



**MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS**

RAIL LOGISTICS IMPROVEMENT PROJECT

**Implemented by
MINISTRY OF TRANSPORT AND INFRASTRUCTURE
GENERAL DIRECTORATE OF INFRASTRUCTURE INVESTMENT**

**Financed Under International Bank for Reconstruction and Development
(IBRD) Loan Agreement Numbered 9145-TR**

As of December 31, 2025 and For the Year Then Ended

Prepared by

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Report's Number

32/5 - 133/7 - 63/5 - 43/7



INDEPENDENT AUDITOR'S REPORT

June 02, 2026



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
The Board of Treasury Controllers

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

A. Project Summary

Rail Logistics Improvement Project's Loan Agreement (9145-TR) was signed between the Republic of Türkiye and the International Bank for Reconstruction and Development (IBRD) on July 24, 2020. Loan Agreement was approved on August 20, 2020 and the Project become effective on November 3, 2020. The objectives of the Project are to reduce transport costs in selected rail freight corridors and to strengthen institutional capacity at the Ministry of Transport and Infrastructure to deliver rail freight connectivity and manage rail-enabled logistics centers.

A Loan Agreement in the amount of EUR 314,500,000.00 was signed between the Republic of Türkiye and IBRD to support the financing of the Project described in the following parts.

Part 1. Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes

Part 2. Consulting Services for Additional Railway Lines

Part 3. Institutional Strengthening, Capacity Building, and Project Implementation Support

The project is carried out by Ministry of Transport and Infrastructure (MoTI). In accordance with the Loan Agreement, General Directorate of Infrastructure Investments (AYGM) of the Ministry of Transport and Infrastructure is responsible for the implementation of the Project. A PIU has been established within AYGM to oversee all aspects of the Project implementation across all components.

An amendment to the Loan Agreement reflecting this extension and related scope adjustments was signed on September 24, 2024. The project's original closing date of December 31, 2026, has been extended to December 31, 2027.

In 2025, all the uses in the Project were made from the special account with the "Advance" method, and a total of EUR 64,500,000.00 was withdrawn from the loan account and EUR 11,041,961.84 was spent from the source withdrawn. As of the end of the review period 47,776,589.98 EUR was spent cumulatively.



B. Objectives of Audit

The objective of the audit is to express an opinion on the Financial Statements of the Rail Logistics Improvement Project for the period ended 31 December 2025. The audit includes, but not limited to, the following tasks.

In evidencing compliance with agreed project financing arrangements, we are expected to carry out tests to confirm that:

- (a) All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include Loan Agreement numbered 9145-TR.
- (b) Works and services have been procured in accordance with relevant financing agreements, including specific provisions of the IBRD Procurement Guidelines.
- (c) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE).
- (d) Respective reports issued during the period were in agreement with the underlying books of account.

C. Scope of Audit

The audit was conducted in accordance with International Standards on Auditing. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There was no limitation in our scope for the Project's audit.

D. Audit Methodology

Financial Statements

Verified that the financial statements have been prepared in accordance with International Public Sector Accounting Standards.



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MINISTRY OF TREASURY AND FINANCE
The Board of Treasury Controllers

Audited all SOE submitted to the IBRD in support of requests for periodic replenishment of the project designated account.

Examined expenditures for eligibility based on criteria defined in the terms of the Loan agreement and detailed in the Disbursement Letter. In addition, we examined;

- (a) the SOEs have been prepared in accordance with the provisions of the relevant financing agreement;
- (b) expenditures have been made wholly and necessarily for the realization of project objectives;
- (c) information and explanation necessary for the purpose of the audit have been obtained;
- (d) supporting records and documents necessary for the purpose of the audit have been retained, and
- (e) the SOEs can be relied upon to support the related withdrawal applications.

Review of designated accounts

During the audit of the project financial statements, we reviewed the activities of the project's designated account such as deposits received, payments made, and reconciliation of period-end balances.

Internal controls

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

Compliance with agreement terms and applicable laws and regulations

Reviewed, assessed and reported on compliance with the terms and conditions of the loan agreement.

Representations by implementing agency

Obtained specific written representations from management.



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E. Audit Results

For the financial statements of the project; our audit resulted with unmodified of opinion. In addition, other reporting responsibilities about the project are included under the “Report on Other Legal and Regulatory Requirements” heading of the report.

F. Management Recommendation

A management letter containing comments and recommendations related to internal control deficiencies and other matters dated 02.06.2026 has been prepared and shared with Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments. We believe these matters warrant management’s attention.

**INDEPENDENT AUDITOR'S REPORT &
FINANCIAL STATEMENTS OF THE PROJECT**



INDEPENDENT AUDITOR'S REPORT

TO MINISTRY OF TRANSPORT AND INFRASTRUCTURE OF TÜRKİYE

Opinion

We have audited the Statement of Withdrawal Application Summary, Statement of Sources and Uses of Funds, Statement of the Comparison Budget and Actual Amount, and Statement of Designated Account of the Rail Logistics Improvement Project as of December 31, 2025, and for the period then ended, and notes to the financial statements including a summary of significant accounting policies. The financial statements have been prepared by Ministry of Transport and Infrastructure in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9145-TR.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and cash flows of the Rail Logistics Improvement Project as of December 31, 2025 and for the period then ended in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9145-TR.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent of the Ministry of Transport and Infrastructure within the meaning of "IFAC Code of Ethics for Professional Accountants" and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Emphasis of Matter in the Financial Statement

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist Ministry of Transport and Infrastructure to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose.

Going Concern

The Projects financial statements have not been prepared using the going concern basis of accounting. The project will end on December 31, 2027.

Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements

The Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 9145-TR, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our



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opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The conclusions drawn from audits conducted within the scope of other reporting requirements are as follows:

- a) Ministry of Transport and Infrastructure, as of December 31, 2025 has complied with, in all material respects, the requirements of the Loan Agreement Numbered 9145-TR.
- b) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the International Bank for Reconstruction and Development (IBRD) for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Loan Agreement Numbered 9145-TR.



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY AND FINANCE
The Board of Treasury Controllers

Okan SÜLER
Chairman of
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Ali Rıza AKIN
Senior Treasury
Controller

Ömer KAÇARAN
Senior Treasury
Controller

Yunus AYAN
Treasury Controller

Alican AKTÜRK
Treasury Controller

Date: 02/06/2026

Address: Ministry of Treasury and Finance

The Board of Treasury Controllers 06420, Dikmen, ANKARA/TÜRKİYE

ANNEX I: Financial Statements of the Project

Directorate General of Infrastructure and Investments Turkey Rail Logistics Improvement Project (P170532) LOAN/GRANT NO: 9145-TR Withdrawal Application Summary For the Period: 01.01.2025-31.12.2025							
Withdrawal application number	Date	Category 1 (World, Goods, Consultant, Non-Consultancy, Operational Expenses)	Documented Total (Local Currency)	Advance Requested	Value date	Rejected	Net paid
Designated account currency - Euro							
Section A: Payment method - Advance/Replenishment							
Approved withdrawals							
32 (Documented)	15.01.2025	34.784.601,51	34.784.601,51	0,00	20.01.2025		0,00
33(Documented)	15.04.2025	23.373,01	23.373,01	0,00	16.04.2025		0,00
34 (Advance)	06.05.2025	16.000.000,00	0,00	16.000.000,00	12.05.2025		16.000.000,00
35 (Documented)	23.05.2025	369.629,77	369.629,77	0,00	23.05.2025		0,00
36 (Documented)	18.06.2025	102.942,86	102.942,86	0,00	24.06.2025		0,00
37 (Documented)	28.08.2025	124.540,68	124.540,68	0,00	28.08.2025		0,00
38 (Documented)	10.11.0205	9.882.896,06	9.882.896,06	0,00	10.11.2025		0,00
39 (Documented)	24.11.2025	69.852,62	69.852,62	0,00	24.11.2025		0,00
Sub-Total (A)		61.357.836,51	45.357.836,51	16.000.000,00		0,00	16.000.000,00
Section B: Payment method - Reimbursement							
Approved withdrawals							
Pending Submission							
Sub-Total (B)		0,00	0,00	0,00		0,00	0,00
Section C: Payment method - Direct Payment							
Approved withdrawals							
Pending submission							
Sub-Total (c)		0,00	0,00	0,00		0,00	0,00
TOTAL (A+B+C)		61.357.836,51	45.357.836,51	16.000.000,00		0,00	16.000.000,00

Prepared by

Controlled by

Approved by



24.11.2026
Hanife GÜL SARIBAŞ
Senior Financial Management Specialist



24.11.2026
Serkan UÇAR
Head of Railway Construction Department

24.11.2026
Erker MAİLUR
Deputy Director General
Directorate General of Infrastructure and Investments

Republic of Türkiye
Directorate General of Infrastructure and Investments
Türkiye Rail Logistic Improvement Project (P170532)
Loan No: IBRD 9145-TR
STATEMENT OF SOURCES and USES of FUNDS
As of December 31, 2025 and For The Year Then Ended.
(In EURO)

	Notes	Current Period	Previous Period	Cumulative
I-SOURCES OF FUNDS				
C- IBRD Loan	5	16.000.000,00	45.000.000,00	64.500.000,00
I.Net Advance	5	(29.357.836,51)	44.102.721,40	17.192.136,86
I.a) Advance	5	16.000.000,00	45.000.000,00	64.500.000,00
I.b) Recovery of Advance (-)	5	(45.357.836,51)	(897.278,60)	(47.307.863,14)
II.SOE Procedures	5	45.357.836,51	897.278,60	47.307.863,14
Total Funds Received		16.000.000,00	45.000.000,00	64.500.000,00
II-A USES OF FUNDS by COMPONENT				
I-Investment Costs				
Component 1- Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.	+	10.303.921,05	35.135.061,53	46.116.925,62
(a) Construction Works for Connection to the Filyos Port and Filyos Industrial Zone	+	9.603.970,36	0,00	9.603.970,36
(b) Consulting Services for Design Review and Construction Supervision for Connection to the Filyos Port and Filyos Industrial Zone	+	102.475,39	224.927,98	424.662,44
(c) Construction Works for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	+	0,00	34.572.056,48	34.572.056,48
(d) Consulting Services for Design review and Construction Supervision for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	+	597.475,30	338.077,07	1.269.706,76
(e) Consulting Services for Revision of the ESIA, RAP,SEP and ESMP of Filyos and Çukurova Last-Mile Rail Connectivity Infrastructure Projects	+	0,00	0,00	246.529,58
Component 2- Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.	+	414.242,64	0,00	414.242,64
(a) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 1)		0,00	0,00	0,00
(b) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 2)		0,00	0,00	0,00
(c) Consulting Services for ESF Services for New LMCs		0,00	0,00	0,00
(d) Consulting Services for Feasibility Studies and E&S Works for Istanbul 3rd Bridge Rail Crossing	+	184.295,83	0,00	184.295,83
(e) Consulting Services for Demand-Supply and Investment Viability Assessment for INRAIL	+	79.612,29	0,00	79.612,29
(f) Consulting Services for Business Model Recommendation and Prep of PPSD for INRAIL	+	150.334,52	0,00	150.334,52
Component 3: Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support	+	323.798,15	210.060,46	1.245.421,72
(a) Consulting Services for the Preparation of a Strategy Document for Rail Freight Improvement	+	0,00	0,00	0,00
(b) Consulting Services for the Development of an Operation Model for the Logistics Centers	+	0,00	0,00	0,00
(c) Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs.	+	323.798,15	210.060,46	1.245.421,72
Total Investment Costs		11.041.961,84	35.345.121,99	47.776.589,98
II-Recurring Costs				
A- Front-End-Fee		0,00	0,00	0,00
Total Recurring Costs		0,00	0,00	0,00
Total Uses of Funds by Component		11.041.961,84	35.345.121,99	47.776.589,98
II-B USES OF FUNDS by CATEGORY				
Category 1-Works	+	9.603.970,36	34.572.056,48	44.176.026,84
Category 2-Goods	+	0,00	0,00	44.670,35
Category 3-Consultant	+	1.437.991,48	773.065,51	3.555.892,79
Total Uses of Funds by Category		11.041.961,84	35.345.121,99	47.776.589,98
Cash at the beginning of the period	1.01.2025	11.765.371,86		
Cash at the end of the period*	31.12.2025	16.723.410,02		

*The foreign exchange buying rate at the payment date of the bank where the special account is kept was used.

Prepared by

Controlled by,

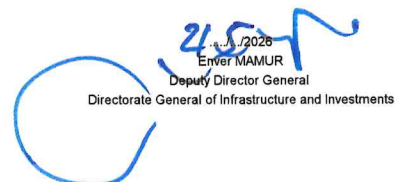
Approved by



21.12.2025
Haniye GÜL SARIBAŞ
Senior Financial Management Specialist



21.12.2025
Serkan UÇAR
Head of Railway Construction Department



21.12.2025
Enver MAMUR
Deputy Director General
Directorate General of Infrastructure and Investments

STATEMENT of COMPARISON BUDGET AND ACTUAL AMOUNT

Directorate General of Infrastructure Investments

IBRD 9145-TR

Name of Project

01.01.2025-31.12.2025

	NOTES	Current Period				Cumulative		
		Actual	Final Budget	Original Budget	Progress %	Actual	Planned	Progress %
		1	2		3=1/2	4	5	6=4/5
Sources of Funds								
IBRD Loan	5	16.000.000,00	34.500.000,00	34.500.000,00	46%	64.500.000,00	314.500.000,00	21%
Total Sources of Funds		16.000.000,00	34.500.000,00	34.500.000,00	46%	64.500.000,00	314.500.000,00	21%
Uses of Funds								
1 By components								
Component 1- Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.		10.303.921,05	26.445.994,82	26.445.994,82	39%	46.116.925,62	298.056.142,86	15%
Component 2- Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.		414.242,64	2.686.118,37	2.686.118,37	15%	414.242,64	13.748.142,86	3%
Component 3: Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support		323.798,15	424.658,52	424.658,52	76%	1.245.421,72	2.695.714,28	46%
Total		11.041.961,84	29.556.771,71	29.556.771,71	37%	47.776.589,98	314.500.000,00	15%
2 By expenditure category								
Category 1 - Works, Goods, Consultancies, NonConsulting Services, Operational Cost		11.041.961,84	29.556.771,71	29.556.771,71	37%	47.776.589,98	314.500.000,00	15%
Total		11.041.961,84	29.556.771,71	29.556.771,71	37%	47.776.589,98	314.500.000,00	15%

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Controlled by

Approved by

Handwritten Signature

21.11/2026

Hanife GÜL SARIBAŞ

Senior Financial Management Specialist

21.11/2026

Serkan UÇAR

Head of Railway Construction Department

21.11/2026

Enver MAMUR

Deputy Director General
Directorate General of Infrastructure and Investments

MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE
General Directorate of Infrastructure Investments
Turkey Rail Logistics Improvement Project (P170532)
Loan Number: IBRD 9145-TR

SPECIAL ACCOUNT STATEMENT
ACCOUNT NO: 941432021
For the year ended. December 31, 2025
(In EURO)

Opening Balance (01.01.2025)		11.765.371,86
Reimbursements to SA	16.000.000,00	16.000.000,00
Refunds to SA	0,00	0,00
Available Funds	16.000.000,00	27.765.371,86
Payments Made for Expenditures	11.041.961,84	
Service charges for the account	0,00	
Total Project Investments	11.041.961,84	11.041.961,84
Closing Balance (31.12.2025)		16.723.410,02

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21.5/2026
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REPUBLIC OF TÜRKİYE
MINISTRY OF TRANSPORT AND INFRASTRUCTURE
DIRECTORATE GENERAL OF INFRASTRUCTURE INVESTMENTS

RAIL LOGISTICS IMPROVEMENT PROJECT
LOAN NO: IBRD 9145-TR

NOTES FOR THE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD
ENDED DECEMBER 31, 2025

1. PROJECT OBJECTIVES AND STRUCTURE

Rail Logistics Improvement Project, financed under Loan Agreement No. 9145-TR signed between the International Bank for Reconstruction and Development (IBRD) and the Republic of Türkiye on July 24, 2020, aims to enhance last-mile rail and multimodal connectivity at strategically prioritized freight nodes across Türkiye's national railway network. The Loan Agreement was approved on August 20, 2020, and the Project became effective on November 3, 2020. The project's original closing date of December 31, 2026, has been extended to December 31, 2027, following a mid-term evaluation conducted in 2024. An amendment to the Loan Agreement reflecting this extension and related scope adjustments was signed on September 24, 2024.

In accordance with the Loan Agreement, the Directorate General of Infrastructure Investments (AYGM) under the Ministry of Transport and Infrastructure is responsible for overall project implementation. A Project Implementation Unit (PIU) has been established within AYGM and is led by the Deputy Director-General of AYGM, with the Deputy PIU Director being the Head of the Railway Construction Department. The PIU is composed of 32 members, including both AYGM staff and dedicated experts in procurement, financial management, environmental and social safeguards, and administration.

While the total loan amount of EUR 314.5 million (USD 350 million) remains unchanged, modifications have been introduced in the project structure and component allocations to address implementation developments, updated infrastructure priorities, and design changes necessitated by post-disaster conditions.

Following the mid-term review and as part of the project restructuring:

The scope of civil works at certain logistics nodes was revised. The planned construction of additional last-mile rail connections at certain sites was excluded, and the associated resources were reallocated to support increased costs in other priority infrastructure activities and to initiate strategic studies for potential future investments.

At Filyos Port, the works were scaled down to focus solely on rail infrastructure, reflecting design changes stemming from shared port usage arrangements.

Conversely, the scale of works in the Çukurova region was expanded to incorporate updated technical requirements and implementation needs.

A new project activity was added to support feasibility and environmental/social studies for a prospective railway connection over the Istanbul Third Bridge, reinforcing the project's focus on strategic corridor development.

The component related to consulting services was renamed and restructured to focus on the preparation of feasibility, design, and environmental studies for selected rail corridors.

Under the institutional strengthening and technical assistance component, two previously planned studies (Impact Assessment of COVID-19 on Multimodal Logistics Sector and Consulting Services for the Uniformization of rail technical standard) were dropped due to redundancy or implementation challenges. Remaining activities—including freight strategy development, logistics center operating models, and project implementation support—were retained or slightly adjusted.

Following the amendments reflected in the Project Appraisal Document (PAD), the project components and their corresponding budgets have been adjusted to better address current implementation needs and priorities. The updated structure maintains the original loan amount of USD 350 million while redistributing resources among components to ensure effective project delivery. The proposed components and their revised cost allocations are as follows:

Proposed Component Name	Proposed Cost (US\$ Million)
Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes	331.70
Consulting Services for Additional Railway Lines	15.30
Institutional Strengthening, Capacity Building, and Project Implementation Support	3.00
Total	350.00

PROJECT DESCRIPTION

The objectives of the Project are to reduce transport costs in selected rail freight corridors and to strengthen institutional capacity at the Ministry of Transport and Infrastructure to deliver rail freight connectivity and manage rail-enabled logistics centers.

Pursuant to the restructured version of the loan agreement, the project consists of the following parts:

Part 1. Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes

A. Last-mile Multimodal Connectivity at Filyos Port

Provision of double-track rail connectivity at the last mile to provide direct access to/from the greenfield, large-scale maritime port of Filyos, on Türkiye's Black Sea coast, and its adjacent industrial zone, including the related engineering design review and construction supervision; the related civil works, all to be carried out in accordance with the latest seismic, flooding, precipitation and fire safety building codes, include (i) Gökçeler Rail Station expansion, (ii) connectivity between the Filyos port complex and the main national railway linehaul networks, (iii) rail viaducts, (iv) rail box culverts, (v) rail underpasses and bridges, and (vi) rail turnouts.

B. Last-mile Rail Connectivity for Çukurova Region Industrial Zones and Iskenderun Bay Maritime Ports

Provision of branch line rail links to and from selected operational and prospective industrial zones and free zones in the Çukurova region of South-Central Türkiye on the Mediterranean Coast (specifically, in the sub-area formed by southern Osmaniye Province, southeastern Adana Province, and northwestern Hatay Province) and adjacent maritime ports in Iskenderun Bay, including the related engineering design review and construction supervision; the related civil works, all to be carried out in accordance with the latest seismic, flooding, precipitation and fire safety building codes, include (i) double-tracked, electrified railway branch lines, (ii) connection of electrified lines linking the two branch lines, (iii)

intermodal stations and sidings, (iv) new rail stations (Osmaniye OIZ, Yukariburnaz, Adana Yumurtalık Free Zone (TAYSEB), and Erzin Port), (v) expansion and modernization of the Erzin city station, (vi) rail bridges, (vii) box culverts, (viii) underpasses, and (ix) overpasses.

Part 2. Consulting Services for Additional Railway Lines

- A. Preparation of feasibility studies (including the environmental and social dimensions of Project feasibility) for potential last-mile rail connections, which have been approved by the Bank.
- B. Development of detailed engineering designs and environmental and social documentation for the last-mile rail connections determined to be feasible, in-principle, based on the feasibility studies carried out under Part 2.A of the Project.
- C. Preparation of preliminary guiding documentation for the potential development of a permanent railway crossing of the Bosphorus at Istanbul's Yavuz Sultan Selim Bridge; the coverage of the said documentation includes, inter alia, the technical, environmental and social, procurement, and economic and financial feasibility aspects of such a crossing.

Part 3. Institutional Strengthening, Capacity Building, and Project Implementation Support

Provision of support to:

- A. MoTI (specifically, DGII, Directorate-General of Transport Services Regulation ("DGTSR"), and Turkish State Railways ("TCDD")) on the preparation of a strategy document for rail freight sector performance improvement;
- B. TCDD, through the development of an operational and management model for rail-enabled logistics centers consistent with international best practice properly contextualized to the Turkish environment; and
- C. the Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs."

Project Duration: The Closing Date is December 31, 2027.

Project Budget: Republic of Turkey and IBRD signed a Financing Agreement for a loan of EUR 314.500.000,00 to assist in financing the project as described above parts.

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	314.500.000	100%
TOTAL AMOUNT	314.500.000	

2. MAIN ACCOUNTING POLICIES

- (a) The accounting system of Rail Logistic Improvement Project is based on funds accounting since the aim of the accounting is to monitor the funds allocated and used funding sources. The accounting procedure of projects financed by external loans from the World Bank is kept on a cash basis since the MoTI is a general budget public institution. According to the cash basis accounting; it is essential that the invoice is paid or that the funds and expenditures are formed in cash. Income is recorded when cash is received, expenses are recorded when cash is paid out.
- (b) Eligible expenditures shall be made either as direct payments from the loan account or through payments from the special account (advance) as per the disbursement letter.
- (c) Within the Rail Logistics Improvement Project, the transactions from the International Bank for Reconstruction and Development (IBRD) Loan Agreement are recorded and monitored in terms of EUROS. Transactions made in other currencies are converted into EUROS taking as basis the currency-selling exchange rate of the Central Bank of the Republic of Turkey effective one day before the interim payment date.
- (d) Project sources and uses of funds are monitored in line with the chart of accounts recommended by the Board of Treasury Controllers integrated a computerized accounting system. Expenditures of the project are booked in the accounting software and project financial tables and statements are automatically from the accounting software. Electronic archiving of the accounting journals and supporting documents is also kept in the accounting software. Back-up of accounting data on accounting software is set up in the Ministry's main server and is being backed up automatically at midnight daily.

3. FINANCIAL STATEMENTS

In accordance with the Loan Agreement, funds provided under the project are restricted to project purposes only. The project funds remaining unused at the end of the project will be returned in per the relevant provisions of the loan agreement. Unaudited interim financial statements regarding project uses of funds for each calendar quarter are submitted to the World Bank.

4. IBRD LOAN

Rail Logistics Improvement Project's Loan Agreement (9145-TR) was signed between the Republic of Turkey and the International Reconstruction and Development Bank (IBRD) on July 24, 2020. Loan Agreement was approved on August 20, 2020 and Project became effective on November 3, 2020. Project will be closed on December 31, 2027.

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 314.500.000,00 EUR.

During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 16.000.000 EUR was withdrawn and 11.041.961,84 EUR was spent from the source withdrawn to the special account year to date.

As the end of the review period 64.500.000,00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 47.776.589,98 EUR was spent from the source withdrawn to the special account cumulatively to date.

The use of the loans for the period as of 1 January - 31 December 2025 are as follows:

II-A USES OF FUNDS by COMPONENT

	Current Period	Previous Period	Cumulative
I-Investment Costs			
Component 1- Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.	10.303.921,05	35.135.061,53	46.116.925,62
(a) Construction Works for Connection to the Filyos Port and Filyos Industrial Zone	9.603.970,36	0,00	9.603.970,36
(b) Consulting Services for Design Review and Construction Supervision for Connection to the Filyos Port and Filyos Industrial Zone	102.475,39	224.927,98	424.662,44
(c) Construction Works for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	0,00	34.572.053,48	34.572.056,48
(d) Consulting Services for Design review and Construction Supervision for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	597.475,39	338.077,07	1.269.706,76
(e) Consulting Services for Revision of the ESIA, RAP,SEP and ESMP of Filyos and Çukurova Last-Mile Rail Connectivity Infrastructure Projects	0,00	0,00	246.529,58
Component 2- Consulting Services for Additional Railway Lines	414.242,64	0,00	414.242,64
(a) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 1)	0,00	0,00	0,00
(b) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 2)	0,00	0,00	0,00
(c) Consulting Services for ESF Services for New LMCs	0,00	0,00	0,00
(d) Consulting Services for Feasibility Studies and E&S Works for Istanbul 3rd Bridge Rail Crossing	184.295,83	0,00	184.295,83
(e) Consulting Services for Demand-Supply and Investment Viability Assessment for INRAIL	79.612,29	0,00	79.612,29
(f) Consulting Services for Business Model Recommendation and Prep of PPSD for INRAIL	150.334,52	0,00	150.334,52
Component 3: Institutional Strengthening, Capacity Building, and Project Implementation Support	323.798,15	210.060,46	1.245.421,72
(a) Consulting Services for the Preparation of a Strategy Document for Rail Freight Improvement	0,00	0,00	0,00
(b) Consulting Services for the Development of an Operation Model for the Logistics Centers	0,00	0,00	0,00
(c) Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs.	323.798,15	210.060,46	1.245.421,72
Total Investment Costs	11.041.961,84	35.345.121,99	47.776.589,98
II-Recurring Costs	0,00	0,00	0,00
A- Front-End-Fee	0,00	0,00	0,00
Total Recurring Costs	0,00	0,00	0,00
Total Uses of Funds by Component	11.041.961,84	35.345.121,99	47.776.589,98

II-B USES OF FUNDS by CATEGORY




Category 1-Works	9.603.970,36	34.572.056,48	44.176.026,84
Category 2-Goods	0,00	0,00	44.670,35
Category 3-Consultant	1.437.991,48	773.065,51	3.555.892,79
Total Uses of Funds by Category	11.041.961,84	35.345.121,99	47.776.589,98

5. SOURCES OF FUNDS

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 314.500.000,00 EUR. During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 16.000.000 EUR was withdrawn and 11.041.961,84 EUR was spent from the source withdrawn to the special account year to date. As the end of the review period 64.500.000,00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 47.776.589,98 EUR was spent from the source withdrawn to the special account cumulatively to date

The uses from the loan sources for the period as of 1 January - 31 December 2025 are as follows:

	Current Period	Previous Period	Cumulative
I-SOURCES OF FUNDS			
C- Funding Institution Loan	16.000.000,00	45.000.000,00	64.500.000,00
<i>I.Net Advance</i>	(29.357.836,51)	44.102.271,40	17.192.136,86
<i>I.a)Advance</i>	16.000.000,00	45.000.000,00	64.500.000,00
<i>I.b)Recovery of Advance (-)</i>	(45.357.836,51)	(897.278,60)	(47.307.863,14)
<i>II.SOE Procedures</i>	45.357.836,51	897.278,60	47.307.863,14
Total Funds Received	16.000.000,00	45.000.000,00	64.500.000,00

6. PENDING APPLICATIONS

As of the end of the review period there is no any pending applications.

7. CASH BALANCES

As the review period, opening balance of the Central Bank of the Republic of Turkey (TCMB) designated account for loan, as of January 1, 2025 is 11.765.371,86 EUR and closing balance as of December 31, 2025 is 16.723.410,02 EUR.

Other than deposit in the special account, there is no cash held under the project. The existing cash balance expressed in Euro on 31 December 2025 is as follows:

Designated Account 94 14 32 021	IBRD Fund
Closing Balance (31.12.2025)	16.723.410,02

The only bank account is the Euro denominated Designated Account opened at the Central Bank of Turkey to execute project transactions. Project Special Account is the designated bank account opened in the Central Bank of the Republic of Turkey Administrative Center of the General Directorate of Operations Funds and Banking Operations Directorate. The account numbers is 941432021 (Euro).

Rail Logistics Improvement Project (9145-TR) Advance balance ceiling amount is 17.000.000,00 EUR. However, with respect to a payment made under the project and agreed upon with the Bank in 2024, approval was granted for an advance withdrawal exceeding the specified limit for this particular.

The Project has no other bank account.

8. WITHDRAWAL APPLICATIONS

The project is disbursing on traditional disbursement methods. The authorized signatories for disbursements from the loan account to the Designated Account at the Central Bank are the General Director, Deputy General Director and Railways Construction Department Head, the methods that can be applied for spending from loan are defined as Direct Payment, Special Commitment, Reimbursement, and Advance in the Disbursement Letter.

Prior to the review period, a total amount of EUR 48,500,000 had been withdrawn from the IBRD Loan Account No. 9145-TR. As of the beginning of the review period, the opening balance of the project special account numbered 91 14 32 021 was EUR 11.765.371,86. During the review period, a total of EUR 16,000,000.00 was withdrawn from the IBRD Loan Account No. 9145-TR and transferred to the aforementioned project special account. Total expenditures from this special account during the review period amounted to EUR 47.776.589,98.

The account balance of the special account at the end of the review period is 16.723.410,02 EUR.

During the review period; 16.000.000,00 EUR advance withdrawal from IBRD 9145-TR Loan is done in the said period, progress payments were made for Rail Logistics Improvement Project's consultancy contracts. All withdrawals from World Bank are completed in the World Bank's Client Connection System by filling an electronic form. The application is electronically signed by authorized officials and submitted to the World Bank. For withdrawal applications, the form in the Authorized Signatures Disbursement Letter is filled and submitted to the World Bank. Transfer of funds from the Designated Account is done with two authorized signatories.

WA 34 (Advance Payment) - On 06.05.2025, WA-34 in the amount of EUR 16,000,000.00 was submitted to World Bank through client connection system. WB transferred Euro 16, 000,000.00 to the designated account on 12.05.2025.

9. REFUNDS TO THE ACCOUNTS

As of the end of the review period there is no any refunds to the accounts.

10. AMOUNTS WITHDRAWN NOT CLAIMED YET

As of the end of the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 64.500.000,00 EUR was withdrawn from the loan account cumulatively until the review period. At the end of the review period, EUR 47.776.589,98 was spent

from the designated account and EUR 47.307.863,14 was documented as statement of expenditure declaration to the World Bank but not claimed for the replenishment of the advance amount. Although EUR 468.726,84 was disbursed from the designated account, the corresponding claim and supporting documentation had not been submitted to the World Bank as of December 31, 2025.

21.12.2026

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