

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in Balfour Beatty plc, please send this Circular, together with the accompanying Form of Proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Balfour Beatty

BALFOUR BEATTY PLC

(a public limited company incorporated in England and Wales under the Companies Act 1929 with registered number 395826)

Circular to Shareholders relating to the proposed sale of Parsons Brinckerhoff and Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of Balfour Beatty plc which is set out on pages 6 to 15 of this Circular and which sets out the unanimous recommendation of the Directors that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of Balfour Beatty plc to be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2BE at 9.30 a.m. on 28 October 2014 is set out at the end of this Circular. A Form of Proxy for use at the General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned so as to be received by Balfour Beatty plc's registrars, Capita Asset Services, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive no later than 9.30 a.m. on 26 October 2014. As an alternative to completing a hard copy Form of Proxy, proxies may be appointed electronically. In addition, CREST members may use the CREST electronic proxy appointment service. Details of the electronic appointment methods are found in Notes 9 to 13 of the Notice of General Meeting set out at the end of this Circular. Completion and return of the Form of Proxy will not prevent members from attending and voting at the General Meeting in person should they wish to do so.

For a discussion of certain risk factors which should be taken into account by Shareholders when considering what action you should take in connection with the General Meeting, please see Part II (*Risk Factors*) of this Circular.

Goldman Sachs International and Merrill Lynch International ("BofA Merrill Lynch"), a subsidiary of Bank of America Corporation, each of which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, are each acting for Balfour Beatty plc and no-one else in connection with the Transaction and will not be responsible to any person other than Balfour Beatty plc for providing the protections afforded to clients of Goldman Sachs International and BofA Merrill Lynch or for providing advice in relation to the Transaction or any transaction, agreement or other matter described in this Circular.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown in this Circular are London times unless otherwise stated:

Publication date of Circular	10 October 2014
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	9.30 a.m. on 26 October 2014
Latest time and date for receipt of CREST Proxy Instructions for use at the General Meeting	9.30 a.m. on 26 October 2014
Voting record time for the General Meeting	6.00 p.m. on 26 October 2014
General Meeting	9.30 a.m. on 28 October 2014
Expected date of Completion	During the fourth quarter of 2014

These dates are given on the basis of the Board's current expectations and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement and will be available on www.balfourbeatty.com.

FORWARD-LOOKING STATEMENTS

This Circular may include certain forward-looking statements, beliefs or opinions, including statements with respect to the Group's or the Retained Group's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These statements are made by the Directors in good faith based on the information available to them at the date of this Circular and reflect the Directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in regulation and government policies, spending and procurement methodologies, currency fluctuations, a failure in the Group's or the Retained Group's health, safety or environmental policies and other factors discussed in Part II (*Risk Factors*) of this Circular.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Circular speak only as of their respective dates, reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's or the Retained Group's operations and growth strategy. You should specifically consider the factors identified in this Circular which could cause actual results to differ before making any decision in relation to the Transaction. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Circular that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. Forward-looking statements contained in this Circular do not in any way seek to qualify the working capital statement in Part VII (*Additional Information*).

PRESENTATION OF FINANCIAL INFORMATION

References to "£", "pounds", "pounds sterling", "sterling", "p", "penny" and "pence" are to the lawful currency of the United Kingdom.

References to "\$", "US\$", "\$US", "USD", "US Dollars", "US dollars" or "cents" are to the lawful currency of the United States of America.

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded, and as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Throughout this Circular, except as otherwise stated, the sterling equivalents of amounts stated in US dollars have been provided as a guide to Shareholders using a US\$1.65:£1.00 exchange rate as published by Thomson Reuters at 3 September 2014, being the date the Company announced the Transaction. The information presented in Part V (*Financial Information on Parsons Brinckerhoff*) has been prepared using the US\$:£ average and spot rates at each reporting date for the income statement and balance sheet respectively. The information presented in Part VI (*Unaudited Pro Forma Financial Information*) has been prepared using a US\$1.70:£1.00 exchange rate which represents the exchange rate as at 27 June 2014.

PART I
LETTER FROM THE CHAIRMAN OF BALFOUR BEATTY PLC
BALFOUR BEATTY PLC
(Incorporated and registered in England and Wales with No.395826)

Registered Office
130 Wilton Road
London
SW1V 1LQ

Directors

Steve Marshall	Executive Chairman
Duncan Magrath	Chief Financial Officer
Peter Zinkin	Planning and Development Director
Iain Ferguson CBE	Non-Executive and Senior Independent Director
Robert Amen	Non-Executive Director
Graham Roberts	Non-Executive Director
Maureen Kempston Darkes	Non-Executive Director
Belinda Richards	Non-Executive Director
Bill Thomas	Non-Executive Director

10 October 2014

To the holders of the Ordinary Shares and, for information only, to the holders of the Preference Shares and participants in the Employee Share Plans

Dear Shareholder

PROPOSED SALE OF PARSONS BRINCKERHOFF

1 Introduction

Strategic Review

On 6 May 2014, Balfour Beatty announced that the Board had undertaken a strategic review, to explore ways to simplify and create a more focused Group. Whilst recognising the strength of the Parsons Brinckerhoff business, the strategic review concluded that having professional services and construction capabilities combined under one organisation had not led to a material competitive advantage for the Group and had also added significant complexity to the overall Group. Furthermore, the Board recognised that the professional services sector is one which is in the process of significant consolidation, with transaction multiples at attractive levels. The Board concluded that, given the lack of strategic fit, this would be a good time to look for alternative owners for Parsons Brinckerhoff.

In light of the above decision and following a competitive sale process, Balfour Beatty announced on 3 September 2014 that it had agreed the sale of Parsons Brinckerhoff to WSP Global Inc. (the “**Purchaser**”) for cash consideration of US\$1,352.5 million (£820 million). The sale price assumes that cash of US\$110 million (£67 million) is retained within Parsons Brinckerhoff. The sale price represents a significant return on Balfour Beatty’s investment and a compelling level of value creation for Shareholders, which remains a key focus of the Board.

Use of Proceeds

Upon completion of the Transaction, the cash proceeds are intended to be used, after deductions for transaction taxes, fees and other transactional costs of approximately £50 million, together with certain separation-related costs of approximately £30 million, as follows:

- up to £200 million to be returned to Shareholders through an on market share buyback programme (the “**Share Buyback Programme**”) to commence following the announcement of the Group’s 2014 preliminary results, subject to the Board’s assessment of the trading environment at the time (and assuming Completion occurs during the fourth quarter of 2014, as currently anticipated);
- £85 million to be used to reduce the Group’s pension fund deficit; and
- the balance to be retained by the Group to ensure a strong balance sheet and provide increased financial flexibility.

The use of proceeds is described in more detail in paragraph 6 of this letter.

The Retained Group

Upon completion of the disposal of Parsons Brinckerhoff, the Retained Group will comprise:

- a top tier construction businesses in the UK and US;
- a leading investments business;
- a services division with a number of specialist construction and asset management businesses; and
- construction joint ventures in the Far East and Middle East.

The strategy for the Retained Group will be to focus on Balfour Beatty's clear standalone plan for delivering value for its Shareholders.

Approvals and Clearances

The Transaction constitutes a Class 1 transaction under the Listing Rules and is therefore conditional upon, amongst other things, the approval of Shareholders.

The purpose of this Circular is to:

- provide you with information on the Transaction and the Share Buyback Programme;
- explain the background to and reasons for the Transaction and why the Board believes the Transaction is in the best interests of the Shareholders taken as a whole; and
- recommend that Shareholders vote in favour of the Resolution at the General Meeting.

Shareholders should read the whole of this Circular and not only rely on the summarised information set out in this letter. You will find definitions for capitalised terms used in this letter and the rest of this Circular in Part IX (*Definitions*) of this Circular.

2 Background to and reasons for the Transaction

Balfour Beatty acquired Parsons Brinckerhoff in September 2009 for £382 million (£366 million following post-Completion adjustments)¹. At the time of the acquisition, the Board believed that the Group would benefit from having a presence across the entire life cycle of major infrastructure assets. Over the past five years, Parsons Brinckerhoff has grown under Balfour Beatty's ownership, and has partnered with other parts of the Balfour Beatty Group, as well as other major construction firms on engineering, procurement, construction and design-build projects around the world. On 6 May 2014, Balfour Beatty announced that the Board had undertaken a strategic review to explore ways to simplify and create a more focused Group. The strategic review confirmed that having professional services and construction capabilities combined under one organisation had not led to a material competitive advantage for the Group and had also added significant complexity to the Group. The Board believes that this is unlikely to alter significantly in the foreseeable future and is a potential constraint to the growth of both Parsons Brinckerhoff and the rest of the Balfour Beatty Group.

Based on the outcome of the strategic review, and against the backdrop of a rapidly consolidating global professional services sector and increasing public market valuations for companies in the sector, the Board decided that the interests of Shareholders would be best served by pursuing the possible sale of Parsons Brinckerhoff. Subsequently, the Company ran a competitive sale process for the Parsons Brinckerhoff division that demonstrated the strategic value of the business to the Purchaser.

The Board believes that the proposed price of US\$1,352.5 million (£820 million) (assuming US\$110 million of cash is retained within Parsons Brinckerhoff) is an attractive value for the business, which fully recognises Parsons Brinckerhoff's leading market positions and growth opportunities. The cash and debt free price of US\$1,242.5 million (£753 million) represents a multiple of 11 times underlying EBITDA of £69 million for the year ended 31 December 2013.

¹ Subsequently, Parsons Brinckerhoff acquired Halsall in 2010 for £33 million and Subsurface Group Inc. in 2012 for £10 million. Halsall and Subsurface Group Inc. are included within the Transaction. At the time of Balfour Beatty's acquisition of Parsons Brinckerhoff in 2009, Parsons Brinckerhoff had a retained cash balance of £124 million and defined benefit retirement obligations of £57 million.

3 Shareholder Approval

The Transaction constitutes a Class 1 transaction under the Listing Rules and is therefore conditional upon, amongst other things, the approval of Shareholders.

Shareholder approval of the Resolution is being sought at a General Meeting of the Company to be held at 9.30 a.m. on 28 October 2014 at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2BE. A notice of the General Meeting and of the Resolution to be considered at the General Meeting is set out on pages 41 to 43 of this Circular. A summary of the action that Shareholders should take is set out in paragraph 13 of this letter and on the Form of Proxy in respect of the General Meeting that accompanies this document.

4 Summary of Terms of the Transaction

A Stock Purchase Agreement between Balfour Beatty, certain of its subsidiaries and the Purchaser was entered into in relation to the Parsons Brinckerhoff Target Companies on 3 September 2014. Under the terms of the Stock Purchase Agreement, a termination fee of 1 per cent. of Balfour Beatty's market capitalisation as at the date of the Stock Purchase Agreement (calculated in accordance with the Listing Rules) is payable by the Company to the Purchaser if approval of the Resolution by Shareholders at the General Meeting is not obtained.

Furthermore, Transition Agreements in relation to the provision of services between the Group and the Parsons Brinckerhoff Group for a transitional period after Completion are in substantially agreed form and will be entered into at, or prior to, Completion.

The principal terms of the Stock Purchase Agreement and the Transition Agreements are described in more detail in Part III (*Summary of the Transaction Agreements*) of this Circular.

The Transaction is conditional upon, *inter alia*: (i) approval by Shareholders of the Resolution, which is being proposed as an ordinary resolution at the General Meeting; and (ii) clearance from the applicable competition authorities.

The Board expects that, subject to the approval of the Resolution by the Shareholders, the conditions will be satisfied and that Completion will occur in the fourth quarter of 2014. Relevant clearances have already been received in Canada and the United States.

5 Information on Parsons Brinckerhoff

Parsons Brinckerhoff is a leading global professional services organisation serving infrastructure markets with planning, design, programme management, construction management, and operations & maintenance (O&M) services. With close to a 130-year history, Parsons Brinckerhoff is widely regarded as a premier provider of professional services in the infrastructure sector, with a powerful global and long-established brand across the transportation, power & energy, and building markets, and a growing presence in the water/environmental and resources (mining) markets. This robust presence across key markets means Parsons Brinckerhoff is well positioned to benefit from compelling market dynamics, including the rebuilding of ageing transportation and water infrastructure in North America and the UK, the power & energy, transportation and water build-out in the Middle East and Asia, and market recovery in Australia.

In 2013, Parsons Brinckerhoff generated revenues of £1,569 million, underlying profit from operations of £56 million, underlying EBITDA of £69 million and profit before tax of £27 million. As at 27 June 2014, the order book stood at £1.3 billion and gross assets were £0.8 billion².

A summary of the trading results for Parsons Brinckerhoff for the three years ending 31 December 2013 and first half results for 2014 (on an IFRS basis at reported exchange rates) is set out in Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular.

6 Use of Proceeds and Financial Effects of the Transaction on the Retained Group

The Retained Group is expected to receive net cash proceeds (after deductions of transaction taxes, fees and other transactional costs of approximately £50 million, together with certain separation-related costs of approximately £30 million, but prior to post-Completion adjustments) of approximately £673 million.

² All financials shown prepared using IFRS.

Balfour Beatty has undertaken a detailed review of the appropriate capital structure for the Retained Group, taking into account various factors including proposed growth plans for the future, the current position in the construction cycle of the market and the implicit recovery potential from that position, the importance of demonstrating financial strength when bidding for contracts and the need to reduce the Group's pension fund deficit.

As a result, the net cash proceeds of approximately £673 million are intended to be used as follows:

- up to £200 million to be returned to Shareholders through the Share Buyback Programme to commence following the announcement of the Group's 2014 preliminary results, subject to the Board's assessment of the trading environment at the time (and assuming Completion occurs during the fourth quarter of 2014, as currently anticipated);
- £85 million to be used to reduce the Group's pension fund deficit; and
- the balance to be retained by the Group to ensure a strong balance sheet and provide increased financial flexibility.

Share Buyback Programme

Subject to Completion and the Board's assessment of the trading environment at the time, the Share Buyback Programme is expected to commence following the announcement of the Group's 2014 preliminary results (assuming Completion occurs during the fourth quarter of 2014, as currently anticipated). It is intended that the Share Buyback Programme would be carried out in part under the existing authority given to the Directors at the Company's annual general meeting in May 2014 and in part under a renewed authority to be sought at the Company's annual general meeting in 2015.

Under the existing buyback authority given at the 2014 annual general meeting, the number of Shares the Company can buy is limited to a maximum of 10 per cent. of the Company's issued ordinary share capital calculated by reference to the number of Shares in issue. The highest and lowest prices that can be paid under the Share Buyback Programme will be set in accordance with the authorities given to the Directors at the Company's annual general meeting in May 2014 and in 2015, as applicable.

Pension Deficit Contribution

The Board has agreed with the Group's pension fund trustees that £85 million of the proceeds of the Transaction will be used to accelerate the reduction of the Group's pension fund deficit ("**Pension Contribution**").

Cash Retained on Balance Sheet

Following the Pension Contribution, the balance of the net cash proceeds will be retained by the Group in order to strengthen the balance sheet and provide increased financial flexibility to satisfy working capital requirements and facilitate future investment in the core businesses.

The Board expects that, in the short term, any balance of the net cash proceeds arising from the Transaction will be deposited with banks, invested in money market funds, gilts or short-term commercial paper, or used to repay part of the Retained Group's outstanding bank debt.

Financial Effects of the Transaction on the Retained Group

The pro forma net debt position of the Group as at 27 June 2014 including non-recourse borrowings is £222 million. The basis of calculation of the financial effects of the Transaction on the Retained Group is set out in Part VI (*Unaudited Pro Forma Financial Information*) of this Circular.

The Board believes that the Transaction will have a negative impact on the earnings of Balfour Beatty.

7 Information on the Retained Group

Overview of the Retained Group

Following the disposal of Parsons Brinckerhoff, Balfour Beatty will be refocused as an Anglo-American construction and specialist services group where there is strong US market opportunity and UK margin recovery potential. The Group's over-arching investments business is value creating and synergistic. Joint ventures in the Far East and Middle East will be retained subject to them being value accretive.

Activities of the Retained Group

The Retained Group will comprise:

- a top tier construction businesses in the UK and US, operating across the infrastructure and building sectors, focused on delivering superior returns;
- a leading investments business, with a full range of finance, development, ownership and asset management capabilities. Investments will operate mainly within the Retained Group's core Anglo-American footprint, with the ability to operate within certain other markets—currently Australia, Canada and Singapore—within tightly defined risk parameters;
- a services division with a number of specialist construction and asset management businesses which naturally complement and enhance the Group's construction and investment activities, whilst also providing attractive margin prospects and a longer-term order book; and
- construction joint ventures in the Far East and Middle East.

Strategic Priorities

The strategy of the Retained Group is to focus on maximising Shareholder value from core construction and investment activities in the UK and US, capitalising on its leading positions as these markets recover, and driving higher levels of performance and leveraging the capabilities of the Retained Group as a whole.

Following the disposal of Parsons Brinckerhoff, the Retained Group's priorities will therefore be:

- an optimal approach to restoring value from the UK construction business, including progressively returning it back to peer group margins;
- refocusing the Retained Group in order to reduce complexity and improve the risk profile; and
- realising indirect overhead savings and shared service efficiencies across the Retained Group.

At the divisional level, Balfour Beatty's strategy will focus around the following key areas:

UK Construction Services:

- Continue the turnaround of UK Construction;
- Progressively return margins in our regional construction business to peer group margins through, amongst other things, more selective tendering. This includes realignment of our bidding to the customers, geographies and sectors with the best pipeline of profitable work and focus on repeat customers, frameworks and larger contracts over £5 million;
- Further enhance our work-winning effectiveness in Major Projects, through the development of closer customer relationships; and
- Stabilise Engineering Services by resizing downwards to specific markets with higher margins and increasing the proportion of internal work, in support of our building operations;

US Construction Services:

- Continue to realise the benefits of the strong construction business in what is a growing US construction market; and
- Continue to drive improvement in visibility of future opportunities in the division's target sectors.

Support Services:

- Continue to provide specialist construction and asset management services to major infrastructure clients which naturally complement and enhance the Retained Group's construction and investment activities;
- Focus on sectors (such as UK Transport and Power Transmission) that provide attractive growth and margin prospects, as well as a longer-term order book; and
- Over time, leverage skills across our Anglo-American footprint to tap into select growth opportunities.

Infrastructure Investments:

- Invest in assets using proceeds of disposals and cash generated by the construction division across the cycle, and in turn deliver additional work for the construction businesses;
- Continue to expand both geographically and in our existing markets; and
- Ongoing implementation of our PPP concession disposal programme while a favourable secondary market for infrastructure assets currently prevails.

Future Value Creation

The Board will continue to assess other value creation opportunities on an ongoing basis to ensure all of its businesses offer attractive returns in their own right and to create additional value for Shareholders in combination with the rest of the Retained Group.

8 Current Trading and Future Prospects of the Retained Group

The Company announced on 13 August 2014 that first half trading and financial performance had seen a further worsening in the trading performance of the mechanical and electrical engineering (Engineering Services) part of the UK Construction Services business. At that time, it was also announced that the Regional and Major Projects businesses within UK Construction Services continued to perform in line with expectations. The US Construction business performed well in that period and in line with the Board's expectations, delivering 14 per cent. revenue growth in the half-year (at constant currency). Joint ventures in Asia and the Middle East saw good wins. The Support Services division delivered good performances and increased profitability underpinned by highway services contracts and rail renewal activities, as well as a significantly increased order book in the water sector as a result of the award of several new contracts in the first half under the AMP6 regulatory cycle.

The first half performance was significantly impacted by the previously announced UK Engineering Services contract write-downs.

On 29 September 2014 the Group announced further a profit shortfall for the full year of approximately £75 million in the UK Construction Services business. The approximately £75 million profit shortfall has been incurred in the following way across the UK Construction Services business: approximately £30 million within Engineering Services, approximately £20 million within Large London area building Projects, approximately £15 million within Regional Construction and approximately £10 million within Major Infrastructure Projects.

The Company appointed KPMG to undertake a detailed independent review of the contract portfolio within the UK Construction Services business, which is expected to be completed by the end of the year. Trading across the rest of the Group remains in line with expectations.

Parsons Brinckerhoff's performance in the first half was in line with its performance in the first half of 2013 with the order book slightly lower at £1.3 billion since the 2013 year-end position. Revenue of £757 million was generated in the first half of 2014 which represents an increase of 1 per cent. at constant currency compared to revenues generated in the first half of 2013 (down 7 per cent. at actual exchange rates).

9 Risk Factors

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (*Risk Factors*) of this Circular.

10 Importance of the Vote and Financial Effects of the Transaction not proceeding

Importance of the vote: Shareholders should read the following carefully.

If Shareholders approve the Transaction and the Company receives the net proceeds, some of those proceeds will be used to pay down existing debt in the Group, leaving the balance sheet of the Group in a stronger position with a reduced level of net indebtedness.

If Shareholders do not approve the Transaction, the Group is expected to have less headroom on net debt to EBITDA covenants given as part of its funding arrangements. The Group is funded through various sources of finance including the RCF, the Bilateral Facility and the US Private Placement (together the "**Principal Financing Documents**") each of which contain covenants that are tested every six months,

including covenants on the ratio of the Group's net debt to EBITDA. In this scenario, should there be a further modest deterioration in the profitability of the Group, and in the absence of any mitigating action, there may be a breach of the net debt to EBITDA covenants when they are tested against the 2014 annual results and in 2015. The Board has available a number of mitigating actions which can be taken to address the potential risk of such a covenant breach. The Board would in particular accelerate the disposal of investment assets. The Board believes that such disposals could be completed within a timeframe which is both reasonable and will provide effective mitigation. The sale of investment assets could also be supplemented by other steps to conserve cash which could include cancelling, reducing or postponing dividends if necessary. Given the mitigating actions that are available, the Board considers the risk of a covenant breach and consequent event of default, if the Transaction does not proceed, as unlikely. The Board expects headroom to improve in 2015.

A breach of a covenant, in the absence of agreed waivers, would constitute an event of default for the purposes of the Principal Financing Documents and as a consequence would prevent the Group from drawing-down on its facilities. Further, the providers of debt financing to the Group under the Principal Financing Documents could call for the repayment of debt, thus impacting the Group's operations. As set out above, the Board will pursue mitigating action to address this potential risk, if such a breach would otherwise be likely to occur. Please refer to Section 3 of Part II (*Risk Factors*) of this Circular.

If the Transaction does not proceed, the Board would therefore need to consider alternative ways of raising and/or conserving cash and improving EBITDA, in order to strengthen the balance sheet and provide sufficient headroom for covenant purposes.

11 Further information

Your attention is drawn to the further information set out in Part II (*Risk Factors*) to Part VII (*Additional Information*) of this Circular. You should read the whole of this document and, in particular, the risks and uncertainties set out in Part II (*Risk Factors*) of this Circular.

12 General Meeting

A notice convening the General Meeting to be held at 9.30 a.m. on 28 October 2014 at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2BE is set out on pages 41 to 43 of this Circular. A Form of Proxy to be used in connection with the General Meeting is enclosed.

As a Class 1 transaction, the Company requires the approval of Shareholders to proceed with the Transaction. Completion is therefore conditional, amongst other conditions set out in paragraph 1.2 of Part III (*Summary of the Transaction Agreements*) of this Circular, on the passing of the Resolution at the General Meeting.

The full text of the Resolution, which will be proposed as an ordinary resolution at the General Meeting, is set out in the Notice of General Meeting. To be approved, the majority of votes cast must be in favour of the Resolution.

Voting at the General Meeting will be by way of a poll and not by a show of hands. A poll is the fairest way of ensuring the wishes of Shareholders are properly reflected at general meetings, as it records the decision of all Shareholders who have voted by proxy, or who attend the meeting in person, based on the number of Shares they hold. Please refer to the notes contained in the Notice of General Meeting for more information on how Shareholders can vote on the Resolution.

Please note that if you hold only Preference Shares in the Company and do not hold any Shares, you are not entitled to vote on the Resolution or attend the General Meeting.

Balfour Beatty ADS holders will not have the right to instruct the Balfour Beatty Depository on how to vote the Shares underlying the Balfour Beatty ADSs with respect to the Resolution, as Balfour Beatty will not be requesting the Balfour Beatty Depository to send voting cards or otherwise solicit voting instructions from Balfour Beatty ADS holders.

If you hold Balfour Beatty ADSs and wish to vote directly on the Resolution, you must surrender your Balfour Beatty ADSs to the Balfour Beatty Depository, pay the Balfour Beatty Depository's fees and charges in accordance with the Deposit Agreement and become a holder of Shares prior to 6.00 p.m. (London time) on 26 October 2014 and in each case subject to and in accordance with the terms of the Deposit Agreement. Balfour Beatty ADS holders that wish to vote directly on the Resolution should take care to surrender their Balfour Beatty ADSs in time to permit processing to be completed by the Balfour

Beatty Depository and its English custodian prior to 6.00 p.m. (London time) on 26 October 2014. If you hold Balfour Beatty ADSs through a broker or other securities intermediary, you should contact that intermediary to determine the date by which you must instruct that intermediary to act so that the necessary processing can be completed in time.

13 Action to be taken

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting or at any adjournment thereof. Whether or not you propose to attend the meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it as soon as possible, but in any event so as to be received by the Company's registrars, Capita Asset Services, no later than 9.30 a.m. on 26 October 2014.

If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction form so that it is received by Capita Asset Services (under CREST participant ID RA10) by no later than 9.30 a.m. on 26 October 2014. The time of receipt will be taken to be the time from which Capita Asset Services is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The completion and return of a Form of Proxy or completion and transmission of a CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

14 Recommendation

The Directors consider that the passing of the Resolution is in the best interests of the Company and Shareholders as a whole. Goldman Sachs International has provided advice in relation to the Transaction. In providing financial advice to the Directors, Goldman Sachs International has relied upon the commercial assessments of the Directors.

BofA Merrill Lynch has also provided financial advice in relation to the Transaction.

The Directors unanimously recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings which as at 8 October 2014, being the latest practicable date prior to publication of this Circular, amounted in aggregate to 572,888 Shares, representing approximately 0.08 per cent. of the Shares in issue.

Yours faithfully

Steve Marshall
Executive Chairman

PART II RISK FACTORS

The following risk factors should be considered carefully by Shareholders when deciding what action to take in connection with the General Meeting. Risks associated with the Transaction proceeding and risks associated with the Transaction not proceeding have been included. Prior to voting on the Transaction, Shareholders should consider these risks fully and carefully, together with all other information set out in this document. All material risks relating to the Transaction of which Balfour Beatty is reasonably aware are disclosed, although these risk factors should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

The business, financial condition and results of operations of the Retained Group could be adversely affected by certain risks following the Transaction. Additional risks and uncertainties currently unknown to the Balfour Beatty Group, or which the Balfour Beatty Group currently deems immaterial, may also have an adverse effect on the business, financial condition and results of operations of the Retained Group.

1 RISKS ASSOCIATED WITH THE TRANSACTION

Shareholders may not approve the Transaction

Completion is subject, amongst other things, to the approval of the Resolution by the Shareholders at the General Meeting. If Shareholders do not approve the Resolution at the General Meeting, Completion will not occur and the Share Buyback Programme will not be implemented. Should the Transaction not be approved by Shareholders, the Group may experience a delay in the execution of its strategic review.

The Transaction is subject to the receipt of certain regulatory approvals

Completion is also subject to the receipt of competition approvals in the United States, Canada, Germany and South Africa. While clearances have been received in Canada and the United States, any delay or failure to receive any remaining regulatory approval may delay or prevent Completion, which could have an impact on the execution of the Group's strategic review.

Exposure to liabilities

The Stock Purchase Agreement contains certain indemnities from the Company in favour of the Purchaser, including in relation to certain outstanding and potential future litigation to which Parsons Brinckerhoff is currently or may be subject, to the extent that any losses as a result of such litigation are not covered by Parsons Brinckerhoff insurance. Even though Parsons Brinckerhoff carries insurance for known potential liabilities, given the impossibility of predicting with certainty the outcome of outstanding, pending or future proceedings, and taking into account the fact that after Completion the Company will not have primary responsibility for conducting the claims and be able to mitigate any losses in the same way had the claims remained part of the Retained Group, no assurance can be given that actual losses will not exceed Parsons Brinckerhoff's insurance coverage. Furthermore, claims may fall outside the scope of the cover, the underwriters may fail, or insurance coverage may be invalid, leaving the Group exposed to further liabilities in respect of the relevant claims. The Retained Group may also be subject to tax liabilities pursuant to the terms of the indemnity from the Company in favour of the Purchaser as set out in the Stock Purchase Agreement in relation to pre-Completion tax liabilities of the Parsons Brinckerhoff Target Group, including the successor Balfour Beatty holding company in the US, which is being transferred as part of the Transaction. If the Retained Group should incur liabilities under any of these indemnities, the costs of such liabilities could have an adverse effect on its business, financial condition and results of operations. Further details of the Stock Purchase Agreement, including the indemnities, are set out in Part III (*Summary of the Transaction Agreements*) of this Circular.

Costs of Separation

The process of separating Parsons Brinckerhoff from the Retained Group will be complex, involving the separation of significant business systems. On or prior to Completion, the Company will enter into the Transition Agreements with the Purchaser pursuant to which each of the Company and the Purchaser will agree to provide certain critical services to each other for a period following Completion while this separation is taking place. The Retained Group could incur substantial costs and impacts on the functioning of its business as a result of the separation process and/or fulfilment of its obligations under the Transition Agreements, which could adversely affect its financial condition and results of operations.

Further details of the Transition Agreements are set out in Part III (*Summary of the Transaction Agreements*) of this Circular.

Third Party Interference with Transaction

As a listed company, the Company is exposed to approaches from third parties seeking to instigate a public takeover of the Company which might delay or prevent execution of the Transaction. The Company might also be approached by a third party seeking to make a more favourable offer than that of the Purchaser for the Parsons Brinckerhoff Target Group and the Directors might consequently be required (in accordance with their fiduciary duties and subject to the terms of the Stock Purchase Agreement) to withdraw their recommendation of the Resolution and the Transaction. Further details of the Stock Purchase Agreement, including the circumstances in which the Board can consider alternative offers and when a termination fee is payable by the Company as a result of a termination of the Stock Purchase Agreement, are set out in Part III (*Summary of the Transaction Agreements*) of this Circular

Other risks of the Transaction

Other risks that may arise out of the Transaction include exposure to the Retained Group's liabilities incurred prior to Completion in respect of the assets and businesses to be disposed of, exposure to exchange rate risk as the proceeds of the disposal are denominated in US dollars while the Group is making certain Transaction-related capital commitments in sterling, commercial and other risks associated with meeting covenants to the Purchaser during the period up to Completion, the risk of employee and customer attrition in the period up to Completion, and other transaction costs.

2 RISKS ASSOCIATED WITH THE RETAINED GROUP

Loss of Diversification

Following Completion, the Retained Group will be less diverse. In addition to its core construction businesses, Parsons Brinckerhoff provides the Group with a global professional services business, enabling it to offer a more comprehensive range of services and operate in a wider range of geographies. Following Completion, the Retained Group will no longer benefit from this geographic and sector diversification. The earnings of the Retained Group will be more cyclical as a result and this will be heightened by its increased exposure to the United Kingdom and United States construction markets, which are also cyclical in nature. Any material reduction in earnings could have an adverse effect on the financial condition of the Retained Group and its results of operations.

No integrated offering

The Group seeks to win profitable work through bidding for contracts, operating in highly competitive markets. Its success depends on its ability to identify, price and execute the right volume and quality of bids to compete successfully in these markets and maintain a profitable, sustainable order book. This in turn requires it to operate a competitive business model and overheads. The Retained Group will no longer be able to provide an integrated offering of consultancy and construction services in most markets without project-specific joint ventures or arrangements with consultancy companies. This may affect the Retained Group's ability to win tenders on key projects, respond to customer demands or increase sales to existing customers, which may in turn adversely affect its future prospects, financial condition or results of operations.

Greater exposure to impact of issues in construction business

Successful delivery of the Group's projects depends on proper controls on tendering and estimating and the implementation and maintenance of a range of operational and commercial procedures and controls. The Group's recent financial performance has suffered as a result of operational issues in its UK construction business. Execution failure on a high-profile project could result in significant reputational damage and costs. Operational and commercial issues in the Retained Group's UK construction business are likely to have a proportionally greater impact following the Transaction and, if it continues to experience such issues, this could lead to a further deterioration in the financial condition of the Retained Group and its results of operations.

Execution of future strategy

The Retained Group's ability to execute its future strategy depends in large part on factors outside Balfour Beatty's control, such as the effect of the challenging economic and market conditions. It may be restricted as a result of financial or operational constraints from responding to customer demands and may suffer customer attrition as a result. This could have a consequential negative effect on the financial condition of the Retained Group and its results of operations. The implementation of Balfour Beatty's strategic plan may strain relations with employees and specific proposals in connection with the implementation may be opposed by labour unions or works councils. In this context, the Retained Group may incur redundancy or other costs and may be subject to industrial action or other labour conflicts, including strikes, which could result in a disruption to the Retained Group's business, operations or financial condition.

Terms of refinancing

The Retained Group may refinance its revolving credit facility next year and the disposal of Parsons Brinckerhoff may result in the refinanced facility being entered into on less favourable terms than would have been the case had the Transaction not occurred if the refinancing banks consider that the financial condition of the Retained Group is adversely affected as a result of the Transaction.

Business development activity

The Retained Group is subject to certain risks associated with business development activity, including acquisitions and disposals. The Balfour Beatty Group has made a number of disposals for which it has retained liabilities either contractually or through representations, warranties or indemnities that have not yet expired. Although Balfour Beatty evaluates the financial impact of any acquisition and conducts due diligence, should unforeseen circumstances occur, such that previously unknown liabilities arise, or should erroneous assumptions have been used, the business, financial condition and results of operations of the Retained Group could be adversely affected.

Economic and political environment

The continued or residual effects of the global economic downturn, or other national or market trends or new developments in infrastructure expenditure or procurement may cause existing or future projects to be postponed, reduced or changed, which may impact the Retained Group's strategy, business model, revenue or profitability. Certain Retained Group businesses will be dependent on governments' policies with regard to investment in civil and social infrastructure, most notably in the education, transport, health, public utility, secure establishment and defence sectors through direct government contracts, joint ventures and public-private partnerships. If there are changes in governmental policies, the Retained Group may be unable to maintain existing levels of work or levels of profitability in relation thereto.

Health and Safety

The Retained Group is involved in significant and complex construction projects which require the continuous monitoring and management of health, safety and environmental risks. While the Retained Group has adopted extensive health, safety and environmental policies and procedures in order to minimise such risks, there can be no assurance that a failure in such policies and procedures will not occur. Such a failure could subject the Retained Group to significant adverse publicity and have an impact on its reputation and its ability to win new business, in turn adversely affecting its financial condition and results of operations.

Key employees

The success of the Retained Group depends on the efforts, abilities, experience and expertise of its senior management teams, and on recruiting, retaining, motivating and developing highly skilled and competent people at all levels of their organisations. There can be intense competition for personnel from other companies and organisations and there may at any time be shortages in the availability of appropriately skilled people at all levels. The reduction in size and diversification of the Retained Group following the Transaction may make it more difficult to attract and retain talented employees, which could have a material adverse effect on its business.

Law, regulation and legal proceedings

The jurisdictions in which the Retained Group operates impose a number of complex, demanding and evolving legal, administrative and regulatory requirements which relate to, among other matters, criminal and civil laws, tax laws, planning, developing, building, land use, fire, health and safety, environment, competition and employment. These requirements often provide broad discretion to the administering authorities in relation to enforcement. Violations of or changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of ongoing projects or subject the Retained Group to penalties, fines, criminal prosecutions, civil claims or other unforeseen costs or debarment.

3 RISKS RELATING TO THE TRANSACTION NOT PROCEEDING

Possible Financial Effects of the Transaction not proceeding

If the Transaction does not complete, the Group will not receive the cash proceeds from the Transaction and consequently the level of net debt in the Group will not be reduced. The Group's banking and other financing arrangements contain certain covenants, such as the ratio of the Group's EBITDA to its net debt, and in light of the recent trading update on 29 September 2014, in which the Group announced a further forecast reduction in profitability, these covenants may become more difficult to meet. If the Transaction does not proceed and there is a further modest deterioration in the profitability of the Group, the Board will need to consider alternative ways of raising and/or conserving cash and improving EBITDA, in order to strengthen the balance sheet, to provide additional liquidity and provide sufficient headroom for covenant purposes. A failure of the Group to meet its covenants, in the absence of agreed waivers, would constitute an event of default for the purposes of the Principal Financing Documents. An event of default would prevent the Group from drawing-down on its facilities. Further, the providers of debt financing to the Group under the Principal Financing Documents could call for the repayment of debt to which the event of default related. In the event that mitigating actions are required to meet the Group's covenants, the Board would in particular accelerate the disposal of investment assets. The Board believes that such disposals could be completed within a timeframe which is both reasonable and will provide effective mitigation given the Group's significant experience in selling investment assets and knowledge of potential purchasers. Whilst asset sales are likely to remain the Board's preferred mitigating action, it is possible that at the time such disposals are commenced the market for the sale of such assets is less competitive than currently. In this case the sale of investment assets could also be supplemented by other steps to conserve cash which could include cancelling, reducing or postponing dividends if necessary.

No assurance of future sale

If the Resolution is not approved by Shareholders, the Transaction will become incapable of completion. If this were to occur, there could be no assurance that Balfour Beatty would be able to dispose of Parsons Brinckerhoff at a later date, in favourable or equivalent market circumstances or to dispose of Parsons Brinckerhoff at all. In such circumstances, Balfour Beatty's ability to execute its strategic review and the proposed share buyback would be adversely affected.

Termination fee and other costs

If the Transaction does not proceed then Balfour Beatty may be required to pay a termination fee to the Purchaser pursuant to the Stock Purchase Agreement as further set out in paragraph 1.6 of Part III (*Summary of the Transaction Agreements*) of this Circular. Balfour Beatty has also incurred other costs in relation to the negotiation of the Transaction and preparation for the separation of the Parsons Brinckerhoff business from the Retained Group and these will be incurred, irrespective of whether or not the Transaction proceeds.

Effect on the business

If the Transaction does not proceed there is a risk that Parsons Brinckerhoff's management may be demotivated within the Balfour Beatty Group and that its staff may be poached more readily by competitors. If the industry as a whole moves towards consolidation, Balfour Beatty may lose market share if it cannot execute the Transaction. These factors may adversely affect the Group's future prospects, financial condition or results of operations.

PART III
SUMMARY OF THE TRANSACTION AGREEMENTS

On 3 September 2014, the Company announced that it (together with the Balfour Beatty Selling Companies) had entered into an agreement with the Purchaser to sell to the Purchaser the Parsons Brinckerhoff business, consisting of the entire share capital of each of the Parsons Brinckerhoff Target Companies. Completion is conditional upon the approval of Shareholders and the satisfaction of certain other conditions precedent as set out below.

The following is a summary of the principal terms of the Transaction Agreements.

1 Stock Purchase Agreement

The principal terms of the Stock Purchase Agreement (the “SPA”) are as follows:

1.1 Consideration

- 1.1.1 The purchase price payable by the Purchaser to the Balfour Beatty Selling Companies is US\$1,352.5 million (£820 million) subject to an adjustment mechanism based on the amounts of net working capital, debt and cash in the Parsons Brinckerhoff Target Group at Completion (the “**Purchase Price**”), as described below. The Purchase Price assumes cash of US\$110 million (£67 million) is retained within Parsons Brinckerhoff at Completion (with maximum levels of cash specified in certain jurisdictions).
- 1.1.2 Prior to Completion, the Company will prepare and deliver to the Purchaser an estimated working capital statement (“**Estimated Working Capital**”), an estimated closing debt statement (“**Estimated Closing Debt**”) and an estimated closing cash statement for the Parsons Brinckerhoff Target Group in order to determine an initial adjusted Purchase Price (the “**Adjusted Estimated Purchase Price**”). The Adjusted Estimated Purchase Price will be payable in immediately available funds at Completion.
- 1.1.3 Promptly following Completion, the Parsons Brinckerhoff Target Group will prepare a combined balance sheet of the Parsons Brinckerhoff Target Group, which shall be audited by external accountants.
- 1.1.4 Within 50 business days following receipt of the audited balance sheet of the Parsons Brinckerhoff Target Group, the Purchaser will prepare and deliver to the Company statements in relation to working capital, debt and cash for the Parsons Brinckerhoff Target Group with a reference date of the Completion Date. The Company will have a right to object to the determination of working capital, debt and/or cash provided by the Purchaser. To the extent the Company and the Purchaser are unable to resolve any disagreement, a final determination will be made by an independent accounting firm.
- 1.1.5 The Purchase Price will be reduced based on the post-Completion determination of cash described in paragraph 1.1.4 above to the extent that the cash in the Parsons Brinckerhoff Target Companies at the Completion Date is less than US\$110 million at the Completion Date, subject also to the sub-limits that exist in specific jurisdictions.
- 1.1.6 The Purchase Price will also be reduced or increased, as appropriate, by the amount by which the working capital at the Completion Date, determined in accordance with paragraph 1.1.4 above, is less than or exceeds the Estimated Working Capital and the amount by which the debt at the Completion Date, determined in accordance with paragraph 1.1.4 above, is less than or exceeds the Estimated Closing Debt.

1.2 Conditions precedent

The obligations under the SPA are conditional on the satisfaction of a number of conditions precedent, including:

- (a) the passing of the Resolution by Shareholders at the General Meeting;
- (b) relevant competition approvals having been received in the United States, Canada, Germany and South Africa (or the waiting periods for such approvals having expired without any response having been given by the relevant authority);

- (c) certain core representations and warranties given by the Company and the Balfour Beatty Selling Companies relating to, among other things, the ownership of the shares of the companies being acquired, being true and correct as of the Completion Date;
- (d) the other representations and warranties given by the Company and the Balfour Beatty Selling Companies being true and accurate in all respects as of the Completion Date except for where the failure of any such representation and warranty to be so true and correct would not have a material adverse effect on the Parsons Brinckerhoff Target Group; and
- (e) there being no material adverse effect on the Parsons Brinckerhoff Target Group between the date of the SPA and the Completion Date.

1.3 *Warranties and Representations*

The SPA contains representations and warranties given by the Company and the Balfour Beatty Selling Companies in favour of the Purchaser with respect to the Parsons Brinckerhoff Target Group that are customary for a transaction of this nature and size, including, *inter alia*, with respect to: corporate matters, the title of the Balfour Beatty Selling Companies to the relevant shares, consents and approvals, financial statements, absence of certain changes, related party transactions, insurance, employee matters, litigation, insurance policies, tax matters, compliance with laws and permits, environmental matters, intellectual property, real and personal property, material contracts, books and records, sufficiency of assets and government contracts.

1.4 *Indemnities*

1.4.1 Under the terms of the SPA, the Company will, subject to certain limitations and exceptions, indemnify the Purchaser, its affiliates and their respective directors, officers and employees for:

- (a) a breach of any representation and warranty made by the Company and the Balfour Beatty Selling Companies;
- (b) a breach by the Company or the Balfour Beatty Selling Companies of any covenant or agreements made in the SPA;
- (c) certain ongoing and potential future litigation against the Parsons Brinckerhoff Target Group to the extent that such losses are not covered by current insurance and any other litigation of more than US\$1 million which were known to the Company and Balfour Beatty Selling Companies but were not disclosed to the Purchaser;
- (d) all liabilities arising out of the reorganisation of the Group to facilitate the Transaction;
- (e) certain historic employment and environmental liabilities of BICC Canada Inc., which is a predecessor corporation to Parsons Brinckerhoff's Canadian subsidiary;
- (f) all liabilities in connection with the wind-down of the Parsons Brinckerhoff Target Group's business in India following the Completion Date;
- (g) one half of any amounts paid by the Parsons Brinckerhoff Target Group pursuant to severance arrangements in certain employment agreements; and
- (h) pre-Completion tax liabilities of the Parsons Brinckerhoff Target Group, including the tax successor Balfour Beatty holding company in the US, which is being transferred as part of the Transaction.

1.4.2 Except in relation to the Company and Balfour Beatty Selling Companies' core representations, the Group will not have any liability to the Purchaser for a breach of its representations and warranties unless a claim (or series of related claims) involves damages in excess of US\$100,000 and if the aggregate amount of the indemnified party's damages has exceeded 1.0 per cent. of the Purchase Price. Furthermore, the aggregate liability of the Group is capped at 10 per cent. of the Purchase Price for these liabilities.

1.4.3 In all other circumstances, including the specific indemnities listed in paragraphs 1.4.1(b) to (h) above, the maximum liability of the Group will not exceed the Purchase Price. In addition, the right of the Purchaser to recover for any losses falling under the indemnities described in paragraphs 1.4.1(c) to (f) above are not limited by time.

1.5 *Undertakings*

- 1.5.1 The parties have entered into certain pre-Completion covenants pursuant to the SPA, including the following:
- (a) the Company and the Balfour Beatty Selling Companies will cause the Parsons Brinckerhoff Target Group to carry out its business in the ordinary course until Completion and not to undertake certain actions without the prior consent of the Purchaser;
 - (b) the Company will, subject to any legal requirements and taking into account the competitive position of the parties to the SPA, ensure that the Purchaser and its affiliates have reasonable access to the Parsons Brinckerhoff Target Group, its employees and its books and records;
 - (c) the Company, the Purchaser and their respective affiliates will co-operate and use reasonable best efforts to consummate the Transaction; and
 - (d) the Company and the Balfour Beatty Selling Companies will use their reasonable best efforts to co-operate with the Purchaser in relation to any activities of the Purchaser in relation to the agreed financing arrangements in relation to the raising by the Purchaser of the Purchase Price.
- 1.5.2 The Company has agreed that if there is an offer for the Parsons Brinckerhoff Target Group prior to the General Meeting, it can only consider such alternative offer if: (a) it is from someone who did not participate in the auction process for the sale of the Parsons Brinckerhoff Target Group; (b) it is fully financed; (c) it would be more favourable for the Shareholders from a financial point of view; and (d) it would be a breach of the Board's fiduciary duties not to consider the alternative offer. The Purchaser has the right to match any such offer. If the Board decides that it should proceed with the alternative offer (applying (a) to (d) again), it has the right to terminate the SPA and proceed with the alternative offer. In such circumstances, the Board can cancel the General Meeting and/or change its recommendation and must pay the Purchaser a termination fee (as described in paragraph 1.6 below). Following approval of the Resolution at the General Meeting, the Company no longer has a right to terminate the SPA in these circumstances.
- 1.5.3 The Company has also agreed that if there is an approach or offer for the Company prior to the General Meeting which is made on the basis that the Parsons Brinckerhoff Target Group remains a part of the Group, the Board must consider whether the proposal: (a) can only be completed if the Transaction does not go ahead; (b) the termination of the SPA is in the best interests of the Shareholders as a whole and (c) it would be a breach of the Board's fiduciary duties not to consider the approach or offer. In these circumstances, the Purchaser has the right to increase its offer. After any new offer from the Purchaser, if the Board decides that (a) to (c) are still met, the Company has the right to terminate the SPA and then proceed with such offer and must pay the Purchaser a termination fee (as described in paragraph 1.6 below). After termination, the Company can cancel the General Meeting and/or change its recommendation. Following approval of the Resolution at the General Meeting, the Company no longer has a right to terminate the SPA in these circumstances.
- 1.5.4 The parties have also agreed that for a period of one year from Completion and subject to customary exceptions, neither the Company nor any Balfour Beatty Selling Company will solicit any employees of the Purchaser or of the Parsons Brinckerhoff Target Companies.

1.6 *Termination and Termination Fee*

- 1.6.1 The SPA may be terminated as follows:
- (a) by mutual written agreement of the Purchaser and the Company;
 - (b) by either the Purchaser or the Company, if any governmental entity has permanently restrained, enjoined or otherwise prohibited the consummation of the Transaction;
 - (c) by either the Purchaser or the Company, if the Transaction has not been consummated on or before 28 February 2015;

- (d) by either the Purchaser or the Company, if the approval of the Resolution by the Shareholders is not obtained;
- (e) by the Purchaser or the Company, if a breach of any representation, warranty, covenant or other agreement set forth in the SPA has been committed by the other party and such breach would cause the Completion conditions not to be satisfied, and such breach, inaccuracy or failure to perform has not been cured by the earlier of 28 February 2015 or 30 days following written notice to such other party; or
- (f) by the Purchaser or, subject to certain limitations, the Company, if (i) the Board does not recommend to Shareholders to vote in favour of the Resolution or the Board formally changes its recommendation to Shareholders, (ii) the Board fails to convene a general meeting of Shareholders on or before the 23rd day following dispatch of this Circular to Shareholders to approve the Disposal Resolution (subject to the right to delay the meeting in certain circumstances), (iii) the Board fails to publicly reaffirm its recommendation within five business days after the date an alternative proposal for the Parsons Brinckerhoff Target Group is first publicly disclosed upon a request to do so by the Purchaser, or (iv) for a termination by the Purchaser only, the Company or the Balfour Beatty Selling Companies shall have materially breached any of the obligations not to solicit alternative offers for the Parsons Brinckerhoff Target Group.

1.6.2 If the SPA is terminated under certain circumstances described below, the Company will be obligated to pay the Purchaser a termination fee of 1 per cent. of Balfour Beatty's market capitalisation (calculated in accordance with the Listing Rules on the date of the SPA):

- (a) approval of the Resolution by the Shareholders at the General Meeting is not obtained;
- (b) the SPA is terminated by the Purchaser or the Company for any of the reasons set forth in paragraph 1.6.1(f) above; and
- (c) the SPA is terminated by the Purchaser for any of the reasons set forth in paragraph 1.6.1(e) above following a breach by the Company or the Balfour Beatty Selling Companies.

1.7 *Governing Law and Dispute Resolution*

The SPA is governed by, and construed in accordance with, the laws of the State of New York. The United States District Court for the Southern District of New York will have exclusive jurisdiction to settle any dispute or claim to which there is subject matter jurisdiction in that court and, for all other disputes or claims which may arise out of or in connection with the SPA, the parties consent to the exclusive jurisdiction of the Supreme Court of the State of New York.

2 **Transition Agreements**

2.1 On or prior to Completion, the Company and the Purchaser will enter into two transition and separation services agreements as detailed below (the "**Transition Agreements**"):

2.1.1 a transition and separation services agreement recording transition services the Company will provide to the Purchaser to ensure an orderly transition of the Parsons Brinckerhoff Target Group into the Purchaser's ownership; and

2.1.2 a reverse transition and separation services agreement recording transition services the Purchaser will provide to the Company to ensure an orderly transition and separation of the Parsons Brinckerhoff Target Group from the Company.

2.2 A range of services will be provided pursuant to the Transition Agreements (the "**Services**") for 12 months from Completion (or in relation to specific Services, such different period as is specified in the terms of the relevant Transition Agreement), including information technology, finance, human resources and other support services. The Service recipient may make a request to extend the term of any Service for an additional period up to six months. The Service provider will consider any such request in good faith and grant the request to extend in the event that a denial of such request would cause a material adverse effect on the other party's business.

2.3 The scope, duration and pricing of these Services are in a substantially agreed form and will be finalised between the parties prior to Completion in preparation for signing.

PART IV
FINANCIAL INFORMATION ON BALFOUR BEATTY PLC

1 Profit Forecast

The Company released a trading update on 6 May 2014 which stated that pre-tax profits for the Group for the financial year ending 31 December 2014 (the “**2014 Financial Year**”) would be significantly lower than expectations and in the range of £145 million to £160 million (the “**Profit Forecast**”). On 3 July 2014, the Company repeated the Profit Forecast in a trading update for the second quarter of the 2014 Financial Year.

2 Validity of the Profit Forecast

The Profit Forecast is based on continuing operations only and excludes discontinued operations. It therefore includes earnings from Parsons Brinckerhoff as, at the time the Profit Forecast was published, Parsons Brinckerhoff was treated as a continuing operation of the Group for the 2014 Financial Year. If the Shareholders vote in favour of the Resolution, Parsons Brinckerhoff will not be included as a continuing operation of the Group for the 2014 Financial Year. On this basis, the Board believes that the Profit Forecast is no longer valid as it includes earnings from Parsons Brinckerhoff, which is expected to be a discontinued operation, but does not include any earnings from discontinued operations from the Group’s mainland European rail business. In addition, if the Transaction is approved by Shareholders, the expected Completion Date will be in the fourth quarter of the 2014 Financial Year and so Parsons Brinckerhoff’s financial results could not be included for the full 12-month period of the 2014 Financial Year as was previously the case when the Profit Forecast was prepared.

3 Re-assessment of the Profit Forecast

The Board does not believe a re-assessment of the Profit Forecast is required for Shareholders to have all the information necessary to make a properly informed decision on the Transaction for the following reasons:

- 3.1 Part I (*Letter from the Chairman of Balfour Beatty plc*) of this Circular includes details on the constituent businesses of the Group and the Retained Group’s strategy following Completion;
- 3.2 Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular includes financial information on Parsons Brinckerhoff, including the profit/loss for the business over the last three financial years; and
- 3.3 a re-assessment of the Profit Forecast to exclude Parsons Brinckerhoff would be an inappropriate basis for Shareholders to assess the profitability of the Group on the basis that:
 - 3.3.1 the profitability of the UK construction services business in 2014 has been negatively impacted by profit reductions of £30 million announced on 6 May 2014, £35 million announced on 3 July 2014 and approximately £75 million announced on 29 September 2014. As work is ongoing to restructure this part of the Group’s business, the Board believes the results for the 2014 Financial Year do not provide a sound basis for assessing the longer term profitability of the Retained Group;
 - 3.3.2 the Group’s cost base includes certain overhead costs related to Parsons Brinckerhoff that are not being transferred as part of the Transaction. These costs are expected to be restructured following Completion; and
 - 3.3.3 as previously announced, the Group is putting together plans to realise further indirect overhead savings and shared service efficiencies, the benefits of which will not be realised within the 2014 Financial Year.

PART V
FINANCIAL INFORMATION ON PARSONS BRINCKERHOFF

The following historical financial information relating to the Group's interest in Parsons Brinckerhoff has been extracted without material adjustment from the consolidated schedules that underlie the Group's audited consolidated financial statements for the financial years ended 31 December 2013, 31 December 2012 and 31 December 2011 and from the unaudited consolidated interim financial statements for the financial period ended 27 June 2014.

The financial information in this Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies used are consistent with the accounting policies adopted in the Group's consolidated financial statements for each of the financial years presented. The financial information presented for the year ended 31 December 2012 has been restated to show the effect of the change in accounting policy due to the adoption by the Group of IAS19 Employee Benefits (revised) for the year beginning on 1 January 2013.

The financial information reflects, therefore, Parsons Brinckerhoff's contribution to the Group during the periods presented, applying the relevant Group accounting policies. Parsons Brinckerhoff prepares its financial statements separately and its accounting policies differ from those of the Group. Accordingly, the financial information presented below may differ from the equivalent financial statements produced by Parsons Brinckerhoff.

The financial information contained in this Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 or, as the case may be, section 434(3) of the Companies Act 2006. The audited consolidated statutory statements of the Group in respect of the years ended 31 December 2013, 31 December 2012 and 31 December 2011 have been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years ended 31 December 2013 were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985 or, as the case may be, section 498(2) or (3) of the Companies Act 2006.

Deloitte LLP were the auditors of the Group in respect of the three years to 31 December 2013 and reviewed the Group's interim financial information for the period ended 27 June 2014.

Shareholders should read the whole document and not rely solely on the summarised financial information contained in this Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular.

Financial Information

1. Parsons Brinckerhoff Income Statements for the period ended 27 June 2014 and the years ended 31 December 2013, 31 December 2012 and 31 December 2011

	Period ended	Years ended			
	27 June 2014	31 December 2013	31 December 2012	31 December 2011	
	£m	£m	£m	As restated £m	£m
Total revenue	757	1,569	1,566	1,566	1,547
Share of revenue from joint ventures and associates	(7)	(16)	(21)	(21)	(10)
Group revenue	750	1,553	1,545	1,545	1,537
Cost of sales	(549)	(1,147)	(1,103)	(1,103)	(1,102)
Gross profit	201	406	442	442	435
Other net operating expenses	(176)	(351)	(348)	(348)	(356)
Group operating profit	25	55	94	94	79
Share of results of joint ventures and associates	—	1	1	1	1
Underlying profit from operations	25	56	95	95	80
Amortisation of acquired intangible assets	(1)	(2)	(2)	(2)	(2)
Other non-underlying items	1	(27)	(11)	(11)	1
Profit from operations	25	27	82	82	79
Investment income	—	3	2	1	2
Finance costs	(1)	(3)	(4)	(4)	—
Profit before taxation	24	27	80	79	81
Taxation	(7)	(13)	(30)	(30)	(24)
Profit for the period	17	14	50	49	57

2. Parsons Brinckerhoff Net Asset Statement as at 27 June 2014 and 31 December 2013

	As at 27 June 2014	As at 31 December 2013
	<u>£m</u>	<u>£m</u>
Non-current assets		
Intangible assets - goodwill	51	52
- other	2	3
Property, plant and equipment	48	45
Investments in joint ventures and associates	1	1
Investments	39	38
Deferred tax assets	30	22
	<u>171</u>	<u>161</u>
Current assets		
Inventories and non-construction work in progress	1	1
Due from construction contract clients	179	170
Trade and other receivables	347	339
Cash and cash equivalents	74	110
Derivative financial instruments	1	1
Current tax assets	8	7
	<u>610</u>	<u>628</u>
Total assets	<u>781</u>	<u>789</u>
Current liabilities		
Due to construction contract clients	(105)	(106)
Trade and other payables	(243)	(264)
Provisions	(2)	(4)
Borrowings	(85)	(83)
Current tax liabilities	(32)	(31)
	<u>(467)</u>	<u>(488)</u>
Non-current liabilities		
Trade and other payables	(28)	(24)
Provisions	(10)	(10)
Retirement benefit liabilities	(47)	(44)
Deferred tax liabilities	(2)	(2)
	<u>(87)</u>	<u>(80)</u>
Total liabilities	<u>(554)</u>	<u>(568)</u>
Net assets	<u>227</u>	<u>221</u>

PART VI
UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: Unaudited pro forma financial information relating to the Group

The unaudited pro forma statement of net assets of the Group (the “**pro forma financial information**”) has been prepared to illustrate the effect of the proposed disposal of Parsons Brinckerhoff on the consolidated net assets of the Group as at 27 June 2014 as if the proposed disposal had taken place on that date.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature addresses a hypothetical situation and therefore does not represent the Group’s actual financial position or results.

The pro forma financial information has been prepared on the basis set out in the notes below and is based on the unaudited balance sheet of the Group as at 27 June 2014 and the financial information on Parsons Brinckerhoff included in Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular. The pro forma financial information has been prepared in accordance with the requirements of items 1 to 6 of Annex II of the Prospectus Rules as applied by Listing Rule 13.3.3R and has been prepared in a manner consistent with the accounting policies of the Group for the financial period ended 27 June 2014.

Shareholders should read the whole document and not rely solely on the pro forma financial information contained in this Part VI (*Unaudited pro forma financial information*) of this Circular.

Deloitte LLP’s report on the unaudited pro forma financial information is set out in section B of this Part VI (*Unaudited pro forma financial information*) of this Circular.

	Adjustments							Pro forma £m
	As at 27 June 2014 ⁽¹⁾ £m	Disposal of Parsons Brinckerhoff ⁽²⁾ £m	Net proceeds ⁽³⁾ £m	Other ⁽⁵⁾ £m	Inter-group elimination ⁽⁶⁾	Pension Contribution ⁽⁷⁾ £m	Share Buyback Programme ⁽⁸⁾	
Non-current assets								
Intangible assets								—
- goodwill	1,005	(51)	—	(164)	—	—	—	790
- other	208	(2)	—	(9)	—	—	—	197
Property, plant and equipment	213	(48)	—	—	—	—	—	165
Investments in joint ventures and associates	679	(1)	—	—	—	—	—	678
Investments	93	(39)	—	—	—	—	—	54
PPP financial assets	287	—	—	—	—	—	—	287
Trade and other receivables	123	—	—	—	—	—	—	123
Deferred tax assets	123	(30)	—	—	—	—	—	93
	<u>2,731</u>	<u>(171)</u>	<u>—</u>	<u>(173)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,387</u>
Current assets								
Inventories and non-construction work in progress	161	(1)	—	—	—	—	—	160
Due from construction contract clients	721	(179)	—	—	—	—	—	542
Trade and other receivables ⁽⁴⁾	1,335	(347)	—	21	32	—	—	1,041
Cash and cash equivalents ⁽⁹⁾	457	(74)	748	—	—	(85)	(200)	846
Current tax assets	17	(8)	—	—	—	—	—	9
Derivative financial instruments	1	(1)	—	—	—	—	—	—
	<u>2,692</u>	<u>(610)</u>	<u>748</u>	<u>21</u>	<u>32</u>	<u>(85)</u>	<u>(200)</u>	<u>2,598</u>
Assets held for sale	<u>205</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>205</u>
	<u>2,897</u>	<u>(610)</u>	<u>748</u>	<u>21</u>	<u>32</u>	<u>(85)</u>	<u>(200)</u>	<u>2,803</u>
Total assets	<u>5,628</u>	<u>(781)</u>	<u>748</u>	<u>(152)</u>	<u>32</u>	<u>(85)</u>	<u>(200)</u>	<u>5,190</u>

	Adjustments							Pro forma £m
	As at 27 June 2014 ⁽¹⁾ £m	Disposal of Parsons Brinckerhoff ⁽²⁾ £m	Net proceeds ⁽³⁾ £m	Other ⁽⁵⁾ £m	Inter-group elimination ⁽⁶⁾	Pension Contribution ⁽⁷⁾ £m	Share Buyback Programme ⁽⁸⁾	
Current liabilities								
Due to construction								
contract clients . . .	(342)	105	—	—	—	—	—	(237)
Trade and other								
payables	(2,128)	243	—	(11)	—	—	—	(1,896)
Provisions	(93)	2	—	—	—	—	—	(91)
Borrowings ⁽⁴⁾⁽⁸⁾	(371)	85	—	—	(85)	—	—	(371)
Current tax liabilities	(39)	32	—	(18)	—	—	—	(25)
Derivative financial								
instruments	(11)	—	—	—	—	—	—	(11)
	<u>(2,984)</u>	<u>467</u>	<u>—</u>	<u>(29)</u>	<u>(85)</u>	<u>—</u>	<u>—</u>	<u>(2,631)</u>
Liabilities held for								
sale	(179)	—	—	—	—	—	—	(179)
	<u>(3,163)</u>	<u>467</u>	<u>—</u>	<u>(29)</u>	<u>(85)</u>	<u>—</u>	<u>—</u>	<u>(2,810)</u>
Non-current liabilities								
Trade and other								
payables	(177)	28	—	—	—	—	—	(149)
Provisions	(89)	10	—	—	—	—	—	(79)
Borrowings ⁽⁹⁾	(697)	—	—	—	—	—	—	(697)
Liability component								
of preference								
shares	(95)	—	—	—	—	—	—	(95)
Retirement benefit								
liabilities	(397)	47	—	—	—	85	—	(265)
Deferred tax								
liabilities	(4)	2	—	—	—	—	—	(2)
Derivative financial								
instruments	(41)	—	—	—	—	—	—	(41)
	<u>(1,500)</u>	<u>87</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>85</u>	<u>—</u>	<u>(1,328)</u>
Total liabilities	<u>(4,663)</u>	<u>554</u>	<u>—</u>	<u>(29)</u>	<u>(85)</u>	<u>85</u>	<u>—</u>	<u>(4,138)</u>
Net assets	<u>965</u>	<u>(227)</u>	<u>748</u>	<u>(181)</u>	<u>(53)</u>	<u>—</u>	<u>(200)</u>	<u>1,052</u>

Notes

- (1) The net assets of the Group have been extracted from the unaudited balance sheet as at 27 June 2014 as published in the Group's interim results announcement dated 11 August 2014.
- (2) The Parsons Brinckerhoff net assets have been extracted without adjustment from Part V (*Financial Information on Parsons Brinckerhoff*) of this Circular.
- (3) The gross disposal proceeds of \$1,352.5 million (£796 million) have been translated at 27 June 2014 exchange rate of US\$1.70:£1.

Net proceeds of £748 million have been calculated as follows:

	£m
Gross disposal proceeds	796
Less: Transaction costs	(50)
Working capital adjustments (as defined per the SPA)	(7)
Add: Cash within Parsons Brinckerhoff in excess of \$110m cash cap ^(a)	9
Net disposal proceeds	<u>748</u>

In addition to the transaction costs above, management have also estimated a further £30m of separation costs to be incurred over time. These have not been included in the pro forma financial information above.

- (a) A further £9 million increase to net disposal proceeds has been assumed, on the basis that additional actions would have been taken to ensure the cash retained within Parsons Brinckerhoff did not exceed the cash cap of \$110 million (£65 million).
- (4) The Parsons Brinckerhoff trade and other receivables in current assets of £347 million include £32 million of debt receivable from the Group, which is non-operating and therefore does not form part of the working capital adjustments.

The Parsons Brinckerhoff borrowings in current liabilities of £85 million represent inter-group debt owed to the Group, which is non-operating and does not form part of the working capital adjustments.

- (5) Other adjustments constitute:
- (i) The de-recognition of goodwill and intangible assets which arose on the original acquisition of Parsons Brinckerhoff of £164 million and £9 million respectively;
 - (ii) The Group balance sheet as at 27 June 2014 is presented after the elimination of intercompany receivables and payables. Balances between Parsons Brinckerhoff and the Group have been re-instated in the Parsons Brinckerhoff financial information in Part V to show the stand-alone position of Parsons Brinckerhoff. Adjustments for inter-group amounts have been made as follows:
 - £21 million relating to inter-group trade and other receivables and £11 million relating to inter-group trade and other payables which are settled as part of the working capital adjustment; and
 - £18 million relating to current tax liabilities within Parsons Brinckerhoff that will remain in the Group post-Completion.
- (6) Elimination of Inter-group debt between Parsons Brinckerhoff and the Group.
- (7) Because of the proposed return of capital, a one-off contribution to the pension fund totalling £85 million will be made in equal monthly instalments in the 12 month period commencing in January 2015. The one-off contribution is presented as being paid in the pro forma financial information at the 27 June 2014.
- (8) Subject to Completion and the Board's assessment of the trading environment at the time, a return of up to £200 million is proposed by way of the Share Buyback Programme. This would commence following the announcement of the Group's 2014 preliminary results and be made over time. This has been presented in the pro forma financial information as being paid at 27 June 2014.
- (9) The unaudited pro forma position of the Group following the Completion of the Transaction, the Pension Contribution, the proposed return of capital, and excluding non-recourse borrowings held in wholly-owned PPP project companies would be net cash of £25 million. The unaudited pro forma net debt position of the Group as at the 27 June 2014 including non-recourse borrowings is £222 million and reflects the position of the Group as if the proposed disposal had taken place at this date.

Section B: Report of Deloitte LLP on the unaudited pro forma Financial Information

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Balfour Beatty plc
130 Wilton Road
London
SW1V 1LQ

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB

10 October 2014

Dear Sirs,

Balfour Beatty plc (the “Company”)

We report on the pro forma financial information (the “**Pro forma financial information**”) set out in Part VI of the Class 1 circular dated 10 October 2014 (the “**Investment Circular**”), which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 27 June 2014. This report is required by the Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

PART VII
ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names are set out in paragraph 3 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Balfour Beatty plc

The Company was incorporated and registered in England on 31 May 1945 under the name British Insulated Callendar's Cables Limited with registered number 395826 as a private company with limited liability under the Companies Act 1929. The name of the Company was changed to BICC Limited on 30 June 1975, to BICC Public Limited Company on 1 March 1982 (the date of the Company's re-registration as a public company) and to Balfour Beatty plc on 10 May 2000. The registered office of the Company is at 130 Wilton Road, London, SW1V 1LQ, telephone number +44 20 7216 6800. The principal laws and legislation under which the Company operates are the Companies Act 2006 and the regulations made thereunder.

3 Directors

The Directors and their principal functions are as follows:

<u>Name</u>	<u>Principal function</u>
Steve Marshall	<i>Executive Chairman⁽¹⁾</i>
Duncan Magrath	<i>Chief Financial Officer</i>
Peter Zinkin	<i>Planning and Development Director</i>
Iain Ferguson CBE	<i>Non-Executive and Senior Independent Director</i>
Robert Amen	<i>Non-Executive Director</i>
Graham Roberts	<i>Non-Executive Director</i>
Maureen Kempston Darkes	<i>Non-Executive Director</i>
Belinda Richards	<i>Non-Executive Director</i>
Bill Thomas	<i>Non-Executive Director</i>

(1) Andrew McNaughton stepped down as Group CEO on 6 May 2014 and Steve Marshall was appointed as interim Executive Chairman. The Company announced on 29 September 2014 that Steve Marshall had indicated to the Board that, following the handover of his interim executive responsibilities to a new Group CEO and the identification of a new non-executive Chairman, he intends to step down from the Board.

4 Directors' shareholdings and share options

4.1 Shares

As at 8 October 2014 (being the latest practicable date prior to the publication of this Circular) the interests of the Directors in the share capital of the Company were as follows:

<u>Name of Director</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued share capital</u>
Steve Marshall	17,142	0.00
Duncan Magrath ⁽¹⁾	144,072	0.021
Peter Zinkin ⁽¹⁾⁽²⁾	315,407	0.046
Iain Ferguson CBE	55,000	0.008
Robert Amen	10,139	0.001
Graham Roberts	15,000	0.002
Maureen Kempston Darkes	7,000	0.001
Belinda Richards	—	N/A
Bill Thomas	9,128	0.001

(1) Includes 2,110 Ordinary Shares held under the Balfour Beatty Share Incentive Plan 2011.

(2) Peter Zinkin was also interested in 325 Preference Shares.

4.2 Share awards

Directors' share awards: the Balfour Beatty Performance Share Plan

As at 8 October 2014 (being the latest practicable date prior to the date of this Circular), the Directors were interested in conditional awards of Shares made pursuant to the Balfour Beatty Performance Share Plan 2011, all of which were granted for nil consideration, as follows:

<u>Name of Director</u>	<u>Date awarded</u>	<u>Number of Ordinary Shares</u>	<u>Exercise price</u>	<u>Vesting date</u>
Duncan Magrath	16 April 2012	219,076	N/A	16 April 2015
	16 April 2013	80,155	N/A	31 December 2014
	16 April 2013	255,818	N/A	16 April 2016
	31 March 2014	211,162	N/A	31 March 2017
Peter Zinkin	16 April 2012	232,600	N/A	16 April 2015
	16 April 2013	266,653	N/A	16 April 2016
	31 March 2014	220,105	N/A	31 March 2017

Directors' share awards: the Balfour Beatty Deferred Bonus Plan

As at 8 October 2014 (being the latest practicable date prior to the date of this Circular), the Directors were interested in conditional awards of Shares made pursuant to the Balfour Beatty Deferred Bonus Plan 2005, all of which were granted for nil consideration, as follows:

<u>Name of Director</u>	<u>Date awarded</u>	<u>Number of Ordinary Shares</u>	<u>Exercise price</u>	<u>Vesting date</u>
Duncan Magrath	30 March 2012	63,668	N/A	30 March 2015
	31 March 2013	47,430	N/A	31 March 2016
	31 March 2014	36,512	N/A	31 March 2017
Peter Zinkin	30 March 2012	67,598	N/A	30 March 2015
	31 March 2013	49,440	N/A	31 March 2016
	31 March 2014	38,058	N/A	31 March 2017

Directors' share options: Balfour Beatty Savings-Related Share Option Scheme

As at 8 October 2014 (being the latest practicable date prior to the date of this Circular), the Directors were interested in unissued Shares under share options held by them pursuant to the Balfour Beatty Savings-Related Share Option Scheme 2001, all of which were granted for nil consideration, as follows:

<u>Name of Director</u>	<u>Date granted</u>	<u>Number of Options</u>	<u>Exercise price</u>	<u>Exercisable from</u>	<u>Exercisable to</u>
Duncan Magrath	18 May 2009	628	249.0	1 July 2014	31 December 2014
	11 May 2010	1,291	236.0	1 July 2015	31 December 2015

5 Directors' service contracts

Save for the service contracts described below, there are no existing or proposed service contracts between any Director (or proposed director of the Company) and the Company and its subsidiary undertakings.

5.1 Executive Directors

It remains the Company's policy and practice to include in Executive Directors' contracts a 12 months' rolling notice period from the Company and six months' notice on the part of the Director. This policy will continue. Steve Marshall's service contract includes a three months' rolling notice period from the Company because the terms of his service contract are the same as the contract he signed before being appointed to the role of Executive Chairman and reflect the standard terms of a Non-Executive Director.

Details of appointment of the Executive Directors are shown in the table below.

<u>Name of Director</u>	<u>Date of Appointment</u>	<u>Notice period from Company (months)</u>
Steve Marshall	1 November 2005	3
Duncan Magrath	31 March 2008	12
Peter Zinkin	10 December 1991	12

(1) Steve Marshall was originally appointed as a Non-Executive Director before becoming Chairman on 16 May 2008 and Executive Chairman on 3 May 2014.

Service contracts of Executive Directors do not include provision for specific payment in the event of early termination, nor do they provide for extended notice periods or compensation in the event of a change of control. It is not the Remuneration Committee's intention to introduce such provisions.

If any existing contract of employment is breached by the Company in the event of termination, the Company would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period.

The Remuneration Committee would seek to ensure that the Director fulfils his obligation to mitigate his or her losses and would also give consideration to phased payments where appropriate.

5.2 Non-Executive Directors

Non-Executive Directors are appointed by the full Board following recommendations from the Nomination Committee.

The Chairman's remuneration falls within the remit of the Remuneration Committee operating within the broad policy recommended by the Remuneration Committee and approved by the Board. The Board determines the terms on which the services of other Non-Executive Directors are provided.

All Non-Executive Directors are elected for a term of three years and must retire and, if eligible, seek re-election at the Annual General Meeting in the third calendar year following the year in which they were elected (or last re-elected), although in accordance with the recommendations of the UK Code on Corporate Governance, each of the Directors actually seeks re-election on an annual basis at the Annual General Meeting. They are not eligible to join any pension scheme operated by the Company and cannot participate in any of the Company's share option, annual incentive or long-term incentive schemes.

None of the appointment letters for Non-Executive Directors contains provision for specific payment in the event of termination for whatever cause.

Each of the Non-Executive Directors was last elected or re-elected at the Company's most recent annual general meeting on 15 May 2014.

6 Major Shareholders

As at 8 October 2014 (being the latest practicable date prior to the publication of this Circular), the Company had been notified of the following holdings in the Shares pursuant to DTR 5 (each a "Notifiable Interest"):

<u>Ordinary Shareholder</u>	<u>Number of Ordinary Shares</u>	<u>Number of voting rights</u>	<u>Percentage of voting rights attached to the issued share capital</u>
Newton Investment Management Limited	35,529,044	35,529,044	5.15
Prudential plc	35,103,707	35,103,707	5.09
Invesco Limited	34,608,441	34,608,441	5.02
Causeway Capital Management LLC	33,571,956	33,571,956	4.87
Standard Life Investments Limited	25,104,162	25,104,162	3.64

Save as set out above, the Company is not aware of any other Notifiable Interests.

7 Related party transactions

Save as disclosed in the notes to the audited consolidated financial statements of the Company for the financial years ended 31 December 2011, 2012 and 2013 and the consolidated financial statements of the Company for the half-year ended 27 June 2014, which are hereby incorporated by reference into this Circular, the Company has not entered into any related party transaction during the period covered by the historical financial information incorporated by reference up to the date of this Circular.

8 Material contracts

8.1 The Retained Group

8.1.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Retained Group (i) within the two years immediately preceding the date of this Circular which are or may be material or (ii) which contain any provision under which any member of the Retained Group has any obligation or entitlement which is material to the Retained Group as at the date of this Circular:

(a) Transaction Agreements

Details of the Stock Purchase Agreement and the Transition Agreements are set out in Part III (*Summary of the Transaction Agreements*) of this Circular.

(b) WorkPlace Disposal

Pursuant to a sale and purchase agreement dated 9 August 2013 between Balfour Beatty Group Limited (“**BBG**”), the Company and GDF Suez Energy Services International (“**GDF Suez**”), GDF Suez acquired the whole of the issued share capital of Balfour Beatty WorkPlace Limited, Covion Holdings Limited and Colledge Trundle & Hall Limited (constituting Balfour Beatty’s UK facilities management business) (together, “**WorkPlace**”) from BBG.

The consideration for the transaction was approximately £190 million in cash but was reduced by any net debt transferring with the business and may be subject to adjustments based on completion accounts and in relation to pension liabilities.

Completion of the disposal of WorkPlace occurred on 13 December 2013.

(c) Revolving Credit Facility and Bilateral Facility

On 22 November 2011 the Company put in place a five-year £850,000,000 syndicated revolving credit facility (the “**RCF**”). The RCF was made between Balfour Beatty as the company and certain subsidiaries as borrowers and guarantors, The Royal Bank of Scotland plc, HSBC Bank plc, Bank of America Merrill Lynch, Credit Agricole SA and Royal Bank of Canada as mandated lead arrangers, the lenders named in it and Bank of America Merrill Lynch as facility agent. The RCF refinanced a number of bilateral agreements which were due to expire in the following 12 to 15 month period. The RCF is used for general corporate purposes.

In addition, on 20 December 2012, the Company extended a £100 million bilateral facility with Lloyds TSB Bank plc (“**Lloyds**”) through to 2016 (the “**Bilateral Facility**”). The purpose of the Bilateral Facility is to provide liquidity to support the Company in its current and future activities.

In connection with discussions with the Company’s lenders under the RCF and the Bilateral Facility in relation to the Transaction and the approval of the Transaction by the requisite majority of the lenders and Lloyds, the Company has confirmed its intention to cancel £170 million of the total commitments under the RCF and £20 million of the total commitments under the Bilateral Facility from the Closing Date. Furthermore, the requisite majority of the lenders and Lloyds have also agreed that other specific non-material disposals that the Company may consider prior to 31 December 2015 be excluded from the disposals restriction in the RCF and the Bilateral Facility.

(d) Convertible Bonds

On 3 December 2013, Balfour Beatty Finance No 2 Limited issued £253,000,000 of unsecured convertible bonds, due in 2018 at a coupon rate of 1.875 per cent. per annum (the “**Convertible Bonds**”). The Convertible Bonds are guaranteed by the Company and were admitted to the Official List of the Channel Islands Securities Exchange Authority Ltd on 20 February 2014. The Convertible Bonds are compound instruments comprising equity and liability components. The net proceeds of the issuance was £246,000,000 and the fair value of the liability component was £220,000,000 (estimated using the prevailing market rate at the date of issue for a similar non-convertible instrument). The equity component was £26,000,000 (the difference between the net proceeds of the issuance and the fair value of the liability component), which represents the embedded option to convert the bond.

(e) US Private Placement

In March 2013 the Group raised US\$350,000,000 of borrowings through a US private placement of a series of notes with an average coupon of 4.94 per cent. per annum and an average maturity of 9.3 years (the “**US Private Placement**”). The US Private Placement has been designated as a net investment hedge against changes in the value of the Group’s US net assets due to exchange movements. The incremental cost of this funding on an annual basis is approximately £9 million.

8.1.2 Save as disclosed in paragraph 8.1.1 above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of the Retained Group (i) within the two years immediately preceding the date of this Circular which are or may be material or (ii) which contain any provision under which any member of the Retained Group has any obligation or entitlement which is material to the Retained Group as at the date of this Circular.

8.2 Parsons Brinckerhoff

There are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by members of Parsons Brinckerhoff (i) within the two years immediately preceding the date of this Circular which are or may be material or (ii) which contain any provision under which any member of Parsons Brinckerhoff has any obligation or entitlement which is material to Parsons Brinckerhoff as at the date of this Circular.

9 Litigation

9.1 The Retained Group

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against any member of the Retained Group of which the Company is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on the Retained Group’s financial position or profitability.

9.2 Parsons Brinckerhoff

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against any member of Parsons Brinckerhoff of which the Company is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on Parsons Brinckerhoff’s financial position or profitability.

10 Working capital

The Company is of the opinion that, taking into account the net proceeds of the Transaction and the facilities available to the Retained Group, the Retained Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.

11 Significant changes

11.1 The Retained Group

Except as described in paragraph 8 of Part I (*Letter from the Chairman of Balfour Beatty plc*), there has been no significant change in the financial or trading position of the Retained Group since 27 June 2014, the date to which the last published interim financial statements were prepared.

11.2 Parsons Brinckerhoff

There has been no significant change in the financial or trading position of Parsons Brinckerhoff since 27 June 2014, the date to which the last interim statements were prepared.

12 Consents

- (a) Goldman Sachs International has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included;
- (b) BofA Merrill Lynch has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included; and
- (c) Deloitte LLP has given and has not withdrawn its written consent to the inclusion in Part VI (*Unaudited pro forma financial information*) of this document of its report in the form and context in which it is included.

13 Incorporation by reference

The following documents (or parts of documents) are incorporated by reference in, and form part of, this Circular:

- (a) Balfour Beatty annual reports and accounts 2013;
- (b) Balfour Beatty annual reports and accounts 2012;
- (c) Balfour Beatty annual reports and accounts 2011; and
- (d) Balfour Beatty interim financial results 2014.

Part VIII (*Checklist of information incorporated by reference*) of this Circular sets out the location of references to the above documents within this Circular.

14 Documents available for inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 130 Wilton Road, London, SW1V 1LQ and at the offices of the Company's lawyers, Linklaters LLP, at One Silk Street, London EC2Y 8HQ up to and including the date of the General Meeting:

- (a) the consent letters referred to in paragraph 12 above;
- (b) the report on the unaudited pro-forma financial information for the Retained Group prepared by Deloitte LLP set out in Part VI (*Unaudited pro forma financial information*) of this Circular;
- (c) the Transaction Agreements;
- (d) the consolidated audited accounts of the Group for each of the two financial years ended 31 December 2013 and 31 December 2012; and
- (e) this Circular.

PART VIII
CHECKLIST OF INFORMATION INCORPORATED BY REFERENCE

The 2014 Interim Results, the 2013 Annual Report and the 2012 Annual Report are available for inspection in accordance with paragraph 14 of Part VII (*Additional Information*) of this Circular and contain information which is relevant to this Circular. These documents are also available on Balfour Beatty's website at www.balfourbeatty.com.

The table below sets out the various sections of such documents which are incorporated by reference into this Circular so as to provide the information required under the Listing Rules.

No part of the 2014 Interim Results, the 2013 Annual Report, the 2012 Annual Report or the 2011 Annual Report is incorporated by reference herein except as expressly stated below.

<u>Reference Document</u>	<u>Information Incorporated by Reference</u>	<u>Document Page Reference</u>	<u>Page Reference in this Document</u>
Balfour Beatty 2011 Annual Report and Accounts	Notes to the audited financial statements of Balfour Beatty as at, and for the financial year ended, 31 December 2011	100	36
Balfour Beatty 2012 Annual Report and Accounts	Notes to the audited financial statements of Balfour Beatty as at, and for the financial year ended, 31 December 2012	104	36
Balfour Beatty 2013 Annual Report and Accounts	Notes to the audited financial statements of Balfour Beatty as at, and for the financial year ended, 31 December 2013	98	36
Balfour Beatty's Interim Financial Results for the six months ended 27 June 2014	Notes to the half-year financial statements of Balfour Beatty as at, and for the half-year ended, 27 June 2014	22	36

**PART IX
DEFINITIONS**

The following definitions apply throughout this document, unless stated otherwise:

Balfour Beatty ADSs	American Depositary Shares representing Shares
Balfour Beatty Depositary	Citibank N.A., as depositary for the Balfour Beatty ADS programme
Balfour Beatty Selling Companies	Balfour Beatty Overseas Investments Limited, Balfour Beatty Netherlands BV, Balfour Beatty Group Employment Limited, BICC Holdings GmbH and Bnoms Limited
Bilateral Facility	has the meaning given in paragraph 8.1.1(c) of Part VII (<i>Additional Information</i>)
Board	the board of the Company comprising the Directors
Certificated or in Certificated Form	not in Uncertificated Form
Company or Balfour Beatty	Balfour Beatty plc
Completion	completion of the Transaction in accordance with the Stock Purchase Agreement
Completion Date	the date of Completion
Convertible Bonds	has the meaning given in paragraph 8.1.1(d) of Part VII (<i>Additional Information</i>)
CREST	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Deposit Agreement	means the deposit agreement entered into between the Company, Citibank, N.A. and the holders and beneficial owners of the American depositary shares issued thereunder
Directors	the directors of the Company, whose names are set out on page 31 of this Circular
DTRs	the Disclosure and Transparency Rules made by the FCA pursuant to Part 6 of FSMA
EBITDA	earnings before interest, taxes, depreciation and amortisation
Employee Share Plans	the Balfour Beatty Sharesave Plan 2011, the Balfour Beatty Performance Share Plan 2011, the Balfour Beatty plc Deferred Bonus Plan 2005, the Balfour Beatty Share Incentive Plan 2011 and the Balfour Beatty Savings-Related Share Options Scheme 2011
FCA	the Financial Conduct Authority of the United Kingdom (or any successor body in respect thereof)
Form of Proxy	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
FSMA	Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company to be held at Goldman Sachs International, River Court, 120 Fleet Street London EC4A 2BE on 28 October 2014 at 9.30 a.m. (or any adjournment thereof), notice of which is set out at the end of this Circular
Group or Balfour Beatty Group	the Company and its subsidiary undertakings

IFRS	International Financial Reporting Standards
Listing Rules	the Listing Rules of the FCA
London Stock Exchange	the London Stock Exchange plc
Nomination Committee	the nomination committee of the Board
Official List	the official list maintained by the FCA
Parsons Brinckerhoff or Parsons Brinckerhoff Target Group	Parson Brinckerhoff Target Companies and any subsidiaries of those companies which together carry out the business of providing planning, design, project and programme management, construction management, and operations and maintenance services in the infrastructure sector
Parsons Brinckerhoff Target Companies	Parsons Brinckerhoff Holdings Inc., Parsons Brinckerhoff (Asia) Ltd., Parsons Brinckerhoff International Pte. Ltd., Parsons Brinckerhoff Ltd, Ingenieurgesellschaft fur Verkehrsplanung und Verkehrssicherung GmbH, Balfour Beatty & Parsons Brinckerhoff Australia LP, Parsons Brinckerhoff Halsall Inc. f/k/a Halsall Associates Limited, Parsons Brinckerhoff Middle East Ltd., Parsons Brinckerhoff Holdings Mauritius Limited, Parsons Brinckerhoff Muhendislik A.S., Parsons Brinckerhoff Romania SRL and Parsons Brinckerhoff Group Employment Limited
Preference Shares	the cumulative convertible redeemable preference shares of 1 pence each in the capital of the Company
Principal Financing Documents	has the meaning given in paragraph 10 of Part I (<i>Letter from the Chairman of Balfour Beatty plc</i>)
Purchaser	WSP Global Inc.
RCF	has the meaning given in paragraph 8.1.1(c) of Part VII (<i>Additional Information</i>)
Register	the register of members of the Company
Registrars	Capita Asset Services
Remuneration Committee	the remuneration committee of the Board
Retained Group	the Group following Completion excluding the Parsons Brinckerhoff Target Group
Resolution	the proposed ordinary resolution to approve the Transaction as set out in the Notice of General Meeting on pages 41 to 43 of this Circular
Share Buyback Programme	has the meaning given in paragraph 1 of Part I (<i>Letter from the Chairman of Balfour Beatty plc</i>)
Shareholders	the holders of the Shares
Shares	the ordinary shares of 50 pence each in the capital of the Company
Stock Purchase Agreement or SPA	the Stock Purchase Agreement for the Transaction as described in paragraph 1 of Part III (<i>Summary of the Transaction Agreements</i>) of this Circular
Transaction	the proposed disposal of the Parsons Brinckerhoff Target Group pursuant to the Stock Purchase Agreement
Transaction Agreements	the Stock Purchase Agreement and the Transition Agreements

Transition Agreements	the two transition and separation services agreements as described in paragraph 2 of Part III (<i>Summary of the Transaction Agreements</i>) of this Circular
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part 6 of the FSMA
Uncertificated or in Uncertificated Form	recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia

BALFOUR BEATTY PLC
NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Balfour Beatty plc (the “**Company**”) will be held at Goldman Sachs International, River Court, 120 Fleet Street, London EC4A 2BE on 28 October 2014 at 9.30 a.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

Ordinary Resolution

THAT the Transaction, on the terms set out in the Transaction Agreements (both terms as defined in the circular to shareholders dated 10 October 2014 (the “**Circular**”)), be and is hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Transaction Agreements and to do all things as they may consider at their sole discretion to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Transaction and any matters incidental to the Transaction.

By order of the Board,

C D Vaughan
Chief Corporate Officer & Company Secretary

10 October 2014

Registered office:130 Wilton Road, London SW1V 1LQ

(Registered in England with number 395826)

Notes

1. The shorter notice period of 14 days as approved at the Company’s last Annual General Meeting has been used for the purposes of this General Meeting as the Directors believe the flexibility offered by the shorter notice period is in the best interests of shareholders generally, taking into account the circumstances and business of the General Meeting, including the time sensitive nature of the Transaction.
2. A holder of ordinary shares entitled to attend and vote is entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the General Meeting. An ordinary shareholder may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that ordinary shareholder. A proxy need not be a member of the Company. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
3. A Form of Proxy is enclosed. If you do not have a Form of Proxy and believe that you should have one, please contact the Registrars on 0871 664 0300 from the UK (calls cost 10p per minute plus network extras), and +44 20 8639 3399 from outside the UK (Monday to Friday 8.30 a.m. to 5.30 p.m., UK time).
4. The Company gives notice that only those holders of ordinary shares registered in the Register at 6.00 p.m. on 26 October 2014 (or if the meeting is adjourned not more than two days, excluding non-working days, before the time of the adjourned meeting) will be entitled to attend and/or vote at the General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the relevant register of securities after 6.00 p.m. on 26 October 2014 will be disregarded in determining the rights of any person to attend or vote at the General Meeting (or two days, excluding non-working days, before any adjourned meeting).
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the “**2006 Act**”) to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the ordinary shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may,

under any such agreement, have a right to give instructions to the ordinary shareholder as to the exercise of voting rights.

6. The statement of the rights of ordinary shareholders in relation to the appointment of proxies in Note 2 of this notice does not apply to Nominated Persons. The rights described in Note 2 can only be exercised by ordinary shareholders of the Company.
7. Only holders of ordinary shares are entitled to vote at this General Meeting. As at 8 October 2014 (being the latest practicable date before the publication of this notice), the Company's issued ordinary share capital consisted of 689,505,777 ordinary shares of 50 pence each carrying one vote each. Therefore, the total ordinary voting rights in the Company as at 8 October 2014 were 689,505,777.
8. Voting at the General Meeting will be by poll rather than by a show of hands. The Chairman will invite each ordinary shareholder and proxy present to complete a poll card indicating how they wish to cast their votes in respect of the Resolution. Poll cards will be provided at the General Meeting and will be collected at the end of the General Meeting. Once the results have been verified by the Company's Registrars, they will be notified to the UK Listing Authority and published on the Company's website (at www.balfourbeatty.com).
9. If you would like to submit your Form of Proxy electronically via the internet, you may do so via www.balfourbeatty-shares.com. You will need to register to use the service if you have not already done so. Once registration is complete, you may vote online by following the instructions provided.
10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the 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.
11. 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 Euroclear'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 RA10) by 9.30 a.m. on 26 October 2014. 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.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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 the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by 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.
13. 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, as amended.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. Any holder of ordinary shares attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on the Company's website (www.balfourbeatty.com) in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

16. You may not use any electronic address provided in this notice or in any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
17. A copy of this notice and other information required by section 311A of the 2006 Act can be found at www.balfourbeatty.com. 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 up your admission.
18. Registration for the General Meeting will start at 9.00 a.m. The venue has full access for the disabled. As usual, there will be sound amplification to assist those present to follow the proceedings.
19. For the safety of everybody at the General Meeting, you may be asked to provide proof of your identity and to allow our security staff to search any bags or packages. Please allow time for these procedures. You may not be allowed to enter the General Meeting with recording equipment, cameras or any other inappropriate item which may interfere with the good order of the General Meeting. 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 may have difficulty gaining readmission. We may refuse entry to persons whose demeanour or behaviour we believe may interfere with the good order of the General Meeting. We hope you will understand that these arrangements are for the protection of all shareholders.
20. If you have any comments or questions concerning the General Meeting, you can write to the Chief Corporate Officer & Company Secretary either by post to the Company's registered office or by email to info@balfourbeatty.com, with the heading "General Meeting 2014".
21. Notices of termination of proxy appointment, or requests for additional Forms of Proxy, should not be sent to this email address. If you wish to give notice of the termination of a proxy appointment, please send a letter to the Registrars giving the full details. This should arrive before the voting deadline.
22. You can obtain the result of the General Meeting by telephoning the Registrars after it has ended. The result will also be announced to the UK Listing Authority via a Regulatory Information Service and will appear on the Balfour Beatty website (www.balfourbeatty.com) as soon as practicable following the General Meeting.

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