

06/05

25 January 2005

PRESS NOTICE

INDEX-LINKED GILT AUCTION

NOMINAL AMOUNT: £375,000,000

STOCK: 2½% INDEX-LINKED TREASURY STOCK 2013

MATURITY DATE: 16 AUGUST 2013

INTEREST DATES: 16 FEBRUARY / 16 AUGUST

AUCTION DATE: 2 FEBRUARY 2005

SETTLEMENT DATE: 3 FEBRUARY 2005

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of a further £375 million nominal of 2½% Index-linked Treasury Stock 2013, for auction on a uniform price basis on Wednesday, 2 February 2005 and settlement on Thursday, 3 February 2005. This further issue will be fungible with the stock already in issue.

Interest on 2½% Index-linked Treasury Stock 2013 is payable half-yearly on 16 February and 16 August. The price payable for this further amount of stock will include an amount equal to the accrued interest from 16 August 2004, the most recent interest payment date of the stock, to 3 February 2005, the settlement date of this auction, at the rate of £2.432661 per £100 nominal of stock. This further issue of the stock will rank for the full six months' interest due on 16 February 2005, at the rate of £2.6176 per £100 nominal of stock.

The stock will be repayable on 16 August 2013. The amount due on repayment, per £100 nominal of stock, will be related, subject to the terms of the prospectus, to the movement during the life of the stock of the United Kingdom General Index of Retail Prices ("RPI") published by the Office for National Statistics.

Interest payments on this stock are also linked to the movement of the RPI over the relevant period. Interest payments will ordinarily be paid to holders of this stock without deduction of United Kingdom income tax. However, holders may elect to have United Kingdom income tax

deducted from interest payments, should they so wish, on application to the Registrar, Computershare Investor Services PLC.

Under Rule 7265 of the London Stock Exchange, dealings in this further amount of 2½% Index-linked Treasury Stock 2013 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Wednesday, 2 February 2005. The SEDOL and ISIN codes to be used for "when-issued" trading are B-058-DK9 and GB00B058DK93 respectively. The TIDM code "AUCA" should be used for trade reporting purposes. The SEDOL and ISIN codes to be used after this date are 0-903-671 and GB0009036715 respectively.

Index-linked gilt-edged market makers ("IG GEMMs") may make either competitive or non-competitive bids. These must be made by telephone to the DMO not later than 10.30 am on Wednesday, 2 February 2005. The DMO will allot stock to individual bidders at its own discretion. In particular, it may decline to allot stock to an IG GEMM or a client of an IG GEMM if it appears that to do so would be likely to lead to market distortion. Successful bidders should not generally expect to acquire more than 40% of the nominal amount of stock on offer at the auction for their own account. Therefore, by 10:45 am, in the period between the close of the offer and the announcement of the auction results (expected to be around 11.10 am on Wednesday, 2 February 2005) IG GEMMs will be required to report all bids. This will apply to all IG GEMMs irrespective of whether or not they have subscribed for 40% or more of the stock on offer.

Should there be the need to scale back any individual IG GEMM's allotment, the DMO will first discard the lowest own-account bid(s) and then repeat this operation up to the relevant cut-off point. A client who bids for more than 40% of the amount of stock on offer may be scaled back using the same method. If bids have been made through more than one IG GEMM, the lowest bids will be scaled back first, and then, where multiple bids are at the same price, on a pro-rata basis per IG GEMM up to the relevant cut-off point.

In accordance with the DMO's Operational Notice, up to 10% of the nominal amount of stock on offer at the auction (ie £37.5 million nominal) will be made available for non-competitive bids from IG GEMMs. Each IG GEMM will be entitled to make a non-competitive bid in proportion to its successful participation at the previous index-linked gilt auctions in January 2005, November 2004 and October 2004.



A Formal Notice announcing the auction of this further issue of stock will be advertised in the Press. Bids may be made on either a competitive or a non-competitive basis. Details of the bidding procedures are set out in the prospectus and in the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock dated December 2004 (the "Information Memorandum"). The prospectus for competitive bids and non-competitive bids and the Information Memorandum can be obtained from the Registrar or the DMO or from the DMO's website at www.dmo.gov.uk/gilts/public/prospectus/prosp250105.pdf and www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf respectively.

Application forms from Approved Group members must be sent to Computershare Investor Services PLC, who are acting on behalf of the DMO, at the following address; PO Box 2411, The Pavilions, Bristol, BS3 9WX to arrive not later than 10.00 am on Wednesday, 2 February 2005; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Wednesday, 2 February 2005.

IG GEMMs may bid by telephone to the DMO not later than 10.30 am on Wednesday, 2 February 2005.

NOTES TO EDITORS

Planned gilt sales in 2004-05 were increased from £47.1 billion to £50.3 billion (cash) in the Pre-Budget Report on 2 December 2004. Conventional gilt sales are now planned to raise £42.3 billion in 16 auctions and planned index-linked sales are now for £8.0 billion in 10 auctions. To date, outright gilt sales under the remit are £40.9 billion (cash) relative to the target of £50.3 billion (cash) of which index-linked sales account for £6.3 billion (cash).

The auction announced today is the twenty-third of the 2004-05 remit and the ninth of index-linked stock. It represents a further tranche of 2½% Index-linked Treasury Stock 2013 first issued in February 1985. Following this auction the nominal amount outstanding of 2½% Index-linked Treasury Stock 2013 will be £6.397 billion (£13.375 billion after indexation uplift).

Computershare Investor Services PLC assumed responsibility for the gilt registration service as HM Treasury's designated Registrar in succession to the Bank of England on 20 December 2004.



Copies of the full prospectus are available on request from the addresses given below and on the DMO website, www.dmo.gov.uk. Only stock applications made on the forms sent out by the Registrar to Approved Group members will be accepted in the auction.

Copies of the Information Memorandum are available from the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD (telephone 020-7862 6500; fax 020-7862 6509) and Computershare Investor Services PLC, PO Box 2411, The Pavilions, Bristol, BS3 9WX (telephone 0870 703 0143).

This press notice together with the prospectus for the further issue of the stock will be appearing on the DMO's website at: www.dmo.gov.uk.

