UBS

5Y Quarterly Snowballing Autocallable linked to Halliburton Co, BAE Systems PLC, Berkshire Hathaway INC-CL B, Royal Dutch Shell PLC-A SHS.

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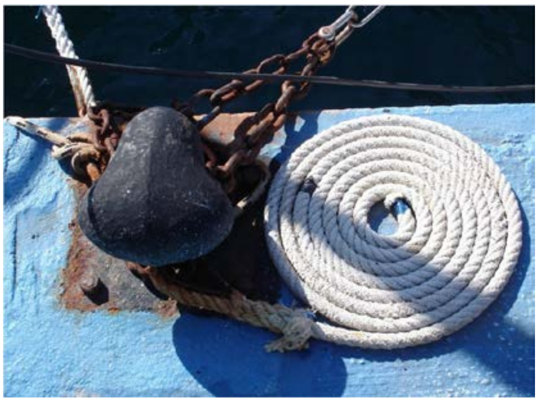
Indicative product description

The 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 positive or stable market conditions. The payout and an early redemption are conditional on the performance of the underlyings.



Summary of indicative product terms

Issuer	UBS AG, Jersey Branch (A2/A/A)
Lead manager	UBS AG Jersey
Strike date	23 December 2013
Issue date	30 December 2013
Expiration date	24 December 2018
Redemption date	02 January 2019, subject to early redemption
Tenor	5 years
Currency	USD
Issue price	100.00% of nominal value
Capital protection	None
Early redemption observation dates	Quarterly (including Expiration Date)
Early redemption event	If on any Observation Date all the underlyings close at or above the Early Redemption Level of 100% (including Expiration Date)
Coupon	3.75% per quarter, payable only in case of an early redemption event
Barrier event	If the worst performing underlying closes at or below the Barrier Level on the Expiration Date
Participation (at expiry and subject to early redemption event)	100.00% participation in the worst performing underlying on the Expiration Date if a Barrier event occurs
Underlyings	Halliburton Co, BAE Systems PLC, Berkshire Hathaway INC-CL B, Royal Dutch Shell PLC-A SHS
ISIN	XS0995128492

Product description

The Worst Of Autocallables are structured products and offer solutions for investors with medium to higher risk tolerances, 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 event has occured and a barrier event occurs at expiry, the payout is linked to the performance of the worst performing underlying on the Expiration Date (without currency impact):

- **If on the Expiration Date all the underlyings close above the Barrier Level,** you will receive 100.00% of the nominal value plus a coupon for each observation period since inception in cash.
- **If an early redemption event has not occurred and** if any underlying closes at or below the barrier level on the Expiration Date, you will receive for each Note a cash settlement equal to the final level of the worst performing underlying.

Main benefits at a glance

- Autocall feature potentially shortens the tenor of the Note
- Contingent coupon 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 on the Expiration Date
- In case of an Early Redemption Event, the potential return is limited to the coupon 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 the underlying instruments, 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*3.75% per quarter, 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.

Scenario analysis

Return on Investment (ROI) on the redemption date

Assumptions: No early redemption prior to expiration date, early redemption level 100.00%, barrier level 60.00%, absolute downside participation 100.00% (100.00% participation if barrier event occurs)

Scenario 1: Autocall with coupon

If on the Expiration Date, the worst performing underlying closes at or above its early redemption 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 all underlyings do not have a closing level at or below the barrier on the Expiration Date and no early redemption event occurred, you will receive 100.00% of the nominal invested even if the worst performing underlying closes below the autocall level on the Expiration Date. Besides, if the worst performing underlying closes above its autocall level, you will receive 100.00% of the nominal invested plus a coupon of 75.00%.

Scenario 3: Full downside risk (barrier touched)

There is no protection against falling prices if the worst performing underlying closes at or below the barrier level on the Expiration Date. 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.

Table 1—Scenario analysis at expiry

Worst performing name on the expiration date	Redemption amount if barrier event occurs	Redemption amount if barrier event does not occur
Chg %		
100.00%	na	175.00%
50.00%	na	175.00%
20.00%	na	175.00%
0.00%	na	175.00%
-20.00%	na	100.00%
-40.00%	na	100.00%
-50.00%	50.00%	na
-100.00%	0.00%	na

Note: For illustrative purposes only

Table 2—Illustration of autocall

Quarterly observation dates	Autocall level	Contingent Coupon, subject to Autocall
1st	100.00%	3.75%
2nd	100.00%	7.50%
3rd	100.00%	11.25%
4th	100.00%	15.00%
5th	100.00%	18.75%
…	…	…
18th	100.00%	67.50%
19th	100.00%	71.25%
20th	100.00%	75.00%

Note: For illustrative purposes only

Product suitability

Market view

You expect underlyings 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 all the underlyings close at or above the early redemption level on any of the observation dates, paying back 100% of the Nominal in cash plus a Contingent Coupon.

You wish to have exposure to USD. 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 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 the underlyings.

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

Risks

Product-specific risks

You are aware that if at least one underlying closes on the Expiration Date at or below the barrier level, 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 the underlyings.

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

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 underlyings 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 underlyings 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% on the Expiration Date even without the underlyings trading at or below the barrier level.

About UBS

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Offering world-class distribution and execution across investment banking, equities, and fixed income, rates, foreign exchange and metals, UBS Investment Bank is a powerful combination of global strength and local insight.

Our investment bankers, salespeople and research analysts, supported by risk and logistics teams, deliver expertise and superb execution to clients all over the world. Through a deep understanding of our clients' needs, we draw on our extensive network of global resources to deliver effective ideas, innovative solutions and exceptional levels of service to help them achieve their financial objectives.

Awards

Investment banking

Corporate Broker of the Year
Acquisitions Monthly, 2010

Best M&A Deal
Global Finance, 2011

Best M&A House—Switzerland
Euromoney, 2011

Best M&A House, Asia
Euromoney, 2011

Best TMT Sector Adviser of the Year
Acquisitions Monthly, 2008–2010

Equities

No.1 for European Equity Trading Quality
Greenwich Associates, 2010-2012

No.1 for Pan-European Equity & Equity-Linked Sales
Thomson Reuters Extel, 2002-2012

Best Equity House—Switzerland
Euromoney, 2010–2011

Top 2 All-Europe Research Team,
Institutional Investor, 2002-2013

Pan European Equity House
Thomson Reuters Extel, 2004 - 2012

Fixed income, foreign exchange and precious metals

No.1 Dealer—Gold & Silver Spot
Risk, 2011, 2012, 2013

Best Post Trade Services
Profit & Loss, 2010–2011

No.2 FX House for Banks
Euromoney, 2010–2011

UBS Delta: Most Innovative Actuarial Software
Life and Pension, 2010

Investment banking

Using innovative structures and creative solutions, UBS provides first-class advice and execution services to corporations, financial sponsors and hedge funds. Our advisory group assists on transactions and advises on strategic reviews and corporate restructuring solutions, while our capital markets and leveraged finance teams arrange the execution of primary and secondary equity, as well as debt issues worldwide.

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Across Fixed Income, Currencies and Commodities, we service corporate, institutional, public sector and private banking clients. We provide outstanding client service in Origination and Distribution, risk management and provide liquidity in FX and Emerging Markets.

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