

25/05

17 May 2005

PRESS NOTICE

DETAILS OF GILT AUCTIONS ON TUESDAY, 24 AND THURSDAY, 26 MAY 2005

TUESDAY, 24 MAY 2005

NOMINAL AMOUNT: £425,000,000

STOCK: 2½% INDEX-LINKED TREASURY STOCK 2016

MATURITY DATE: 26 JULY 2016

INTEREST DATES: 26 JANUARY / 26 JULY

AUCTION DATE: 24 MAY 2005

SETTLEMENT DATE: 25 MAY 2005

THURSDAY, 26 MAY 2005

NOMINAL AMOUNT: £2,500,000,000

STOCK: 4¼% TREASURY GILT 2055

MATURITY DATE: 7 DECEMBER 2055

INTEREST DATES: 7 JUNE / 7 DECEMBER

AUCTION DATE: 26 MAY 2005

SETTLEMENT DATE: 27 MAY 2005

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of the following gilt-edged securities:

- £425 million nominal of 2½% Index-linked Treasury Stock 2016, for auction on a uniform price basis on Tuesday, 24 May 2005 and settlement on Wednesday, 25 May 2005.
- £2,500 million nominal of 4¼% Treasury Gilt 2055, for auction on a fully-paid bid price basis on Thursday, 26 May 2005 and settlement on Friday, 27 May 2005.

The further issue of 2½% Index-linked Treasury Stock 2016 will be fungible with the stock already in issue.



2½% INDEX-LINKED TREASURY STOCK 2016

Interest on 2½% Index-linked Treasury Stock 2016 is payable half-yearly on 26 January and 26 July. The price payable for this further amount of stock will include an amount equal to the accrued interest from 26 January 2005, the most recent interest payment date of the stock, to 25 May 2005, the settlement date of this further issue, at the rate of £1.902948 per £100 nominal of stock. This further issue of the stock will rank for the full amount of interest due on 26 July 2005, at the rate of £2.8944 per £100 nominal of stock.

The stock will be repayable on 26 July 2016. 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 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 2016 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Tuesday, 24 May 2005. The SEDOL and ISIN codes to be used for "when-issued" trading are B-06Y-GM9 and GB00B06YGM97 respectively. The TIDM code "AUC" should be used for trade reporting purposes. The SEDOL and ISIN codes to be used after this date are 0-907-532 and GB0009075325 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 Tuesday, 24 May 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, 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 £42.5 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 April 2005, March 2005 and February 2005.

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, as amended by the DMO's Notice dated 13 May 2005, (the "Information Memorandum"). The prospectus for competitive bids and non-competitive bids, the Information Memorandum and the Notice of Amendment can be obtained from the Registrar or the DMO or from the DMO's website at www.dmo.gov.uk/gilts/public/prospectus/prosp170505a.pdf, www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf and www.dmo.gov.uk/gilts/public/technical/infmemadd130505.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 Tuesday, 24 May 2005. 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 Tuesday, 24 May 2005.

IG GEMMs may bid by telephone to the DMO not later than 10.30 am on Tuesday, 24 May 2005.

4¼% TREASURY GILT 2055

Interest on 4¼% Treasury Gilt 2055 will be payable half-yearly on 7 June and 7 December. Interest on the gilt will accrue from 27 May 2005, the issue date of the gilt, and the first interest



payment will be due on 7 December 2005 at the rate of £2.253434 per £100 nominal of the gilt. The gilt will be repayable at par on 7 December 2055.

Interest payments will ordinarily be paid to holders of this gilt 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.

It is intended that, once at least £5,000 million nominal of 4¼% Treasury Gilt 2055 has been issued, it will become strippable in accordance with the terms of the Information Memorandum. The DMO will announce when the gilt becomes strippable.

Under Rule 7265 of the London Stock Exchange, dealings in the unstripped 4¼% Treasury Gilt 2055 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Thursday, 26 May 2005. The SEDOL and ISIN codes to be used for "when-issued" trading and following the gilt's issue on 27 May 2005 are B-06Y-GN0 and GB00B06YGN05 respectively. In relation to "when-issued" trading, the TIDM code "AUCA" should be used for trade reporting purposes.

A Formal Notice announcing this auction of the gilt 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. The prospectus for competitive bids and non-competitive bids, the Information Memorandum and the Notice of Amendment can be obtained from the Registrar or the DMO or from the DMO's website at:

www.dmo.gov.uk/gilts/public/prospectus/prosp170505b.pdf,
www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf and
www.dmo.gov.uk/gilts/public/technical/infmemadd130505.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 Thursday, 26 May 2005. 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 Thursday, 26 May 2005.

Gilt-edged market makers may bid by telephone to the DMO not later than 10.30 am on Thursday, 26 May 2005.



NOTE TO EDITORS

The DMO's remit for 2005-06 was published on 16 March 2005 as part of the Budget 2005 announcements and revised on 20 April following the publication of an outturn CGNCR for 2004-05 which was £4.3 billion lower than forecast at the Budget. Planned gilt sales in 2005-06 were reduced by £2.4 billion to £51.1 billion; conventional gilt sales are now planned to raise £41.1 billion in 15 auctions whilst planned index-linked sales are for £10.0 billion in 10 auctions. Gilt sales in the financial year to date are £6.6 billion (cash) of which index-linked sales account for £0.9 billion (cash).

The auctions announced today are the fourth and fifth of the 2005-06 remit and the second auction of index-linked gilts and third auction of conventional gilts respectively. 2½% Index-linked Treasury Stock 2016 was first issued in January 1983 and following the auction on 24 May 2005 the nominal amount outstanding of the 2½% Index-linked Treasury Stock 2016 will be £7.471 billion (£17.218 billion after indexation uplift). The auction on 26 May 2005 is the first auction of 4¼% Treasury Gilt 2055, which is the first new long maturity gilt to be issued since 4¾% Treasury Stock 2038 in April 2004 and the first 50 year maturity gilt since the issue of 5½% Treasury Stock 2008-12 in October 1960. 4¼% Treasury Gilt 2055 is the first gilt-edged security to be issued with the new title of Treasury Gilt that was announced for new securities on 31 March 2005. Long conventional gilt sales of £17.9 billion (cash) are planned in 2005-06; long conventional gilt sales to date are £2.6 billion (cash).

4¼% Treasury Gilt 2055 will not pay a coupon on 7 June 2005 but will pay a first coupon on 7 December 2005, which will be slightly larger than the normal semi-annual coupon to account for the additional interest from 27 May 2005 to 7 June 2005. The value of the coupon payable on 7 December 2005 (a "long" first coupon) will be £2.253434 per £100 nominal of stock. The formula for calculating accrued interest during the "long" first coupon period can be found in Section Two of the DMO's paper "Formulae for Calculating Gilt Prices from Yields", updated on 16 March 2005 (www.dmo.gov.uk/gilts/public/technical/yldeqns.pdf). Examples for the calculation of accrued interest during a "long" first coupon can be found in the DMO's Operational Circular "Accrued Interest Calculations on 4¼% Treasury Stock 2032 until 7 December 2000" issued on 16 May 2000 (www.dmo.gov.uk/gilts/public/technical/opcirc1605.pdf).

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 prospectuses are available on request from the addresses given below and on the DMO website, www.dmo.gov.uk/gilts/public/prospectus/index.htm. Only gilt applications made on the forms sent out by the Registrar to Approved Group members will be accepted in the auctions.

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 will be appearing on the DMO's website at:
www.dmo.gov.uk/gilts/press/index.htm.

