitional provisions for the German Accounting Law Modernisation Act) and has not restated the comparative figures from 2009.

ACCOUNTING POLICIES

The cash reserve, accounts receivable from banks, and sundry assets are shown at their nominal amounts.

Accounts receivable from customers in the instalment loan business are reported net, i.e. excluding future lending fees. Purchased lease receivables are recognised at cost minus the repayment portion of regular lease instalments. Appropriate provision is made for identifiable loan-loss risks by the recognition of specific valuation allowances and for inherent risks arising from accounts receivable by the recognition of general valuation allowances. Valuation allowances are deducted from book values.

Equity investments and investments in affiliated companies are shown at cost; if their value is likely to be permanently impaired, they are written down to their fair value.

Intangible assets are reported at cost less straight-line amortisation.

Land is shown at cost; buildings are shown at cost less depreciation. Buildings are depreciated using the straight-line method over a useful economic life of 50 years; machinery and equipment are depreciated over ten years.

Office furniture and equipment are depreciated using either the declining-balance or straight-line method. The changeover from the declining-balance to the straight-line method takes place in the year in which the straight-line method incurs a higher charge. Because the 'tax dictates financial accounting' principle no longer applies since the introduction of the BilMoG, the tax-driven declining-balance depreciation of office furniture and equipment acquired in 2010 can no longer be recognised in the financial statements. Such assets acquired in 2010 have therefore been depreciated under the straight-line method. Assets acquired before 1 January 2010 have continued to be depreciated using the declining-balance method. Low-value assets costing between € 150 and € 1,000 are depreciated under the straight-line method over five years; assets costing less than € 150 are expensed as incurred.

Liabilities are carried at their settlement amount.

Interest subsidies, severance payments, handling fees and other deferrable income are shown as deferred income.

Severance payments are released on a straight-line basis over the life of the agreement; other deferrals are released on an annuity basis.

Interest accrued on interest-rate swaps at the balance sheet date is reported as prepaid expenses or deferred income. Upfront payments on interest-rate swaps are reported as prepaid expenses or deferred income and are deferred on an annuity basis over the residual term.

Provisions for pensions and similar obligations had been reported in 2009 using the entry-age normal method for future pension entitlements and at their present value for current pensions in accordance with actuarial principles based on the 2005 G Heubeck mortality tables and a discount rate of 6 per cent pursuant to section 6a of the German Income Tax Act (EStG).

In 2010, provisions for pensions and similar obligations were calculated on the basis of the amended section 253 HGB using the projected unit credit method. Under section 253 (1) HGB, the settlement amount required according to prudent business practice must be reported. In accordance with section 253 (2) HGB, long-term provisions for pensions and similar obligations with a maturity period of more than one year have been discounted using the average market interest rate published by Deutsche Bundesbank. A residual maturity of 15 years has been assumed for all of these provisions pursuant to section 253 (2) sentence 2 HGB, and an interest rate of 5.16 per cent has been used in the calculations in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) of 18 November 2009. The Heubeck 2005 G mortality tables have been used as the biometric basis. The calculations are based on salary increases of 3.00 per cent per annum, pension increases of 2.00 per cent per annum and staff turnover of between 5.00 per cent per annum (staff aged 25 to 34 years) and 0.50 per cent per annum (staff over the age of 60).

Provisions for taxes and other provisions take appropriate account of identifiable risks arising from impending losses and contingent liabilities. They are recognised at the settlement amount deemed necessary according to prudent business practice, including future cost and price rises. Provisions with a residual maturity of more than one year have been discounted. They have not been discounted in individual cases if the resulting impact on earnings is of minor financial significance.

Transactions denominated in foreign currency are translated in accordance with the principles set forth in section 256a HGB in conjunction with section 340h HGB. Amounts denominated in foreign currency have been translated at the European Central Bank's reference rate as at 30 December 2010 (closing rate). Translation gains and losses on assets denominated in foreign currency that are separately covered have been taken to income immediately. Assets are deemed separately covered if they are matched by offsetting items on the liabilities side of the balance sheet.

Interest-rate swaps used to hedge fixed-rate assets against interest-rate risks and interest-rate swaps used to hedge equity exposures are each aggregated when write-downs are recognised on the non-trading portfolio to anticipate identifiable expected losses (measurement convention). A provision is recognised to cover any excess of negative fair values over positive fair values. Income and expenses from interest-rate swaps are netted and reported as interest income or interest expenses.

GEFA Gesellschaft für Absatzfinanzierung mbH has an income-tax-sharing agreement with SG Equipment Finance SA & Co. KG, Wuppertal, as the parent company of the tax group. The two companies signed a profit-and-loss transfer agreement that came into force on 1 January 2004. Deferred taxes in respect of future tax expenses and tax income arising from temporary differences between the

Taking on challenges, shaping the future

18.7 billion euros is the amount of hardware turnover generated by the IT sector in 2010 according to the estimates of the German Association for Information Technology, Telecommunications and New Media (BITKOM). Growth of 4 per cent is expected for 2011.

272 million euros was made available by GEFA to its customers in 2010, enabling them to invest in the latest IT and communications technology. This represents a year-on-year increase of 28 per cent.

HGB financial statements' carrying amounts of assets, liabilities, prepaid expenses and deferred income recognised by GEFA Gesellschaft für Absatzfinanzierung mbH and the corresponding carrying amounts reported for tax purposes are recognised in the single-entity financial statements of SG Equipment Finance SA & Co. KG owing to the existing corporation-tax-sharing and trade-tax-sharing agreements.

II. NOTES TO THE BALANCE SHEET

CHANGES IN FIXED ASSETS IN 2010

€ '000	Acquisition/manufacturing cost			Depreciation, amortisation and write-downs		Book value	
	1 Jan 2010	Additions	Disposals	Cumulative	Reporting year	31 Dec 2010	31 Dec 2009
Intangible assets	34,698	2,442	738	29,231	2,066	7,171	6,794
Tangible assets							
Land and buildings	26,698	0	2,060	14,395	365	10,243	11,417
Office furniture and equipment	12,525	323	2,894	8,243	611	1,711	2,000
Equity investments	1,198	0	9	0	0	1,189	1,198
Investments in affiliated companies	265,880	41	0	630	0	265,291	265,250

Land and buildings with a total book value of € 8.491 million are used for the Company's own purposes.

SUNDRY ASSETS

Sundry assets essentially comprise accounts receivable from the allocation of intercompany costs (€ 59.764 million) and hire-purchase advance payments (€ 6.803 million).

LIABILITIES TO CUSTOMERS

This item includes a cash deposit of € 240.000 million plus deferred interest attributable to SG Equipment Finance SA & Co. KG, Wuppertal.

SUNDRY LIABILITIES

Sundry liabilities comprise the profit of € 110.295 million to be transferred under the profit-and-loss transfer agreement with SG Equipment Finance SA & Co. KG, Wuppertal.

DEFERRED INCOME

This item includes discounts totalling € 857 thousand (31 December 2009: € 709 thousand).

PENSIONS AND SIMILAR OBLIGATIONS

The transition to measuring provisions for pensions and similar obligations in accordance with the BilMoG resulted in a one-off additional amount of € 12.251 million. One-fifteenth of this amount (€ 817 thousand) was added to the provisions for pensions and similar obligations in 2010 in accordance with the transitional regulations in section 67 (1) sentence 1 EGHGB. This addition was reported on the face of the income statement as an extraordinary expense. The remaining adjustment amount of € 11.434 million resulting from the first-time adoption of the BilMoG, which has not yet been reported on the face of the balance sheet, will be added to the provisions for pensions and similar obligations over the coming 14 years in instalments of € 817 thousand per annum.

OTHER PROVISIONS

The largest of these items were provisions for intercompany administrative charges to be paid to affiliated companies for the provision of staff, rendering of services etc. (€ 5.074 million), provisions for bonuses paid to employees (€ 4.628 million) and the provision for impending losses from the excess of negative fair values over the positive fair values of interest-rate swaps for a portion of the non-trading portfolio when write-downs are recognised on this portfolio to anticipate identifiable expected losses (€ 2.103 million).

RISK OF CLAIMS BEING ASSERTED FOLLOWING ASSUMPTION OF LIABILITY (SECTION 285 NO. 27 HGB)

At the balance sheet date, contingent liabilities to affiliated companies under guarantees and warranties amounted to € 7.881 million (31 December 2009: € 6.757 million), while contingent liabilities to third parties stood at € 5.199 million (31 December 2009: € 2.393 million). The likelihood of claims being asserted is estimated as low owing to the current credit standing and previous payment behaviour of the holders of the guarantees and warranties. We are not aware of any information that might give rise to a different assessment.

OFF-BALANCE-SHEET TRANSACTIONS (SECTION 285 NO. 3 HGB)

GEFA Gesellschaft für Absatzfinanzierung mbH had issued irrevocable credit facilities of € 111.608 million (31 December 2009: € 49.906 million) with a term of up to one year and facilities of € 36.552 million (31 December 2009: € 8.469 million) with a term of more than one year as at 31 December 2010. The credit facilities form the basis for future interest income and can lead to a cash outflow in the short term.

MATURITY STRUCTURE OF ACCOUNTS RECEIVABLE AND LIABILITIES BY RESIDUAL PERIOD PURSUANT TO SECTION 9 RECHKREDV

OTHER ACCOUNTS RECEIVABLE FROM BANKS (€ ’000)	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	5,034	5,471
2. more than three months and up to one year	1,125	1,403
3. more than one year and up to five years	2,146	3,183
Total	**8,305**	**10,057**

ACCOUNTS RECEIVABLE FROM CUSTOMERS (€ ’000)	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	683,051	668,810
2. more than three months and up to one year	1,453,970	1,532,452
3. more than one year and up to five years	3,164,768	3,384,963
4. more than five years	185,021	206,331
Total	**5,486,810**	**5,792,556**

LIABILITIES TO BANKS WITH AGREED TERM OR NOTICE PERIOD (€ ’000)	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	695,338	823,828
2. more than three months and up to one year	849,526	995,610
3. more than one year and up to five years	2,664,439	2,777,524
4. more than five years	217,919	211,018
Total	**4,427,222**	**4,807,980**

OTHER LIABILITIES TO CUSTOMERS WITH AGREED TERM OR NOTICE PERIOD (€ ’000)	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	11,263	17,102
2. more than five years	240,000	240,000
Total	**251,263**	**257,102**

INFORMATION ON AFFILIATED, ASSOCIATED AND RELATED COMPANIES

€ '000	31 Dec 2010	31 Dec 2009
Accounts receivable from banks	4,806	4,777
Accounts receivable from customers	36,279	49,181
Sundry assets	0	91
Liabilities to banks	4,324,639	4,626,640
Liabilities to customers	251,263	257,102
Sundry liabilities	110,295	47,038

The assets and liabilities above include accounts receivable from, and liabilities to, GEFA's shareholder.

ASSETS PLEDGED AS COLLATERAL

Liabilities to banks were backed by assets of € 39.777 million pledged as collateral.

ACCOUNTS RECEIVABLE FROM, AND LIABILITIES TO, GEFA'S SHAREHOLDER

The balance sheet items below include accounts receivable from, and liabilities to, GEFA's shareholder SG Equipment Finance SA & Co. KG, Wuppertal.

€ '000	31 Dec 2010	31 Dec 2009
Sundry assets	0	91
Liabilities to customers	240,111	240,091
Sundry liabilities	110,295	47,038

FOREIGN CURRENCIES

Assets include € 386.503 million denominated in foreign currency; liabilities include foreign-currency amounts of € 405.915 million.

FORWARD TRANSACTIONS

The Company concluded interest-rate-related forward transactions in the form of interest-rate swaps and forward rate agreements in order to mitigate the risk of interest-rate volatility. Further interest-rate swaps are used to hedge equity exposures against interest-rate changes.

THE FOLLOWING FORWARD TRANSACTIONS HAD BEEN CONCLUDED AS AT 31 DECEMBER 2010:	Currency	Quantity	Notional amount (€ '000)	Positive fair value (€ '000)	Negative fair value (€ '000)
Interest-rate swaps	EUR	290	1,644,208	35,634	31,844
	USD	2	12,553	–	305
Forward rate agreements	EUR	3	9,603	–	160
	USD	1	10,166	–	2

The stated fair value is derived by comparing contractually agreed interest rates and exchange rates with the yield curves and rates prevailing at the balance sheet date in order to calculate the present value. The fair value of interest-rate swaps includes deferred interest at the balance sheet date.

Accounts receivable from banks include deferred interest of € 4.602 million on interest-rate swaps; liabilities to banks include deferred interest of € 3.300 million. Prepaid expenses include upfront payments of € 619 thousand on interest-rate swaps; deferred income includes upfront payments of € 494 thousand.

A loan-loss provision for pending transactions was recognised in an amount corresponding to the negative fair values – excluding deferred interest – of the two interest-rate swaps denominated in US dollars (€ 287 thousand).

Interest-rate swaps used to hedge fixed-rate assets against interest-rate risks and interest-rate swaps used to hedge equity exposures are each aggregated when write-downs are recognised on the non-trading portfolio to anticipate identifiable expected losses (measurement convention).

A loan-loss provision of € 2.103 million for pending transactions has been recognised in order to cover any excess of negative fair values over positive fair values resulting from the measurement of a sub-portfolio of interest-rate swaps.

III. NOTES TO THE INCOME STATEMENT

OTHER OPERATING EXPENSES

This item essentially comprises additions to provisions for non-lending business (€ 1.029 million) and payments related to the processing of the purchase agreement for the acquisition of the PEMA Group in 2008 (€ 1.791 million). These payments are not acquisition-related costs.

INCOME TAXES

Because of the income-tax-sharing agreement with SG Equipment Finance SA & Co. KG, Wuppertal, the Company is not liable to pay any income tax for 2010.

OTHER OPERATING INCOME

This item essentially comprises intercompany administrative charges of € 29.281 million paid by affiliated companies for the provision of staff, rendering of services etc. (section 35 no. 5 RechKredV) and income of € 1.055 million from other accounting periods arising from the release of provisions.

EXTRAORDINARY EXPENSES

The extraordinary expenses resulting from the application of the transitional provisions for the BilMoG pursuant to section 66 and section 67 (1) to (5) EGHGB were related to pensions and similar obligations. One-fifteenth (€ 817 thousand) of the additional one-off amount (€ 12.251 million) was recognised under this item in 2010 in accordance with section 67 (1) sentence 1 EGHGB. The remaining adjustment amount of € 11.434 million resulting from the first-time adoption of the BilMoG, which has not yet been reported on the face of the balance sheet, will be added to the provisions for pensions and similar obligations over the coming 14 years in instalments of € 817 thousand per annum and will be reported as an extraordinary expense.

IV. OTHER INFORMATION

SHAREHOLDINGS (SECTION 285 SENTENCE 1 NO. 11 HGB)[1]

Name and registered office	Share of capital (%)	Capital and reserves of the equity investment (€ '000, 2009)	Profit or loss (€ '000, 2009)
GEFA-Leasing GmbH, Wuppertal[2]	100	51,129	58,460
PEMA GmbH, Herzberg am Harz[2]	100	54,098	2,559
Heinz Langer Versicherungsdienst GmbH, Wuppertal	100	581	153
GEFI Gesellschaft für Mobilien-Leasing und Finanzierungsvermittlung mbH, Berlin	100	458	73
AL Aviation Leasing GmbH, Wuppertal	100	1,100	61
TRUCKPORT Dienstleistungsgesellschaft für Nutzfahrzeuge mbH, Karlstein am Main[2]	100	562	1,981
Indirect holdings under section 16 (4) of the German Stock Corporation Act (AktG)			
Philips Medical Capital GmbH, Wuppertal	60	– 10,885	–2,711

[1] The provision under section 286 (3) no. 1 of the German Commercial Code was utilised
[2] Figures for 2010; profit or loss before transfer of profits or losses

OTHER FINANCIAL OBLIGATIONS (SECTION 285 NO. 3A HGB)

In connection with the shareholding of a nominal € 40 thousand in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, there is an obligation to pay further capital of up to 500 per cent and a proportional contingent liability to fulfil the capital obligations of other shareholders that are members of the association of specialist banks (Bankenfachverband e.V.), Berlin.

INFORMATION ON DIRECTORSHIPS HELD ON STATUTORY SUPERVISORY BODIES OF LARGE LIMITED COMPANIES (SECTION 340A (4) NO. 1 HGB)

Jochen Jehmlich, spokesman for the Management Board of GEFA Gesellschaft für Absatzfinanzierung mbH, is a member of the Supervisory Board of BDK Bank Deutsches Kraftfahrzeuggewerbe AG, Hamburg.

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR (SECTION 285 NO. 7 HGB)

	Male	Female	Total
Full-time	423	208	631
Part-time	2	81	83
Total	**425**	**289**	**714**

INFORMATION ON REMUNERATION (SECTION 285 NO. 9 HGB)

The total remuneration paid to the Supervisory Board in 2010 amounted to € 12 thousand. Former members of the Management Board or their surviving dependants received € 587 thousand; provisions for pension commitments to these persons totalled € 5.309 million.

SUPERVISORY BOARD AND MANAGEMENT BOARD (SECTION 285 NO. 10 HGB)

Supervisory Board:

Didier Hauguel (Chairman), Head of Specialized Financial Services and Insurance, Société Générale S. A.
Jean-Marc Mignerey (Deputy Chairman since 1 December 2010), Chief Executive Officer, SG Equipment Finance S. A.
Wolfgang F. Karsten (Deputy Chairman), former member of GEFA's Management Board (until 1 December 2010)
Jürgen Ernst[1], bank employee
Hans Rolf Koerfer, lawyer, Oppenhoff & Partner (since 1 December 2010)
Francis Repka, Chief Country Officer Germany, Société Générale S. A.
Siegfried Silberbach[1], bank employee

[1] elected by the staff

Management Board:
Jochen Jehmlich (Spokesman), bank director
Maurice-Frédéric Caulliez, bank director
Dr Rolf Hagen, bank director

GROUP MEMBERSHIP (SECTION 285 NO. 14 HGB)

GEFA Gesellschaft für Absatzfinanzierung mbH belongs to the Société Générale Group, Paris, through SG Equipment Finance SA & Co. KG, Wuppertal. Société Générale S.A. has prepared consolidated accounts for the 2010 financial year that include GEFA Gesellschaft für Absatzfinanzierung mbH. The consolidated financial statements of Société Générale S.A. are filed with the office of the commercial court in Paris (Greffe du Tribunal de Commerce de Paris).

DISCLOSURE

As in previous years, SG Equipment Finance SA & Co. KG – the shareholder of GEFA Gesellschaft für Absatzfinanzierung mbH – will publish a German version of Société Générale S.A.'s 2010 consolidated financial statements, its group management report and the independent auditors' report. GEFA Gesellschaft für Absatzfinanzierung mbH is therefore exempted pursuant to section 291 of the German Commercial Code (HGB) from the obligation to prepare consolidated financial statements and a group management report.

The consolidated financial statements of Société Générale S.A. are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. These standards differ from the provisions of the HGB, among other things, with respect to the recognition and measurement of assets and liabilities.

Material differences affecting the financial statements of GEFA Gesellschaft für Absatzfinanzierung mbH are outlined below.

- The provision for general banking risks recognised pursuant to section 340f HGB and general valuation allowances on accounts receivable are not permitted under IFRS.

- In contrast to HGB, IFRS requires all derivatives to be recognised at their fair value, irrespective of whether they are used for hedging purposes. The conditions under which hedges are recognised under IFRS differ from those under HGB. Under the portfolio hedge method chosen by GEFA Gesellschaft für Absatzfinanzierung mbH, the amortised cost of the hedged loans is adjusted in line with the effective portion of the hedge.

- Whereas cancellation fees paid by customers for the early termination of loan agreements are apportioned over the residual term of the loans under HGB, they are taken to income immediately under IFRS.

- HGB requires commissions paid for the referral of new business to be expensed as incurred. Under IFRS, this expense is spread over the term of the referred loan.

- Whereas the buildings owned by GEFA Gesellschaft für Absatzfinanzierung mbH – with the exception of machinery and equipment – are depreciated over a useful life of 50 years in the Company's HGB financial statements, the acquisition cost of buildings reported under IFRS is split into individual buildings or parts thereof, which are then depreciated over their respective estimated useful lives.

- IFRS requires pension obligations to be computed under the projected unit credit method. In accordance with HGB as amended by the BilMoG, GEFA Gesellschaft für Absatzfinanzierung mbH also uses this method for its HGB accounting. IFRS factors in the discount rate derived from the market interest rates prevailing at the balance sheet date, the anticipated level of staff turnover and future increases in remuneration and pensions. In contrast, the BilMoG applies an average interest rate that is in line with the market and takes account of future staff turnover and increases in salaries and pensions.

Wuppertal, 4 March 2011

The Management Board

Maurice-Frédéric Caulliez   Dr Rolf Hagen   Jochen Jehmlich

Independent auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal, for the fiscal year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 31 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann	Stier
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report by the Supervisory Board

During the year under review, the Supervisory Board advised and monitored the Management Board in two meetings as well as in several discussions held between meetings. The Management Board informed the Supervisory Board on a regular, timely and comprehensive basis about all material issues affecting the Company's business performance, strategy, profitability, risk position, risk management, risk control systems and human resources, and submitted to it all issues requiring the approval of the Supervisory Board. In particular, the Supervisory Board closely monitored the accounting process, risk management system, internal control system and internal auditing system. It also discussed the focal points of the audit for 2010 with the auditors. At its meetings, the Supervisory Board mainly discussed the 2009 financial statements, the Company's business performance in 2010, its planning and budgets for 2011 and the progress made on the project aimed at continuously improving GEFA's performance.

The bookkeeping system, the annual financial statements for the year ended 31 December 2010 and the management report were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, the auditors appointed by the Shareholders' Meeting, who issued an unrestricted audit certificate. The annual financial statements, the management report and the auditors' report were made available to the Supervisory Board for inspection. The Supervisory Board agreed with the audit of the annual financial statements.

The Supervisory Board would like to thank the Management Board and all employees for their outstanding personal contribution, without which GEFA's successful performance in 2010 would not have been possible.

Paris, 19 May 2011
The Supervisory Board

Didier Hauguel
Chairman

Taking on challenges, shaping the future

115,000 industrial robots were sold worldwide in 2010 according to the findings of the IFR Statistical Department. Further growth of 10 to 15 per cent is anticipated for 2011.

7,600 is the number of customers served by GEFA in the manufacturing sector. In 2010, we provided companies, primarily SMEs, with more than € 350 million for acquiring production machinery and equipment.

Management report for 2010

1. BUSINESS; ECONOMIC CONDITIONS

STRATEGY

GEFA-Leasing GmbH (GEFA-Leasing) belongs to the Société Générale Group (Société Générale) through GEFA Gesellschaft für Absatzfinanzierung mbH (GEFA) and forms part of the SG Equipment Finance (SGEF) business unit. SGEF is one of the leading providers of equipment and vendor finance in Europe, Asia, the Americas and Australia. It operates in a total of 25 countries.

We continue to help small and medium-sized firms lease their capital equipment and support manufacturers with our national and international vendor finance concepts

BUSINESS PERFORMANCE

The value of leases originated by GEFA-Leasing contracted by almost 16 per cent in 2010. In terms of leases accepted, this volume came to € 583 million (2009: € 692 million). It should be pointed out that our hire-purchase business does not form part of GEFA-Leasing, as is customary with other leasing companies. This business is accounted for as part of GEFA, Wuppertal, and amounted to € 495 million in 2010. Our margins in 2010 were slightly narrower than they had been in 2009.

Our market activities were focused on specific vendors, types of equipment, and sectors. In Industrial Equipment our volume of lease originations – measured in terms of leases accepted – fell by 10 per cent in 2010 to € 206 million, while in Transport our lease originations decreased by 19 per cent year on year to € 225 million. Lease originations in High-Tech also declined by 19 per cent, to € 152 million. Business from all types of equipment contracted except for production equipment, which expanded by 5 per cent.

At 31 December 2010 our portfolio of leased assets valued at cost totalled € 3.227 billion (2009: € 3.547 billion).

ORGANISATIONAL MEASURES

The annual financial statements for the year ended 31 December 2010 have been prepared for the first time in accordance with the new regulations of the German Commercial Code (HGB), as amended by the German Accounting Law Modernisation Act (BilMoG) of 25 May 2009 (Federal Law Gazette (BGBl.) I, page 1,102). GEFA-Leasing has exercised the option available under section 67 (8) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB – transitional provisions for the German Accounting Law Modernisation Act) and has not restated the comparative figures from 2009.

By revising our benchmarking and defining our key process indicators (KPIs), we increased process performance and made it more transparent in 2010. We also made further improvements to how we manage resources by applying the Six Sigma method.

We aim to cut our CO2 emissions and have already significantly reduced the amount of paper we use. Other projects are under way.

GEFA-Leasing remains focused on cost management. Besides consolidating office space at our existing premises, we are working hard to improve procurement. The Sourcing Shared Service Centre (SSSC) achieved considerable success in 2010. Centralised strategic procurement by the Société Générale Group in Germany also generates significant benefits for GEFA-Leasing.

GEFA-Leasing revises its business continuity planning (BCP) on an ongoing basis. We also provide regular reports to the Group. At head office, GEFA-Leasing initiated a new business impact analysis for all areas and a threats and weaknesses analysis in 2010. The results affirmed the business contingency planning that we have had in place for years. We successfully tested parts of the business contingency planning in 2010.

INFORMATION TECHNOLOGY

We successfully completed the implementation of the credit approval system (CAS) in 2010. The credit approval process, with its updated functions and technology, has proved its worth since going live. Working with a long-standing partner, we will continually enhance the modular credit approval system, which has been tried and tested as part of the internal ratings-based approach (IRBA), taking account of regulatory requirements.

GEFA's IT organisation is involved in the group-wide harmonisation of IT and is helping with the transformation of transaction processing for SGEF by developing and making available technical solutions.

GEFA continued to drive the deployment of the treasury back-office model in 2010, which GEFA uses and makes available internationally. This service was rolled out to SGEF companies, including in Austria, the United Kingdom, Italy and China, in order to leverage functional and technological synergies in the SGEF Group by standardising funding processes. Greater use of the SAP platform will be achieved in cooperation with the relevant business unit in 2011 by adding further modules.

One of Société Générale's objectives under the 'Ambition 2015' initiative is to optimise the cost-effectiveness and technology of its global IT infrastructure. Liaising with the project teams at head office and in cooperation with the German Sourcing Shared Service Centre, our parent company is examining the potential economic benefits of technological consolidation as well as increased centralisation of the external procurement of IT infrastructure services.

Various steps were taken in 2010 to bring about long-term improvements to IT services and processes in connection with the 'improve it' strategic initiative.

All IT services and processes were again examined by external, independent auditors for compliance with the ISO/IEC 20000 quality standards. The successful audit confirmed that the IT organisation operates in accordance with the standards and continually improves its work.

The KPI system, which was enhanced in 2010, forms the basis for all defined IT process and service reports that have been agreed with the departments – the IT organisation's internal customers. It serves to improve the management and monitoring of IT processes and raise the quality of IT services. The related documentation provides evidence to auditors of the standards reached.

As part of the TEMPO project, measurement and analysis tools were implemented in order to permanently monitor the performance, capacity utilisation and availability of IT systems. The aim is to safeguard the quality of IT services and configure the IT infrastructure in line with requirements.

OUTSOURCED FUNCTIONS

In accordance with section 25a (2) of the German Banking Act (KWG), GEFA-Leasing has outsourced the following material functions used to conduct financial services:

- data centre
- use of a centralised service centre for automated retrieval of account information in accordance with section 24c KWG.

HUMAN RESOURCES

GEFA-Leasing's headcount continued to grow in 2010, increasing by 30.8 per cent as a result of 28 new hires. At the end of 2010, GEFA-Leasing employed 89 people – measured in full-time equivalents – of whom 51.9 per cent were female.

GEFA-Leasing is committed to training young professionals. We offer combined training programmes for business information systems and commercial trainees at our head office in Wuppertal and in our branches and for clerical trainees in our branches. For a number of years, GEFA-Leasing has also offered a combined vocational training course and Bachelor of Arts (BA) degree in banking in collaboration with the Baden-Württemberg Cooperative State University in Karlsruhe. In 2010, GEFA-Leasing employed 22 trainees and apprentices and two university students.

The large proportion of young professionals is reflected in the low average age of the workforce, which stood at 32.8 years in 2010.

BRANCHES

In addition to its head office, GEFA-Leasing had one registered branch office in Berlin and ten non-registered branches as at 31 December 2010. 59 employees worked at our head office and 30 people were employed in our branches at the end of 2010.

2. RESULTS OF OPERATIONS

NET INCOME FROM LEASING AND NET INTEREST EXPENSE

The profit from ordinary activities was affected by leasing-specific shifts in income between periods. GEFA-Leasing opted to utilise the higher declining-balance depreciation and amortisation rates for leases originated in 2007 and 2009. The expiry of this depreciation and amortisation method caused a rise in net income of € 5 million in 2010 (2009: reduction of € 23 million).

Leasing income essentially consists of lease payments, income from the release of deferred forfaiting proceeds and income from the disposal of leased assets. Leasing expenses consist of lease instalments payable on the sale of receivables and expenses resulting from the disposal of leased assets. Income from current leases grew by 21 per cent in 2010.

			Difference	
€ million	**2010**	**2009**	**€ million 2010/2009**	**% 2010/2009**
Leasing income	1,446.6	1,533.7	– 87.1	– 5.7 %
Leasing expenses	– 732.1	– 776.9	44.8	– 5.8 %
Depreciation, amortisation and write-downs of leased assets	– 597.6	– 660.1	62.5	– 9.5 %
Net income from leasing	**116.9**	**96.7**	**20.2**	**20.9 %**

Interest expenses of € 22.3 million (2009: € 27.0 million) were incurred by the funding of lease instalments and residual values that had not been sold and by the addition of interest for residual values that had been sold.

ADMINISTRATIVE COSTS

Staff expenses amounted to € 3.8 million, which was slightly less than in 2009 (€ 4.0 million).

Depreciation, amortisation and write-downs of tangible and intangible assets declined from € 0.9 million in 2009 to € 0.6 million in 2010.

RESULTS OF OPERATIONS

GEFA-Leasing transferred a profit of € 58.5 million (2009: € 31.3 million) to GEFA under the existing profit-and-loss transfer agreement. The increased profit is due to the small volume of new business and the resulting lower start-up losses as well as to cost savings owing to the expiry of the declining-balance method of depreciation for leases originated in 2007 and 2009.

3. FINANCIAL POSITION

DEBT FINANCE

As in previous years, GEFA-Leasing raised most of its funding in 2010 by selling receivables to GEFA. Liabilities to banks with agreed maturities declined from € 95 million in 2009 to € 60 million at the end of the reporting period. We eliminated most interest-rate risks by hedging them.

The notional amounts and fair values of interest-rate swaps at the end of 2010 are shown in the table below.

CAPITAL AND RESERVES

The capital and reserves of GEFA-Leasing remained unchanged at € 51.1 million at the end of 2010. They comprise capital of € 20.5 million and reserves of € 30.6 million. GEFA-Leasing's sole shareholder is GEFA, with which it has a profit-and-loss transfer agreement.

	Currency	Quantity	Notional amount	Positive fair value € '000	Negative fair value € '000
Interest-rate swaps	EUR	107	676.7	9.2	8.7

4. NET ASSETS

MANAGED ASSETS AND TOTAL ASSETS

The volume of managed assets contracted year on year to € 1.844 billion at the end of 2010 (end of 2009: € 2.108 billion). The residual value of leased equipment reported on the balance sheet amounted to € 1.573 billion, which was a decrease of € 226 million – or 13 per cent – on the end of 2009. New assets acquired without advance payments amounted to € 578 million, while depreciation came to € 598 million. Disposals at historical cost totalled € 899 million in 2010.

GEFA-Leasing obtained most of its funding by selling receivables to GEFA, which shifted the balance of credit risk; consequently, the level of defaults at GEFA-Leasing is low.

GEFA-Leasing sells its receivables on an automated, daily basis. During the reporting year it sold receivables from a total of 8,534 leases (2009: 12,261 leases) at an aggregate price of € 414.6 million (2009: € 566.4 million). Both liabilities to banks and deferred income from the sale of receivables decreased owing to the lower volumes involved.

€ 7.3 million of the decline in accounts receivable from banks from € 25.7 million to € 17.8 million stemmed from the reduction in overdue instalments payable as a result of the receivables sold to GEFA.

Our valuation of our leased equipment makes adequate provision for identifiable risks.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Group's auditing activities were merged on 1 April 2010 to form the new Inspection and Internal Audit (IIA) unit, which in French is called Direction de Control Périodique (DCPE). From 2011 onwards, GEFA-Leasing's internal audit activities will then be transferred to the Hamburg-based auditing unit, which is responsible for Société Générale's German entities. To this end, GEFA-Leasing signed a service level agreement with the Frankfurt branch of Société Générale S.A. as the service provider and Société Générale S.A., Paris, in January 2011. By appointing an internal audit officer pursuant to AT 9 paragraph 8 of the Minimum Requirements for Risk Management (MaRisk), GEFA-Leasing will ensure proper internal auditing and comply with the requirements of AT 4.4 and BT 2.

6. RISK REPORT

GEFA-Leasing has been refining its risk management systems for years. The aim of these systems is to examine all operational processes and functions to determine whether they could give rise to risks and, if so, how significant these risks might be. GEFA-Leasing meets the growing requirements with respect to the management of these risks by constantly refining the tools it uses to identify, measure, control and manage the risks it assumes.

Taking account of the business strategy, the risk strategy sets limits for all of GEFA-Leasing's material risks. In this context, the main tasks of risk management are the identification, analysis, quantification and measurement of risks.

As required by the Solvency Regulation (SolvV), regulatory disclosures quantify the risk exposures and provide information about the available equity components. In addition, GEFA-Leasing has established an economic system for determining its ability to sustain risk, which compares the economic risk with the potential for covering the risk. This calculates how high the unexpected loss could be as the total of all material risks in GEFA-Leasing's portfolio. Under the risk strategy, aggregate risk cover was limited to 50 per cent of the available potential for covering the risk.

The risk sustainability calculation takes account of counterparty risk, interest-rate risk and operational risk. GEFA-Leasing does not use any approaches to minimising risk between the individual risk types in its risk sustainability calculation and has adopted a very conservative risk-mitigation approach. The vast majority of GEFA-Leasing's aggregate risk cover consists of leasing-related hidden reserves and high-quality Tier 1 capital (subscribed capital, capital reserve and retained earnings).

GEFA-Leasing has defined a 'normal scenario' plus the following 'stress scenarios':

- mild recession
- severe recession
- sector-specific problems & remarketing scenario.

As part of quarterly risk reporting, GEFA-Leasing's ability to sustain risk is calculated and stress tests are carried out, thereby ensuring that GEFA-Leasing can cover any risk that materialises at any time. Our calculations showed that GEFA-Leasing possessed highly adequate levels of capital and that, even under the aforementioned stress scenarios, utilisation of the aggregate risk cover was below 25 per cent.

As a financial holding company, SG Equipment Finance SA & Co. KG is the parent institution of the Group as defined by German regulatory requirements.

We avoid conflicts of interest by strictly separating the distinct functions of risk management and risk monitoring. Responsibility for formulating and enforcing our risk policy lies with the Management Board. GEFA-Leasing uses a risk management system to manage its risks. This provides decision-makers with the necessary information and is used to monitor risks. Within the Group, GEFA-Leasing is also integrated into the control and management functions of the Société Générale departments Credit Control, Risk Management and Treasury.

A Risk Committee has been set up and meets monthly to manage and monitor leasing-related risks, to enhance the portfolio and to discuss problem exposures.

TYPES OF RISK

Our risk management system evaluates market and liquidity risk on an ongoing basis. It also monitors operational and strategic risks. In addition, GEFA-Leasing is exposed to leasing-specific risks.

Market risk is the risk of potential losses as a result of adverse movements in market prices (interest rates, exchange rates). GEFA-Leasing uses a value-at-risk approach to manage its interest-rate risk. The value at risk (VaR) is calculated daily and measures to a probability of 99 per cent the maximum possible future losses on GEFA-Leasing's Treasury portfolio under normal market conditions during a one-day holding period. The results of these calculations are reported immediately to the relevant decision-makers at GEFA-Leasing and, once a month, to Société Générale S.A. In addition, Treasury's performance with respect to interest rates is calculated daily.

GEFA-Leasing manages currency risk using the open currency exposure method. It defines its open currency exposure as its client-related lending business minus its borrowing and funding operations. Funding based on matching maturities and currencies is used to fully hedge GEFA-Leasing's foreign-currency financing operations, and its currency risk is therefore effectively insignificant. This position is determined on the basis of the daily account balances from the payments system and the manual debtor records in this system.

Liquidity risk constitutes the risk of a counterparty being unable to meet its payment obligations at the time they fall due or of it being unable to obtain sufficient funds at the expected terms and conditions when needed.

Besides the Treasury department, which is responsible for managing liquidity, the following departments are organisationally involved in cash management at GEFA-Leasing:

- Payments Processing & Back-Office Treasury
- Leasing Administration
- Neutral Controls of Bank Accounts.

These departments are engaged in transaction management, which involves initiating, managing and/or monitoring GEFA-Leasing's material payment transactions (incoming and outgoing payments) and cash flows. They work closely with each other to ensure integrated liquidity management. Monitoring systems used in payments management ensure that overdue accounts receivable are promptly identified and reminders sent and that accounts payable – e.g. principal and interest payments and amounts payable to creditors – are settled on time. Automatic procedures for transferring debit and credit entries (account transfer systems) enable day-to-day bank account turnover to be processed in a swift and timely manner.

As in previous years, GEFA-Leasing raises most of its funding by selling receivables to GEFA, whereby responsibility for collecting and managing accounts receivable lies with the seller. Consequently, the vast majority of payment obligations consist of lease payments that are remitted to GEFA and that the buyer collects by direct debit.

Receivables are sold on an ongoing basis, which avoids the liquidity spikes that often occur when packages or portfolios of assets are sold and means that GEFA-Leasing does not require much bridging finance. Liabilities with agreed maturities are therefore restricted to the funding of leases that are not sold. The Company has sufficient credit lines available for this purpose that will also enable it to generate further growth. There are no payment obligations from option writing or notice deposits. Obligations arising from irrevocable capital commitments include undertakings to purchase the Company's leased assets.

Cash essentially comprises the proceeds from the sale of receivables and the lease instalments usually paid monthly by the lessees; however, only the proceeds from the unsold portions of leases remain with the Company. Apart from the proceeds generated by the sale of receivables, GEFA-Leasing can also draw on internal funding resources that are largely determined by leasing-related reserves. The risk of default on lease payments is closely correlated with lessees' creditworthiness. As part of its credit risk management activities GEFA-Leasing avoids concentrations of risk at customer, Group, sectoral and regional level.

Under the Group's internal policies, capital and reserves for which no qualifying assets are available on the balance sheet are suitably invested by the parent company to ensure that they are consistently used over the long term. GEFA has opted to invest these assets synthetically using asset swaps. The chosen swap construction also ensures that the additional funds allocated to the Company in the form of capital and reserves are not withdrawn but, instead, remain in the Company as liquidity and a risk cushion.

In accordance with OECD guidelines, risk-adjusted premiums (risk-adjusted return on risk-adjusted capital [RARORAC]) are charged to GEFA-Leasing for intragroup loans. In-house transfer pricing systems ensure that increases in funding costs resulting from changes in liquidity premiums and market fluctuations are priced as quickly as possible into the leases that GEFA-Leasing offers its customers. GEFA-Leasing constantly monitors its liquidity costs using a standard market information system from Reuters.

GEFA-Leasing's cash management time horizons are classified as follows:

- daily cash management (liquidity monitoring & account operation)
- monthly liquidity planning
- short-term liquidity planning (up to twelve months)
- medium-term liquidity planning (up to three years).

GEFA-Leasing conducts its medium-term liquidity planning as part of its budgeting process, which involves close collaboration between the Treasury and Management Accounting departments at head office. The receivables that it sells to GEFA are included in its budgeting figures.

Our **operational risk** is managed and monitored by the individual departments at GEFA-Leasing. The Risk Control function reports to the Management Board in order to provide it with the necessary information. As part of the Group network, GEFA-Leasing uses a web-based losses database, self-assessment, key risk indicators and scenario analysis. Our systems mitigate operational risk through their increasing levels of automation, regular workflow controls, security precautions and the use of suitably qualified staff. In addition to the Legal and Internal Audit departments, the Organisation department plays a key role in managing operational risk. A committee monitors operational risk and compliance risk as part of our risk strategy.

GEFA-Leasing's Management Board coordinates the Company's **strategic risk** across the entire organisation. As part of their remit, the individual departments are responsible for the operational management of these risks, while the Risk Control function is responsible for analysing and monitoring them. GEFA-Leasing's in-house management information system forms the basis for an effective cost and revenue management system.

Leasing risk constitutes the risk that clients may fail to meet their contractually agreed payment obligations towards GEFA-Leasing. This is the single most important risk for GEFA-Leasing and comprises default, credit and country risks. It is also exposed to asset-specific and settlement risks.

The leasing risk management system used by GEFA-Leasing includes a clearly defined decision-making process, credit rating procedures and the ongoing monitoring of credit risk. A distinction is made here between supplier credit risk and lessee credit risk.

While the supplier credit risk relates to a leased asset's guarantee liability, the lessee credit risk constitutes the risk that the lessee will be unable or unwilling to pay. As the lessee's willingness to maintain and preserve the value of leased assets tends to decline as its financial position deteriorates, there is a correlation between the lessee credit risk and the asset remarketing risk. The Credit Control department monitors compliance with credit authorities and credit ratings at the branches by conducting credit risk management checks as and when required.

Asset-specific risks arise from the wear and tear and the depreciation of leased assets and include the risk of the (partial) loss of the asset. Asset-specific risks consist in the excessive loss of an asset's value. As a result of economic cycles and changes in the markets for used equipment, the impairment of an asset's value may exceed the level of depreciation normally expected. GEFA-Leasing seeks to mitigate this risk by regularly – or, if necessary, immediately – adjusting its valuation of assets. We have taken account of asset-specific risks by setting aside appropriate provisions.

The performance of our leasing business is influenced by the prevailing tax legislation. Changes in leasing regulations and the depreciation rates permissible under tax law have a lasting impact on leasing companies' business activity.

BASEL II

Since 1 January 2008, GEFA-Leasing has had permission from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), the German financial services regulator, and the Commission Bancaire, France's banking regulator, to use its own advanced internal ratings-based approach (IRBA) for lending business and to use the advanced measurement approach (AMA) for operational risk. By using qualitative and statistical methods, GEFA-Leasing is now able to fine-tune its management of customer-related risks and remarketing proceeds and to monitor the development of risks in its existing and new business on a timely basis. We will continue to optimise our rating systems and our processes.

7. OUTLOOK

In 2010, we achieved good financial results in an economic climate characterised by a growing propensity to invest yet with company insolvencies remaining at a high level. We have raised our expectations regarding the volume of new business. Our sales and marketing plans and budgets take account of the recovery in our core markets. We expect our diversified client base, longstanding customer relationships, the quality of our products and our highly skilled workforce to pay dividends. We are fully exploiting synergies within SG Equipment Finance. By launching a number of strategic, organisational and personnel-related initiatives in 2010, we put in place the right conditions for our Company to deliver a strong performance. GEFA-Leasing believes it is well equipped for the upturn.

OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

The financial crisis has enabled market participants to achieve higher margins, which will boost our earnings in the medium term. Our market share has remained largely unchanged.

As far as we can tell at present, there are no risks that might jeopardise GEFA-Leasing's continued existence as a going concern. Our business situation going forward will be largely influenced by how the economy performs over time. Over the next few years we expect capital spending to grow significantly and risk costs to fall continually. However, we cannot rule out a negative macroeconomic impact from the euro crisis or developments in Arab and Asian countries.

On the whole, we expect our new business volume to expand in 2011. Allowing for our risk costs, we are forecasting good margins again – although price competition will be fiercer – and additional revenue growth. We expect the same situation in subsequent years, but with slightly narrower margins.

Given our healthy revenue and cost structure, we are confident that we will be able to report satisfactory results for 2011 and that we will maintain our high profitability levels as we move into 2012.

Wuppertal, March 2011
The Management Board

Taking on challenges, shaping the future

55 per cent of German farmers plan to invest in new agricultural machinery and equipment in 2011, according to the Trend Monitor of the German Agricultural Society (DLG). This represents a year-on-year increase of 6 per cent.

39,000 items of agricultural machinery and equipment financed by the SG Equipment Finance Group are in use across Europe. Almost a third of these are used by German agricultural equipment customers.

Balance Sheet of GEFA-Leasing GmbH, Wuppertal

Balance sheet as at 31 December 2010

ASSETS			
	€	31 Dec 2010 €	31 Dec 2009 € '000
1. Accounts receivable from banks			
a) repayable on demand	11,238,178.03		18,572
b) other accounts receivable	6,522,360.85	17,760,538.88	7,155
2. Accounts receivable from customers		46,329,065.81	30,727
3. Investments in affiliated companies		2,317,097.36	2,368
4. Leased assets			
a) Leased intangible assets			
aa) leased concessions, patents, trademarks and similar rights and assets	19,760,420.17		21,392
ab) concessions, patents, trademarks and similar rights and assets yet to be leased	133,977.45		332
ac) advance payments	172,497.07	20,066,894.69	294
b) Leased tangible assets			
ba) leased equipment	1,539,957,087.99		1,758,461
bb) equipment yet to be leased	4,806,138.20		7,770
bc) advance payments	8,214,162.01	1,552,977,388.20	10,669
5. Intangible assets		705,531.00	1,079
6. Tangible assets		151,839.00	214
7. Sundry assets		1,187,689.71	1,989
8. Prepaid expenses		20,963,062.27	15,120
Total assets		**1,662,459,106.92**	**1,876,142**

LIABILITIES			
	€	31 Dec 2010 €	31 Dec 2009 € '000
1. Liabilities to banks			
a) repayable on demand	97,530,494.38		90,398
b) with agreed term or notice period	59,642,594.91	157,173,089.29	95,326
2. Liabilities to customers			
Other liabilities			
a) repayable on demand		16,342,920.49	17,214
3. Sundry liabilities		332,237,696.52	359,890
4. Deferred income		1,098,425,178.58	1,258,202
5. Provisions			
a) provisions for pensions and similar obligations	3,892.00		
b) other provisions	7,147,141.91	7,151,033.91	3,983
6. Capital and reserves			
a) subscribed capital	20,500,000.00		20,500
b) capital reserve	15,338,756.44		15,339
c) retained earnings			
other retained earnings	15,290,431.69	51,129,188.13	15,290
Total liabilities		**1,662,459,106.92**	**1,876,142**
1. Contingent liabilities			
Liabilities arising from guarantees and indemnity agreements		3,744,130.09	3,455
2. Other obligations			
Irrevocable credit commitments		37,526,436.83	20,940

Income Statement of GEFA-Leasing GmbH, Wuppertal

for the year ended 31 December 2010

EXPENSES				
	€	€	2010 €	2009 € '000
1. Leasing expenses			732,102,892.76	776,887
2. Interest expenses			22,262,305.09	27,008
3. Commission expenses			3,098,537.33	3,699
4. Administrative expenses				
a) Staff expenses				
aa) wages and salaries	3,269,006.36			3,419
ab) compulsory social security contributions and expenses for pensions and other employee benefits	573,894.35	3,842,900.71		569
of which: for pensions € 32,022.48 (2009: € 30 thousand)				
b) Other administrative expenses		28,702,315.54	32,545,216.25	30,602
5. Depreciation, amortisation and write-downs of and valuation allowances on				
a) leased tangible and intangible assets		597,601,933.58		660,142
b) inventories		8,000.00		851
c) tangible and intangible assets		562,039.62	598,171,973.20	859
6. Other operating expenses			824,717.50	170
7. Write-downs of and valuation allowances on accounts receivable			3,931,227.47	2,045
8. Other taxes, unless reported under item 6.			377.00	0
9. Profits transferred under profit-pooling, profit-transfer and partial profit-transfer agreements			58,459,695.46	31,269
Total expenses			**1,451,396,942.06**	**1,537,520**

INCOME

	2010 €	2009 € '000
1. Leasing income	1,446,641,336.63	1,533,716
2. Interest income from lending and money market business	3,385,782.98	2,145
3. Current income from a) equity investments	10,662.16	220
4. Commission income	286,342.62	405
5. Other operating income	1,072,817.67	1,034
Total income	**1,451,396,942.06**	**1,537,520**

Notes to the financial statements

I. GENERAL INFORMATION ON THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

BASIS OF PRESENTATION

The annual financial statements for the year ended 31 December 2010 have been prepared in accordance with the accounting principles of the Bank Accounting Directives Act (sections 340 et seq. of the German Commercial Code) and the Statutory Order on the Accounts of Banks and Financial Services Institutions (RechKredV) as amended on 11 December 1998.

The provisions of the German Commercial Code (HGB) in the respective applicable version – including the relevant transitional provisions – have been applied. The annual financial statements for the year ended 31 December 2010 have been prepared for the first time in accordance with the new regulations of the HGB, as amended by the German Accounting Law Modernisation Act (BilMoG), which was adopted by the Bundesrat (second chamber of the German parliament) on 3 April 2009, announced in the Federal Law Gazette (BGBI. I, page 1,102) on 25 May 2009 and came into force on 29 May 2009. GEFA-Leasing GmbH has exercised the option available under section 67 (8) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB – transitional provisions for the German Accounting Law Modernisation Act) and has not restated the comparative figures from 2009.

The legally required format for the balance sheet and the income statement has been modified to reflect the peculiarities of the leasing business.

ACCOUNTING POLICIES

Accounts receivable from banks and sundry assets are shown at their nominal amounts. Appropriate provision is made for identifiable leasing-related risks by the recognition of specific valuation allowances. No general valuation allowances are recognised.

Investments in affiliated companies are reported at cost; if their value is likely to be permanently impaired, they are written down to their fair value.

As beneficial and legal owner, GEFA-Leasing GmbH reports leased assets at amortised cost.

Leased assets are depreciated over their useful life, taking account of residual values where appropriate. Assets acquired in 2010 have been depreciated under the straight-line method, as have office furniture and equipment.

In 2009, GEFA-Leasing opted to utilise the higher declining-balance depreciation and amortisation allowances, which were up to two-and-a-half times the straight-line depreciation rates. In 2008, all tangible and intangible assets were depreciated or amortised under the straight-line method over their useful life.

Tangible assets acquired before 2008 are depreciated under the declining-balance method, with a changeover to the straight-line method in the year in which this incurs a higher charge. Where applicable, higher tax accounting depreciation allowances are applied instead of lower commercial accounting rates of depreciation. Where leased assets are acquired or disposed of during the year, they are depreciated pro rata temporis.

Write-downs are recognised to cover identifiable asset remarketing risks arising from leases that are not settled as contractually agreed. If the reasons for such write-downs cease to apply, assets are written up.

Office furniture and equipment are depreciated using either the declining-balance or straight-line method. The changeover from the declining-balance to the straight-line method takes place in the year in which the straight-line method incurs a higher charge. Because the 'tax dictates financial accounting' principle no longer applies since the introduction of the BilMoG, it is no longer possible to apply tax-related declining-balance depreciation to office furniture and equipment acquired in 2010. Such assets have been depreciated under the straight-line method. We exercised an option that enabled us to continue to depreciate assets acquired before 1 January 2010 using the declining-balance method. Low-value assets costing between € 150 and € 1,000 are depreciated under the straight-line method over five years; assets costing less than € 150 are expensed as incurred.

The prices of assets acquired for foreign currency are translated at historical exchange rates.

Liabilities are carried at their settlement amount.

Interest subsidies, handling fees and other deferrable income are shown as deferred income. Deferred income is released on a straight-line basis over the life of the lease.

The prepaid expenses reported pursuant to section 250 HGB for deferred interest on interest-rate swaps are released when the interest falls due. Deferred interest payments are reported as liabilities to banks.

In 2010, provisions for pensions and similar obligations were calculated on the basis of the amended section 253 HGB using the projected unit credit method. Under section 253 (1) HGB, the settlement amount required according to prudent business practice must be reported.

In accordance with section 253 (2) HGB, long-term provisions for pensions and similar obligations with a maturity period of more than one year have been discounted using the average market interest rate published by Deutsche Bundesbank. A residual maturity of 15 years has been assumed for all of these provisions pursuant to section 253 (2) sentence 2 HGB, and an interest rate of 5.16 per cent has been used in the calculations in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) of 18 November 2009. The Heubeck 2005 G mortality tables have been used as the biometric basis. The calculations are based on salary increases of 3.00 per cent per annum, pension increases of 2.00 per cent per annum and staff turnover of between 5.00 per cent per annum (staff aged 25 to 34 years) and 0.50 per cent per annum (staff over the age of 60).

Other provisions take appropriate account of identifiable risks arising from impending losses and contingent liabilities. They are recognised at the settlement amount deemed necessary according to prudent business practice, including future cost and price rises. Provisions with a residual maturity of more than one year have been discounted. They have not been discounted in individual cases if the resulting impact on earnings is of minor financial significance.

Transactions denominated in foreign currency are translated in accordance with the principles set forth in section 256a HGB in conjunction with section 340h HGB. Amounts denominated in foreign currency have been translated at the European Central Bank's reference rate as at 30 December 2010 (closing rate). Translation gains and losses on assets denominated in foreign currency that are separately covered have been taken to income immediately. Assets are deemed separately covered if they are matched by offsetting items on the liabilities side of the balance sheet.

Interest-rate swaps used to hedge fixed-rate assets against interest-rate risks and interest-rate swaps used to hedge equity exposures are each aggregated when write-downs are recognised on the non-trading portfolio to anticipate identifiable expected losses (measurement convention). A provision is recognised to cover any excess of negative fair values over positive fair values. Income and expenses from interest-rate swaps are netted and reported as interest income or interest expenses.

GEFA-Leasing GmbH has an income-tax-sharing agreement with SG Equipment Finance SA & Co. KG, Wuppertal, as the parent company of the tax group. GEFA-Leasing GmbH has signed a profit-and-loss transfer agreement with GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal. GEFA Gesellschaft für Absatzfinanzierung mbH itself signed a profit-and-loss transfer agreement with SG Equipment Finance SA & Co. KG that came into force on 1 January 2004. Deferred taxes in respect of future tax expenses and tax income arising from temporary differences between the HGB financial statements' carrying amounts of assets, liabilities, prepaid expenses and deferred income recognised by GEFA-Leasing GmbH and the corresponding carrying amounts reported for tax purposes are recognised in the single-entity financial statements of SG Equipment Finance SA & Co. KG owing to the existing corporation-tax-sharing and trade-tax-sharing agreements.

Taking on challenges, shaping the future

15,000 business jets are in use worldwide. Around 3,000 of them are in the European market.

No. 1 provider of finance for business jets and helicopters in Europe is the SG Equipment Finance Group with a volume of almost € 1 billion. Its German subsidiary GEFA accounts for over 40 per cent of this volume.

II. NOTES TO THE BALANCE SHEET
CHANGES IN FIXED ASSETS IN 2010

LEASED FIXED ASSETS

€ '000	Acquisition/manufacturing cost	
	1 Jan 2010	**Additions**
I. Leased intangible assets		
Leased concessions, patents, trademarks and similar rights and assets	49,869	12,385
Concessions, patents, trademarks and similar rights and assets yet to be leased	332	0
Advance payments	294	429
	50,495	**12,814**
II. Leased tangible assets		
Leased equipment	3,478,296	557,829
Equipment yet to be leased	7,770	0
Advance payments	10,669	7,647
	3,496,735	**565,476**
	3,547,230	**578,290**

[1] including pro rata depreciation, amortisation and write-downs of assets disposed of during the year

FIXED ASSETS USED BY THE COMPANY FOR ITS OWN PURPOSES

€ '000	Acquisition/manufacturing cost
	1 Jan 2010
Intangible assets	43,960
Tangible assets	
Office furniture and equipment	3,513
Investments in affiliated companies	2,368

		Write-ups	Depreciation, amortisation and write-downs		Book value	
Disposals	Reclassifications	Reporting year	Reporting year[1]	Cumulative	31 Dec 2010	31 Dec 2009
20,731	76	0	11,871	21,839	19,760	21,392
748	551	0	0	0	135	332
0	–551	0	0	0	172	294
21,479	**76**	**0**	**11,871**	**21,839**	**20,067**	**22,018**
864,445	–76	104	585,731	1,631,751	1,539,957	1,758,461
13,066	10,102	0	0	0	4,806	7,770
0	–10,102	0	0	0	8,214	10,669
877,511	**–76**	**104**	**585,731**	**1,631,751**	**1,552,977**	**1,776,900**
898,990	**0**	**104**	**597,602**	**1,653,590**	**1,573,044**	**1,798,918**

		Depreciation, amortisation and write-downs		Book value	
Additions	Disposals	Cumulative	Reporting year	31 Dec 2010	31 Dec 2009
134	2	43,386	505	706	1,079
0	6	3,356	57	151	214
0	51	0	0	2,317	2,368

SUNDRY ASSETS

Sundry assets essentially comprised tax receivables from fiscal representatives worth € 1.058 million.

LIABILITIES TO CUSTOMERS

This item consisted solely of liabilities arising from leases.

SUNDRY LIABILITIES

Sundry liabilities mainly consisted of sold residual values of € 248.363 million, the profit of € 58.460 million transferred to GEFA Gesellschaft für Absatzfinanzierung, and trade accounts payable amounting to € 22.697 million.

DEFERRED INCOME

The amount reported consists mainly of revenue from the sale of lease receivables and advance lease payments. This item also includes deferred investment grants, linearised lease payments and interest subsidies.

MATURITY STRUCTURE OF PREPAID EXPENSES AND DEFERRED INCOME BY RESIDUAL PERIOD

PREPAID EXPENSES RELATING TO CUSTOMERS

€ '000	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	2,026	1,567
2. more than three months and up to one year	4,717	4,282
3. more than one year and up to five years	8,755	8,983
4. more than five years	97	288
Total	**15,595**	**15,120**

DEFERRED INCOME RELATING TO BANKS

€ '000	31 Dec 2010	31 Dec 2009
Residual period of		
1. up to three months	110,275	121,452
2. more than three months and up to one year	293,405	322,240
3. more than one year and up to five years	613,073	712,775
4. more than five years	23,377	35,802
Total	**1,040,130**	**1,192,269**

DEFERRED INCOME RELATING TO CUSTOMERS		
€ '000	**31 Dec 2010**	**31 Dec 2009**
Residual period of		
1. up to three months	7,023	7,388
2. more than three months and up to one year	17,008	19,802
3. more than one year and up to five years	33,437	37,895
4. more than five years	811	848
Total	**58,279**	**65,933**

PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations amounting to € 4 thousand were recognised in 2010.

OTHER PROVISIONS

Provisions were recognised, among other things, to cover bonuses for follow-up leasing business (€ 4.001 million), SocGen's intercompany charge (€ 1.414 million), litigation costs (€ 965 thousand), litigation risks (€ 256 thousand), consultant bonuses (€ 150 thousand) and the offsetting of unsecured risk exposures (€ 108 thousand).

RISK OF CLAIMS BEING ASSERTED FOLLOWING ASSUMPTION OF LIABILITY (SECTION 285 NO. 27 HGB)

At the balance sheet date, contingent liabilities to third parties under guarantees and warranties amounted to € 3.744 million (31 December 2009: € 3.455 million). The likelihood of claims being asserted is estimated as low owing to the current credit standing and previous payment behaviour of the holders of the guarantees and warranties. We are not aware of any information that might give rise to a different assessment.

OFF-BALANCE-SHEET TRANSACTIONS (SECTION 285 NO. 3 HGB)

GEFA-Leasing GmbH had issued irrevocable loan commitments of € 37.526 million (31 December 2009: € 20.940 million) with a term of up to one year as at 31 December 2010. The credit facilities form the basis for future interest income and can lead to a cash outflow in the short term.

MATURITY STRUCTURE OF ACCOUNTS RECEIVABLE AND LIABILITIES BY RESIDUAL PERIOD PURSUANT TO SECTION 9 RECHKREDV

OTHER ACCOUNTS RECEIVABLE FROM BANKS		
€ '000	**31 Dec 2010**	**31 Dec 2009**
Residual period of		
1. up to three months	6,522	7,155
Total	**6,522**	**7,155**

ACCOUNTS RECEIVABLE FROM CUSTOMERS		
€ '000	**31 Dec 2010**	**31 Dec 2009**
Residual period of		
1. up to three months	46,329	30,727
Total	**46,329**	**30,727**

LIABILITIES TO BANKS WITH AGREED TERM OR NOTICE PERIOD		
€ '000	**31 Dec 2010**	**31 Dec 2009**
Residual period of		
1. up to three months	50,136	77,487
2. more than three months and up to one year	422	7,578
3. more than one year and up to five years	3,366	4,891
4. more than five years	3,952	5,370
Total	**57,876**	**95,326**

OTHER LIABILITIES WITH AGREED TERM OR NOTICE PERIOD		
€ '000	**31 Dec 2010**	**31 Dec 2009**
Residual period of		
1. up to three months	83,763	100,360
2. more than three months and up to one year	91,677	109,551
3. more than one year and up to five years	97,596	109,482
4. more than five years	742	1,281
Total	**273,778**	**320,674**

INFORMATION ON AFFILIATED COMPANIES

The following balance sheet items comprise accounts receivable from, and liabilities to, affiliated companies:

€ '000	31 Dec 2010	31 Dec 2009
Accounts receivable from banks	17,673	24,173
Liabilities to banks	215,951	237,694

The assets and liabilities above include accounts receivable from, and liabilities to, the Company.

ACCOUNTS RECEIVABLE FROM, AND LIABILITIES TO, GEFA-LEASING'S SHAREHOLDER

The balance sheet items below include accounts receivable from, and liabilities to, GEFA-Leasing's shareholder GEFA Gesellschaft für Absatzfinanzierung mbH, Wuppertal.

€ '000	31 Dec 2010	31 Dec 2009
Accounts receivable from banks	11,151	17,012
Other liabilities	75,977	59,264

FOREIGN CURRENCIES

Assets include € 1.723 million denominated in foreign currency; liabilities include foreign-currency amounts of € 3.934 million.

FORWARD TRANSACTIONS

The Company concluded interest-rate-related forward transactions in the form of interest-rate swaps in order to mitigate the risk of interest-rate volatility. Further interest-rate swaps are used to hedge equity exposures against interest-rate changes.

THE FOLLOWING FORWARD TRANSACTIONS HAD BEEN CONCLUDED AS AT 31 DECEMBER 2010:

	Currency	Quantity	Notional amount € '000	Positive fair value € '000	Negative fair value € '000
Interest-rate swaps	EUR	107	676,652	9,174	8,741

The stated fair value is derived by comparing contractually agreed interest rates and exchange rates with the yield curves and rates prevailing at the balance sheet date in order to calculate the present value. The fair value of interest-rate swaps includes deferred interest at the balance sheet date.

Accounts receivable from banks include deferred interest of € 6.522 million on interest-rate swaps; liabilities to banks include deferred interest of € 1.748 million.

Interest-rate swaps used to hedge fixed-rate assets against interest-rate risks and interest-rate swaps used to hedge equity exposures are each aggregated when write-downs are recognised on the non-trading portfolio to anticipate identifiable expected losses (measurement convention).

A loan-loss provision of € 23 thousand for pending transactions has been recognised in order to cover any excess of negative fair values over positive fair values resulting from the measurement of a sub-portfolio of interest-rate swaps.

III. NOTES TO THE INCOME STATEMENT

LEASING EXPENSES

Leasing expenses essentially relate to the lease instalments payable on the sale of receivables.

INTEREST EXPENSES

Interest expenses are incurred by the financing of leased assets and by interest-rate swaps.

DEPRECIATION, AMORTISATION AND WRITE-DOWNS

Apart from depreciation and amortisation of € 597.102 million on leased assets (2009: € 659.172 million), write-downs of € 500 thousand (2009: € 970 thousand) were made to anticipate foreseeable remarketing losses while write-downs of € 8 thousand (2009: € 851 thousand) were recognised on inventories. The decrease in depreciation, amortisation and write-downs was attributable to the lower volume of leases originated and to the changeover to the straight-line method of depreciation and amortisation in 2010.

OTHER OPERATING EXPENSES

Other operating expenses essentially comprise the cost of insurance policies and litigation risks, other fees and charges, and other taxes.

LEASING INCOME

Most leasing income is generated by business with lessees in Germany and consists mainly of lease payments and income from the release of deferred forfaiting proceeds.

OTHER OPERATING INCOME

This item primarily comprises income from the sale of fixed assets, the billing of an intercompany administrative charge, foreign-exchange gains, the release of provisions, and other fees and charges.

IV. OTHER INFORMATION

SHAREHOLDINGS (SECTION 285 NO. 11 HGB)[1]			
Name and registered office	**Share of capital (%)**	**Capital and reserves of the equity investment (€ '000, 2009)**	**Profit or loss (€ '000, 2009)**
Philips Medical Capital GmbH, Wuppertal	60	−2,711	−10,885
agrafinance Beteiligungsgesellschaft mbH, Wuppertal	100	54	1

[1] The provision under section 286 (3) no. 1 of the German Commercial Code was utilised

OTHER FINANCIAL OBLIGATIONS (SECTION 285 NO. 3A HGB)

There were no other financial obligations.

INFORMATION ON DIRECTORSHIPS HELD ON STATUTORY SUPERVISORY BODIES OF LARGE LIMITED COMPANIES (SECTION 340A (4) NO. 1 HGB)

Jochen Jehmlich, spokesman for the Management Board of GEFA-Leasing GmbH, is a member of the Supervisory Board of BDK Bank Deutsches Kraftfahrzeuggewerbe AG, Hamburg.

AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR (SECTION 285 NO. 7 HGB)			
	Male	**Female**	**Total**
Full-time	38	37	75
Part-time	0	2	2
Total	38	39	77

To conduct its business, GEFA-Leasing GmbH also uses staff provided for a fee by GEFA Gesellschaft für Absatzfinanzierung mbH.

REMUNERATION PAID TO THE ADVISORY BOARD AND THE MANAGEMENT BOARD

The Advisory Board and the Management Board received no remuneration from GEFA-Leasing GmbH during the year under review.

ADVISORY BOARD AND MANAGEMENT BOARD

Advisory Board:
Didier Hauguel (Chairman), Head of Specialized Financial Services and Insurance, Société Générale S. A.
Jean-Marc Mignerey (Deputy Chairman since 1 December 2010), Chief Executive Officer, SG Equipment Finance S. A.
Wolfgang F. Karsten (Deputy Chairman), former member of GEFA's Management Board (until 1 December 2010)
Hans Rolf Koerfer, lawyer, Oppenhoff & Partner (since 1 December 2010)
Francis Repka, Chief Country Officer Germany, Société Générale S. A.

Management Board:
Jochen Jehmlich (Spokesman), bank director
Maurice-Frédéric Caulliez, bank director
Dr Rolf Hagen, bank director

The members of the Advisory Board and the Management Board of GEFA-Leasing GmbH are also directors of the sole shareholder.

GROUP MEMBERSHIP (SECTION 285 NO. 14 HGB)

GEFA-Leasing GmbH belongs to the Société Générale Group, Paris, through GEFA Gesellschaft für Absatzfinanzierung mbH. Société Générale S.A. has prepared consolidated accounts for the 2010 financial year that include GEFA-Leasing GmbH. The consolidated financial statements of Société Générale S.A. are filed with the office of the commercial court in Paris (Greffe du Tribunal de Commerce de Paris).

DISCLOSURE

As in previous years, SG Equipment Finance SA & Co. KG – the indirect shareholder of GEFA-Leasing GmbH – will publish a German version of Société Générale S.A.'s 2010 consolidated financial statements, its group management report and the independent auditors' report. GEFA-Leasing GmbH is therefore exempted pursuant to section 291 of the German Commercial Code (HGB) from the obligation to prepare consolidated financial statements and a group management report.

The consolidated financial statements of Société Générale S.A. are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. These standards differ from the provisions of the HGB, among other things, with respect to the recognition and measurement of assets and liabilities.

Material differences affecting the financial statements of GEFA-Leasing GmbH are outlined below.

- In contrast to HGB, IFRS requires all derivatives to be recognised at their fair value, irrespective of whether they are used for hedging purposes. The conditions under which hedges are recognised under IFRS differ from those under HGB. Under the portfolio hedge method chosen by GEFA-Leasing GmbH, the amortised cost of the hedged loans is adjusted in line with the effective portion of the hedge.

- HGB requires commissions paid for the referral of new business to be expensed as incurred. Under IFRS, this expense is spread over the term of the referred lease.

- IFRS requires pension obligations to be computed under the projected unit credit method. In accordance with HGB as amended by the BilMoG, GEFA-Leasing GmbH also uses this method for its HGB accounting. IFRS factors in the discount rate derived from the market interest rates prevailing at the balance sheet date, the anticipated level of staff turnover and future increases in remuneration and pensions. In contrast, the BilMoG applies an average interest rate that is in line with the market and takes account of future staff turnover and increases in salaries and pensions.

- The German regulations on equipment leasing require leased assets to be reported at amortised cost in the financial statements of the beneficial owner (GEFA-Leasing GmbH). Depreciation rates are governed by tax law. Under IAS 17, however, most leased assets are classified as finance leases. Consequently, GEFA-Leasing GmbH recognises the net amount receivable in its financial statements, whereas the leased equipment itself is reported on the lessee's balance sheet.

Wuppertal, 3 March 2011

The Management Board

Maurice-Frédéric Caulliez   Dr Rolf Hagen   Jochen Jehmlich

Independent auditors' report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of GEFA-Leasing GmbH, Wuppertal, for the fiscal year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 31 March 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Werthmann	Stier
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report by the Advisory Board

During the year under review, the Advisory Board advised and monitored the Management Board in two meetings as well as in several discussions held between meetings. The Management Board informed the Advisory Board on a regular, timely and comprehensive basis about all material issues affecting the Company's business performance, strategy, profitability, risk position, risk management, risk control systems and human resources, and submitted to it all issues requiring the approval of the Advisory Board. In particular, the Advisory Board closely monitored the accounting process, risk management system, internal control system and internal auditing system. It also discussed the focal points of the audit for 2010 with the auditors. At its meetings, the Advisory Board mainly discussed the 2009 financial statements, the Company's business performance in 2010, its planning and budgets for 2011 and the progress made on the project aimed at continuously improving GEFA's performance.

The bookkeeping system, the annual financial statements for the year ended 31 December 2010 and the management report were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, the auditors appointed by the Shareholders' Meeting, who issued an unrestricted audit certificate. The annual financial statements, the management report and the auditors' report were made available to the Advisory Board for inspection. The Advisory Board agreed with the audit of the annual financial statements.

The Advisory Board would like to thank the Management Board and all employees for their outstanding personal contribution, without which GEFA's successful performance in 2010 would not have been possible.

Paris, 19 May 2011
The Advisory Board

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Chairman


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Stockholm
Moskva
København
Amersfoort
Richmond
Warszawa
Antwerpen
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Equipment and vendor finance in Germany

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We support. You succeed.