

# Invitation to the Extraordinary General Meeting of UBS AG

Wednesday, 27 February 2008, 10:00 a.m.  
(Doors open at 9:00 a.m.)

St. Jakobshalle, Brüglingerstrasse 21, Basel

## Agenda

1. Information Request and Request for Special Audit (*Sonderprüfung*)
2. Stock Dividend
  - Creation of Authorized Capital
  - Approval of Article 4b of the Articles of Association
3. Capital Increase
  - Proposal by the Board of Directors:
    - Mandatory Convertible Notes
    - Creation of Conditional Capital
    - Approval of Article 4a para. 3 of the Articles of Association
  
  - Alternative Proposal by Profond:
    - Ordinary Capital Increase
    - Rights Offering

# Introduction

## Requests for the Inclusion of Items on the Agenda

On 18 December 2007, Ethos, Swiss Foundation for Sustainable Development and Pictet Funds SA ("Ethos"), submitted an information request and a request for a special audit (*Sonderprüfung*).

On 27 December 2007, UBS AG published a notice in the Swiss Official Commercial Gazette (*Schweizerisches Handelsamtsblatt*) inviting qualifying shareholders to submit their requests for the inclusion of individual items on the agenda by 11 January 2008. On 10 January 2008, Profond Vorsorgeeinrichtung ("Profond"), submitted a request for an ordinary capital increase by means of a rights offering resulting in proceeds in the amount of CHF 13 billion as an alternative to the issuance of the mandatory convertible notes described in agenda item 3.A. and B. herein. No further requests have been submitted.

# Organizational Issues

## Admission Cards for the Extraordinary General Meeting

Shareholders recorded in the Share Register of UBS AG in Switzerland may order their admission cards by sending the order form attached to this invitation to the following address by 21 February 2008: UBS AG, Shareholder Services, P.O. Box, CH-8098 Zurich.

Shareholders recorded in the Share Register in the United States may request their admission cards, in writing, at the following address by 21 February 2008: BNY Mellon Shareowner Services, Proxy Processing, P.O. Box 3510, S. Hackensack, NJ 07606-9210.

Previously issued admission cards will become invalid if the corresponding shares are sold prior to the Extraordinary General Meeting. These cards will be recalled if the Share Register is informed of the sale.

## Representation at the Extraordinary General Meeting

Shareholders may be represented at the Extraordinary General Meeting by their legal representative or, with a written proxy, by their custodial bank or by any other shareholder entitled to vote at the Extraordinary General Meeting. In addition, every shareholder has the option of having his or her shares represented at the Extraordinary General Meeting by:

- UBS AG, P.O. Box, CH-8098 Zurich  
as a corporate or custody proxy
- Altorfer Duss & Beilstein AG  
(Dr. Urs Zeltner, Attorney and Notary)  
P.O. Box 1156, CH-8021 Zurich  
as an independent proxy.

Zurich and Basel, 31 January 2008

UBS AG  
For the Board of Directors:

Marcel Ospel, Chairman

# Item 1

## Information Request and Request for Special Audit (*Sonderprüfung*)

### A. Information Request

On 18 December 2007, Ethos submitted to the Board of Directors and the Auditors a request for information on the effects of the US sub-prime mortgage crisis on UBS AG pursuant to Article 697 of the Swiss Code of Obligations ("CO").

The questions of Ethos relate in essence to the following matters:

- (i) Questions to the Board of Directors
  - Independence of control and risk management functions
  - Limit to the volume of high-risk transactions
  - Existence of a special internal audit in 2006 or 2007
  - Risk control relating to the reintegration of Dillon Read Capital Management
  - Remuneration system for risk control staff
  - 2006 executive remuneration
  - Equal treatment of shareholders and the pre-emption rights to subscribe to convertible bonds
- (ii) Questions to the Auditors
  - Implementation of the Swiss Federal Banking Commission Circular of 27 September 2006
  - Possible restatement of the 2006 accounts
  - Independence and adequacy of the risk management system since 2006

Answers to the questions under this agenda item 1.A. will be given at the Extraordinary General Meeting. No resolution will be taken under this agenda item 1.A.

No later than 18 February 2008, Ethos' questions and UBS AG's answers to them will also be available in writing (German and English) on UBS AG's website ([www.ubs.com](http://www.ubs.com)).

### B. Request for a Special Audit (*Sonderprüfung*) by Ethos

#### 1. Proposal by Ethos

Subject to the answers received under agenda item 1.A. above, Ethos proposes that a special audit (*Sonderprüfung*) be undertaken in accordance with Articles 697a et seq. of the CO to establish the facts relating to the information request pursuant to agenda item 1.A.

#### 2. Motion of the Board of Directors

The Board of Directors fully supports a further clarification of the effects of the US sub-prime mortgage crisis on UBS and the root causes for UBS' large exposure in this area. The Board of Directors distributed the Letter to Shareholders dated 10 January 2008 as well as the Shareholder Information Brochure dated 31 January 2008, and further intends to address any questions addressed to it at the Extraordinary General Meeting. However, the Board of Directors believes that by providing answers to the questions at the Extraordinary General Meeting it is in a position to alleviate the concerns of the requesting shareholder. In addition, the Swiss Federal Banking Commission (EBK) has initiated a separate investigation covering inter alia

- the reasons which led to the loss positions and to the valuation adjustments
- the circumstances in connection with the formation and the dissolution of the business activities of Dillon Read Capital Management (DRCM)
- the process of risk control and valuation of the sub-prime instruments
- the securitisation process

- the activities of the internal control units (risk control, Group Internal Audit, Board of Directors) in connection with UBS AG entering into the sub-prime market
- the responsibilities for the sub-prime area, the associated risks and control and the valuation on group level and on the level of the business units (especially at UBS Investment Bank and DRCM)
- the lessons which UBS AG draws from this incident
- disclosure of price sensitive information.

There is, therefore, no need for the appointment of a special auditor (*Sonderprüfer*) through a special court proceeding. The Board of Directors therefore proposes not to approve any proposal for a special audit (*Sonderprüfung*).

## Item 2

### Stock Dividend Creation of Authorized Capital Approval of Article 4b of the Articles of Association

#### A. Motion

The Board of Directors proposes the creation of authorized capital in an amount not to exceed 5% of the issued share capital by means of the following addition to the Articles of Association.

##### Article 4b (new)

##### Authorized Capital

The Board of Directors shall be authorized, at any time until 27 February 2010, to increase the share capital by a maximum of CHF 10,370,000 through the issuance of a maximum of 103,700,000 fully paid registered shares with a par value of CHF 0.10 each.

The shareholders shall be granted subscription rights for the acquisition of the new shares in proportion to their shareholdings. The Board of Directors shall be authorized to determine the particulars of the exercise of the subscription rights. Subscription rights that have not been exercised will be used as the Board of Directors determines to be in the interest of the Corporation. The Board of Directors is entitled to issue these shares in partial amounts. The Board of Directors shall determine the date of issue of the new shares. The issue price of the new shares is CHF 0.10 and the contribution for the new shares shall be made by converting into share capital freely available reserves in a maximum amount of CHF 10,370,000. The new shares shall be entitled to dividends as from the financial year in which they are issued.

The subscription and acquisition of the new shares, as well as any subsequent transfer of the shares, are subject to the registration requirements set out in Article 5 of these Articles of Association.

#### B. Explanations

The Board of Directors proposes to create authorized share capital in order to allow for distribution of a stock dividend. Upon approval of the proposed authorized share capital, the Board of Directors will increase the share capital by allotting to each existing share one entitlement. A certain number of entitlements will give its holder the right to receive one additional UBS AG share for free. The entitlements will be tradable on *virt-x* and therefore allow shareholders to choose whether they wish to receive new UBS AG shares or monetize the value of the entitlements by selling them in the market. The initial theoretical value of one entitlement is expected broadly to reflect the CHF value of the dividend for the financial year 2006 subject to market developments.

The increase of the share capital will not exceed 5% of the share capital issued at the time the entitlements are allotted, or a ratio of one free new share for a minimum of every 20 shares

already owned. The exchange ratio will be determined by the Board of Directors, and shareholders will be informed thereof on or by the date of the Annual General Meeting (AGM). No additional shareholders' resolution is necessary at the AGM.

It is expected that the record date for allotting the entitlements will be 25 April 2008. Treasury shares held by UBS AG on the relevant record date will not be allotted entitlements for new shares.

For further information please refer to the separate Letter to Shareholders dated 10 January 2008 and the Shareholder Information Brochure dated 31 January 2008 under the heading "Stock Dividend".

## Item 3

### Capital Increase

#### Proposal by the Board of Directors: Mandatory Convertible Notes Creation of Conditional Capital Approval of Article 4a para. 3 of the Articles of Association

#### A. Motion of the Board of Directors

The Board of Directors proposes the creation of conditional capital in a maximum amount of CHF 27,775,000 by means of the following addition to the Articles of Association.

##### Article 4a para. 3 (new)

##### Mandatory Convertible Notes

The share capital will be increased by a maximum of CHF 27,775,000 through the issuance of a maximum of 277,750,000 fully paid registered shares with a par value of CHF 0.10 each upon voluntary or mandatory conversion of the 9% mandatory convertible notes due 2010 ("MCN") to be issued by the Corporation or one of its subsidiaries to one or several long-term financial investors. The conditions of the conversion rights under the MCN shall be determined by the Board of Directors.

The advance subscription right and the pre-emptive right of the shareholders shall be excluded in connection with the issuance of the MCN and upon voluntary or mandatory conversion of the MCN in favor of the MCN holders. The issue price of the registered shares to be issued upon voluntary or mandatory conversion of the MCN will be determined by reference to the respective market price of the registered shares at the time of (i) the public announcement of the MCN, (ii) the shareholders' approval of this Article 4a para. 3, and (iii) the conversion of the MCN. The voluntary or mandatory conversion of the MCN is to occur within a period of two years after the issuance of the MCN.

The acquisition of shares upon voluntary or mandatory conversion of the MCN as well as any subsequent transfer of the shares are subject to the registration requirements set out in Article 5 of these Articles of Association.

#### B. Explanations

The Board of Directors intends to issue mandatory convertible notes (MCN) in the amount of CHF 13 billion to two long-term financial investors. These investors have agreed to subscribe for CHF 11 billion and CHF 2 billion, respectively. The notes mature at the latest in two years (expected 5 March 2010). Through the lifetime of the MCN, the holders of the notes will receive an annual coupon of 9% of the nominal value of the notes, but no dividends on the underlying shares.

Existing shareholders will not be granted advance subscription rights. This statutory right may be excluded for valid reasons. The Board of Directors, when proposing that the advance subscription right of the shareholders is excluded, has to determine whether the exclusion of advance subscription rights is in the best interest of the company and whether it is necessary to

achieve the desired aim. Considering the recent substantial write-downs and their impact on the capital position of UBS AG, and given the current situation of the financial markets, the Board of Directors concluded that an immediate strengthening of the capital base of the company was the overriding objective which needed to be achieved immediately. This objective could only be realized if investors could commit new capital immediately and on a firm basis. The Board of Directors therefore concluded that an issuance of MCNs at the exclusion of advance subscription rights of existing shareholders was justified under the circumstances. Other alternatives, most notably a rights offering, would not have led to the same certainty in funding of UBS AG and would not, therefore, have had the desired effect of strengthening the UBS AG capital base immediately.

As explained in some detail in the Shareholder Information Brochure dated 31 January 2008 under the heading "Mandatory Convertible Notes", the minimum number of UBS shares to be delivered upon conversion of the MCN is expected to be 176.6 million, and the maximum number is expected to be 252.5 million. However, if dilutive events (such as capital increases at a discount and dividends in cash or in specie above CHF 2.20 in 2008 or 2009) occur prior to conversion, the conversion price(s) will be adjusted, which will increase the maximum number of shares. Therefore, UBS proposes to its shareholders to approve the creation of conditional capital in the amount of 277.75 million shares; the higher number of shares is designed to provide headroom should dilutive events occur prior to conversion.

For further information, in particular as to the exclusion of the advance subscription rights, the terms and conditions of the MCN and the number of shares to be issued upon conversion, please refer to the separate Letter to Shareholders dated 10 January 2008 and the Shareholder Information Brochure dated 31 January 2008 under the heading "Mandatory Convertible Notes".

### **Alternative Proposal by Profond: Ordinary Capital Increase Rights Offering**

#### ***C. Motion of Profond***

Profond proposes that as an alternative to the creation of conditional capital for the purpose of issuing the MCN, UBS AG shall effect an ordinary capital increase with subscription rights allotted to existing shareholders (rights offering). The rights offering should be structured in a manner that also results in proceeds in the amount of CHF 13 billion. The proposal of Profond would lead to an ordinary capital increase with the following parameters:

1. Increase of the share capital from the current CHF 207,225,328.60 by a maximum amount of CHF 52,000,000 to a maximum of CHF 259,225,328.60 through the issuance of a maximum of 520,000,000 fully paid registered shares with a par value of CHF 0.10 each at an issue price of CHF 0.10. The final number of shares to be issued will be determined by the Board of Directors shortly before the launch of the rights offering and will be set at a number that results in net proceeds to UBS AG of approx. CHF 13 billion.
2. The Board of Directors is authorized to determine the subscription price. The new shares to be issued shall be entitled to dividends from the financial year 2008.
3. The contributions for the new shares to be issued shall be effected in cash.
4. The new shares shall have no preferential rights.
5. The new shares to be issued are subject to the registration requirements set out in Article 5 of the Articles of Association.
6. The subscription rights of the current shareholders shall be

granted directly or indirectly. Shares in respect of unexercised subscription rights are to be sold at market conditions.

7. The Board of Directors shall effect the capital increase and file for its registration with the Commercial Register within three months from the shareholders' meeting.

Profond has submitted its motion as an **alternative** to the proposal of the Board of Directors referred to in agenda item 3.A above. If the original proposal of the Board of Directors to create conditional capital underlying the MCN is approved by the shareholders, the alternative proposal submitted by Profond will not be voted upon since the two proposals exclude each other, i.e., it is not possible to have both proposals approved.

The Board of Directors proposes to **reject** the proposal of Profond for the reasons set out below.

Prior to announcing the capital improvement measures on 10 December 2007, the Board of Directors considered but ultimately did not pursue the option of a rights offering. A rights offering would not have created the certainty of an immediate commitment of fresh capital. In addition, a rights offering features a number of disadvantages compared to the issuance of the MCN:

- A rights offering is likely to be unsuccessful if the market price of the offered shares falls below the subscription price. For this reason, rights offerings are generally conducted at a discount to current market prices.
- A rights offering will need to be fully underwritten by a syndicate of banks or otherwise guaranteed by a third party. If the rights offering is not underwritten, there is no certainty whether any new capital can be raised at all, and how much can be raised.
- Given the discount required in connection with a rights offering in the current market environment, UBS may have to offer up to 520 million shares to achieve net proceeds of CHF 13 billion. This number is substantially higher than the number of shares required for the issuance of the proposed MCN (up to 277.75 million shares) yielding the same amount of proceeds. For shareholders who do not take up their rights, this means a substantial dilution.
- A rights offering would have to be structured as a public offering in several jurisdictions to allow as many shareholders as possible to participate in the offering. In this connection, UBS AG needs to prepare a prospectus and have the same approved by the competent regulatory authorities in Switzerland and the European Union (in addition to filings in the United States of America). The time required to prepare and seek approval for a rights offering will significantly delay the issuance of new shares and the closing of the capital improvement measures planned by UBS. It would hardly be possible to close the rights offering within the statutory timeframe of three months.
- The statutory timeframe of three months also does not provide enough flexibility in case of unforeseen events or market disruptions.
- The announcement of a rights offering of this size would cause downward pressure on our share price, and thus would increase the uncertainty both as to the success of and the proceeds expected from a rights offering.

The Board of Directors, therefore, determined that the issuance of an MCN to two long-term financial investors was in the best interests of UBS and its shareholders, and preferable to any other option. Further explanations can be found in the Shareholder Information Brochure dated 31 January 2008 under the heading "Mandatory Convertible Notes".

The issuer may file a registration statement (including a prospectus) with the SEC for any offering pursuant to the stock dividend described herein. Before you invest in any such securities, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and such offering. You may get these documents, once filed, for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the company will arrange to send you the prospectus after filing if you request it by calling +41-44-236 6770 or, if you are calling from the United States, by calling toll-free +1-866-541-9689. Our investor relations department would be happy to address any questions you may have. You may reach them at +41-44-235 4100 or, if you are calling from the United States, at +1-212-882-5734.

This invitation and all documents referred to herein are not an offering of any securities that may be described in this invitation or any documents referred to herein.