

Annual General Meeting 2004 and Separate Class Meeting of Preference Shareholders

This circular is important.
Please read it immediately.

If you are not sure what you should do, please speak to your own stockbroker, bank manager, solicitor, accountant or other independent professional adviser. If you have sold or transferred your shares in Balfour Beatty plc, please send this circular and the proxy form to the person who sold or transferred the shares for you. That person can then pass them on to the new owner. If you hold options over shares in Balfour Beatty plc but do not hold ordinary or preference shares, this circular is for information only.

Dear Shareholder

I am pleased to send you details about the Annual General Meeting (AGM) of Balfour Beatty plc, which we are holding on Thursday 13 May 2004 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 11.30 a.m. The formal Notice of our AGM is set out on page 8 of this circular.

Immediately following the AGM, we will be holding a Separate Class Meeting of the holders of the Company's Cumulative Convertible Redeemable Preference Shares (Class Meeting). The formal Notice of the Class Meeting is set out on page 10 of this circular.

The business we will consider at the AGM

The AGM will cover standard matters which are now dealt with at every AGM (Items 1 to 10). We have explained each of these items in the following pages.

Items 11, 12 and 13 are similar to resolutions which shareholders have passed in previous years. Your Directors believe that these items will mean that the Company can take advantage of business opportunities as they arise.

Item 14 renews an authority first given to your Directors in 2002 and Item 15 proposes a reduction of your Company's share premium account and cancellation of your Company's capital redemption reserve.

We have also explained each of these items in the following pages.

What to do next

If you hold ordinary shares in Balfour Beatty, you are entitled to come to the AGM and vote on the resolutions. It is important to us that all ordinary shareholders, regardless of the number of shares that they own, have the opportunity to vote even if they cannot come to the meeting. If you cannot come to the AGM, you can use the white proxy voting form to nominate someone else to come to the meeting and vote for you (this person is called a proxy), or you can nominate me to vote for you. Your proxy does not have to be a member of the Company. If you want to appoint a proxy, you need to send back the white proxy voting form enclosed with this pack by 11.30 a.m. on **11 May 2004**. I am grateful to the many shareholders who have lodged proxy votes in the past and hope that I can count on your continuing support.

There is more information on what you need to do if you want to appoint a proxy on page 6 of this circular. If you fill in and send back the white proxy voting form, you can still come to the AGM and vote instead of your proxy. Please note that if you hold only preference shares in Balfour Beatty and not ordinary shares, you are not entitled to come to the AGM or vote on any of the resolutions.

Class Meeting of preference shareholders

If you hold preference shares in Balfour Beatty, you are entitled to come to the Class Meeting and vote on the resolution. Like ordinary shareholders in relation to the AGM, if you cannot come to the meeting you can use the blue proxy voting form to nominate someone else to come to the meeting and vote for you, or you can nominate me to vote for you. Your proxy does not have to be a member of the Company. If you want to appoint a proxy for the Class Meeting, you need to send back the blue proxy voting form enclosed with this pack, by 12.15 p.m. on **11 May 2004**.

Again, if you complete and return the blue proxy voting form, you can still come to the Class Meeting and vote instead of your proxy.

Recommendation

Your Directors believe that all the proposed resolutions to be considered at the AGM and Class Meeting are in the best interests of Balfour Beatty and its shareholders as a whole. Your Directors unanimously recommend that you vote in favour of the proposed resolutions as they intend to do in respect of their own beneficial shareholdings in Balfour Beatty.

There is more information about the AGM and the Class Meeting on the following pages.

Yours sincerely



Sir David John Chairman
6 April 2004



We are holding our Annual General Meeting on Thursday 13 May 2004 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 11.30 a.m. and the formal notice of the meeting is set out on page 8 of this circular.

The Annual General Meeting (AGM) will cover standard matters that are dealt with at every AGM (items 1 to 10). Each of these items (which we have explained below) will be proposed as ordinary resolutions. For these resolutions to be passed, more than 50% of the votes cast must be in favour.

1. Directors' report and accounts

The Directors must present the Company's accounts for the year ended 31 December 2003 and the reports of the Directors and auditors on those accounts. These are all contained in the Company's 2003 Annual Report which was sent to you with this circular.

2. Remuneration report

The Directors' Remuneration Report Regulations 2002 require companies quoted on the London Stock Exchange to put an ordinary resolution to shareholders at the AGM seeking approval of the remuneration report. This report is contained in the Company's 2003 Annual Report.

3. Dividend

Shareholders must approve the final dividend payable for each ordinary share held. However, the final dividend cannot exceed the amount recommended by the Directors, which is 3.4p for each ordinary share.

4.–9. Re-election and election of Directors

Under the Company's Articles of Association, at least one-third of the Directors are required to retire by rotation at each AGM. This does not include Directors that the Board has appointed since the last AGM. Those who retire are the longest in office since they were last elected or re-elected by shareholders. Under this formula, Sir David John, Michael Welton and Robert Walvis are required to retire at this year's AGM.

In addition, under the Company's Articles of Association, any Director that the Board has appointed since the last AGM must also stand for election so that shareholders may confirm the appointment. Dr Hans Christoph von Rohr was appointed as a non-executive Director on 10 June 2003; Chalmers Carr and Gordon Sage were both appointed as non-executive Directors on 1 September 2003.

In relation to each of the non-executive Directors seeking re-election or election, as explained in the Directors' report to shareholders, non-executive Directors are chosen on the basis of their individual background and experience and for the contribution they can make both generally and in specific areas relevant to the business of the Company. Thus, the Chairman, Sir David John, brings the experience of leading large international companies; Robert Walvis brings the benefit of wide experience drawn from a career in senior positions at Shell; Chalmers Carr has knowledge and experience in international banking and corporate law; Gordon Sage, with his background in Rio Tinto, has valuable experience in large and complex capital projects; and Christoph von Rohr, who was already known to your Directors as a result of his membership of the Supervisory Board of the Company's major German subsidiary, Balfour Beatty Rail GmbH, is a well respected and experienced businessman and was a logical and obvious candidate to replace Udo Stark, bearing in mind the Group's increased involvement in other European markets, particularly Germany.

Accordingly, your Directors believe that the re-election or election of each of these non-executive Directors is in the best interests of the Company.

Information about each of the Directors seeking re-election or election is set out below.

Sir David John KCMG (65)

Appointed a Director in 2000 and became Chairman in 2003. He is chairman of Premier Oil Group and The BSI Group, and immediate past Chairman of The BOC Group. Previously a director of Inchcape plc, and prior to that, a senior executive at Redland and RTZ, he is a member of the CBI International Advisory Board. He is also a director and trustee of Asia House, which promotes understanding and closer communication between the UK and Asian countries, and a governor of the School of Oriental and African Studies. He is a former trustee of the Council for Industry and Higher Education and a past Board Member of The Welsh Development Agency. He is Chairman of the Board's Business Practices and Nomination Committees and a member of the Remuneration Committee.

Robert Walvis (57)

Appointed a Director in 2001. He holds a Masters Degree in Chemical Engineering from Delft University, Holland, and is also a graduate of Harvard Business School's Advanced Management Programme. Previously with the Shell Group, latterly as Chairman of the Corporate Centre of the Royal Dutch Shell Group of Companies, from which he retired in 2001 following a distinguished 30-year career, during which he held a variety of senior management positions. He is a non-executive director of Johnson Matthey plc and a former member of the Council of the Royal Institute of International Affairs. He is the Board's senior independent Director and Chairman of the Board's Remuneration Committee and a member of the Business Practices and Nomination Committees.

Michael Welton *Chief Executive* (57)

A chartered civil engineer and Fellow of the Institution of Civil Engineers. A Director since 1996 and Group Chief Executive since 1999. He has been with the Group in a range of increasingly senior positions since 1978. After an initial period of major project management, he became responsible for the general management of Motorways and Special Projects in 1984. In 1988, he became Director and General Manager of Balfour Beatty's Southern Construction Division and subsequently, in 1990, Managing Director of Balfour Beatty Civil Engineering. In 1994, he was appointed joint Managing Director of the Group's principal trading subsidiary, Balfour Beatty Group Limited, with responsibility for civil engineering, construction and building services. He was formerly Chairman of the Civil Engineering Contractors' side of the joint DOT/FCEC Roads Liaison Committee and a member of the Engineering Council Working Party on Engineering in the Environment. He is a past Chairman of the Turkish/British Business Council and has been Chairman of the UK Railway Sector Group of UK Trade & Investment since August 2001. His career has involved experience both in a client organisation as well as contractors in all fields of building and civil engineering.

Chalmers Carr (66)

Appointed a Director in September 2003. He is a solicitor who is Senior Counsel to Standard Chartered Bank, having previously been general counsel to Coutts and Company and, before that, general manager and group legal adviser to HSBC Holdings plc. His career experience also includes senior legal and other management positions in the Central Electricity Generating Board, Bridon plc, GKN plc, Elliott Automation and Rolls Royce Ltd. He is a member of the Board's Audit, Business Practices and Remuneration Committees.

Gordon Sage (57)

Appointed a Director in September 2003. A chemical engineer, he is Deputy Chairman of ERM Holdings Ltd, the environmental services consultancy, and a non-executive Director of Merrill Lynch World Mining Trust plc. Between 1970 and 2001, he held a series of increasingly senior positions in Rio Tinto plc, latterly as executive director responsible for its industrial minerals and diamonds businesses. He is a member of the London Business School's UK Regional Advisory Board. He is a member of the Board's Audit, Business Practices and Nomination Committees.

Hans Christoph von Rohr (65)

Appointed a Director in June 2003. Dr von Rohr is a partner of the international law firm TaylorWessing and a board member of several corporations. He is also Chairman of the German Institute for Market Economy and Competition. Previously he was Chairman of the Industrial Investment Council and also Chief Executive Officer of the German manufacturing group, Klöckner-Werke AG. He became a member of the Supervisory Board of Balfour Beatty GmbH in July 2001, and was appointed Chairman in July 2003. He is a member of the Board's Audit, Business Practices and Remuneration Committees.

10. The auditors

The Company must appoint auditors at every general meeting at which accounts are presented to shareholders.

The following item will also be proposed as an ordinary resolution. For this resolution to be passed, at least 50% of the votes cast must be in favour.

11. Authority to allot ordinary shares

Under the Companies Act 1985, the Directors may only allot unissued ordinary shares if they have been authorised by the shareholders to do so. The Company's Articles of Association give the Directors a general authority to allot unissued shares, but that authority is subject to renewal by shareholders. Passing this resolution will continue the authority previously given to the Directors, by giving them authority to allot ordinary shares with a maximum aggregate nominal amount of £70,086,274, representing approximately one-third of the Company's issued ordinary share capital as at 19 March 2004 (being the latest practicable date prior to the publication of this notice). The Directors have no specific plans to exercise this authority other than in relation to the exercise of options under the Company's employee share schemes. However, this will enable them to act in the best interests of shareholders when opportunities arise by issuing ordinary shares at short notice, without the need to convene an Extraordinary General Meeting. This authority renews that given at last year's AGM and will last for five years, although the Directors intend to continue the practice of seeking renewal of this power at each AGM.

The following items 12 and 13 will be proposed as special resolutions. For these resolutions to be passed, at least 75% of the votes cast must be in favour.

12. Authority to allot ordinary shares for cash

If the Company's ordinary shares are to be allotted for cash, the Companies Act 1985 requires that those shares are offered first to existing shareholders in proportion to the number of ordinary shares that they hold at the time of the offer. However, it may sometimes be in the interests of the Company for the Directors to allot shares other than to existing shareholders in proportion to existing holdings.

The Company's Articles of Association give the Directors a general authority so that this pre-emption requirement does not apply to allotments of ordinary shares for cash up to a specific amount, but that authority is subject to renewal by shareholders.

This resolution would allow the Directors to allot the Company's ordinary shares for cash only:

- up to a nominal amount of £10,512,941 (the Section 89 amount), which is approximately 5% of the Company's issued ordinary share capital as at 19 March 2004 (being the latest practicable date prior to the publication of this notice) or,
- in a rights issue as defined in the Company's Articles of Association.

This authority renews that given at last year's AGM. There are no current plans to allot ordinary shares, except in connection with the Company's employee share schemes. This new power remains in line with the guidelines of the Pre-emption Group, which is supported by the Association of British Insurers and the National Association of Pension Funds.

Shareholders should note that following the introduction of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, "allotment of equity securities" includes the sale of any relevant shares in the Company which, immediately before such sale, were held by the Company as treasury shares.

13. Authority for Balfour Beatty to purchase its own ordinary and preference shares

The Directors believe that it is advantageous for the Company to continue to have the flexibility to purchase its own shares and this resolution seeks authority from shareholders to do so. Purchases of shares by the Company will only be made after careful consideration by the Directors, having taken into account market conditions prevailing at the time, the investment needs of the Company, its opportunities for expansion and its overall financial position. The authorities sought will only be exercised by the Directors if they consider it to be in the best interests of shareholders generally.

The resolution would renew the authorities given to the Directors by ordinary and preference shareholders at separate meetings of each class of shareholder in May 2003. The maximum numbers of ordinary and preference shares authorised to be purchased (which represents 10% of the issued ordinary shares and just under 15% of the issued preference shares), and the maximum and minimum prices to be paid for them are stated in the resolution.

Pursuant to the Companies Act 1985 (as amended), the Company can hold the shares which have been repurchased as treasury shares and either re-sell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee share schemes. The Directors believe that it is desirable for the Company to have this choice. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them quickly and cost-effectively and will provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

This resolution explicitly authorises the Company to use any shares purchased and held in treasury for the purposes of its employee share schemes. If any such shares are used by the Company, the Company will, so long as required under the guidelines of the Association of British Insurers' Investment Committee, count them towards the limits in the schemes on the number of new shares that may be issued under them. Any purchase of shares by the Company under these authorities would be by means of market purchases through the London Stock Exchange. It should not be confused with any share dealing facilities which may be offered to shareholders by the Company from time to time. The authorities sought by this resolution will expire at latest on 13 November 2005, although the Directors intend to seek renewal of this power at each AGM. The Company's Articles of Association require that to be effective, both ordinary and preference shareholders must approve the authority. Accordingly, a separate class meeting of preference shareholders will be held in order to seek their approval for the authority.

During 2003, no ordinary shares were purchased for cancellation. 11,628,652 preference shares were purchased for cancellation at an average price of 136.9p. The total number of outstanding options to subscribe for ordinary shares at 19 March 2004 (being the latest practicable date prior to the publication of this notice) was 16,703,255. This represents 4.0% of the Company's issued ordinary share capital at that date. If the Company purchased the maximum number of ordinary shares permitted under the authorities given by this resolution, then the total number of outstanding options over ordinary shares at 19 March 2004 would represent 4.4% of the Company's issued ordinary share capital.

The following item will be proposed as an ordinary resolution, which will require more than 50% of the votes cast to be in favour in order to be passed.

14. Authority to incur political expenditure

The Political Parties, Elections and Referendums Act 2000 ("the Act") has introduced controls over the funding of political parties in the EU and other forms of EU political expenditure. The definition of political donations in the Act is potentially wide enough to include activities which form part of normal relationships between companies and politics in the general sense, even though these activities are not designed to support a particular party or influence support for any party.

Balfour Beatty has not for many years made what were commonly regarded as political donations and we have no intention of changing this position. However, as explained, the definitions of political donations and EU political expenditure in the Act have been drafted so broadly that it must always be possible – even if most unlikely – that some of our existing activities will be caught, even though they are not “donations” in the ordinary sense of the word.

The Act requires companies to obtain shareholder approval before EU “political donations” or expenditure can be made. Accordingly, the resolution is tabled on a precautionary basis.

The authority sought will last for four years until 13 May 2008 but the Directors intend to seek renewal of this power at each AGM.

The following item will be proposed as a special resolution, which will require more than 75% of the votes cast to be in favour in order to be passed.

15. Proposed reduction of the share premium account and cancellation of the capital redemption reserve

This resolution proposes that the Company reduces its share premium account and cancels its capital redemption reserve and creates a new reserve with these amounts which will ultimately become distributable to shareholders.

In the period since 5 May 1993, the date on which the Company's share premium account was last cancelled, the Company has built up a substantial reserve in its share premium account through the issue of shares at prices in excess of their nominal value, principally in the years to 1996. Since the sale of its interests in the cables businesses in 1999 and 2000, the Company has purchased and cancelled 7,344,274 ordinary shares in the Company and 27,386,281 preference shares in the Company. As required by the Companies Act 1985, these share purchases have been made out of the Company's distributable reserves and the nominal amounts of those shares have been transferred on cancellation to the capital redemption reserve of the Company.

As at 19 March 2004 (being the latest practicable date prior to the publication of this note), the Company has an amount of £327,990,626.54 standing to the credit of its share premium account and £3,946,004.56 standing to the credit of its capital redemption reserve. Under the Companies Act 1985, these reserves may only be applied in the issue of fully paid bonus shares or, in the case of the share premium account, in writing off the expenses arising on any issue of shares or debentures or in providing for any premium payable on the redemption of any debentures issued by the Company.

Your Directors believe that there is no commercial advantage in maintaining as such a share premium account or capital redemption reserve of this magnitude in the Company and propose that the Company reduces its share premium account and cancels its capital redemption reserve on the terms set out below (“the Capital Reduction”).

The Capital Reduction will not involve any distribution or repayment of capital by the Company to any shareholder or other person, and will not reduce the Company's underlying assets. The principal effect will be to create a special reserve which, subject to the undertaking that the Company expects to give to the Court for the benefit of creditors, will ultimately become distributable to shareholders.

Your Directors propose to apply to the Court to:

- (i) reduce the share premium account to £148,161,291.30; and
- (ii) cancel the Company's capital redemption reserve.

The amount arising on the proposed reduction and cancellation taking effect will create a new special reserve of the Company which may, subject as set out below, be used to augment the distributable reserves of the Company.

Your Directors consider that it is appropriate to maintain a share premium account balance of £148,161,291.30 representing 99 pence for each preference share in issue, as this is the difference between each preference share's redemption amount and nominal value.

Under the Companies Act 1985, the Capital Reduction requires the approval of holders of ordinary shares by special resolution and is conditional upon the Court making an order confirming the Capital Reduction. Accordingly, as soon as practicable after the passing of the resolution to be proposed at the AGM, the Company will apply to the Court for an order confirming the Capital Reduction.

The Court will be concerned to protect the interests of creditors of the Company as at the date on which the Capital Reduction becomes effective (being the date on which the order is registered with the registrar of companies).

The Company hopes to satisfy the Court that the interests of its creditors are adequately protected on the basis that the Company will undertake to credit the reserve arising from the Capital Reduction to a special reserve, and that such special reserve will not be treated as distributable profits of the Company for as long as there remains any debt of the Company which was outstanding as at the date the Capital Reduction takes effect, provided that the special reserve would become distributable if, and to the extent that, share capital is replaced by further issues of shares. However, the Company will put into place such form of creditor protection as the Court may require.

We are holding a Class Meeting of holders of preference shares on 13 May 2004 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 12.15 p.m., or as soon as possible following the conclusion or adjournment of the AGM, and the formal notice of the meeting is on page 10 of this circular.

The only item to be considered will be proposed as an extraordinary resolution, which means that, in order to be passed, at least 75% of the votes cast must be in favour.

The resolution is explained above under Item 13, “Authority for Balfour Beatty to purchase its own ordinary and preference shares”.

Important information for shareholders

Attending and voting

You have the right to attend, speak and vote at the AGM if you are an ordinary shareholder on the Balfour Beatty share register at 5.00 p.m. on 11 May 2004.

You have the right to attend, speak and vote at the Class Meeting of Preference Shareholders (Class Meeting) if you are a preference shareholder on the Balfour Beatty share register at 5.00 p.m. on 11 May 2004.

If you cannot attend the meetings, you may appoint someone else as your "proxy". The number of shares that you hold as at the above register deadlines will determine how many votes you or your proxy will have in the event of a poll.

Time and place of meetings

Balfour Beatty's AGM will be held first and will start promptly at 11.30 a.m. on Thursday 13 May 2004 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2BQ. The Class Meeting will be held at 12.15 p.m. or, if later, immediately after the completion of the AGM, and will be held at the same location as the AGM.

Registration for both meetings will start at 10.30 a.m.

What you need to bring

Please keep and bring with you the attendance card attached to your Form of Proxy. It will authenticate your right to attend, speak and vote and will speed your admission. You may also find it helpful to bring this circular and the Company's 2003 Annual Report with you so that you can refer to them at the meetings.

Joint shareholders

All joint shareholders may attend and speak at the meetings.

Shareholders with disabilities

The venue for the meetings has full access for the disabled. As usual, there will be sound amplification to assist those present to follow the proceedings.

If you are not coming to the meetings

You may appoint a proxy – someone who will attend the meetings on your behalf and vote in the event of a poll – by completing and returning the relevant Forms of Proxy, white for ordinary shareholders, and blue for preference shareholders, in accordance with the instructions set out below. Please note that your proxy is not entitled to vote on a show of hands. Before completing the Forms of Proxy, please read the following explanatory notes:

How to complete the Forms of Proxy

1. *Appointing the Chairman as your proxy*

For convenience, the appointment of the Chairman has already been included. If you wish to make this appointment, you need only complete, sign and date the relevant form.

The forms enable you to instruct the Chairman how to vote in the event of a poll on the resolutions to be proposed at the AGM or the Class Meeting; these resolutions are set out in the Notices of Meeting on pages 8 and 10 and are explained on pages 2, 3, 4 and 5. He will vote (or abstain from voting) as he thinks fit on any other business which may properly come before the meetings.

Please place an "X" in the appropriate box alongside each resolution to indicate whether you wish your votes to be cast "For" or "Against" that resolution. If you wish to "Abstain", please write the word "Abstain" through the relevant boxes. Unless you give specific instructions on how to vote on a particular resolution, the Chairman will have discretion either to vote "For" or "Against" that resolution or to "Abstain".

2. *Appointing someone other than the Chairman as your proxy*

If you wish to appoint someone of your choice as your proxy, you should insert the name of your proxy in the space provided. It is your responsibility to tell your proxy how you want your votes to be cast, so he or she can act accordingly.

3. *Signing the Forms of Proxy*

Before posting the relevant Form of Proxy, please check that it has been signed and dated. In the case of joint holders, any one of you may sign.

If someone signs the form on your behalf, you or that person must send it to the Company's Registrars, Computershare Investor Services PLC (see Notes 5 to 7 below) with the authority under which it is signed, or a copy of the authority which has been certified by a solicitor or notary.

4. Corporate appointment of proxy

Where the person appointing the proxy is a company, the Forms of Proxy must be either under seal or under the hand of a duly authorised officer or attorney and the appropriate power of attorney or other authority must be lodged with the Forms of Proxy.

5. Posting details

To be valid, a Form of Proxy, together with any authority (see Notes 3 and 4 above), must be received by Computershare Investor Services PLC not later than 11.30 a.m. on 11 May 2004 for ordinary shareholders, or 12.15 p.m. on 11 May 2004 for preference shareholders. Completion and return of a Form of Proxy will not prevent you from attending and voting in person at the relevant meeting.

6. United Kingdom (UK) shareholders

Shareholders should reply using the reply paid envelope provided.

7. Shareholders outside the UK

Shareholders with addresses outside the UK should reply using the return-addressed envelope provided.

8. Electronic Proxy Submission

If you would like to submit your form of proxy electronically via the internet, you may do so via the Shareholder Information section within Investor Relations at the Balfour Beatty website at www.balfourbeatty.com. Please click on the link "Vote at AGM" and then select "Form of Proxy". You will be asked to enter the Shareholder Reference Number (SRN) and PIN (which are printed on your Form of Proxy or, if you have registered for electronic shareholder communications, you will find these on your e-mail broadcast), and agree to certain terms and conditions. This facility applies only to the AGM, and not to the Class Meeting.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that this CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Documents

The formal notice of the AGM on page 8 of this circular sets out details of the documents available for inspection prior to, and during the AGM.

General information

For the safety of everybody at our AGM and Class Meeting, you may be asked to provide proof of your identity, and to allow our security staff to search any bags or packages that you want to bring into the relevant meeting. We recommend that you arrive in good time to allow for these procedures. You will not be allowed to bring recording equipment, cameras, mobile telephones or any other inappropriate item which may interfere with the good order of the meetings. Storage and cloakroom facilities will be provided.

If, having registered, you wish to leave the building, you should first report to the registration desk. If you fail to do this, you could have difficulty re-entering the building.

We hope you will understand these arrangements are for the protection of all shareholders.

Information for participants in the Balfour Beatty Share Option Schemes

Please note that participation in the Balfour Beatty Share Option Schemes does not entitle you to attend either the AGM or the Class Meeting.

Balfour Beatty Share Option Scheme participants who are also shareholders

Where it has been possible to combine records, participants who are also ordinary or preference shareholders (or both) have been sent the relevant Form of Proxy/Admission Card and only one copy of the Company's 2003 Annual Report and this circular.

You may have received separate sets of documents as it was not possible to combine your records – for example, because different dividend payment instructions apply. Any participants who now wish to stop the additional mailings by combining their records should contact Computershare Investor Services PLC.

Notice of Annual General Meeting

Notice is hereby given that the fifty-ninth Annual General Meeting of Balfour Beatty plc will be held at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ, on Thursday 13 May 2004 at 11.30 a.m. for the following purposes:

Ordinary Business

1. To receive and, if thought fit, adopt the Directors' report and accounts for the year ended 31 December 2003.
2. To approve the Directors' remuneration report for the year ended 31 December 2003.
3. To declare a final dividend on the ordinary shares of the Company.
4. To re-elect Sir David John as a Director.
5. To re-elect Mr R J W Walvis as a Director.
6. To re-elect Mr M W Welton as a Director.
7. To elect Mr C Carr as a Director.
8. To elect Mr G H Sage as a Director.
9. To elect Dr H C von Rohr as a Director.
10. To re-appoint Deloitte & Touche LLP as auditors.

Special Business

11. To consider and, if thought fit, pass as an Ordinary Resolution:

THAT the Directors be authorised in the terms of paragraph (B)(i) of Article 11 of the Company's Articles of Association to allot relevant securities for the period beginning on 13 May 2004 and ending at the conclusion of the Company's Annual General Meeting to be held in 2009, or, if earlier, on 13 May 2009 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £70,086,274, such authority to replace the authority to allot relevant securities granted by Resolution 12 passed at the Annual General Meeting of the Company held on 15 May 2003.

12. To consider and, if thought fit, pass as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 11 set out in this Notice of Annual General Meeting dated 6 April 2004, the Directors be empowered in the terms of paragraph (B)(ii) of Article 11 of the Company's Articles of Association to allot equity securities pursuant to the authority granted by that Resolution wholly for cash for the period beginning on 13 May 2004 and ending at the conclusion of the Company's Annual General Meeting to be held in 2005 or, if earlier, on 13 August 2005 and for such period the Section 89 Amount (as defined in paragraph (B)(iii) of that Article) shall be £10,512,941. For the purposes of this Resolution, an allotment of equity securities pursuant to the authority granted by Resolution 11 shall be deemed to include the sale of relevant shares in the Company which, immediately before such sale, were held by the Company as treasury shares.

13. To consider and, if thought fit, pass as a Special Resolution:

THAT, pursuant to Article 7 of the Company's Articles of Association and subject to and conditional upon the passing of the Extraordinary Resolution set out in the Notice dated 6 April 2004 convening a Separate Class Meeting of the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company (the "Convertible Preference Shares"), the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163(3) of that Act) of ordinary shares of 50p each in the Company (the "Ordinary Shares") and/or Convertible Preference Shares in the Company, and where such shares are held in treasury, the Company may, among other things, use them for the purpose of its employee share schemes, provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 42,051,764 and the maximum number of Convertible Preference Shares hereby authorised to be purchased is 22,448,679;
- (b) the maximum price (exclusive of expenses) which may be paid for a share shall be not more than 5% above the average of the market value of a share of the same class for the five business days immediately preceding the date on which such share is contracted to be purchased;
- (c) the minimum price (exclusive of expenses) which may be paid for a share is its nominal value;
- (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005, or on 13 November 2005, whichever shall be the earlier; and,
- (e) the Company may make a contract or contracts to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may purchase shares in pursuance of any such contract or contracts.

14. To consider and, if thought fit, pass as an Ordinary Resolution:

THAT the Company be authorised to make donations to EU political organisations and to incur EU political expenditure, not exceeding £25,000 in total in each year during the period of four years beginning with the date of the 2004 Annual General Meeting.

15. To consider and, if thought fit, pass as a Special Resolution:

THAT:

- (a) the share premium account of the Company be and is hereby reduced to £148,161,291.30; and
- (b) the capital redemption reserve of the Company be and is hereby cancelled.

By Order of the Board

C R O'N Pearson *Secretary*

Dated 6 April 2004

Registered Office: 130 Wilton Road, London SW1V 1LQ

Notes:

(i) Only holders of ordinary shares entered on the Register of Members of the Company at 5.00 p.m. on the second day prior to the date of the Meeting or any adjournment of it shall (if otherwise entitled to do so) be entitled to attend and vote at the Meeting or any such adjournment. This is in accordance with paragraph 41 of the Uncertificated Securities Regulations 2001 and Article 60 of the Company's Articles of Association.

(ii) A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company. For holders of ordinary shares, a white Form of Proxy is enclosed.

(iii) To be valid for the Meeting, a Form of Proxy should be completed, signed and lodged (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) with the Company's Registrars, Computershare Investor Services PLC, no later than 48 hours before the time for which the Meeting is convened.

(iv) The Register of Directors' Interests in the share capital of the Company and copies of Directors' service contracts and letters of appointment are available for inspection during usual business hours at the registered office of the Company on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and also at the place of the Annual General Meeting for at least 15 minutes prior to, and until the conclusion of the Meeting.

(v) If approved, the final dividend on ordinary shares will be paid to holders of ordinary shares registered in the books of the Company on 30 April 2004. Warrants will be posted on 29 June 2004 payable on 1 July 2004.

Notice of Separate Class Meeting of holders of Convertible Preference Shares

Notice is hereby given that a Separate Class Meeting of the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in Balfour Beatty plc (the "Convertible Preference Shares") will be held at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ on Thursday 13 May 2004 at 12.15 p.m. or as soon thereafter as the Annual General Meeting of the Company, convened for the same day at the same place at 11.30 a.m., shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following resolution as an Extraordinary Resolution:

Extraordinary Resolution

THAT the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company hereby sanction the passing and implementation of Resolution 13 set out in the Company's Notice of Annual General Meeting dated 6 April 2004 and each and every contract to purchase shares entered into within the terms of the authority thereby conferred.

By Order of the Board

C R O'N Pearson *Secretary*

Dated 6 April 2004

Registered Office: 130 Wilton Road, London SW1V 1LQ

Notes:

- (i) Only holders of Convertible Preference Shares entered on the Register of Members of the Company at 5.00 p.m. on the second day prior to the date of the Meeting shall (if otherwise entitled to do so) be entitled to attend and vote at the Meeting or any adjournment of it. This is in accordance with paragraph 41 of the Uncertificated Securities Regulations 2001 and Article 60 of the Company's Articles of Association.
- (ii) A holder of Convertible Preference Shares entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company.
- (iii) A blue Form of Proxy is enclosed which, to be valid for the Meeting, should be completed, signed and lodged (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) with the Company's Registrars, Computershare Investor Services PLC, no later than 48 hours before the time for which the Meeting is convened.
- (iv) If a quorum is not present within 15 minutes from the time appointed for the Meeting, the Meeting shall be adjourned to be held at 130 Wilton Road, London SW1V 1LQ on Thursday 20 May 2004 at 2.00 p.m.

Balfour Beatty plc

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London SW1V 1LQ

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