

2026

ENGINEERING



TRANSNET

COLLABORATION, OPPORTUNITIES AND GROWTH.

engineering rail infrastructure manager freight rail port terminals national ports authority pipelines property



engineering

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CHIEF EXECUTIVE'S OVERVIEW

“ The 2025/26 financial year was characterised by a challenging and constrained operating environment, primarily driven by reduced rail volumes, system inefficiencies across the logistics value chain, and ongoing supply chain and capacity constraints. These pressures adversely affected both operational performance and financial outcomes. Despite these challenges, Transnet Engineering (TE) maintained a disciplined focus on cost containment, operational stabilisation, and strategic repositioning to support medium- to long-term recovery and growth. ”

HIGHLIGHTS

The Command Centre projects recorded the following achievements:

- Release of 108 long-standing locomotives, with 101 new stops leading to a reduction in long-standing locomotives from 368 to 361;
- 23E assembly in Durban delivered 47 new-built locomotives, the highest since inception, with a record of eight locomotives released in March 2026; and
- Sasol wagon maintenance programme exceeded target of 100 where 120 was achieved.

FINANCIAL PERFORMANCE

Total revenue for the year declined by 8% to R9,8 billion (2024/25FY: R10,7 billion), reflecting reduced demand from Transnet Freight Rail (TFR) and lower external revenue streams. Internal revenue decreased to R9,5 billion, while external revenue declined to R273 million, impacted by reduced cross-border and domestic activity.

Operating expenditure increased marginally to R12,2 billion (2024/25FY: R12,0 billion), representing a below-inflation increase of approximately 2%. Notwithstanding cost containment efforts, the cost base continues to exceed revenue, resulting in an EBITDA loss of R2,4 billion compared to a loss of R1,3 billion in the prior year.

Profit after taxation deteriorated to a loss of R3,0 billion (2024/25FY: loss of R2,1 billion), with operating margins declining to -30,4% and EBITDA margin to -24,8%. Return on invested capital (ROIC) decreased to -27,1%, reflecting ongoing pressure on asset utilisation and overall financial sustainability.

Cost management initiatives yielded measurable efficiencies, including a reduction in material input costs of R164 million and a decrease in energy costs of R66 million. However, these savings were offset by increases in other operating costs of R444 million, including a R154 million, or 3%, increase in personnel-related expenditure.

OPERATIONAL PERFORMANCE AND KEY DRIVERS

Operational performance was significantly impacted by structural constraints, including limited availability of critical materials, inadequate OEM support for specific fleets, and capacity limitations within rolling stock maintenance. These factors contributed to a decline in locomotive reliability, increased traction-related delays, train cancellations, and associated volume losses across key corridors, notably the North, Ore, and Northeast Corridors.

In response, TE implemented targeted operational interventions through the Command Centre, improving coordination, execution oversight, and reporting. These interventions contributed to progress in releasing long-standing locomotives and improving reliability in selected fleet segments.

Engineering-led solutions enabled the resolution of critical subsystem failures and supported improved performance in legacy fleets, including the 18E and diesel locomotive classes. These efforts demonstrate TE's ability to leverage in-house technical capability to address complex operational challenges.



CHIEF EXECUTIVE'S OVERVIEW continued

COST MANAGEMENT AND CAPITAL INVESTMENT

TE continued to exercise strict cost discipline, maintaining expenditure growth below inflation while prioritising critical operational requirements.

Capital expenditure of R152 million was delivered during the year, representing a significant increase from R60 million in the prior year, despite overall funding constraints and budget reductions from an initial R496 million to R240 million.

Capital was prioritised toward essential plant, equipment, and tooling investments required to support recovery initiatives and improve operational efficiency. For the 2026/27 financial year, R941 million has been approved to address infrastructure renewal, equipment reliability, and operational capacity constraints.

While capital constraints remain a material consideration, the improved execution of capital projects reflects enhanced focus and governance in prioritising high-impact investments.

STRUCTURAL RISKS AND MITIGATING ACTIONS

The year highlighted several key structural risks that continue to impact performance. These include dependence on a primary customer, constrained funding and capital availability, inefficiencies in supply chain processes, and reliance on OEM support for fleet maintenance.

TE has implemented targeted mitigation strategies to address these risks. These include the development of long-term OEM partnerships, improved demand planning and procurement processes, enhanced coordination with key stakeholders, and the alignment of maintenance activities with more predictable funding frameworks.

In parallel, improvements in security controls resulted in a significant reduction in incidents and associated losses, demonstrating progress in operational risk management. Safety performance stabilised toward the latter part of the year, supported by focused leadership interventions and enhanced compliance measures, although further improvement remains a priority.

STRATEGIC INITIATIVES AND CAPABILITY DEVELOPMENT

Notwithstanding current financial and operational pressures, TE made meaningful progress in strengthening its strategic and technical capabilities.

The business advanced its positioning as an original equipment manufacturer (OEM), including the continued deployment of the in-house designed and built TransAfrica locomotives on the Ore line. In addition, localisation initiatives and the development of engineering solutions have reduced reliance on external suppliers and enhanced long-term capability.

Strategic sourcing initiatives and enhanced OEM engagement are expected to improve material availability, reduce lead times, and strengthen supply chain resilience. These initiatives are central to improving fleet availability and operational performance going forward.

INNOVATION AND CAPABILITY DEVELOPMENT

Transnet Engineering (TE) continues to strengthen its capability to translate conceptual designs into market-ready, high-performance solutions. This is supported by the application of advanced engineering, technology development, and structured testing methodologies, enabling the delivery of scalable and reliable products aligned to operational requirements.

TE's positioning as an original equipment manufacturer (OEM) is underpinned by its prior development of the TransAfrica locomotive platform, which continues to be deployed as tippler shunting locomotives on the Ore Line at Saldanha. During the year, these units achieved an average availability of 61%, contributing to operational performance and supporting volume recovery initiatives.

Building on this established capability, TE has initiated engagements to commercialise the TransAfrica locomotive platform through potential collaboration with a diesel locomotive OEM. These discussions are currently at a technology assessment stage and are aimed at unlocking future market opportunities and strengthening TE's OEM positioning.

Performance improvements were also achieved in addressing constraints within the CRRC fleet. Targeted engineering and depot-level interventions enabled the development of repair and replacement solutions for critical sub-systems, resulting in the release of 18 long-standing locomotives. In parallel, TE implemented replacement and repairable solutions across legacy fleets, including the 18E, Toshiba (15E/19E), and diesel fleets (D34/D43), contributing to improved reliability and extended asset life.

PLANT, EQUIPMENT AND TOOLING

TE operates within a capital-intensive environment characterised by ageing infrastructure across its plants and depots, with sustaining capital requirements estimated to exceed R3 billion over the next five years. The capital budget for 2025/26FY was reduced from R496 million to R240 million, reflecting broader Group funding constraints.

Within these constraints, capital allocation remained focused on high-priority recovery initiatives, including the replacement and refurbishment of critical plant, equipment and tooling required to support maintenance throughput and improve operational efficiency.

Total capital expenditure for the year amounted to R154 million, representing a 99% increase from R77 million in the prior year. This reflects improved prioritisation and execution of capital projects despite limited funding.

For 2026/27FY, capital expenditure of R941 million has been approved, with a focus on infrastructure renewal, equipment reliability, safety compliance, and operational capacity enhancement. A phased five-year capital plan has been developed to align future funding requirements with operational recovery and long-term sustainability objectives.

STRATEGIC SOURCING AND OEM RELATIONSHIP MANAGEMENT

Supply chain constraints continued to impact operational performance, particularly in relation to material availability and extended procurement lead times. In response, TE progressed a strategic shift from a transactional procurement approach to a partnership-based sourcing model centred on long-term OEM and Original Parts Manufacturer (OPM) relationships.

This approach has strengthened supply continuity and improved access to technical support. However, structural differences between procurement for new-build programmes and maintenance activities continue to contribute to lead-time delays and obsolescence risks.

To address these constraints, TE incorporated obsolescence management into its long-term OEM and OPM strategies. While this will improve lifecycle planning and sustainability, it has also resulted in extended Request for Proposal (RFP) timelines, reflecting technological changes and the discontinuation of legacy production lines.

Through enhanced demand planning and strategic sourcing, TE secured increased OEM participation, including commitments to establish local warehousing for long-lead items. This is expected to improve material availability and responsiveness. OEM partners will also provide technical support, including certification of TE's Centres of Excellence and targeted skills development to ensure alignment with OEM standards.

Localisation remains a key component of the sourcing strategy, with OEM collaboration supporting the development of local suppliers and the transfer of technical knowledge. This is expected to strengthen supply chain resilience, improve efficiency, and support long-term sustainability.

A cornerstone of this partnership model is the collaborative management of obsolescence and legacy systems. Through close engagement with OEMs, TE is strengthening its ability to manage end-of-life materials, assess system integration impacts, and access critical engineering expertise required to sustain fleet performance. These partnerships also support the development of testing protocols and system interoperability, reinforcing overall operational resilience.

Enhanced contract and supplier management frameworks have been implemented to improve accountability, reduce lead times, and ensure consistent delivery against key performance indicators for fleet availability and reliability.

OUTLOOK AND GROWTH STRATEGY

Management remains focused on accelerating operational recovery and restoring financial sustainability through improved asset performance, increased maintenance throughput, and enhanced cost discipline. Key priorities include reducing maintenance backlogs, improving fleet reliability, and strengthening alignment between operational delivery and funding frameworks.

At the same time, TE is actively positioning itself to capture emerging growth opportunities arising from rail reform and market liberalisation. Strategic initiatives such as LeaseCo and Rail Operations Services provide a platform for revenue diversification and long-term growth.

Additional opportunities exist in the ports and maritime sectors, as well as regional expansion across SADC, supported by TE's established technical capability and infrastructure footprint. These initiatives are expected to diversify the revenue base, reduce dependency on traditional markets, and enhance financial resilience over time.

CONCLUSION

While the 2025/26 financial year reflects significant operational and financial challenges, the organisation has taken decisive steps to stabilise its performance and address key structural constraints.

Through disciplined cost management, strengthened operational oversight, targeted capital investment, and the advancement of strategic growth initiatives, Transnet Engineering is positioning itself for recovery and improved performance.

The business remains focused on restoring financial sustainability, improving operational efficiency, and delivering long-term value in a transforming rail sector.

Bessie Mabunda
Chief Executive

BUSINESS OVERVIEW

Renowned for its critical role in manufacturing and maintaining assets crucial to Transnet operations, TE is a cornerstone of South Africa's railway and ports industry.

TE provides comprehensive lifecycle management of critical railway assets, encompassing the design, manufacturing, remanufacturing, assembly and maintenance of rolling stock such as locomotives, freight wagons, passenger coaches, as well as port equipment. The division's specialised engineering capabilities span research, design, testing, and validation, enabling it to maintain high standards and continuously innovate in response to evolving market needs.

With over 163 years of experience in rail operations, TE operates as an independent African OEM, widely recognised for its pioneering role in wagon manufacturing. The division has further strengthened its OEM credentials by designing and producing the innovative Trans-Africa locomotive. In addition, TE plays a key role as a specialised subcontractor to leading global OEMs, contributing to the manufacture of various locomotive classes. Its advanced engineering and design capabilities are also demonstrated through projects such as the Transnet port hauler, which underwent rigorous testing.

TE primarily serves Transnet's operating divisions, while also catering to a broader customer base that includes rail logistics companies across South Africa and the wider Southern African region, including Botswana, Eswatini, Mozambique, Zambia, Namibia and Zimbabwe. This regional footprint enables TE to leverage its longstanding heritage and strategic geographic positioning.

CHALLENGES AND RESPONSES

The Operating Division faces notable threats that challenge its operations and market position. These include:

- A high dependence on a primary customer;
- A cultural misalignment for transformation;
- Financial challenges, including high debt;
- Increasing global competition in African markets;
- Regulatory constraints;
- Inability to quickly capitalise on rail reform opportunities due to train operating companies' (TOCs) lack of upfront funding for refurbishment; and
- Limitations in converting research and development (R&D) into commercial products.

TE is currently executing a range of initiatives aligned with Transnet's Reinvent for Growth (R4G) strategy to optimise, transform, and grow the business. The Command Centre, established in 2024/2025FY, plays a critical role in implementing these strategic initiatives. It comprises multidisciplinary teams with a primary focus on the coordinated planning, execution, and

delivery of specific projects and on ensuring timely and accurate reporting on progress and outcomes.

STRATEGIC OBJECTIVES

The R4G Strategy focuses on strategic growth to revitalise TE's financial health and operational effectiveness. TE will be the preferred technical service provider for the rolling stock leasing company, which Transnet will establish in 2026/27FY. To achieve this and to capitalise on other rail reform opportunities, TE will streamline and enhance its operations to ensure competitiveness and consistent service delivery. This will be enabled by the following:

Customer focus

- Improving customer service for Freight Rail and other customers;
- Growing the ports business;
- Broadening the market for its products and services to support new train operating companies and other State-owned companies; and
- Attaining global competitiveness informed by timely market intelligence and best practice benchmarks.

Operations focus

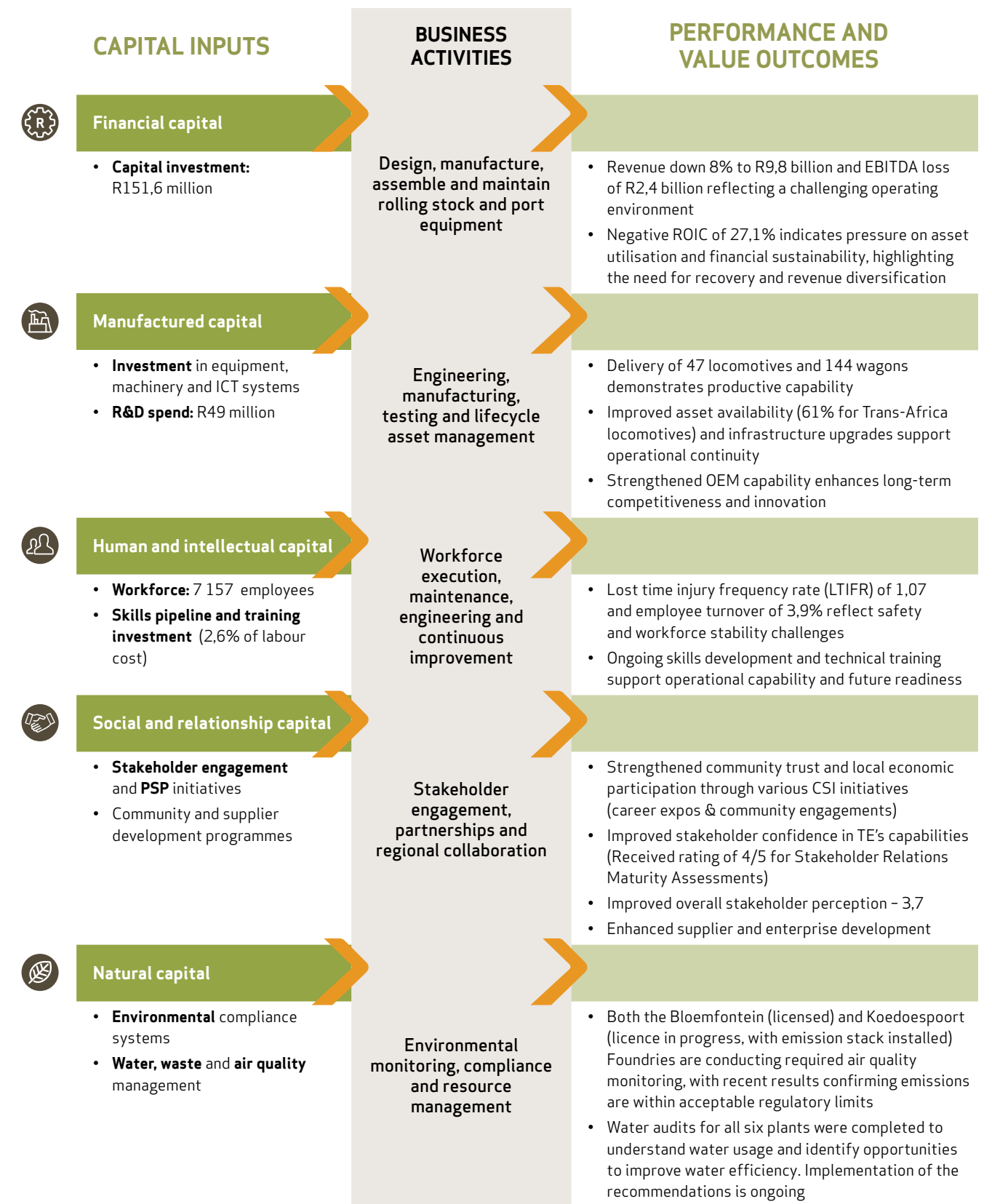
- Consolidating the businesses to optimise resources;
- Streamlining product offerings and focusing on profitable product lines; and
- Exploring private sector participation (PSP) to capacitate super depots (mainly on the Ore Corridor and North Corridor) to run 24/7 operations.

Supply chain focus

Securing long-term contracts with OEMs and critical suppliers to improve material availability, minimise production delays, while driving cost effectiveness.

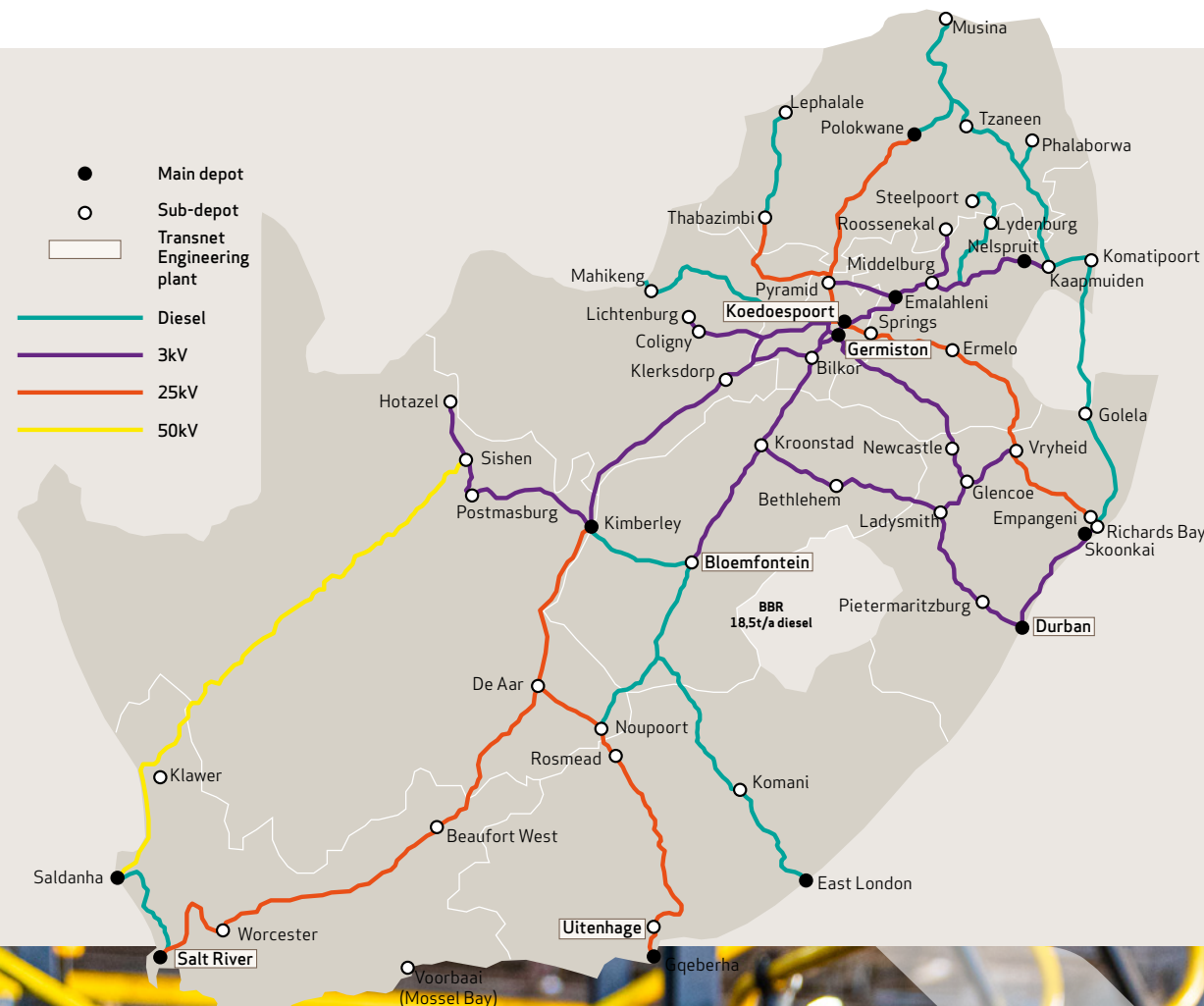
SUPPORTING VALUE CREATION THROUGH OUR BUSINESS MODEL

TE creates value through the effective integration of multiple capitals, including financial, manufactured, human, intellectual, social and natural. These capitals provide the resources and relationships required to deliver engineering, manufacturing and maintenance services across the business. Through its core operations, these inputs are transformed into measurable performance outcomes and broader value for stakeholders, supporting operational resilience, financial sustainability and long-term growth.



WHERE WE OPERATE

TE operates across six main plants and 143 maintenance depots throughout South Africa. Its distribution network spans the rail corridors, ports and terminals to ensure a comprehensive reach for servicing continuous logistics operations.



REGULATORY ENVIRONMENT

In 2024/25FY, several pieces of legislation affecting Transnet's operations were passed by parliament. Some of this legislation became effective during the 25/2026FY. TE has established internal control plans, including training for execution in 2026/27FY to support compliance.

THE RAILWAY SAFETY ACT, NO 30 OF 2024

The Railway Safety Act, is a new legislation that has replaced the National Railway Safety Regulator Act 16 of 2002. The Act became effective on 1 August 2025. However, not all provisions were implemented on that date, with some key sections deferred.

The Act provides for the following:

- The regulation of railway safety in South Africa;
- The continued existence of the Railway Safety Regulator;
- Railway safety permits;
- Railway safety-critical grades and safety management systems;
- A national railway safety information and monitoring system;
- A legal framework to enforce compliance with the Act and to deal with railway safety incidents; and
- An appeal mechanism for fines and penalties.

The Railway Safety Bill, which gives effect to the Railway Safety Act 30 of 2024, was published by the Department of Transport in 2016. Therefore, TE is aware of the provisions of the Act and the extent of required compliance and is ready to implement the necessary controls.

THE PUBLIC PROCUREMENT ACT, NO 24 OF 2024

The Public Procurement Act was approved by the President and published in the Government Gazette in July 2024. The provisions of the Act are not yet effective and await proclamation in the Government Gazette.

This Act aims to improve transparency and integrity in the procurement process by establishing a single framework that regulates public procurement across all organs of State, including public entities and Government departments.

This Act establishes a Public Procurement Office to oversee procurement activities, prevent corruption and ensure that public funds are used effectively. It also includes provisions to establish a Public Procurement Tribunal to regulate the procurement of goods and services and ensure compliance with preferential procurement policies.

CLIMATE CHANGE ACT, NO 22 OF 2024

The Climate Change Act came into effect in March 2025. However, not all provisions were implemented on that date, with some key sections deferred until later, pending the development of necessary secondary legislation, regulations and consultations. The Act aims to enable the development of an effective climate change response and a transition to a low-carbon, climate-resilient economy and society.

LICENSES CRITICAL FOR OPERATIONS

TE has 221 critical permits and licenses, which it regularly monitors for compliance. These include environmental licenses such as effluent/wastewater discharge permits and atmospheric emission licenses (AELs), safety licenses such as the safety permit for rail operations, flammable and hazardous substances handling licenses, and operational permits, licenses and certifications such as EN15085 for welding standards and AAR5000 for wagon quality.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Key performance area and indicator	Unit of measure	2024 Actual	2025 Actual	2026 Target	2026 Actual	2027 Target
Financial sustainability						
EBITDA margin	%	(1,9)	(12,3)	(13,7)	(24,8)	(9,5)
Operating profit margin	%	(5,1)	(16,9)	(18,9)	(30,4)	(13,7)
Gearing	%	101,3	128,2	161,2	171,1	200,8
Net debt to EBITDA	times	(40,4)	(7,9)	(9,5)	(5,3)	(14,8)
ROIC	%	(4,4)	(17,0)	(17,2)	(27,1)	(13,8)
Asset turnover	times	0,7	1,0	0,9	0,9	0,9
Cash interest cover	times	4,8	(2,2)	(1,0)	(1,4)	(1,0)
Total revenue	R million	9 817	10 650	10 272	9 758	10 701
External		553	315	830	273	575
Internal		9 264	10 335	9 442	9 485	10 126
Capacity creation and maintenance						
Capital expenditure	R million	100	60	496	152	941
Planned maintenance	R million	172	194	329	221	196
Operational excellence						
Train cancellations due to traction						
Cape Corridor	%	10,48	8,98	≤6	5,89	≤6
Central Corridor	%	0,97	1,72	≤6	4,18	≤6
Container Corridor	%	2,87	1,59	≤6	3,04	≤6
North Corridor	%	6,37	7,27	≤6	19,14	≤6
Northeast Corridor	%	6,51	9,10	≤6	10,96	≤6
Ore Corridor	%	15,99	20,98	≤6	16,99	≤6
Net volume lost due to traction						
Cape Corridor	%	9,8	6,9	≤7	5,07	≤7
Central Corridor	%	1,4	1,8	≤7	3,69	≤7
Container Corridor	%	3,4	1,5	≤7	2,83	≤7
North Corridor	%	12,8	12,4	≤7	21,32	≤7
Northeast Corridor	%	13,8	10,5	≤7	9,82	≤7
Ore Corridor	%	19,3	18,00	≤7	26,09	≤7
Traction delays						
Cape Corridor	%	64,1	52,5	40	38	40
Central Corridor	%	78,5	53,5	40	39	40
Container Corridor	%	61,8	66,0	40	53	40
North Corridor	%	58,8	64,1	40	55	40
Northeast Corridor	%	54,4	69,4	40	54	40
Ore Corridor	%	34,8	40,4	40	40	40

Key performance area and indicator	Unit of measure	2024 Actual	2025 Actual	2026 Target	2026 Actual	2027 Target
People management						
Employee turnover	%	4	5,4	6,0	3,9	6,0
Employee headcount	permanent	7 773	7 478	7 553	7 157	7 219
Revenue per employee	R million	1,3	1,4	1,4	1,4	1,5
Transformation						
Total Black employees	%	87	88	92	89	92
Total females	%	28	26	35	29	35
Total people with disabilities	%	1,8	1,7	3	1,7	3
Skills development						
Apprentice trainees	headcount	200	200	150	153	175
Technician trainees	headcount	0	35	22	25	8
B. Engineering trainees	headcount	0	32	10	15	24
Training spend	% of personnel cost	4,8	2,6	2,5	2,6	2,5
Risk, safety and health						
Cost of risk	% of revenue	N/A	4,1	4,3		
LTIFR	rate	0,85	1,10	0,80	1,07	0,72
Regional integration						
Cross-border sales revenue	R million	261	65	86	(20)	450
Industrial capability building						
R&D costs	R million	58	51	93	49	86



OPERATIONAL PERFORMANCE **REVIEW**

TE's Rolling Stock Maintenance (RSM) Department failed to achieve most of its KPIs in 2025/26FY. The underperformance was primarily due to ongoing capacity and funding constraints, perway maintenance, derailments and critical material shortages, which resulted in delays and deferments of planned maintenance activities and component change-out programmes.

Consequently, locomotive reliability deteriorated across several corridors, leading to traction-related delays, train cancellations and associated volume losses. The North, Ore and Northeast Corridors were the most affected. To mitigate the labour shortfall, technical employees were permanently redeployed from other areas to support maintenance execution and sustain operational requirements in the North and Ore Corridors. However, this has created additional capacity constraints across the broader business.

NORTH CORRIDOR

To mitigate the labour shortfall, technical employees were permanently redeployed from other corridors to support maintenance execution. The corridor's performance continued to be adversely affected by inadequate OEM support for the CRRC locomotive fleet. This constraint limited access to critical technical support, spare parts, and engineering interventions required to sustain fleet reliability and operational availability. Although a step-in OEM was appointed to support the release of longstanding CRRC locomotives, the intervention did not deliver the anticipated outcomes, and planned recovery targets were not fully achieved.

In response, TE is implementing long-term strategic interventions to stabilise OEM support, improve the availability of critical spares and technical expertise, and enhance overall locomotive reliability and fleet performance.

ORE CORRIDOR

The corridor experienced operational challenges arising from a substantial backlog in rolling stock maintenance, largely due to capacity and material constraints. To mitigate the labour shortfall, technical employees were permanently redeployed from other areas to support maintenance execution. While ongoing recruitment is underway, employees are temporarily seconded as an interim measure. Focused interventions are also being implemented to address ongoing material shortages and improve maintenance turnaround times.

NORTHEAST CORRIDOR

Locomotive performance on the corridor was significantly impacted by shortages of critical spare parts, which constrained maintenance execution and reduced overall fleet availability. In addition, derailments remained a key constraint on the corridor, significantly affecting the effective fleet size and operational reliability.

Targeted initiatives were implemented to reduce the number of long-standing locomotives, and these interventions yielded positive results by returning units to operation. However, the gains achieved were partially offset by additional locomotive failures and operational stoppages experienced.

To address these ongoing challenges, TE is pursuing long-term parts supply agreements and material and technical support agreements to establish a more stable and sustainable supply chain for critical locomotive components. These interventions are expected to improve maintenance execution, strengthen fleet reliability, and enhance overall corridor performance over the long term.



FINANCIAL PERFORMANCE

REVIEW

	Year ended 31 March 2026 R million	Year ended 31 March 2025 R million	% change
Revenue	9 758,3	10 650,2	(8,4)
– Internal	9 485,6	10 335,2	(8,2)
– External	272,7	315,0	(13,4)
Operating expenses	(12 175,3)	(11 961,5)	1,8
– Energy costs	(180,1)	(246,5)	(26,9)
– Maintenance	(221,2)	(194,4)	13,8
– Materials	(3 934,5)	(4 098,2)	(4,0)
– Personnel costs	(6 087,0)	5 903,3	3,1
– Other	(1 752,5)	(1 519,1)	15,4
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	(2 417,0)	(1 311,3)	84,3
Depreciation, derecognition and amortisation	(792,9)	(488,3)	62,4
Profit from operations before items listed below	(3 209,9)	(1 799,5)	78,4
Impairments and fair value adjustments	319,8	(23,9)	(1 438,9)
Net finance costs	(1 139,0)	(1 002,7)	13,6
Profit before taxation	(4 029,1)	(2 826,1)	42,6
Taxation	988,7	736,1	34,3
Profit after taxation	(3 040,4)	(2 090,0)	45,5
Total assets (excluding CWIP)	10 898,3	11 511,1	(5,3)
Profitability measures			
EBITDA margin *	(24,8)	(12,3)	101,2
Operating margin **	(32,9)	(16,9)	94,7
Return on average total assets (excluding CWIP)***	(28,6)	(16,0)	79,4
Asset turnover (excluding CWIP)****	0,9	1,0	(8,0)
Capital investments^	151,6	60,3	151,5
Employees			
Number of employees (permanent)	7 157	7 478	(4,3)
Revenue per employee	1,4	1,4	(4,4)

* EBITDA expressed as a percentage of revenue.

** Profit from operations before impairment of assets, fair value adjustments, net finance costs and taxation expressed as a percentage of revenue.

*** Profit from operations before impairment of assets, fair value adjustments, net finance costs, and taxation expressed as a percentage of average total assets excluding capital work in progress.

**** Revenue divided by average total assets excluding capital work in progress.

^ Actual capital expenditure (replacement + expansion) excluding borrowing costs.

OUTLOOK

TE is strategically positioned to strengthen its market presence through key Transnet PSP initiatives, including the LeaseCo and Train Operating Companies (TOCs). These initiatives could enhance its long-term revenue streams

LEASECO

Transnet is establishing a leasing company, LeaseCo, with a private partner. TE will act as a preferred, potentially exclusive, service provider, providing critical new-build, maintenance, and refurbishment services for its locomotives and wagons. TE is enhancing its commercial processes and operational efficiencies to become a strong technical partner to LeaseCo, ensuring a reliable, ongoing income stream.

LeaseCo operations are expected to contribute R14,9 billion in revenue in the next nine years, starting at R482 million in 2027/28FY. ROS is expected to contribute R963 million in revenue over a similar period, beginning with R14 million in FY2027/28.

SADC OPPORTUNITIES

TE will leverage its rolling stock technical capabilities to support cross-border SADC operations. This includes providing technical, supervisory, and engineering support to regional rail operators through structured leasing and maintenance agreements. TE will deploy mobile maintenance teams, offer training and skills development, and establish regional maintenance partnerships to ensure asset availability and reliability. There are also opportunities for deploying joint training programmes with OEMs to build regional capacity in digital diagnostics, overhaul procedures and manufacturing excellence.

Beyond SADC, TE has identified Africa expansion as a strategic growth and diversification priority, with a focused pipeline of rolling stock and ports equipment opportunities currently under assessment. In collaboration with Transnet International Holdings (TIH), TE will pursue all Africa-facing opportunities, leveraging TIH's market access, investment facilitation, and commercial structuring mandate.

In parallel, LeaseCo's planned expansion into selected African markets presents an additional structured route to market, particularly for rolling stock leasing solutions where ownership and financing models are critical to customer affordability and project viability.

TRAIN OPERATING COMPANIES (TOCs)

South Africa's shift to an open-access rail system, enabling the entry of multiple TOCs, significantly expands the addressable market for TE. Instead of relying primarily on TFR as a captive customer, TE can now position itself as a multi-client engineering, maintenance and manufacturing partner to a diverse set of

operators, including private logistics firms, mining companies, and international regional entrants. This creates immediate opportunities in the supply of locomotives, wagons, refurbishment services, as new TOCs will require both new rolling stock and the rapid reactivation or upgrading of existing fleets through LeaseCo to enter the market efficiently.

At the same time, the emergence of multiple operators drives strong demand for maintenance, repair, and overhaul services, an area where TE has established capability and national footprint. Many TOCs, particularly new entrants, are likely to adopt asset-light operating models, preferring to outsource maintenance rather than invest in their own facilities. This positions TE to secure long-term, performance-based maintenance contracts, offer mobile or regional depot services, and introduce advanced solutions and fleet performance analytics. Additionally, the reform opens opportunities for TE to be an anchor technical partner to LeaseCo into leasing and asset management models, partnering with financiers and OEMs to provide bundled solutions that combine rolling stock supply with maintenance and financing.

Finally, the transition to a multi-operator environment creates a need for standardisation, interoperability, and technical assurance, which TE is well-positioned to provide, given its deep engineering expertise and understanding of the local rail system. As different TOCs introduce varied equipment and technologies, TE can act as a neutral technical integrator, supporting certification, compliance, and system compatibility across the network. This evolving role, combined with potential partnerships with global OEMs entering the market, allows TE to reposition itself from an internal support function into a competitive, customer-focused rail solutions provider, with opportunities not only in South Africa but also as a springboard into regional African markets.

TE, in collaboration with Group BD (LeaseCo), has proactively engaged with all newly appointed TOCs to understand their operational commitments under the TRIM framework, as well as their rolling stock requirements. These engagements have provided clear visibility of confirmed routes, allocated slots, and phased plans to introduce rolling stock and ramp up freight volumes. Leveraging this insight, TE has positioned itself at the forefront of the market by presenting tailored commercial solutions across key freight segments, including the supply of Jumbo coal wagons, high-sided coal wagons, manganese and chrome wagons, and flatbed container wagons. This proactive market engagement reinforces TE's role as a trusted OEM and partner of choice, aligned to the immediate and future needs of a growing multi-operator rail environment.

OUTLOOK continued

The strong demand from TOCs for leased locomotives and wagons, facilitated through LeaseCo, has further enabled TE to demonstrate its capability in fleet revitalisation and asset optimisation, with commercial solutions to return over 3 000 wagons and 100 diesel locomotives to service. This positions TE not only as a manufacturer, but as a full lifecycle asset solutions provider, enhancing its reputation for reliability and responsiveness in a competitive, open-access market. In parallel, TE has leveraged its strategic OEM partnership with Alstom to influence TOCs toward the acquisition of new-generation 23E locomotives, capitalising on the existing production line to offer reduced lead times and proven performance. This reinforces TE's standing as a technology-enabled, globally connected player within the railway sector.

Further strengthening its brand in the evolving rail ecosystem, TE has introduced forward-looking solutions to meet the diversified needs of TOCs, including proposals for new TAL manufacturing suited to corridors that do not require heavy-haul locomotives. Recognising the increasing importance of asset visibility and cross-border operations, TE is also advancing its digital innovation agenda by offering LeaseCo enhanced track-and-trace capabilities, developed through its R&D initiatives. This integrated approach, combining manufacturing, asset recovery, leasing support, and digital enablement, positions TE as a modern, solutions-driven rail engineering leader, well aligned with the demands of rail reform and the emergence of new TOCs both within South Africa and across the SADC region.

STRATEGIC EXPANSION INTO MARITIME SERVICES

TE provides comprehensive maintenance services for port handling equipment and manufactures new equipment tailored specifically for port operations. As part of its commitment to developing South Africa's port infrastructure, TE plays a proactive role in upgrades and repairs. Leveraging advanced technologies developed through its in-house R&D units, TE delivers innovative, technology-driven solutions to meet the evolving needs of this sector.

The maritime sector remains a key pillar of TE's diversification strategy. Based on identified opportunities within TPT and TNPA, the business is expected to make a growing contribution to TE's revenue mix over the medium to long term, supporting sustainable growth.

SECURITY STRATEGY

In response to the growing security threats, TE has intensified its security interventions, improving response times, enhancing surveillance and business intelligence capabilities, and strengthening collaboration with law enforcement agencies.

This includes enhancing the access control system, installing closed-circuit television (CCTV) cameras at identified locations, deploying task teams, and engaging with other Operating Divisions, State-owned companies and security agencies. TE prioritises the safety of its security personnel, recognising the increasingly hostile environment in which they operate. This includes conducting security vetting of the security and forensics teams to ensure the integrity and trustworthiness of the individuals. TE also conducts ongoing security screening of security service providers, their Boards and individuals through Group Security.

CAPITAL EXPENDITURE

TE's approved capital budget allocation for FY2026/27 is R941 million. This has been earmarked for:

- Addressing tooling, equipment, and machinery availability and reliability issues;
- Upgrading dilapidated infrastructure;
- Supporting compliance and security initiatives;
- Providing an alternative water supply; and
- Funding ICT initiatives.

Although the budget appears high, given current TE affordability concerns, it is necessary to achieve the budgeted revenue targets and minimise risks.

PRIVATE SECTOR COLLABORATION INITIATIVES

TE is developing strategic PSP transactions to foster collaboration in mutually beneficial areas. These initiatives aim to broaden the market for its products and services, support rail reform and improve material availability and sustainability for rolling stock maintenance. These include:

- Commercialising the Trans-Africa Locomotive to improve the availability of light locomotives in the African market by seeking OEM partnerships for commercialisation;
- Securing an OEM partnership for legacy fleet, modernisation and return to service options to support both Freight Rail and new TOC markets; and
- PSP partnerships for foundries to secure a sustainable supply of casting components to support rolling stock and port equipment.



KEY RISKS AND MITIGATING ACTIVITIES

The following were identified as the top five risks for 2025/26FY, along with appropriate mitigation plans.

Top risks	Mitigating activities
1 Inability to achieve targeted, reliable locomotive and wagon availability for Freight Rail due to unfunded planned rolling stock maintenance and operational inefficiencies, resulting in unrealised targeted volumes	- Secure a three-year Freight Rail rolling stock maintenance budget for long-term planning; - Implement and monitor the multi-year master services agreement and service level agreements to meet and exceed rolling stock availability and reliability; and - Implement the revised and approved TE/Freight Rail business model to improve integration from planning, budgeting and execution to support the volume ramp-up.
2 Lack of revenue diversity as a result of overreliance on Freight Rail and the inability to recover all operational costs	- Develop and implement a strategy for revenue diversification, focusing on expanding the internal (ports) and external offerings; - Develop a pricing model applicable to internal and external clients; - Maintain financial discipline by enforcing cost containment measures; - Explore PSPs to secure funding; - TE completed a market study focusing on potential opportunities in December 2025, and - TE established a customer service function in September 2025.
3 Inability to ensure timely material availability for operations due to onerous legislative requirements and inefficient supply chain management processes, resulting in delays and operational inefficiencies	- Operationalise exemptions received from National Treasury, provide training in the revised manual and implement the revenue-generating supply chain policy and guidelines to improve material delivery times; - Developed and implemented material and technical support agreements for four new-generation fleets by June 2025; - Conclude long-term agreements with OEMs for maintenance and refurbishment of machinery and equipment; - Finalise the long-term parts agreements for the legacy fleet by March 2026; and - Improve demand planning by ensuring that approved demand plans are aligned with budgets and submitted during the budgeting cycle.
4 A lack of critical skills due to financial constraints, resulting in operational inefficiencies	- Align training needs to long-term strategic goals and future skills by March 2026; - Implement the Learning Management System by June 2025; - Implement a skills development/strategic workforce planning dashboard by September; - Prioritise critical and specialised skills appointments to address critical operational requirements and improve productivity; and - Review and implement skills retention and attraction strategy to meet the needs of a changing operational environment.
5 Ineffective asset management resulting in the unavailability of critical equipment and machinery required for operations, leading to delays and poor customer service	- Identify and assess the condition of critical equipment to prioritise funding for the replacement and repair of old and damaged equipment; - Complete business cases for the replacement and refurbishment of critical equipment to expedite the execution of the budgeted capital expenditure; - Secure maintenance contracts with Original Equipment Manufacturers to ensure that critical equipment is serviced and maintained as required, improving availability and productivity; - TE concluded long-term contracts by November 2025; and - TE planned and obtained approval of business cases for a three-year budgeting cycle in April 2025.

Top risks	Mitigating activities
6 Increased violent security incidents resulting in increased exposure to the safety and security of employees and the loss of company assets	- Secure funding for the phased implementation of the security strategy to implement security initiatives; - Operationalise a joint security war room with Freight Rail to analyse security incidents and combined efforts to implement mitigating actions; and - Prioritise increased security measures in identified hotspot areas to improve the safety and security of employees based in those businesses.
7 Increase safety-related incidents resulting in injuries and disruption to operations	- Implement the regional safety proficiency programme by September 2025; - Implement SHE awareness, road safety campaigns and host SHE day; - Roll out the Transnet Cardinal Safety Rules by March 2026 (two rules per quarter); and - Host quarterly and annual reward and recognition events for businesses participating in the SHEQ competition by March 2026.
8 Inadequate resilience to extreme weather events and disruptions to energy and water supply, leading to prolonged disruptions to operations	- Revive the environmental, social and governance (ESG) and business continuity management functions to improve awareness, accountability, and performance; - Enhance redundancy systems for water and energy supply to ensure uninterrupted operations during outages and minimise production downtime; and - Secure funding for climate resilience initiatives to reduce vulnerability to extreme weather events and protect critical assets and infrastructure.
9 Legacy information technology infrastructure and failures of ICT equipment may lead to increased cyber threat exposure and disruption to operations and financial systems	- Procurement of vulnerability systems via Transnet Group to improve monitoring and threat assessment capacity; - Secure funding for the replacement of legacy systems (SAP S HANA) and Migrate from SAP ECC to SAP S/4 HANA by December 2027 to ensure the implementation of the necessary upgrades to support the business; - Conduct cyber awareness and training sessions to improve employee awareness and minimise exposure to cyber threats; and - Migrate the SAP environment to Azure cloud by March 2026.
10 Lack of competitiveness due to process inefficiencies, resulting in poor customer service and a loss of potential business opportunities	- Develop strategic partnerships with OEMs to secure business and create new revenue streams; - Streamline TE's commercial business processes to improve responsiveness, agility, and competitiveness in the open market; and - Develop a marketing strategy to promote TE's service offering in the local and regional markets.

CLIMATE-RELATED RISKS

TE is exposed to material climate-related risks relating to limited resilience to extreme weather events. These risks may disrupt operations, reduce productivity and delay infrastructure recovery, with potential financial and contractual implications.

Management’s response focuses on strengthening resilience through business continuity planning, scenario assessments and coordinated response measures. Performance is monitored using indicators such as weather-related disruptions, downtime, and infrastructure recovery, and is supported by resource-efficiency measures. These metrics enable ongoing assessment of risk exposure and support continuous improvement in line with IFRS S2 Climate-related Disclosures (IFRS S2).

Category	Climate-related physical risk
1 Description	Exposure to extreme weather events and inadequate resilience of infrastructure and operations, including severe storms, flooding, and climate variability, affecting critical plants and depots.
2 Impact on operations	- Operational disruptions leading to reduced productivity and revenue loss; - Inability to meet contractual obligations, potentially resulting in penalties or litigation; - Damage to infrastructure causing extended repair and replacement timelines; and - Increased operational downtime and strain on maintenance capacity.
3 Mitigating actions	- Review and prioritisation of business continuity plans for critical plants and depots; - Conduct scenario analysis and business impact assessments for high-risk areas; - Activation and coordinated management of business continuity plans with operations; and - Implementation of sustainability initiatives to improve energy efficiency, water management, and overall operational resilience.
4 Metrics/Targets	- Number of weather-related operational disruptions; - Downtime (hours) and recovery time following extreme weather events; - Frequency and cost of infrastructure damage incidents; - Water and energy consumption trends across operations; and - Progress against internal efficiency and resilience improvement targets.

Human capital management

5

GENDER EQUALITY

SDG 5

8

DECENT WORK AND ECONOMIC GROWTH

SDG 8

10

REDUCED INEQUALITIES

SDG 10

4

QUALITY EDUCATION

SDG 4

Employment and transformation

TE maintained a stable workforce and retained critical skills, achieving an employee turnover rate of 3,9%, outperforming the target of 6,0% and improving from 5,4% in the prior year. Workforce optimisation initiatives resulted in a permanent headcount of 7 157 employees, below the target of 7 553. 194 employees were redeployed to high-volume corridors to address existing capacity shortages in rolling stock maintenance, driving improvements in TFR throughput. Revenue per employee was maintained at R1,4 million, in line with target despite lower revenue levels.

Transformation performance improved but remained below target. Black employees represented 89% of the workforce against a target of 92% (2025: 88%), while female representation increased to 29% against a target of 35% (2025: 26%). Representation of employees with disabilities remained unchanged at 1,7%, below the target of 3%. Progress was constrained by limited recruitment opportunities during the year as the business focused on workforce optimisation and cost containment.

TE continued investing in critical technical and engineering skills, achieving a training spend of 2,6% of labour costs, exceeding the target of 2,5%. Apprentice trainees reached 153 against a target of 150, while technician trainees (25) and engineering trainees (15) exceeded targets of 22 and 10, respectively. Additional pipeline programmes also performed well, with bursaries, work-integrated learning and young professionals in training exceeding targets.

Skills development

- Training spend, as a percentage of labour costs: 2,6% against a target of 2,5%;
- Employees trained: 3910 below the target of 4063;
- Artisans (apprentices) trainees: 150, meeting the target of 150;
- Technician trainees: 25 above the target of 22; and
- Engineering trainees: 15 above the target of 10.

Safety



TE forms part of the broader Transnet Rail Safety Permit issued by the Railway Safety Regulator in October 2025 and remains valid until 31 August 2028. The permit, however, is issued with special conditions that are managed in collaboration with Freight Rail, the nominated manager.

- Special condition 1(a) relates to the leadership commitment for the provision of adequate resources – this condition is provisionally closed; and
- Special condition 6 (c) relates to open improvement directives. To date, two improvement directives from TE remain open, and engagement with the Railway Safety Regulator is ongoing to close them. This relates to a significant backlog of 1 053 jumbo wagons overdue for scheduled maintenance and a backlog in diesel locomotive maintenance for 2024/25. The evidence provided indicates that a significant amount of maintenance intervention was not carried out.

The LTIFR safety performance is 1,07, above TE's tolerance level of 0,80. No employee fatalities were recorded. A significant reduction in lost-time occurrences was observed in the second half of 2025/26FY. There is noticeable improvement in some areas, attributed to targeted safety interventions implemented by leadership and to day-to-day operational interventions by supervisors and the Safety, Health and Environment (SHE) department.

TE conducted a safety trends analysis to identify high-risk and recurring operational activities. Based on the identified high-risk activities, standard operating procedures (SOPs) have been revised and are being implemented to prevent

similar incidents from recurring. The implementation of the revised high-risk activities SOPs has yielded results: injuries attributed to striping and removal of slack adjusters, lifting equipment, bending machine, stone grinding machine, portal lathe machine, and high-voltage activities have decreased.

Business units that participated in the TE Safety Proficiency League, a safety behavioural programme, have shown significant improvement in reducing occurrences. The overall performance and results show improvement, ranging from 60% to 98,75%, in 2025/26FY.

Occurrence recalls are conducted weekly at the operational leadership level for the most significant safety incidents, and lessons are shared across operations. Planned job observations at the supervisory level and SHE inspections to monitor safety performance have both improved significantly. All planned safety inductions were completed by year-end. This resulted in heightened employee awareness and participation in safety.

Housekeeping inspections are conducted in collaboration with the Continuous Improvement department on an ongoing basis to improve safety.

Visibly felt safety leadership and near-miss reporting have been implemented, and deviations or observations are tracked through an application developed for monitoring purposes. TE aims to proactively identify non-conformances before an incident and improve SHE performance. Corrective actions are being monitored to address adverse findings.

Security



TE recorded a marked improvement in its security environment in 2025/26FY, reflecting the positive impact of ongoing security interventions and strengthened operational controls. A total of 143 security incidents were reported, representing a reduction of 74 incidents year-on-year and a decline of 117 incidents over a three-year period. This confirms a sustained downward trajectory in security-related events.

Despite this progress, security risks remain geographically concentrated. The Eastern Cape remains the primary hotspot, largely driven by incidents along the Cape Corridor, while Gauteng, particularly the Koedoespoort plant, also poses an elevated risk. However, TE incidents account for approximately 2% of Transnet's total security incidents, indicating that overall exposure remains relatively contained.

The nature of incidents remains predominantly economically motivated, with general theft and electrical cable theft accounting for most occurrences. These incidents largely involve copper-bearing materials and critical operational assets, underscoring the continued attractiveness of high-value commodities for both organised and opportunistic criminal activity. In some instances, incidents extended beyond theft to include targeting essential infrastructure components, such as locomotive parts and traction motor cables, resulting in operational disruptions and downtime.

While overall incident volumes declined, the security environment remains complex, with pockets of heightened risk. This includes organised and, at times, violent criminal activity, particularly in the Eastern Cape and Gauteng, where security personnel have been exposed to armed confrontations, posing risks to both employee safety and operational continuity.

From an enforcement perspective, TE collaborated with law enforcement agencies. A total of 131 cases (92% of incidents) were opened with the South African Police Service (SAPS), resulting in the arrest of 88 suspects. This reflects a high level of responsiveness and investigative maturity, contributing to improved deterrence and accountability.

TE achieved a 57% reduction in security-related losses to R4,4 million (2024/25FY: R10,3 million). Most of these losses were attributable to cable theft (R1,8 million) and general theft (R1,6 million), which together account for 78% of total losses. TE's losses represented less than 1% of Transnet's overall security-related losses, reinforcing the effectiveness of current mitigation measures and recovery efforts.

Environmental stewardship



Environmental policy

TE complies with the Transnet Integrated Management System (IMS) Policy and the Environmental and Sustainability Policy Framework.

Legal contraventions

TE reported the following non-compliance conditions due to various operational challenges:

- Koedoespoort (KDS) Foundry operates without an AEL, contravening the National Air Quality Act. The required emission-monitoring stack has been installed, and the new AEL application has been submitted to Tshwane Municipality and is awaiting a response;
- Mogale City Municipality and the Gauteng Department of Environment visited Millsite Locomotive Depot in October 2025 and issued a Notice of intention to issue a directive in terms of section 28(4) of the National Environmental Management Act, 1998 (NEMA) in respect of waste handling, storage, disposal and potential pollution at the depot. TE responded to the pre-directive with detailed actions and continues to monitor the plan and ensure committed actions are executed; and
- The Department of Water and Sanitation (DWS) issued Ermelo Diesel Depot with a Notice of Intention to Issue a Directive in 2024, citing engagement in an activity likely to cause pollution of a water resource without implementing reasonable measures to prevent such pollution from occurring, continuing or recurring. In response, a formal letter was submitted to the relevant DWS official, outlining a clear plan of action, providing justification, and requesting that a Directive not be issued. All committed actions have been implemented, except for site clean-up activities, which remain pending until the investigation into the source of the pollution is finalised.

Pollution management

TE is committed to managing the environmental impacts of past and present activities and to actively identifying and remediating contaminated sites.

In accordance with the issued remediation order, remediation activities at the Saldanha lead-contaminated site were completed. The closure letter was received from the Department of Forestry, Fisheries and the Environment (DFFE) in April 2026.

The Komatipoort contaminated site assessment was conducted to determine pollution levels. The preliminary report indicated no significant pollution; however, it recommended installing a monitoring well downstream to assess pollution migration. The final report was submitted to DFFE, which visited the site in September 2025 and recommended installing two additional monitoring wells. Based on the findings of the site assessment report, the site is not contaminated. However, to confirm groundwater depth and contamination status, the department recommended installing two additional on-site monitoring wells. A formal determination and regulatory decision will be issued only upon receipt and review of groundwater monitoring reports that contain conclusive data confirming groundwater depth and contamination status. The tender process for appointing the service provider to install the required wells is currently underway.

The KDS asbestos remediation project has not commenced due to the unavailability of funds. TE's Finance Department has been engaged to assess and pursue various options for securing the required funding to remediate the site. Should funding be obtained, the procurement process to appoint a suitable service provider is expected to commence in 2026/2027FY. The DWS visited the site in September 2025 as part of compliance monitoring of the water use license previously issued for the site. They requested that TE ensure the groundwater monitoring programme is implemented before remediation activities commence.

A remediation order for Ermelo Diesel Depot has been issued but has not yet been implemented, as the cause of pollution still needs to be established. The project initiated to determine the definitive source of pollution in Ermelo has not been concluded. The completion of the pollution source tracing exercise was put on hold after additional on-site pollution was discovered, and the service provider was requested to clean up the site. The service provider appointed to establish the source of pollution has been requested to return to the site to assess potential sources and contributing factors to conclude the project. The project concluded at the end of June 2026. Germiston's ground and soil monitoring is ongoing per the issued order.

Waste management

TE is implementing its waste management improvement plan to enhance its waste management practices. This plan has diverted some waste streams from landfills through reuse or recycling initiatives. Engagement with service providers emphasises waste minimisation over waste disposal. Data analysis for waste generated, recycled and disposed of is ongoing.

Water management

TE monitors ground, surface, and drinking water, as well as industrial effluent, to ensure compliance with municipal by-laws and discharge permits. Most results showed a high level of compliance within established parameters. Abnormalities, such as elevated levels of copper, iron, boron, oil, or grease at some depots, are continuously investigated and addressed.

Water audits for all six plants were completed to assess water use and identify opportunities to improve efficiency. There has been slow progress in implementing some of the recommendations made due to financial constraints. Most of these require capital expenditure approval.

Air quality monitoring

TE monitors air quality in its foundry operations to comply with relevant environmental laws. The KDS Foundry continues to operate without an AEL, as the provisional AEL expired in January 2025. A new application, together with the project plan for the emission stack installation, was submitted to the Tshwane municipality. A service provider completed the stack installation in June 2025. This installation was one of the critical conditions of the previously issued licence. The application for the KDS AEL has commenced. This application was submitted to Tshwane Municipality in April 2026. TE is awaiting feedback and further instructions from the authorities. The required monitoring activities are ongoing.

Bloemfontein Foundry's AEL, secured from Mangaung in July 2023, remains valid. The team continues to oversee adherence to the licence's conditions, including the required air quality monitoring activities. The air quality monitoring service provider for Bloemfontein Foundry was appointed and continues to conduct the required air quality monitoring activities in accordance with the issued AEL. To date, the results are within acceptable levels, and the reports have been submitted to the Authorities. No formal air quality complaints were received in 2025/26FY.

Industrial capabilities building



TE allocated R49 million on R&D, falling short of the R93 million target and last year's R51 million spend. This includes using big data analysis, machine learning, and the Internet of Things (IoT) to improve operational and maintenance efficiency, provide a more connected customer experience, and expand our OEM product offering in port technologies.

Key products delivered in the financial year include:

- Alternating current (AC) traction motor readiness for testing;
- High site monitoring implementation allowing remote monitoring of telecommunication towers (GSM, fibre, Ethernet); and

- Acoustic cracked wheel detector (ACWD) demonstration on the Ore line to identify cracked wheels and prevent potential derailments.

TE invested significant resources into R&D to develop cutting-edge initiatives to support the R4G Strategy. Future initiatives include opportunities in alternative energy, track-and-trace of rolling stock assets and wagon condition monitoring.

Community development

1

NO POVERTY

SDG 1

2

ZERO HUNGER

SDG 2

3

GOOD HEALTH AND WELL-BEING

SDG 3

4

QUALITY EDUCATION

SDG 4

5

GENDER EQUALITY

SDG 5

10

REDUCED INEQUALITIES

SDG 10

11

SUSTAINABLE CITIES AND COMMUNITIES

SDG 11

17

PARTNERSHIPS FOR THE GOALS

SDG 17

AEL	Atmospheric Emission Licence
CSI	Corporate social investment
DFFE	Department of Forestry, Fisheries, and the Environment
EBITDA	Earnings before interest, taxes, depreciation and amortisation
IoT	Internet of Things
KPI	Key performance indicator
LTIFR	Lost time injury frequency rate
OEM	Original equipment manufacturer
PSP	Public sector participation
R&D	Research and Development
ROS	Rail Operations Services
RSR	Rail Safety Regulator
SHEQ	Safety, health, environment and quality
TE	Transnet Engineering
TNPA	Transnet National Ports Authority
TOC	Train operating company
TPT	Transnet Port Terminals



TE is dedicated to improving the well-being of vulnerable communities near its operations. TE’s CSI strategy aligns with the Transnet Foundation’s objectives, aiming for a measurable impact through sustainable projects. The focus areas are health, sports, employee volunteerism, social infrastructure and education. CSI activities for 2025/26FY include:

Quarter	Initiatives
1	- Supporting a Transnet Foundation initiative, TE built and hosted the launch of Mangwazane School in Jozini (KZN) in June 2025. - Commemorating youth month, TE successfully hosted career expos in June 2025 in six communities TE operates in to strengthen relations and trust: Bloemfontein, Durban, Germiston, Pretoria, Uitenhage, and Cape Town: - All these events were well attended and the target audience (youth) learnt how and where to access Transnet information on various opportunities, such as employment, procurement, supply development, skills development and leasing of Transnet property; - Appreciation was received from all the communities who participated for TE’s continued commitment to development and inclusivity; and - The events also resulted in increased media coverage of TE across various electronic, digital and other media platforms.
2	- Successful rollout of the ‘Create a Garden’ campaign for deserving NGOs across the country as a Mandela month initiative in July: - Executed in eleven (11) community-identified sites as a cost-effective, inclusive and sustainable commitment to uplifting the communities in which we operate in; and - The event received positive media coverage and endorsements from communities.
3	- Launched a TE-specific ‘Shoes on Feet’ campaign led by the GCT to encourage all businesses, plants and corridors to participate against set targets of 50 pairs each: - The campaign closed with a total of 92 pairs of school shoes donated, Uitenhage plant contributed 54 pairs, exceeding the set target of 50. - Hosted an ‘Empower Her’ workshop in Salt River, supporting Transnet Foundation in November: - This initiative empowered a total of 69 abused women from the Western Cape communities on how to develop themselves through entrepreneurship – crocheting, make-up, etc.
4	- The Swartkops community benefitted from the engagement session on the impact of crime, together with a Career Expo hosted by TE on 6 February 2026. The session provided a platform to share important information on the social and economic consequences of crime, while also creating awareness of opportunities available within Transnet. - A successful and well-supported School Shoes Handover Ceremony was held at J.N. Tulwana Primary School in Uitenhage in February 2026, benefiting a total of 208 learners, and reinforcing TE’s commitment to community upliftment. - TE proudly represented Transnet and successfully participated in two community career expos hosted by the Department of Transport (DoT) in March as follows: 10 March 2026 – Mmamethlake Secondary School, Mmamethlake Circuit, Nkangala District, Mpumalanga 21 March 2026 – Ingobamakhosi High School, iLembe District, Mandeni Local Municipality, KwaZulu-Natal