

18/02

2 July 2002

PRESS NOTICE

INDEX-LINKED GILT AUCTION

NOMINAL AMOUNT: £950,000,000

STOCK: 2% INDEX-LINKED TREASURY STOCK 2035

MATURITY DATE: 26 JANUARY 2035

INTEREST DATES: 26 JANUARY/ 26 JULY

AUCTION DATE: 10 JULY 2002

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of £950 million nominal of 2% Index-linked Treasury Stock 2035, for auction on a uniform price basis on Wednesday, 10 July 2002.

Interest on 2% Index-linked Treasury Stock 2035 will be payable half-yearly on 26 July and 26 January. The first interest payment will be on 26 January 2003 at the rate of £1.099091 per £100 nominal of stock.

The stock will be repayable on 26 January 2035. 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 will be paid to holders of this stock without deduction of United Kingdom income tax. However, holders on the Bank of England Register may elect to have United Kingdom income tax deducted from interest payments should they so wish.

Under Rule 2.3 of the London Stock Exchange, dealings in this amount of 2% Index-linked Treasury Stock 2035 on a "when-issued" basis may be conducted from the time of this



announcement until the close of business on Wednesday, 10 July 2002. The SEDOL and ISIN codes to be used for both “when-issued” and post “when-issued” trading are 3-179-082 and GB0031790826 respectively. The TIDM code “AUC” should be used for trade reporting purposes.

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, 10 July 2002. 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, 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, 10 July 2002) 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.

Participants who are not IG GEMMs and who are not making their bids via IG GEMMs may only make non-competitive applications, for between £1,000 and £250,000 nominal of stock, using the application form published with the prospectus. Details of the bidding procedures and other arrangements are set out in the prospectus, the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock dated July 2000 (as amended by the DMO's notice of 2 July 2002) and the application form. These are available from the DMO and the Bank of England Registrar's Department. The prospectus and the application form will also be advertised in the press.

Application forms must be sent to the Bank of England Registrar's Department, New Issues Team, who are acting on behalf of the DMO, at the following address: Southgate House, Southgate Street, Gloucester, GL1 1UW to arrive not later than 10.00 am on Wednesday, 10



July 2002. They may also be lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Wednesday, 10 July 2002.

In accordance with the DMO's Operational Notice, up to 10% of the nominal amount of stock on offer at the auction (ie £95 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 April 2002, January 2002, and October 2001.

NOTES TO EDITORS

The remit to the DMO and the auction calendar for the financial year 2002-03 were set out in the Debt & Reserves Management Report 2002-03, issued by HM Treasury on 14 March 2002. Following the Budget on 17 April 2002 the DMO's remit for 2002-03 was revised, with planned long conventional gilt sales being reduced by £0.6 billion (cash), taking total planned gilt sales to £22.4 billion (cash). The DMO announced further details of the gilts to be auctioned in the second quarter of 2002-03 on 28 June 2002.

The auction announced today is the fourth of the 2002-03 remit and the second of index-linked stock. It is the first auction of 2% Index-linked Treasury Stock 2035 and is the first issue of a new index-linked gilt since 4 3/8% Index-Linked Treasury Stock 2004 was issued on 22 September 1992. Index-linked gilt sales of £4.5 billion (cash) are planned in 2002-03.

To date, outright gilt sales under the current remit are £6.1 billion (cash) of which index linked sales account for £0.9 billion.

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 the Bank of England, Registrar's Department, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW (telephone 01452 398080; fax 01452 398020).

This press notice together with the prospectus for the further issue of the stock and the amendment to the Information Memorandum will be appearing on the DMO's web site at: www.dmo.gov.uk.

