

24 March 2017

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NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES.

Dear Shareholder

**DOWNER EDI LIMITED
\$1,011 MILLION RENOUNCEABLE ENTITLEMENT OFFER - NOTIFICATION TO ELIGIBLE
RETAIL SHAREHOLDERS**

On 21 March 2017, Downer EDI Limited ("Downer") announced a fully underwritten pro rata renounceable entitlement offer of new Downer ordinary shares ("New Shares") (with retail entitlements trading) to raise approximately \$1,011 million ("Entitlement Offer").

Proceeds from the Entitlement Offer will be applied to partially fund the offer by Downer to acquire all of the issued share capital of Spotless Group Holdings Limited ("Spotless") not already owned by Downer by way of an off-market takeover.

If you are an eligible shareholder, you will be able to subscribe for 2 New Shares for every 5 existing Downer ordinary shares held on the Record Date of 7.00pm (Sydney time) on 24 March 2017 ("Entitlement"). The offer price is \$5.95 per New Share ("Offer Price"). New Shares issued under the Entitlement Offer will rank equally with existing Downer ordinary shares from issue. Fractional entitlements will be rounded up to the nearest whole number of shares.

Following completion of the Entitlement Offer, Downer will have issued approximately 170 million New Shares resulting in total Downer ordinary shares on issue of approximately 595 million. The Entitlement Offer is fully underwritten by UBS AG, Australia Branch.

The Entitlement Offer comprises an institutional entitlement offer and an offer to eligible retail shareholders (as described below, "Eligible Retail Shareholders") to participate at the same Offer Price and offer ratio ("Retail Entitlement Offer"). The Entitlement Offer is being made in accordance with section 708AA of the Australian Corporations Act 2001 (Cth) ("Act") (as modified by Australian Securities and Investments Commission Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared.

Eligible Retail Shareholders

Eligible Retail Shareholders are those persons who are a holder of existing Downer ordinary shares as at 7.00pm (Sydney time) on 24 March 2017 and who:

1. have a registered address on the Downer share register in Australia or New Zealand;
2. are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent they are holding Downer ordinary shares for the account or benefit of such person in the United States);
3. were not invited to participate (other than as nominee, in respect of other underlying holdings) in the institutional entitlement offer and were not treated as ineligible institutional investors under the institutional entitlement offer; and
4. are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Retail Information Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer are set out in an information booklet ("Retail Information Booklet"), copies of which will be available on the ASX website and our Entitlement Offer website at www.downerentitlementoffer.com from 30 March 2017.

Eligible Retail Shareholders will be mailed a Retail Information Booklet, together with a personalised Entitlement and Acceptance Form which contains details of their Entitlement, on or around 30 March 2017. You should read all of the Retail Information Booklet carefully before deciding whether to participate in the Retail Entitlement Offer.

Action required by Eligible Retail Shareholders

Your Entitlement may have value and it is important you determine whether to (in whole or in part) take up, transfer, sell or do nothing in respect of your Entitlement.

Take up an Entitlement:

If you wish to take up all or part of your Entitlement, you will need to complete and return the personalised Entitlement and Acceptance Form together with the requisite Application Monies by following the instructions set out on the personalised Entitlement and Acceptance Form. Applications and Application Monies must be received by the Downer Share Registry by 5.00pm (Sydney time) on Tuesday 11 April 2017.

Sell an Entitlement:

There are a number of ways in which you can sell all or part of your Entitlement, each of which may result in different value for Entitlements sold:

1. If you wish to sell all of your Entitlement on ASX, you should instruct your stockbroker personally and provide them with details they request as set out on your personalised Entitlement and Acceptance Form. Entitlements can be sold on ASX from 24 March 2017 to 4 April 2017.
2. If you wish to take up part of your Entitlement and sell the balance on ASX, you need to:
 - (a) in respect of the part of your Entitlement you are taking up, complete and return your personalised Entitlement and Acceptance Form with the requisite Application Monies by following the instructions set out on the Entitlement and Acceptance Form; and
 - (b) in respect of Entitlements to be sold on ASX, you should instruct your stockbroker personally and provide them with details they request as set out on your personalised Entitlement and Acceptance Form.
3. If you wish to transfer all or part of your Entitlement other than on ASX, you will need to complete and return a Renunciation and Transfer Form (which can be obtained through the Downer Offer Information Line or your stockbroker) together with the Entitlement and Acceptance Form and the transferee's Application Monies to the Downer Share Registry by 5.00pm (Sydney time) on 11 April 2017. The purchaser's address must be in Australia or New Zealand (unless Downer otherwise agrees) and the purchaser must not be in the United States or acting for the account or benefit of a person in the United States.

Please note you may incur brokerage if you choose to sell your Entitlement on ASX. Eligible Retail Shareholders who sell their Entitlement before receiving confirmation of their Entitlement in the Entitlement and Acceptance Form do so at their own risk. Downer will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by Downer or the Downer Share Registry or failure to maintain your updated details on the Downer Share Registry or otherwise.

Nominees must not take up Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer, to any person in the United States.

In order to exercise Entitlements, holders of Entitlements must meet certain eligibility criteria that will be set out in the Retail Information Booklet. In particular, persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase or trade Entitlements on ASX or take up or exercise Entitlements purchased on ASX or transferred from another person. It is the responsibility of purchasers of Entitlements on ASX to inform themselves of the eligibility criteria for exercise of Entitlements. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to take up or exercise the Entitlements and, as a result, they may receive no value for them.

Do nothing:

If your Entitlements are not taken up, sold or transferred, you will be taken to have authorised the sale of those Entitlements in the retail shortfall bookbuild. These Entitlements will be offered for sale, for your benefit, in the retail shortfall bookbuild on Tuesday, 18 April 2017. Accordingly, if you do not take up all of your Entitlements, you will receive any proceeds in excess of the Offer Price in respect of your Entitlement sold to investors as part of the retail shortfall bookbuild, net of any applicable withholding tax. There is no guarantee that you will receive any proceeds as a result of the retail shortfall bookbuild.

The tax consequences of selling your Entitlement or from doing nothing may be different. Before selling your Entitlement or choosing to do nothing in respect of your Entitlement, you should seek your own tax advice (and you may wish to refer to the tax disclosures contained in the Retail Information Booklet which will provide information on potential taxation implications for Australian shareholders).

Key Dates for Eligible Retail Shareholders

Announcement of the Entitlement Offer	Tuesday, 21 March 2017
Retail Entitlements trading on ASX begins (on a deferred settlement basis)	Friday, 24 March 2017
Record Date for eligibility in the Entitlement Offer	Friday, 24 March 2017
Retail Entitlement Offer opens	Thursday, 30 March 2017
Retail Entitlements allotted and trading on a normal settlement basis	Friday, 31 March 2017
Retail Entitlements trading on ASX ends	Tuesday, 4 April 2017
Retail Entitlement Offer closes	Tuesday, 11 April 2017
Retail shortfall bookbuild	Tuesday, 18 April 2017
Settlement of the Retail Entitlement Offer	Friday, 21 April 2017
Issue of New Shares under the Retail Entitlement Offer	Monday, 24 April 2017
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Wednesday, 26 April 2017
Retail premium proceeds (if any) despatched to shareholders	Friday, 5 May 2017

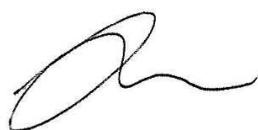
The above timetable is indicative only and subject to change. All times are references to Sydney time.

Downer reserves the right to vary these dates without notice subject to the Act, the ASX Listing Rules and other applicable laws. In particular, Downer reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases), and to withdraw the Entitlement Offer at any time.

For further information on the Entitlement Offer you should call the Downer Offer Information Line on 1300 048 149 (Australia) or +61 3 9415 4275 (International callers) from 8.30am to 5.30pm (Sydney time) Monday to Friday during the Retail Entitlement Offer period. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

The Downer Board is pleased to offer this opportunity to you.

Yours faithfully
Downer EDI Limited



Peter Tompkins
Company Secretary
Downer EDI Limited

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Important Information

This letter is issued by Downer EDI Limited (ABN 97 003 872 848). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Downer in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of Downer ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Entitlements or New Shares in any jurisdiction outside Australia and New Zealand. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold directly or indirectly to, persons in the United States unless they have been registered under the Securities Act (which Downer has no obligation to do so or procure) or they are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Entitlements and New Shares to be offered and sold in the Retail Entitlement Offer will only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) of the Securities Act) in reliance on Regulation S under the Securities Act.

Certain statements made in this letter are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Downer's current expectations, estimates and projections about the industry in which Downer operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements.

These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Downer, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Downer cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Downer only as of the date of this letter. The forward-looking statements made in this letter relate only to events as of the date on which the statements are made. Downer will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this letter except as required by law or by any appropriate regulatory authority.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Retail Information Booklet, and if you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.