Transformation Plan

NAC – Financial & Governance Turnaround

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Content

Situational Analysis

Current Issues

01 **Losses:** 50 Arba+, High-cost structure, weak revenue management

02 **Fleet:** Scheduling, **reliability** & low utilization (A330/A320)
Load factor 65% vs Regional 85%

03 **Governance allegations**, Procurement opacity (22 unresolved issues)

04 **Organizational (HR)** Delayed decision cycle (avg. 6–9 months)

05 **Technical issues** (Spare Parts / Follow schedule Maintenance)

06 **SMS compliance** gaps affecting reliability

07 **Trust deficit** with public & international partners

ROOT CAUSE = High Cost Structure + Weak Revenue Management + Governance Delays → Negative Cash Cycle

Data sources: NAC annual reports 2024/25, High-Level Restructuring Panel (Nov 2025), CAAN statistics, industry benchmarks

Short (3-6 months) Stabilization Plan

Nepal Airlines

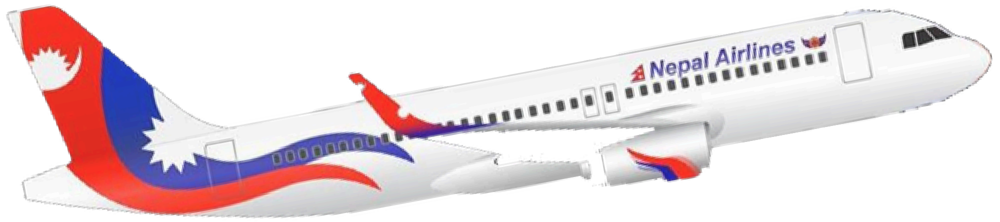
01 **Mandate Turnaround Task Force with internal & external experts**

02 **Follow recommendation of NA split, PPP model** create cost centres profit / loss making units

03 **Transparency dashboard** of financial risks, procurement processes, and contract systems

04 **Assuring dispatch reliability**, maintenance planning, and partnerships

05 **Employee engagement**, internal communication, and restoration of trust



Short-term stabilizing and clear Turnaround Task Force Mandate

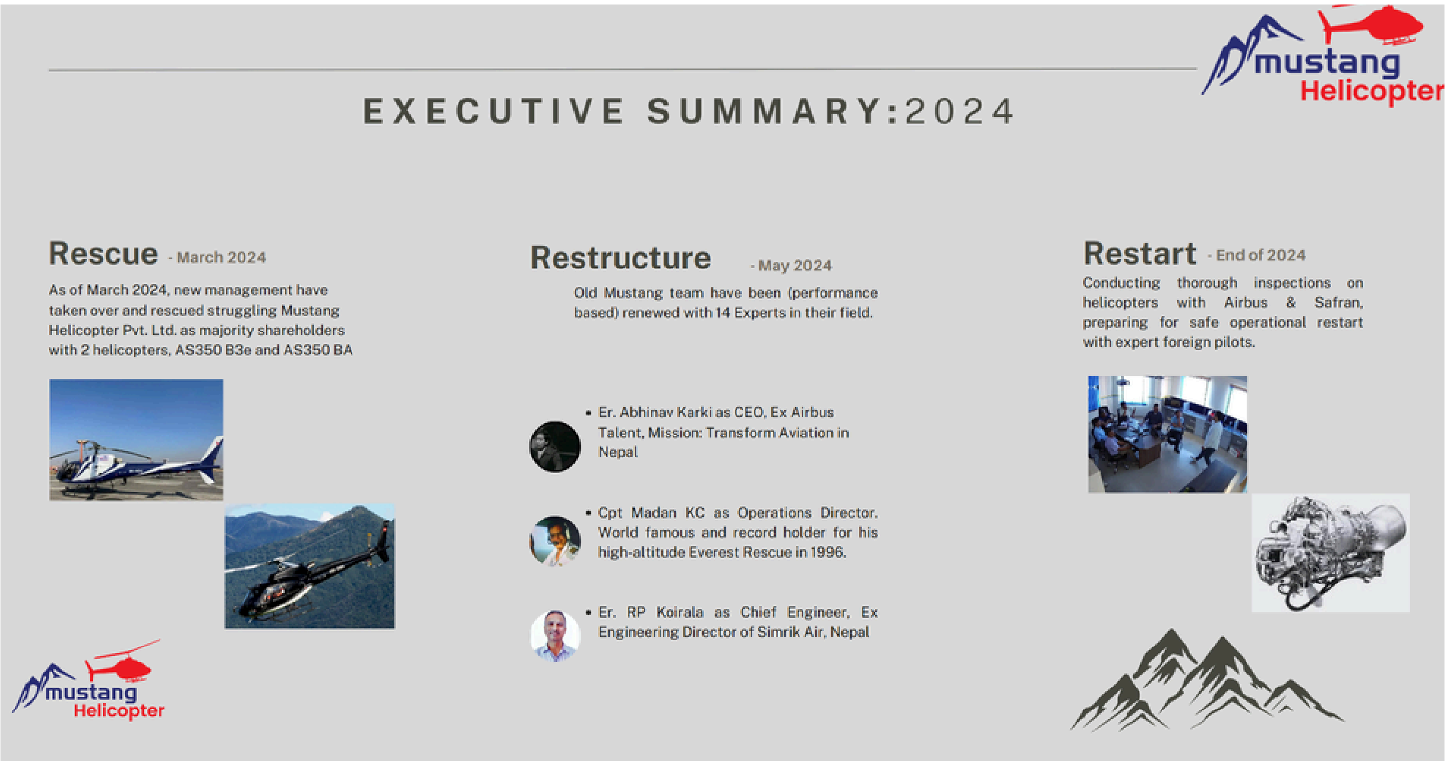
Turnaround - Task Force

Task Force Advisory

External - Dr. Hari Adhikari - Prof Aviation Finance, Embry Riddle Aeronautical University, Support - Financing/Debt restructuring. Financial analysis and cashflow modelling.

Nepal Airlines

- **Internal Task Force** - Advisors Kushal Shrestha HR, Ex MD Ang Dendi Sherpa, Post Holders of NAC...
  - Austerity Decisions/Union : Board NAC
  - Operational Decisions : MD + Task Force



3 **RECENT TURNAROUND EXPERIENCE: Successful Financial & Operational turnaround of Airbus Helicopter Fleet at Mustang Np**

Mid (6-24 months) Restructure Plan

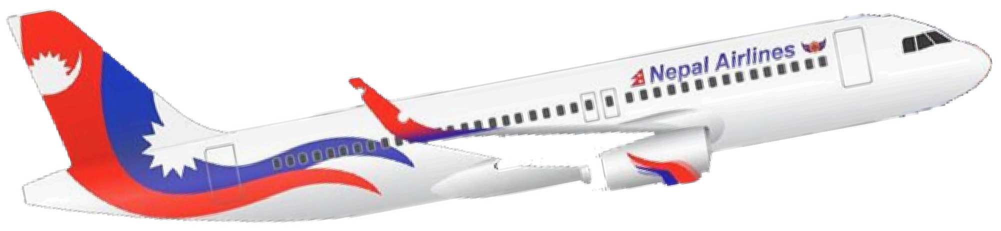
01 Immediate improvement in savings, cash position & cash-flow.

02 **Secure cash flow** - Bookings directly by NA (remove agents)

03 **Increase direct sales** and ancillary revenue on flight

04 **Profit & Revenue growth:** Cash Flow Positive, PPP-based MRO, cargo hub, and long-term financial planning.

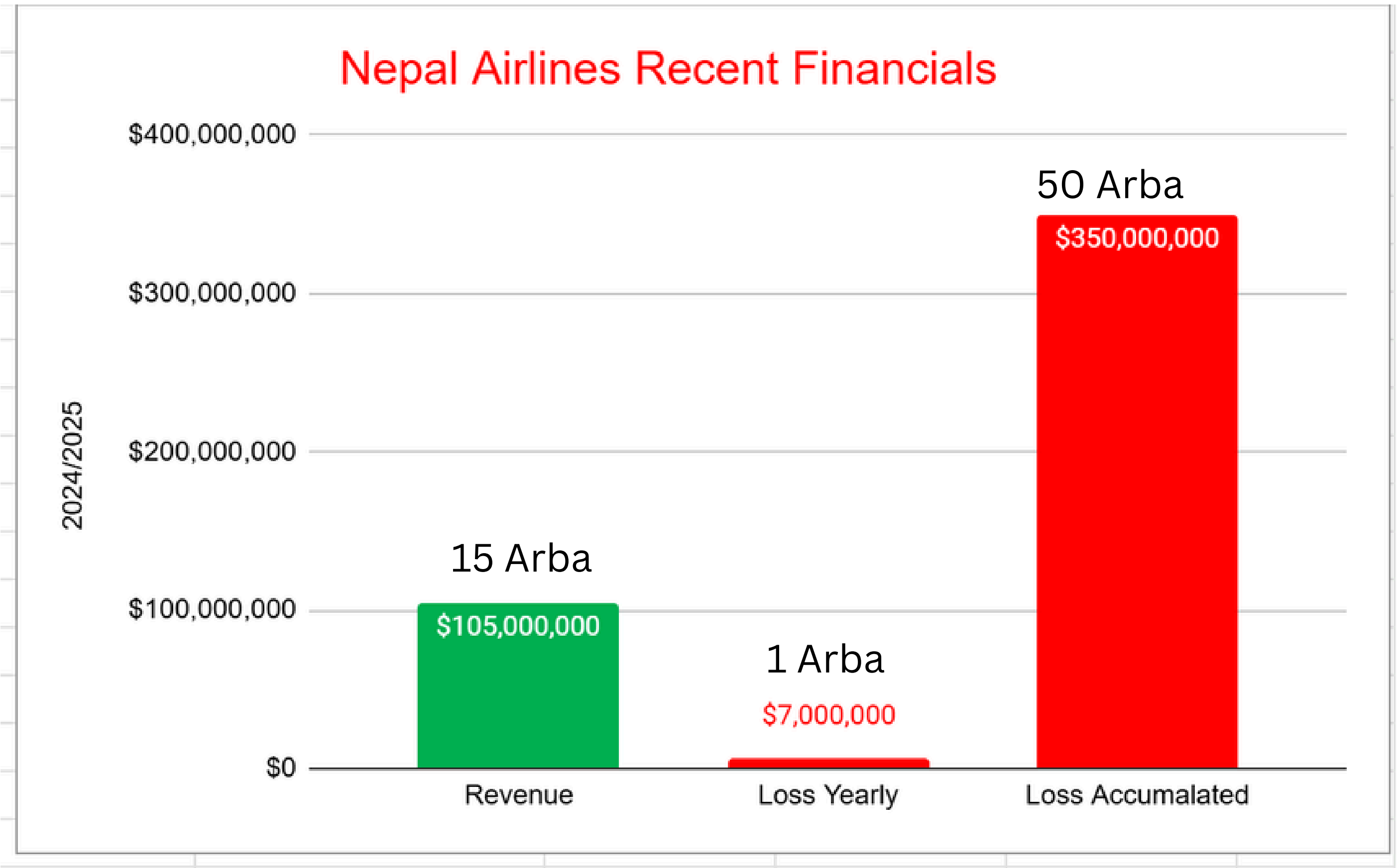
05 **HR performance**-based system, capacity development, and HR restructuring & Trainings on Safety and Aviation



Mid-term improving cash position and securing Financial Turnaround

Turnaround - Financials

Financial Graph



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Nepal Airlines

Target: Cashflow Positive by Year 1

✓ "Increase high load factor routes / reduce low load factor routes = Increases revenue by 5% & reduces cost by 4% in first year of implementation"
✓ "Reduce admin cost by 10% in first 12 months"
✓ "Increase revenue NPR 3 Arba through direct bookings, cargo, and LF improvement, agent reduction 5%"
✓ "Restructure NPR 20–25 Arba debt with ministry support"

YEAR 1 UPTO 2.5 ARBA CASH POSITIVE: Using Conservative Model of ↓ Savings 4% and ↑ Revenue 5% + ↑ Direct Sales 3%

Long (24 months to 4 years) Growth & Turnaround Plan

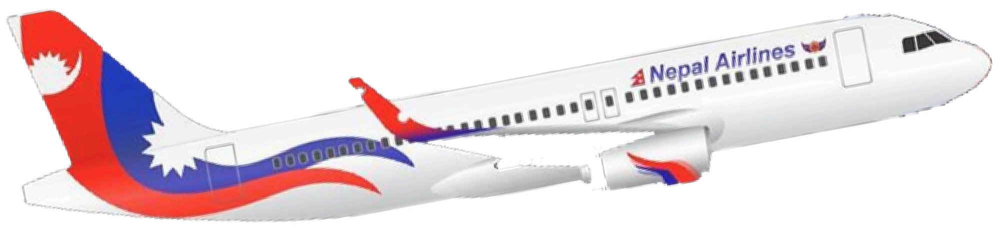
01 **Turnaround the fleet:** optimize network or phase out high-cost routes

02 **Profitable Route network aligned** with national tourism & diaspora needs.

03 **Secure Fleet reliability:** On time maintenance, improve inhouse capability

04 **Create Worldclass image** code-share partnerships, digital presence, cargo expansion

05 **Digital transformation** of customer experience and a Loyalty Program



Long-term profitable fleet turnaround & transparent Governance Model

Turnaround - Fleet

Fleet Planning

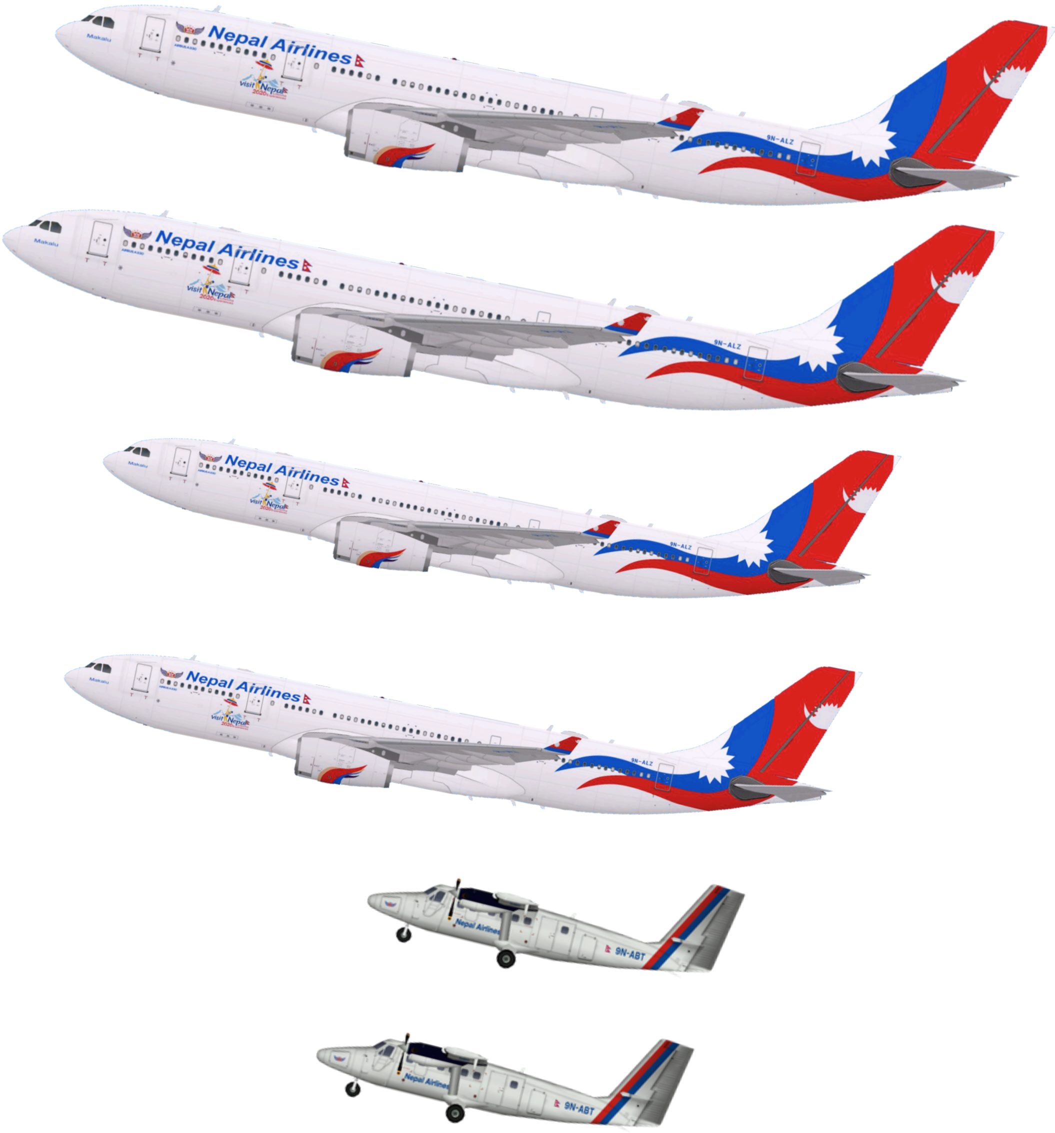
- **Airbus Fleet:** 2 A320s (Narrow body), 2 A330s (Wide body)
- **De Havilland Canada Fleet**: 2 DHC-6 Twin Otter

- **Key Analysis:**
  - 90-95% Revenue from Airbus
  - Network Planning - RASM vs CASM
    - Increase international route that is profitable
      (Eg. Damann, Doha etc.. Case Eg. ANA A380 Hawaii)

    - Increase Pax load factor and cargo revenue
    - **Proactive Scheduling of Maintenance plan**
      (Downtime Calculation)
    - Renegotiate After Sales support from Airbus (Nepal Airlines to be Priority 1)

Nepal Airlines

Current Active Fleet



Leadership / Governance Model

Nepal Airlines

Transparent Governance Model

Leadership style:

1. Result driven- neutral & non-political
2. Airbus-style structured decision making
3. Team Empowerment but accountability
4. Collective and Results driven
5. Crisis management maturity (Mustang Heli turnaround)

Key initiatives:

1. **NAC Digital Portal** with KPIs
2. **Decisions based on data** and engineering
3. **Audited procurement** reforms
4. **Whistleblower protection** policy
5. **Board-approved KPI** dashboard
6. **Monthly Transparency** Report

Lead by Example - Decide transparently through data

Commitment for Nepal Airlines

"Together, we will build a profitable, safe, national flag carrier that represents Nepal in the global stage."

Nepal Airlines