

This circular is important. Please read it immediately.

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



Annual General Meeting 2007 and Separate Class Meeting of Preference Shareholders

Dear Shareholder

I am pleased to send you details about the Annual General Meeting (AGM) of Balfour Beatty plc, which we are holding on Thursday 10 May 2007 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. Your Directors regard the AGM as an important occasion on which to communicate with shareholders and to listen and respond to their questions and each of the Chairmen of your Board's Audit, Business Practices, Nomination and Remuneration Committees will be available at the AGM to answer any questions arising from the work of those Committees. The meeting will start at 3.00 p.m. The formal Notice of our AGM is set out on page 8 of this circular.

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

The business we will consider at the AGM

We will inform you of the progress of your Company and conduct certain formal business concerning its governance. The AGM will cover standard matters that are now dealt with at every AGM (Items 1 to 10). We have explained each of these items in the following pages.

Items 11, 12 and 13 are similar to resolutions which shareholders have passed in previous years. Your Directors believe that these items will mean that the Company can take advantage of business opportunities as they arise. Item 14 renews an authority first given to your Directors in 2002. We have also explained each of these items in the following pages.

As is usual at the AGM and Class Meeting, I shall invite questions from shareholders present at the meetings. It would be helpful to have a note of the details of any proposed questions in advance, although this is not obligatory. Questions may be sent by post to the Secretary at your Company's Registered Office or by email (see page 7).

What to do next

If you hold ordinary shares in Balfour Beatty, you are entitled to come to the AGM and vote on the resolutions. It is important to us that all ordinary shareholders, regardless of the number of shares that they own, exercise their right to vote even if they cannot come to the meeting. If you cannot come to the AGM, you can use the white proxy voting form to nominate someone else to come to the meeting and vote for you (this person is called a proxy), or you can nominate me to vote for you. Your proxy does not have to be a member of the Company. If you want to appoint a proxy, you need to send back the white proxy voting form enclosed with this pack, or register your proxy appointment and voting instructions over the internet, by 3.00 p.m. on **8 May 2007**. I am grateful to the many shareholders who have lodged proxy votes in the past and hope that I can count on your continuing support. In 2006, 67.0% of Balfour Beatty shareholders voted, compared to 75.9% in 2005. Last year, all resolutions were passed on a show of hands with proxy votes "For" each resolution ranging from 96.73% to 99.99%.

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

Class Meeting of preference shareholders

If you hold preference shares in Balfour Beatty, you are entitled to come to the Class Meeting and vote on the resolution. Like ordinary shareholders in relation to the AGM, if you cannot come to the meeting you can use the blue proxy voting form to nominate someone else to come to the meeting and vote for you, or you can nominate me to vote for you. Your proxy does not have to be a member of the Company. If you want to appoint a proxy for the Class Meeting, you need to send back the blue proxy voting form enclosed with this pack, or register your proxy appointment and voting instructions over the internet, by 3.30 p.m. on **8 May 2007**.

Again, if you complete and return the blue proxy voting form, or register your proxy appointment and voting instructions over the internet, you can still come to the Class Meeting and vote instead of your proxy. Please note that if you hold only ordinary shares in Balfour Beatty and not preference shares, you are not entitled to come to the Class Meeting or vote on the resolution.

Recommendation

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

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

Electronic Shareholder Communications

Many of our shareholders now prefer to have communications from the Company, including this circular and the Annual Report, made available to them electronically, rather than receiving paper copies. I would like to encourage as many of our shareholders as possible to do this, as not only does it save the Company printing and postage costs, but it is also a more convenient and timely way of communicating with you, and reduces demand on natural resources. If you have not yet registered for this facility and now wish to do so, details are provided on page 111 of the 2006 Annual Report and Accounts.

Yours sincerely

Sir David John KCMG Chairman
5 April 2007



PROSHARE
PRIVATE INVESTOR AWARDS
2003 WINNER

Registered Office: 130 Wilton Road, London SW1V 1LQ
Registered in England and Wales Number 395826

Annual General Meeting 2007 and Separate Class Meeting of Preference Shareholders continued

We are holding our Annual General Meeting on Thursday 10 May 2007 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 3.00 p.m. and the formal notice of the meeting is set out on page 8 of this circular.

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

1. Directors' report and accounts

The Directors are required to present to the AGM the Company's accounts for the year ended 31 December 2006 and the reports of the Directors and auditors on those accounts. These are all contained in the Company's 2006 Annual Report and Accounts which was sent to you with this circular.

2. Remuneration report

The Directors' Remuneration Report Regulations 2002 require companies quoted on the London Stock Exchange to put an ordinary resolution to shareholders at the AGM seeking approval of the remuneration report. This report is contained in the Company's 2006 Annual Report and Accounts.

Shareholders are reminded that as the vote is advisory, it does not affect the actual remuneration paid to any individual Director, nor is the entitlement of any individual Director under a service contract or letter of appointment conditional on the resolution being passed.

3. Dividend

Shareholders must approve the final dividend payable for each ordinary share held. However, the final dividend cannot exceed the amount recommended by the Directors, which is 5.2p for each ordinary share. If approved, the final dividend will be paid on 2 July 2007 to holders of ordinary shares who are on the Company's Register of Members on 27 April 2007. The proposed final dividend will bring the total amount for 2006 to 9.1p per ordinary share. For 2005, the total dividend was 8.1p per ordinary share.

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

In accordance with the Combined Code on Corporate Governance, under the Company's Articles of Association, each of your Directors is required to retire at the AGM held in the third calendar year following the year in which he or she was elected or last re-elected by shareholders. In addition, under the Company's Articles of Association, any Director that your Board has appointed since the last AGM must also stand for election so that shareholders may confirm the appointment. Sir David John, Robert Walvis, Christoph von Rohr, and Gordon Sage were all last re-elected or elected by shareholders at the AGM in 2004 and all of them seek re-election. Mike Donovan and Stephen Howard were both appointed as non-executive Directors on 1 July 2006, and therefore seek election by the shareholders for the first time.

Your non-executive Directors are chosen on the basis of their individual background and experience and for the contribution that they can make both generally and in specific areas relevant to the business of your Company. Your Chairman, Sir David John, brings the experience of leading large international companies; Robert Walvis brings the benefit of wide experience drawn from a career in senior positions at Royal Dutch Shell; Christoph von Rohr, in addition to being a member of the Supervisory Board of the Company's major German subsidiary, Balfour Beatty Rail GmbH, is a well respected and experienced businessman and brings valuable experience of the Group's European markets, particularly Germany; Gordon Sage, with his background in Rio Tinto, has valuable experience of leading large and complex capital projects in an international business; Mike Donovan possesses both an engineering background and considerable experience of leadership of international industrial businesses; and Stephen Howard also has experience of leading multinational businesses, in addition to which, he has been managing director of Business in The Community since 2005. In relation to those of your non-executive Directors who seek re-election, following formal performance evaluation, your Board is satisfied that each of Sir David John, Robert Walvis, Christoph von Rohr and Gordon Sage continues to be effective and to demonstrate commitment to the role, including commitment of time for Board and Committee meetings.

Accordingly, your Directors believe that the re-election or election of each of these non-executive Directors is in the best interests of your Company. Information about each of your Directors seeking re-election or election is set out below.

Sir David John KCMG Chairman (68)

Appointed a Director in 2000 and became Chairman in 2003. A graduate of Christ's College, Cambridge, he holds an MBA from Columbia University, New York, and is also a graduate of Harvard University's International Senior Management Programme. He is chairman of Premier Oil plc and The BSI Group. He was non-executive chairman of The BOC Group plc until January 2002. Formerly a director of Inchcape plc, and prior to that, a senior executive at Redland and RTZ, he is a member of the CBI's International Advisory Board, and a governor of the School of Oriental and African Studies. He is a former director and trustee of Asia House, a former trustee of the Council for Industry and Higher Education, a past Board Member of The Welsh Development Agency, a past vice chairman of British Trade International and a past member of the Wilson Cabinet Committee on Export Promotion. He was knighted in the Queen's Birthday Honours List in June 1999 for Services to British Business Interests Overseas and was awarded an Honorary Doctorate from the University of Glamorgan in July 2003. He is a Freeman of the City of London and a Liveryman of the Worshipful Company of Scientific Instrument Makers. He is Chairman of the Board's Business Practices and Nomination Committees.

Robert Walvis (60)

Appointed a Director in 2001. He holds a Masters Degree in Chemical Engineering from Delft University, Holland, and is also a graduate of Harvard Business School's Advanced Management Programme. He was previously with the Royal Dutch Shell Group from which he retired in 2001 following a distinguished 30-year career, during which he held a variety of senior management positions, having originally joined as a graduate trainee. Ultimately, he became chairman of the Global Corporate Centre of the Royal Dutch Shell Group, with responsibility for worldwide planning, external and environmental affairs. He is a non-executive director of Johnson Matthey plc, chairman of the supervisory board of Allianz Nederland Groep NV, and a former member of the Council of the Royal Institute of International Affairs. He is the Board's senior independent Director and Chairman of the Board's Remuneration Committee and a member of the Business Practices and Nomination Committees.

Hans Christoph von Rohr (68)

Appointed a Director in 2003. He was a Fulbright Scholar at Princeton University and holds a PhD from the University of Bonn. He is a partner of the international law firm TaylorWessing, a member of the Advisory Council of Deutsche Bank AG, a member, and past chairman, of the supervisory board of the Industrial Investment Council, a member of the supervisory board of SWB AG, and a member of the Board of Trustees and the European Advisory Council of Underwriters Laboratories Inc. He is also chairman of the German Institute for Market Economy and Competition. Previously, he was chief executive officer of the German manufacturing group, Klöckner-Werke AG. He became a member of the supervisory board of Balfour Beatty Rail GmbH in 2001, and was appointed chairman in 2003. He is a member of the Board's Audit, Business Practices and Remuneration Committees.

Gordon Sage (60)

Appointed a Director in 2003. A chartered engineer and a Fellow of the Institution of Chemical Engineers, he holds a First Class Honours Degree in Chemical Engineering from Imperial College of Science and Technology, London, and an MBA from London Business School and is a non-executive director of Merrill Lynch World Mining Trust plc. Between 1970 and 2001 he held a series of increasingly senior positions in Rio Tinto plc, finally as executive director responsible for its industrial minerals and diamonds businesses. He is a former member of the London Business School's UK Regional Advisory Board, a former member of council of the CBI and a former deputy chairman of ERM Holdings Ltd, the environmental services consultancy. He is a member of the Board's Audit, Business Practices, Nomination and Remuneration Committees.

Mike Donovan (53)

Appointed a Director in July 2006. He holds a First Class Honours Degree in Mechanical Engineering from the University of Aston. He joined Rover Group in 1976, and held a number of senior management positions, before joining Vickers plc in 1991 as director of strategic planning and new programmes and then becoming commercial managing director of Rolls-Royce Motor Cars. Between 1994 and 1998, he held senior positions at British Aerospace, culminating in his appointment as group managing director – defence systems. He became chief executive of GEC's Industrial Electronics Group in 1998, and was most recently chief operating officer of Marconi plc from 2001 to 2005, where he was responsible for the worldwide operations of Marconi's core business, having previously been chief executive officer of Marconi Systems.

Stephen Howard (54)

Appointed a Director in July 2006. He was educated at Michigan State University and the University of Michigan Law School and began his career as an attorney with Adler Pollock & Sheehan Inc in his native US, with a focus on corporate advisory work for multinational companies, before joining the Cookson Group in 1985 as general counsel to its US business. He became group chief executive of Cookson Group plc in 1997, having previously been chief executive of Cookson's Ceramics and Engineered Products Divisions, group corporate development executive and joint group managing director. While chief executive of Cookson Group, he led the company through organisational and financial restructuring, seeing it turn around from loss to profit. He was then group chief executive of Novar plc between 2004 and 2005, having previously been a non-executive director of that company since 2000. He led their strategy of simplifying their business portfolio to realise and return value to shareholders. He is a non-executive director and chairman of the Remuneration Committee of Slough Estates plc, managing director of Business in the Community, and is also on the advisory councils of various private, non-profit organisations.

10. The auditors

The Company must appoint auditors at every general meeting at which accounts are presented to shareholders. On the recommendation of the Audit Committee, your Directors propose that Deloitte & Touche LLP be re-appointed as auditors to the Company.

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

11. Authority to allot ordinary shares

Under the Companies Act 1985, your Directors may only allot unissued ordinary shares if they have been authorised by the shareholders to do so. The Company's Articles of Association give your Directors a general authority to allot unissued shares, but that authority is subject to renewal by shareholders and it is standard practice for most public companies to renew the authority at each AGM both to reaffirm shareholders' approval and to reflect changes in issued share capital since the last such resolution. Last year's resolution allowed your Directors to issue shares to fulfil obligations under the Executive Share Option Scheme and the Savings Related Share Option Scheme, in which over 5,000 employees participate. Passing this resolution will therefore continue the authority previously given to your Directors, by giving them authority to allot ordinary shares with a maximum aggregate nominal amount of £71,786,640, representing approximately one-third of the Company's issued ordinary share capital as at 28 March 2007 (being the latest practicable date prior to the publication of this notice). As at the date of this circular, no shares were held by the Company as treasury shares.

Your Directors have no specific plans to exercise this authority other than in relation to the exercise of options under the Company's employee share schemes or to satisfy any conversion rights exercised by the holders of the Company's preference shares. However, this will enable them to act in the best interests of shareholders when opportunities arise by issuing ordinary shares at short notice, without the need to convene an Extraordinary General Meeting. This authority renews that given at last year's AGM and will last until the conclusion of the Company's AGM in 2012, or, if earlier, 10 May 2012, although the Directors intend to continue the practice of seeking renewal of this power at each AGM.

Annual General Meeting 2007 and Separate Class Meeting of Preference Shareholders continued

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

12. Authority to allot ordinary shares for cash

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

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

This resolution would allow your Directors to disapply the statutory pre-emption rights only:

- up to a nominal amount of £10,767,996 (the Section 89 amount), which is approximately 5% of the Company's issued ordinary share capital as at 28 March 2007 (being the latest practicable date prior to the publication of this notice) or,
- in a rights issue as defined in the Company's Articles of Association.

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

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

13. Authority for the Company to purchase its own ordinary and preference shares

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

The resolution would renew the authorities given to your Directors by ordinary and preference shareholders at separate meetings of each class of shareholder in May 2006. The maximum numbers of ordinary and preference shares authorised to be purchased (which represents 10% of the issued ordinary shares and just under 15% of the issued preference shares as at 28 March 2007, being the latest practicable date prior to the publication of this notice), and the maximum and minimum prices to be paid for them are stated in the resolution.

Pursuant to the Companies Act 1985 (as amended), the Company can hold the shares which have been purchased as treasury shares and either re-sell them for cash, cancel them either immediately or at a point in the future, or use them for the purposes of its employee share schemes. Your Directors believe that it is desirable for the Company to have this choice. Holding the shares purchased as treasury shares will give the Company the ability to re-sell or transfer them quickly and cost-effectively and will provide the Company with additional flexibility in the management of its capital base. No dividends will be payable on, and no voting rights will be exercisable in respect of, treasury shares. The decision whether to cancel any shares purchased by the Company or hold such shares as treasury shares will be made by your Directors at the time of purchase, on the basis of the Company's and shareholders' best interests.

This resolution explicitly authorises the Company to use any shares purchased and held in treasury for the purposes of its employee share schemes. If any such shares are used by the Company, the Company will, so long as required under the guidelines of the Association of British Insurers' Investment Committee, count them towards the limits in the schemes on the number of new shares that may be issued under them.

Any purchase of shares by the Company under these authorities would be by means of market purchases through the London Stock Exchange. Approval of the resolution does not mean that the Company has the power to acquire shares compulsorily from individual shareholders, nor should it be confused with any share dealing facilities which may be offered to shareholders by the Company from time to time. The authorities sought by this resolution will expire at latest on 10 August 2008, although your Directors intend to seek renewal of this power at each AGM. The Company's Articles of Association require that to be effective, both ordinary and preference shareholders must approve the authority. Accordingly, a separate class meeting of preference shareholders will be held in order to seek their approval for the authority.

During 2006, 12,012,640 preference shares were purchased for cancellation at an average price of 156.8p. No ordinary shares were purchased for cancellation. Between 1 January 2007 and 28 March 2007 (being the latest practicable date prior to the publication of this notice), a further 2,125,000 preference shares were purchased for cancellation at a price of 159p. The total number of outstanding options to subscribe for ordinary shares at 28 March 2007 (being the latest practicable date prior to the publication of this notice) was 9,930,969. This represents 2.31% of the Company's issued ordinary share capital at that date. If the Company purchased the maximum number of ordinary shares permitted under the authorities given by this resolution, then the total number of outstanding options over ordinary shares at 28 March 2007 (being the latest practicable date prior to the publication of this notice) would represent 2.56% of the Company's issued ordinary share capital.

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

14. Authority to incur political expenditure

The Company's continuing policy is that it does not, directly or through any subsidiary company, make contributions in cash or in kind to any political party. The Political Parties, Elections and Referendums Act 2000 introduced controls over the funding of political parties in the EU and other forms of EU political expenditure. The definition of political donations under the Companies Act 1985 is now potentially wide enough to include activities that are not designed to support, or influence support for, any party, and would not be thought of as political donations in the ordinary sense of those words. For example, it could cover paid time off for trade union or local government duties. It could also cover normal business activities and relationships that are an accepted part of engaging with stakeholders and opinion formers to ensure that your Company's particular issues and concerns are addressed, and that MPs and others in the political world are aware of key industry issues and other matters affecting the Company.

The authority that is sought by this resolution is not designed to change the Company's policy. It will, however, ensure that the Company acts within the provisions of the Companies Act 1985 that require companies to obtain shareholder authority before making donations to EU political organisations or incurring EU political expenditure.

The authority sought will last for four years until 10 May 2011 but your Directors intend to seek renewal of this power at each AGM.

We are holding a Class Meeting of holders of preference shares on Thursday 10 May 2007 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 3.30 p.m., or, if later, immediately after the completion of the AGM, and the formal notice of the meeting is on page 10 of this circular.

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

The resolution is explained above under Item 13, "Authority for the Company to purchase its own ordinary and preference shares".

Important information for shareholders

You have the right to attend, speak and vote at the AGM if you are an ordinary shareholder on the Balfour Beatty share register at 5.00 p.m. on 8 May 2007.

You have the right to attend, speak and vote at the Class Meeting of Preference Shareholders (Class Meeting) if you are a preference shareholder on the Balfour Beatty share register at 5.00 p.m. on 8 May 2007.

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

Time and place of meetings

Balfour Beatty's AGM will be held first and will start promptly at 3.00 p.m. on Thursday 10 May 2007 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2BQ. The Class Meeting will be held at 3.30 p.m. or, if later, immediately after the completion of the AGM, and will be held at the same location as the AGM.

Registration for both meetings will start at 2.00 p.m.

What you need to bring

Please keep and bring with you the attendance card attached to your Form of Proxy. It will authenticate your right to attend, speak and vote and will speed your admission. You may also find it helpful to bring this circular and the Company's 2006 Annual Report and Accounts with you so that you can refer to them at the meetings.

Joint shareholders

All joint shareholders may attend and speak at the meetings. However, only the first shareholder listed on the Register of Members is entitled to vote.

Shareholders with disabilities

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

If you are not coming to the meetings

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

How to complete the Forms of Proxy

1. *Appointing the Chairman as your proxy*

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

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

Please place an "X" in the appropriate box alongside each resolution to indicate whether, and if so, how you wish your vote to be cast in relation to that resolution. In the absence of any specific direction, and on any other resolution or motion put to the meeting, your proxy will, on a poll, vote or withhold your vote as the proxy thinks fit. The "vote withheld" option is provided, in accordance with current best practice, so as to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes "For" or "Against" a resolution.

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

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

3. *Signing the Forms of Proxy*

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

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

4. *Corporate appointment of proxy*

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

5. *Posting details*

To be valid, a Form of Proxy, together with any authority (see Notes 3 and 4 above), must be received by Computershare Investor Services PLC not later than 3.00 p.m. on 8 May 2007 for ordinary shareholders, or 3.30 p.m. on 8 May 2007 for preference shareholders. Completion and return of a Form of Proxy will not prevent you from attending and voting in person at the relevant meeting.

6. *United Kingdom (UK) shareholders*

UK shareholders should reply using the reply paid envelope provided.

7. *Shareholders outside the UK*

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

8. Duplicate Forms of Proxy

If the Company's Registrars, Computershare Investor Services PLC, receive two or more proxies from the same shareholder relating to the same shareholding, they will act upon the one that is delivered last (regardless of its date). If they cannot confirm which one was delivered last (regardless of its date), they will not act on any of the forms. If your form of proxy arrives after the voting deadline, it will not be valid and will not replace any earlier forms that they have received.

9. Electronic Proxy Submission

If you would like to submit your form of proxy electronically via the internet, you may do so via the Shareholder Information section within Investor Relations at the Balfour Beatty website at www.balfourbeatty.com. Please click on the link "Vote at AGM" or "Vote at Class Meeting" (as applicable), and then select "Form of Proxy". You will be asked to enter the Shareholder Reference Number (SRN) and PIN (which are printed on your Form of Proxy or, if you have registered for electronic shareholder communications, you will find these on your email broadcast), and agree to certain terms and conditions.

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

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

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

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

Documents

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

General information

The AGM and Class Meeting are both business meetings. There are no crèche facilities at the Drapers' Hall and we therefore suggest that it is not appropriate to bring young children to the venue.

Smoking will not be permitted at the venue. Tea and coffee will be available before and after the meetings.

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

If, having registered, you wish to leave the building, you should first report to the registration desk. If you fail to do this, you may have difficulty re-entering the building. We may refuse entry to persons whose demeanour or behaviour we believe may interfere with the good order of the meetings.

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

If you have any comments or questions concerning either the AGM or the Class Meeting, you can contact the Secretary by email to info@balfourbeatty.com, with the heading AGM 2007 or Class Meeting 2007, as appropriate. Please note that as indicated on page 111 of the 2006 Annual Report and Accounts, any administrative enquiry relating to your shareholding should, in the first instance, be directed to the Company's Registrars clearly stating your registered name and address and, if available, full shareholder reference number: web.queries@computershare.co.uk.

You can obtain the results of the AGM and Class Meeting by telephoning the Company's Registrars, Computershare Investor Services PLC, on or after 11 May 2007. The results will also be announced to the UK Listing Authority via a Regulatory Information Service and will appear on the Balfour Beatty website at www.balfourbeatty.com as soon as practicable following the meetings.

Information for participants in the Balfour Beatty Share Option Schemes

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

Balfour Beatty Share Option Scheme participants who are also shareholders

Where it has been possible to combine records, participants who are also ordinary or preference shareholders (or both) have been sent the relevant Form of Proxy/Admission Card and only one copy of the Company's 2006 Annual Report and this circular.

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

Notice of Annual General Meeting

Notice is hereby given that the sixty-second Annual General Meeting of Balfour Beatty plc will be held at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ, on Thursday 10 May 2007 at 3.00 p.m. for the following purposes:

Ordinary Business

1. To receive and, if thought fit, adopt the Directors' report and accounts for the year ended 31 December 2006.
2. To approve the Directors' remuneration report for the year ended 31 December 2006.
3. To declare a final dividend on the Ordinary Shares of the Company.
4. To re-elect Sir David John as a Director.
5. To re-elect Mr R J W Walvis as a Director.
6. To re-elect Dr H C von Rohr as a Director.
7. To re-elect Mr G H Sage as a Director.
8. To elect Mr M J Donovan as a Director.
9. To elect Mr S L Howard as a Director.
10. To re-appoint Deloitte & Touche LLP as auditors.

Special Business

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

THAT the Directors be authorised in the terms of paragraph (B)(i) of Article 11 of the Company's Articles of Association to allot relevant securities for the period beginning on 10 May 2007 and ending at the conclusion of the Company's Annual General Meeting to be held in 2012, or, if earlier, on 10 May 2012 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £71,786,640, such authority to replace the authority to allot relevant securities granted by Resolution 8 passed at the Annual General Meeting of the Company held on 11 May 2006.

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

THAT, subject to and conditional upon the passing of Resolution 11 set out in this Notice of Annual General Meeting dated 5 April 2007, the Directors be empowered in the terms of paragraph (B)(ii) of Article 11 of the Company's Articles of Association to allot equity securities pursuant to the authority granted by that Resolution wholly for cash for the period beginning on 10 May 2007 and ending at the conclusion of the Company's Annual General Meeting to be held in 2008 or, if earlier, on 10 August 2008 and for such period the Section 89 Amount (as defined in paragraph (B)(iii) of that Article) shall be £10,767,996. For the purposes of this Resolution, an allotment of equity securities pursuant to the authority granted by Resolution 11 shall be deemed to include the sale of relevant shares in the Company which, immediately before such sale, were held by the Company as treasury shares.

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

THAT, pursuant to Article 7 of the Company's Articles of Association and subject to and conditional upon the passing of the Extraordinary Resolution set out in the Notice dated 5 April 2007 convening a Separate Class Meeting of the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company (the "Convertible Preference Shares"), the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163(3) of that Act) of ordinary shares of 50p each in the Company (the "Ordinary Shares") and/or Convertible Preference Shares in the Company and, where such shares are held in treasury, the Company may, among other things, use them for the purpose of its employee share schemes, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 43,071,984 and the maximum number of Convertible Preference Shares hereby authorised to be purchased is 17,245,795;

(b) the maximum price (exclusive of expenses) which may be paid for a share shall be not more than the higher of:

(i) 5% above the average of the market value of a share of the same class for the five business days immediately preceding the date on which such share is contracted to be purchased; or

(ii) the higher of the price of the last independent trade and the highest current bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for "buy-back" programmes and stabilisation of financial instruments (No. 2273/2003);

(c) the minimum price (exclusive of expenses) which may be paid for a share is its nominal value;

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Separate Class Meeting which will follow the Annual General Meeting of the Company to be held in 2008, or on 10 August 2008, whichever shall be the earlier; and,

(e) the Company may make a contract or contracts to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may purchase shares in pursuance of any such contract or contracts.

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

THAT the Company, and any company which is or becomes a subsidiary of the Company during the period to which this resolution relates, be authorised to make donations to EU political organisations and to incur EU political expenditure, not exceeding £25,000 in total in each year during the period of four years beginning on 10 May 2007.

By Order of the Board

C R O'N Pearson

Secretary

Dated 5 April 2007

Registered Office: 130 Wilton Road, London SW1V 1LQ

Notes:

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

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

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

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

(v) If approved, the final dividend on Ordinary Shares will be paid to holders of Ordinary Shares registered in the books of the Company on 27 April 2007. Warrants will be posted on 28 June 2007 payable on 2 July 2007.

Notice of Separate Class Meeting of holders of Convertible Preference Shares

Notice is hereby given that a Separate Class Meeting of the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in Balfour Beatty plc (the "Convertible Preference Shares") will be held at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ on Thursday 10 May 2007 at 3.30 p.m. or as soon thereafter as the Annual General Meeting of the Company, convened for the same day at the same place at 3.00 p.m., shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following resolution as an Extraordinary Resolution:

Extraordinary Resolution

THAT the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company hereby sanction the passing and implementation of Resolution 13 set out in the Company's Notice of Annual General Meeting dated 5 April 2007 and each and every contract to purchase shares entered into within the terms of the authority thereby conferred.

By Order of the Board

C R O'N Pearson

Secretary

Dated 5 April 2007

Registered Office: 130 Wilton Road, London SW1V 1LQ

Notes:

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

(ii) A holder of Convertible Preference Shares entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the Company.

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

(iv) If a quorum is not present within 15 minutes from the time appointed for the Meeting, the Meeting shall be adjourned to be held at 130 Wilton Road, London SW1V 1LQ on Thursday 17 May 2007 at 12.30 p.m.

Balfour Beatty plc

130 Wilton Road

London SW1V 1LQ

Telephone: 44 (0) 20 7216 6800

Facsimile: 44 (0) 20 7216 6950

www.balfourbeatty.com

Balfour Beatty
www.balfourbeatty.com