



Invitation

to the Extraordinary General Meeting of UBS AG

Thursday, 7 September 2000, 2.30 p.m.

(doors open 1.30 p.m.)

Hallenstadion, Zurich-Oerlikon, Wallisellenstrasse 45

Agenda

1. Partial amendment of the Articles of Association
 - 1.1 Creation of Authorized Capital
 - 1.2 Grant of a "Green Shoe Option" associated with the Authorized Capital
 - 1.3 Creation of Conditional Capital
2. Payment of a partial dividend
3. Election of Special Auditors

Introduction

With our Letter to Shareholders of 12 July 2000 we informed you about the planned acquisition of Paine Webber Group Inc. ("PaineWebber"). At an Extraordinary General Meeting, the shareholders of UBS AG are asked to approve the necessary capital increase in connection with such planned acquisition.

An important strategic step

The merger is a powerful strategic fit. It creates the premier global institution serving private clients and a leading institutional client franchise. Content and distribution are highly complementary, which leads to a mutual enhancement of businesses. Both companies share a common business philosophy: commitment to clients' interests and personal service. Management believes that growth and high-quality earnings will result from the merger.

Terms of the transaction

The following terms have been agreed for the transaction: Stockholders of PaineWebber can elect to receive either \$73.50 in cash for each share of PaineWebber common stock or 0.4954 of a UBS share for each share of PaineWebber common stock. The percentage of shares of PaineWebber common stock which will be convertible into UBS shares is fixed at 50%. Therefore, each PaineWebber stockholder's election may be adjusted on a pro rata basis so that, in the aggregate, 50% of the PaineWebber common stock is converted into the right to receive UBS shares and 50% of the PaineWebber common stock is converted into the right to receive cash.

Funding the transaction

At the Extraordinary General Meeting UBS shareholders will be requested to approve the creation of 38 million new UBS shares of authorized capital for the general offer for outstanding PaineWebber shares and 17 million new UBS shares of conditional capital for options. Currently approximately 146.7 million PaineWebber shares are outstanding. Employee stock ownership plans account for a further 33.6 million PaineWebber shares. Depending on the number of employees who exercise their options prior to the exchange date, the number of PaineWebber shares outstanding may increase and the number of options outstanding may decrease. The two categories of shares are interrelated. Therefore the number of shares issued will be less than the 55 million aggregate of the proposed authorized and conditional capital increases. Using the maximum of one category would automatically lead to a reduction of the other category. This means that the maximum number of shares issued under the authorized and conditional capital could not exceed 46 million shares.

The expected aggregate consideration, based on UBS's share price before the announcement and assuming full exercise of all PaineWebber options (net of exercise proceeds), will amount to approximately \$12.4 billion.

Legal prerequisites

The consummation of the merger is subject to contractual and legal requirements, including:

- Approval of the capital increase by UBS AG shareholders
- Approval of the merger agreement by PaineWebber stockholders
- Approval of the transaction by anti-trust and other regulatory authorities

For Items 1.1, 1.2 and 1.3 a two-thirds majority of the votes represented at the meeting will be required to approve the proposals.

Item 1.2, 1.3 and 2 will only be put to vote if Item 1.1 is approved.

For further details about the transaction, please refer to www.ubs.com/investor-relations.

Item 1**Partial amendment of the Articles of Association****Item 1.1****Creation of Authorized Capital****A. Proposal**

The Board of Directors proposes that a maximum of CHF 380 million of Authorized Capital be created, amending the Articles of Association as follows:

Article 4b paragraph 1 (new)

In connection with the acquisition of PaineWebber, the Board of Directors shall increase the share capital, under exclusion of shareholders' preemptive rights, by a maximum of CHF 380 million, corresponding to a maximum of 38 million registered shares of CHF 10 par value each (which must be fully paid up). The Authorized Capital can be utilized until 30 June 2001, in part or in whole and on one or more dates. The exchange ratio has been fixed in the merger agreement. The Board of Directors will fix the issue price of the new shares. The new shares will carry dividends from the 4th quarter 2000. They are subject to the registration restrictions set out in Article 5 of the Articles of Association.

B. Explanations

PaineWebber stockholders will receive, in the aggregate, 50% cash and 50% UBS shares in the merger. A maximum of 45 million UBS shares are needed for the non-cash portion of the merger consideration. The Board of Directors and the Group Executive Board are fully committed to keep the final number of new UBS shares issued as small as possible in order to avoid dilution of earnings and voting power, subject to maintaining a sound capitalization for the UBS Group. This will be achieved through issuance of approximately 7 million treasury shares and shares temporarily borrowed in the market. Any such borrowed shares will be replaced by purchases in the market or through the issuance of new UBS shares under the Authorized Capital above.

In order to provide as much flexibility as possible – in the interests of the shareholders – the Board of Directors proposes to create Authorized Capital, which will only be used as necessary.

Item 1.2**Grant of a "Green Shoe Option" associated with the Authorized Capital****A. Proposal**

The Board of Directors proposes to be granted the right to issue additional portions of the approved Authorized Capital also after the completion of the PaineWebber acquisition ("Green Shoe Option"). The Articles of Association shall be amended as follows:

Article 4b paragraph 2 (new)

The Board of Directors may issue additional portions of the Authorized Capital, as approved under paragraph 1, within three months after the consummation of the merger. These shares will be used to meet delivery obligations vis-à-vis third parties resulting from transactions during the completion of the merger. Shareholders' preemptive rights are excluded in favour of the underwriter of the new shares who guarantees delivery to the rightful third parties.

B. Explanations

As mentioned before, this provision is designed so that the number of new UBS shares issued can be kept as small as possible. In order to meet this goal, borrowed UBS shares will be used in the acquisition phase. Article 4b paragraph 2 provides the opportunity to issue additional shares from the approved Authorized Capital during a limited period in time after the completion of the merger (three months maximum), in case unfavourable market conditions prevent the purchase of sufficient shares in the market to cover such borrowings.

This "Green Shoe Option" creates additional flexibility to manage the capital in the interests of shareholders.

Item 1.3**Creation of Conditional Capital****A. Proposal**

The Board of Directors proposes that a maximum of CHF 170 million Conditional Capital be created, amending the Articles of Association as follows:

Article 4a paragraph 3 (new)

Employee stock ownership plan of Paine Webber Group Inc., New York ("PaineWebber")

The share capital will be increased, under exclusion of shareholders' preemptive rights, by a maximum of CHF 170 million, corresponding to a maximum of 17 million registered shares of CHF 10 par value each (which must be fully paid up) through the exercise of option rights granted to employees of PaineWebber, which were rolled over according to the merger agreement of 12 July 2000. The subscription ratio, time limits and further details were determined by PaineWebber and taken over by UBS AG.

The purchase of shares through the exercise of option rights as well as any subsequent transfer of the shares are subject to the registration restrictions set out in Article 5 of these Articles of Association.

B. Explanations

The existing option plans for employees of PaineWebber will be taken over by UBS. If all options were rolled over into similar UBS instruments, a maximum of 17 million UBS shares would be needed. Depending on the number of options exercised prior to the completion of the merger, the necessary number of UBS shares needed in connection with option roll-overs will decrease accordingly.

Item 2**Payment of a partial dividend****A. Proposal**

The Board of Directors proposes that UBS shareholders on record as of 2 October 2000 be paid a partial dividend of CHF 4.50 for the first nine months of the year out of free reserves of UBS AG or the Available Earnings respectively.

B. Explanations

The payment of a partial dividend to current shareholders of UBS is intended to create an equal treatment of UBS shareholders and PaineWebber stockholders, as it is intended that PaineWebber stockholders will have been paid dividends for nine months at the moment of the exchange of PaineWebber shares.

Given the earnings development in the current year, the Board of Directors would – from today's perspective – propose to the Ordinary General Meeting in April 2001 the appropriation of a dividend of CHF 6 per share. For the nine months through to September this is equivalent to CHF 4.50 per share.

The amount of around CHF 1.8 billion needed for this dividend payment has to be charged to the free reserves of UBS AG and will be transferred to the Available Earnings. The payment of an interim dividend or a quarterly dividend in the proper meaning of the word is not permitted under Swiss Company Law. The Statutory Auditors ATAG Ernst & Young AG confirm in their statement on behalf of the Extraordinary General Meeting of Shareholders that the proposal of the Board of Directors complies with the Swiss Company Law and the company's Articles of Association.

The Ordinary General Meeting of Shareholders of 26 April 2001 will have to decide on the remaining dividend for the current year. The Board of Directors will most likely propose the appropriation of an additional CHF 1.50 per share.

If the Extraordinary General Meeting approves the proposal, the partial dividend of CHF 4.50 per share (CHF 2.925 after deduction of 35% Swiss withholding tax) will be paid on 5 October 2000 to all UBS shareholders on record as of 2 October.

Item 3

Election of Special Auditors

A. Proposal

The Board of Directors proposes that Deloitte & Touche Experta AG, Basel, be elected for a three-year term of office as Special Auditors in the sense of Article 31 paragraph 3 of the Articles of Association.

B. Explanations

The Securities and Exchange Commission (SEC) rules relating to the independence of the auditors who are responsible for the opinion on the financial statements (the Statutory and Group Auditors) mean that the auditors opinion required under Swiss law in respect of certain capital transactions, including that in respect of the PaineWebber transaction, must be provided by a different audit firm. After the listing of the UBS shares in May 2000 at the New York Stock Exchange, this requirement has now to be met.

The Board of Directors proposes that Deloitte & Touche Experta AG be elected. Deloitte & Touche Experta is part of Deloitte Touche Tohmatsu, a global audit, advisory and consulting firm headquartered in New York, with around 90,000 employees worldwide and 400 in Switzerland.

Admission cards for the Extraordinary General Meeting

Shareholders can order their admission cards from the following address up to 4 September 2000 using the order form attached to this invitation: UBS AG, Shareholder Services, P.O. Box, CH-8098 Zurich.

Any admission cards already issued will lose their validity and will be recalled if the shares concerned are sold prior to the Extraordinary General Meeting and the Share Register is notified of the sale.

Representation at the Extraordinary General Meeting

Shareholders may be represented at the Extraordinary General Meeting by their legal representative or by any other shareholder who is entitled to vote at the Meeting, a written proxy being required in the latter case. In addition, every shareholder is entitled to have his shares represented at the Extraordinary General Meeting by

- UBS AG as a corporate proxy or a custody proxy
- Schweizerische Treuhandgesellschaft (Professor Carl Helbling), Talstrasse 11, CH-8022 Zurich, as an independent proxy.

Zurich and Basel, 3 August 2000

UBS AG
For the Board of Directors
The Chairman: Alex Krauer
The Secretary: Gertrud Erismann-Peyer

Caution concerning forward-looking statements

This communication contains forward-looking statements. These forward-looking statements include, without limitation, statements concerning the financial conditions, results of operations and businesses of UBS and PaineWebber and, assuming the consummation of the merger, a combined UBS and PaineWebber, as well as the expected timing and benefits of the merger. While these forward-looking statements represent our judgments and future expectations concerning the development of our business and the timing and benefits of the merger, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, those listed in UBS's 1999 Annual Report on Form 20-F and PaineWebber's 1999 Annual Report on Form 10-K, as well as the failure of the UBS shareholders or PaineWebber stockholders to approve the transaction; the risk that the UBS and PaineWebber businesses will not be successfully integrated; the costs related to the transaction; the inability to obtain, or meet conditions imposed for, governmental approvals for the transaction; the risk that anticipated synergies will not be obtained or not obtained within the time anticipated; and other key factors that we have indicated could adversely affect our businesses and financial performance contained in our past and future filings and reports, including those with the SEC.

More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS or PaineWebber with the SEC. UBS is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

Information concerning proxy materials

This communication is not a solicitation of a proxy from any security holder of Paine Webber Group Inc. UBS and PaineWebber will be filing with the Securities and Exchange Commission a proxy statement/prospectus to be mailed to PaineWebber security holders and other relevant documents concerning the planned merger of PaineWebber into a subsidiary of UBS. WE URGE INVESTORS IN PAINWEBBER TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors will be able to obtain the documents free of charge at the SEC's website, www.sec.gov. In addition, documents filed with the SEC by UBS will be available free of charge from Investor Relations, UBS, Stockerstrasse 64, CH-8098 Zurich. Documents filed with the SEC by PaineWebber will be available free of charge from Geraldine Banyai, Assistant Secretary, 1285 Avenue of the Americas, New York, New York 10019.

PaineWebber and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the security holders of PaineWebber in favour of the merger. The directors and executive officers of PaineWebber include the following: D. B. Marron; M. Alexander; S. P. Baum; E. G. Bewkes, Jr.; R. Braun; R. A. Dolan; F. P. Doyle; J. T. Fadden; J. J. Grano, Jr.; J. W. Kinnear; R. N. Kiyono; T. A. Levine; R. M. Loeffler; E. Randall, III; H. Rosovsky; K. Sekiguchi; R. H. Silver; M. B. Sutton; and J. R. Torell, III. Collectively, as of February 4, 2000, the directors and executive officers of PaineWebber may be deemed to beneficially own approximately 4.8% of the outstanding shares of PaineWebber common stock. Security holders of PaineWebber may obtain additional information regarding the interests of such participants by reading the proxy statement/prospectus when it becomes available.



UBS

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