£500,000,000 NOMINAL OF

2% INDEX-LINKED TREASURY STOCK 2006

AVAILABLE TO BE SWITCHED BY AUCTION
ON A UNIFORM PRICE BASIS ON 19 JULY 2001
FOR SETTLEMENT ON
20 JULY 2001 INTO

2½% INDEX-LINKED TREASURY STOCK 2016
Application will be made to the London Stock Exchange for the 2½% Index-Linked Treasury Stock 2016 issued as a result of this switch auction to be traded on the Main Market with effect from 20 July 2001.

1 THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites bids by INDEX-LINKED GILT-EDGED MARKET MAKERS ("IG GEMMs") holding 2% Index-linked Treasury Stock 2006 to switch their holdings into 2½% Index-linked Treasury Stock 2016 with effect from 20 July 2001.

2 The DMO will announce a clean price for 2% Index-linked Treasury Stock 2006 at 10.00am on 19 July 2001. Competitive bids are invited on a clean price basis for 2½% Index-linked Treasury Stock 2016. There is no provision for making bids on a non-competitive basis.

3 The DMO reserves the right to reject any bid or any part of any bid. Subject to this, bids will be ranked in descending order of price for 2½% Index-linked Treasury Stock 2016 and such Stock will be allocated to applicants whose bids are at or above the lowest price at which the DMO decides that any bid should be accepted (the "striking price"). Applicants whose bids are accepted in full will be allocated amounts of 2½% Index-linked Treasury Stock 2016 calculated according to the ratio of the dirty price (clean price plus accrued interest) of the source stock to the dirty price (based on the striking price minus rebate interest) of the destination stock, rounded to the nearest fourth decimal place, and multiplied by the nominal amount of the source stock bid (or, where applicable, the percentage of the amount bid at the striking price), subject to any applicable scaling factor. The accrued interest on 2% Index-linked Treasury Stock 2006 will be based on the number of days in the period from 19 July 2001 (the last interest payment date of the stock) to 20 July 2001 (the settlement date of this switch auction). The rebate interest on 2½% Index-linked Treasury Stock 2016 will be based on the number of days in the period from 20 July 2001 (the settlement date of this switch auction) to 26 July 2001 (the next interest payment date of the stock).

4 The DMO reserves the right to switch less than the full amount of the Stock on offer at the auction, although will exercise this right only in exceptional circumstances.

2½% Index-linked Treasury Stock 2016

5 2½% Index-linked Treasury Stock 2016 issued as a result of the switch auction will be fungible in all respects with the existing 2½% Index-linked Treasury Stock 2016 from the settlement date (20 July 2001) and will be subject to the provisions of the prospectus dated 14 January 1983 and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO dated July 2000 (the "Information Memorandum"). IG GEMMs who switch all or part of their holdings of 2% Index-linked Treasury Stock 2006 into 2½% Index-linked Treasury Stock 2016 will not qualify for the interest payment on 26 July 2001 on 2½% Index-linked Treasury Stock 2016, but will qualify for the next interest payment due on 26 January 2002 at a rate of £2.6677 per £100 nominal of stock. Sales of holdings of 2% Index-linked Treasury Stock 2006 to the DMO will be on the basis that they are surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them.

Bidding

6 Between 10.00am and 10.20am on 19 July 2001, IG GEMMs may make an unlimited number of telephone bids to the DMO; between 10.20am and 10.30am, IG GEMMs are allowed up to a further 10 telephone bids each. Bids received after 10.30am on 19 July 2001 will not be accepted.

Settlement

7 Settlement of successful bids should be effected on 20 July 2001 through the CREST system by means of a free of payment Complex Delivery ("Many-to-Many" - "MTM") transaction type; the counterparty to the transaction will be Participant ID "RA001".

Enquiries on the terms of the switch auction may be made to the DMO on 020 7862 6500.

Government Statement

As explained in the statement issued by Her Majesty's Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor its servants or agents undertake to disclose tax changes decided on but
not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 2½% Index-linked Treasury Stock 2016 is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

UNITED KINGDOM DEBT MANAGEMENT OFFICE
LONDON
10 July 2001