

SG Warrants on Sugar

www.sgwarrants.co.uk
0800 328 1199
ukwarrants@sgcib.com

The Sugar Market

Sugar is one of the most heavily traded commodities globally. Sugar prices are volatile, with fluctuations ranging from 3-60 cents per pound over the past half century. One hundred countries produce cultivate sugar cane or beet, with an additional few countries also producing refined sugar products.

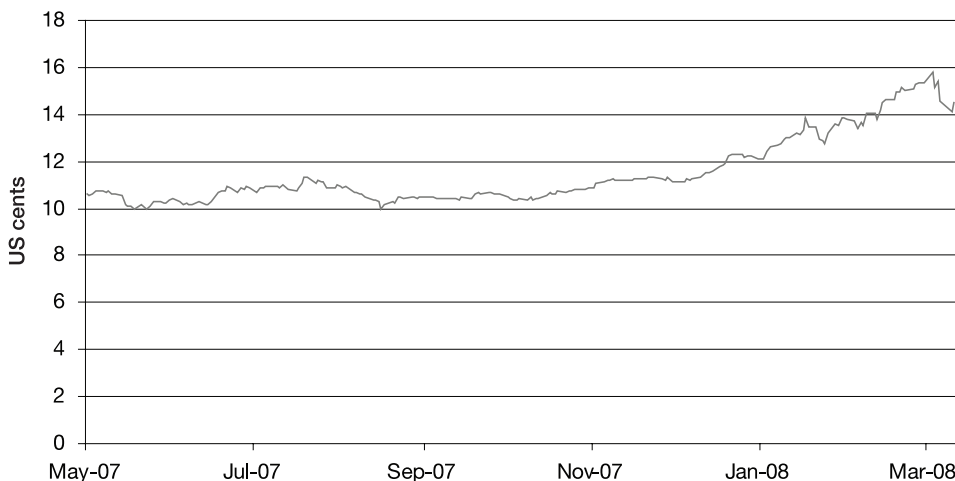
As a result of high oil and gas prices worldwide, the demand for ethanol as a petrol substitute - a by product of fermented sugar, has risen substantially. For instance, Brazil has experienced an explosion in demand for vehicles which run on either ethanol or petrol.

Demand for sugar has also strengthened due to growth in Russia, Eastern Europe and China; a higher standard of living is linked to an increased consumption of sugar and foods that contain it.

Source: Société Générale, March 2008

SG offers UK investors access to this market via new call and put warrants on the Futures contract on Sugar for delivery March 2009. The warrants can be traded like a share through your broker and SG maintains markets during the day, thus providing a high level of liquidity. The minimum trade size is one warrant. One warrant relates to the price of 100 lbs of sugar.

Performance of Sugar Futures for March 2009 Delivery



Source: Bloomberg as of 11th March 2008. Past performance is not indicative of future performance.

Did you know?

Prior to the Middle Ages, sugar cane farming was widespread across the Indian sub-continent before spreading to China and subsequently to the rest of the world. The importance of sugar grew when the Indians discovered a way of transforming juice from the sugar cane into granules. This enabled easier storage and transportation of sugar, facilitating its trade.

About the underlying

The Futures contracts on Sugar for delivery March 2009 are traded on the Intercontinental Exchange (ICE). An ICE agricultural futures contract is a legally binding agreement to buy or sell Sugar at some later time at a price agreed upon today. Sugar is quoted in US cents per lb.

Sugar Futures March 2009 Returns (As of 11th March 2008)

1 Month	2.91%
3 Months	26.46%
5 Months	38.96%
10 Months	36.09%

Source: Bloomberg

Codes

Reuters	SBH9
Bloomberg	SBH9 Comdty

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Warrant Characteristics

Code	Type	Expiry	Parity*	Strike (USD)	Sedol	ISIN
ST97	Call	17-Feb-09	1/100	0.20	B2Q9X83	ANN8132N7105
ST98	Call	17-Feb-09	1/100	0.15	B2Q9X94	ANN8132N7287
ST99	Put	17-Feb-09	1/100	0.10	B2Q9XB6	ANN8132N7360

*One warrant relates to the price of 100 lbs of sugar.

Although the underlying is priced in USD, the warrant is quoted and traded in pence, using the prevailing GBP/USD exchange rate. This means the investor is exposed to currency fluctuations which may have a net positive or negative impact.

Indicative Example

The Futures contract on Sugar for delivery in March 2009 is currently trading at USD 0.14. You think the Sugar Futures contract for delivery March 2009 is undervalued and want to take a bullish position.

You decide to buy the ST97 call warrant (strike USD 0.2, expiry 17 February 2009) for GBP 0.30.

On 17th February 2009, the March 2009 Sugar Futures contract is trading at USD 0.21

Value of the warrant at expiry: $(0.21-0.20)/(1/100) = \text{USD } 1.00$ or GBP 0.51

Your profit: $0.51-0.30 = \text{GBP } 0.21 = 68\%$ of the amount invested

If the Sugar Futures contract is at or below USD 0.2 on 17 February 2009, the warrant expires out-of-the-money and is worth 0. The capital invested is the maximum potential loss.

*All scenarios assume constant exchange rate of USD 1.98 per GBP

Please note that soft commodities, as the one presented above, have daily price limits, up and down, which determine a maximum permitted daily fluctuation range in the underlyings' previous day's close.

In case these up and down limits are crossed, trading will be suspended until the underlying's price sets back in the allowed range. If an underlying closes limit up or down, the closing price is taken on the next non-limit close.

IMPORTANT INFORMATION – DISCLAIMER

The contents of this factsheet are given for purely indicative commercial purposes and have no contractual value. This document is of a commercial and not of a regulatory nature.

Warrants are not suitable for all investors. They can be volatile instruments and may expire worthless. You should not deal in warrants unless you understand their nature and the extent of your exposure to risk.

Prior to any investment in the product described in this factsheet, you should undertake an independent review of its implications and make your own appraisal of its risks, without relying on the information provided herein, to determine the suitability of the product in the light of your particular objectives. No advice in relation to the subject matter of this factsheet is given by Société Générale or any of its affiliates and you should consult to the extent necessary your own independent legal, financial, tax, accounting and other professional advisors in order to make sure that this product is suitable in view of, in particular but without limitation, your legal, financial, tax and accounting situation.

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The information contained herein is considered to be reliable and accurate but this cannot be guaranteed.

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