

2026

FREIGHT RAIL



TRANSNET



FREIGHT RAIL

COLLABORATION, OPPORTUNITIES AND GROWTH.

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

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CHIEF EXECUTIVE'S OVERVIEW

HIGHLIGHTS

Revenue increased
by 7,3% to
R45,8 billion
(2024/25FY: R42,70 billion)

Capex
decreased to
R8,5 billion
(2024/25FY: R16,4 billion)



Our focus at Transnet Freight Rail (Freight Rail) remains on delivering sustainable growth through operational excellence, strategic partnerships and market competitiveness.

The 2025/26 financial year marked a turning point for Freight Rail, as the business gained momentum and began to stabilise performance. Despite a challenging environment, volumes increased 4,87% to 167,87 million tonnes (mt) (2024/25FY: 160,07 mt), demonstrating the impact of focused efforts to restore reliability and unlock capacity. This progress lays a foundation for sustained growth and positions Freight Rail to deliver improved performance in the years ahead.

FREIGHT RAIL'S REPOSITIONING STRATEGY

Transnet Rail Infrastructure Manager (TRIM) was established on 1 October 2024 with operational and financial separation from Freight Rail effective 1 April 2025. This separation provides clearer distinction between infrastructure management and train operations.

Freight Rail implemented a new operating model aligned with validated market demand, structured around key freight segments, including bulk, intermodal and breakbulk. This resulted in the establishment of six business units, further segmented into Mega and Flexi offerings.

The Mega segment focuses on high-volume, high-demand commodities where Freight Rail has an established market position and competitive advantage, including coal, chrome, iron ore and manganese, as well as long-distance and stockpile-to-stockpile operations.

The Flexi segment comprises medium-sized and non-traditional markets through a lean, cost-efficient approach, targeting sectors such as cement, chemicals, fertiliser, steel, containers and automotive products.

This repositioning has enabled improved operational focus, enhanced asset utilisation, expanded market participation, and strengthened Freight Rail's ability to drive volume growth and compete effectively in a liberalised rail environment.

FINANCIAL PERFORMANCE

Our revenue for 2025/26FY increased 7,3% to R45,8 billion (2024/25FY: R42,7 billion). This increase was due to a 4,87% increase in volumes and a better product mix. While a recovery was evident, performance remained below target; however, cost control helped improve efficiency and stability. Capex decreased to R8,5 billion compared to R16,3 billion in 2024/25FY.

KEY OPERATIONAL HIGHLIGHTS

Performance in the bulk commodity segments reflected improved operational stability. These include notable improvements in the export coal, export iron ore, manganese, magnetite, chrome and automotive segments. Key achievements include:

- The Mineral Mining and Chrome Business Unit achieved a 9,34% year-on-year volume growth, with increases of 16% and 19% in chrome and magnetite, respectively;

- The Coal Business Unit achieved 66,05 mt, representing a 7,94% year-on-year increase;
- The Iron Ore Business Unit achieved a 4,23% year-on-year increase; and
- The Manganese Business Unit achieved a 6,45% year-on-year increase.

SAFETY EXCELLENCE

Safety is a non-negotiable priority across our business. During the year, we delivered a significant improvement in safety performance. Overall safety was improved:

- Balanced scorecard (BSC) occurrences reduced by 18%;
- Zero level 1 and 2 BSC occurrences recorded;
- There was one employee fatality recorded in August 2025 on the Coal Line; and
- Collisions eliminated: Train-on-train collisions reduced from two to zero.

Freight Rail achieved a 0,66 lost time injury frequency rate (LTIFR) against a target of 0,75, reflecting strengthened operational discipline and reinforcing our commitment to safer, more reliable rail operations for our employees, customers, and stakeholders.

ENVIRONMENTAL SUSTAINABILITY

Freight Rail recognises its responsibility to embed sustainable practices across its operations. Beyond the efficient and reliable delivery of freight, Freight Rail is committed to innovating and adopting more sustainable, resilient transport systems that generate shared value for the Shareholder, employees, customers, communities and the broader economy.

Freight Rail has adopted an Environmental, Social and Governance (ESG) implementation plan, positioning ESG as the new blueprint for managing sustainability risks and improving customer relations. The focus is on finalising foundational strategies and initiating high-impact programmes necessary to achieve Transnet's ESG objectives.



LOOKING AHEAD

Freight Rail will deepen its long-standing relationships with key mining and industrial stakeholders. These partnerships will focus on:

- Securing long-term haulage agreements to ensure reliable and efficient commodity transport; and
- Partnering with industry and customers in rolling stock upgrades across business units to unlock additional rolling stock capacity and improve turnaround times.
- To improve fleet reliability and availability, Freight Rail will continue to strengthen its collaboration with Original Equipment Manufacturers (OEMs) and Transnet Engineering (TE) through long-term maintenance and repair service agreements and joint initiatives for fleet modernisation, including the integration of advanced technologies and the return of long-standing locomotives to service.

To support its digital transformation agenda, Freight Rail will partner with technology service providers to:

- Implement predictive analytics for proactive maintenance and operational planning; and
- Enable Internet of Things (IoT) based asset tracking to improve cargo visibility and customer service.

We continued to invest in critical rolling stock and employee capabilities to support long-term growth. Key initiatives include:

- The commissioning of the Majuba CTS line;
- Rationalisation of wagon fleets and implementation of longer train configurations; and
- Enhanced regional integration, including collaboration with Mozambique, Eswatini and Botswana.

These initiatives are already contributing to improved operational efficiency and will underpin future volume growth.

CONCLUSION

We remain steadfast in our mission to move more freight by rail, efficiently and safely, and play our part in rebuilding South Africa's logistics backbone.

While challenges remain, the progress made over the past financial year reinforces our confidence in our recovery strategies. The improvements in safety, operational efficiency, and customer service position us well to deliver sustained growth and create long-term value.

I would like to extend my sincere appreciation to our employees, customers, and stakeholders for their continued commitment and support. Together, we are building a more resilient, efficient, and competitive rail operations company that will play a critical role in South Africa's economic growth.

Russell Baatjies
Chief Executive

HIGHLIGHTS

Freight Rail transported 167,87 mt, demonstrating significant progress towards its ambitious target of transporting over 180 mt. This achievement was driven by focused initiatives across the Mega and Flexi businesses, including a locomotive recovery strategy, improved operational efficiencies and a bargaining unit incentive scheme. These are key levers of Freight Rail's repositioning, recovery plans and the broader Transnet Reinvent for Growth (R4G) Strategy. The Operating Division demonstrated sustained growth in volumes of 4,87 % year-on-year, building on the progress achieved in 2024/25FY.

The above results were possible due to several notable achievements for the year:

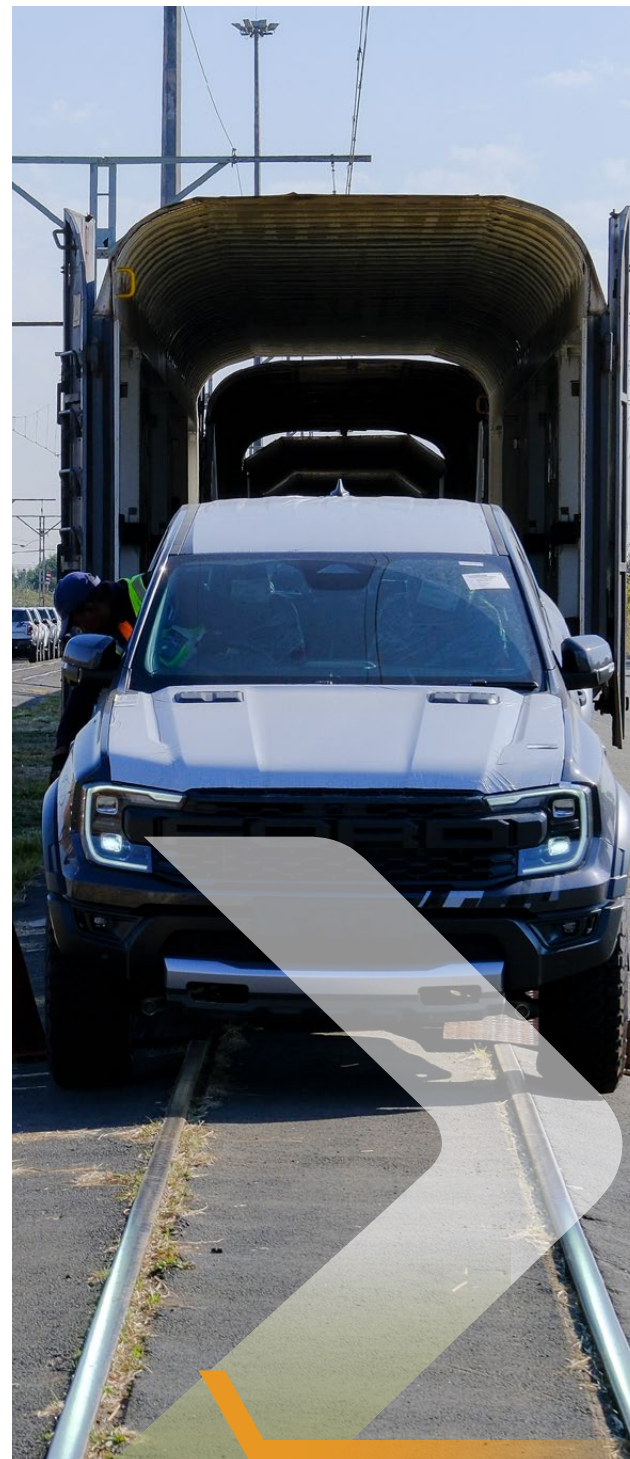
- Innovation of increasing the manganese payload from 63 tonnes per wagon to **67 tonnes per wagon**, representing an additional 4 tonnes per wagon;
- Our technology management team tested several longer and heavier trains to **increase our train capacity** in several commodities and flows;
- Chrome and magnetite recorded double-digit growth of **17% and 19%**, respectively;
- Additional capacity was added with the return of long-standing locomotives and the delivery of the **23E locomotives**;
- **Embedding a high-performance culture** through strategic initiatives including performance incentives, leadership development and employee wellness programmes; and
- **Implementation of targeted training initiatives** to drive continuous improvement. A total of **523 employees** participated in the Lean Six Sigma awareness and white belt training sessions.

Alongside the significant improvements in our operations, we continue to invest in developing our people, equipping them with the skills and capabilities needed to thrive in an increasingly competitive environment. This remains a key source of our competitive advantage. Freight Rail ran several key programmes, including the Seven Habits of Highly Effective People, Multipliers, The Four Disciplines of Execution, executive coaching, mentoring, and youth development, including programmes for people living with disabilities.

COST OPTIMISATION AND FINANCIAL SUSTAINABILITY

Cost optimisation is critical to remaining competitive in a regulated open-access market. Freight Rail aims to address inefficiencies, adopt leaner processes, improve procurement and reduce wastage. For example, Freight Rail implemented phased redeployments (priority depots and mandatory moves) to align skills with operational needs.

This resulted in the redeployment of more than 227 employees, with focused voluntary transfers from over-resourced depots or depots with low operational activity to depots with shortages or increased operational activity. This approach contributed an estimated R89 million annual saving. Additionally, Freight Rail will focus on financial sustainability by optimising revenue collection and tariffs while developing new revenue streams.



BUSINESS OVERVIEW

Transnet's developmental mandate is to provide 'cost-effective, reliable, integrated and seamless transport solutions for the bulk and manufacturing sectors in Southern Africa'. Freight Rail supports South Africa's development through efficiency and affordability, promoting industrialisation and reducing emissions and transport costs by shifting freight from road to rail.

Transnet Freight Rail (Freight Rail) is South Africa's leading rail freight operator and a key contributor to the country's economic development. As the largest operating division within Transnet, Freight Rail provides integrated rail freight solutions that support the mining, manufacturing, agricultural and industrial sectors across domestic, regional and export markets. Its extensive network enables efficient movement of commodities and products to local markets and global export destinations, supporting economic growth, regional trade and industrialisation.

The 2025/26 financial year represented a significant milestone in Freight Rail's transformation journey. Following the separation of the Transnet Rail Infrastructure Manager (TRIM), Freight Rail continued to reposition itself as a commercially focused train operating company capable of competing effectively in an increasingly liberalised rail environment. This transition has strengthened accountability, improved operational focus and enhanced the organisation's ability to respond to changing customer and market requirements.

Freight Rail's strategy is aligned to Transnet's Reinvent for Growth (R4G) Strategy and is focused on three priorities: stabilising and optimising current operations, transforming the business for a competitive open-access rail market, and creating sustainable

growth opportunities.

These priorities are underpinned by operational excellence, customer-centric solutions, strategic partnerships, digital transformation and disciplined capital allocation.

As rail sector reform progresses, Freight Rail continues to work closely with customers, government, industry stakeholders and private sector partners to improve network performance, unlock capacity and strengthen the competitiveness of rail as the preferred mode of freight transport.

By improving reliability, efficiency and service delivery, Freight Rail seeks to increase rail volumes, support regional integration and contribute to a more sustainable logistics system for Southern Africa.

Freight Rail remains committed to delivering safe, reliable and sustainable freight solutions while creating long-term value for customers, shareholders, employees and the broader economy.

Through ongoing operational improvements and strategic partnerships, the business continues to position itself for growth in a rapidly evolving transport and logistics landscape.



BUSINESS OVERVIEW continued

OPERATING MODEL

Freight Rail completed its repositioning strategy by implementing a new operating model that aligns with an optimised business portfolio and operational objectives.

This model reaffirms our decision to move to a commodity-focused business model: coal, iron ore, manganese, mineral mining, chrome, containers, automotive, agriculture, bulk liquids, steel and cement.

Mega rail focuses on handling large-volume, high-demand commodities where we have a solid presence, market share and a competitive advantage. This includes sectors where rail transport is inherently advantageous, such as bulk freight, long-distance transport, and stockpile-to-stockpile operations. The commodities targeted under this focus include coal, iron ore, manganese and high-growth mining sectors.

Flexi rail complements the core business and Freight Rail targets medium-sized and new non-traditional markets. These markets require a shift towards lean, low-cost operations to remain competitive. Freight Rail continues to explore its options to maximise productivity of its rolling stock, including through collaboration with customers and industry bodies.

Freight Rail is guided by existing and new legislation and policies that differ from those of the private sector. This situation limited the speed and execution of some PSP initiatives planned for 2025/26FY. Freight Rail will support the Shareholder's goal of driving PSP investment in the assets and contribute towards achieving efficient supply chain and solutions.

Freight Rail implemented several initiatives, such as the Sasol partnership, to optimise the use of existing rolling stock for chemical and fuel freight flows. The next phase will introduce new concepts and services, such as hook-and-haul, to consolidate smaller volumes and increase throughput efficiency. Lastly, commodities such as cement, chemicals, fertiliser, and steel, along with containers and automotive products, will be included in this hook-and-haul strategy to diversify revenue streams.

RAIL YARD SUPPORT SERVICES

During the year, Freight Rail advanced its strategy to establish rail yard support services as a dedicated commercial offering to TRIM, enabling the provision of critical operational services to Train Operating Companies (TOCs) operating on the network. This included reviewing service delivery models and pricing structures for marshalling, shunting, terminal handling, and related yard operations to ensure competitiveness, cost-effectiveness and alignment with the evolving multi-operator rail environment.

The ongoing development of these services supports Freight Rail's broader goals of improving operational efficiency, growing revenue and strengthening the sustainability of the freight rail business. Through the continued optimisation of rail yard operations and associated support services, Freight Rail aims to unlock additional value from its rolling stock assets while supporting freight rail volume growth in South Africa.

TRAIN OPERATIONS

Freight Rail has implemented the business unit model as a key element of the R4G Strategy. This model responds to recent changes in customers, businesses, markets and policies. It aims to improve decision-making, problem-solving, and customer responsiveness. By acknowledging the distinct characteristics of each customer, commodity, and industry, this model enhances efficiency and supports customer-centricity, driving growth in key commodity sectors.

COAL BUSINESS UNIT

The business unit transports over 35% of Freight Rail's total volumes, features a diverse mix of line types and capacities, serving domestic and export markets. The most prominent section is the heavy-haul export line between Ermelo South and Richards Bay, which serves the Mpumalanga coalfields via a feeder network known as the "coal backbone". This system also serves the Waterberg coalfields via the Waterberg line and the Gauteng freight ring. The primary flow direction is from Lephalale towards Pyramid South, Witbank and Richards Bay, with top commodities including export coal, domestic coal, and Eskom coal. Domestic coal originates from Mpumalanga and Lephalale and is transported to various destinations countrywide. The coal business unit has over 21 operational areas across Limpopo, Gauteng, Mpumalanga and KwaZulu-Natal. The coal business unit prioritises asset efficiency to optimise coal flows while fostering opportunities to expand into other mining commodities.

IRON ORE BUSINESS UNIT

The business unit is one of the two main heavy haulage routes in South Africa. It stretches 861 kms from Sishen in the Northern Cape to Saldanha on the Western Cape coast. The ore line moves millions of tonnes of iron ore annually from one of the world's largest iron ore mines to the export port at Saldanha Bay. The iron ore business unit has an annual capacity of 60 million tonnes of iron ore and 6 million tonnes of manganese. The business unit comprises four operational areas covering the Northern Cape and Western Cape provinces.

Partnerships between the public and private sectors are critical for inclusive economic growth. The economic reconstruction and R4G Strategy emphasise the need for PSP to secure private-sector investments and expertise to address the country's developmental challenges.

MINERAL MINING AND CHROME BUSINESS UNIT

The business unit stretches from the Limpopo River at Beitbridge in Limpopo through Komatipoort to Richards Bay on the east coast, and from Pyramid/Rayton/Emalaheni to Komatipoort. The business unit can transport 13% of overall TFR volumes. The business unit connects South Africa's rail freight business to multiple SADC countries. Commodities are transported through various border posts or entry points, such as Komatipoort, Golela, Beitbridge, Livingstone and Sakania. It has a total of 17 operational areas covering the Limpopo, North West, Mpumalanga and KwaZulu-Natal provinces.

The business unit has three prominent linear flows:

- Phalaborwa to Maputo and Richards Bay, mostly transporting magnetite and rock phosphate;
- Rustenburg to Maputo, transporting chrome and ferrochrome; and
- Intermodal (reefers) originating from Tzaneen, Musina, and Bela-Bela, destined for Durban.

The business unit volumes comprise magnetite, chrome, ferrochrome, and rock phosphate commodities.

MANGANESE BUSINESS UNIT

The Manganese Business Unit connects key mining operations in the Hotazel region of the Northern Cape to the ports of Gqeberha, East London, and Ngqura, and to Saldanha. Gqeberha dominates the export mix, accounting for approximately 64,5% of total manganese export capacity. Manganese exports through the Port of East London, introduced in 2023/24FY, represent a strategic step towards diversifying South Africa's export channels. Together with volumes moved along the Saldanha corridor, these export flows serve as critical logistics arteries, positioning the business unit to strengthen Freight Rail's capability to support global manganese demand. It has a total of 17 operational areas covering Northern Cape, Free State, and Eastern Cape provinces.

CONTAINER, AUTOMOTIVE, AGRICULTURE AND BULK LIQUIDS BUSINESS UNIT

The Container, Automotive, Agriculture and Bulk Liquids Business Unit is the backbone of South Africa's rail freight network, crucial to promoting economic growth. It connects the Port of Durban to the hinterland and inland freight terminals serving Gauteng and neighbouring countries. Key commodities include containers, fuel, grain, motor vehicles, and general cargo, serving more than 60 customers. These high-value industrial sectors significantly contribute to South Africa's economy.

The business unit handles a variety of cargo, including low-density, high-value, low-margin, and time-sensitive industrial goods from diverse origins. Most cargo categories are highly time-sensitive and face competition from road transport pricing. The business unit has over 39 operational areas covering Gauteng, the Free State and KwaZulu-Natal.

STEEL AND CEMENT BUSINESS UNIT

The Steel and Cement Business Unit, located at the centre of the rail network, connects five other business units and spans Gauteng, the Free State and the North West. This business unit is crucial for the north-south interface through landlocked Botswana via the Mafikeng-Krugersdorp and Vryburg rail lines, supporting regional integration. It feeds into the ports of Maputo, Richards Bay, Durban, Gqeberha and Cape Town.

The business unit interfaces with the Passenger Rail Agency of South Africa (PRASA) along key lines in Vereeniging, Pretoria and Krugersdorp. It includes an 18-tonne-per-axle branch-line network serving the maize triangle in the North West province, encompassing Klerksdorp, Lichtenburg, Coligny, and Vryburg. Additionally, it supports the manufacturing industry, particularly the automotive sector, by providing rail links and services to the automotive hub and container terminal in Pretoria. The business has 36 operational areas covering North West, Free State, Gauteng, Northern Cape and Western Cape.

STRATEGIC PROJECTS

The table below provides Freight Rail’s high-level progress and achievements of strategic projects executed during 2025/26FY:

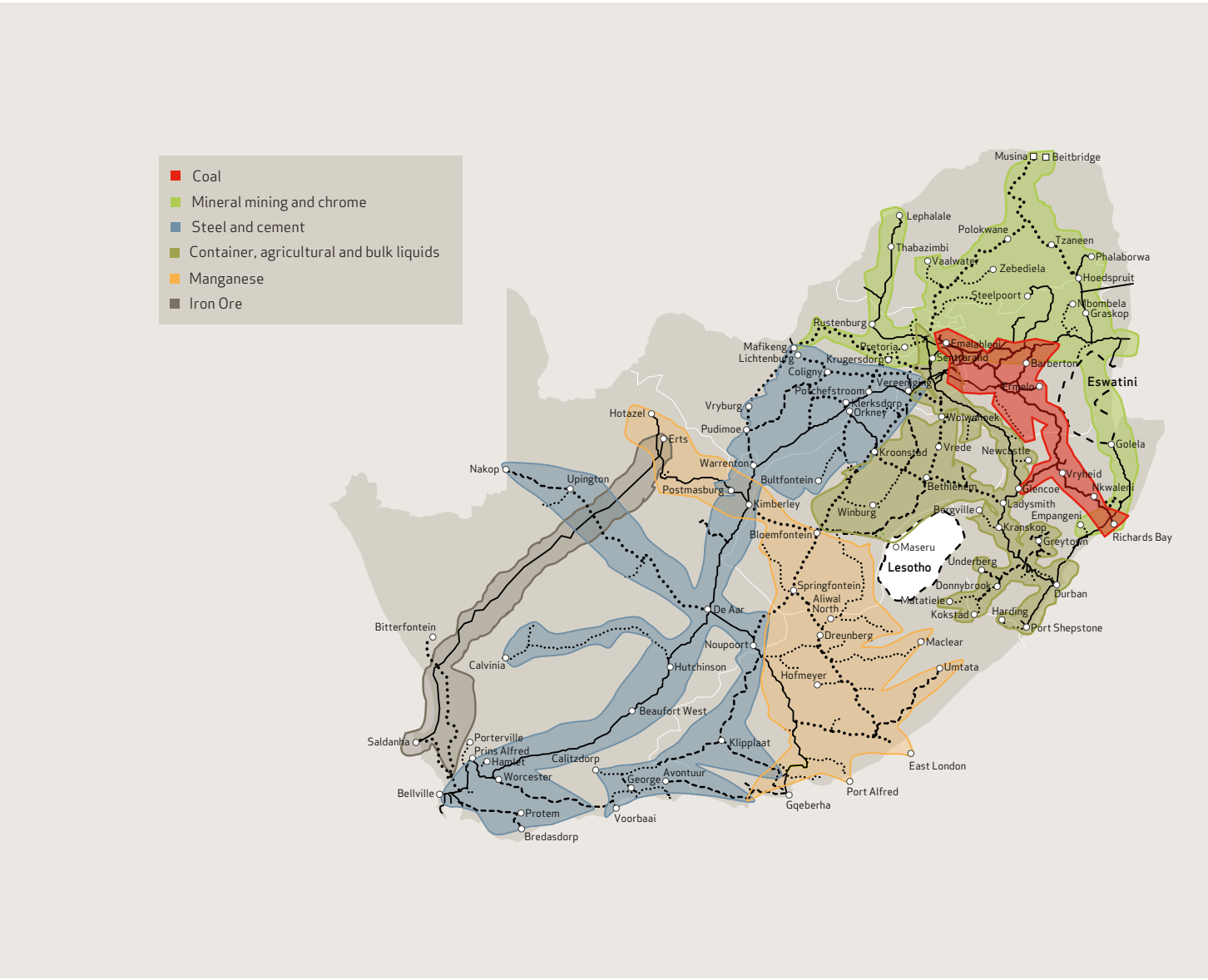
Project	High-level focus	Progress
Rail reform	Establish Freight Rail as a separate Operating Division from TRIM to comply with legislation.	The separation of Freight Rail was concluded. The two entities reported separate financial results for 2025/26FY. Freight Rail will continue to reposition itself for a competitive rail market. Organisational designs for both entities were completed by March 2025.
Confined tender for the repair of long-standing locomotives for three OEMs	Volume improvement for key commodities; Secure locomotives to prevent theft; and Allow for the use of diesel locomotives in high-theft areas to maintain service where there are electricity shortages.	Overall, locomotives returned to service for 2025/26FY totalled 106. This included the return of 53 of 58 Wabtec diesel locomotives to service. This was achieved by implementing the MRSA contract negotiated in 2024/25FY with Alstom SA. In addition, the collaboration between Engineering, OEMs and Freight Rail ensured improved service returning long-standing locomotives and scheduled maintenance.
OEM long-standing locomotives (‘step-in’ OEM) open tender	Ensure that 120 locomotives are back in service for coal/chrome flows and iron ore volumes; and Lead to overall volume improvements and additional revenue for the year.	Negotiated and implemented a locomotive repair contract with Alstom SA in 2024/25FY to address CRRC issues and, in collaboration with Engineering, to repair 48 locomotives. One of 48 units under rehabilitation (CRRC fleet repair project) was delivered, with the second locomotive undergoing static testing and dynamic commissioning handover. Deployed 23E electronically controlled pneumatic (ECP) locomotives on the Coal Line and in Northern Cape hauler service, freeing 43D locomotives for mainline ore operations.
People management and culture programme	Embed a high-performance culture through strategic initiatives including performance incentives, leadership development, and employee wellness programmes.	Several business units (Coal, Container, Automotive, Agriculture and Bulk Liquids, Mineral Mining and Chrome, Manganese, and Iron Ore) qualified for and received incentives. The high-level organisational redesign for Freight Rail was concluded on 31 March 2026, with implementation expected in the new financial year. To enhance operational efficiency, Freight Rail implemented people and depot optimisation initiatives, resulting in the transfer of 227 employees by year-end. These initiatives focused on voluntary transfers from over-resourced depots or depots with low operational activity to those experiencing shortages or increased operational demand. These efforts yielded estimated annual savings of approximately R89 million. Additionally, female representation on the executive committee (Exco) increased from 33% in 2024/25FY to 50% in 2025/26FY.
Digital transformation	Start the digital transformation journey to optimise business processes and drive efficiencies by implementing the integrated train plan for operational execution, rail operations asset management and digital transformation of commercial processes.	Freight Rail has appointed service providers to support the business’s digital transformation driven by the integrated train plan and Rail Operations Asset Management. This aims to enhance performance and efficiency, positioning Freight Rail to compete effectively with new market entrants. Progress on commercial systems has been delayed, primarily due to the time required to confirm requirements and achieve alignment across Operating Divisions.
PSP	Develop a customer-led solution in which customers invest in the maintenance of specialised wagons and locomotive upgrades to address volume retention and growth.	Freight Rail has developed high-level design principles to define its strategic positioning and partnership narrative focusing on investment, funding, technology, capacity and market access. A dedicated resourcing team has been established to support data provision and process facilitation. Freight Rail entered into a private partnership with Sasol in 2024, which has generated over R187,3 million in revenue.

WHERE WE OPERATE

The map below provides a comprehensive view of the rail operations. This is the spread of depots, yards and terminals where Freight Rail has operations. Management of the rail network encompasses train planning, resourcing, shunting and running along TRIM’s network. It also involves managing rail siding agreements, scheduling resources and planning rolling stock management.

ROUTE NETWORK BASE

Our operations span over 20 953 route kilometres, with a core operation of 12 801 route kilometres. The main lines and core of our business operations carry loads of at least 20 tonnes per axle. The heavy haul operations on the Sishen to Saldanha and Ermelo to Richards Bay routes operate at 30 tonnes and 26 tonnes per axle, respectively. However, our operations on the branch lines are typically on a network that only accommodates less than 20 tonnes per axle. Various commodities of our Flexi business are transported across this part of the rail network.



REGULATORY ENVIRONMENT

South Africa’s regulatory environment is moving towards liberalising the rail sector by regulating access, opening opportunities for private operators to run freight trains.

Freight Rail is transforming its business in alignment with Government’s rail reform agenda to stimulate economic growth and enhance the competitiveness of South Africa’s logistics system. Effective 1 April 2025, Freight Rail was separated from the TRIM as mandated by the National Rail Policy, marking a pivotal step toward liberalising the rail sector and enabling competition through open access for third-party train operators.

These reforms were guided by an evolving policy and legislative framework that includes the National Rail Policy, the Freight Logistics Roadmap and enabling legislation such as the Economic Regulation of Transport Act, No 6 of 2024, the Block Exemption for Ports, Rail and Key Feeder Road Corridors, 2025, the National Rail Bill, 2025, and the introduction of export control on chrome ore in terms of the International Trade Administration Act, No 71 of 2002. Collectively, these instruments are reshaping the operational and regulatory landscape, establishing competitive market structures and redefining the relationship between the State, operators and private sector participants.

The liberalisation of the rail sector, under the oversight of the TRIM for network access, introduced regulated open access to the network and allocated train slots to private train operating companies. From 2026/27FY onward, Freight Rail will operate in a more competitive and highly regulated environment characterised by increased compliance requirements, greater transparency, expanded stakeholder oversight and heightened scrutiny of corporate governance practices.

STRATEGIC IMPLICATIONS FOR FREIGHT RAIL

The regulatory landscape in 2025/26FY demanded a proactive approach in balancing compliance with strategic agility. Key focus areas included:

- **Building resilient partnerships** with stakeholders to strengthen competitive positioning in a reformed rail sector;
- **Investing** in rolling stock, financial and capital sustainability and aligning with safety, environmental and competition requirements; and
- **Enhancing governance frameworks** for pricing transparency, cybersecurity, compliance auditing and ensuring accountability across all operations.

The evolving regulatory environment presents both challenges and opportunities. By prioritising safety, sustainability, transformation and competitive compliance, Freight Rail aims not only to meet regulatory expectations but also to use the reform momentum to drive operational excellence, attract investment and restore stakeholder confidence in South Africa’s rail sector.

Freight Rail continuously monitors and interprets legislative changes to ensure regulatory alignment and proactive compliance; however, for purposes of this plan, the following legislation is considered to have a strategic and direct impact on how the division conducts its business.

The relevant legislation, its impact, the extent of compliance and mitigation/action plans are set out in the following table:

Regulation	Strategic Impact on Freight Rail	Compliance Status	Key Mitigation/Response Actions
White Paper on National Rail Policy, 2022	Introduces rail sector reform and third-party access, increasing competition and positioning Freight Rail as the provider of last resort.	Partially compliant. Freight Rail is preparing for implementation, engaging with the DoT, and progressing accounting and commercial separation from TRIM.	Enhance service reliability and efficiency to strengthen competitiveness and monitor compliance with separation-related obligations.
Economic Regulation of Transport Act, 2024	Establishes a transport economic regulator, introducing potential price regulation, cost control, asset valuation requirements and regulatory funding obligations.	Freight Rail is engaging the Interim Rail Economic Regulator and monitoring regulatory developments.	Continue regulatory engagement, assess business impacts, and strengthen compliance, pricing and asset valuation controls through risk management and training.
Rail Safety Act 30 of 2024 (read with the National Railway Safety Regulator Act, 2002)	Strengthens safety requirements, licensing of safety-critical employees, and accreditation of training institutions, increasing compliance obligations and costs.	Compliant. Safety audits identified maintenance and training gaps requiring further investment.	Obtain accreditation for training programmes, enhance awareness and change management, prioritise safety improvements, conduct audits, and strengthen safety infrastructure and competencies.
Block Exemption for Ports, Rail and Key Feed Road Corridors, 2025	Enables greater collaboration across ports and rail while maintaining competition law compliance, supporting operational efficiency and infrastructure coordination.	Partially compliant. Agreements are being reviewed and engagements with the Competition Commission are ongoing.	Obtain required approvals, conduct risk assessments, identify opportunities enabled by exemptions, and embed compliance through controls, training and monitoring.
Public Procurement Act, 2024	Introduces a unified public procurement framework and strengthens governance and preferential procurement requirements for SOEs.	Partially compliant. Existing procurement practices align with some requirements, pending full implementation of the Act.	Update compliance and procurement risk management frameworks and conduct training and change management initiatives to ensure readiness.

Freight Rail remains partially compliant across key emerging legislative and regulatory frameworks, primarily because several reforms are still being implemented or finalised. The division’s response focuses on regulatory engagement, operational readiness, governance enhancement, compliance risk management, safety improvements, and workforce training to ensure compliance while maintaining competitiveness in an increasingly regulated and open-access rail environment.



OPERATIONAL PERFORMANCE REVIEW

Key performance area and indicator	Unit of measure	2024 Actual	2025 Actual	2026 Target	2026 Actual	2027 Target
Market segment competitiveness						
Volume growth						
Commodity classification						
General freight business	Mt	52,33	55,37	61,39	56,64	64,50
Export coal	Mt	48,55	54,09	62,24	58,48	61,30
Export iron ore	Mt	50,90	50,62	57,00	52,76	54,20
Total volumes	Mt	151,78	160,07	180,60	167,87	180,00
Operational excellence						
Asset utilisation						
General freight business	Gtkm/Ntkm	1,33	1,32	1,35	1,32	1,35
Export coal	Gtkm/Ntkm	1,25	1,25	1,26	1,25	1,26
Export iron ore	Gtkm/Ntkm	1,20	1,19	1,19	1,19	1,19
Loco utilisation						
General freight business	GTK'000/loco/month	3 497	3 734	3 785	3 729	3 978
Export coal	GTK'000/loco/month	15 154	18 602	11 116	20 546	17 286
Export iron ore	GTK'000/loco/month	40 478	37 124	25 396	33 589	30 537
Cycle time						
Export coal	Hours	98	89	75	88	75
Export iron ore	Hours	104	109	88	91	88
Export manganese	Hours	171	172	140	150	140
Wagon turnaround time						
General freight business	Days	12,53	11,42	8,42	10,00	8,50
Density						
General freight	GTK/Route km	3,01	2,48	2,89	2,51	3,71
Natcor (ContainerCor)	GTK/Route km	3,14	3,45	4,49	3,35	4,49
CapeCor	GTK/Route km	3,66	3,41	4,40	3,10	4,40
Southcor (part of CapeCor)	GTK/Route km	5,60	5,83	6,39	6,11	6,39
Service delivery						
On time departure (average deviation from scheduled times)						
General freight business	Minutes	(6,64)	*	96,96*	N/A	87,6
Export coal	Minutes	(32,48)	*	26,24*	N/A	23,62
Export iron ore	Minutes	(38,93)	*	36,45*	N/A	32,81

The actuals with N/A are not included due to changes in the reporting structure during the 2025/26 FY.

The strategic priorities of infrastructure restoration, fleet recovery and operational resilience were critical to achieving 180 mt for this financial year. The sustained growth in the general freight business and steady improvements in export coal performance reflect the effectiveness of the R4G Strategy and alignment with performance goals in the Freight Rail corporate plan.

Freight Rail continues to innovate to increase volume growth and deliver rail reliability efficiently through various strategies. This includes running longer, heavier trains and continually improving business processes and organisational structures. Although the percentage growth in volumes is lower than the previous year, the overall volume performance improved by 4,87%, compared with 5,52% in 2024/25FY. The developments and changes in the upward volume trajectory and overall cycle times have created a positive outlook for Freight Rail.

In 2025/26FY, the local economy showed notable primary-sector activity, particularly in mining and agriculture. General freight business volumes increased by 2,30% to 56,64 mt (2024/25FY: 55,37 mt). This increase is attributed to several initiatives, including an employee incentive scheme, the return of long-standing locomotives, improvement in turnaround times, and collaboration with major customers that began in 2024/25FY.

The total volumes railed were 7,07 % (12,76 mt) below the budget of 180,6 mt. Operational issues, including network issues, adverse weather conditions in key parts of the business, locomotive failures, security incidents and resource challenges, contributed to this shortfall. The total volumes increased by 4,87%, to 167,87 mt (2024/25FY: 160,07 mt).

With a continued focus on the repositioning of the business, the expansion of our service offering and improvements to rolling stock, Freight Rail is steadily closing performance gaps, stabilising operations and positioning itself for sustainable growth. Collaboration with customers and key stakeholders will continue to be central to fostering operational excellence. Rail network and security issues remain the primary contributors to operational disruption and low performance across most sectors and operating areas.

To boost commercial viability, Freight Rail evaluated each route's performance and identified ways to enhance logistics services and revenue on viable routes. A renewed pricing strategy aims to achieve full cost recovery across all routes and segments. Freight Rail will work with industry and customers to explore and implement alternative models and value propositions for underperforming routes.

ROLLING STOCK

Freight Rail collaborated with Engineering and OEMs to enhance locomotive availability and reliability, and minimise in-section failures. This contributed to a marked improvement in volumes, particularly for coal and iron ore export operations, where the consistent availability of wagons and locomotives is critical to sustaining performance and meeting export demands. This year, the Freight Rail resource management team returned 106 long-standing locomotives into service. However, persistent challenges in locomotives, networks, and security continued to hamper operational performance.

SECURITY

Since the separation of Freight Rail and TRIM, all security-related interventions are driven at the Group level. Freight Rail engages with Group Security to develop strategies to mitigate rolling stock vandalism incidents and collaborate effectively with TRIM.

GENERAL FREIGHT BUSINESS

The General Freight Business was a key contributor to overall volume growth, supported by improved operational efficiencies and strengthened collaboration with customers. Notable volume increases were recorded across several commodities, including:

- Non-RBCT coal, which grew by **18,07 % to 4,0 mt** (2025: 3.4 mt); and
- Containers and automotive, increasing by **5.14% to 0,109 mt** (2025: 0,104 mt).

These gains were largely driven by targeted commercial initiatives, improved service reliability, and enhanced operational efficiencies (i.e. wagon cycle times).

OPERATIONAL PERFORMANCE REVIEW continued

In addition, the General Freight Business's favourable export channel distribution played a significant role in the improvement in performance. Manganese exports through Gqeberha and Saldanha, along with chrome exports via Maputo and Richards Bay, contributed positively to throughput and network utilisation, as indicated below:

- Manganese business unit, up **3,5% to 16,76 mt** (2025: 15.80 mt); and
- Chrome and ferrochrome, increasing by **5.4% to 5.0 mt** (2025: 4.7 mt).

Market conditions further supported volume growth in key commodities. Chrome and ferrochrome benefited from a gradual upward price trend, underpinned by improving global stainless-steel demand and sustained production of ferrochrome in China. Similarly, manganese markets experienced favourable price support, with ore prices exceeding \$5.00/dry metric tonne unit in 2025, largely due to supply disruptions despite the gradual resumption of operations at Australia's Groote Eylandt mine. This resulted in elevated export demand, with South Africa achieving a record 16.76 mt of manganese ore exports, a 7,09% year-on-year increase, driven by positive demand from major markets such as China.

However, these positive trends were partially offset by declines in other commodity segments:

- Domestic iron ore declined by **60,69% to 1,00 mt** (2025: 2,56 mt);
- Eskom coal dropped by **8,59% to 2,73 mt** (2025: 2,98 mt); and
- Grain volumes reduced by **25,47% to 0,50 mt** (2025: 0,67 mt).

ArcelorMittal South Africa's decision to wind down its long steel business contributed to a 60% reduction in demand (excluding coal), further affecting iron and steel volumes.

EXPORT COAL LINE

Freight Rail railed 58,48 mt of export coal (2024/25FY: 54,08 mt), 8,12% more than the prior year. The increase in performance was mainly due to improved efficiency and increased customer demand. Favourable market conditions also contributed to the increase in rail volumes.

EXPORT IRON ORE LINE

Export iron ore rail volumes improved by 4,23% to 52,75 mt (2024/25FY: 50,62 mt). The increase in volume was largely due to improvements in cycle time, wagon payload capacity (from 63 tonnes to 67 tonnes per wagon) and collaboration across the value chain.

LOCOMOTIVE UTILISATION

Locomotive utilisation improved for export lines as many locomotives were brought back into service through the implementation of the master services agreements with Transnet Engineering, Alstom and Wabtec. Freight Rail returned 106 locomotives, including 53 of 58 Wabtec diesel locomotives. As a result, the number of active locomotives increased to 1 981 (2024/25FY: 1 568).

CYCLE TIMES AND WAGON TURNAROUND TIMES

The cycle time for export coal reduced to 88 hours (2024/25FY: 89 hours), below the 75-hour target. This is due to the high number of system disruptions, including but not limited to ECP failures, network disruptions, speed restrictions and derailments on the network.

The iron ore line cycle time improved to 91 hours (2024/25 FY: 98.28 hours), but remained above the target of 88.8 hours. The year-on-year improvement reflects a gradual enhancement in operational efficiency and network performance.

The turnaround time for general freight wagons improved to 10 days (2024/25FY: 11,42 days), despite adverse weather conditions, network issues, locomotive issues and loading and offloading issues.



BUSINESS UNIT PERFORMANCE

IRON ORE BUSINESS UNIT

The business unit achieved a year-on-year volume increase of 4,23% to 52,75 mt (2024/25FY: 50,62 mt). Additionally, manganese volumes transported from Sishen to Saldanha increased by 11,20%, reaching 5,83 mt.

Performance remained below design capacity, primarily due to locomotive and wagon availability constraints, rail network reliability challenges and port-related disruptions. Operational variability manifested in train cancellations, late departures, and extended cycle times, and continued to reduce throughput predictability.

Improved operational stability was, however, evident in quarter 3 and quarter 4, underpinned by a well-executed October 2025 shutdown, scenario-based planning, and heightened leadership focus. Key lessons learned highlight that sustainable volume recovery relies on system-wide stability, early and realistic customer planning and robust deviation management. This progress was further reinforced by the achievement of a 12-month incident-free period on the BSC safety incidents. Lastly, Iron Ore noted a downward trend in wagon cycle times starting in week 49, signalling progress.

MANGANESE BUSINESS UNIT

The business unit delivered 16,83mt compared to 16,81mt in 2024/25FY, representing a year-on-year improvement of 6,45%. Performance gains accelerated in the fourth quarter, with the second-best weekly volume of 0,378mt recorded in week 51, following the record 0,382mt achieved in week 38 of the 2025/26FY. This positive performance was further supported by technological innovation, which enabled an increase in payload capacity on the Saldanha corridor from 63 to 67 tonnes per wagon. This initiative contributed an additional 0,384mt for the year, underscoring the impact of targeted improvements in technology and operational efficiency.

The business unit encountered several challenging internal and external factors, resulting in capped operational volume performance. Internal factors constrained performance, including operational inefficiencies such as train cancellations, increased cycle times due to locomotive failures, derailments and back-of-port challenges, as well as network instability from overhead track equipment failures and hookups. Collectively, these issues significantly reduced the business unit's capacity to deliver.

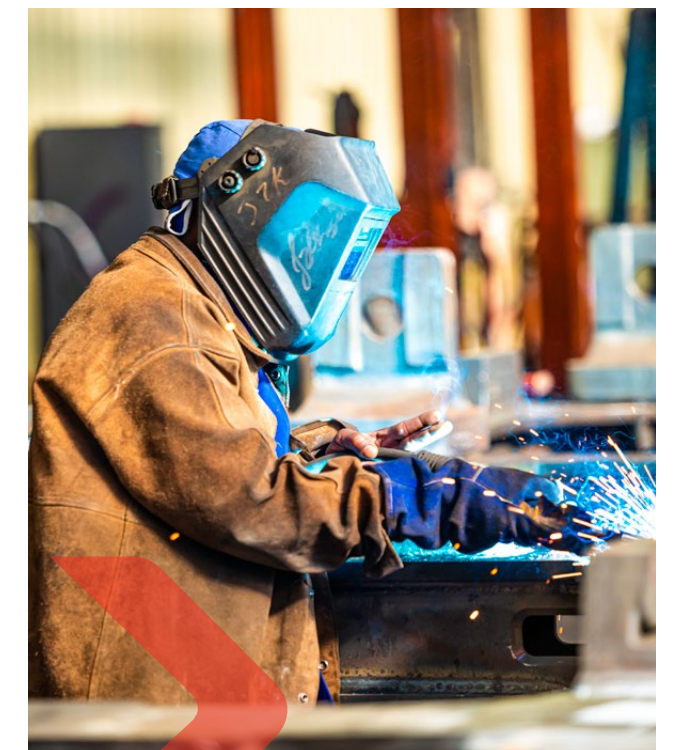
In response, the business unit has strengthened stakeholder relationships, enhanced communication channels, and reinforced collaborative frameworks to ensure adequate resource capacity and improved network stability. The Manganese BU operations teams will prioritise the stabilisation and growth of volumes, supported by enhanced dynamic planning and deviation management processes as they enter the new financial year.

STEEL AND CEMENT BUSINESS UNIT

The Steel and Cement Business Unit volume performance was 3,49mt from 5,43mt in 2024/25FY representing a 34,4% decrease. This can be attributed to:

- A decrease in volumes for iron and steel by **31,74% to 0,34 mt** (2024/25FY: 0,49 mt);
- Domestic Iron Ore volumes were down **61% to 1 mt** (2025: 3,5 mt);
- Closure of a customer's long steel business operations in Newcastle plant in September 2025, impacted about **40%** of the steel sector rail-worthy volumes, a significant setback;
- **No demand** for import coke due to reduced local coke production; and
- **Cement volumes** were impacted by ongoing rail challenges, customer plant breakdowns and lower demand due to a decline in market sales.

The business unit is collaborating with Botswana Rail to jointly develop comprehensive marketing and operational plans to restore and grow rail volumes along the Botswana-South Africa corridor. Historically, this corridor moved approximately 1,5mt per annum. However, current volumes have declined significantly to around 0,4 mt per annum due to uncompetitive pricing and operational challenges. This initiative seeks to reverse the trend by facilitating the movement of key General Freight Business commodities, including Cement, Coal, Fuel, Soda Ash, Salt, and Agricultural products.



CONTAINER AUTOMOTIVE AGRICULTURE AND BULK LIQUIDS BUSINESS UNIT

The business unit recorded actual volumes of 7.6 mt, representing a 1,11% year-on-year decrease compared to the previous year. Significant challenges, including train cancellations, locomotive failures, low demand, bad weather, and network failures, from customers and Transnet impacted delivery of the budget. Export grain demand in the budget was not realised due to weak export demand. The automotive sector was impacted by a decline in domestic market demand. The container sector reflects signs of recovery, despite the slot capacity remaining constant on the container corridor; volumes increased by 2% year-on-year. The increase came from exports from the City Deep complex (11% year-on-year growth) and the Pretcon terminal (45% year-on-year growth).

Efforts to stimulate imports have also yielded results, with imports through the Port of Durban growing by 12% year-on-year. This is a sign that customer confidence in rail is slowly improving. The timber sector volumes grew 28% year-on-year, driven by the new operating model introduced in collaboration with the customer to develop a transshipment hub in Durban for timber from Richards Bay.

COAL BUSINESS UNIT

The business unit volumes increased from 61,19mt (2024/25FY) to 66,05mt, representing a 7,94% year-on-year growth. Export Coal, which is the major commodity in the business unit, ended the year at 58,48mt representing an 8,14% year-on-year performance improvement. Eskom Coal achieved a record weekly coal tonnage of 0,933mt in week 52. This achievement marked the highest weekly performance since 2020/21FY, when 0,938mt were achieved in week 28.



MINERAL MINING AND CHROME BUSINESS UNIT

The business unit recorded year-on-year volume growth of 9,34% to 21,20 mt (2024/25FY: 19,35 mt), with chrome and magnetite growing by 16% and 19%, respectively.

With a sharp strategic focus and collaboration with customers to address inefficiencies in the value chain, wagon cycle time improved by more than 15%. The business unit, in its drive to become a heavy-haul player, implemented longer trains by increasing the lengths of magnetite and chrome trains; 80 to 84 wagons for minerals and magnetite and 75 to 100 wagons for chrome.

To strengthen regional integration in the SADC, the business unit worked closely with Caminhos de Ferro de Mozambique (CFM) in Mozambique to improve rail integration by enabling new CFM locomotives to haul cargo destined for the Maputo Main Port. In the new financial year, the MMC BU will continue to unlock the rail capacity and enable rail friendly cargo. MMC plans to have workshops with CFM to streamline the railway schedule throughout the Maputo Corridor.

THE BLUE TRAIN

The Blue Train (TBT) hospitality business recorded an operating profit in the 2025/26FY, marking an important milestone in its journey. However, TBT rail operations and maintenance are subsidised by Freight Rail. A key performance highlight was the successful operation of TBT's journey to Victoria Falls in August 2025, marking the return of this iconic route after a 24-year absence. The journey enabled TBT to diversify its route offerings, attract new tourism markets, and further strengthen its premium rail travel experience.

FINANCIAL PERFORMANCE REVIEW

Key metrics	(Unaudited) Year ended 31 March 2026 R million	Year ended 31 March 2025 R million	% change
Revenue	45 835	42 704	7,3
General freight	11 457	20 205	(43,3)
Export coal	14 028	12 150	15,5
Export iron ore	19 993	8 258	134,4
Other	357	1 891	(80,5)
Operating expenses	(40 088)	(33 711)	19,0
Energy costs (2026 electricity included in access fee)	(2 954)	(7 263)	(59,3)
Maintenance	(4 076)	(3 153)	29,3
Materials	(160)	(688)	(76,7)
Personnel costs	(8 585)	(13 719)	(37,4)
Access fee (TRIM Separate Division 1 April 2025)			(34,1)
Other costs	(24 313)	(8 988)	170,5
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)	5 747	8 993	(36,1)
Depreciation, derecognition and amortization	(10 021)	(12 252)	(18,2)
(Loss)/Profit from operations before items listed below	(4 274)	(3 260)	31,1
Impairments and fair value adjustment reversal	129	422	(69,4)
Net finance costs	(6 933)	(9 186)	(24,5)
(Loss)/Profit before taxation	(11 078)	(12 023)	(7,9)
Total assets (excluding capital works in progress (CWIP))	109 544	177 573	(38,3)
Profitability measures			
EBITDA margin*	% 12,5	21,1	(40,8)
Operating margin**	% 9,3	(7,6)	22,1
Return on invested capital***	% (0,2)	(1,7)	
Capital investments^	R million 8 507	16 416	
Employees			
Number of employees (permanent)	number 11 017	21 688	
Revenue per employee	R million 4 160	1 139	

* 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.
 ^ Actual capital expenditure (replacement plus expansion), excluding borrowing costs and including capitalised finance leases.

FINANCIAL PERFORMANCE REVIEW continued

Freight Rail's efforts to generate the targeted revenue have been hindered by business interruptions, resulting in a slowdown in our operations. Network reliability has also hampered performance, and management has implemented several initiatives in the short-, medium-, and long-term to drive operational performance. Freight Rail remains focused on positioning the business as a key driver of Southern Africa's economic growth through innovative services and solutions.

REVENUE

Revenue increased by 7,3% to R45,8 billion (2024/25FY: R42,7 billion), largely attributable to higher volumes and improved Rand/tonne, driven by a better product mix in delivered volumes. The Mineral Mining and Chrome Business Unit contributed 44% of the revenue increase (manganese: 36%, iron ore: 30%, and coal: 21%). The average rate per tonne increased by 1,4% year-on-year.

OPERATING EXPENSES

Operating expenditure increased by 18,9% to R40,1 billion (2024/25FY: R33,7 billion). The primary driver of the increase in operating costs was the implementation of the access fee that TRIM charged Freight Rail. This includes previously capitalised infrastructure expenses that are now charged as an access fee. Overall, on operating expenses (excluding access fee), the Operating Division achieved substantial savings through cost optimisation and depot rationalisation. Effective 1 April 2025, there was a split between TRIM and Freight Rail, which makes year-on-year cost comparisons difficult.

NET OPERATING EXPENSE CONTRIBUTIONS (BY CATEGORY)

Currently, 60,6% of total operating costs are attributable to the access fee, a regulated charge. Personnel costs are 21,4% of net operating expenses, followed by maintenance at 10,2% of total operating costs.

Cost compression and cost management principles are embedded in the business, and Freight Rail is exploring ways to reduce its cost base without eroding customer service. Freight Rail is focusing on workforce management and exploring opportunities to enhance roles without increasing headcount.

EBITDA AND OPERATING MARGINS

EBITDA declined by 40,8% due to the new access fee being treated as a full operational cost. EBITDA for the year was R5,7 billion (2024/25FY: R9,0 billion). The depreciation charge decreased by 18,2% year-on-year to R10,0 billion (2024/25FY: R12,3 billion). This relates to assets transferred to TRIM.

Net finance costs reduced to R6,9 billion (2024/25FY: R9,2 billion) due to the split between TRIM and Freight Rail, and the allocation of assets and liabilities to TRIM. The capex spend for the year was R8,5 billion, which relates only to rolling stock.

While there are many challenges on the road to a full recovery, we are moving forward with a clear vision and a deep commitment to delivering lasting value for all South Africans.



KEY RISKS AND MITIGATING ACTIVITIES

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

Key risks	Mitigating activities
Funding risk/financial sustainability Freight Rail's inability to generate sufficient cash to fund capital requirements impacting financial sustainability.	- Freight Rail implemented various operational initiatives to achieve 167,87 mt by year-end; - The long outstanding debtors book substantially reduced through settlement offers received from customers. The offers are being reviewed and processed for approval, including write-off on balances; - Freight Rail implemented various cost containment initiatives; and - Freight Rail implemented various PSP models, where the business case and transaction structuring financial models are being explored for Container and Manganese Business Units.
Operational efficiency risk Freight Rail's inability to deliver on volume targets due to operational inefficiencies and productivity challenges.	- Freight Rail trended at a volume execution rate of 93% as at year-end; and - Improvements were sustained in the Manganese Business Unit, with the budget surpassed by 1,52%.
Impact on volume and rail services risk Impact on train services relating to TRIM's inability to provide a consistent, safe and secure network for train operations.	- The service level agreement between Freight Rail and TRIM is close to completion, with critical business processes being mapped and documented; - The safety interface agreement between Freight Rail and TRIM was signed off in July 2025; and - The Freight Rail Weekly Operations Committee monitors rail network availability and security performance, with corrective action plans to improve performance from TRIM implemented.
Market share loss risk Increased competition from private train operators and alternative transport modes that threaten Freight Rail's market share, impacting revenue and sector positioning.	- Freight Rail secured five- to 10-year contracts covering 80% of Freight Rail revenue; - The Customer Collaboration Policy was approved to regulate partnering with customers through customer-led solutions, to improve Freight Rail's costs recovery; and - Freight Rail implemented various road-to-rail volume migration initiatives to attract road volumes.
Rolling stock risk Unavailability and unreliability of rolling stock to ensure safe, reliable and sustainable services.	- Freight Rail returned 216 long-standing locomotives back into service since the inception of the master service level agreement implementation; - One of 48 units under rehabilitation (CRRC fleet repair project) was delivered, with the second locomotive undergoing static testing and handover dynamic commissioning; and - The maintenance and reliability service agreement for the 23E fleet was signed in June 2024, with active KPI monitoring effective from May 2025. 188 of the 23E locomotives were handed over through the agreement, including 14 long-standing units affected by theft, vandalism, or derailments and 27 of 90 fitted with ECP.

Key risks	Mitigating activities
People management risk Low employee engagement and ineffective performance management, negatively impacting overall efficiency, productivity and the non-achievement of organisational objectives.	- An employee engagement survey was launched in February 2026, with feedback currently being analysed, to tailor focused interventions; - Freight Rail implemented the depot and people optimisation initiative as a cost-cutting measure; and - Freight Rail implemented various health and wellness initiatives to promote mental health wellness and reduce stress-related absenteeism.
Revenue contract management risk Poor contract management leading to revenue leakage and inadequate billing management.	- Key commercial provisions in contracts to ensure effective management of contracts are being standardised; - Freight Rail engaged with TRIM to negotiate alignment of existing contracts with the Rail Access agreement; - Freight Rail has negotiated waiver agreements of performance penalties across Export Coal, Mineral Mining and Chrome sectors successfully; and - Automation of commercial systems programme is in progress.
Information system risk Outdated legacy systems and infrastructure resulting in the inability to digitally transform the business and operations to achieve its objectives.	- The National Institute of Standards and Technology (NIST) cybersecurity gap assessment has been completed and the plan developed to close all the identified gaps; and - Freight Rail and TRIM shared current and future systems have been identified and mapped out. The next step is to duplicate legacy systems/ applications used separately by both Freight Rail and TRIM.
Safety risk Derailments and safety incidents impacting employee safety, volumes and productivity.	- Freight Rail implemented the Freight Rail Business Unit Incentive Scheme which has safety modifiers, i.e. BSC occurrences and LTIs, to further enhance safety behaviours; and - The Transnet Integrated Railway Safety Regulator Safety Permit was renewed for the next three years (1 November 2025 until 31 August 2028), with special conditions. The special conditions are currently being actively monitored and managed, with submissions up to date.
Procurement and contract management risk The need for a coordinated approach to contract management impacting the effective delivery of services and keeping suppliers accountable.	- The implementation of the procurement lifecycle management to improve procurement processes is in progress, with monitoring reflecting that 82% of contracts are in full compliance with the contract management lifecycle; - The decision to centralise procurement Transnet-wide has been approved by the Board to ensure improved and streamlined SCM governance; and - The procurement automation went live in December 2025.

CLIMATE-RELATED RISKS



KEY RISKS AND MITIGATING ACTIVITIES continued

Freight Rail is exposed to both climate-related transition and physical risks arising from the global shift towards a lower-carbon economy and the increasing frequency and severity of climate-related weather events. Transition risks stem from evolving carbon regulations, decarbonisation requirements and changing customer expectations. Physical risks relate to adverse weather conditions that may affect network reliability, asset performance and service delivery.

Freight Rail's response to climate change focuses on leveraging rail as a lower-carbon transport solution, implementing its Green Freight Strategy, exploring renewable energy and alternative fuels, improving fleet reliability, and strengthening infrastructure resilience through maintenance, operational planning and digital transformation initiatives. These actions support long-term sustainability, operational resilience and alignment with the IFRS S1 and IFRS S2 disclosure requirements.

Category	Description	Impact on operations	Mitigating actions	Metrics
Climate-related transition risk	Exposure to decarbonisation regulations, carbon taxation, changing customer preferences and increasing pressure to reduce GHG emissions from freight transport operations.	- Increased regulatory compliance costs; - Additional capital investment requirements to modernise and decarbonise operations; - Risk of reduced competitiveness if climate expectations are not met; and - Pressure to reduce emissions from diesel locomotives and electricity consumption.	- Implementation of the Green Freight Strategy; - Commitment to achieve net zero by 2050; - Exploration of biofuels and green hydrogen by 2040; - Procurement of renewable traction energy through IPPs; and - Continued promotion of rail as a lower-carbon alternative to road freight.	- Total Scope 1, 2 and 3 emissions - Scope 2 emissions as a percentage of total emissions; - Capital expenditure on fleet modernisation and sustainability initiatives; - Freight volumes transported by rail (167,87 mt); and - Progress towards net zero 2050 targets.
Climate-related physical risk	Exposure to extreme weather events, flooding, storms and climate-related disruptions that affect rail infrastructure, rolling stock, network availability and operational reliability.	- Rail service interruptions and delays; - Infrastructure and rolling stock damage; - Reduced freight volumes and operational performance; - Increased maintenance and repair costs; and - Extended cycle times and reduced network utilisation.	- Ongoing maintenance and infrastructure restoration programmes; - Fleet recovery initiatives and locomotive rehabilitation programmes; - Improved operational planning and resilience measures; - Digital transformation initiatives supporting predictive planning and asset management; - Collaboration with OEMs and Engineering to improve asset reliability.	- Number of weather-related operational disruptions; - Active locomotives in service (1 981); - Wagon turnaround time (10 days); - Export coal cycle time (88 hours); - Export iron ore cycle time (91 hours); and - Freight volumes transported (167,87 mt).

ESG PERFORMANCE



This year marked the first full year following the separation of Freight Rail and TRIM. This structural change significantly reshaped workforce composition, headcount baseline, and talent deployment across Freight Rail, establishing a new operating model aligned to commercial sustainability and improved operational efficiency.

Following the vertical separation of Freight Rail in 2024/25FY, 2025/26FY was characterised by the Operating Division's repositioning within the framework of the National Rail Policy. While the prior financial year focused on the legal and structural establishment of separate entities, this financial year centred on the functional design and implementation of a new operating model. A key component of this transition was the formalisation of new business units to drive greater commercial autonomy, accountability and operational efficiency.

Targeted change management initiatives were prioritised to ensure alignment with employees and organised labour. Despite the complexity of this transition, Freight Rail remained focused on cost-containment and people optimisation goals. A key achievement was the execution of the people optimisation

project, which enabled redeploying employees to address critical capacity gaps and ensure operational continuity.

While significant progress has been made, challenges remain in strengthening strategic workforce planning capabilities to enhance operational efficiency, ensure optimal availability and deployment of people resources, reduce reliance on overtime and improve compliance with labour agreements.

People management plays a pivotal role in enabling Freight Rail's recovery, sustainability and long-term competitiveness. In 2025/26FY, we focused on building a capable, agile, and performance-driven workforce, while driving organisational redesign, people optimisation, digitisation, and integrated talent management to support transformation and operational sustainability.

Key performance area and indicator	Unit of measure	2024	2025	2025	2026	2026	2027
		Actual	Target	Actual	Target	Actual	Target
Employment equity	%	93,78	92,00	94,52	92,00	94,40	93,20
Female employees	%	31,11	33,00	32,79	34,00	39,00	45,5
People with disabilities	%	2,75	3,00	2,77	3,5	2,95	3,5
Training spend	% of personnel cost	1,63	2,50	1,89	2,5	1,54	1,26
Employee turnover	%	2,85	5,00	3,20	5	0,05	5,00
Employee headcount*	Number	22 307	23 100	21 688	11 341	11 018	11 478

* Permanent headcount

Revenue per employee was **R4,1 million** against a target of R4,3 million.

Freight Rail concluded the 2025/26FY with a permanent headcount of 11 018, against an approved target of 11 341, representing a favourable headcount variance driven by targeted people optimisation initiatives. These included the prioritisation of voluntary transfers, secondments, role exposure, and acting appointments to optimise existing capacity, while ensuring operational continuity.

Employee turnover remained significantly below the target of 5%, reflecting sustained workforce stability and the impact of ongoing employee engagement, well-being and retention initiatives.

ESG PERFORMANCE continued

RISK MANAGEMENT OF PEOPLE-RELATED RISKS

Effective management of people-related risks is critical to sustaining operational performance and achieving our strategic objectives. For 2025/26FY, key people-related risks include low employee engagement, ineffective performance management, and capacity constraints relating to critical skills and talent retention, which may negatively impact productivity, operational efficiency, and the achievement of organisational objectives.

To mitigate these risks, Freight Rail has prioritised:

- Embedding a high-performance culture and strengthening performance management practices;
- Enhancing employee engagement and experience through targeted initiatives;
- Driving the adoption of digital tools and analytics to improve decision-making, performance tracking, and transparency;
- Implementing integrated talent management solutions to address current and future skills requirements;
- Strengthening employee relations frameworks to ensure stable and consultative labour environments;
- Promoting health, wellness, and resilience programmes to support workforce sustainability; and
- Development of a skills pipeline ahead of demand, e.g. sector-specific capabilities and the train driver development pipeline.

Progress to date includes:

- Implementation of Bargaining Unit incentive schemes and recognition programmes to reinforce performance and accountability;
- Employee engagement surveys, supported by targeted interventions and action plans;

- Rollout of culture and change initiatives to embed desired behaviours and improve employee readiness;
- Strengthened leadership visibility and internal champion programmes to enhance engagement and communication;
- Monitoring of turnover trends and talent review processes to inform retention and succession planning interventions;
- Continued implementation of health and wellness programmes to support employee well-being and productivity; and
- Ongoing rollout of digital solutions to enhance service delivery and performance management.

Collectively, these interventions support a more resilient workforce, improved employee experience, and enhanced organisational performance.

EMPLOYMENT AND TRANSFORMATION

Freight Rail exceeded its overall employment equity target for Black representation, achieving 94,40% against a goal of 92,00%. Female representation improved to 39%, exceeding the target of 34%; however, it remains below the broader national targets. Representation of people with disabilities (PWDs) increased to 2,95%, demonstrating performance, but remains below the 3,50% target. To address these gaps, Freight Rail is strengthening its equity, diversity, inclusion and transformation agenda through focused recruitment, development and retention strategies.

The PWD Network plays a key role in driving inclusion, addressing employee experience challenges, and supporting sustainable change. In 2025/26FY, a dedicated task team was established to develop a targeted development and progression programme for employees with disabilities, aimed at addressing barriers to career advancement and improving representation across all levels.

Freight Rail is committed to building an inclusive, diverse, and equitable workforce aligned to organisational values and national transformation objectives.

SUMMARY OF PEOPLE WHO DECLARED DISABILITIES (PERMANENT EMPLOYEES)

	2024 Actual	2025 Actual	2026 Actual	2026 Target
Persons with disabilities (PWD)	2,43%	2,41%	2,95%	3,5 % = NEAP target 3,5 % = Freight Rail target

SUMMARY OF GENDER EQUITY AGAINST NEAP (NATIONAL ECONOMICALLY ACTIVE POPULATION) TARGETS (PERMANENT EMPLOYEES)

Designated categories	2024 Actual	2025 Actual	NEAP		
			2026 Target	2026 Actual	2026 Target
Black (African, Indian and Coloured)	93,78%	94,52%	92,00%	94,40%	92,00%
Overall female employees	31,11%	32,79%	34,00%	39,00%	45,50%
Females at the executive level	33,33%	42,11%	50,00%	50,00%	50,00%

SUMMARY OF BLACK EMPLOYEES PER OCCUPATIONAL LEVEL (PERMANENT EMPLOYEES)

Black employees	2024		2025		2026	
	Male	Female	Male	Female	Male	Female
Top management	9	4	10	7	7	6
Senior management	150	97	146	94	64	45
Professional (qualified and experienced specialists and mid-management)	905	620	891	630	278	280
Skilled (technical and academically qualified workers, junior management, supervisors, foremen, and superintendents)	5 141	3 712	5 032	3 627	2 527	1 929
Semi-skilled (discretionary decision-making)	5 693	2 391	5 686	2 396	3 215	1 850
Unskilled (defined decision-making)	4 341	900	4 358	1 039	141	96
TOTAL	16 239	7 724	16 123	7 793	6 232	4 206
GRAND TOTAL	23 963		23 916		10 438	



ESG PERFORMANCE continued

SKILLS DEVELOPMENT

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

Freight Rail focused on developing critical skills to support operational performance. Emphasis was placed on multiskilling, leadership development, and capacity building in alignment with evolving business needs.

Key programmes such as the 7 Habits of Highly Effective People, Multipliers, the 4 Disciplines of Execution, executive coaching, mentoring, and youth development continue to strengthen internal capability, enhance career progression, and position Freight Rail with a more competitive, future-ready workforce.

- Key focus areas included:

- Multiskilling and reskilling to improve operational efficiency;
 - Leadership development programmes to embed the Transnet leadership credo;
 - Digitisation of learning solutions to improve accessibility and delivery;
- Strengthening safety, wellness, and employee engagement; and
 - Reinforcing a high-performance culture aligned to business outcomes.

These interventions support Freight Rail's transition to a redesigned, commercially driven operating model, ensuring employees are equipped with the skills needed to meet current and future operational demands.

NUMBER OF YOUTH DEVELOPED ON THE EMPLOYMENT EQUITY PERFORMANCE

Training area	2024 Actuals	2025 Actuals	2026 Targets	2026 Actuals	2027 Targets
Young professionals in training	23	92	53	67	30
Interns	66	89	90	5	30
Engineers in training	69	26	0	0	0
Technicians in training	200	132	0	2	11
Apprenticeship	0	0	34	34	37
Work integrated learners	0	0	29	29	25

YOUTH EMPLOYED AND DEVELOPED STRATEGY

Employment/development	2024 Actuals	2025 Actuals	2026 Targets	2026 Actuals	2027 Targets
Youth employed as % of total permanent employees	20,79	17,00	25,00	12,00	15,50
Youth developed as % of all employees trained	27,00	22,00	26,00	12,00	16,60

Talent management is a strategic enabler for ensuring Freight Rail's long-term sustainability and operational effectiveness. We prioritised strengthening the end-to-end talent value chain, including strategic workforce planning, talent acquisition, succession planning, and retention strategies to support an evolving operating model.

Targeted interventions were implemented to:

- Ensure critical roles are filled within defined timelines;
- Build robust succession pipelines for key positions;
- Strengthen leadership and capacity development programmes;
- Leverage trainee pipelines (young professionals in training, interns, bursaries) to meet future workforce needs; and
- Enhance employee experience and retention strategies.

Key initiatives include structured onboarding, talent reviews, psychometric assessments, and improved workforce analytics to enable data-driven decision-making and strengthen talent visibility across the organisation.

In addition, Freight Rail continues to invest in youth development programmes to address youth unemployment, build critical future skills, and support the development of a more competitive, inclusive, and future-ready workforce aligned to transformation objectives.

As part of its broader socio-economic contribution, Freight Rail invests in the upliftment of communities in which it operates. The Rail Cadet Programme supports 361 learners (Grades 10–12) in mathematics, science, and accounting, contributing to community development while building a pipeline of future bursary candidates. In the 2025 academic year, 98 learners achieved outstanding matric results, collectively earning 73 distinctions.

HEALTH AND SAFETY

3 GOOD HEALTH AND WELL-BEING

LOST TIME INJURY FREQUENCY RATE (LTIFR)

The LTIFR decreased by 12% to 0,66, below the tolerance limit of 0,75. This reflects an improvement in safety performance and the effectiveness of implemented safety interventions. The LTIFR remains below the global industry benchmark of 1,00, suggesting that while improvements are necessary, our safety performance is still within acceptable international standards.

LOST TIME INJURIES (LTIs)

The LTI cases increased by 21% to 102, above the tolerance limit of 84. The main contributors to the LTIs were slip, trip and fall incidents (38), motor vehicle accidents (17) and manual handling injuries (13). We aim to foster a safety culture through positive reinforcement, feedback and employee engagement via the implemented programmes: Visible Felt Leadership, Recognition App, Behaviour-Based Safety Programme, Golden Safety League and the LTI/BSC incentive scheme modifier.

OCCUPATIONAL DISEASES

No occupational diseases were reported. This indicates compliance with the Compensation for Occupational Injuries and Diseases Act 130 of 1993. Ongoing management of fit-for-duty declarations, occupational health monitoring and medical surveillance processes are in place to ensure any potential cases are promptly identified, investigated and managed.

MOTOR VEHICLE ACCIDENTS (MVAs)

Motor vehicle accidents decreased by 51% to 77, below the tolerance limit of 154, indicating a significant improvement in performance. The main contributing occurrences were collisions with third parties (36), followed by collisions with animals (30) and collisions with objects (11). 100% of accidents were investigated, demonstrating excellent investigative coverage and follow-through. However, speeding transgressions remain a key area of concern with 163 267 recorded instances, of which 3 873 were subject to consequence management. Continued focus is required to strengthen compliance and reduce unsafe driving behaviours through targeted interventions and enforcement measures.

SHE COMMITTEES

A notable 95% of the planned 600 SHE Committee Meetings were held, and 86% of the planned Safety Inspections (5 933/6 276) were conducted, demonstrating commitment from our emergency teams.

SAFETY SEMINARS

We held numerous seminars to address topical safety issues within our operational environment, i.e., signal passed at danger (SPADs), shunt derailments, fatality and file incident reviews, safety, health and environment (SHE) representatives and emergency teams, Golden Safety League, and interface agreements within private sidings.

HEALTH AND SAFETY continued



SAFETY 10-POINT PLAN

Our 10-Point Plan is on track, with various Hazardous Chemical Substance (HCS) simulations, Emergency Response Plans exercises, Point Drills, MVA Awareness sessions, Management Walkabouts and successful Proficiency Program events taking place across our business units.

SAFETY INCIDENTS

Freight Rail recorded a decrease in BSC occurrences from 76 to 62, reflecting a 18% improvement in rail safety-related occurrences. Furthermore, Zero Level 1 and Level 2 BSC occurrences were recorded. However, one fatality was recorded in the month of August 2025.

While these improvements are encouraging, the loss of a colleague in a work-related fatality during the year serves as a stark reminder that our ultimate goal of zero harm has not yet been achieved.

In response, several targeted safety programmes were implemented to positively influence employee behaviour and safety performance. Freight Rail launched a shunt derailment campaign together with the Golden Safety League, monthly BSC assurance, and a behaviour-based safety programme to influence behaviour for better, safer performance.

Running line derailments increased from 11 to 12, a 9% increase, while shunt derailments decreased from 48 to 36, a 25% improvement. SPADs decreased from 15 to 14, a 7% improvement. Train-on-train collisions decreased from two to zero, a 100% improvement.

Incident type	2025	2026	%
Train-on-train collisions	2	0	(100)
Running line derailments	11	12	9
Shunt derailment (Freight Rail)	48	36	(25)
Signal passed at danger	15	14	(7)
Grand total	76	62	(18)



ENVIRONMENTAL STEWARDSHIP AND COMPLIANCE



Freight Rail has embedded sound environmental management practices across its operations to ensure regulatory compliance and demonstrate responsible corporate citizenship. The Operating Division has implemented innovative solutions to reduce its environmental footprint.

The table below details the specific environmental exposures, the corresponding legislative requirements, the current extent of Freight Rail's compliance, and the mitigation strategies being implemented.

Environmental exposures	Legislative requirements	Extent of compliance	Mitigations
Air quality and dust emissions Dust emissions from loaded wagons en route and CO ₂ emissions from diesel locomotives.	National Environmental Management: Air Quality Act (No. 39 of 2004)	Partial compliance Freight Rail faces challenges with dust pollution.	Implementing corrective action plans (CAPs) at hotspots like the Sishen-Saldanha line and addressing dust-related complaints.
Soil and groundwater contamination Ongoing contamination from hydrocarbon spills (diesel, oil) at locomotive staging areas and derailment sites.	National Environmental Management Act (No. 107 of 1998) - Section 28	Partial compliance Ongoing clean-up of commodity and hydrocarbon spillages.	Implementation of pollution prevention and waste management plan. In partnership with TRIM, continuation of hydrocarbon elimination programme (i.e. use of absorbent mats) at key staging areas.
Waste management Generation of significant volumes of general and hazardous industrial waste, including used oil, scrap metal etc.	National Environmental Management: Waste Act (No. 59 of 2008)	Partial compliance Significant improvements in recycling relating to decommissioned rolling stock components. However, there is insufficient waste infrastructure in selected operational areas.	Implementation of pollution prevention and waste and sustainable disposal guidelines for decommissioned rolling stock.
Water resource management High water consumption for operational activities, coupled with the risk of polluting watercourses through runoff from rail yards.	National Water Act (No. 36 of 1998)	Partial compliance There has been improvement; however, there remains a risk of water contamination from runoff from railway yards.	Implementing water stewardship and conservation guidelines.
Biodiversity management The rail network traverses sensitive ecological areas, leading to wildlife mortality (train collisions).	National Environmental Management: Biodiversity Act (No. 10 of 2004)	Partial compliance Freight Rail acknowledges a lack of collision-prevention techniques and measures to protect adjacent sensitive ecosystems and promotes the adoption of such measures to conserve ecological life.	Key proposed studies will be commissioned in partnership with Engineering, the Council for Scientific and Industrial Research (CSIR) and selected academic institutions.

Environmental exposures	Legislative requirements	Extent of compliance	Mitigations
Climate change and greenhouse gas (GHG) emissions A high carbon footprint driven by diesel locomotive operations and electricity consumption for traction loads.	Carbon Tax Act (No. 15 of 2019) & National Climate Change Response Policy	Partial compliance Combined Scope 1, 2 & 3 emissions stand at 1,97 MtCO ₂ e, of which the majority, nearly 71%, comes from Scope 2. Freight Rail is responsible for 72% of Transnet's total CO ₂ emissions.	Transnet is committed to net zero by 2050. Freight Rail is implementing a Green Freight Strategy. This includes exploring alternative fuels (biofuels by 2027, green hydrogen by 2035) and initiating independent power producer (IPP) procurement for renewable traction energy.
Noise and vibration pollution Disturbing noise levels from locomotive engines, shunting operations, and rail traffic affect adjacent residential communities.	SANS 10103:2008	Partial compliance Noise impacts are generally managed through noise surveys.	Implementing speed restrictions in sensitive zones and ensuring new locomotive acquisitions meet stricter acoustic emission standards.



Definitions of acronyms used in the report

BSC	Balanced Scorecard
DoT	Department of Transport
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
ECP	Electronically Controlled Pneumatic
ERT	Economic Regulation of Transport Act 6 of 2024
EXCO	Executive Committee
Freight Rail	Transnet Freight Rail
GHG	Greenhouse gas
GTK	Gross tonne kilometre
GTK/kWh	Gross tonne kilometre per kilowatt hour
GTK/litre	Gross tonne kilometre per litre
kV	kilovolt
KW/H	Kilowatt per hour
LTIFR	Lost Time Injury Frequency Rate
LTIs	Lost Time Injuries
MtCO₂e	Million tonnes of carbon dioxide equivalent
NEMAQA	National Environmental Management: Air Quality Act, 39 of 2004
OEM	Original Equipment Manufacturer
PRASA	Passenger Rail Agency of South Africa
PSP	Private Sector Participation
R4G Strategy	Reinvent for Growth Strategy
SADC	Southern African Development Community
SPAD	Signal Passed at Danger
TRIM	Transnet Rail Infrastructure Manager