

19/99

1 JULY 1999

PRESS NOTICE

GILT-EDGED CONVERSION OFFER

9½% CONVERSION STOCK 2004 INTO 5% TREASURY STOCK 2004

The United Kingdom Debt Management Office ("DMO") has announced today that holders of 9½% Conversion Stock 2004 may convert all or part of their holdings into 5% Treasury Stock 2004 at the rate of £122.00 nominal of 5% Treasury Stock 2004 per £100 nominal of 9½% Conversion Stock 2004.

The offer will close at 12.30pm on Thursday, 22 July 1999.

The conversion rate has been calculated on a "dirty price" basis (ie the clean price plus accrued interest) for forward settlement on Monday, 26 July 1999. An amount equal to 92 days' gross accrued interest on 9½% Conversion Stock 2004 and 33 days' gross accrued interest on 5% Treasury Stock 2004 has been factored into the conversion rate. Therefore no further interest payments will be made on holdings of 9½% Conversion Stock 2004 in respect of which the conversion option has been exercised. Stockholders who convert their holdings will, however, qualify for the first interest payment on 5% Treasury Stock 2004 which is payable on 7 December 1999 at the rate of £2.281421 per £100 nominal. This will be made with or without deduction of income tax in accordance with the instructions of the holder.

5% Treasury Stock 2004 issued as a result of the conversion will be fungible in all respects with the existing stock from the date of conversion (26 July 1999). It will also be subject to the provisions of the prospectus dated 15 June 1999 and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO on 12 May 1998.

Holders who do not wish to convert any part of their holdings need do nothing.

Method of acceptance

- (i) For holdings on the Bank of England Register
- (a) For members of the Central Gilts Office ("CGO") Service

In the case of stockholders who are members of the CGO Service, acceptance of the offer will be effected by the input and settlement of an Unmatched Stock Event ("USE") transaction



in the CGO system. The USE transaction should cite the Bank of England, Registrar's Department, as receiving agent; Participant ID "RA001", Member Account ID "CONV". **In order for the acceptance to have been effective, the USE transaction must have been:**

- **Received and allocated a Transaction ID by the CGO system by 12.30pm on THURSDAY, 22 JULY 1999; and**
- **Settled by close of business on THURSDAY, 22 JULY 1999.**

(b) For holders who are **not** members of the CGO Service (ie their holding is represented by a stock certificate)

Copies of the conversion notice and acceptance forms for completion are being sent to the sole or, in the case of joint holdings, the first-named holder. **Holders who wish to convert all or part of their holdings should complete the acceptance form and send it with the stock certificate(s) to the Bank of England, Registrar's Department, (Conversions), PO Box 555, Gloucester, GL1 1WX to arrive NOT LATER THAN 12.30pm ON THURSDAY, 22 JULY 1999.**

(ii) For holdings on the Bank of Ireland, Belfast, Register

Copies of the conversion notice and acceptance forms for completion are being sent, by post, to holders of 9½% Conversion Stock 2004 on the Belfast Register. In the case of joint accounts, these are being sent to the first-named holder. **Holders who wish to convert all or part of their holdings should so indicate in writing and enclose their stock certificate(s) and send the documents to arrive NOT LATER THAN 12.30pm ON THURSDAY, 22 JULY 1999 at the Registration Department, Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast, BT1 5LU.**

Stock which is held under sale and repurchase agreements ("repos")

Holders of 9½% Conversion Stock 2004 who have entered into repo agreements in the terms of the Gilt Repo Legal Agreement (or corresponding terms) which expire on or after the close of offer date (Thursday, 22 July 1999) and who would like to receive 5% Treasury Stock 2004 on the relevant repurchase date may give notice to that effect to the repo counterparty under the applicable provisions of the agreement. The repo counterparty would then be required to deliver the relevant nominal amount of 5% Treasury Stock 2004 on the repurchase date.

The position under securities lending agreements is similar.

Arrangements for conversion

Up to and including 25 July 1999, holdings in respect of which the conversion option has been exercised will be described on the registers, and in respect of CGO members in CGO, as 9½% Conversion Stock 2004 "Assented". Amounts of 5% Treasury Stock 2004 issued on conversion will immediately be amalgamated on the registers and in CGO with existing holdings of that stock. Certificates for non-CGO holdings of 5% Treasury Stock 2004 issued on conversion and a contract note showing the amount converted will be issued to stockholders as soon as possible after 26 July 1999.

Transfers of 9½% Conversion Stock 2004 "Assented" may be registered in that form up to 23 July 1999 using the ISIN and SEDOL codes GB0007445132 and 0-744-513 respectively. After that date, the transferees will be registered as holders of the appropriate amounts of 5%



Treasury Stock 2004. Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 9½% Conversion Stock 2004 will be applied to the new holding of 5% Treasury Stock 2004.

Additional copies of the conversion notice and forms for the acceptance of the conversion offer may be obtained by post from the Bank of England, Registrar's Department, (Conversions), Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast, BT1 5LU; or at the London Stock Exchange.

Members of the CGO Service may obtain further guidance about the arrangements set out above in relation to their CGO accounts by contacting the Central Gilts and Moneymarkets Office, Bank of England (0171-601 3999). Stockholders who are not members of the CGO Service may obtain further guidance on the conversion arrangements by contacting the Registrar's Department, Bank of England (01452 398080). Enquiries on the terms of the conversion offer may be made to the DMO on 0171-862 6500.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

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 5% Treasury Stock 2004 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.

NOTE TO EDITORS

The conversion offer announced today is the first gilt conversion offer to be made in the 1999-2000 financial year.

The timetable for the conversion offer is as follows:

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| • 1 July 1999 | Terms of offer announced and offer opened |
| • 22 July 1999 | Offer closes at 12.30pm (in the case of CGO members, acceptance also requires settlement of the relevant USE transaction by the close of business on 22 July 1999) |
| • 23 July 1999 | DMO intends to announce provisional result at 8.30am |
| • 26 July 1999 | Final result announced at 8.30am and converted stock available for dealing |

9½% Conversion Stock 2004 was first issued in October 1984 by conversion from 10% Treasury Convertible Stock 1990. Interest on the stock is payable half-yearly on 25 April and 25 October and it will be repayable at par on 25 October 2004.



5% Treasury Stock 2004 was first issued in June 1999. Interest on the stock is payable half-yearly on 7 June and 7 December and it will be repayable at par on 7 June 2004. The stock is also strippable. As is the case for all gilts, interest payments will be made to all holders of this stock without deduction of income tax although stockholders on the Bank of England Register may elect to receive interest net of tax should they wish to do so.

Copies of the prospectuses for 9½% Conversion Stock 2004 and 5% Treasury Stock 2004 are available from the DMO, Cheapside House, 138 Cheapside, London EC2V 6BB or from the Bank of England, Registrar's Department, Research and Special Operations Group, Southgate Street, Gloucester, GL1 1UW.

This press notice and the conversion notice will be appearing on the DMO's website at: www.dmo.gov.uk.

Nominal amounts currently outstanding

9½% Conversion Stock 2004
5% Treasury Stock 2004

Total

£3,412 million
£2,500 million

