TRANSNET

freight rail

TRANSNET FREIGHT RAIL **2025**

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CHIEF EXECUTIVE'S **OVERVIEW**

> "This financial year marked a decisive turning point for Transnet Freight Rail (Freight Rail), as we reversed a six-year trend of declining rail volumes and began to build a solid foundation for sustainable growth. Achieving 160,1mt railed, equivalent to 94% of our annual target of 170mt, is a statistical achievement and a bold testament to Transnet's turnaround."

Freight Rail demonstrated resilience despite persistent challenges, including derailments, security incidents, rolling stock availability and reliability, and infrastructure constraints. The Operating Division improved its volumes performance, underpinned by the effective implementation of Tactical Recovery Plan initiatives. These efforts contributed to a notable 5,5% year-on-year increase in volumes to 160,1 million tons (2024: 151,8 million tons).

The positive outcome of our Tactical Recovery Plan journey was achieved through a multi-pronged approach to improve customer service and foster economic growth. We partnered with industry and Government through the National Logistics Crisis Committee (NLCC) to ensure a coordinated response to the logistics crisis and improved performance and throughput on key export freight corridors (coal, ore, manganese, chrome, and magnetite and containers).

Through this partnership, we developed and implemented a Breakthrough Programme for the Coal Corridor, which focused on rolling stock and network capacity, strengthening the security response and instilling operational discipline to ramp up export volumes.

Critical to our success is a reliable rolling stock fleet across all corridors, through collaborative efforts undertaken with Transnet Engineering and original equipment manufacturers (OEMs). This led to improved locomotive availability and a reduction in in-section failures. Critical rail network maintenance was conducted through the shutdown windows in each corridor to stabilise and improve network conditions. Freight Rail strengthened partnerships with outcome-based service (OBS) providers to reduce security incidents disrupting rail services. This includes proactive monitoring and incident management to minimise theft and vandalism.

PERFORMANCE HIGHLIGHTS AND KEY ACHIEVEMENTS

Several critical corridors delivered strong performances, bolstered by improved operational execution and the reintegration of key rolling stock:

- Manganese volumes surged to record highs, outperforming budget targets across multiple corridors. The Gqeberha manganese line achieved 20,3% above its budget, while manganese to Saldanha exceeded targets by 9,3%;
- Export coal volumes came in at 96,6% of budget, with the North Corridor executing 64,2mt;
- The Container sector grew 21,4% year-on-year, contributing to a 29,3% year-on-year increase in the Container Corridor, which exceeded its budget by one percent;
- The Cape, North-East, and Ore Corridors also recorded strong volume performance, supported by strategic enhancements in train length and service frequency; and
- The general freight business volumes increased by 5,8% to 55,4mt (2024: 52,3mt).

These figures underscore the success of the Tactical Recovery Plan, which prioritises infrastructure revitalisation, fleet availability and operational discipline.

FINANCIAL PERFORMANCE

Our revenue for the year improved by 9,2% to R42,7 billion (2024: R39,1 billion). This revenue is attributable to a 5,5% volumes increase and improved Rand/ton due to a better product mix on delivered volumes.

STRATEGIC TRANSFORMATION AND OPERATING MODEL SHIFT

In line with the National Rail Policy (NRP), rail reform mandates the structural separation of freight Rail 's infrastructure management from its train operations, establishing a clear distinction between the two functions. The vertical separation of Freight Rail into two distinct operating divisions, Transnet Rail Infrastructure Manager (TRIM) and Freight Rail, was formally enacted in October 2024, enabling regulatory clarity, financial transparency, and greater operational focus. This division will allow for the introduction of private train operators onto the national rail network and promote an efficient and competitive rail sector.

This separation requires Freight Rail repositioning itself and implementing a new operating model. This model replaces corridor-based operations with six distinct, commodity-focused business units. This shift will embed customer-centricity at the core of our service delivery while improving efficiency, accountability, and resource alignment. It will position Freight Rail to thrive in a competitive, open-access environment prompted by NRP and recent legislative developments such as the Economic Regulation of Transport (ERT) Act of 2024.

Read more about TRIM on page 32 and our new operating model on page 15

OPPORTUNITIES

Freight Rail is pursuing strategic partnerships to enhance service delivery, operational resilience and sustainability. This includes fostering a competitive and collaborative rail ecosystem by engaging private train operating companies (TOCs) to:

- Provide hook-and-haul services to consolidate and optimise freight flows;
- Offer yard operations and terminal services; and
- Collaborate on maintenance and operational support, ensuring seamless integration into the national rail network.

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
- Co-investing in infrastructure upgrades along strategic corridors to unlock additional capacity and improve turnaround times.

To improve fleet reliability and availability, Freight Rail will strengthen its collaboration with OEMs and Transnet Engineering 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.

In response to persistent security threats, Freight Rail is expanding its partnerships with specialised security firms. These partnerships will:

- Deploy AI-driven surveillance systems and real-time monitoring technologies;
- Enhance community engagement programmes to reduce theft and vandalism; and
- Strengthen incident response protocols in collaboration with law enforcement and industry stakeholders.

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

- Implement predictive analytics for proactive maintenance and operational planning;
- Enable IoT-based asset tracking to improve cargo visibility and customer service; and
- Develop AI-powered scheduling and optimisation tools to enhance network efficiency and reliability.

LOOKING AHEAD

Freight Rail aims to become a data-driven, goal-oriented and continuous improvement-driven organisation with a high-performance culture.

Freight Rail is on a transformation path. We are committed to becoming a customer-focused, high-performance freight operator, responsive to market dynamics and stakeholder expectations. Introducing TOCs will test our agility and sharpen our competitive edge.

KEY PRIORITIES FOR 2025/26FY INCLUDE:

- Embedding the new operating model to reposition Freight Rail;
- Driving operational improvements and competitiveness in line with Transnet's Reinvent for Growth Strategy (R4G Strategy);
- Enhancing our safety performance;
- Developing customer value propositions that create shared value for Freight Rail and the industries we serve;
- Entrenching operational excellence through the Operational Excellence Centres (OECs); and
- Enhancing collaborative partnerships with customers and industry stakeholders.

I extend my deepest appreciation to our employees, customers, partners, and the Shareholder. Our progress is a collective success and proof that Freight Rail can deliver when we align behind a common vision and commit to disciplined execution.

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.

Russell Baatjies
Chief Executive

HIGHLIGHTS

Freight Rail transported 160,1mt, demonstrating significant progress towards its ambitious target of transporting over 170mt. This achievement was driven by focused initiatives across business, general freight, export lines and the locomotive recovery strategy, which are key levers of Transnet's Tactical Recovery Plan and broader R4G Strategy. At year-end, the business demonstrated sustained growth in volumes of 5,46% year-on-year, building on the progress achieved in 2023/24FY.

Notable improvements were achieved in the manganese, magnetite and container segments. Manganese volumes performance showed positive 12% growth momentum, supported by increased export flows. Additionally, after the annual maintenance shutdown, iron ore exports achieved performance levels not seen since 2020/21FY. The strategic and tactical initiatives that began in October 2023 have alleviated ongoing challenges and sustained this growth.

Freight Rail enhanced its operational efficiency through the following measures:

- Additional capacity was added with the return of long-standing locomotives and the delivery of the 23E locomotives, resulting in an increase in volumes to 160,1mt (2024: 151,8mt);
- Capex increased to R17,3 billion (2023/24: R17,7 billion), providing additional capacity;
- Implementing outcome-based security solutions, leveraging technology, and improving information gathering to safeguard assets and operations;
- Resolved 1 064 contract disputes with OEMs dating back to December 2019, which improved operational efficiency;
- Concluding long-term maintenance and repair service agreements with OEMs to ensure fleet reliability and availability;
- Allocating locomotives to economically viable flows to maximise revenue generated from the operation and ensure sustainable network financing; and
- More than R6 billion of R16,4 billion in capital investment was prioritised to enhance network capacity by reducing speed restrictions and improving authorisations on key profitable routes.

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.

Freight Rail is Transnet's largest Operating Division, managing and operating an extensive rail network spanning six pivotal corridors: the North (Coal), Northeast, Cape, Ore, Central, and Container Corridors. These networks transport commodities for export, regional and domestic markets.

Operating world-class heavy haul coal and iron ore export lines, Freight Rail also extends its services to export manganese via the iron ore and Gqeberha lines. The Operating Division handles a diverse range of bulk and general freight, including mining, agricultural, manufacturing goods, bulk liquids, containerised freight, and automotive spare parts and components.

Freight Rail provides strategic rail links between ports, freight terminals, production hubs, and the Southern African Development Community (SADC) railways, enhancing regional integration. This infrastructural connectivity, along with close collaboration between Transnet's Operating Divisions and industry players, ensures efficient delivery of freight volumes across logistics supply chains.

Freight Rail's growth has been limited by past network rehabilitation neglect, theft, vandalism, sabotage, and contractual disputes over locomotives. These issues have led to reliance on an aged locomotive fleet, an inability to meet current customer demand, and limited maintenance budgets. For example, Freight Rail had more than 200 locomotives that were paid for upfront but received no operational benefit because they were unused for an extended period due to a lack of OEM maintenance and the unavailability of spares due to suspended contracts. Capital investment reduced from R25 billion in 2015 to R12 billion in 2024, resulting in increased incidents affecting volumes.

WHERE WE **OPERATE**

The map below provides a comprehensive view of the rail network. Rail management encompasses condition monitoring, maintenance, and protection of the rail infrastructure. It also involves developing rail network designs, managing the network access and fleet, and overseeing the real estate portfolio.

Figure 1 Rail Network

NORTH CORRIDOR (NORTHCOR)

NorthCor, transporting over 40% 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, servicing the Mpumalanga coalfields through 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 and Richards Bay, with top commodities including export coal, domestic coal, Eskom coal, chrome, ferrochrome, and cement.

Chrome and ferrochrome flows originate between Phokeng and Pendoring and are transported to Richards Bay for export. Domestic coal originates from Mpumalanga and Lephalale and is transported to various destinations countrywide. The NorthCor prioritises asset efficiencies to optimise coal flows, while fostering opportunities to expand other mining commodities. The corridor contributes over 2,4% to South Africa's GDP, providing over 92 670 direct employment opportunities through its operations.

ORE CORRIDOR (ORECOR)

The OreCor is one of the two main heavy haulage routes in South Africa. It stretches 861km from Sishen in the Northern Cape to Saldanha on the Western Cape coast. The ore line moves millions of tons of iron ore annually from one of the world's largest iron ore mines to the export port at Saldanha Bay. OreCore has an annual capacity of 60 million tons of iron ore and six million tons of manganese per year.

NORTHEAST CORRIDOR (NORTHEASTCOR)

NorthEastCor stretches from the Limpopo River at Beitbridge in Limpopo through Komatipoort to Richards Bay on the east coast, and from Pyramid/Rayton/Emalahleni to Komatipoort.
The corridor can transport 11% of overall volumes.

NorthEastCor strategically connects the South African rail freight business with multiple SADC countries. Commodities are transported through various border posts or gates of entry, such as Komatipoort, Golela, Beitbridge, Livingstone and Sakania.

The corridor has three prominent linear flows:

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

The corridor volumes comprise general freight flows, including magnetite, chrome, ferrochrome, and rock phosphate.
This corridor provides excellent rail connectivity within SADC, facilitating regional operational integration and collaboration across Transnet's Operating Divisions, improving service along integrated pit-to-port flows. Initiatives on this corridor focus on facilitating flows along the North-South Corridor, which traverses Zambia, Mozambique, and South Africa and present opportunities for revitalisation investments.

CAPE CORRIDOR (CAPECOR)

CapeCor covers the largest area within Freight Rail, stretching from Warrenton in the northeast to Cape Town in the south, and from Hotazel in the northwest to Port Elizabeth in the southeast. This corridor connects the hinterland to the ports of Cape Town, Mossel Bay, Port Elizabeth, Ngqura, and East London.

Connecting key mining areas around Hotazel to the ports of Port Elizabeth and Ngqura, CapeCor is the main export route for South Africa's manganese. It also presents growth opportunities for the agricultural sector, particularly fruit and grain for domestic and export markets and for transporting cement, lime, and automotive goods.

CONTAINER CORRIDOR (CONTAINERCOR)

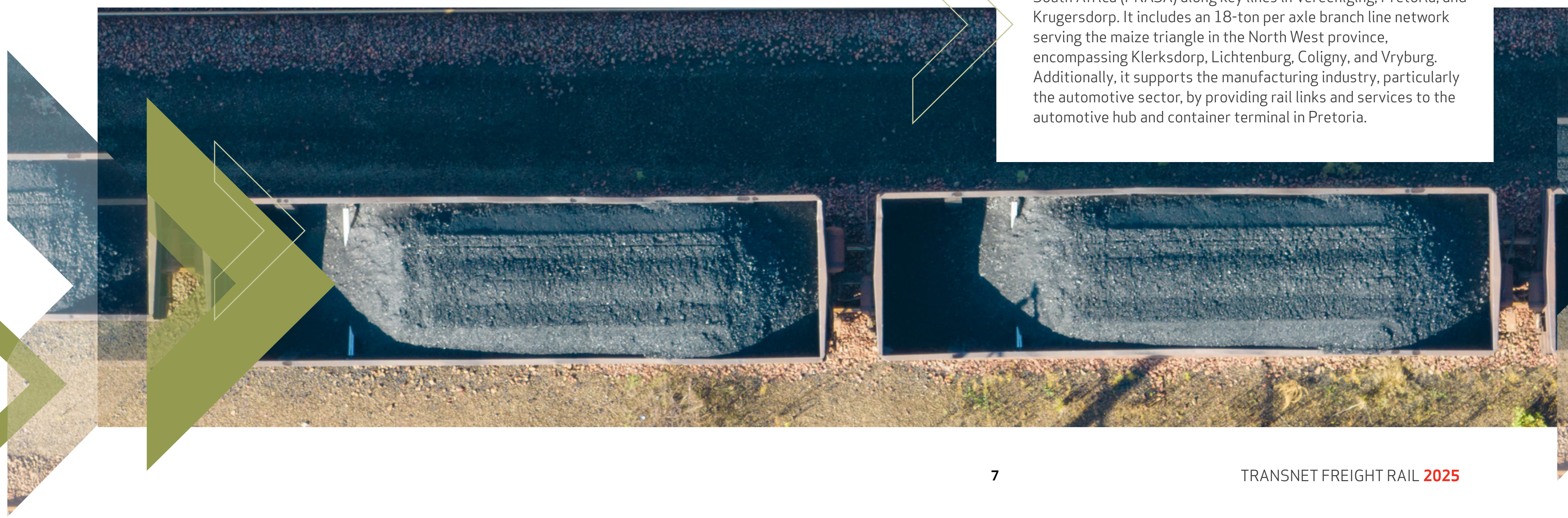
The ContainerCor is the backbone of South Africa's rail freight network, crucial for promoting economic growth. It connects the Port of Durban to the hinterland and inland freight terminals serving Gauteng and neighbouring countries. Key commodities include containers, fuel, grain, motor vehicles, and general cargo, serving about 70 customers. These high-value industrial sectors significantly contribute to South Africa's economy.

The corridor handles a variety of cargo, including low-density, high-value, low-margin, and time-sensitive industrial goods from diverse origins. However, intermodal cargo incurs extra costs for road-to-rail transfers. Most cargo categories are highly time-sensitive and face competition from road transport pricing.

CENTRAL CORRIDOR (CENTRALCOR)

CentralCor, located at the centre of the Rail network, connects five other corridors and spans Gauteng, Free State and the North West provinces. This corridor is crucial for the north-south interface through landlocked Botswana via the Mafikeng to Krugersdorp and Vryburg rail lines, supporting regional integration. It feeds into the ports of Maputo, Richards Bay, Durban, Port Elizabeth, and Cape Town.

CentralCor interfaces with the Passenger Rail Agency of South Africa (PRASA) along key lines in Vereeniging, Pretoria, and Krugersdorp. It includes an 18-ton 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.



STRATEGIC PROJECTS

The table below provides the high-level progress and achievements made with regards to Freight Rail strategic projects executed during the 2024/25FY:

Table 2: Freight Rail Strategic Projects

Project	High Level Focus	Progress
Rail Reform	Establish Transnet Freight Rail as an Operating Company and Transnet Rail Infrastructure Manager to transform Freight Rail and comply with Legislation. Implement the Transnet Freight Rail as an Operating Company and Transnet Rail Infrastructure Manager organisation designs by March 2025.	Freight Rail completed the separation of the Infrastructure Manager (IM) and Freight Rail as per timelines communicated by the shareholder and Transnet board. Freight Rail will be continuing into the FY2025/26 financial year to ensure all aspects of the rail reform are implemented with rigor and great consideration to mitigate impact of externalities on our employees.
Confined tender for the repair of long-standing locomotives for 3 OEMs	Volume improvement for key commodities. Secure locomotives to prevent theft; allowing for the use of diesel locomotives in high-theft areas to maintain service where there are electricity shortages.	Overall locomotive returned to service for the year under review was 113 locomotives back in service for coal/chrome flows and iron ore flow. This was achieved through the conclusion of the contract with **Alstom, Mitsui and Wabtec**. In addition to the collaboration between TE and Freight to ensure improved service.
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. Lead to overall volume improvements and additional revenue for the year.	Freight Rail in response to CRRC impasse contracted Alstom and TE to repair 48 (20E/21E/22E) locos as a phase one of the project. TFR issued an RFI to the market for alternative spare parts, modifications, and software development. Furthermore, Freight Rail extended Wabtec contract for additional locomotives to sustain multiple service providers to handle backlog.
People Management Programme	Establish and embed an organisational structure that facilitates business transformation, while fostering a robust, agile and compliant people management governance environment to ensure the successful achievement of business goals.	Freight Rail successfully completed a "Lift and shift" transition due to the separation between the Infrastructure Manager (IM) and Freight Rail. The resultant split of the operating division is a staff compliment for each as TRIM 54,78%, TFR 44,07%, and TCC 1,15%. This was accompanied by the implementation of an employee reward and recognition (incentive scheme) programme for bargaining unit employee which was implemented in September 2024. In addition, Freight Rail conducted successful and robust change programme that ensured that employee continual engagement throughout this changing regulatory environment and operations. Lastly, the digitisation of core people processes – including recruitment, and performance management – was successfully implemented during the review period. This enabled a mid-year performance review completion rate of 92%, illustrating a strong organisational uptake and alignment.
Digital Transformation	Start the digital transformation journey to optimise business processes and drive efficiencies across the business by implementing Integrated Train Plan for operational execution, rail operations asset management and digital transformation of commercial processes.	Freight Rail implementation of the Integrated Train Plan System is in progress with key milestones achieved to date that include approval of the Change management and Communication strategy; Approved functional design specification; Development of Interfaces; and the Build [Configuration & development] for Release 1. While the Rail Operations Assets Management System programme milestones include Rolling Stock Packages deployment to Production; Auxiliary Equipment (Telemeters); Asset Assemblies and Warranties; and Work Order Costs. Lastly the Commercial Systems programme key milestone to date has been the approval of the programme budget.
Private Sector Participation	Develop a customer-led solution where customers invest in the maintenance of specialised wagons (i.e. XN tankers), and locomotive upgrades to address volume retention and growth.	Concluded collaboration agreement with Sasol for 128 Ammonia wagons which the customer will fund the maintenance of the XN wagons over a five-year period.

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 undergoing significant structural changes to its business to drive Government's rail reform agenda and spur economic activity in the country through the accounting separation of its business into a rail infrastructure provider and train operating company. Transnet Freight Rail has separated, with effect from 1 October 2024, its business into the Transnet Rail Infrastructure Manager and Transnet Freight Rail Operating Company (Freight Rail) as mandated by the National Rail Policy.

These changes have been effected through a myriad of legislations which have changed the rail regulatory landscape, such as the National Rail Policy and the Economic Regulation of Transport Act, No 6 of 2024. The envisaged liberalisation of the rail sector will provide for regulated open access to third-party train operators under the guidance of the Transnet Rail Infrastructure Manager.

It is therefore envisaged that from 2025/26, Freight Rail will operate within a complex and evolving regulatory landscape shaped by significant reforms, compliance requirements and heightened scrutiny of its corporate practices. Key regulatory developments are poised to influence operations, strategy and the competitive positioning of the reforming Freight Rail.

STRATEGIC IMPLICATIONS FOR TRANSNET FREIGHT RAIL IN 2025/26 AND BEYOND

The regulatory landscape in 2025/26 demands a proactive approach in balancing compliance with strategic agility. Key areas of focus will include:

- 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 regulatory landscape for Freight Rail reflects a blend of reform-driven challenges and compliance mandates that are critical to the division's long-term viability. By prioritising safety, sustainability, competition compliance and transformational goals, Freight Rail will not only comply with regulatory requirements but also leverage them to achieve operational excellence and stakeholder confidence in a transforming rail industry.

Freight Rail evaluates applicable legislation on an annual basis to remain relevant in the changing regulatory environment, however, for purposes of this plan, the following legislation is interpreted as having a strategic impact on the way that the division conducts its business (read more on page 21).

The table below reflects on new legislation that may have significant impact on TFR. Freight Rail monitors applicable legislation to remain relevant in the changing regulatory environment. The following legislation is interpreted as strategically impacting how it conducts its business.

Regulation	Impact	Extent of compliance	Mitigation/action plans
White Paper on National Rail Policy, 2022 [NRP]	• Vertical separation of Infrastructure Manager from Train Operation. • Restructuring of the rail sector to open access to private operators. • Increased operational pressure as competitors use the rail infrastructure with access rights granted by the Transnet Rail Infrastructure Manager. • Private sector Participation. The Department of Transport [NDoT] recently issued a Request for Information [RFI] to the public for concessioning of certain key corridors, including Export Coal, Iron Ore and Manganese.	• Transnet continues to prepare for further compliance with the NRP. • The general impact analysis is ongoing and is based on outcomes of engagements with the Department of Transport. • NDoT is developing frameworks for implementation of the NRP. • Freight Rail has implemented the accounting and commercial separation of its operations from rail infrastructure businesses to create the necessary transparency and enablement for third-party access to the network.	• Strengthen Transnet's value proposition by enhancing service reliability and efficiency. • Transnet should continuously monitor compliance with the National Treasury Guarantee Funding Conditions in this regard.

Regulation	Impact	Extent of compliance	Mitigation/action plans
Economic Regulation of Transport Act, No 6 of 2024 [ERTA]	• ERTA is not immediately applicable to TFR. • The Act seeks to consolidate the economic regulation of transport within a single framework, establish the Transport Economic Regulator, establish the Transport Economic Council and establish an efficient and cost-effective transport system to improve access and support economic growth. • TFR if declared a regulated entity will be subject to price regulation in accordance with price control mechanisms determined by the Regulator. • In addition , TFR may have to submit financial and/or independent review reports to the Regulator to determine price control or price review, including the methodology for assets valuation and allocation. • Freight Rail and other regulated entities will be required to fund the cost of the Regulator and the Council.	• TFR will continue to engage with the Interim Rail Economic Regulator to concretise practical principles, standards and procedures to ensure compliance with the Act until its made applicable to the business of TFR. • TFR will monitor the development of the ERTA i.e. Ministerial Declaration under s4(2), upon the Act becoming applicable to rail operator. • A compliance risk assessment will be undertaken upon the ERTA becoming applicable to TFR.	• Embed compliance in the workplace by developing compliance risk management plans, conducting training and awareness sessions and entrenching controls in the business.
The Railway Safety Act, No 30 of 2024 [Act 30 of 2024] (read with the National Railway Safety Regulator Act, No 16 of 2002)	• Act 30 of 2024 has been partially proclaimed as certain sections awaits further proclamation before becoming effective. • It seeks to improve the regulatory framework for safety in South Africa to improve safety for rail passengers and freight. • Act 30 of 2024 requires strict adherence to safety standards across all rail operations and increased operational costs for compliance efforts. • Act 30 of 2024 creates a new regime for licensing and Accreditation of Training institutions and certain Safety Critical Grades and as such: • No person, may perform work in a safety-critical grade position, unless he or she is in possession of a licence issued by the Regulator through an accredited training institution. • Training institution and their curriculum are regulated i.e. have to be accredited by the Regulator.	• Partial compliance: Previous safety audits reveal gaps in equipment maintenance. • Further investment in safety training and equipment upgrades is required and ongoing. • Act 30 of 2024 will lead to significant safety improvements in the railway environment. • The cost of compliance will increase however it appears that the benefits to be derived will far outweigh the costs and improve the sustainability and reputation of the rail sector.	• The Faculty of Rail (through the Transnet Academy) is empowered to provide accreditation as a training institution. • Obtain accreditation of Transnet Academy by the Regulator. • Make Transnet Academy aware of the new requirements and comply accordingly. • Undertake the roll-out of national training and awareness sessions on the new legislation and change management. • Embed compliance in the workplace by developing compliance risk management plans and providing support to business to entrench controls. • Prioritise high-risk areas for immediate safety improvements. • Conduct quarterly safety audits to monitor compliance progress. • Consider increasing budget allocation for safety-related infrastructure improvements. • Monetise the skills and competencies of the Faculty of Rail and offer services to operators outside Transnet.

Regulation	Impact	Extent of compliance	Mitigation/action plans
Block Exemption for Ports and Rail, 2025 [Block Exemption]	• The Block Exemptions come as a response to address the current challenges facing South Africa's transport and logistics infrastructure and as such enables firms to effectively apply to the Competition Commission for authorisation to coordinate their efforts for the sole purpose of addressing operational inefficiencies and infrastructure capacity shortages; resolving operational breakdowns in port and rail infrastructure; and ensuring security of supply of goods; and contributing to measures aimed at resolving these challenges. This may be achieved through investment, sector initiatives to improve efficiencies, collaboration on procurement and sharing of services and coordination between the public and private sector. • The Block Exemption seeks to exempt a category of agreements or practices (vertical and horizontal practices) amongst firms in the ports, rail and key feeder road corridors industry, which might otherwise be considered anti-competitive or amount to a prohibition of the competition laws. It essentially provides a "safe legal room" for firms within specific sectors, allowing them to engage in certain cooperative or coordinated activities without facing competition law challenges. • The Block Exemption enables Transnet to enter into agreements for example on maintenance, access and oversight over third parties. • These transactions and agreements are subject to the Competition Commission confirmation and approval i.e. whether they comply with the Block Exemption. • The approval is for a minimum of 15 years. An extension may be granted for additional 15 years.	• It enables the conclusion of joint ventures for rolling stock with customers.	• Submit the proposed agreement to the Competition Commission for the required approval before implementation, once a determination is made that the agreement falls within the ambit of the proposed exemption. • Perform a risk assessment associated with the proposed exemptions and mitigations to enable the implementation of its mandate. • Map out areas of interest that are enabled by the proposed exemptions and measures that will enable Freight Rail to leverage or exploit them in executing its objectives. • Embed compliance in the workplace by developing compliance risk management plans, conduct training and awareness and entrench controls.
Public Procurement Act, No 28 of 2024	• The promulgation of the Act follows the pronouncement by the Minister of Finance in the aftermath of the nullification of the Preferential Procurement Regulation, 2017 and the publication of the Preferential Procurement Regulation, 2022. • The objective of the Act is to create a single unitary regulatory framework for public procurement and preferential procurement by all organs of State in all spheres of Government. • The Act reinforces, introduces and defines new set of values that should underpin the procurement system and the Preferential Procurement Framework.	• Partial compliance: Freight Rail's modus operandi and procurement system complies with some of the requirements contained in the Act (demand management, acquisition management, etc.). • While the provisions in the Act are not in force yet, Freight Rail awaits the finalisation of the Act to ensure full compliance.	• Embed compliance in the workplace by developing/updating compliance risk management plans, conduct training and awareness and implement change management.

Regulation	Impact	Extent of compliance	Mitigation/action plans
Safety Permit Fees under National Railway Safety Regulator Act, 2002 (act no. 16 of 2002)	• The Regulation proposes an increase of the safety permit fee for 2024/25 renewal. • A non-refundable fee for application of the renewal of the safety permit is payable when applying for a Safety Permit. The increase is 4,6% based on the 2024/25 permit application fee.	• Unclear whether it is payable by all or new applicants or those renewing the permits in the 2025/26FY. It does not make sense in cases where the current Safety Permit is for a long term spanning over the indicated 2025/26FY. If one is a new entrant, there is no reference point or if you are a current operator the permit application fee will be reference with the date that the Safety Permit was granted and not at least predicated on 2024/25FY.	• The general safety permit fee is increased by 4,6% based on 2024/25 permit fees rate.

ENVIRONMENTAL COMPLIANCE

South Africa's evolving and complex environmental laws require Freight Rail to integrate environmental practices to comply with regulations and demonstrate good corporate citizenship. The Operating Division has implemented innovative solutions to reduce its environmental footprint.

Environmental mitigation and action plans for 2025

Environmental aspect/exposure	Legislative requirement	Extent of compliance	Mitigation/action plans
Asbestos land contamination	National Environmental Management: Waste Act, No. 59 of 2008	• TFR's high-risk asbestos-contaminated land has been declared to the Minister of the Department of Forestry, Fisheries, and the Environment (DFFE); and • An ad hoc asbestos programme was implemented to remove exposed asbestos.	• Continuous ad hoc removal and safe disposal of exposed asbestos ores to minimise occupational health exposures; and • Conduct risk assessments to confirm contaminated asbestos quantities.
Hydrocarbon land contamination	National Environmental Management: Waste Act, No. 59 of 2008	Bioremediation orders for refuelling facilities were obtained.	• Bioremediation of hydrocarbon-polluted land in refuelling depots. • Supply of absorbent mats across depots and yards.
Air emissions and dust pollution	National Environmental Management: Air Quality Act, No. 39 of 2004	• The US Environmental Protection Agency Tank Model is used to calculate emissions at refuelling facilities, and reports are submitted to authorities via the National Atmospheric Emission Inventory System; and • Five air emission licenses were obtained. • Four air emissions licenses were received, and one provisional air emissions license is in place.	• Scientific monitoring and reporting of emissions from refuelling facilities and multi-user facilities; and • Continuous compliance monitoring for air emissions license requirements.

Environmental mitigation and action plans for 2025

Environmental aspect/exposure	Legislative requirement	Extent of compliance	Mitigation/action plans
Discharge of industrial effluent	National Water Act, No. 36 of 1998	Monitoring regime comprehensively determined.	Ground, surface, effluent and potable water monitoring and reporting.
Climate change mitigation and adaptation	Climate Change Bill and National Environmental Management: Air Quality Act, No. 39 of 2004	Greenhouse gas emissions (Scope 1, 2 and 3) are monitored and reported in the Integrated Report per National Greenhouse Gas Emissions Reporting Regulations, 2016.	• Develop a climate change action plan; and • Conduct climate change risk and vulnerability assessments and develop resilience plans as part of the climate change action plan.
Green freight strategy	• National Environmental Management Act, No. 107 of 1998 • Climate Change Bill and National Environmental Management: Air Quality Act, No. 39 of 2004	Transnet has committed to net zero emissions by 2040.	Collaborate with the Group for the just energy transition strategy, a partnership with the World Bank, to provide a detailed programme to achieve net zero emissions by 2040.

REPOSITIONING AND THE NEW OPERATING **MODEL**

FREIGHT RAIL's repositioning strategy requires the design and implementation of a new operating model that aligns with an optimised business portfolio and operational objectives.

This model replaces corridor-based operations with six distinct, commodity-focused business units: Coal; Iron Ore; Manganese; Mineral Mining and Chrome; Containers; Automotive; Agriculture and Bulk Liquids; and Steel and Cement.

FREIGHT RAIL OPERATING MODEL AND SERVICE OFFERINGS

Core focus

- Large volumes
- High demand
- Large market share
- Rail-friendly markets:
  - Bulk
  - Long distance
  - Stockpile to stockpile
- Highest growth potential – partner for growth
- Minimal investments
- Based on usage of all available slots
- Reduced footprint – commodity flow-focused
  - Pit-to-port (82%)
  - Pit-to-plant (only where viable)
  - Terminal-to-port
- Commodity-fit inherent strength of rail logistics and resource levels
- Operational excellence – for cost-effectiveness, efficiencies, profitability and to lock in customers
- Single point of accountability for pit-to-port flows
- Shared services:
  - Ancillary services offered to the Rail Infrastructure Manager and train operating companies
  - Support services

Commodities
- Coal
- Iron ore
- Manganese ore
- Magnetite
- Chrome and ferrochrome
- Rock phosphate

+

General freight commodities

Augmented core

Augment with these markets:
- Medium-sized and/or new non-traditional markets
- Changes to new operating models
- Low-cost lean operations model
- Lease assets and not own them
- Develop PSP and outsourced supply chain solutions
- 'Hook-and-haul' from consolidation points
- Private sector to invest in wagons and locomotives
- Prioritise existing rolling stock to key flows
- Based on usage of all available slots

Commodities
- Cement
- Containers
- Limestone
- Automotive units
- Chemicals
- Fertiliser
- Steel (revival of the steel hub)
- Grain (maize and wheat)
- Wood and wood products

Developmental role

- Public service obligations i.e. mandated/developmental commodities with high economic impact/value

Commodities (illustrative)
- Grain (maize and wheat)
- Wood and wood products
- Eskom coal

Rail Infrastructure Manager support services

Services
- Marshalling
- Shunting
- Occurrence management

Mega rail

Will focus on handling large-volume, high-demand commodities where it has a strong 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

To complement its core business, Freight Rail will target medium-sized and new non-traditional markets. These markets require a shift towards lean, low-cost operations to remain competitive. Freight Rail aims to lease wagons and locomotive assets for these services through a dedicated rolling stock leasing entity or department.

PSP will support this goal as private sector players invest in the assets and contribute towards achieving efficient supply chain solutions. Freight Rail will optimise using existing rolling stock for key freight flows and introduce new concepts like hook-and-haul services to consolidate smaller volumes and increase throughput efficiency. Commodities such as cement, chemicals, fertiliser, and steel, along with containers and automotive products, are included in this hook-and-haul strategy to diversify revenue streams.

Partnerships between the public and private sectors are critical for inclusive economic growth. The economic reconstruction and Tactical Recovery Plan stresses the need for PSP to secure private sector investments and expertise to address the country's developmental challenges.

TRIM operations (support services)

Freight Rail will offer value-adding services such as marshalling, shunting and terminal services. Yard operations will be contracted out to Freight Rail by the TRIM. These services will be charged at a train rate, differentiating three categories of trains as per the network statement.

Operational excellence and innovation

Achieving operational excellence is key to improving service delivery and competitiveness. Freight Rail will optimise core operations, including train planning, crew management and rolling stock maintenance. In addition, it will leverage private partnerships to introduce technologies to enhance its operational capabilities, including digital freight platforms, real-time cargo tracking and predictive maintenance systems. These innovations will support faster, more reliable services, reduce costs and improve operational efficiencies.

Freight Rail will adopt a flexible approach to managing its rolling stock. Besides leasing options, sale-and-leaseback arrangements will be considered to optimise operations, reduce capex and other costs. Freight Rail will invest in workforce training and development to equip employees with the skills needed to operate in a competitive environment.

Cost optimisation and financial sustainability

Cost optimisation is critical to remain competitive in a regulated open-access market. Freight Rail aims to address inefficiencies, adopt leaner processes, improve procurement, and reduce wastage. Additionally, Freight Rail will focus on financial sustainability by optimising revenue collection and tariffs and developing new revenue streams.

This summary highlights the positive and impactful ways in which Freight Rail creates sustainable value across the six capitals of the Integrated Reporting Framework, showcasing its commitment to growth, innovation and long-term stakeholder benefit:

INPUTS | Core business activities | OUTCOMES

Core business activities

1. Transporting bulk and general freight including coal, iron ore, manganese, chrome, containers, and automotive
2. Managing rolling stock and infrastructure assets to ensure reliable pit-to-port and terminal-to-port flows

Financial Capital

Inputs
- **Capital investment:** R16,4 billion (▲ 41%)

Outcomes
- **Revenue:** R42,7 billion (▲ 4,8%)
- **Operating expenses:** R33,7 billion (▲ 8,3%)
- **EBITDA:** R9,0 billion (▼ 12,8%)
- **Return on invested capital:** -1,7%

Manufactured Capital

Inputs
- **Rail network:** 30 400km
- **Locomotives:** 1 981 active
- **Infrastructure upgrades:** R6 billion spent
- **Rolling stock recovery:** 113 locomotives returned to service

Outcomes
- **Total volumes:** 160,1mt (▲ 5,46%)
- **Export coal:** 54,1mt (▲ 11,4%)
- **General freight:** 55,36mt (▲ 6,05%)
- **Container sector:** ▲ 21,4%
- **Wagon turnaround:** 11,42 days (▼ from 12,53)
- **Cycle time improvements across corridors**

Human and intellectual Capital

Inputs
- **Employees:** 21 688 permanent staff
- **Training spend:** 1,89% of personnel cost
- **Employment equity:** 94,52% Black, 32,79% female
- **Youth development:** 92 young professionals, 89 interns
- **Integrated Train Plan (ITP) and Rail Asset Management Systems**
- **Predictive analytics, IoT tracking, AI-powered scheduling**

Outcomes
- **LTIFR:** 0,80 (▲ 11%)
- **Employee turnover:** 3,2% (below 5% target)
- **Improved transformation and inclusion**
- **Enhanced skills development and retention**
- **Improved operational efficiency and planning**
- **Enhanced customer service and cargo visibility**
- **Stronger governance and compliance frameworks**

Social and Relationship Capital

Inputs
- **Community employment:** 3 000 contractors
- **Customer-funded security initiatives (e.g., RBCT, Glencore)**
- **Collaboration with NLCC, NFMCCC, law enforcement**

Outcomes
- **21%** reduction in cable theft incidents
- **561** arrests and **78** convictions for infrastructure theft
- **Strengthened stakeholder trust and collaboration**
- **Enhanced corridor security and operational continuity**

Natural Capital

Inputs
- **Environmental compliance:** air quality, stormwater, emissions
- **Water efficiency:** rainwater harvesting, desalination
- **Waste management:** recycling and landfill reduction

Outcomes
- **Water consumption:** 5,1 millionkl (▼ 50%)
- **Environmental compliance: asbestos and hydrocarbon remediation**
- **Alien species control:** 680,3 hectares cleared
- **Climate resilience initiatives (flood, heat, fire, drought)**

OPERATIONAL PERFORMANCE REVIEW

Key performance area and indicator	Unit of measure	2023 Actual	2024 Actual	2025 Target	2025 Actual	2026 Target
Market segment competitiveness						
Volume growth Commodity classification						
General Freight business	mt	49,58	52,20	**58,41**	**55,36**	61,395
Export coal	mt	48,81	48,50	**56,01**	**54,09**	62,244
Export iron ore	mt	51,10	50,90	**55,60**	**50,62**	57,00
Total volumes	mt	149,49	151,78	**170,03**	**160,07**	180,6
Operational excellence						
Asset utilisation						
General Freight business	Gtkm/Ntkm	1,33	1,33	**1,32**	**1,32**	1,35
Export coal	Gtkm/Ntkm	1,25	1,25	**1,25**	**1,25**	1,26
Export iron ore	Gtkm/Ntkm	1,20	1,20	**1,19**	**1,19**	1,19
Loco utilisation#						
General Freight business	GTK'000/loco/month	2 962	3 497	**3 760**	**3 734**	4 293
Export coal	GTK'000/loco/month	14 220	15 1540	**18 062**	**18 609**	14 043
Export iron ore	GTK'000/loco/month	38 235	40 478	**36 728**	**37 124**	29 757
Cycle time						
Export coal	Hours	88	98	**90**	**89**	75
Export iron ore	Hours	108	104	**107**	**109**	88
Export manganese	Hours	168	171	**135**	**172**	140
Wagon turnaround time						
General Freight business	Days	15,04	12,53	**13,20**	**11,42**	8,42
Density						
General freight	GTK/Routekm	2,26	3,01	**2,62**	**2,48**	2,89
Natcor (Container Cor)	GTK/Routekm	2,41	3,14	**2,61**	**3,45**	4,49
Capecor	GTK/Routekm	3,89	3,66	**6,06**	**3,41**	4,40
Southcor (part of Cape Cor)	GTK/Routekm	5,69	5,60	**5,00**	**5,83**	6,39
Service delivery						
On time departure (average deviation from scheduled times)						
General Freight business	Minutes	12,61	(6,64)	**116**	*****	96,96*
Export coal	Minutes	(43,06)	(32,48)	**(41)**	*****	26,24*
Export iron ore	Minutes	19,73	(38,93)	**(79)**	*****	36,45*
On-time arrivals (average deviation from scheduled times)						
General Freight business	Minutes	336	430,24	**764**	*****	108,62*
Export coal	Minutes	327	363	**320**	*****	52,49*
Export iron ore	Minutes	42	(9,57)	**373**	*****	121,74*
Rail network availability	%	84,47	90	**92**	**70***	92*

* *The operational efficiency key performance indicated in the table shows for the years 2023/24 – 2025/26 actuals and targets. The actual with N/A are not include due to changes in the reporting structure during 2024/25 FY for On-time Arrivals and Departure move from business line into corridors. While the rail network availability target for 2025/26FY will be reported by Infrastructure Manager report going forward.*

The strategic priorities of infrastructure restoration, fleet recovery and operational resilience were critical to achieving 160,1mt this year. The sustained growth in the general freight business and steady improvements in export coal performance reflect the effectiveness of the Tactical Recovery Plan and alignment with performance goals.

In 2025, the local economy has shown notable activity in its primary sectors, particularly mining and agriculture. General freight business volumes increased by 6,1% to 55,36mt (2024: 52,20mt). This increase is attributable to several initiatives, including an employee incentive scheme, the return of long-standing locomotives and collaboration with major customers.

However, total volumes were 5,9% (10mt) below the target of 170,03mt. Operational issues, including network, locomotive failures, security incidents and resource challenges contributed to this shortfall.

With a continued focus on infrastructure upgrades, security enhancements and rolling stock improvements, Freight Rail is steadily closing performance gaps, stabilising operations and positioning itself for sustainable growth. Collaboration with customers and key stakeholders was central to fostering operational excellence. Safety and security issues remain the highest contributing factors to operational disruption and low performance in most sectors and operating areas.

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

NETWORK AND INFRASTRUCTURE

Completing critical annual maintenance shutdowns will result in reduced temporary speed restrictions, increased network availability and operational capacity, while stabilising the rail network to mitigate against the derailment risks. Shutdowns were successfully executed across key export lines, mainly North, Northeast, and Ore Corridor including the other three corridors.

Freight Rail spent R6 billion on infrastructure, which created direct and indirect job opportunities in surrounding communities. Freight Rail employed over 3 000 full-time contractors in 2024/25FY. This community collaboration underlines our commitment to good corporate citizenship and Government's developmental objectives.

The efforts to decrease manual authorisations are vital to enhancing network capacity and sustaining safe operations, while focused on overhauling the signalling systems along crucial export corridors. These improvements are essential to ensuring reliable and efficient rail operations. With the ongoing commercial separation of rail infrastructure and operations and the establishment of the Transnet Rail Infrastructure Manager (TRM), the freight rail business relies on this manager for the continued repair and restoration of the network. The Network Asset Maintenance (NAM) team had to replace over 700km of cable stolen from our lines. This underscores the critical role of infrastructure management in achieving operational excellence and supporting broader strategic objectives.

ROLLING STOCK

Freight Rail collaborated with Transnet Engineering and OEMs to enhance locomotive availability and reliability to minimise in-section failures. This contributed to a marked volumes performance improvement, 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 integrated resource scheduling team returned 113 long-standing locomotives into service. However, persistent locomotive, network, and security challenges continued to hamper operational performance.

GENERAL FREIGHT

Freight Rail's is the main contributors to the increase in volumes were domestic and non-RBCT coal by 33,8% to 4,2mt (2024: 3,2mt), containers and automotive by 19,8% to 4,7mt (2024: 3,90mt) , coal to ESKOM power stations by 15,9% to 3,0mt (2024: 2,6mt), manganese by 8,10% to 15,80mt (2024: 14,60mt), chrome and ferrochrome by 5,4% to 5,0mt (2024: 4,70mt). The increase in volumes can be attributed to various initiatives and projects with customers as well as improved efficiencies.

Furthermore, the favourable distribution pattern for manganese exports to Port Elizabeth and Saldanha as well as the chrome exports to Maputo and Richards Bay contributed to improved performance.

Favourable market conditions also influenced the positive railing of the following commodities: chrome and ferrochrome: chrome prices gradually trend upwards with improving stainless steel demand alongside robust Chines ferrochrome production. The manganese ore price shot above $5,00/dmtu in 2024 due to disruption of supply despite gradual restart to operations at Australian Groote Eylandt mine. In May 2024, South Africa achieved record high manganese ore exports of 2,6mt, rising 49,7% from April, amid robust demand from major consuming regions, especially China, seeking alternatives to Australian supply.

However, a decrease in volumes was recorded for cement and lime by 20,9% to 1,5mt (2024: 1,9mt), iron and steel by 11,5% to 3,6mt (2024: 4,3mt), fast moving consumer goods (FMCG) by 35,7% to 0,2mt (2024: 0,3mt), grain by 12,7% to 0,39mt (2024: 0,45mt). The derailment of a cement train resulted in the Ventersdorp bridge closure for 8 (eight) months during the 2024/2025 Financial Year, translating to a loss of 0,55 million tons of cement volumes from Lichtenburg. AMSA's intention to wind-down their long steel business resulted in a reduction in their overall demand by 30–40% (excluding their coal requirements). Scaw Metals cashflow control resulting in no demand between January and February 2025. Ongoing security incidents, resources constraints, vandalised substations, derailments, shunt locomotive failure and operational challenges had a marked effect on the performance.

EXPORT COAL LINE

The business railed 54,1mt of export coal in 2024, up 11,4% from 48,6mt in 2023, driven by improved efficiencies and increased customer demand. Favourable market conditions also supported the growth. However, the annual coal price declined by 21,4% due to reduced Asian import demand amid a shift to cleaner energy sources. In Q1 2025, prices continued to fall, impacted by weak supply growth stemming from environmentally driven constraints on mine investments.

Performance improved primarily due to greater efficiencies and fewer security incidents, with additional gains from better resource availability and rail network reliability following the August 2024 shutdown.

EXPORT IRON ORE LINE

Export iron ore volumes transported decreased by 0,6% to 50,6mt (2024: 50,9mt). The deterioration in performance was mainly due to derailments, security related challenges, unavailability of resources and an unreliable rail network as well as off-loading issues at Saldanha harbour.

LOCOMOTIVE UTILISATION

Locomotive utilisation declined, as many locomotives remained idle due to a lack of maintenance, derailments, and vandalism during outages caused by cable theft. Nonetheless, the number of active locomotives has improved to 1 981 active locomotives (2024: 1 916).

CYCLE TIMES AND WAGON TURNAROUND TIMES

The cycle time for export coal reduced to 89 hours in March 2025 from 98 hours in 2024, missing the target of 75 hours. This is due to the high number of system disruptions including but not limited to theft and vandalism, speed restrictions and derailments on the network.

The cycle time for the iron ore line was 109 hours by year-end, higher than the target of 88,8 hours. There was a year-on-year deterioration, indicating a gradual decline in operational efficiency due to rail network speed restrictions.

The turnaround time for general freight wagons improved from 12,53 days in 2024 to 11,42 days by year-end, despite numerous speed restrictions on the network such as cable theft and vandalism.

ORE CORRIDOR (ORECOR)

In 2025, the total volume of iron ore transported from Sishen to Saldanha reached 50,61 a 1% decrease compared to the previous year. The total volume of manganese transported from Sishen to Saldanha increased 13,29% to reach 5,24mt. However, throughput was limited by eight derailments and track-related delays, caused by ageing infrastructure, mechanical failures, and adverse weather conditions.

At the Port of Saldanha, bottlenecks were experienced due to equipment failures. These included but not limited to tipplers, stacker reclaimers, and conveying systems breaking down or not operating at full capacity, leading to slower turnaround times of wagon rakes being offloaded.

The line is currently limited to transporting 60mt of iron ore, due to air emission licence restrictions. There are ongoing negotiations and discussion with the regulators to obtain a new licence to increase capacity 67mt of iron ore. Freight Rail will increase the locomotive and wagon fleet on and make joint capital investments throughout the pit-to-port system when the license is approved.

CAPE CORRIDOR (CAPECOR)

CapeCor railed 15,22mt, which was 2,3% below the budget of 15,49mt. The Gqeberha manganese corridor performed strongly, achieving 10,16mt against a budget of 8,45mt. This was 20,3% above target and 5,5% higher than the previous year's 9,77mt. The Belcon terminal also showed promising growth. It railed 0,261mt compared to a budget of 0,130mt, more than doubling its target with a 101,1% increase.

CapeCor continues to focus on improving efficiencies to unlock additional capacity for customers. The cycle time for the East London manganese flow improved year-on-year from over 300 hours to 279 hours. Further initiatives have been identified to reduce this by an additional 20%.

Volume losses on the Gqeberha manganese flow were caused by derailments, locomotive reliability issues, and tippler failures. The corridor is actively engaging with all stakeholders to address these challenges and prevent further volume leakage. Efficiency improvements, including process compliance and productivity initiatives, remain a key focus to unlock more capacity across the corridor.

CENTRAL CORRIDOR (CENTRALCOR)

CentralCor volume performance for the year ended 1,68mt versus a budget of 2,65mt. The corridor experienced a bridge collapse at Ventersdorp during the period under review. While a decrease in volumes was recorded for cement and lime by 20,9% to 1,5mt (2024: 1,9mt). This incident impacted the fluidity of the network. The corridor faces major spatial planning challenges requiring stakeholder cooperation, including industry, PRASA, municipalities, and community forums. Informal settlements near Transnet operations pose challenges such as illegal electricity connections, unauthorised waste dumping, and using railway reserves for ablution purposes. These activities created operational and safety risks and disrupt operations such cable theft.

Notable settlement encroachments include Sentrarand, Krugersdorp cluster, Leeuhof cluster, and Isando cluster. Freight Rail has partnered with customers to enhance security through identified sections of the rail network of the Central Hub security initiative, promoting knowledge sharing and collaboration.

CONTAINER CORRIDOR (CONTAINERCOR)

The density on the Container Corridor has improved slightly from 3,40GTK to 3,45GTK 2024 to 2025 respectively. This is attributable to the improvements in performance of the container sector.

The container sector grew 21,4% year-on-year, contributing to a 29,3% year-on-year increase in the Container Corridor, which exceeded its budget by one percent for the period. The above further supports the increase general freight business Gtk'000/loco/month from 2 962 (2023/24FY) to 3 734 (2024/25FY), representing a 26% improvement.

NORTH CORRIDOR (NORTHCOR)

NorthCor volume performance was 3% below the budget for the year representing a 64,23mt actual versus a budget of 67,76mt. While export coal which is the major of the commodity on the corridor ended the at 54,09mt versus a budget of 56,01mt. The performance was due to multiple factors including but not limited to train cancellations, derailment in Richards Bay, CTC failures and hook ups. This has resulted in an increase in the wagon cycle time hours and missing its target of 75 hours.

NORTHEAST CORRIDOR (NORTHEASTCOR)

NorthEastCor railed 16,50mt for the year, which was 3% below the budget of 17,02mt. Magnetite performed slightly above target, ending at 9,14mt against a budget of 9,10mt.

Several factors contributed to the underperformance. These included security incidents, clamped points, and vandalised stations along the Witbank-Komati line. Adverse weather conditions affected the route to Mozambique, while floods in Richards Bay during May and TPT tippler failures added further disruptions. Political unrest in Maputo and a limited locomotive fleet on the Maputo side also impacted operations.

These challenges led to increased wagon cycle times for chrome and magnetite to Maputo, reaching 238 hours per wagon.

DENSITY

OverallGTK per locomotive per corridor improved for three corridors, Ore, North, and Northeast while it declined for Cape, Central and Container Corridor. While from a business line perspective the network density decreased in the 2024/25FY for General Freight. Density and performance improved significantly on the export coal and iron ore.

ON-TIME DEPARTURES (OTD) AND ON-TIME ARRIVALS (OTA)

Delayed arrivals and train re-plans were mainly due to security incidents, locomotive failures, power outages, derailments, speed restrictions and long customs processes (in Maputo). Significant minute delays were observed, especially in general freight and Iron Ore.

Freight Rail is on track for a profitable turnaround by 2026/27FY, supported by improving operational performance and a strengthening economic environment.

FINANCIAL PERFORMANCE REVIEW

Key metrics		Year ended 31 March 2025 R million	Year ended 31 March 2024 R million	% change
Revenue		**42 703**	39 105	9,2%
General freight		**20 404**	20 408	0,0%
Export coal		**12 150**	8 947	35,8%
Export iron ore		**8 258**	8 250	0,1%
Other		**1890**	1500	26,0%
Operating expenses		**(33 711)**	(31 134)	8,3%
Energy costs		**(7 263)**	(6 638)	9,4%
Maintenance		**(3 153)**	(3 172)	-0,6%
Materials		**(688)**	(711)	-3,2%
Personnel costs		**(13 726)**	(13 233)	3,7%
Other costs		**(8 881)**	(7 380)	20,3%
Profit from operations before depreciation, derecognition, amortisation and items listed below (EBITDA)		**8 992**	7 971	12,8%
Depreciation, derecognition and amortisation		**(12 252)**	(11 247)	8,9%
Profit from operations before items listed below		**(3 260)**	(3 276)	-0,5%
Impairments and fair value adjustments		**422**	519	-18,7%
Net finance costs		**(9 186)**	(8 396)	9,4%
Loss before taxation		**(12 024)**	(11 153)	7,8%
Total assets (excluding CWIP)	R million	**175 836**	146 878	19,7%
Profitability measures				
EBITDA margin*		**21,1%**	20,4%	3,3%
Operating margin**		**-8%**	-8%	0,0%
Return on invested capital***	%	**-1,7**	-1,1	54,5%
Asset turnover (excluding CWIP)****	times	**0,3**	0,1	100,0%
Capital investments^	R million	**16 416**	12 268	33,8%
Employees				
Number of employees (permanent)	number	**21 688**	22 307	-2,8%
Revenue per employee	R million	**1969**	1753	12,3%

* *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 plus expansion), excluding borrowing costs and including capitalised finance leases.*

REVENUE

Freight Rail delivered a solid revenue performance for the year ended 31 March 2025, with total revenue rising by 9,2% to R42,7 billion, reflecting the business's resilience and operational recovery. Growth was largely driven by strong demand in export markets, particularly coal and iron ore.

Export Coal revenue surged by 35,8%, supported by increased volumes and improved efficiencies across key corridors. Export Iron Ore remained stable reporting a R8 million increase (0,1%), compared to the previous year.

While General Freight revenue decreased slightly by R8 million, Other revenue saw a notable 26,0% uplift, reflecting diversification efforts and improved service offerings.

This performance highlights Freight Rail's ability to adapt to market dynamics and capitalise on operational improvements, setting a strong foundation for future growth.

OPERATING EXPENSES

Operating expenditure increased by 8,3% to R33,7 billion, up from R31,1 billion in 2024. The rise was mainly driven by a 3,7% increase in **personnel costs**, from R13,2 billion to R13,7 billion, due to salary adjustments. However, personnel costs as a share of net operating expenses declined to 42,5% from 44,1%, reflecting effective cost compression and workforce management strategies. The business continues to explore role enhancements without increasing headcount.

Energy costs rose by 9,4% to R7,3 billion (2024: R6,6 billion) due to essential spending to restore locomotives and traction mix changes.

Maintenance and material costs reduced by 0,6% and 3,2% respectively compared to the prior year, due to slightly reduced activity levels. Fuel spend declined by R115 million, linked to increased use of electric traction over diesel.

Security costs increased by 29,7%, driven by intensified interventions under the Outcome-Based Security (OBS) initiative. These efforts aim to reduce volume losses and improve long-term revenue.

Electronic Data costs rose from R638 million to R830 million, linked to Transversal Contracts and the rollout of systems under the Integrated Train Plan (ITP).

Insurance costs decreased from R410 million to R368 million, normalising after elevated premiums in 2024 due to the 2022 Durban floods.

Other operating expenses rose to 29% of total expenses, up from 25%, reflecting broader operational investments to support operational efficiency and service delivery.

EBITDA

EBITDA improved by 12,8% to R9,0 billion (2024: R8,0 billion), supported by higher volumes but offset by rising operating costs. The operating profit margin improved to 9,0% (2024: 8,4%), driven by an 8,9% increase in revenue and an impairment reversal of R614 million, linked to the return of long-standing locomotives to service.

However, profitability was constrained by an 8,9% increase in depreciation and a 9,7% rise in operating expenses.

Depreciation and amortisation grew by 5,0% to R11,8 billion, reflecting increased capital and infrastructure investment.

Impairments reduced by R3,2 billion, further supporting profit margins. **Net finance costs** rose by 10,3% due to increased borrowings, as operational investments exceeded internally generated funds.

Operational performance was impacted by network reliability issues and business interruptions, including cable theft. Transnet has intensified security measures and strengthened partnerships with stakeholders to mitigate these risks.

Capital expenditure increased by 8,9% to R12,3 billion, with R9,8 billion allocated to capitalised maintenance and 36% was directed toward infrastructure.

Freight Rail remains focused on positioning the business as a key driver of Southern Africa's economic growth through innovative services and solutions.

RAIL KEY RISKS AND MITIGATING ACTIVITIES

Top risks	Mitigating activities
1 **Funding risk/financial sustainability** Freight Rail's inability to generate sufficient cash to fund its capital programme and meet its financial obligations impacts its financial sustainability.	• Freight Rail implemented various initiatives to achieve 160,1mt by year-end; • Overdue debtors are vigorously tracked to ensure effective working capital management. Freight Rail focuses on collecting overdue debt; and • New Development Bank approved funding of \$1 billion for infrastructure projects, while the African Development Bank approved a \$1 billion facility for the capex programme. Both loans are Government-guaranteed.
2 **Rolling stock risk** Unavailability and unreliability of rolling stock (locomotives) to ensure safe, reliable, and sustainable provision of services to meet customers' immediate and long-term requirements.	• A total of **367** locomotives were deemed as long-standing, while a total number of long-standing releases amounted to **113** as at end March 2025; and • The material and reliability service level agreement for the critical 23E Fleet was signed in June 2024.
3 **Security risk** Increase in security incidents leading to an inability to secure its assets and deliver a reliable customer service.	• The OBS contracts introduced security interventions in six corridors, with procurement challenges experienced in other corridors. This limited effectiveness in the reduction of volumes impact-related incidents; • The security incident management application was approved by the Transnet Board/EXCO for utilisation in security incidents; and • Partnerships with customers and other stakeholders for joint security interventions (coal, chrome, ArcelorMittal South Africa) between Ogies to Richards Bay .
4 **Rail network infrastructure risk** Inability to provide a reliable and safe infrastructure for the passage of trains, threatening Freight Rail's ability to achieve volumes and threatening its financial sustainability.	• Freight Rail prioritised infrastructure renewal programmes, meticulous condition assessments and alignment with global benchmarks; and • All planned corridor infrastructure shutdowns were executed, unlocking train speed restrictions and train slot capacity.
5 **Information technology risk** Freight Rail's ability to achieve its objectives is threatened by inadequate information and communication technology infrastructure, including insufficient cybersecurity controls in the operational technology space.	• Freight Rail is implementing initiatives per the digital transformation roadmap to support business and enable a safe, secure, relevant, and resilient infrastructure, digital platforms, and technologies; and • Completed the National Institute of Standards and Technology cybersecurity gap assessment, and the remediation plan has been drafted.
6 **Procurement and contract management risk** Lack of a coordinated approach in managing procurement processes impacts the effective delivery of services to businesses.	• Freight Rail focused on the securing of long-term contracts for key strategic commodities; and • Annual procurement and demand plans were completed as part of the strategic procurement planning and budgeting process.

Top risks	Mitigating activities
7 **People management risk** Poor employee engagement and ineffective performance management negatively impact the overall efficiency, and there is a decline in productivity and a failure to achieve business objectives.	• Freight Rail is rolling out change management programmes to ensure that employees are prepared for the separation of the infrastructure and operations businesses; • Freight Rail embarked on a process to embed Transnet's culture transformation journey, to promote employee engagement and foster a conducive working environment, while increasing leadership visibility; and • Freight Rail rolled out various training, coaching and mentorship programmes, including health and wellness programmes.
8 **Rail reform risk** Freight Rail's readiness for the implementation of the RPR.	• Freight Rail and TRIM separated in October 2024, in line with the NRP; and • The network statement has been published, and the access agreement and draft rail support services agreement have been developed.
9 **Revenue contract risk** Poor contract management leads to revenue leakage and inadequate billing management.	• A contract revenue management office to oversee all contract-related matters is being established; and • Freight Rail partners with technology experts to digitise all commercial contract management processes and eliminate manual work.
10 **Operational efficiency risk** Inability to move available volume targets, due to operational inefficiencies and productivity challenges.	• The year-on-year growth was sustained at 5,46% with an improvement of 8,3mt moved in 2024/25FY; and • Improvements sustained in the chrome and container segments.
11 **Energy supply risk** Uncertainty regarding the supply of energy.	• Freight Rail transitioned to diesel-powered locomotives where energy supply in a form of electricity in compromised by theft or vandalism to maintain operational continuity. Additionally, Freight Rail has programmes in place to replace problematic substations to ensure a consistent supply of electricity. • Freight Rail entered into supply agreements (curtailment) with the utility supplier for continued supply on the railway line. • The implementation of TFR Renewable Power Purchases programme is at a feasibility stage. • CTCs: Cost benefit analysis model under development to optimise investment decisions on backup power.

Climate change and mitigating actions

Most material climate change risks	Impact on operations	Mitigating activities
Flooding Intense rainfall events linked to climate change.	Damage to rail infrastructure (tracks, bridges, embankments) and service disruptions and delayed cargo deliveries.	Upgrading stormwater drainage, reinforcing embankments, conducting flood risk mapping and infrastructure re-design.
Extreme heat Rising average temperatures and more frequent extreme heat days.	Rail track warping, overheating of locomotives, reduced engine efficiency and safety risks.	Use of heat-resistant track materials, adjusting operating hours and monitoring systems for track and engine heat.
Excessive winds Increased frequency and intensity of cyclones and storms.	Power line damage, debris on tracks, signal failures and higher derailment risks.	Vegetation control, storm early warning systems, infrastructure reinforcement and emergency response protocols.
Drought and water scarcity Decline in rainfall and prolonged dry periods.	Limited water availability for dust suppression and station operations.	Water recycling, use of boreholes, reduction of non-essential water use and other alternative water sources.
Sea level rise Gradual increase in ocean levels due to global warming.	Damage to coastal infrastructure (ports, sidings), increased corrosion and higher maintenance costs.	Long-term relocation planning, protective seawalls, and infrastructure elevation planning.
Increased veldfires Higher temperatures and dry vegetation.	Damage to wooden sleepers, signalling equipment, and vegetation near tracks.	Firebreaks along railways, fire detection systems, and collaboration with local fire departments.
Lightning Increased storm activity due to atmospheric instability.	Damage to signalling and electrical systems, service interruptions and safety risks to personnel.	Installation of lightning arrestors, surge protection for critical equipment and staff safety protocols.

ESG PERFORMANCE

Key performance area and indicator	Unit of measure	2023 Actual	2024 Actual	2025 Target	2025 Actual	2026 Target (Freight Rail Only)
Human capital						
Employment equity	%	93,2	93,78	**92,00**	**94,52**	92,00
Female employees	%	32,04	31,11	**33,00**	**32,79**	34,00
People with disabilities	%	2,73	2,75	**3,00**	**2,77**	3,5
Training spend	% of personnel cost	1,67	1,63	**2,50**	**1,89**	2,5
Employee turnover	%	3,04	2,85	**5,00**	**3,20**	5
Employee headcount	Number (permanent)	22 993	22 307	**23 100**	**21 688**	11 341

The National Rail Policy and Economic Regulation of Transport Bill resulted in the vertical separation of Transnet Freight Rail Operations from the management of Rail Network. This separation culminated in the establishment of the Transnet Rail Infrastructure Manager (TRIM) as a separate entity from the Transnet Freight Operating Company, effective 1 April 2025.

As part of a broader organisational change initiative, extensive engagement with employees and labour partners was key to Transnet Freight Rail's commitment to cultivating a diverse and inclusive workplace that prioritises employee well-being.

HUMAN CAPITAL MANAGEMENT

5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Employment and transformation

Ongoing people optimisation and transformation efforts under the auspices of the Recovery Plan, resulted in a reduction of permanent headcount by 2,8%, bringing the total headcount to 21 688. This reduction is aligned with efforts to streamline operations and build a more efficient organisational structure.

Employee retention remained strong, with a turnover rate of 3,2%, which is significantly below the target of 5%. This aligns with Freight Rail's effective retention strategies and its continued focus on fostering employee engagement.

In terms of transformation, Black employees comprise of 94,52% of the workforce, which is an increase from 93,8% in the previous year and surpasses the set target of 92%. While not all transformation targets were met, the organisation continues to address these gaps through a focused agenda centred on equity, diversity, and inclusion.

The representation of employees with disabilities has improved, increasing to 2,77%. This is reflective of continued focus and progress in building an inclusive workforce.

4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH

Skills development

Number of engineers and technicians on the Employment Equity Performance

Training area	Actual 2024	Target 2025	Actual 2025
Young professionals in training	23	72	**92**
Technicians	200	262	**132**
Interns (Transport Education Training Authority funded)	66	90	**89**
Engineers	69	68	**26**

Youth employment and development strategy

Employment/development	Actual 2024	Target 2025	Actual 2025
Youth employed as% of total employees	20,79	24,00	17,00
Youth developed as% of all employees trained	27,00	26,00	22,00

Freight Rail continued to prioritise employee development through increased investment in training. Training expenditure increased to 1,89% of total personnel costs, up from 1,63% in the previous year, demonstrating a clear commitment to skills development and the growth of internal talent.

The impact of this investment is evident across several key areas. The number of young professionals in training increased significantly from 23 to 92, which is well above the target of 72. Similarly, the internship programme, supported by the Transport Education Training Authority, delivered strong results with 89 interns placed.

There are a few areas requiring focus i.e. only 50% of the targeted technicians were developed, while the number of engineers trained dropped sharply to 38% of the target, representing a significant decline from the previous year. These results indicate an opportunity to further enhance the focus on technical skills development.

Youth represented 17% of the workforce, as compared to 20,79% in the previous year. In addition, youth accounted for 22% of all employees trained. These trends present an opportunity to further support the attraction and development of young talent across the organisation.

Cost of risk

The cost of risk was 10,5%, below the target of 12% (2024: 13,6%).

3 GOOD HEALTH AND WELL-BEING

Health and safety

Lost time injuries frequency rate (LTIFR)

The LTIFR increased 11% to 0,80 (2023/24FY: 0,72), exceeding the tolerance limit of 0,75. Therefore, this performance indicates a need for better safety interventions. The LTIFR remains below the global industry benchmark of 1,00, suggesting that while improvements are necessary, the Company's safety performance is still within acceptable international standards.

Safety incidents

Over the past four years, Freight Rail has seen a steady decline in railway safety incidents. However, sustaining this positive trend remains a challenge due to ongoing issues such as limited maintenance budgets, theft, and vandalism. These factors continue to disrupt planned maintenance activities and contribute to infrastructure degradation. To improve safety performance, the company is committed to following strict maintenance schedules, rolling out rail replacement programmes, repairing damaged infrastructure, and using technology to help prevent derailments.

Despite these efforts, the 2024/25 financial year saw a slight increase in overall rail safety incidents, which rose by 2% to 186. This figure exceeded the tolerance threshold, which aimed for a 20% reduction. Train collisions, although still rare, tripled from one to three. These incidents were caused by operational errors, including points not being correctly set, drivers receiving authority while in motion, and one instance of a driver exceeding their authority.

Mainline derailments showed a modest improvement, decreasing by 5% to 77. However, this number still exceeded the acceptable limit of 65. The primary causes were poor track conditions, largely due to delayed maintenance and procurement challenges. Shunting derailments increased slightly to 86, while running line derailments dropped to 77. Most of these incidents occurred at points, often due to non-compliance with operational procedures or points not being properly set.

The number of signals passed at danger (SPAD) remained unchanged at 23, indicating no further deterioration in this area. There was also a slight improvement in the most serious incidents, with level 1 and 2 occurrences dropping from 18 to 17. This reduction was accompanied by lower costs related to damages and volume losses, suggesting some progress in mitigating the impact of major safety events.

SECURITY

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

The total security-related incidents decreased by 23% year-on-year, from 7 725 to 5 967. Cable theft remains the primary security issue, accounting for 59% of the reported incidents, with a decrease in cable theft incidents by 21% year-on-year, from 4 411 to 3 501. Cable theft and vandalism of essential infrastructure are among the contributing factors affecting train cancellations and tonnage losses.

OBS initiatives and results

OBS services: Implemented in five corridors, excluding the Container corridor due to third-party access initiatives. The North Corridor OBS contract was terminated due to poor performance by joint venture Security Services Provider in 2024.

OBS contracts in the North and Container Corridors: The Transnet Rail Infrastructure Manager processes are underway to review and re-issue the tender to the market.

Technology installation: OBS providers with existing contracts have started implementation of systems to prevent theft and vandalism, with the goal of minimising operational disruptions. Completion and commissioning were achieved in the fiscal year 24/25 with upgrades and maintenance to continue over the next three years.

Customer partnerships: Collaboration in the North Corridor lead through an MCA agreement, led to decreased security incidents in strategic areas, even though there is still a lot of work to be done to stabilise the corridors.

Customer Funded Initiative: Foster partnerships and collaboration with industry to support security solutions; the initiative were well supported by key customers – Tugela Mine, RBCT, Glencore; Samancor; Khumba; and AMSA.

Enhance Investigation Capacity: Strengthen coordination and collaboration with SSPs and LEAs to identify syndicates and disrupt organised crime in is ongoing.

Technology Modernisation: Transnet has seen the benefit from the various technology modernisation projects , both under the OBS rollout and internal projects.

State security collaboration: The partnership with the NLCC was formalised to develop strategies against metal theft, supported by policy and governance.

Inter-entity cooperation: Engagement with state-owned entities through forums such as the national non-ferrous metals crime combating committee (NFMCCC) and economic infrastructure task teams (EITT) to combat copper theft.

Arrests and convictions: The 2024/2025 financial year saw 561 arrests and 78 convictions.

Notable sentences:

1. The sentencing of one suspect to 15 years direct imprisonment for the damage of essential infrastructure in Molteno, Eastern Cape.
2. The sentencing of one suspect to 15 years direct imprisonment for the theft of essential infrastructure in Molteno, Eastern Cape.
3. Two suspects in Mpumalanga sentenced to 13 years direct imprisonment for the tampering and damage to essential infrastructure.
4. Two suspects, in Vanderbijlpark, sentenced to 12 years each, direct imprisonment for the theft of OHTE and violating the Immigration Act.
5. Two suspects sentenced to 20 years each for being in possession of essential infrastructure and violating the Immigration Act in Thabazimbi.
6. Two suspects sentenced to 20 years each for the theft of essential infrastructure in Volkrust.

Factors such as high crime levels and unemployment contribute to security challenges on the rail infrastructure. Transnet Freight Rail will continue to collaborate with stakeholders and industry partners to reduce the number of security-related incidents and address the root causes of cable theft.

ENVIRONMENTAL STEWARDSHIP

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Freight Rail embraces environmental practices that support compliance with legislation and implement innovative solutions to minimise its overall environmental impact while ensuring that all anticipated future impacts are identified, assessed, and responded to appropriately.

Asbestos land contamination

In the past, Freight Rail transported asbestos ore and asbestos-containing products from mines to various destinations (ports and local businesses). Asbestos ore spills occurred along the main lines and in the marshalling yards, resulting in contamination and some asbestos fibres buried beneath the surface.

Freight Rail appointed asbestos abatement contractors to remove exposed asbestos in operational areas. The Operating Division is assessing the risks of asbestos contamination, developing remediation plans, and seeking a more sustainable solution for removing all asbestos contamination.

The asbestos removal and risk assessment are necessary to comply with, among others, the National Environmental Management: Waste Act, 59 of 2008, and the Asbestos Abatement Regulations (2020), published under the Occupational Health and Safety Act, 85 of 1993.

Hydrocarbon land contamination

Freight Rail has 47 fuel depots. Diesel spillages during the refuelling of locomotives have contaminated these fuel depots. Contaminated sites (including the fuel depots) have been reported to the DFFE per the requirements of the National Environmental Management: Waste Act, 59 of 2008. DFFE reviewed the submissions (including the site assessment reports) and issued various remediation orders.

Following the conditions of the remediation orders issued for these sites, two contractors have been appointed to conduct bioremediation works. During 2024/25FY, two sites were remediated, namely Rustenburg and Klerksdorp. Remediation orders for Ogies, Waterval Boven and Thabazimbi were received, and these areas will be remediated in 2025/26FY.

Alien invasive plant species and vegetation control

State-owned entities must prepare invasive species monitoring and eradication control plans for the land they manage, following the requirements of Section 76 of the National Environmental Management: Biodiversity Act, 10 of 2004, and the provisions of the Alien and Invasive Species Regulations of 2014.

Freight Rail has identified alien and invasive plant species on its properties and submitted five-year control plans to DFFE for the eradication and control of listed invasive and alien species. In 2024/25FY, Freight Rail cleared 680,3 hectares of alien and invasive plant species, out of 5 171,56 hectares identified in its five-year control plans. Vegetation management is routinely conducted along railway lines to enhance operational safety and security. To ensure ongoing compliance, it will reassess all identified infested areas and update the control plans in 2025/26FY.

Air pollution

Freight Rail owns sidings where materials containing dust, such as coal, manganese, iron ore, are managed. Air pollution is caused by the dispersion of dust particles that rise into the atmosphere. In addition, diesel storage tanks at its five fuel depots must be monitored monthly to comply with the National Environmental Management: Air Quality Act, 39 of 2004 (NEMAQA). The National Dust Control Regulations prescribe general measures to control dust throughout the country.

Freight Rail has appointed a contractor to conduct monthly dust and air monitoring at six multi-user facilities and five refuelling sites. Monitoring of the multi-user facilities is required to comply with the National Dust Control Regulations, under NEMAQA.

Ballast waste

Ballast refers to the crushed granite rock used to support the railway track. Enormous quantities of ballast waste are generated during track maintenance. Track maintenance involves the process of ballast screening, which removes impurities (crushed ballast stones) from the rail lines to maintain the required ballast stone aggregate sizes. Between 1 400m^3 and 1 600m^3 of new ballast is replaced per kilometre of track. About 40% of the ballast waste is removed from the track during ballast screening.

Ballast spoils were considered waste in terms of the National Environmental Management: Waste Act, 59 of 2008. However, Freight Rail has been authorised to exclude ballast from the waste definition. With this approval, ballast spoils can be reused for different purposes (paving, repair of potholes, road construction). Freight Rail will develop a ballast spoils reuse plan to be implemented in 2025/26FY.

Water consumption (kl)

Freight Rail advocates for the sustainable management of freshwater resources. New water conservation and management initiatives, including employee awareness campaigns, have reduced water consumption. It sourced most of its water supply from municipal providers. An estimated 5 119 566kl of water was consumed (2024: 10 260 996kl). The total expenditure on water was R14,7 million.

ANNEXURE A: TRANSNET RAIL INFRASTRUCTURE MANAGER (TRIM)

> "The establishment of the Transnet Rail Infrastructure Manager (TRIM) marks a bold and transformative step in Transnet's journey to reshape South Africa's freight logistics landscape. As the country embraces a new era of rail reform, TRIM is emerging as a cornerstone of this evolution."

CHIEF EXECUTIVE'S OVERVIEW

A new era for South Africa's rail network

Established in its interim form in November 2023, TRIM has begun laying the groundwork for a more inclusive and efficient rail system. Its mandate is clear: TRIM must provide a safe, reliable and accessible rail network that supports both public and private train operators. This is not just about infrastructure; it is about enabling a competitive, multi-operator rail environment to drive economic growth, reduce road congestion and support regional integration.

A comprehensive and strategic role

TRIM's responsibilities span more than 30 000km of track, including South Africa's heavy-haul corridors and underutilised branch lines. It is responsible for:

- Engineering and network design;
- Access management and tariff setting;
- Security and infrastructure oversight;
- Managing the rail property portfolio; and
- Enabling third-party access in line with national policy.

Since inception, TRIM has made significant progress. It has developed and submitted a draft network statement and tariff methodology and also initiated the separation of financial and operational systems from Transnet Freight Rail. In addition, TRIM has engaged with key stakeholders, including the Interim Rail Economic Regulatory Capacity (IRERC) and the National Logistics Crisis Committee.

These steps will support TRIM to become a fully autonomous Operating Division by April 2025. It is also on track to become a corporatised subsidiary with an independent Board by April 2026.

Investing in the future

TRIM's five-year capital investment plan totals R70,3 billion, reflecting the scale of ambition required to restore and upgrade the national rail network. The investment will enable third-party access across underutilised corridors and improve network resilience and safety. Most importantly, it will support South Africa's broader economic recovery and industrialisation goals.

The implementation of an equalised tariff model will ensure financial sustainability and promote a level playing field for all operators.

TRIM is addressing key challenges head-on, including funding shortfalls, infrastructure backlogs and rising incidents of theft and vandalism. Strategic partnerships, digital transformation and a renewed focus on security are central to its approach.

Unlocking national value

The establishment of a dedicated rail infrastructure reflects a clear commitment to modernising the national rail network and creating a more open, efficient and inclusive freight system. TRIM is positioned to play a transformative role in enabling economic growth, supporting industrial development and strengthening regional trade.

TRIM has the potential to unlock significant value for Transnet and the South African economy. By levelling the playing field and enabling new operators to enter the market, TRIM is poised to catalyse innovation, investment and growth across the logistics sector.

This is more than a structural reform. It is a strategic repositioning of Transnet as a facilitator of national development and a leader in modernising South Africa's freight system. With TRIM, Transnet is not only responding to policy reform; it is also shaping the future of freight in South Africa.

Appreciation

As we begin this exciting new chapter in rail reform, I thank everyone who has supported the establishment of the rail infrastructure function. To our customers, thank you for placing your trust in us and for walking this journey with us. To our employees, your hard work and dedication are the foundation of our progress. To our Shareholder, your support and guidance have been a steady source of strength. To our leadership team, thank you for showing unwavering commitment to building a better future for rail.

Mr Moshe Motlohi
Chief Executive: Transnet Rail Infrastructure Manager

BUSINESS **OVERVIEW**

MANDATE AND ROLE OF TRIM

As part of Transnet's broader structural reform, a dedicated rail infrastructure function has been established to manage South Africa's national rail network. This development aligns with the objectives of the National Rail Policy (NRP) and the Economic Regulation of Transport (ERT) Bill, both of which aim to liberalise the rail sector and introduce third-party access to the network. The interim Infrastructure Manager was formally appointed on 1 November 2023, marking a new era in which the rail system is being repositioned to serve the economy more inclusively, efficiently and sustainably.

TRIM's core responsibilities include:

- Managing and maintaining approximately 30 400km of track (20 953 route km);
- Overseeing infrastructure such as heavy haul lines, branch lines, bridges and tunnels;
- Providing a safe, reliable, and accessible rail network for all operators; and
- Setting and managing track access charges for both public and private train operators.

STRATEGIC OBJECTIVES

- Enable third-party access to the rail network in line with the NRP and economic regulation of the ERT Bill;
- Implement equalised network tariffing based on gross ton-kilometre to:
  - Ensure financial sustainability;
  - Promote competition and efficiency;
  - Support modal shift from road to rail; and
  - Support regional integration and port access for landlocked SADC countries.

TRIM will be reported on as a separate Operating Division from the next financial year. This will allow for greater transparency, clearer performance tracking, and more focused oversight as it delivers on its strategic objectives.

ACRONYMS

DFFE	Department of Forestry, Fisheries, and the Environment
DoT	Department of Transport
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
ERT	Economic regulation of transport
GTK	Gross ton kilometre
GTK/kWh	Gross ton kilometre per kilowatt hour
GTK/liter	Gross ton kilometre per litre
IRERC	Interim Rail Economic Regulator Capacity
kV	kilovolt
KW/H	Kilowatt per hour
LTIFR	Lost time injuries frequency rate
NEMAQA	National Environmental Management: Air Quality Act, 39 of 2004
NAM	Network Asset Maintenance
NLCC	National Logistics Crisis Committee
OBS	Outcome-based security service (OBS)
OEM	Original equipment manufacturers
PFMA	Public Finance Management Act
PRASA	Passenger Rail Agency of South Africa
PSP	Private Sector Participation
RDP	Radio Distributed Power
R4G Strategy	Reinvent for Growth Strategy
SADC	Southern African Development Community
SPAD	Signal passed at danger
TOC	Train operating company
TRIM	Transnet Rail Infrastructure Manager

TRANSNET

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