

ENTERRA ENERGY TRUST
Form 6-K/A
November 24, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K/A

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES ACT OF 1934**

For the Month of November 2004

Commission File Number: 000-32115

ENTERRA ENERGY TRUST

(as successor issuer to Enterra Energy Corp.)

(Translation of registrant's name into English)

**2600, 500-4th Avenue S.W.
Calgary, Alberta, Canada T2P 2V6**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

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Yes___ No_x

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes___ No_x

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes___ No_x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENTERRA ENERGY TRUST

(Registrant)

By: Enterra Energy Corp.

Administrator of the Trust

By: /s/ Luc Chartrand

Luc Chartrand

President and Chief Executive Officer

Date: November 23, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements of Enterra Energy Trust (the Trust) for the period ended September 30, 2004, other financial information included in this quarterly report and with the MD&A and consolidated financial statements contained in the 2003 Annual Report. Additional information relating to the Trust is available on SEDAR at www.sedar.com. This MD&A was written as of October 29, 2004. All amounts are stated in Canadian dollars except where otherwise indicated. Natural gas volumes have been converted to a crude oil equivalent using a ratio of 6 mcf to 1 bbl of oil.

Cash flow from operations, expressed before changes in non-cash working capital, is used by the Trust to measure and evaluate operating performance and liquidity. Cash flow from operations does not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and therefore may not be comparable with the calculation of similar measures for other companies.

It is management's view, based on its communications with investors during events like conference calls, webcasts or road shows, that cash flow from operations is most relevant to our investors and unitholders, especially since the Trust's conversion to an oil and gas income trust. Cash flow from operations is extremely relevant to investors because it is the starting point for setting the monthly distribution level.

Cash flow from operations is reconciled to GAAP earnings in a table included in the MD&A.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This interim report includes forward-looking statements. All statements other than statements of historical facts contained in this interim report, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words believe, may, will, estimate, continue, anticipate, intend, should, plan, expect and similar expressions, as they are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in Risk Factors and elsewhere in this interim report.

Other sections of this interim report may include additional factors which could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We undertake no obligation to update publicly or revise any forward-looking statements. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

OVERVIEW

During Q3, 2004, the Trust's production revenue increased 59% over Q3, 2003, with an increase of 32% over the nine months ended September 30, 2004 compared to the same period in 2003. Cash flow from operations was \$13.1 million for Q3, 2004 or \$0.55 on a per unit basis and \$36.1 million or \$1.61 on a per unit basis for the nine months ended September 30, 2004. Production volumes are up 32%, for both the three and nine months ended September 30, 2004. The Trust established its initial monthly distribution level at US\$0.10 per unit, with an increase to US\$0.11 per unit declared on March to May 2004 production, an increase to US\$0.12 per unit declared on June to August 2004 production and an increase to US\$0.13 per unit declared on September 2004 production. This was paid on October 15, 2004.

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Effective September 29, 2004 the Trust acquired 100% of the issued and outstanding shares of Rocky Mountain Energy Corp., through its subsidiary Rocky Mountain Acquisition Corp. The acquisition was paid for by the issuance of 1,946,576 Trust units, 341,882 Rocky Mountain Acquisition Corp. exchangeable shares and cash of \$7,233,746. The acquisition of Rocky Mountain Energy Corp. has no material impact on the financial results for Q3, 2004 due to the transaction close date occurring at the end of the quarter.

SUMMARIZED FINANCIAL AND OPERATIONAL DATA (in Thousands except for volumes and per unit/share amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept.	Change	Sept.	Sept.	Change
	30	30		30	30	
	2004	2003(2)		2004	2003(2)	
Exit production rate (boe per day)	7,659	5,330	+ 44%	7,659	5,330	+ 44%
Production Revenue	\$25,467	\$ 16,012	+ 59%	\$ 74,700	\$ 56,499	+ 32%
Average production volumes (6 to 1 boe per day)	6,203	4,713	+ 32%	6,534	4,963	+ 32%
Cash flow from operations ⁽¹⁾	\$13,109	\$ 7,599	+ 73%	\$ 36,139	\$28,988	+ 25%
Cash flow from operations per unit ⁽¹⁾	\$ 0.55	\$ 0.40	+ 38%	\$ 1.61	\$ 1.57	+ 3%
Net earnings	\$ 4,138	\$ 962	+330%	\$ 11,347	\$10,184	+ 11%
Net earnings per unit	\$ 0.17	\$ 0.05	+240%	\$ 0.51	\$ 0.55	- 7%
Distributions paid	\$10,924	-	n/a	\$28,338	-	n/a
Distributions paid per unit	US\$ 0.36	-	n/a	US\$ 0.99	-	n/a
Percentage of cashflow	83%	-	n/a	78%	-	n/a
Average number of units outstanding	23,676	18,821	+ 26%	22,412	18,521	+ 21%
<i>(after giving effect to trust conversion)</i>						
Average price per bbl of oil (net of hedging loss)	\$ 46.24	\$ 37.09	+ 25%	\$ 40.60	\$ 41.81	- 3%
Average price per mcf of natural gas	\$ 6.09	\$ 6.06	+ 1%	\$ 6.62	\$ 6.87	- 4%
Operating costs per boe	\$ 10.42	\$ 8.41	+ 24%	\$ 8.65	\$ 7.23	+ 20%
General and administrative expenses per boe (cash portion)	\$ 1.65	\$ 1.79	- 8%	\$ 1.37	\$ 1.73	- 21%

(1) Cash flow from operations is a non-GAAP measure. It is management's view that this information is relevant for investors in order to compare Q3, 2004 with Q3, 2003. Cash flow from operations is reconciled to GAAP earnings in the cash flow section of the MD&A.

(2) The 2003 comparative figures have been restated for the adoption of the change in accounting policy relating to asset retirement obligation.

PRODUCTION INCOME

Production income increased by 59% in the three months ended September 30, 2004 from \$16.0 million in Q3, 2003 to \$25.5 million in Q3, 2004. This is primarily due to a 46% increase in oil volumes and a 25% increase in oil prices in Q3, 2004. Production income was \$74.7 million for the nine months ended September 30, 2004 compared to \$56.5 million for the nine months ended September 30, 2003, an increase of 32%. This is attributable to oil volumes increasing 43% in this period, offset to a small degree by a 5% decrease in gas volumes. Both oil and gas prices were slightly lower in the nine months ended September 30, 2004 compared to the same period in 2003.

The Trust exited the third quarter of 2004 at a rate of 7,659 boe/day, consisting of 6,175 bbls/day of oil and 8,904 mcf/day of natural gas, for a mix of 81% oil and 19% natural gas. This represents 44% increase over the 2003 exit rate of 5,330 boe/day.

Production income (in Thousands except for volumes and pricing)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	% Change
	Sept.	Sept. 30	Change	Sept. 30	Sept. 30	
	30	2003		2004	2003	
	2004					
Crude oil and natural gas liquids	\$21,912	\$11,998	+ 83%	\$62,415	43,163	+ 45%
Natural gas	3,555	4,014	+ 21%	12,285	13,336	- 8%
Total production income	\$25,467	\$16,012	+ 59%	\$74,700	\$56,499	+ 32%

Volumes

Average oil production (in bbls/day)	5,146	3,513	+ 46%	5,406	3,778	+ 43%
Average gas production (in mcf/day)	6,343	7,201	- 12%	6,768	7,107	- 5%
Average total production (in boe/day)	6,203	4,713	+ 32%	6,534	4,963	+ 32%
Exit oil production (in bbls/day)	6,175	3,941	+ 57%	6,175	3,941	+ 57%
Exit gas production (in mcf/day)	8,904	8,334	+ 7%	8,904	8,334	+ 7%
Exit total production (in boe/day)	7,659	5,330	+ 44%	7,659	5,330	+ 44%

Commodity Prices received by Enterra

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Average price received per bbl of oil	\$46.24	\$ 37.09	+25%	\$40.60	\$ 41.81	- 3%
Average price received per mcf of natural gas	\$ 6.09	\$ 6.06	+ 1%	\$ 6.62	\$ 6.87	- 4%

PRODUCTION EXPENSES

Production expenses increased by 63% in the three months ended September 30, 2004 compared to the same period in 2003, which is consistent with the 59% increase in production revenue. Production expenses increased by 58% in the nine months ended September 30, 2004 compared to the same period in 2003. The increase is partially due to the increased volumes as well as a result of the higher operating costs associated with the acquired East Central Alberta properties, included in results since February. Enterra's existing properties have an average operating cost of \$8.53 per boe while the East Central Alberta properties have an average operating cost of \$16.97 per boe.

Production expenses (in Thousands except for percentages and per boe amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept.	Change	Sept.	Sept.	Change
	30	30		30	30	
	2004	2003		2004	2003	
Production expenses	\$5,949	\$ 3,648	+ 63%	\$15,486	\$9,797	+ 58%
As a percentage of production revenue	23%	23%	0%	21%	17%	+ 24%
Production expenses per boe	\$10.42	\$ 8.41	+ 24%	\$8.65	\$ 7.23	+ 20%

ROYALTIES

Royalties, which include Crown, freehold and overriding royalties, increased by 41% in Q3, 2004 compared to Q3, 2003 and by 21% in the nine months ended September 30, 2004 compared to the same period in 2003. The increase is the result of the increased oil production and oil prices in 2004 offset somewhat by the lower royalty rates on the East Central Alberta properties.

Royalties (in Thousands except for percentages and per boe amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept.	Change	Sept.	Sept.	Change
	30	30		30	30	
	2004	2003		2004	2003	
Royalties, net of Alberta Royalty Tax Credit	\$4,924	\$ 3,500	+ 41%	\$16,569	\$13,740	+ 21%
As a percentage of production revenue	19%	22%	- 14%	22%	24%	- 8%
Royalties per boe	\$ 8.63	\$ 8.07	+ 7%	\$ 9.25	\$ 10.14	- 9%

GENERAL AND ADMINISTRATIVE EXPENSES

The cash portion of general and administrative expenses is 4% and 3% of production revenue for the three months and nine months ended September 30, 2004 respectively. Although this represents an increase of 21% in Q3, 2004 compared to Q3, 2003 and an increase of 5% in the nine months ended September 30, 2004 compared to the same period in 2003, the G&A per boe has decreased by 8% and 21% respectively for the three and nine months ended September 30, 2004. This represents a 20% and 25% decrease in G&A as a percentage of revenue for the three and nine month periods ended September 30, 2004 respectively. The non-cash portion of general and administrative expenses in 2004 relate to the value assigned to 920,000 options granted to employees and directors.

General and administrative expenses (in Thousands except for percentages and per boe amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept.	Change	Sept.	Sept.	Change
	30	30		30	30	

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		2004	2003		2004	2003	
General and administrative expenses	cash portion	\$ 944	\$ 778	+ 21%	\$2,455	\$ 2,343	+ 5%
General and administrative expenses	non cash portion	\$ 243	\$ -	n/a	\$ 684	\$ -	n/a
As a percentage of production revenue (cash portion)		4%	5%	- 20%	3%	4%	- 25%
General and administrative expenses per boe (cash portion)		\$ 1.65	\$ 1.79	- 8%	\$ 1.37	\$ 1.73	- 21%

INTEREST EXPENSE

Interest expense increased by 34% in Q3, 2004 compared to Q3, 2003 and 29% in the nine months ended September 30, 2004 compared to the same period in 2003. The 2004 increase is due to the higher average outstanding loan balances than during the same periods in 2003.

Interest expense (in Thousands except for percentages and per boe amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept.	<i>Change</i>	Sept.	Sept.	<i>Change</i>
	30	30		30	30	
	2004	2003		2004	2003	
Long-term debt, including bank debt at end of period	\$43,034	\$28,116	+ 53%	\$43,034	\$28,116	+ 53%
Interest expense	\$ 510	\$ 379	+ 34%	\$ 1,731	\$ 1,339	+ 29%
As a percentage of production revenue	2%	2%	0%	2%	2%	0%
Interest expense per boe	\$ 0.89	\$ 0.87	+ 2%	\$ 0.97	\$ 0.99	- 2%

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DEPLETION AND DEPRECIATION

Depletion and depreciation expense increased by 29% and 39% in the three and nine months ended Q3, 2004 compared to Q3, 2003, primarily due to the higher depletable base with the addition of the East Central Alberta properties.

Depletion and depreciation expense (in Thousands except for percentages and per boe amounts)

	Three	Three		Nine	Nine	
	Months	Months	%	Months	Months	%
	Sept.	Sept. 30	Change	Sept.	Sept. 30	Change
	30	2003		30	2003	
	2004	(restated)		2004	(restated)	
Depletion and depreciation expense	\$7,424	\$5,766	+ 29%	\$23,787	\$17,096	+ 39%
As a percentage of production revenue	29%	36%	- 19%	32%	30%	+ 7%
Depletion and depreciation expense per boe	\$13.01	\$13.30	- 2%	\$13.29	\$ 12.62	+ 5%

INCOME AND CAPITAL TAXES

The Trust recorded an income tax provision of \$0.4 million in the nine months ended September 30, 2004 compared with a provision of \$--1.7 million in the same period in 2003. The decrease in income tax is primarily due to larger interest payments from Enterra to the Trust, which are deductible for Enterra (taxable to the unitholder by way of distributions) in calculating future taxes, together with a decrease in a substantively enacted Alberta income tax rate by 1% and the tax impact of adopting the new accounting policies.

Income tax expense (in Thousands except for percentages)

	Three	Three		Nine	Nine
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	Months	Months	%	Months	Months	%
	Sept.	Sept. 30	Change	Sept.	Sept. 30	Change
	30	2003		30	2003	
	2004	(restated)		2004	(restated)	
Income tax expense	\$1,311	\$971	+ 35%	\$359	\$1,747	- 79%
Combined federal and provincial income tax rate	39.12%	42.12%	- 7%	39.12%	42.12%	- 7%

EARNINGS

The Trust's net earnings for Q3, 2004 are 330% higher than Q3, 2003. The 59% higher revenue as a result of higher oil volumes was offset by:

- higher depletion expense as a result of the increased production and the higher depletable base.

- higher operating costs related to the increased volumes and the higher unit costs at the East Central Alberta properties.

- higher royalties resulting from the increased production.

- higher interest expense attributable to higher debt levels

Earnings for the nine months ended September 30, 2004 were \$11.3 million compared to \$10.2 million in the same period in 2003, an increase of 11%. Production income increased by 32% in the nine month period ended September 30, 2004 compared to the same period ending September 30, 2003 partially offset by the increases in operating costs, royalties, depletion expense, realized hedging losses and interest expense.

Earnings (in Thousands except for per unit/ share amounts)

					\$43.23
7/1/2014	9/30/2014	\$45.85	\$41.56	\$41.56	
10/1/2014	12/31/2014	\$42.44	\$37.73	\$39.29	
1/1/2015	3/31/2015	\$41.07	\$37.92	\$40.13	
4/1/2015	6/30/2015	\$44.09	\$39.04	\$39.62	
7/1/2015	9/30/2015	\$39.78	\$31.32	\$32.78	
10/1/2015	12/31/2015	\$36.29	\$31.55	\$32.19	
1/1/2016	3/31/2016	\$34.28	\$28.25	\$34.25	
4/1/2016	6/30/2016	\$35.26	\$31.87	\$34.36	
7/1/2016	9/30/2016	\$38.20	\$33.77	\$37.45	
10/1/2016	12/31/2016	\$38.10	\$34.08	\$35.01	
1/1/2017	3/31/2017	\$39.99	\$35.43	\$39.39	
4/1/2017	6/30/2017	\$41.93	\$38.81	\$41.39	
7/1/2017	9/30/2017	\$45.85	\$41.05	\$44.81	
10/1/2017	12/31/2017	\$47.81	\$44.82	\$47.12	
1/1/2018	3/31/2018	\$52.08	\$45.69	\$48.28	
4/1/2018	6/30/2018	\$48.14	\$42.33	\$43.33	
7/1/2018	9/30/2018	\$45.03	\$41.14	\$42.92	
10/1/2018	12/26/2018*	\$42.93	\$38.00	\$38.92	

The above table only includes data through this date. Accordingly, the "Quarterly Closing High," "Quarterly Closing *Low," and "Quarterly Close" data indicated are for this shortened period only and do not reflect complete data for this calendar quarter.

The graph below illustrates the performance of EEM from January 1, 2008 through December 26, 2018, based on information from Bloomberg. The dotted line represents the downside threshold of \$31.14, which is equal to 80% of the initial level. ***Past performance of the underlying asset is not indicative of the future performance of the underlying asset.***

What Are the Tax Consequences of the Securities?

The U.S. federal income tax consequences of your investment in the Securities are uncertain. There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterization for U.S. federal income tax purposes of securities with terms that are substantially the same as the Securities. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion in “Material U.S. Federal Income Tax Consequences”, including the section “— Securities Treated as Prepaid Derivatives or Prepaid Forwards”, in the accompanying product supplement and discuss the tax consequences of your particular situation with your tax advisor. This discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”), final, temporary and proposed U.S. Treasury Department (the “Treasury”) regulations, rulings and decisions, in each case, as available and in effect as of the date hereof, all of which are subject to change, possibly with retroactive effect. Tax consequences under state, local and non-U.S. laws are not addressed herein. No ruling from the U.S. Internal Revenue Service (the “IRS”) has been sought as to the U.S. federal income tax consequences of your investment in the Securities, and the following discussion is not binding on the IRS.

U.S. Tax Treatment. Pursuant to the terms of the Securities, UBS and you agree, in the absence of a statutory or regulatory change or an administrative determination or judicial ruling to the contrary, to characterize your Securities as prepaid derivative contracts with respect to the underlying asset. If your Securities are so treated, you should generally recognize gain or loss upon the taxable disposition of your Securities, in an amount equal to the difference between the amount you receive at such time and the amount you paid for your Securities. Subject to the constructive ownership rules (discussed below), such gain or loss should generally be long-term capital gain or loss if you have held your Securities for more than one year (otherwise such gain or loss should be short-term capital gain or loss if held for one year or less). The deductibility of capital losses is subject to limitations.

Because the Securities are linked to the shares of an ETF, there is a risk that an investment in the Securities could be treated as a “constructive ownership transaction” within the meaning of Section 1260 of the Code. A “constructive ownership transaction” includes a contract under which an investor will receive payment equal to or credit for the future value of any equity interest in certain “passthru entities” (including regulated investment companies such as ETFs, real estate investment trusts and passive foreign investment companies). Under the “constructive ownership” rules, if an investment in the Securities is treated as a “constructive ownership transaction,” any long-term capital gain recognized by a U.S. holder (as defined under “Material U.S. Federal Income Tax Consequences” in the accompanying product supplement) in respect of the Securities would be recharacterized as ordinary income to the extent such gain exceeds the amount of “net underlying long-term capital gain”(as defined in Section 1260 of the Code) of the U.S. holder (the “Excess Gain”). In addition, an interest charge would also apply to any deemed underpayment of tax in respect of any Excess Gain to the extent such gain would have resulted in gross income inclusion for the U.S. holder in taxable years prior to the taxable year of the taxable disposition of the Securities (assuming such income accrued such that the amount in each successive year is equal to the income in the prior year increased at a constant rate equal to the applicable federal rate as of the date of taxable disposition of the Securities).

It is not clear to what extent any long-term capital gain recognized by a U.S. holder in respect of the Securities would be recharacterized as ordinary income and subject to the interest charge described above, in part, because it is not clear how the “net underlying long-term capital gain” would be computed in respect of the Securities. Under Section 1260 of the Code, the net underlying long-term capital gain is generally the net long-term capital gain a taxpayer would have recognized by investing in the underlying “passthru entity” at the inception of the constructive ownership transaction and selling on the date the constructive ownership transaction is closed out (i.e. at maturity or earlier disposition). It is possible that because the U.S. holder does not share in distributions made on the underlying asset, these distributions could be excluded from the calculation of the amount and character of gain, if any, that would have been realized had the U.S. holder held the underlying asset directly and that the application of constructive ownership rules may not

recharacterize adversely a significant portion of the long-term capital gain you may recognize with respect to the Securities. However, it is also possible that all or a portion of your gain with respect to the Securities could be treated as “Excess Gain” because the underlying asset is an ETF, the “net underlying long-term capital gain” could equal the amount of long-term capital gain a U.S. holder would have recognized if on the issue date of the Securities the holder had invested, pro rata, the principal amount of the Securities in shares of the underlying asset and sold those shares for their fair market value on the date the Securities are sold, exchanged or retired. In addition, all or a portion of your gain recognized with respect to the Securities could be “Excess Gain” if you purchase the Securities for an amount that is less than the principal amount of the Securities or if the return on the Securities is adjusted to take into account any extraordinary dividends that are paid on the shares of the underlying asset. Furthermore, unless otherwise established by clear and convincing evidence, the “net underlying long-term capital gain” is treated as zero. Accordingly, it is possible that all or a portion of any gain on the taxable disposition of the Securities after one year could be treated as “Excess Gain” from a “constructive ownership transaction,” which gain would be recharacterized as ordinary income, and subject to an interest charge. Because the application of the constructive ownership rules to the Securities is unclear, you are urged to consult your tax advisor regarding the potential application of the “constructive ownership” rules to an investment in the Securities.

Based on certain factual representations received from us, our counsel, Cadwalader, Wickersham & Taft LLP, is of the opinion that it would be reasonable to treat your Securities in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Securities, it is possible that your Securities could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization (including possible treatment as a “constructive ownership transaction”), such that the timing and character of your income from the Securities could differ materially and adversely from the treatment described above, as described further under “Material U.S. Federal Income Tax Consequences”, including the section “— Securities Treated as Prepaid Derivatives or Prepaid Forwards”, in the accompanying product supplement.

Except to the extent otherwise required by law, UBS intends to treat your Securities for U.S. federal income tax purposes in accordance with the treatment described above and under “Material U.S. Federal Income Tax Consequences” of the accompanying product supplement, unless and until such time as the Treasury and the IRS determine that some other treatment is more appropriate.

Notice 2008-2. In 2007, the IRS released a notice that may affect the taxation of holders of the Securities. According to Notice 2008-2, the IRS and the Treasury are actively considering whether the holder of an instrument similar to the Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether non-U.S. holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Code discussed above, should be applied to such instruments. Both U.S. and non-U.S. holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations.

Medicare Tax on Net Investment Income. U.S. holders that are individuals, estates, and certain trusts are subject to an additional 3.8% tax on all or a portion of their “net investment income,” which may include any income or gain realized with respect to the Securities, to the extent of their net investment income that when added to their other modified adjusted gross income, exceeds \$200,000 for an unmarried individual, \$250,000 for a married taxpayer filing a joint return (or a surviving spouse), \$125,000 for a married individual filing a separate return or the dollar amount at which the highest tax bracket begins for an estate or trust. The 3.8% Medicare tax is determined in a different manner than the income tax. You should consult your tax advisor as to the consequences of the 3.8% Medicare tax.

Specified Foreign Financial Assets. Certain U.S. holders that own “specified foreign financial assets” in excess of an applicable threshold may be subject to reporting obligations with respect to such assets with their tax returns, especially if such assets are held outside the custody of a U.S. financial institution. You are urged to consult your tax advisor as to the application of this legislation to your ownership of the Securities.

Non-U.S. Holders. Subject to Section 871(m) of the Code and “FATCA”, discussed below, if you are a non-U.S. holder you should generally not be subject to U.S. withholding tax with respect to payments on your Securities or to generally applicable information reporting and backup withholding requirements with respect to payments on your Securities if you comply with certain certification and identification requirements as to your non-U.S. status (by providing us (and/or the applicable withholding agent) with a fully completed and duly executed applicable IRS Form W-8). Subject to Section 871(m) of the Code, discussed below, gain from the taxable disposition of a Security generally should not be subject to U.S. tax unless (i) such gain is effectively connected with a trade or business conducted by the non-U.S. holder in the U.S., (ii) the non-U.S. holder is a non-resident alien individual and is present in the U.S. for 183 days or more during the taxable year of such taxable disposition and certain other conditions are satisfied or (iii) the non-U.S. holder has certain other present or former connections with the U.S.

Section 871(m). A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed under Section 871(m) of the Code on certain “dividend equivalents” paid or deemed paid to a non-U.S. holder with respect to a “specified equity-linked instrument” that references one or more dividend-paying U.S. equity securities or indices containing U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one (“delta-one specified equity-linked instruments”) issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2018. However, the IRS has issued guidance that states that the Treasury and the IRS intend to amend the effective dates of the Treasury regulations to provide that withholding on dividend equivalents paid or deemed paid will not apply to specified equity-linked instruments that are not delta-one specified equity-linked instruments and are issued before January 1, 2021.

Based on our determination that the Securities are not "delta-one" with respect to the underlying asset or any U.S. underlying equity constituent, our counsel is of the opinion that the Securities should not be delta-one specified equity-linked instruments and thus should not be subject to withholding on dividend equivalents. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Furthermore, the application of Section 871(m) of the Code will depend on our determinations made upon issuance of the Securities. If withholding is required, we will not make payments of any additional amounts.

Nevertheless, after issuance, it is possible that your Securities could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the underlying asset, the underlying equity constituents or your Securities, and following such occurrence your Securities could be treated as delta-one specified equity-linked instruments that are subject to withholding on dividend equivalents. It is also possible that withholding tax or other tax under Section 871(m) of the Code could apply to the Securities under these rules if you enter, or have entered, into certain other transactions in respect of the underlying asset, the underlying equity constituents or the Securities. If you enter, or have entered, into other transactions in respect of the underlying asset, the underlying equity constituents or the Securities, you should consult your tax advisor regarding the application of Section 871(m) of the Code to your Securities in the context of your other transactions.

Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalents to the Securities, you are urged to consult your tax advisor regarding the potential application of Section 871(m) of the Code and the 30% withholding tax to an investment in the Securities.

Foreign Account Tax Compliance Act. The Foreign Account Tax Compliance Act ("FATCA") was enacted on March 18, 2010, and imposes a 30% U.S. withholding tax on "withholdable payments" (i.e., certain U.S.-source payments, including interest (and original issue discount), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S.-source interest or dividends) and "passthru payments" (i.e., certain payments attributable to withholdable payments) made to certain foreign financial institutions (and certain of their affiliates) unless the payee foreign financial institution agrees (or is required), among other things, to disclose the identity of any U.S. individual with an account of the institution (or the relevant affiliate) and to annually report certain information about such account. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or do not certify that they do not have any substantial U.S. owners) to withhold tax at a rate of 30%. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

Pursuant to final and temporary Treasury regulations and other IRS guidance, the withholding and reporting requirements under FATCA will generally apply to certain “withholdable payments”, will not apply to gross proceeds on a sale or disposition, and will apply to certain foreign passthru payments only to the extent that such payments are made after the date that is two years after final regulations defining the term “foreign passthru payment” are published. If withholding is required, we (or the applicable paying agent) will not be required to pay additional amounts with respect to the amounts so withheld. Foreign financial institutions and non-financial foreign entities located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

Investors should consult their tax advisors about the application of FATCA, in particular if they may be classified as financial institutions (or if they hold their Securities through a foreign entity) under the FATCA rules.

Proposed Legislation. In 2007, legislation was introduced in Congress that, if it had been enacted, would have required holders of Securities purchased after the bill was enacted to accrue interest income over the term of the Securities despite the fact that there will be no interest payments over the term of the Securities.

Furthermore, in 2013, the House Ways and Means Committee released in draft form certain proposed legislation relating to financial instruments. If it had been enacted, the effect of this legislation generally would have been to require instruments such as the Securities to be marked to market on an annual basis with all gains and losses to be treated as ordinary, subject to certain exceptions.

It is not possible to predict whether any similar or identical bills will be enacted in the future, or whether any such bill would affect the tax treatment of your Securities. You are urged to consult your tax advisor regarding the possible changes in law and their possible impact on the tax treatment of your Securities.

Both U.S. and non-U.S. holders are urged to consult their tax advisors concerning the application of U.S. federal income tax laws to their particular situation, as well as any tax consequences of the purchase, beneficial ownership and disposition of the Securities arising under the laws of any state, local, non-U.S. or other taxing jurisdiction.

Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)

We have agreed to sell to UBS Securities LLC and UBS Securities LLC has agreed to purchase, all of the Securities at the issue price to the public less the underwriting discount indicated on the cover hereof. UBS Securities LLC has agreed to resell all of the Securities to UBS Financial Services Inc. at a discount from the issue price to the public equal to the underwriting discount indicated on the cover hereof.

Conflicts of Interest — Each of UBS Securities LLC and UBS Financial Services Inc. is an affiliate of UBS and, as such, has a “conflict of interest” in this offering within the meaning of the Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5121. In addition, UBS will receive the net proceeds (excluding the underwriting discount) from the initial public offering of the Securities, thus creating an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of FINRA Rule 5121. Neither UBS Securities LLC nor UBS Financial Services Inc. is permitted to sell Securities in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

UBS Securities LLC and its affiliates may offer to buy or sell the Securities in the secondary market (if any) at prices greater than UBS’ internal valuation — The value of the Securities at any time will vary based on many factors that cannot be predicted. However, the price (not including UBS Securities LLC's or any affiliate's customary bid-ask spreads) at which UBS Securities LLC or any affiliate would offer to buy or sell the Securities immediately after the trade date in the secondary market is expected to exceed the estimated initial value of the Securities as determined by reference to our internal pricing models. The amount of the excess will decline to zero on a straight line basis over a period ending no later than 8 months after the trade date, provided that UBS Securities LLC may shorten the period based on various factors, including the magnitude of purchases and other negotiated provisions with selling agents. Notwithstanding the foregoing, UBS Securities LLC and its affiliates intend, but are not required, to make a market for the Securities and may stop making a market at any time. For more information about secondary market offers and the estimated initial value of the Securities, see “Key Risks — Fair value considerations” and “ — Limited or no secondary market and secondary market price considerations” herein.

Prohibition of Sales to EEA Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”), for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Validity of the Securities

In the opinion of Cadwalader, Wickersham & Taft LLP, as special counsel to the issuer, when the Securities offered by this pricing supplement have been executed and issued by the issuer and authenticated by the trustee pursuant to the indenture and delivered, paid for and sold as contemplated herein, the Securities will be valid and binding obligations of the issuer, enforceable against the issuer in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, receivership or other laws relating to or affecting creditors' rights generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). This opinion is given as of the date hereof and is limited to the laws of the State of New York. Insofar as this opinion involves matters governed by Swiss law, Cadwalader, Wickersham & Taft LLP has assumed, without independent inquiry or investigation, the validity of the matters opined on by Homburger AG, Swiss legal counsel for the issuer, in its opinion dated October 29, 2018 filed on that date with the Securities and Exchange Commission as Exhibit 5.3 to the issuer's registration statement on Form F-3 (the "Registration Statement"). In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and, with respect to the Securities, authentication of the Securities and the genuineness of signatures and certain factual matters, all as stated in the opinion of Cadwalader, Wickersham & Taft LLP dated October 29, 2018 filed on that date with the Securities and Exchange Commission as Exhibit 5.4 to the Registration Statement.