

OFFER TO PURCHASE UP TO £500,000,000 (CASH)

8% TREASURY STOCK 2003

10% TREASURY STOCK 2003

6³/₄% TREASURY STOCK 2004

9¹/₂% CONVERSION STOCK 2005

BY AUCTION ON AN OFFER PRICE BASIS



1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites offers from GILT-EDGED MARKET MAKERS ("GEMMs") holding 8% Treasury Stock 2003, 10% Treasury Stock 2003, 6¾% Treasury Stock 2004 and 9½% Conversion Stock 2005 to sell all or part of their holdings on the basis set out in this notice. The maximum cash value of the stock purchased by the DMO under this offer will be £500 million excluding accrued/rebate interest.
2. There is no provision for making offers on a non-competitive basis.
3. The DMO reserves the right to reject any offer or any part of any offer. Subject to this, the DMO will convert the prices offered by GEMMs to yield equivalents, subtract from these values the theoretical yields for each stock, as calculated by the DMO's yield curve model, and accept those offers which provide the highest relative yields to the DMO. The DMO may purchase less than the full amount of the stock on offer at the auction and may decide not to purchase any of the stock.
4. The DMO intends to cancel all stock purchased by way of this reverse auction on Friday, 19 January 2001.
5. Stock in respect of which applications are accepted will be acquired by the DMO free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to it.

Method of Application

6. Offers may only be made by telephone to the DMO's dealing desk by or via a GEMM. Each offer must specify the name of the stock being offered, the quantity being offered, in multiples of £1 million nominal of stock, together with the associated clean price expressed to two decimal places.
7. GEMMs will be allowed to make an unlimited number of offers in respect of each stock until 10.20am on Thursday, 18 January 2001 and up to a further four offers per stock between 10.20am and 10.30am. Offers received after 10.30am on 18 January 2001 will not be accepted.

Settlement

8. Settlement of successful offers should be effected on 19 January 2001 through the CREST system; the counterparty to the transaction will be Participant ID "RA001". 40 days' accrued interest will be added to the price paid for purchases of 8% Treasury Stock 2003; 133 days' accrued interest will be added to the price paid for purchases of 10% Treasury Stock 2003; 54 days' accrued interest will be added to the price paid for purchases of 6¾% Treasury Stock 2004; and 93 days' accrued interest will be added to the price paid for purchases of 9½% Conversion Stock 2005.
9. Enquiries on the terms of the reverse auction may be made to the DMO on 020 7862 6500.

UNITED KINGDOM DEBT MANAGEMENT OFFICE
LONDON

9 January 2001

