

# UBS Capital Protected Note linked to Inflation (EUR)



**Linked to the Eurozone Consumer Price Index**

**Issued by UBS AG, through its Jersey Branch**

5y Note

SSPA/EUSIPA: Capital Protection without Cap (1100)

Valor: 18419378      ISIN: CH0184193784

**Final Terms**

**This Product does not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus does not require an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, investors in this Product are not eligible for the specific investor protection under the CISA [(This paragraph is relevant to public offerings in Switzerland only)].**

## 1. Description of the Product

### Information on Underlying

---

Underlying      [Inflation Index: EUR – Excluding Tobacco-Non-revised Consumer Price Index,] [(HICPxT)] for the Eurozone, published by Eurostat (2005 = 100).  
Bloomberg code: [CPTFEMU Index ]

This data can currently be accessed at Eurostat's website:

[\[http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t\\_eicp240\]](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t_eicp240)

### Product Details

---

Security Numbers	<b>ISIN:</b> CH0184193784	<b>WKN:</b> UB99FV
	<b>Valor:</b> 18419378	<b>Common Code:</b> 078827238
Issue Size	EUR 1,075,000 (with reopening clause)	
Specified Denomination / Nominal	EUR 5,000 per Product (traded in Nominal)	
Issue Price	100% of the Specified Denomination (percentage quotation, subject to market conditions)	
Settlement Currency	EUR	

### Dates

---

Trade Date	23 May 2012
Pricing Date ("Pricing")	23 May 2012
Issue Date / Payment Date	30 May 2012
Redemption Date / Maturity Date	30 May 2017

### Redemption

---

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

Redemption Amount at Maturity	<p>The Investor is entitled to receive from the Issuer on the Redemption Date an amount in the Settlement Currency, according to the following formula:</p> <p><b><math>(\text{Participation Rate} \times \text{Inflation Rate} + 1) \times \text{Nominal}</math></b></p>
Participation Rate	94%
Inflation Rate	<p><b><math>[(\text{Reference Index} / \text{Initial Index}) - 1]</math>, floored at 0</b></p> <p>Expressed as a percentage, the Inflation Rate will be rounded to the third decimal place.</p>
Reference Index	<p>The published Inflation Index for 3 calendar months prior to the month in which the Redemption Date falls, subject to Index Delay and Disruption Event Provisions set out in the ISDA Definitions (as defined below), as amended and supplemented from time to time. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations..</p> <p>If the Inflation Index level which is relevant to the calculation of the Redemption Amount has not been published or announced by the day that is five (5) Business Days prior to the Redemption Date, the Calculation Agent shall determine a Substitute Index Level in accordance with the ISDA Definitions (as defined below) by using the following methodology:</p> <p style="text-align: center;"><math>\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level} / \text{Reference Level})</math>.</p> <p>The Reference Index will be the Inflation Index for the month of February 2017 as published by the Index Sponsor.</p>
ISDA Definitions	<p>2008 ISDA Inflation Derivatives Definitions</p> <p>In the event of any inconsistency between the ISDA Definitions and this termsheet, the ISDA Definitions will govern</p>
Initial Index	113.53, the published Inflation Index as of February 2012
Latest Level	Latest level of the Inflation Index (excluding any “flash” estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.
Reference Level	Level of the Inflation Index (excluding any “flash” estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to for the Latest Level determination
Base Level	<p>Level of the Inflation Index (excluding any “flash” estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month for which the Substitute Index Level is being determined</p> <p>In respect of this Product and referring to the Reference Index, Base Level will be that of 113.53</p> <p>If the Inflation Index level which is relevant to the calculation of Base Level has not been published or announced by the day that is five (5) Business Days prior to the Redemption Date, the Calculation Agent shall determine a Substitute Base Level as he deems reasonably</p>

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

reflective of the value of the Inflation Index in the month that Base Level refers to.

Reference Month	means the calendar month for which the level of the Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month is the period for which the Inflation Index level was reported.
Index Sponsor	Eurostat, which is the corporation, or any other entity, that is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and announces (directly or through an agent) the level of the relevant Index on a regular basis; where reference to the Index Sponsor shall include a reference to the Successor Index Sponsor.
Successor Index Sponsor	If the Index is not calculated and announced by the Index Sponsor but is calculated and announced by a successor to the Index Sponsor (the " <b>Successor Index Sponsor</b> ") acceptable to the Calculation Agent or replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for, and method of, calculation as used in the calculation, of that Index (the " <b>Successor Index</b> "), then such Index shall be deemed to be the index so calculated and announced by the Successor Index Sponsor or that Successor Index, as the case may be.

## Product Structure

---

With a Capital Protected Note linked to Inflation the Investor can participate in the inflation of the Underlying at the defined Participation Rate. The Investor receives a redemption of 100% plus the Inflation Rate multiplied by the Participation Rate per Nominal on the Maturity Date. The Product is capital protected (subject to issuer risk). The Product does not pay interest but only entitles the investor to a Redemption Amount at Maturity, as calculated above, and therefore it is not suitable to an investor who requires interest payments before the Maturity Date. While inflation-linked bonds have considerable upside potential, they also possess certain risks. Their value tends to fluctuate not just with the adjustments in the inflation index to which they are tied, but also with the rise and fall of interest rates. During deflationary periods - where interest rates are very low - the rate of return for inflation-linked bonds tends to be less than other bond categories.

## General Information

---

Issuer	UBS AG, Jersey Branch
Issuer's Rating	Aa3 Moody's / A S&P's / A Fitch
Lead Manager	UBS Limited
Calculation Agent	UBS AG, London Branch. All determinations by the Calculation Agent hereunder in the absence of manifest error, wilful default or bad faith, will be final and conclusive, and the Calculation Agent and the Issuer have no liability to the Noteholders or any third party in relation to such determinations.
Principal Paying Agent	UBS AG, Zurich
Listing	None
Secondary Market	Daily price indications will be available on <a href="http://www.ubs.com/keyinvest">http://www.ubs.com/keyinvest</a> (Please note that the Keyinvest website is not available to UK residents)
Business Days	TARGET
Business Day Convention	Modified Following Unadjusted

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

Minimum Trading Lot	1 Product
Debt Ranking/ Status of the Notes	Unsecured / Unsubordinated
Clearing	SIS, Euroclear, Clearstream (Global Bearer Note deposited at SIX SIS AG, in Switzerland)
Form of Note	Uncertificated Securities
Governing Law / Jurisdiction	Swiss / Zurich
Adjustments	The terms of Product may be subject to adjustments during its lifetime. Detailed information on such adjustments is to be found in the Product Documentation.
Product	One EUR-denominated Capital Protected Note linked to Inflation with the given Specified Denomination/Nominal is equivalent to one (1) "Product". "Products" wherever used herein shall be construed to mean integral multiples of the same, subject to the Issue Size.
Delivery	Delivery against payment
Public Offering	Switzerland

### **Tax Treatment Switzerland**

---

Swiss Federal Stamp Duty	For Swiss Stamp Duty purpose, the product is treated as analogous to a bond. Therefore, secondary market transactions are in principle subject to Swiss Stamp Duty (TK22).
Swiss Federal Income Tax	For private investors with tax domicile in Switzerland, the transaction is in principle subject to Swiss federal, cantonal and communal Income Tax.
Swiss Withholding Tax	The product is not subject to the Swiss Withholding Tax.
EU Savings Tax	For Swiss paying agents, the product is subject to the EU Savings tax (TK 8).

The tax information only provides a general overview of the potential tax consequences linked to this Product at the time of issue. Tax laws and tax doctrine may change, possibly with retroactive effect.

### **Product Documentation**

---

The Final Terms together with the 'General Terms and Conditions for Fixed Income Structured Products, as amended from time to time ("General Terms and Conditions") shall form the entire documentation for this Product ("Product Documentation"), and accordingly the Final Terms should always be read together with the General Terms and Conditions. Definitions used in the Final Terms, but not defined therein shall have the meaning given to them in the General Terms and Conditions. Furthermore, the Final Terms shall serve as and fulfil the requirements of a 'Simplified Prospectus' in accordance with Art. 5 of the Swiss Federal Act on Collective Investment Schemes (CISA). In the event that the Product is listed (see above item 'Listing' under 'General Information'), the Product Documentation will be amended in accordance with the listing requirements of the relevant Exchange.

During the whole term of this Product, the Product Documentation can be ordered free of charge from the Lead Manager at P.O. Box, CH-8098 Zurich (Switzerland), via telephone (+41-(0)44-239 47 03), fax (+41-(0)44-239 69 14) or via e-mail (swiss-prospectus@ubs.com). In addition, the Product Documentation is available on the internet at [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest).

Notices in connection with this Product shall be validly given by publication in electronic media such as Reuters and/or Investdata. In addition, any changes with regard to the terms of this Product shall be published on the internet at [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest).

### **Classification**

---

This Product does not represent a participation in any of the collective investment schemes pursuant to Art. 7 ss of the Swiss Federal Act on Collective Investment Schemes (CISA) and thus does not require an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Therefore, investors in this Product are not eligible for the specific investor protection under the CISA.

Furthermore, this Product does not benefit from any depository protection under Art. 37b under the Swiss Federal Law on Banks and Savings Banks (Banking Act) or other forms of deposit insurance under any other law as might be applicable to this Product.

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

## Prudential Supervision

---

UBS AG is authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). In addition, its London Branch is authorised and regulated by the Financial Services Authority (FSA) and its Jersey Branch by the Jersey Financial Services Commission (JFSC).

## 2. Prospects of Profits and Losses

Market Expectation	The Capital Protected Note linked to Inflation is a product for Investors who expect the Underlying to increase in value.
Risk Tolerance	Investors in this Product should be familiar with interest rate / inflation markets and derivative products. Investors may benefit from an inflation-linked return on the Redemption Date / Maturity Date, they must be aware, however, that the return is exposed to the performance of the Underlying which could be worse than the performance expected at the time of the purchase of this Product. The Product is suitable to Investors that require capital protection on the Redemption Date / Maturity Date, but do not require investment income / interest payment prior to the Redemption Date.
Profit Potential	The prospective gain is not limited
Loss Potential	Investors are exposed to the credit risk of the Issuer. The return on investment could be as low as zero if the Underlying does not increase over the life of the Product

## 3. Significant Risks for Investors

For product specific risks please see above (2. Prospects of Profits and Losses)

### Risk Factors relating to the Issuer

---

In addition to the market risk with regard to the development of the Underlying, each Investor bears the general risk that the financial situation of the Issuer could deteriorate. The Products constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, particularly in case of insolvency of the Issuer, rank *pari passu* with each and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The general assessment of the Issuer's creditworthiness may affect the value of the Products. This assessment generally depends on the ratings assigned to the Issuer or its affiliated companies by rating agencies such as Moody's, Fitch and Standard & Poor's.

The Issuer Ratings indicated in this document reflect the situation at the time of issuance and may be subject to changes. The actual Issuer Ratings at any given time can be seen on the Issuer's website ([www.ubs.com](http://www.ubs.com)) under "Analysts & Investors".

### Secondary Market

---

The Issuer or the Lead Manager, as applicable, intends, under normal market conditions, to provide bid and offer prices for this Product on a regular basis. However, the Issuer or the Lead Manager, as applicable, makes no firm commitment to provide liquidity by means of bid and offer prices for this Product, and assumes no legal obligation to quote any such prices or with respect to the level or determination of such prices. Potential Investors therefore should not rely on the ability to sell this Product at a specific time or at a specific price.

In special market situations, where the Issuer is completely unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer.

### Market Risk

---

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

The investor is exposed to market disruption events (such as trading disruption, exchange disruption and early closure of the relevant exchange), adjustments and early termination which could have an impact on the redemption amount through delay in payment or change in value. For a detailed description of such events and their effects please read the General Terms and Conditions.

### **Important Information**

---

This information is communicated by UBS AG and/or its affiliates ("UBS"). UBS may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying the transaction to which this document relates. UBS may provide investment banking and other services to and/or have officers who serve as directors of the companies referred to in this document. UBS' trading and/or hedging activities related to this transaction may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

UBS may have paid a fee to a third party introducer or broker in relation to this transaction. Further, in certain circumstances UBS sells this Product to dealers and other financial institutions at a discount to the issue price or rebates to them for their account some proportion of the issue price. Further information is available on request.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in any transaction.

This document should not be construed as an offer, personal recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the Information Memorandum, Prospectus or other issuer documentation for the issue of the Products/Notes (the "Prospectus").

Investors who decide to place an order for subscription or purchase of this Product should note that such orders are binding and that the Investors have no right to withdraw or cancel such orders.

UBS makes no representation or warranty relating to any information herein which is derived from independent sources. This document shall not be copied or reproduced without UBS' prior written permission.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Products described herein, save where explicitly stated in the Product Documentation. The Products must be sold in accordance with all applicable selling restrictions in the jurisdictions in which they are sold.

There is a possibility that costs, including taxes, related to transactions in connection with this Product may arise for the Investor that are not paid by UBS or imposed by it.

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.

## Selling Restrictions

**Any Products purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further documentation relating to this Product in such jurisdiction.**

**The restrictions listed below must not be taken as definitive guidance as to whether this Product can be sold in a jurisdiction. Additional restrictions on offering, selling or holding of this Product may apply in other jurisdictions. Investors in this Product should seek specific advice before on-selling this Product.**

**Europe** Europe - For EEA jurisdictions (EU member states plus Norway, Iceland and Liechtenstein) that have implemented the EU Prospectus Directive, the Product Documentation for this Product DOES NOT QUALIFY as a prospectus published in accordance with the requirements of the EU Prospectus Directive. Unless and until a prospectus has been published in accordance with the requirements of the EU Prospectus Directive, these Notes may not be offered or sold in EEA jurisdictions that have implemented the EU Prospectus Directive other than 1) in minimum denominations of, or total consideration per investor of at least, EUR 50,000 (or equivalent in other currencies), provided that the offer is only being made in one or more EEA jurisdiction that will not, before the end of the offer period for the Notes, have implemented the provision under the Directive 2010/73/EU (the "PD Amending Directive") that increases this minimum denomination (or total consideration per investor) to EUR 100,000; or 2) only to Qualified Investors; and/or 3) (aggregated for all distributors) to less than 100 or, if the relevant EEA jurisdiction has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons that are not Qualified Investors per EEA jurisdiction. A "Qualified Investor" is a legal entity that is a qualified investor as defined in the EU Prospectus Directive.

For EEA jurisdictions that have not implemented the EU-PD, sales must be in compliance with the law of that jurisdiction..

**Hong Kong** – Each purchaser has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Products other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Products, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Products which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

**The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to any offer. If an investor is in any doubt about any of the contents of this document, the investor should obtain independent professional advice.**

**This is a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it.**

**Singapore** - This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of this Product may not be circulated or distributed, nor may this Product be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where this Product is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
  - (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant of an offer made under Section 275 of the SFA except:
- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276 (4)(i)(B) of the SFA;
  - (2) where no consideration is or will be given for the transfer;
  - (3) where the transfer is by operation of law; or
  - (4) as specified in Section 276 (7) of the SFA.

**UK** – For the purpose of non-discretionary accounts, this Product should not be sold with a consideration of less than 100,000 EUR or equivalent.

**USA** - This Product may not be sold or offered within the United States or to U.S. persons.

**Contact:** UBS AG, P.O. Box, 8098 Zurich

**Private Investors:** Please contact your client advisor or send an email to [derivatives@ubs.com](mailto:derivatives@ubs.com)

**Internet:** [www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

**Bank and Intermediaries:** +41-44-239 75 75\*

Please note that calls made to the numbers marked with an asterisk (\*) may be recorded. Should you call on these numbers, we shall assume that you consent to this business practice.