

This circular is important.
Please read it immediately.

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

Dear Shareholder

I am pleased to send you details about the Annual General Meeting (AGM) of Balfour Beatty plc, which we are holding on Thursday 11 May 2006 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 11.45 a.m. The formal Notice of our AGM is set out on page 7 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 9 of this circular.

The business we will consider at the AGM

The AGM will cover standard matters that are now dealt with at every AGM (Items 1 to 7). We have explained each of these items in the following pages.

Items 8, 9 and 10 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 11 renews an authority first given to your Directors in 2002 and Item 12 proposes the establishment of a new long-term incentive arrangement – the Balfour Beatty Performance Share Plan 2006 – to replace the Company's Performance Share Plan 2001.

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

What to do next

If you hold ordinary shares in Balfour Beatty, you are entitled to come to the AGM and vote on the resolutions. It is important to us that all ordinary shareholders, regardless of the number of shares that they own, 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 11.45 a.m. on **9 May 2006**. I am grateful to the many shareholders who have lodged proxy votes in the past and hope that I can count on your continuing support.

There is more information on what you need to do if you want to appoint a proxy on page 5 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 12.30 p.m. on **9 May 2006**.

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 112 of the 2005 Annual Report and Accounts.

Yours sincerely



Sir David John kcmg Chairman
6 April 2006



PROSHARE

PRIVATE INVESTOR AWARDS
2003 WINNER

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

We are holding our Annual General Meeting on Thursday 11 May 2006 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 11.45 a.m. and the formal notice of the meeting is set out on page 7 of this circular.

The Annual General Meeting (AGM) will cover standard matters that are dealt with at every AGM (items 1 to 7). 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 2005 and the reports of the Directors and auditors on those accounts. These are all contained in the Company's 2005 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 2005 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 4.6p for each ordinary share. If approved, the final dividend will be paid on 3 July 2006 to holders of ordinary shares who are on the Company's Register of Members on 28 April 2006. The proposed final dividend will bring the total amount for 2005 to 8.1p per ordinary share. For 2004, the total dividend was 6.6p per ordinary share.

4-6. 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. Steven Marshall was appointed as a non-executive Director on 1 November 2005, and therefore seeks election by shareholders for the first time. Ian Tyler and Peter Zinkin were both last re-elected by shareholders in 2003, and both seek re-election.

Steven Marshall, who is the only non-executive Director seeking election, is an accountant with extensive experience of management in large international organisations and your Board believes that he adds to its balance of skills and its ability to provide effective leadership for the Group.

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

Steven Marshall (49)

Appointed a Director in November 2005. A Fellow of the Chartered Institute of Management Accountants. He was executive chairman of Queens' Moat Houses plc until November 2004, having been chief executive of Railtrack Group plc, and prior to that group finance director, between 1999 and 2002. Previously, he was group chief executive of Thorn plc, having joined as finance director in 1995. Prior to joining Thorn, he held senior management positions in Grand Metropolitan plc, Parkdale Holdings plc and Burton Group plc. He is currently non-executive chairman of Delta plc, a non-executive director of Southern Water, and a trustee of the Chimpanzee Rehabilitation Trust.

Ian Tyler Chief Executive (45)

A chartered accountant. A Director since 1999, he became Chief Executive on 1 January 2005, having been Chief Operating Officer since 2002 and prior to that, Finance Director. A graduate of Birmingham University, he joined Balfour Beatty in 1996 from the Hanson Group as Finance Director of the Group's principal trading subsidiary, Balfour Beatty Group Limited. Previously, he had been financial comptroller of Hanson and finance director of ARC Ltd, one of its principal subsidiaries, and has also held senior management positions at Storehouse Plc.

Peter Zinkin Planning and Development Director (52)

Joined the Group in 1981 and was appointed a Director with responsibility for planning and development in 1991, after a series of senior positions in the finance function. Previously, he worked at the London Business School and UMIST.

7. 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.

8. Authority to allot ordinary shares

Under the Companies Act 1985, the Directors may only allot unissued ordinary shares if they have been authorised by the shareholders to do so. The Company's Articles of Association give the Directors a general authority to allot unissued shares, but that authority is subject to renewal by shareholders 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 the Directors to issue shares to fulfil obligations under the Executive Share Option Scheme and Savings Related Share Option Scheme, in which over 5,000 employees participate. Passing this resolution will therefore continue the authority previously given to the Directors, by giving them authority to allot ordinary shares with a maximum aggregate nominal amount of £71,281,236, representing approximately one-third of the Company's issued ordinary share capital as at 27 March 2006 (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.

The Directors have no specific plans to exercise this authority other than in relation to the exercise of options under the Company's employee share schemes 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 2011, or, if earlier, 11 May 2011, although the Directors intend to continue the practice of seeking renewal of this power at each AGM.

The following items 9 and 10 will be proposed as special resolutions. For these resolutions to be passed, at least 75% of the votes cast must be in favour.

9. 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 the Directors to allot shares other than to existing shareholders in proportion to existing holdings.

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

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

- up to a nominal amount of £10,692,185 (the Section 89 amount), which is approximately 5% of the Company's issued ordinary share capital as at 27 March 2006 (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.

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

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

The resolution would renew the authorities given to the Directors by ordinary and preference shareholders at separate meetings of each class of shareholder in May 2005. 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 27 March 2006, 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.

The 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 the 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 11 August 2007, although the Directors intend to seek renewal of this power at each AGM. The Company's Articles of Association require that to be effective, both ordinary and preference shareholders must approve the authority. Accordingly, a separate class meeting of preference shareholders will be held in order to seek their approval for the authority.

During 2005, 6,837,500 preference shares were purchased for cancellation at an average price of 156.8p. No ordinary shares were purchased for cancellation. Between 1 January 2006 and 27 March 2006 (being the latest practicable date prior to the publication of this notice), a further 10,849,390 preference shares were purchased for cancellation at a price of 157.0p. The total number of outstanding options to subscribe for ordinary shares at 27 March 2006 (being the latest practicable date prior to the publication of this notice) was 11,700,651. This represents 2.7% 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 27 March 2006 (being the latest practicable date prior to the publication of this notice) would represent 3.0% of the Company's issued ordinary share capital.

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

11. Authority to incur political expenditure

The Company's continuing policy is that it does not 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 11 May 2010 but the Directors intend to seek renewal of this power at each AGM.

12. Approval of the new Balfour Beatty Performance Share Plan 2006

The Balfour Beatty Performance Share Plan 2001 ("the 2001 Plan") was approved by shareholders at the AGM held in May 2001 and is due to expire this year. The Balfour Beatty Performance Share Plan 2006 ("the 2006 Plan"), a detailed summary of which is set out in the Appendix to the Notice of AGM, replaces the 2001 Plan for a further five year period.

The 2006 Plan is similar to the 2001 Plan but with some changes to the rules to reflect current market and best practice. The most significant "policy" change to the 2006 Plan relates to the performance conditions. The Remuneration Committee has concluded that instead of awards being granted subject to performance conditions based entirely on earnings per share growth (as is currently the case under the 2001 Plan), 50% of an executive's award should be subject to a performance condition that is related to the Company's relative Total Shareholder Return ("TSR") against the TSRs of certain comparator companies.

The Remuneration Committee proposes that initially the 2006 Plan will be used to incentivise your executive Directors and other senior executives. Overall, the Remuneration Committee is keen to ensure that the 2006 Plan achieves the following objectives:

- that it reflects current market and best practice;
- that a significant proportion of total remuneration for the most senior executives should continue to be performance related; and
- that the 2006 Plan should be subject to performance conditions that the Remuneration Committee considers provide an appropriate link between management performance and reward.

Prior to publication of this proposal, the structure of the 2006 Plan has been discussed with the Company's major shareholders and representative bodies such as the Association of British Insurers.

We are holding a Class Meeting of holders of preference shares on Thursday 11 May 2006 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ. The meeting will start at 12.30 p.m., or, if later, immediately after the completion of the AGM, and the formal notice of the meeting is on page 9 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 10, "Authority for the Company to purchase its own ordinary and preference shares".

Important information for shareholders

Attending and voting

You have the right to attend, speak and vote at the AGM if you are an ordinary shareholder on the Balfour Beatty share register at 5.00 p.m. on 9 May 2006.

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 9 May 2006.

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

Time and place of meetings

Balfour Beatty's AGM will be held first and will start promptly at 11.45 a.m. on Thursday 11 May 2006 at the Drapers' Hall, Throgmorton Avenue, London EC2N 2BQ. The Class Meeting will be held at 12.30 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 10.30 a.m.

What you need to bring

Please keep and bring with you the attendance card attached to your Form of Proxy. It will authenticate your right to attend, speak and vote and will speed your admission. You may also find it helpful to bring this circular and the Company's 2005 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 7 and 9 and are explained on pages 2, 3 and 4. 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 11.45 a.m. on 9 May 2006 for ordinary shareholders, or 12.30 p.m. on 9 May 2006 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. 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 e-mail 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 7 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 the meetings. Light refreshments will be served 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. You will not be allowed to bring recording equipment, cameras, mobile telephones or any other inappropriate item which may interfere with the good order of the meetings. Storage and cloakroom facilities will be provided.

If, having registered, you wish to leave the building, you should first report to the registration desk. If you fail to do this, you 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 2006 or Class Meeting 2006, as appropriate. Please note that as indicated on page 112 of the 2005 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.

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 2005 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-first Annual General Meeting of Balfour Beatty plc will be held at the Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ, on Thursday 11 May 2006 at 11.45 a.m. for the following purposes:

Ordinary Business

1. To receive and, if thought fit, adopt the Directors' report and accounts for the year ended 31 December 2005.
2. To approve the Directors' remuneration report for the year ended 31 December 2005.
3. To declare a final dividend on the ordinary shares of the Company.
4. To elect Mr S Marshall as a Director.
5. To re-elect Mr I P Tyler as a Director.
6. To re-elect Mr P J L Zinkin as a Director.
7. To re-appoint Deloitte & Touche LLP as auditors.

Special Business

8. 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 11 May 2006 and ending at the conclusion of the Company's Annual General Meeting to be held in 2011, or, if earlier, on 11 May 2011 and for such period the Section 80 Amount (as defined in paragraph (B)(iii) of that Article) shall be £71,281,236, such authority to replace the authority to allot relevant securities granted by Resolution 9 passed at the Annual General Meeting of the Company held on 12 May 2005.

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

THAT, subject to and conditional upon the passing of Resolution 8 set out in this Notice of Annual General Meeting dated 6 April 2006, 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 11 May 2006 and ending at the conclusion of the Company's Annual General Meeting to be held in 2007 or, if earlier, on 11 August 2007 and for such period the Section 89 Amount (as defined in paragraph (B)(iii) of that Article) shall be £10,692,185. For the purposes of this Resolution, an allotment of equity securities pursuant to the authority granted by Resolution 8 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.

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

THAT, pursuant to Article 7 of the Company's Articles of Association and subject to and conditional upon the passing of the Extraordinary Resolution set out in the Notice dated 6 April 2006 convening a Separate Class Meeting of the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company (the "Convertible Preference Shares"), the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163(3) of that Act) of ordinary shares of 50p each in the Company (the "Ordinary Shares") and/or Convertible Preference Shares in the Company and, where such shares are held in treasury, the Company may, among other things, use them for the purpose of its employee share schemes, provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 42,768,741 and the maximum number of Convertible Preference Shares hereby authorised to be purchased is 17,739,032;

(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 2007, or on 11 August 2007, 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.

11. 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 11 May 2006.

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

(a) THAT the rules of the Balfour Beatty Performance Share Plan 2006 ("the PSP"), the principal features of which are summarised in the Appendix to this Notice of Annual General Meeting dated 6 April 2006, a copy of which is produced to the meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved and that the Directors be authorised to do any acts and things that they may consider necessary or expedient to carry the PSP into effect; and

(b) THAT the Directors be authorised to establish any further plans for the benefit of employees outside the United Kingdom which are based on the PSP, subject to such modifications as may be necessary or desirable to take account of overseas tax, exchange control or security laws, provided that any shares made available under such plans are treated as counting against any limits on individual or overall participation in the PSP.

By Order of the Board

C R O'N Pearson *Secretary*

Dated 6 April 2006

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. A copy of the Rules of the Balfour Beatty Performance Share Plan 2006 will also be available for inspection at the Company's Registered Office at the same times and, in addition, at the offices of Linklaters, One Silk Street, London EC2Y 8HQ, from the date of this Notice until the conclusion 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 28 April 2006. Warrants will be posted on 29 June 2006 payable on 3 July 2006.

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 11 May 2006 at 12.30 p.m. or as soon thereafter as the Annual General Meeting of the Company, convened for the same day at the same place at 11.45 a.m., shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following resolution as an Extraordinary Resolution:

Extraordinary Resolution

THAT the holders of the Cumulative Convertible Redeemable Preference Shares of 1p each in the Company hereby sanction the passing and implementation of Resolution 10 set out in the Company's Notice of Annual General Meeting dated 6 April 2006 and each and every contract to purchase shares entered into within the terms of the authority thereby conferred.

By Order of the Board

C R O'N Pearson *Secretary*

Dated 6 April 2006

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 18 May 2006 at 12.30 p.m.

Appendix to the Notice of Annual General Meeting

The Balfour Beatty Performance Share Plan 2006 ("the PSP")

General

Under the PSP, awards of shares will be granted to executives. The receipt of shares is subject to the satisfaction of performance conditions and the executive remaining in employment.

The Remuneration Committee of the Board of Directors of Balfour Beatty plc ("the Remuneration Committee") will supervise the operation of the PSP for senior executives.

Eligibility

All employees (including executive Directors) of the Company and any of its subsidiaries will be eligible to participate in the PSP at the discretion of the Remuneration Committee. The operation of the PSP and how it forms part of the remuneration policy of the Board is set out in more detail in the Remuneration Report in the Company's 2005 Annual Report and Accounts.

Grant of awards

The PSP provides for the grant of awards of shares in one of three forms:

- (i) conditional allocations, which is a right to be given shares on vesting;
- (ii) nil (or nominal) cost options, which is a right to buy shares for a 6 month period after vesting for nil (or nominal) consideration; or
- (iii) forfeitable shares, which are shares transferred to participants on the basis that they are forfeit if the performance conditions are not met.

The terms of the different types of awards are, however, substantially the same.

Operation

Other than in exceptional circumstances, awards will normally only be granted within six weeks following the Company's announcement of its results for any period. In addition, it is proposed to first operate the PSP within six weeks of the approval of the PSP by shareholders. No awards may be granted more than five years after the approval of the PSP by shareholders.

Awards are not transferable, except on death. Awards are not pensionable.

Individual limit

Executives may not receive awards in any financial year over shares having a market value on grant in excess of 150% of their annual rate of base salary, other than in exceptional circumstances e.g. recruitment or retention, where the limit is 200% of their base salary. For initial awards, it is intended that the maximum grant of 150% of base salary will be made to the Chief Executive, with other executives receiving grants worth up to a maximum of 125%.

Dilution limits

In any ten year period, not more than 10% of the Company's issued ordinary share capital may be issued or issuable under the PSP or any other employee share plan operated by the Company. Further, over the same period not more than 5% of the Company's issued ordinary share capital may be issued or issuable under the PSP, or any other "executive only" share plan adopted by the Company. Rights that lapse or are surrendered do not count towards these limits. Awards may also be satisfied by treasury shares and, so long as required by the Association of British Insurers, they will be counted towards the limits set out above.

Vesting of awards

Awards will normally vest following the later of the third anniversary of the grant of the award and the end of the performance period (which will not normally be less than three financial years of the Company), provided the participant is still employed in the Group.

Leaving employment

Awards will normally lapse upon a participant leaving the employment of the Group. Where cessation is by reason of death, injury, disability, redundancy, retirement with the agreement of the participant's employer, sale of the participant's employing company or business out of the Group or other circumstances at the discretion of the Remuneration Committee, any subsisting awards will normally continue until the normal vesting date unless the Remuneration Committee decides that they should vest on cessation. In all cases, the number of shares acquired will be calculated by applying the performance condition and, unless the Remuneration Committee decides otherwise, by reducing the shares pro rata to take account of the period between the start of the performance period and the date of leaving, as a proportion of the whole performance period.

Corporate events

Generally, awards will vest on a takeover or scheme of arrangement, subject to the extent to which the performance condition has been satisfied and time pro rated on a similar basis as explained above. Alternatively, participants may be allowed or required, in the case of a reorganisation, to exchange their award for an award over shares in the acquiring company. In the case of an exchange, the Remuneration Committee will determine whether or not the exchanged award will be subject to any performance condition. If it is not, then the award can only be exchanged to the extent that the original performance condition has been satisfied.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of shares subject to outstanding awards, then the Remuneration Committee may determine that awards shall vest to the extent that the performance condition has, in its opinion, been satisfied at that time. The awards will also be time pro rated as explained above unless the Remuneration Committee decides otherwise.

Participants' rights

At the discretion of the Remuneration Committee, participants may be entitled to receive a payment (in cash and/or shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those shares during the performance period. In the case of forfeitable shares, participants may be entitled to dividends and to vote the shares during the performance period.

Performance conditions

All awards will be subject to performance conditions set by the Remuneration Committee on or before the grant of each award. Set out below are the performance conditions that will apply for the first operation of the PSP.

Vesting will be conditional on the achievement of two distinct performance conditions, each applying to separate parts of an award and to be achieved over a fixed three-year performance period (the "performance period"), which will normally begin on the first day of the financial year in which awards are granted and end three years later.

The performance condition attached to 50% of the shares comprising an award will require a stretching earnings per share before exceptional items ("EPS") growth target in excess of inflation ("RPI"). Vesting of this part of an award will be as follows:

EPS growth over the performance period	Proportion of award vesting (being 50% of total award)
Below RPI + 15%	0%
RPI + 15%	25%
RPI + 45%	100%
Between RPI + 15% and RPI + 45%	Between 25% and 100% pro rata

The remaining 50% of the award will vest based on a performance condition measuring the Company's relative total shareholder return ("TSR") against a comparator group of 18 UK-listed companies which operate in comparable markets mainly drawn from the building and construction industry. The Remuneration Committee will review this list prior to the making of each award. It is currently intended that the comparator group for the initial awards in 2006 will comprise:

Aggreko	Interserve
AMEC	Keller
Atkins WS	Kier
Babcock International	Laing (John)
Capita	McAlpine (Alfred)
Carillion	Morgan Sindall
Costain	Serco
Enterprise	Travis Perkins
Hanson	Wolseley

Vesting of this part of an award will be as follows:

The Company's TSR compared to the comparator group over the performance period	Proportion of award vesting (being 50% of total award)
Below median	0%
Median	25%
Upper quartile	100%
Between median and upper quartile	Between 25% and 100% pro rata

TSR calculations for all companies will be averaged over three months prior to the beginning and prior to the end of the performance period.

Awards will lapse at the end of the performance period to the extent that the relevant performance condition has not been satisfied. There will be no retesting.

The Remuneration Committee can set different performance conditions from those described above for future awards provided that the new performance conditions are no less challenging, in the circumstances, than those described above. The Remuneration Committee may also vary or adjust the performance conditions applying to existing awards if an event occurs which causes it to consider it appropriate to amend them (e.g. because of changes in accounting standards or the takeover of a company in the comparator group from time to time) provided that, in its opinion, the amended condition is fair and reasonable and no less challenging than the original condition would have been but for the event in question.

Rights attaching to shares

Any shares allotted under the PSP will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of share capital

In the event of any variation of share capital or in the event of a demerger, payment of a special dividend or similar event, the Remuneration Committee may make such adjustment as it considers appropriate to the number of shares subject to an award and/or the option price payable (if any).

Alterations to the PSP

The Remuneration Committee may, at any time, amend the provisions of the PSP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the terms of vesting of awards, the rights attaching to the shares to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Plans outside the UK

The resolution being put to shareholders to approve the PSP will give your Board the authority to establish further plans based on the PSP but modified to take account of local tax, exchange control or securities laws in territories outside the UK, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the PSP.



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