

Ladies and Gentlemen,

What could be better than sailing past Europe's beautiful riverside landscapes on a sunny day? Than sitting on deck listening to the water gently splashing along the sides of the boat? Perhaps, you are wondering whether this is going to be some kind of poetic fairytale? I can assure that it's not!

So why those opening sentences? Ladies and Gentlemen, in my experience, sailing along the European rivers should be a pleasure not only for the guests on board, but also for the cruise operator.

To take a very commercial line: what makes the owner of a cruise boat happy? Whether that's a shipyard or the captain himself, it comes down to the same thing: they're happy when profits are made!

Profit is essential for the continuity of a business. It all sounds very logical, but I still want to draw attention to this. Profit is one of the things that banks look at closely when they are assessing business plans.

But we consider other things too, when a vessel is involved – in this case, a river cruiser. I should say in advance that there isn't time to cover them all in detail, but I do want to mention them briefly to you.

1. The technical specifications of the vessel  
This includes things like the measurements, the draft, the height and the engine power. All these are important to determine where the vessel can go, among other things. Can the business plan be achieved with the sort of trips mentioned?
2. What sort of accommodation is there? And does it match the requirements of the segment that the business plans to serve?

Let's return to the business plan for a moment.

I'd like to discuss the profit and loss account with you.

We'll start with the turnover. In our experience, turnover consists of two elements:

- a. The overnight stays
- b. To put it very simply: the food and drink.

Item a.

This is generally determined by the charter contracted. Obviously, we at the bank want to see the charter in order to decide whether it offers enough security for realising the expected

turnover. Another key question is 'who issued the charter?' This is important with regard to the continuity of the income.

Item b.

How much of the turnover consists of what I'll call 'catering income'? The bigger its share in the turnover, the more important it becomes to have people with catering skills on board. And the bigger the share, the higher the operating risk of the vessel. This share of the turnover is variable and depends largely on the efforts of the operator and/or his crew.

Another important point here is the segment at which the operator is aiming.

Very briefly, these are the main points that we consider when we're assessing turnover.

If we look at the costs, there are a number of specific points I want to draw to your attention.

1. How high is the depreciation? And in particular, over what period is the interior written off? One thing is certain – the vessel will 'live' much longer than its interior. The business plan must clearly show the intentions for the next few years, and the depreciation policy should be tailored to these.
2. The survey for the maintenance of the vessel. In assessing this, we look at the sailing intensity, the areas the vessel sails to and its equipment.

And finally, I should mention a point that we obviously consider very closely, and that's the insurance on the vessel. Is everything insured? In our experience, this is critical for the continuity of the business. I know very well that the level of the premiums is a matter of frequent discussion. And to be honest, the same applies to interest rate levels. It's not up to me to judge. One thing I have learned in recent years is that if something is done about damage prevention on board, the cruise operator will ultimately benefit.

But let's go on with my business, Ladies and Gentlemen – bank assessments of the plans.

We've briefly considered some of the items in the profit and loss account.

Generally speaking, the profit and loss account can be used to determine the cash flow. The simplest description of cash flow is actually the cash resources available in the company for repayment and investment.

I've given you a brief look aboard our business. We see financing of vessels as a specialised field that calls for a customized service. When it comes to passenger trips, there's an extra dimension to consider.

Finally, I should note that our bank has optimistic expectations for this market segment. I won't bore you with all sorts of market surveys and theories. I'll just briefly mention a number of points.

1. Ageing

In some countries, we see that it is precisely the older segment that decides to go sailing.

2. In some countries we see a trend towards cruises adding to social status. That's putting it a little too concisely, but I hope I make myself clear.

And probably the most important point of all: we see that the market is vital. What do I mean by this? We see that the market responds to setbacks – I'd almost say obviously so. But the market also recovers quickly.

So these are some of the points that we have observed as a bank, and that have led us to take a positive view of the prospects for river cruises. I can't tell what percentage we'd be willing to finance of a vessel. As I've tried to explain in my remarks, the amount of financing depends on the points that I have focused on.

Ladies and Gentlemen

I'd like to thank you for your attention and I hope that my talk has contributed something to this workshop.