

SG Gold Index Protected Accelerator

Issue date:
19th October 2007

- 170% upside participation
- Contingent capital protection at expiry
- No currency risk

SG Gold Index Protected Accelerator

The SG Gold Index Protected Accelerator offers investors 170% uncapped participation in any rise of the S&P GSCI™ Gold ER Index (the “Gold Index”), with contingent capital protection at expiry.

Currency risk has been removed, so a 10% rise in the USD price of the Gold Index at expiry would result in a 17% increase in the Accelerator price.

Capital is only at risk if the Gold Index falls by 30% or more, and fails to recover to its initial level by expiry. In this case the holder only receives one-for-one participation on the downside (with 170% upside participation still applying).

The Accelerator expires after four years, at which point the cash value of the product will automatically be paid out to the holder, with no action required on the holder's behalf.

Why invest in the SG Gold Index Protected Accelerator?

The Accelerator is designed as an alternative to a direct investment in Gold and offers three distinct benefits for the GBP-based investor:

- Increased participation in any rise in the Gold Index level
- Less downside risk due to the element of capital protection at expiry
- No impact of currency fluctuations

The Accelerator allows investors to gain leveraged exposure to the S&P Gold Index, a highly liquid benchmark for Gold, the performance of which is derived from the rolling Gold futures contracts.

By removing the impact of currency risk, the Accelerator allows the investor to directly benefit from any gains in the Gold Index.

For the four years to 1 October 2007, for example, a direct holding in Gold would have returned 58.0% for a GBP investor, compared with a return of 65.8% for the Gold Index. This means the returns for a holder in the Gold Index Accelerator, with 1.7x leverage, would have been 111.9%. This is summarised in the table below.

Historic Returns for Gold and Gold Index to 01/10/07

	1Y	2Y	4Y
Gold return for GBP investor	14.2%	36.8%	58.0%
Gold Index	18.0%	43.3%	65.8%

Source: Bloomberg. Past performance does not indicate future performance.

The Accelerator does not pay any dividends. The Accelerator has a denomination (and minimum trade size) of just £1,000. There is no cap on the maximum payout level at expiry.

How can I hold the Accelerator?

The Accelerator can be held as a direct investment or in SIPP (but not an ISA or PEP). If held directly, any gains from the Accelerator are subject to Capital Gains Tax only.

The Accelerator is eligible to be held by UCITS funds both directly (by funds that can hold derivatives for investment purposes) or for the purposes of Efficient Portfolio Management (EPM).

How does the Accelerator work?

At expiry, the Protected Accelerator will pay out £1,000 x 170% of any rise in the Gold Index above the issue level.

If the Gold Index has increased by 30%, for example, investors will benefit from a 30% x 170% = 51% uplift, and so receive £1,000 x 51% = £1,510 for each warrant held. This is the case irrespective of any potential fluctuation in currency exchange rates.

If the Gold Index falls by 20% at expiry, for example, the holder will still receive £1,000 for each product held, provided that, during the product's life, the Gold Index has never quoted at or below the barrier level of -30% of its initial level.

If this barrier level had been breached, however, and the Gold Index at expiry is quoting 20% below its initial level, the payout would be £800, i.e. 80% of the £1,000 product denomination.

How can I trade the Protected Accelerator?

The price of the Accelerator is maintained on the London Stock Exchange (with LSE code “SG43”) throughout the trading day. The product can be traded like a share – i.e. it can be bought or sold at any time via a stockbroker.

SG will maintain a high level of liquidity in the product by making markets throughout the trading day. The minimum trade size is one unit, with a bid/ask spread of 1% under normal market conditions. The initial issue size is £20 million.

Key facts

Classification	Covered Warrant
Issuer	SG
Guarantor	Société Générale (AA S&P)
Listed on	London Stock Exchange
Issue date	19 October 2007
Expiry date	19 October 2011
Upside participation	170%
Index reference level	\$70.076
Gold reference level	\$764/oz
Protection knock-out	-30% (\$49.053)
Indicative Gold KO level	\$535/oz
Currency	GBP
Denomination	£1,000
Issue size	£20m
Product code	SG43

Where can I find a price for SG43?

A live price will be available at the SG website, <http://uk.warrants.com>, or can be found on Reuters (SG43.L) or Bloomberg (SG43 CORP).

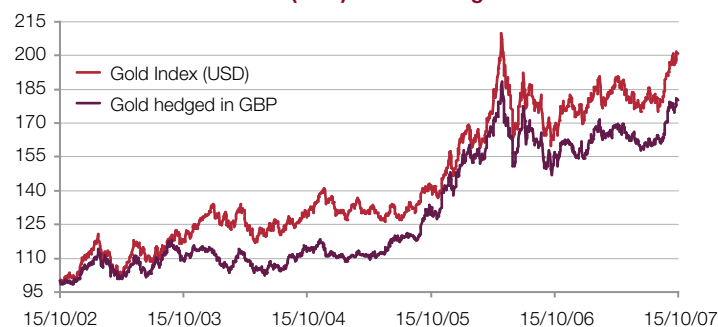
What are the costs?

Broker commission generally applies for both buy and sell orders. As it is a cash-settled investment product, there is no Stamp Duty to pay when trading the Accelerator.

What are the risks?

The Accelerator provides leveraged exposure to the Gold Index with contingent capital protection at expiry. All capital invested is at risk if the underlying index falls by 30% or more. Since capital protection applies at expiry only, the secondary market value of the Accelerator may be below the issue price.

Historic chart of Gold Index (USD) vs Gold hedged in GBP



Source: Bloomberg. Past performance does not indicate future performance.

Private client risk disclosure

By placing an order in the above listed product, a private client acknowledges that they have read and understood the associated risks and that they consider the product suitable for their investment requirements. If you are in any doubt you must speak with an investment advisor. Investment risks include the fact that all capital invested is at risk; that the market price of the product may fall as well as rise and may be volatile due to the level of gearing involved; and that the holder has credit risk against Société Générale, the product guarantor. Where a product is based on an index, the index provider will have no liability to you in respect of its activities in respect of that index.