

SG Warrants on Cocoa

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The Cocoa Market

The ideal conditions for the growth of cocoa trees are limited to the zone 20 degrees north and 20 degrees south of the Equator. West Africa dominates the cocoa market accounting for approximately 70% of the world total cocoa trees. The top cocoa producers include Ghana, Ivory Coast, Nigeria, Indonesia, Brazil, Cambodia, Ecuador, Dominican Republic and Malaysia. The Netherlands is the most important global cocoa processor.

Cocoa and products containing it are consumed on a global scale. Many countries claim to have the highest per capita consumption including the UK, Switzerland and Belgium.

Cocoa is the world's smallest soft commodity market. Many cocoa farmers worldwide do not possess the marketing knowledge and production techniques to improve their output levels and thus their standard of living. There exist various charities including the World Cocoa Foundation which attempt to promote sustainable cocoa cultivation via public and private partnerships.

Cadbury's has also initiated sustainable and high quality cocoa growth in Ghana, Indonesia, India and the Caribbean, committing to investing £44 million over the next decade.

Source: Société Générale, March 2008

SG offers UK investors access to this market via new call and put warrants on the Futures contract on Cocoa for delivery December 2008. 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 100th of a tonne of cocoa.

Performance of Cocoa Futures Contract for December 2008 Delivery



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

Did you know?

The cocoa tree has its origins in the mountains of the Andes. It was introduced to and cultivated in Central America by the ancient Mayas. The cultivation of cocoa trees continued through the Olmec, Toltec and Aztec eras, during which it was an established common currency throughout Central America and the Caribbean.

It was the Spanish who, after their conquest of Mesoamerica, brought cocoa to Europe. They also brought the cocoa tree to their other colonies in the Philippines and the West Indies.

About the underlying

The Futures contracts on Cocoa for delivery December 2008 are traded on the Intercontinental Exchange (ICE). An ICE agricultural futures contract is a legally binding agreement to buy or sell Cocoa at some later time at a price agreed upon today. Cocoa is quoted in USD per metric tonne.

Cocoa Futures Contract Dec 08 Returns (As of 11th March 2008)

1 Month	13.99%
3 Months	30.77%
1 Year	45.61%
2 Years	34.71%

Source: Bloomberg

Codes

Reuters	CCZ8
Bloomberg	CCZ8 Comdty

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Warrant Characteristics

Code	Type	Expiry	Parity	Strike (USD)	Sedol	ISIN
ST91	Call	07-Nov-08	100	3000	B2Q9X27	ANN8132N6529
ST92	Call	07-Nov-08	100	4000	B2Q9X38	ANN8132N6602
ST93	Put	07-Nov-08	100	2000	B2Q9X49	ANN8132N6784

*One warrant relates to the price of 1 bushel of corn.

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 Cocoa for delivery in December 2008 is currently trading at USD 2,771. You think the Cocoa Futures contract for delivery December 2008 is undervalued and want to take a bullish position.

You decide to buy the ST91 call warrant (strike USD 3,000, expiry 7 November 2008) for GBP 1.02.

On 7th November 2008, the December 2008 Cocoa Futures contract is trading at USD 3,250

Value of the warrant at expiry: $(3,250 - 3,000) / 100 =$ USD 2.50 or GBP 1.26

Your profit: $1.26 - 1.02 =$ GBP 0.24 = 24% of the amount invested.

If the Cocoa Futures contract is at or below USD 3000 on 7 November 2008, 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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