



Downer EDI Limited ABN 97 003 872 848

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19 October 2006

Adrian Smythe
Australian Stock Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By email: Adrian.smythe@asx.com.au

Dear Adrian

Re: Price Query

I refer to your letter of 18 October 2006 and the queries raised concerning trading in DOW securities during the period 12 October 2006 to 18 October 2006 inclusive. In answer to your questions:

1. The Company is not aware of any information concerning it that has not been announced which, if known, could be an explanation for the recent trading in securities of the Company. The Company is aware of press speculation since the announcement of its June 2006 results concerning conjecture about possible bids for the Company. This conjecture has included references to Leighton Holdings Limited and Worly Parsons as well as other companies. The Company has had no indication from any person of any intention to make a takeover offer. In particular, Leighton Holdings has not made any indication to the Company of any intention to make a takeover offer.

The Company is aware that Leighton Holdings did have a small shareholding in the Company in early September 2006, however we are not aware of whether that holding has been retained. The holding was at that time less than a discloseable level.

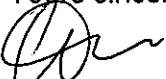
2. Not applicable.
3. Other reasons which may account for the price change and increase in the volume and Securities of the Company include:



- (a) recent marketing by senior executives of the Company in Asia, Europe and the United States. The Managing Director and Finance Director completed visits to investors and potential investors in Europe, the United States and Asia in September. The Deputy CEO gave a presentation on the Company to an infrastructure conference in New York in early October. These presentations have been available on the Company's website. They do not contain any information which has not been disclosed to the market;
- (b) the fact that the Reliance Rail consortium (in which the Company is the largest investor) has been short-listed for the NSW rollingstock PPP and that a decision by the government in relation to that proposal is expected shortly;
- (c) since the announcement of its June 2006 results, the Price Earnings ratio of the Company's securities has been at a significant discount to its peers. This may have caused investors to re-weight their investments in the sector in favour of the Company's securities.

4. We confirm that the Company is in compliance with Listing Rules and in particular Listing Rule 3.1.

Yours sincerely,



Carl Thompson
Company Secretary



ASX

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18 October 2006

Carl Thompson
Company Secretary
Downer EDI Limited
Level 3
190 George Street
Sydney NSW 2000

By Email

Dear Carl

Downer EDI Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from a close of \$5.90 on 12 October 2006 to a close of \$6.83 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

In answering this question please address the recent newswire reports about a rumoured bid by Leighton Holdings Limited.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at adrian.smythe@as.com.au or by facsimile on **facsimile number (02) 9241 7620**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9.30 a.m. E.S.T. on Thursday, 19 October 2006**).

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

A handwritten signature in black ink that reads "A. Smythe". The signature is written in a cursive style with a large, prominent initial "A".

Adrian Smythe
Principal Adviser, Issuers (Sydney)

Direct Line: (02) 9227 0640