5yr Autocallable Notes on FTSE 100 & S&P GSCI Crude ER

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Indicative Product Description

The Hybrid Autocallable Note is a product that offers an attractive return if on any Observation Date all Underlyings close at or above a predefined Early Redemption Level and can provide an enhanced return compared to a direct investment in slightly negative market conditions. The payout and an early redemption are conditional on the performance of the underlying.

Summary of Indicative Product Terms

Issuer	**UBS AG, Jersey Branch (A2/A/A)**
Lead Manager	UBS AG Jersey
Strike Date	07 December 2012
Issue Date	14 December 2012
Expiration Date	08 December 2017
Redemption Date	15 December 2017, subject to early redemption
Tenor	5 years
Currency	Quanto GBP
Issue Price	100.00% of nominal value
Capital Protection	None
Participation (at expiry and subject to early redemption event)	100.00% participation in the worst performing underlying on the Expiration Date if barrier event occurs
Coupon	5.00% per semester (10.00% p.a.), payable only in case of an early redemption event
Barrier Event	If the worst performing underlying trades at or below the barrier level at close of exchange on any day from Strike Date until the Expiration Date
Early Redemption Event	If on any observation date both underlying close at or above the early redemption level (including Expiration Date)
Early Redemption Observation Dates	Each semester
ISIN	XS0853139912

Product Description

The Hybrid Worst Of Autocallables are structured products belonging to the "Optimisation" category. Optimisation products offer solutions for investors with medium to higher risk tolerance, who seek to efficiently access a certain market or to potentially enhance their return.

The effective redemption date of this product and the conditional exit rate payment depend on the price of the worst performing underlying on the predefined observation dates. If no early redemption occurs and a barrier event has occurred, the payout is linked to the performance of the worst performing underlying on the Expiration Date (without currency impact):

1. **If on any observation date (including the Expiration Date) both underlying close at or above the early redemption level**, you will receive 100.00% of the nominal value plus a coupon for each observation period since inception in cash.
2. **If an early redemption event has not occurred and**

a) if both underlying do not trade at or below the barrier level during the lifetime of the product, you will receive 100.00% of the nominal value at Redemption Date

b) b) if any underlying trades at or below the barrier level during the lifetime of the product, you will receive for each Note a cash settlement equal to the smaller of 100.00% or the final level of the worst performing underlying

Main benefits at a glance

- Autocall feature potentially shortens the tenor of the Note
- Early redemption feature provides a cash-out opportunity at regular intervals
- Enhanced returns compared to a direct investment in slightly positive or stable markets

Main risks at a glance

- Redemption potentially linked to the negative underlying performance if the barrier is touched or breached
- In case of an Early Redemption Event, the potential return is limited to the exit rate payment
- You are fully exposed to the default risk of the issuer

Investment Rationale

The Note is a structured product belonging to the "Optimisation" category. It is suitable for investors who are moderately bullish on both underlying instrument, but also want to enhance return thanks to a high autocall coupon. The Autocallable Notes provide early call opportunities. Upon autocall, the Note will be early redeemed with 100.00% of the nominal amount plus a rebate in the form of a variable coupon equal to n*5.00% per semester, n being the observation at which it is early redeemed.

In addition, the Notes come with a knock-in feature which provides conditional protection (if not early called) (the "Knock-in feature"). This product description aims to explain only those Notes with knock-in and autocall features.

Table 1—Illustration of Autocall

Semi-annually Observation Date	Autocall Level	Autocall Coupon
1st	100.00%	5.00%
2nd	100.00%	10.00%
3rd	100.00%	15.00%
4th	100.00%	20.00%
5th	100.00%	25.00%
6th	100.00%	30.00%
7th	100.00%	35.00%
8th	100.00%	40.00%
9th	100.00%	45.00%
10th	100.00%	50.00%

Scenario Analysis

Return on Investment (ROI) on the redemption date

Assumptions: No early redemption prior to expiration date, strike level 100.00%, barrier level 50.00%, absolute downside participation 100.00% (100.00% participation if barrier event occurs)

Worst Performing Index on the expiration date	Redemption amount if barrier event occurs	Redemption amount if barrier event does not occur
Chg %		
100.00%	na	150.00%
50.00%	na	150.00%
20.00%	na	150.00%
0.00%	na	150.00%
-20.00%	80.00%	na
-40.00%	60.00%	na
-50.00%	50.00%	na
-100.00%	0.00%	na

Source: UBS

Note: For illustrative purposes only

Scenario 1: Autocall with coupon

If on any semi-annually observation date (including Expiration Date), the worst performing underlying closes at or above its strike level, the Note will be redeemed immediately, and you will get back your principal plus a coupon according to table 1.

Scenario 2: Redemption at maturity with capital reimbursement

As long as both underlying do not trade at or below their respective barrier level during the lifetime of the product and no early redemption event occurred, you will receive 100.00% of the nominal invested even if the worst performing underlying closes below the strike level on the Expiration Date. Besides, if the worst performing underlying closes above its strike level, you will receive 100.00% of the nominal invested plus a coupon of 50.00%.

Scenario 3: Full Downside Risk (Barrier touched)

There is no protection against falling prices if the worst performing underlying trades at or below the barrier level during the lifetime of the product. You will be fully exposed to the negative performance of the worst performing underlying. In a worst case scenario, this position becomes worthless and you would lose all of the invested capital.

Product Suitability

Market View

You expect both underlying to increase up to the Expiration Date and do not expect the price to fall substantially during the lifetime of the product. In any case, you expect that no barrier event occurs. In addition, you accept that the product redeems early if both underlying close at or above the early redemption level on any of the observation dates, paying back 100% of the Nominal in cash plus an autocall coupon.

You wish to have exposure to GBP. If the currency of the product is different from your reference currency, the return may increase or decrease as a result of currency fluctuations.

Investment Horizon

You have a maximum investment horizon of 5 years and are willing to accept a potential early redemption.

Risk Tolerance

You are an experienced investor and are familiar with both structured products, equity index and commodity markets.

You **do not** require predetermined, regular coupon income as your objective is appreciation of assets in the long term.

You **do not** require capital protection and you are conscious of making an investment that is exposed to the full downside of both underlying.

You should hold this product as part of a diversified portfolio and avoid any significant concentration risk in regards to the underlying and/or the issuer / guarantor.

Commodity returns can be highly volatile. Investors should be able to tolerate significant fluctuations.

Risks

Product-specific Risks

You are aware that if at least one underlying trades at expiry at or below the barrier level at, the capital is at risk. You may lose some or all of the invested capital, as you are fully exposed to any decline in the level of both underlying.

You will not receive the benefit of dividends or other income that may be paid on the underlying.

Should the product be redeemed early, you are exposed to a reinvestment risk.

Credit Risk

All structured products are subject to the creditworthiness of the issuer and/or guarantor (if applicable). You bear the credit risk of UBS AG.

Valuation: Should the quality and/or the credit rating of the issuer deteriorate over the lifetime of the investment, the value of the product may be affected. Whilst a fall in value alone would not impact any redemption amount paid on the redemption date, it could affect the proceeds of an early redemption or sale in the secondary market.

Default: You are fully exposed to the default risk of the issuer.

Liquidity/Early Termination

The lead manager intends, but is not obliged, to provide a daily secondary market under normal market conditions. The assessment of normal market conditions and the provision of a secondary market are at the issuer / lead manager's discretion or follow rules of the exchange where listed, in case of listed notes.

By selling in the secondary market you may receive less than the capital invested.

The product may contain terms and conditions that allow the issuer to determine or adjust in its absolute discretion the value of the underlying if certain market disruption events, index adjustments, tax redemptions, corporate events or other circumstances affecting normal activities occur (please see term sheet for details). Such terms and conditions may also allow the issuer to close the product at an amount determined by the calculation agent. This early termination amount is usually equivalent to the prevailing mark-to-market value.

Market Risk

Prior to the redemption date, the pricing behaviour of the product, including the bid/ask spread, will be influenced not only by the level of the underlying but also by other risk factors such as interest rates, volatilities and credit quality of the issuer/guarantor.

Therefore, the product may trade considerably below 100.00% during the lifetime of the product even without the underlying trading at or below the barrier level.

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Euromoney, 2011

Best M&A House, Asia
Euromoney, 2011

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Acquisitions Monthly, 2008–2010

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Greenwich Associates, 2011

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Thomson Reuters Extel, 2002-2011

Best Equity House—Switzerland
Euromoney, 2010–2011

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Institutional Investor, 2011

Pan European Equity House
Thomson Reuters Extel, 2011

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Risk, 2011

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