UBS Investment Bank

UBS GOAL/Kick-in GOAL
Investing in flat markets.

Optimisation

GOALs allow you to make profits when markets are tending sideways. The high coupon compensates you for the risk that you will receive the underlying stock on expiry.

The product name **GOAL** stands for "**G**eld **O**der **A**ktien **L**ieferung", which means "cash or share delivery" in English. This investment instrument combines a bond with the sale of a put option on one or more underlyings (stock or equity index). In addition to the **Standard GOAL**, the GOAL family also includes the **Score**, the **Floating Rate GOAL**, the **Kick-In GOAL** and the **"Worst of" Kick-In GOAL**.

GOALs can offer attractive returns when markets are trending sideways. If you already hold equities and expect their prices to remain flat, you can significantly enhance your potential return with little outlay by switching into a GOAL.

With a GOAL, you invest indirectly in an underlying and participate in its positive performance, but only up to a specific level (strike price). You receive a relatively high coupon in return for not profiting from gains above the strike price.

The reason for the high coupon is in the structure of the GOAL. The premium received from the sale of the put option is added to the usual capital market yield to give a comparatively high yield relative to bonds.

Main benefits at a glance

- Alternative to direct equity investments.
- High coupon payment.
- Attractive investment in flat or slightly rising markets.
- Also available with variable coupon (Floating Rate GOAL).
- Also available with limited capital protection (Kick-in GOAL).

Standard GOAL/Score

- If the price of the underlying is higher than the strike price on expiry of the GOAL, you are paid back 100% of your invested capital.
- If the price of the underlying is at or below the strike price on expiry, payment is made in the form of a predetermined number of shares (nominal divided by strike price).
- Coupon payments are always made.

In contrast to the Standard GOAL the payment of the Score is always made in cash.

Floating Rate GOAL

Floating Rate GOALs differ from Standard GOALs in that the coupon is variable. Throughout the instrument's life, the coupon is fixed on a predefined date for the next interest period. You thus receive a coupon equal to the current LIBOR plus a fixed percentage resulting from the put option premium. A Floating Rate GOAL is otherwise the same as a Standard GOAL.

Kick-in GOAL

In contrast to the Standard GOAL, the Kick-in GOAL also offers limited capital protection. This is achieved by integrating a kick-in level, set at a given percentage below the price of the underlying on issue. You are paid back 100% of your invested capital as long as the price of the underlying does not touch the kick-in level at any time prior to expiry. If the underlying is priced at or below the kick-in level at any time prior to expiry, the capital protection effect is lost, and the Kick-in GOAL behaves like a Standard GOAL. The coupon is paid out under all scenarios.

"Worst of" Kick-in GOAL

In contrast to the Kick-in GOAL on an underlying, the "Worst of" Kick-in GOAL links a bond with an option **several** on underlyings and offers you – the investor – a higher coupon. The kick-in level is defined separately for each underlying on issue. Provided that the price of the underlying does not touch the kick-in level that has been set, on expiry you get back 100% of the capital you have invested. If the price of one or more underlyings hits or dips below the kick-in level at any time before expiry, all capital protection is lost. If the underlyings close above the issue price on expiry, you get back 100% of the capital you have invested. If the price of one or more underlyings is at or below the issue price, payment is made in the form of equities in accordance with a quantity defined in advance, and you are given the underlying that has posted the worst performance (hence the name "Worst of"). The coupon is paid out under all scenarios.

Tailor-made solutions
With investment amounts starting at CHF, EUR or USD 50,000, your UBS client advisor will assist you in structuring your individual product on the leading indices and blue chips in EUR and USD. You will receive a product tailored to your personal needs as regards the underlying, investment amount, time to expiry and maximum return.

Examples of a Standard GOAL

You hold shares of company A (the underlying) and do not expect their price to rise sharply in the next two years. You switch from the shares into a GOAL investment with the aim of optimizing the return on your position.

Assumptions

Reference price of stock A (underlying) when GOAL is bought	CHF 50
Price of GOAL (CHF 5,000 nominal)	100%
Coupon (payable annually)	5%
Strike price	CHF 40
Time to expiry	two years

Example 1: stock A closes above the strike price
On expiry, the price of stock A closes above the strike price at CHF 49.

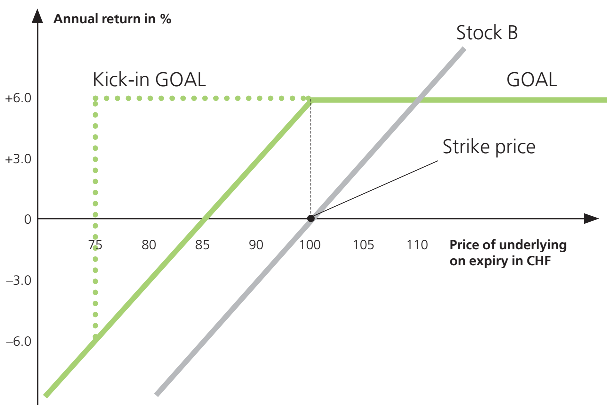
In this case, you receive the nominal CHF 5,000 paid out in cash. In addition, you will have been paid interest at 5% a year throughout the life of the instrument, totalling CHF 500. Had you invested directly in the stock, you would have made a loss of CHF 1 per share on an investment of CHF 5,000, i.e. CHF 100 in total.

Example 2: stock A closes below the strike price
The price of stock A closes at CHF 35 on expiry, i.e. below the strike price of CHF 40.

In this case, you receive a predetermined number of shares – 125 per nominal CHF 5,000 in this example (nominal divided by strike price). You have also been paid interest of 5% a year throughout the life of the instrument, totalling CHF 500. The total value of the shares delivered comes to CHF 4,375. You have therefore made a total loss of CHF 125. Had you invested directly in the stock, you would have made a loss of CHF 15 per share, i.e. CHF 1,500 in total.

Note that it is only worthwhile investing directly in the underlying as opposed to a GOAL if the price of the underlying rises sharply.

Payout scenario of a Kick-in GOAL



Examples of a Kick-in GOAL

You hold shares of company B (the underlying) and do not expect their price to rise sharply in the next two years. You also think that stock B will not fall massively over a specific period (the life of the Kick-in GOAL). You switch from the shares into a Kick-in GOAL investment with the aim of optimizing the return on your position.

Assumptions

Reference price of stock B (underlying) when Kick-in GOAL is bought	CHF 100
Price of Kick-in GOAL (CHF 5,000 nominal)	100%
Coupon (payable annually)	6%
Strike price	CHF 100
Kick-in level (75% of reference price)	CHF 75
Time to expiry	two years

Example 1: stock B does not touch the kick-in level at any time and closes below the strike price

Stock B performs in line with your expectations and does not trade at or below the kick-in level of CHF 75 at any time prior to expiry. It closes at CHF 90 on expiry.

In this case, you receive the nominal CHF 5,000 paid out in cash. In addition, you will have been paid interest at 6% a year throughout the life of the instrument, totalling CHF 600. Had you invested directly in the stock, you would have made a loss of CHF 10 per share on an investment of CHF 5,000, i.e. CHF 500 in total.

Example 2: stock B touches the kick-in level and closes above the strike price

The price of stock B closes above the strike price at CHF 110 on expiry, but it has touched or undershot the kick-in level at some point prior to expiry.

In this case, you receive the nominal CHF 5,000 paid out in cash. In addition, you will have been paid interest at 6% a year throughout the life of the instrument, totalling CHF 600. Had you invested directly in the stock, you would have made a profit of CHF 10 per share on an investment of CHF 5,000, i.e. CHF 500 in total.

Example 3: stock B touches the kick-in level and closes below the strike price

Stock B performs badly, touching or undershooting the kick-in level at some point prior to expiry and closing at CHF 80 (i.e. below the strike price of CHF 100) on expiry.

In this case, you receive a predetermined number of shares – 50 per nominal CHF 5,000 in this example (nominal divided by strike price). You have also been paid interest at 6% a year throughout the life of the instrument, totalling CHF 600. The total value of the shares delivered comes to CHF 4,000. You have therefore made a total loss of CHF 400. Had you invested directly in the stock, you would have made a loss of CHF 20 per share, i.e. CHF 1,000 in total on an investment of CHF 5,000.

Note that it is only worthwhile investing directly in the underlying as opposed to a GOAL if the price of the underlying rises sharply.

Examples and charts are for illustrative purposes only and do not convey any information regarding actual circumstances or profits. These examples do not take account of dividend payments or standard securities trading costs (brokerage fees etc.).

Optimisation
Solutions for investors with moderate to high risk tolerance who want to get more from their investment portfolios in flat markets.

Risks

- You only make a profit on a GOAL if the price of the underlying rises.
- It is possible that you will receive the underlying on expiry.
- While the potential loss under all scenarios is lower than with a direct investment in the underlying, there is no protection against falling prices.
- With the Floating Rate GOAL, there is the risk that the coupon will be reduced due to a fall in the LIBOR.
- With the Kick-in GOAL, the safety cushion provides only limited capital protection.
- With a "Worst of" Kick-in GOAL, there is the possibility that the worst performing underlying will be offered on expiry.

This product is subject to the general risks associated with structured products. For additional information, please refer to the UBS brochure "Special risks in securities trading" or consult your client advisor.

Investor profile and suitability

- You are an experienced investor and are familiar with structured products.
- You expect flat or only slightly rising prices.
- You already hold equities and would like to enhance your portfolio's performance in anticipation of a flat market by switching into a GOAL investment.
- You want to be in a position to sell your position at any time at market prices.
- You take the time to actively monitor the price of the underlying.

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