

# EGYPTAIR

## Holding Company



# Board of Directors



**Engineer**  
**Atef Abdel Hamid Mostafa**  
Chairman  
EgyptAir Holding

**Mr. Gamal Dahroug**  
Legal Consultant  
Ministry of Civil Aviation

**Dr. Safwat El-Nahas**  
Head of the Central Agency  
for Organization & Administration

**Dr. Farouk El Okdah**  
Governor  
Central Bank of Egypt

**Mr. Ahmed El Bardai**  
Former Chairman  
Banque Du Caire

**Mr. Hussein Abdel Aziz**  
Chairman  
National Bank of Egypt

**Eng. Ibrahim Manaa**  
Chairman  
Egyptian Holding Company  
for Airports & Air Navigation

**Mr. Yossry Abdu Amir**  
Chief Financial Officer  
Ministry of Civil Aviation

**Mrs. Manal Hussein Abdel Razik**  
Deputy Minister of Finance

**Mr. Ismail Fahmy**  
Member of the Board  
of the Egyptian Workers Union

## CHAIRMAN'S MESSAGE

It has been four years since the restructuring of EgyptAir Group in 2002, and our performance during the period clearly indicates that we are moving in the right direction. Comparing this year's results to the base year 2002/2003, the year 2006/2007 shows an increase in total revenue from EGP 4.2 billion to EGP 11.4 billion and a shift from a loss of EGP 247 million to a profit of EGP 579 million. More important, our customer service has improved in terms of convenient schedules, high rates of flight punctuality and better in-flight services.

Since restructuring, we have pursued a three-pronged strategy based on safety, customer orientation and effective competition. We have always believed in the importance of building an integrated human, information and physical infrastructure to form a platform for future profitable growth. On the human capital front, we are substantially upgrading our managerial capabilities with the help of leading consulting firms and our international partners like Lufthansa and Rolls-Royce.

Our assets and facilities are undergoing step-change expansion and improvement. The fleet has increased from 34 to 50 aircraft, we are adding two new simulators to our training center, and our Maintenance & Engineering Company has established a new facility for engine repair with a capacity of 40 engines per year. We have invested heavily in our information infrastructure and implemented the Amadeus reservation system, e-ticketing as well as many other automated systems in maintenance, cargo and other applications. By the end of 2007, our IT infrastructure will be consistent with international standards.

To improve our competitive stance in our markets, one of our major strategic moves has been to actively approach one of the major alliances. As a result of this effort, we were invited in October 2007 to join Star Alliance. By mid 2008, EgyptAir and its allied carriers will move to the new terminal TB3, making Cairo International Airport a major hub in our area. We are also forming a variety of long-term alliances, which include code-sharing agreements as well as alliances with Lufthansa in the fields of cargo, maintenance and in-flight services.

Another strategic move has been the establishment of a new subsidiary to strengthen our position in short-haul domestic and regional markets. EgyptAir Express was launched in mid 2007 to provide convenient and competitive services to all domestic airports as well as selected regional destinations. The combined and integrated schedules of EgyptAir Airlines and Express will enhance customer service, improve Group revenues and increase overall efficiency. Express will exploit the obvious potential synergies with our Tourism & Duty Free Company.

All the subsidiaries are implementing ambitious development programs. For example, the Maintenance & Engineering Company achieved EASA 145 parts I, II and III. The Tourism & Duty Free Company added new shops in Hurghada, Luxor and Sharm El-Sheikh and also won the contract to operate Duty Free shops in TB3. Our Supplementary Industries Company is providing the subsidiaries with cost-effective supplies and parts. The In-flight Services Company is adding new facilities in Sharm El-Sheikh and Hurghada.

The year 2007 marks EgyptAir 75<sup>th</sup> anniversary, an occasion for pride and resolution to accelerate our growth and services to our customers. Our survival and growth is due first and foremost to the dedication of generations of EgyptAir employees. Our slogan for the anniversary is "EgyptAir ... continuously evolving over the years." We adopted this emphasis on change because we believe that all our history and experience is meaningful only to the extent that it inspires us to constantly evolve to meet the changing needs of our customers and the tough challenges of competition.

A stylized black ink signature of Eng. Atef Abdel Hamid Mostafa.

**Eng. Atef Abdel Hamid Mostafa**  
**Chairman, EgyptAir Holding Company**

## HISTORY

EgyptAir was founded as a private company in May 1932, becoming the seventh airline in the world. In August of 1933, EgyptAir's first flight departed from Cairo's Almaza Airport to Alexandria. The Egyptian Government took over the company during the Second World War, however, it was soon returned to its status as an independent company.

In the 1960s, the company was merged with Syrian Airlines, forming a new company called United Arab Airlines. Although this merger lasted for only one year, the company kept the name until 1971, when it was renamed EgyptAir.

In July 2002, EgyptAir was restructured into a holding company with seven subsidiaries: In 2005 we added Supplementary Industries, and in 2006 we added EgyptAir Express as a domestic and regional carrier to complement our network and improve services for our customers.



## LISTING OF SUBSIDIARIES

### EgyptAir Holding Company

EgyptAir Airlines

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EgyptAir Cargo

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EgyptAir Maintenance & Engineering

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EgyptAir Ground Services

•

EgyptAir In-Flight Services

•

EgyptAir Tourism & Duty Free Shops

•

EgyptAir Medical Services

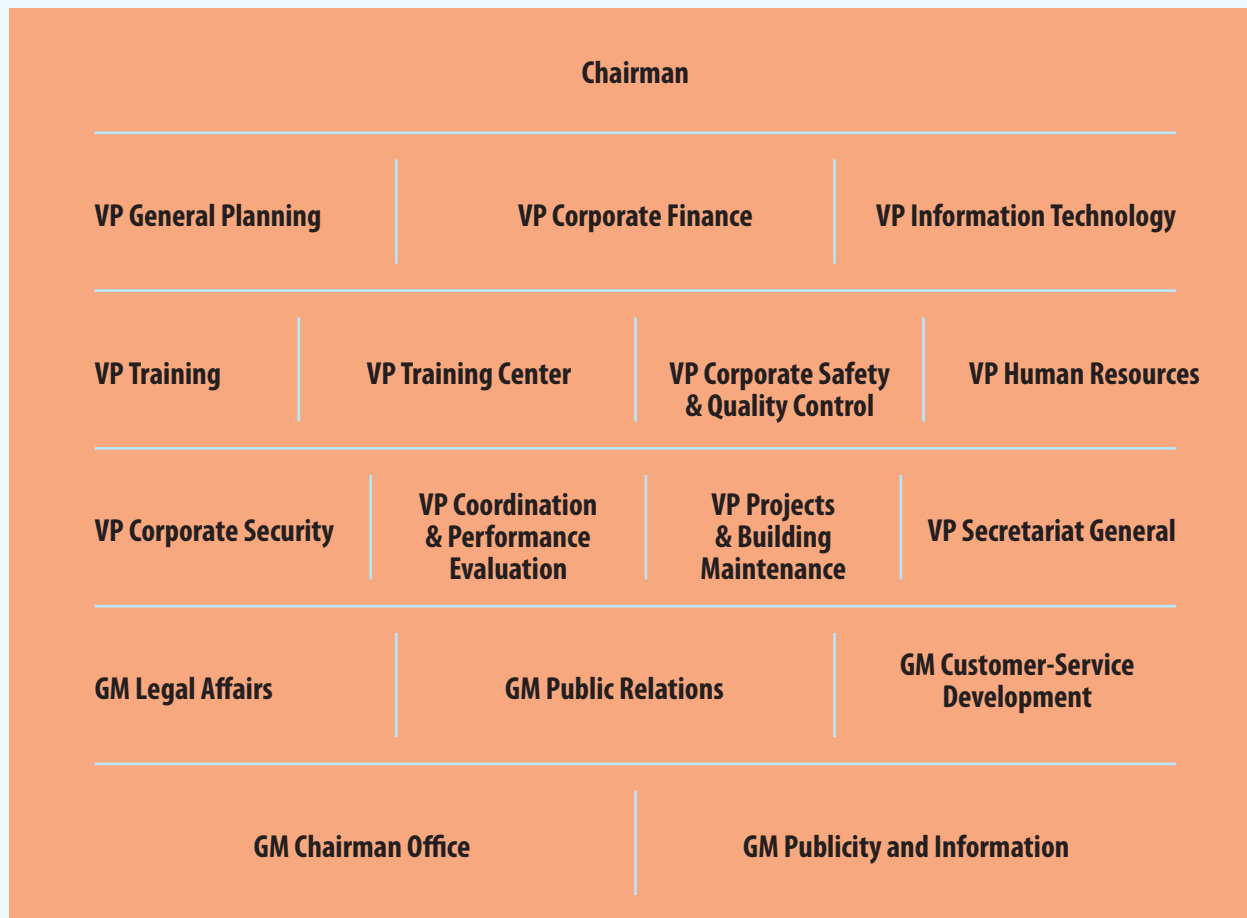
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EgyptAir Supplementary Industries

•

EgyptAir Express

## ORGANIZATIONAL CHART OF EGYPTAIR HOLDING COMPANY



## EGYPTAIR HOLDING ACTIVITIES, VISION AND MISSION

### EgyptAir Holding participates in a number of activities including:

- Providing strategic direction to all subsidiaries.
- Managing the business portfolio to maximize synergies.
- Aircraft acquisition, replacement and selling.
- Aircraft leasing.
- Providing the subsidiaries with a variety of services including planning, financial, human resources, quality control, training, IT, performance evaluation and projects & building maintenance.
- Investing in aviation- and tourism-related projects.

### Our Vision

Deliver competitive customer service with true Egyptian spirit

### Our Mission

Create value for our customers, employees, owners and stakeholders

### Our Values

- Safety comes first
- Efficiency
- Teamwork
- Continuous learning
- Serving the Egyptian Economy



Courtesy EgyptAir

# EGYPTAIR INFORMATION TECHNOLOGY

## Achievements

EgyptAir is continuing to implement its strategic plan for IT modernization. As a part of this plan, the company started the following major projects:

### 1 – Successful Implementation of New Passenger Service System ( Reservation, Departure and Inventory )

EgyptAir and Amadeus signed an agreement in February 2006 to provide EgyptAir with the Altéa Customer Management Solution (CMS), hosted by Amadeus.

EgyptAir has achieved extraordinary success in migration from its legacy reservation system to state-of-the-art solutions for:

- Inventory management.
- Multi-channel sales and reservation.
- Full electronic ticket management and distribution.
- Departure control services.

With great effort and teamwork by EgyptAir IT staff, headed by EgyptAir VP of IT Eng. Sayed Ayoub with the full support of EgyptAir Holding Company Chairman Eng. Atef Abdel Hamid Mostafa, the migration was implemented precisely according to plan.

Moreover, a full renovation of IT infrastructure, PC replacement, network upgrade and client software implementation were also carried out in all EgyptAir sites, as well as departure control services in all airports



reached by EgyptAir flights. Alongside these activities, the user training ran according to plan, ensuring readiness to switch over before November 4, 2006.

Inventory and passenger databases were successfully transferred by the end of November 4 and early hours of November 5, 2006.

The reservation system was successfully activated worldwide in all EgyptAir sales offices by midday November 5, 2006.

On December 5, 2007, e-ticketing was active for domestic routes. Today, e-ticketing is available for most EgyptAir routes. Just a few destinations remain offline, as the implementation process is still in progress.

As a part of EgyptAir's strategy to increase its marketing channels and improve its reservation facilities, several functions have been activated through the Altéa reservation system hosted by Amadeus, such as:

- GDS participation: The Altéa system offers the highest participation level, with Galileo, Sabre, Apollo, Worldspan, Axxess, Abacus and TravelSky
- Advanced seat reservation
- Free code share, started by Lufthansa on October 28, 2007
- Revenue integrity has been ensured by removing non-ticketed and duplicate PNRs, checking ticket number, duplicate names, duplicate segments per PNR and reduced "No Show."

### 2 – Enhancement of EgyptAir Plus to meet with code share & alliance needs:

As part of EgyptAir's strategy to improve its customer services, EgyptAir implemented its new Frequent Flyer (FF) system, developed by HITIT, on September 8.

Several functions have been activated for the first time to meet the need for a code-share agreement between EgyptAir and Lufthansa effective from October 28, 2007.

In addition, the online interactive retro-claim was implemented recently. Many features are in a test phase such as online redemption either for rewards or ticket upgrade: These functions will be available from EgyptAir sales offices or from the FF web site.

In response to EgyptAir's invitation to join Star Alliance, several changes have been issued in our Frequent Flyer system to comply with alliance standards. EgyptAir plans to set up an agreement and protocol for data exchange with each Star Alliance member for EgyptAir Plus and FF system.

### 3 - Replacement of Revenue Accounting (RAS)

With the growing competitiveness in the market from air alliances and a market transition, there is an increased demand for valuable revenue information. Therefore, by processing flight coupon data, a modern

Revenue Accounting System can not only provide its basic function of accounting and balance, but also valuable information regarding traffic flow and sales points volume.

This valuable information helps management and several corporate divisions within the airline, to develop new distribution strategies (e.g. alliance, network, key accounts and sales management).

On October 28, 2006, EgyptAir signed an agreement with Lufthansa Systems to replace EgyptAir's legacy system with Lufthansa Systems' modern Revenue Accounting System called SIRAX, which has a modular software architecture based on a central database.

SIRAX delivers comprehensive functionality and high efficiency. All processes are highly automated, integrated and supported. The ergonomic graphical user interface is user-friendly and ensures maximum acceptance.

The modern client-server architecture easily copes with thousands of users and terrabytes of data. It is quick and easy to integrate into a wide variety of system environments. The main modules are Sales, Uplift and Interline. From within these main modules, the Matching, MIS (Management Information System), Accounting and Internal Check system are used.

The new Revenue Accounting System was successfully implemented in its entirety in August, 2007.

#### 4 – Implementation of EgyptAir Portal & Internet Booking Engine (IBE):

EgyptAir eliminated the technology gap by providing its clients powerful, easy-to-use and state-of-the-art internet technology through two interrelated projects: EgyptAir Portal and Internet Booking Engine (IBE).

IBE is a simple but powerful tool that enables passengers and travel agencies to create and manage online flight bookings.

The EgyptAir Portal and IBE were set into motion on February 19, 2007 with the integration of the booking engine by Amadeus, electronic payment by National Bank of Egypt and a portal built by LinkdotNet.

The EgyptAir portal and IBE increases e-commerce through the following mechanisms:

- Increased EgyptAir sales: IBE opens EgyptAir's doors for business 24 hours a day, 7 days a week, allowing clients anywhere, anytime to buy or book tickets
- Decreased EgyptAir cost: IBE enables EgyptAir to sell directly to its client (B2C: Business to Customer), which eliminates commissions paid to travel agencies and GDS (Global Distribution System)
- Strengthened customer relationships and loyalty: Passengers registered on the EgyptAir website will receive special offers and can save customized trips in their account.

#### 5 – Renovation of EgyptAir's Administration Building Data Network Infrastructure:

EgyptAir has signed with Siemens to integrate a strong network infrastructure that meets international standards.

The project approached these goals with the following criteria:

- Choosing the best-in-class, state-of-the-art solution that can help in achieving EgyptAir goals and reaching international standards.
- Choosing the leaders with worldwide references to lead each component of the plan.
- Integrating the entire solution to optimize product performance.

The project targets the following objectives:

- Centralization: Using collapsed high-speed backbone switches for the whole network to connect all the shared services and equipment.
- Higher Performance: Giga-speed network backbone up to 10 gig — will allow the EgyptAir Network to reach new horizons of data speed.

The design of the new network also has features that make it the ideal solution, as EgyptAir is looking for scalability, manageability, reliability, high availability and high performance.



Courtesy EgyptAir

## EGYPTAIR TRAINING CENTER

### Vision

To be the Middle East & Africa Market Leader in providing Aviation Training.

### Mission

To provide the highest quality of training services delivered with the aim of promoting safety standards and exceeding customer expectations.

## PROJECTS

### Infrastructure

- Construction is underway for the S-Building, which will include 43 classrooms, administration offices and an auditorium designed according to the highest international specifications. The S-Building will be complete in 2008.
- All old buildings will be renovated to be compatible with the new design of the Training Center. The upgrade project has already started with the Emergency Department building.

### Equipment

- Contracting for the supply of B737-800 Full Flight Simulator, which is expected to be operative in 2008.

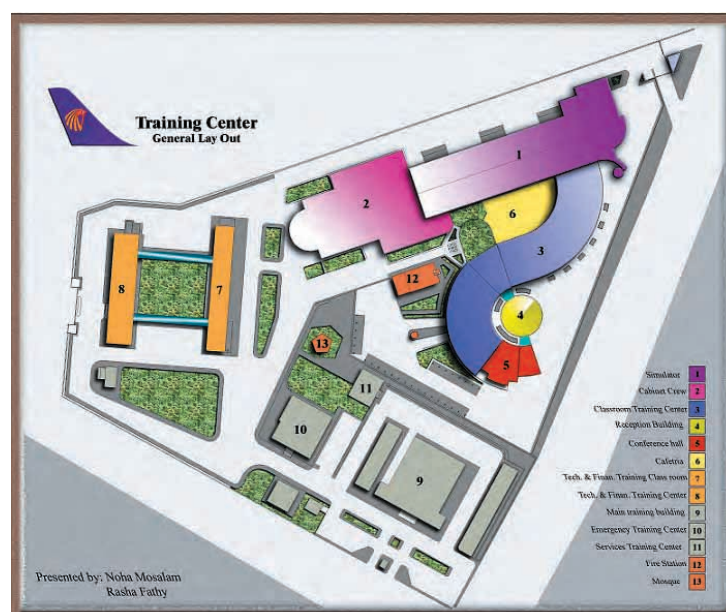
### New Certifications

- Training Center is in the process of obtaining ISO.
- Training Center is in the process of obtaining certification as a Type-Rating Training Organization (TRTO) for cockpit crew according to JAR-FCL1 requirements.

## ACHIEVEMENTS

### Certificates of Approval

- The French DGAC revalidated the A320 & B777 FFS certificates of approval, according to the requirements of European regulations.
- The Technical Training Center renewed its Egyptian Civil Aviation Authority certificate of approval to conduct training programs with respect to ECAR Parts 61, 65, 121, 142 and 147. The center also maintained its validation of EASA Part 147.
- The Emergency Training Center renewed its Egyptian Civil Aviation Authority certificate of approval to conduct training programs with respect to ECAR Parts 63, 121, 142.
- The Flight Services Training Center obtained first-time approval from the Egyptian Civil Aviation Authority to conduct training programs with respect to ECAR Parts 63, 121, 142.



- The Commercial Financial & Administration Training Center renewed its Egyptian Civil Aviation Authority certificate of approval to conduct training programs with respect to ECAR Parts 108, 121, 142 and 175, specifically in the following areas:
  - Cargo
  - Dangerous Goods Regulations
  - Aviation Security (Airplane Operators)
  - Weight and Balance for Aviation Load Controllers
- The Ground Services Training Center obtained first-time approval from the Egyptian Civil Aviation Authority to conduct training programs with respect to ECAR Parts 301 and 142.
- The EgyptAir Training Center is maintaining its full membership in the ICAO/ TRAINAIR Program.

#### New Programs

- The Aviation English Language Training Program for pilots and air traffic controllers was approved by Egyptian Civil Aviation Authority according to ICAO requirements. Currently, training is being conducted to raise pilots who have achieved level 3 on the ICAO Language Proficiency Scale to level 4. By March 2008, all EgyptAir pilots shall be at a minimum level of 4.
- Security Training Programs have been approved by the Egyptian Civil Aviation Authority according to ICAO requirements.

#### Courses on EgyptAir new systems

- EgyptAir Commercial Division staff have completed their theoretical and practical training on EgyptAir new reservation system Amadeus.
- EgyptAir Financial and Commercial staff have completed their training on EgyptAir's new SIRAX system.
- EgyptAir Commercial Division staff have completed Electronic Ticket courses.

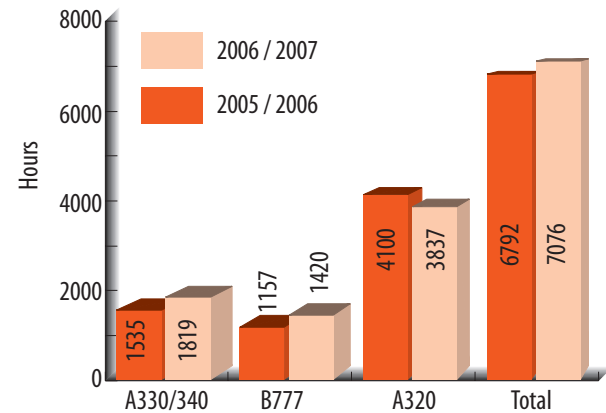
#### New courses

- Auditors
- Quality Principles & Concepts.
- Marketing Information Data Tape.
- Electronic Flight Bag.
- Professional Skills for Instructor.
- Crew Resource Management (recurrent).
- Purser Qualification.
- Embraer 170.
- Airbus A320 enhanced.

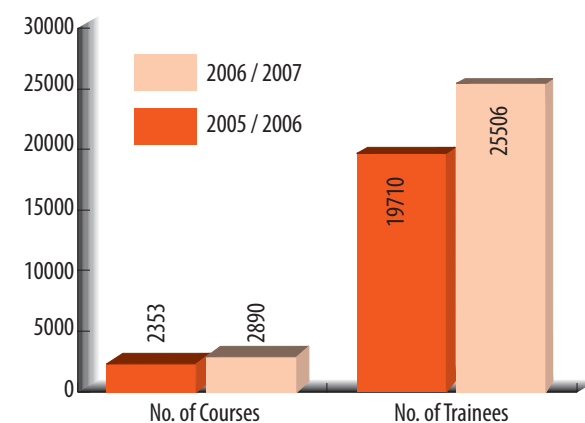
#### Regional Training

EgyptAir Training Center has been chosen by IATA & AACO to conduct courses in Cairo during 2006 /2007.

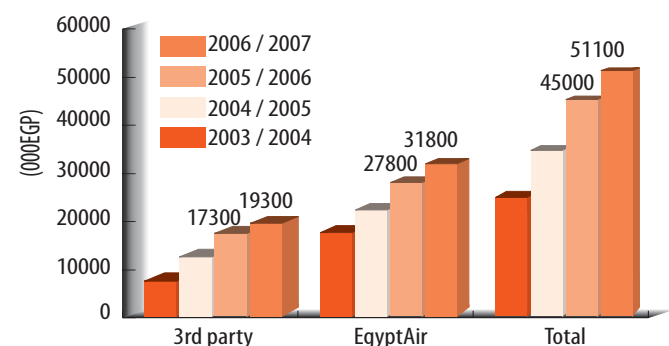
### EgyptAir pilots' actual working hours on the Full Flight Simulators over the period 2006/2007 compared to 2005/2006



### EgyptAir Training Center total number of courses and total number of trainees over the period 2006/2007 compared to 2005/2006



### Operational Revenues



## NEWS

### EgyptAir Holding

**November 2006:** EgyptAir hosts AFRAA Annual General Assembly

EgyptAir hosted the African Airlines Association (AFRAA) meeting at the JW Marriott Cairo on November 6-7, 2006. The meeting addressed several challenges that face the industry, both in Africa and the world.

**March/April 2007** Prime Minister Ahmed Nazif visits

Prime Minister Ahmed Nazif and Minister of Civil Aviation Air Marshal Ahmad Shafik toured the EgyptAir Training Center during their inspection of Cairo International Airport's Terminal 3 project.

**May 7, 2007** EgyptAir celebrates 75 years of progress

The national carrier celebrated its Diamond Anniversary and 75 years as a regional pioneer in civil aviation. The foundation of EgyptAir — the first airline in all of Africa and the Middle East and the seventh in the world — in 1932 was a source of national pride at a time when Egypt was struggling under the British Occupation.

**May 2007** Sharm El-Sheikh International Airport opens new Terminal 2

The new Terminal 2 at Sharm El-Sheikh International Airport was inaugurated at the end of May by President Hosni Mubarak. The expansion of the airport is part of the strategy for developing civil aviation in Egypt, overseen by Air Marshal Ahmed Shafiq, Minister of Civil Aviation. The state-of-the-art terminal building is equipped with a variety of services to accommodate the increasing number of visitors coming to Sharm El-Sheikh.

### EgyptAir Airlines

**September 2006:** EgyptAir is the official carrier for the 2006 Mediterranean Travel Fair

For the seventh year running, EgyptAir was the official airline of the Mediterranean Travel Fair (MTF), Egypt's most celebrated travel and tourism exhibition and the only exhibition dedicated to the Mediterranean Basin.

### EgyptAir Cargo

**January 2007:** EgyptAir Cargo and Royal Logistic Services sign MOU

In a step toward promoting Egyptian airports and marine ports, Assad Darwish, Chairman of EgyptAir Cargo, and Fayeze Sobeh, General Manager of Royal Logistic Services (RLS), part of the Egypt-based Amiral Group, signed a memorandum of understanding for RLS to oversee the management and operations of a logistic center to collect and re-distribute goods between Sokhna port and Cairo International Airport.

### EgyptAir Maintenance & Engineering Company

**September 2006** M&E signs contracts of Mutual Technical Support

EgyptAir Maintenance & Engineering signed contracts of Mutual Technical Support to provide professional service to eight international airlines, including Libyan Arab Airlines, Middle East Airlines, Mideast Aircraft Service Company, Air Arabia Airlines, Sudan Airlines, Livingstone, Olympic Airways and Turkish Airlines.

**November 2006:** M&E achieves phase II of EASA-145 certification

After an intensive inspection process, EgyptAir Maintenance & Engineering Company was awarded the second phase of European Aviation Safety Agency EASA part-145 certification, allowing the company to perform daily maintenance and repair for several types of Boeing and Airbus planes.

### EgyptAir Medical Services

**March 2007:** EgyptAir Hospital works with Karnak Tourism Company to increase Therapeutic Tourism Services

EgyptAir Hospital hosted Egypt's first endoscopic neurosurgery, considered a preliminary step toward opening EgyptAir's new International Spine Center in Cairo (ISCC), which will specialize in endoscopic spinal and cerebral surgeries.

### EgyptAir Express

**May 2007:** EgyptAir Express launches

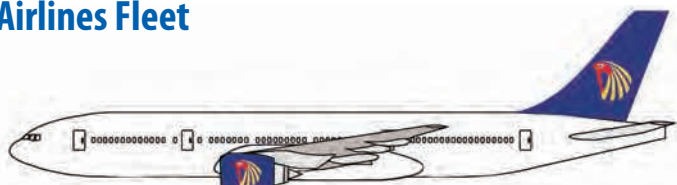
The ninth and newest subsidiary under the umbrella of EgyptAir Holding Company began operations to serve the domestic and short-haul markets with a fleet of Embraer 170 aircraft. Express launched its maiden flight by carrying dignitaries for the inauguration of the Sharm El-Sheikh International Airport's new Terminal 2.



# EGYPTAIR FLEET 06/07

In 2006/2007 we received delivery of two B737- 800NG. At the same time we continued our strategy of increasing the fleet as we signed a contract with Embraer to purchase six ERJ170; we received delivery of three of them.

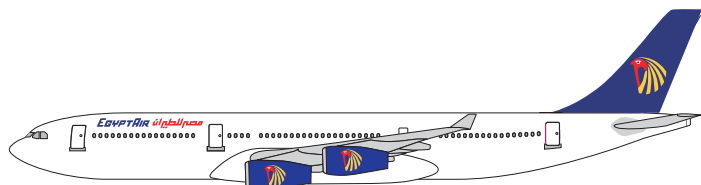
## Airlines Fleet



**Boeing 777/200**  
aircraft are designed in a three-class configuration with a total of 319 seats; EgyptAir has five with first class, Horus class and economy class seats.



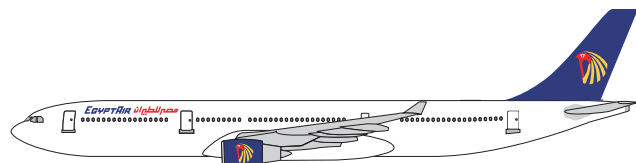
**Airbus 320/200**  
aircraft are designed in a two-class configuration with a total of 145 seats; EgyptAir has thirteen with Horus class and economy class seats.



**Airbus 340/200**  
aircraft are designed in a three-class configuration with a total of 260 seats; EgyptAir has three with first class, Horus class and economy class seats.



**Boeing 737/500**  
aircraft are designed in a two-class configuration with a total of 104 seats; EgyptAir has four with Horus class and economy class seats.

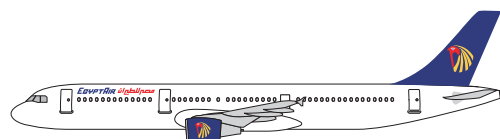


**Airbus 330/200**  
aircraft are designed in a two-class configuration with a total of 268 seats; EgyptAir has seven with Horus class and economy class seats.

## Express Fleet

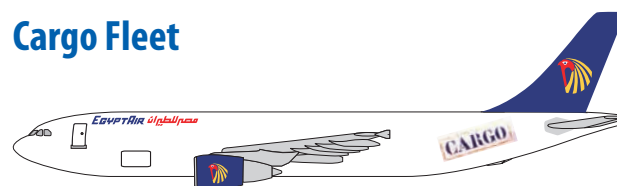


**Embraer - 170**  
aircraft are designed in a two-class configuration with a total of 76 seats; EgyptAir has three with Premium class and economy class seats.



**Airbus 321/200**  
aircraft are designed in a two-class configuration with a total of 185 seats; EgyptAir has four with Horus class and economy class seats.

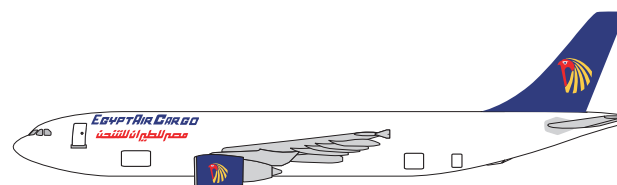
## Cargo Fleet



**Airbus A300-B4**  
aircraft are used by EgyptAir for its cargo services with a total capacity of 42 tons; EgyptAir has two.



**Boeing 737/800**  
aircraft are designed in a two-class configuration with a total of 160 seats; EgyptAir has two with Horus class and economy class seats.



**Airbus A300/600**  
aircraft are used by EgyptAir for its cargo services with a total capacity of 45 tons; EgyptAir has two.



Courtesy EgyptAir

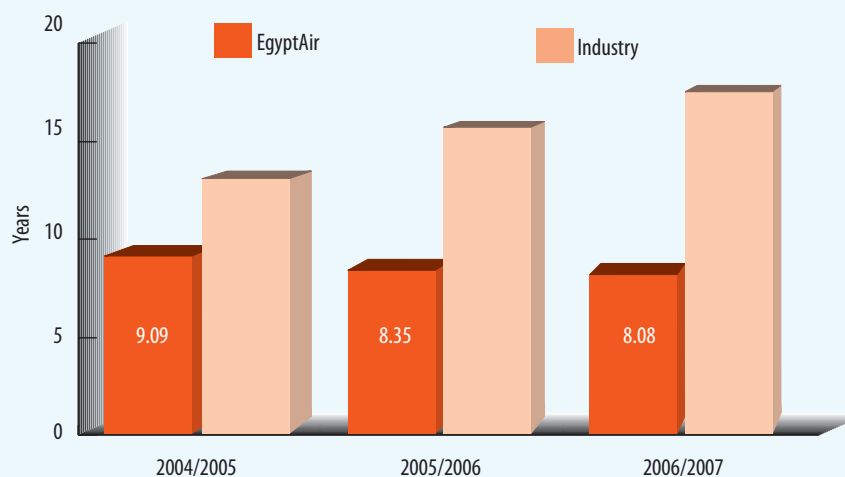


Courtesy EgyptAir



Courtesy EgyptAir

### Average Fleet Age: EgyptAir and Industry



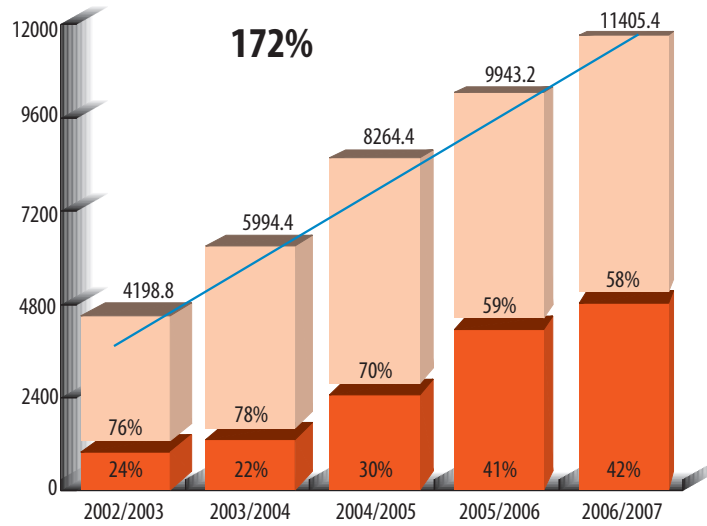
### Passenger Fleet Information 06/07

Aircraft	In operation	On firm order	On option
A320-200	13	-	-
A321-231	4	-	-
A330-200	7	-	-
A340-212	3	-	-
B777-266	5	-	-
B737-566	4	-	-
B737-800	2	10	-
ERJ170	3	3	6
<b>Total</b>	<b>41</b>	<b>13</b>	<b>6</b>

### Expected Passenger Fleet 07/08

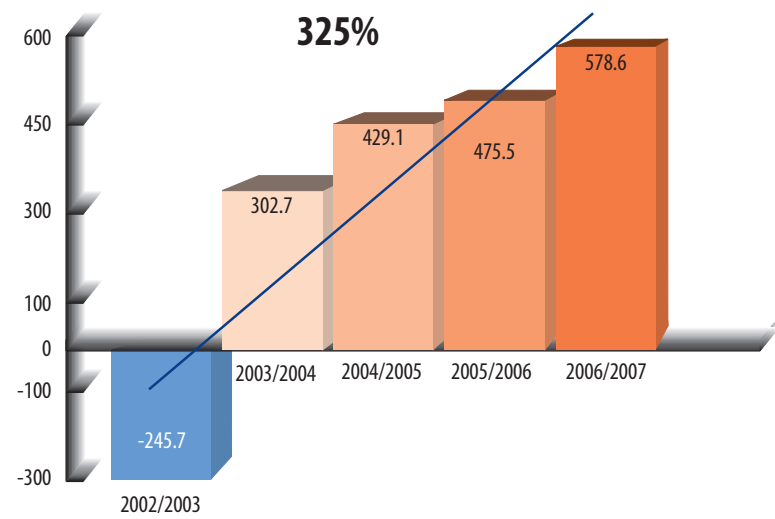
Aircraft	In operation	On firm order	On option
A320-200	13	-	-
A321-231	4	-	-
A330-200	7	-	-
A340-212	3	-	-
B777-266	5	-	-
B737-566	4	-	-
B737-800	4	8	-
ERJ170	6	-	6
<b>Total</b>	<b>46</b>	<b>8</b>	<b>6</b>

### Revenue trend



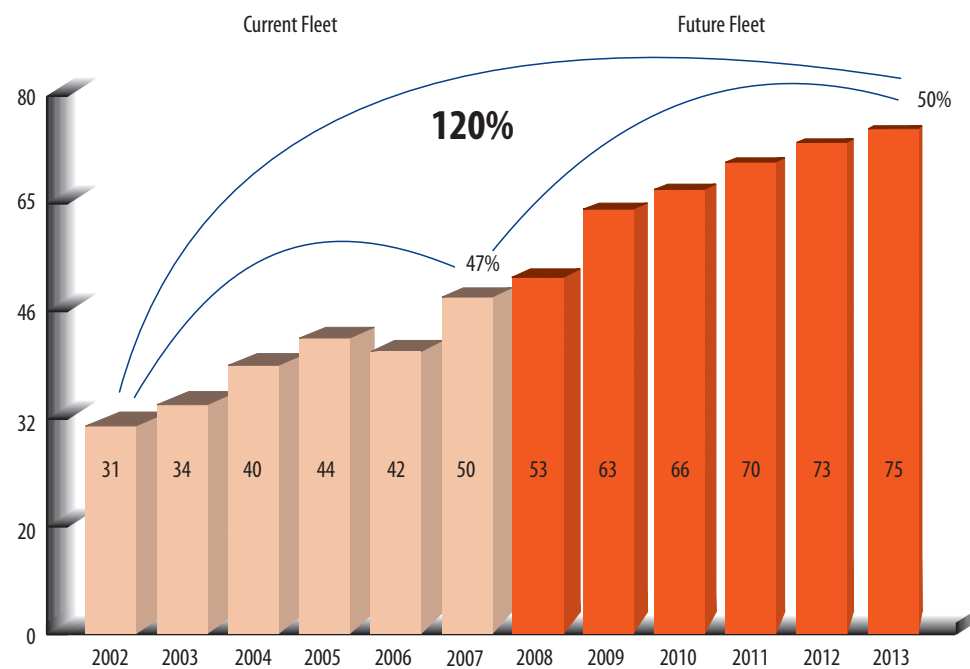
The total Group revenue has increased by 172% over the reporting period; significantly, the share of non-airline revenues has increased from 24% to 42%.

### Consolidated profit trend



The growth of revenues was accompanied by an improvement in profitability from EGP 246.7 million loss in 2002/2003 to EGP 587.6 million profit in 2006/2007.

### Fleet Development plan 2002-2013



EgyptAir's fleet has grown from 34 aircraft in 2002 to 50 aircraft in 2007. Under the ambitious fleet expansion plan, the fleet will reach 75 aircraft in 2013.

## FINANCIAL STATEMENT

### EgyptAir Consolidated Statement of Financial Position at 30/6/2007 (EGP)

PARTICULARS	Partial	TOTAL
<b>LONG-TERM ASSETS</b>		
Fixed assets (net)	11,283,934,667	
Projects in progress	565,207,042	
Long-term investments	732,816,379	
Long-term loans and debit balances	33,576,432	
<b>Total long-term assets (1)</b>		<b>12,606,534,520</b>
<b>Current assets</b>		
Stock	821,849,782	
Customers, notes receivables and debit accounts	2,795,525,169	
Cash in banks and in hand	768,883,300	
<b>Total current assets</b>		<b>4,386,258,251</b>
<b>Current liabilities</b>		
Provisions	244,394,582	
Creditor banks	782,873,172	
Suppliers, notes payable and credit accounts	2,998,737,380	
<b>Total current liabilities</b>		<b>4,026,005,134</b>
Working capital (2)		360,253,117
<b>Total investment (1+2)</b>		<b>12,966,787,637</b>
Financed as follows:		
Issued Capital	2,518,243,296	
Paid up capital — reserves	2,071,026,238	
<b>Total equity (3)</b>		<b>4,589,269,534</b>
Long-term liabilities (4)		8,377,518,103
<b>Total financing of investment (3+4)</b>		<b>12,966,787,637</b>



## EgyptAir Consolidated Profit and Loss Account at 30/6/2007

### COSTS & EXPENDITURES

PARTICULARS	2006/2007
Raw material, requisites, fuel & spare parts	2,686,026,040
Wages	1,002,805,381
Expenditures	4,127,076,778
Purchases of goods for sale	281,169,609
Burdens & losses	283,685,613
<b>Total Cost and Expenditures</b>	<b>8,380,763,871</b>

### REVENUES

PARTICULARS	2006/2007
Activity revenues	8,117,363,149
Grants & donations	9,217,898
Investments revenues & interests	44,740,723
Other revenues & profits	788,030,684
<b>Total Revenues</b>	<b>8,959,352,454</b>
<b>Surplus or Deficit</b>	<b>578,588,583</b>