



# Fresenius Medical Care

## Investor News

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**February 25, 2003**

## **Fresenius Medical Care reports Fourth Quarter and Full-Year 2002 results**

### **Summary:**

- **Net income** of \$ 302 million after minorities and before extraordinary item
- Full-Year **Free Cash Flow** at record level of \$ 349 million
- Outstanding success by achieving **definite agreement** in fraudulent conveyance case and confirming adequacy of accrued reserve ([see Investor News Feb. 12, 2003](#))
- Implementation of the **UltraCare™** program continues to show its fundamental strategic value while fourth quarter 2002 EBIT-margin has improved in North America
- **Refinancing** of the senior credit agreement completed
- **Dividend** increase proposed for the sixth consecutive time

Bad Homburg, Germany – February 25, 2003 -- Fresenius Medical Care AG (“the Company”) (Frankfurt Stock Exchange: FME, FME3) (NYSE: FMS, FMS\_p), the world’s largest provider of Dialysis Products and Services, today announced the results for the fourth quarter and the full-year 2002.

The results in the year 2002 are based on the new accounting standards on Goodwill and Other Intangible Assets (FAS 142) which came into effect January 1, 2002. In order to facilitate a year-over-year comparison, goodwill adjusted key figures for the full-year 2001 and the fourth quarter 2001 are provided in the appendix.

## **OPERATIONS**

### **Fourth Quarter 2002 <sup>1</sup>:**

**Total revenue** for the fourth quarter 2002 increased 7% (8% at constant currency) to \$ 1,358 million. Same store revenue growth at constant exchange rates was 7%. Dialysis Care revenue grew by 6% to \$ 974 million (+9% at constant currency) in the fourth quarter of 2002. External Dialysis Product revenue increased by 9% to \$ 384 million (+5% at constant currency) in the same period.

#### **North America:**

Revenue rose 7% to \$ 979 million, compared to \$ 918 million in the same period last year. Dialysis Care revenue increased by 7% to \$861 million. Same store treatment growth was 4%. The average revenue per treatment increased to \$ 286 in the fourth quarter (Q3 2002: \$282). Dialysis Product revenue, including sales to company-owned clinics, increased 2.4% to \$ 197 million. Product sales to the available external market grew by 9.2%.

#### **International:**

Revenue was \$ 378 million, up 11% adjusted for currency. Dialysis Care revenue reached \$ 113 million in the fourth quarter 2002 (+20% constant currency). Dialysis Products revenue, including sales to company-owned dialysis clinics, increased 10% to \$ 292 million (6% constant currency).

**Earnings before interest and taxes (EBIT)** increased to \$ 184 million resulting in an operating margin of 13.6%. The operating margin remained within the targeted range as the Company completed its 2002 rollout of the UltraCare™ dialysis treatment concept, including Fresenius Polysulfone high-flux single-use dialyzers, in North America.

Fresenius Medical Care AG reports a 36% increase in **net income** after minorities to \$ 82 million for the fourth quarter 2002.

**Earnings per share (EPS)** in the fourth quarter 2002 rose 36% to \$0.85 per ordinary share (\$ 0.28 per ADS), compared to \$ 0.62 (\$ 0.21 per ADS) in the fourth quarter of 2001. The weighted average number of shares outstanding during the fourth quarter of 2002 was approximately 96.2 million, compared to 96.1 million in the same period of 2001.

In the fourth quarter of 2002, the Company generated \$ 155 million in **cash from operations**. A total of \$ 45 million (net of disposals) was spent for **capital expenditures**, resulting in record fourth quarter **Free Cash Flow** before acquisitions of \$ 110 million. A total of \$ 7 million in cash was spent for **acquisitions**. **Free Cash Flow after acquisitions** was \$ 103 million. In the fourth quarter of 2001, Free Cash Flow after acquisitions was \$ 50 million.

### **Full-year 2002 <sup>2</sup>:**

**Net revenue** grew by 5% to \$5.08 billion. Adjusted for currency, net revenue rose 6% compared to 2001. **Earnings before interest and taxes (EBIT)** increased 8% to \$695 million resulting in an operating margin of 13.7%. In the full-year of 2002, **net income** after minorities and before extraordinary item was \$ 302 million, up 23% from the same period in 2001. The extraordinary item covers the cost of \$12 million for the redemption of the entire \$ 360 million aggregate amount outstanding of its 9% Trust Preferred Securities due 2006 (see Investor News January 16, 2002).

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<sup>1</sup> FY 2001 figures exclude the special charge of \$258 million

In the full-year 2002, **earnings per ordinary share** before extraordinary item rose 23% to \$3.12. Earnings per ordinary ADS before extraordinary item for the full-year of 2002 were \$ 1.04.

Fresenius Medical Care generated \$ 550 million in **cash from operations** during the full-year of 2002, an increase of 30% from the previous year. **Capital expenditures** (net of disposals) were \$ 201 million. **Free Cash Flow** for the full-year of 2002 was a record \$349 million compared to \$173 million in the previous year. Free Cash Flow for the full-year significantly exceeded the full-year target of \$ 200 million set by the Company. This exceptional performance is primarily driven by significant improvements in working capital management, in particular accounts receivable collection, and by moderate capital expenditure. Net cash used for acquisitions was \$ 80 million.

As of December 31, 2002, the Company operated a total of 1,480 **clinics** worldwide [1,080 clinics in North America and 400 clinics International]. In the Full-year 2002, the Company opened 90 new clinics (de novo's). Fresenius Medical Care AG performed approximately 16.4 million **treatments**, which represents an increase of 7% year over year. North America accounted for 11.6 million treatments (+4%) and the International segment for 4.7 million (+16%). At the end of the fourth quarter 2002, Fresenius Medical Care treated about 112,200 **patients** worldwide, which represents an increase of 6%. North America accounted for ~79,600 patients (+4%) and the International segment for ~32,600 patients (+12%).

### **Credit Agreement**

On February 21, 2003 the Company completed the refinancing of its senior credit agreement, which was scheduled to mature on September 30, 2003. The amended and restated Credit Agreement provides up to \$ 1.5 billion through three credit facilities: a revolving credit facility of up to \$ 500 million and a term loan facility "Loan A" of \$ 500 million, both due on October 31, 2007.

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<sup>2</sup> FY 2001 figures exclude the special charge of \$258 million and prior quarter related expenses of \$7 million  
Fresenius Medical Care AG, February 25, 2003

The third tranche, a term loan facility “Loan B” for institutional investors of \$ 500 million will be due after seven years. All three tranches were significantly over-subscribed.

The Credit Agreement provides the Company with a solid and reliable source of financing for the next years, with no significant debt maturing before 2007. The terms and conditions of the new Credit Agreement are fully reflected in the Company’s reconfirmed outlook for 2003.

### **Dividends**

Consistent with prior years the Company will continue to follow an earnings driven dividend policy. For the sixth year in a row, Shareholders can expect an **increasing dividend** for the fiscal year 2002. The Managing Board will propose to the Supervisory Board for the Fiscal Year 2002 a dividend of €0.94 per ordinary share (2001: €0.85) and €1.00 per preference share (2001: €0.91) for shareholders approval at the Annual General Meeting on May 22, 2003.

### **OUTLOOK 2003**

For the year 2003, the Company reconfirms its outlook and expects mid single digit revenue growth before acquisitions (in constant currency) and net income growth in the high single digit to low double digits range.

Ben Lipps, Chief Executive Officer of Fresenius Medical Care, commented: “We are pleased to have achieved an operating margin improvement in North America in the fourth quarter of 2002. We also continued our momentum with strong fourth quarter cash flow performance and record Free Cash Flow for the full-year. In North America we completed our strategic objective of developing and implementing a unique and differentiated dialysis therapy based on Fresenius Medical Care’s technology, which includes the UltraCare™ NR a program that uses the latest technology of single use high-flux Fresenius Polysulfone dialyzers.

Making this program cost neutral was an important milestone. We are well positioned in the United States where the net patient growth rate currently is in the range of 4-5%, and we believe this strategy provides for growth opportunities above market and new opportunities for future margin expansion. We are also positioned to succeed in a reimbursement environment that allows the provider to share in the healthcare savings achieved. In International, we continued to strengthen our position in both our patient care and products business. In our worldwide products business we achieved a growth rate of 6%, in constant currency, which exceeds the market growth rate and is a clear sign that our product technologies continue to be well received in the market place. Finally, I would like to thank all our employees again for their dedication to patient care and for their commitment to the Company's vision and values."

Fresenius Medical Care AG is the world's largest, integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 1,200,000 individuals worldwide. Through its network of approximately 1,480 dialysis clinics in North America, Europe, Latin America and Asia-Pacific, Fresenius Medical Care provides Dialysis Treatment to approximately 112,200 patients around the globe. Fresenius Medical Care is also the world's leading provider of Dialysis Products such as hemodialysis machines, dialyzers and related disposable products. For more information about Fresenius Medical Care, visit the Company's website at <http://www.fmc-ag.com>.

This release contains forward-looking statements that are subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors, including changes in business, economic and competitive conditions, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. These and other risks and uncertainties are detailed in Fresenius Medical Care AG's reports filed with the U.S. Securities and Exchange Commission. Fresenius Medical Care AG does not undertake any responsibility to update the forward-looking statements in this release.

**Fresenius Medical Care AG**
**Statements of Earnings at current exchange rate**

(in US-\$ thousands, except share and per share data)

	Three Months Ended December 31, 2002 as reported	Three Months Ended December 31, 2001 as reported <sup>2)</sup>	% Change	Twelve Months Ended December 31, 2002 as reported	Twelve Months Ended December 31, 2001 as reported <sup>2)</sup>	% Change
<b>Net revenue</b>						
Dialysis Care	974,096	918,687	6.0%	3,708,903	3,557,234	4.3%
Dialysis Products	383,801	351,706	9.1%	1,375,194	1,302,084	5.6%
	<b>1,357,897</b>	<b>1,270,393</b>	6.9%	<b>5,084,097</b>	<b>4,859,318</b>	4.6%
Cost of revenue	906,196	847,201	7.0%	3,428,077	3,220,198	6.5%
Gross profit	451,701	423,192	6.7%	1,656,020	1,639,120	1.0%
Selling, general and administrative	252,083	260,051	-3.1%	913,620	959,359	-4.8%
Research and development	15,521	11,208	38.5%	47,433	35,700	32.9%
<b>Operating income (EBIT)</b>	<b>184,097</b>	<b>151,933</b>	21.2%	<b>694,967</b>	<b>644,061</b>	7.9%
Interest expense, net	50,168	58,262	-13.9%	207,000	222,929	-7.1%
Income before income taxes and minority interest	133,929	93,671	43.0%	487,967	421,132	15.9%
Income tax expense	50,660	32,579	55.5%	182,814	174,876	4.5%
Minority interest	887	596	48.8%	3,586	1,732	107.0%
<b>Income before extraordinary item</b>	<b>\$82,382</b>	<b>\$60,496</b>	36.2%	<b>\$301,567</b>	<b>\$244,524</b>	23.3%
Extraordinary loss, net of taxes	0	0		11,777	0	
Net income after extraordinary item	<b>\$82,382</b>	<b>\$60,496</b>	36.2%	<b>\$289,790</b>	<b>\$244,524</b>	18.5%
<b>Earnings per ordinary share<sup>1)</sup></b>	<b>\$0.85</b>	<b>\$0.62</b>	36.2%	<b>\$3.12</b>	<b>\$2.53</b>	23.2%
<b>Earnings per ordinary ADS<sup>1)</sup></b>	<b>\$0.28</b>	<b>\$0.21</b>	36.2%	<b>\$1.04</b>	<b>\$0.84</b>	23.2%
<b>Earnings per preference share<sup>1)</sup></b>	<b>\$0.87</b>	<b>\$0.64</b>	35.5%	<b>\$3.18</b>	<b>\$2.59</b>	22.9%
<b>Earnings per preference ADS<sup>1)</sup></b>	<b>\$0.29</b>	<b>\$0.21</b>	35.5%	<b>\$1.06</b>	<b>\$0.86</b>	22.9%

<sup>1)</sup> before extraordinary item

<sup>2)</sup> Excluding special charge of \$ 258 million in Q4 2001 (\$177 million net of taxes) and special charge related expenses of \$ 3 million in Q2 2001 (\$ 2 million net of taxes) and of \$ 4 million in Q3 2001 (\$ 2 million net of taxes)

**Average weighted number of shares**

Ordinary shares	70,000,000	70,000,000		70,000,000	70,000,000	
Preference shares	26,188,575	26,137,839		26,185,178	26,035,330	

**Percentages of revenue**

Cost of revenue	66.7%	66.7%		67.4%	66.3%	
Gross profit	33.3%	33.3%		32.6%	33.7%	
Selling, general and administrative	18.6%	20.5%		18.0%	19.7%	
Research and development	1.1%	0.9%		0.9%	0.7%	
<b>Operating income (EBIT)</b>	<b>13.6%</b>	<b>12.0%</b>		<b>13.7%</b>	<b>13.3%</b>	
Interest expense, net	3.7%	4.6%		4.1%	4.6%	
Income before income taxes and minority interest	9.9%	7.4%		9.6%	8.7%	
Income tax expense	3.7%	2.6%		3.6%	3.6%	
Minority interest	0.1%	0.0%		0.1%	0.0%	
<b>Income before extraordinary item</b>	<b>6.1%</b>	<b>4.8%</b>		<b>5.9%</b>	<b>5.0%</b>	
<b>EBITDA</b>	<b>17.3%</b>	<b>18.3%</b>		<b>17.8%</b>	<b>19.9%</b>	

**Segment and other Information**

(in US-\$ million)

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	% Change	Twelve Months Ended December 31, 2002	Twelve Months Ended December 31, 2001	% Change
<b>Net revenue</b>						
North America	979	918	6.7%	3,748	3,602	4.0%
International	378	352	7.4%	1,337	1,257	6.3%
<b>Total revenue</b>	<b>1,358</b>	<b>1,270</b>	<b>6.9%</b>	<b>5,084</b>	<b>4,859</b>	<b>4.6%</b>
<b>EBIT</b>						
North America	128	95	34.8%	491	446	10.1%
International	62	65	-3.9%	222	216	2.7%
Corporate	(6)	(7)	-24.2%	(18)	(18)	-0.6%
<b>EBIT before special charge related expenses</b>	<b>184</b>	<b>152</b>	<b>21.2%</b>	<b>695</b>	<b>644</b>	<b>7.9%</b>
Special charge <sup>3)</sup>	0	258		0	258	
Special charge related expenses <sup>4)</sup>	0	0		0	7	
<b>EBIT after special charge related expenses</b>	<b>184</b>	<b>-106</b>	<b>-273.3%</b>	<b>695</b>	<b>379</b>	<b>83.3%</b>
<b>Income</b>						
<b>Income before extraordinary item and special charge and related expenses</b>	<b>82</b>	<b>60</b>	<b>36.2%</b>	<b>302</b>	<b>245</b>	<b>23.3%</b>
Special charge for a legal matters, net of taxes	0	177		0	177	
Related prior quarter expenses, net of taxes	0	0		0	4	
<b>Income before extraordinary item and after special charge and related expenses</b>	<b>82</b>	<b>-117</b>	<b>-170.6%</b>	<b>302</b>	<b>63</b>	<b>376.0%</b>

<sup>3)</sup> Special charge of \$ 258 million in Q4 2001 (\$177 million net of taxes)<sup>4)</sup> Special charge related expenses of \$ 3 million in Q2 2001 and of \$ 4 million in Q3 2001

Depreciation / Amortization	51	80		211	324
Bad debt expenses	26	30		104	100

**Employees ( Dec. 31)**

Full-time equivalents				39,264	37,331
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**Key figures Goodwill adjusted**

(in US-\$ millions, except per share data)

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001	% Change	Twelve Months Ended December 31, 2002	Twelve Months Ended December 31, 2001	% Change
<b>Goodwill adjusted</b>	<b>Goodwill adjusted</b>	<b>Goodwill adjusted</b>		<b>Goodwill adjusted</b>	<b>Goodwill adjusted</b>	
Net revenues	1,358	1,270	6.9%	5,084	4,859	4.6%
EBITDA <sup>2)</sup>	235	232	1.1%	906	968	-6.4%
EBIT - Operating income <sup>2)</sup>	184	179	2.7%	695	765	-9.1%
Income before extraordinary item <sup>2)</sup>	82	85	-2.7%	302	347	-13.2%
Earnings per ordinary share <sup>1)2)</sup>	<b>\$0.85</b>	<b>\$0.88</b>	-2.8%	<b>\$3.12</b>	<b>\$3.60</b>	-13.4%
Earnings per ordinary ADS <sup>1)2)</sup>	<b>\$0.28</b>	<b>\$0.29</b>	-2.8%	<b>\$1.04</b>	<b>\$1.20</b>	-13.4%

<sup>1)</sup> before extraordinary item<sup>2)</sup> Excluding Special charge of \$ 258 million in Q4 2001 (\$ 177 million net of taxes) and special charge related expenses of \$ 3 million in Q2 2001 (\$ 2 million net of taxes) and of \$ 4 million in Q3 2001 (\$ 2 million net of taxes)**Percentages of revenue**

EBITDA <sup>2)</sup>	<b>17.3%</b>	<b>18.3%</b>		<b>17.8%</b>	<b>19.9%</b>
EBIT - Operating income <sup>2)</sup>	<b>13.6%</b>	<b>14.1%</b>		<b>13.7%</b>	<b>15.7%</b>
Income before extraordinary item <sup>2)</sup>	<b>6.1%</b>	<b>6.7%</b>		<b>5.9%</b>	<b>7.1%</b>



**Balance Sheet**  
(in US-\$ million)

	12/31/2002	12/31/2001
<b>Assets</b>		
Current assets	1,822	1,779
Intangible assets	3,743	3,682
<u>Other non-current assets</u>	<u>1,215</u>	<u>1,055</u>
Total assets	6,780	6,516
<b>Shareholders` equity and liabilities</b>		
Current liabilities	1,295	1,377
Long-term liabilities	2,677	2,522
<u>Shareholders` equity</u>	<u>2,807</u>	<u>2,617</u>
Total Shareholders` equity and liabilities	6,780	6,516
Debt	2,833	2,884
<b>Equity/assets ratio:</b>	<b>41%</b>	<b>40%</b>

**Cash Flow Statement**  
(in US-\$ million)

	FY 2002	FY 2001
Net income	290	63
Depreciation / amortization	211	324
Change in working capital and other non cash items	50	37
<b>Cash from operating activities</b>	<b>550</b>	<b>424</b>
Capital expenditures, net	-201	-251
<b>Free Cash flow</b>	<b>349</b>	<b>173</b>
Acquisitions, net of cash acquired	-80	-217
<b>Free Cash flow after investing activities</b>	<b>269</b>	<b>-44</b>
Proceeds from issuance of stock	1	6
Proceeds from issuance of Trust Preferred Securities		471
Redemption of trust preferred securities	-376	
Change in other debt	187	-368
Dividends paid	-77	-66
<b>Cash flow from financing activities</b>	<b>-265</b>	<b>43</b>
Effects of exchange rates on cash	0	-3
<b>Net increase (change) in cash</b>	<b>3</b>	<b>-3</b>
Cash at beginning of period	62	65
Cash at end of period	65	62

## Fresenius Medical Care - Quarterly Performance Scorecard

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001
<b>Revenue</b>		
(in US-\$ thousands, except per-treatment revenue)		
<b>North America</b>		
Net revenue	979,450	918,129
Growth year-over-year	6.7%	16.5%
Dialysis Care	861,145	802,724
Growth year-over-year	7.3%	20.0%
Per treatment	286	280
Sequential growth	1.4%	-2.4%
Growth year-over-year	2.1%	3.8%
Dialysis Products incl. internal sales	197,381	192,796
Growth year-over-year	2.4%	7.7%
Dialysis Products to available external market	100,759	92,238
Growth year-over-year	9.2%	1.8%
<b>International</b>		
Net revenue	378,447	352,264
Growth year-over-year	7.4% / 11.1% cc	19.8% / 21.0% cc
Dialysis Care	112,950	115,962
Growth year-over-year	-2.6% / 19.5% cc	25.7% / 26.4% cc
Per treatment	89 / 109 cc	103
Sequential growth	0.4%	-2.8%
Growth year-over-year	-13.8% / 5.8% cc	0.8% / 1.4% cc
Dialysis Products incl. internal sales	291,701	265,322
Growth year-over-year	9.9% / 6.3% cc	20.4% / 21.7% cc

## Dialysis Care Volume

<b>North America</b>		
Number of treatments	3,015,065	2,891,226
Treatments per day	37,688	36,004
Per day sequential growth	0.7%	0.9%
Per day year-over-year growth	4.7%	14.4%
of which		
- acquisitions	1.2%	9.5%
Same store growth		
year-over -year	3.5%	4.9%
<b>International</b>		
Number of treatments	1,267,987	1,122,595
Same store growth		
year-over -year	6.0%	17.0%

cc at constant exchange rates

## Fresenius Medical Care - Quarterly Performance Scorecard

<b>Expenses</b>	<b>Three Months Ended December 31, 2002</b>	<b>Three Months Ended December 31, 2001</b>
(in US-\$)		
<b>North America</b>		
Operating expenses <sup>1)</sup>		
Percent of revenues	87.0%	87.1%
Selling, general and administrative <sup>1)</sup>		
Percent of revenues	14.5%	13.9%
Bad debt expenses		
Percent of revenues	2.7%	2.1%
Dialysis Care Operating expenses/Treatment	250	246
Sequential growth	0.8%	-1.1%
Growth year-over-year	1.6%	6.2%
<b>Total Group</b>		
Operating expenses <sup>1)</sup>		
Percent of revenues	86.4%	85.9%
Selling, general and administrative <sup>1)</sup>		
Percent of revenues	18.6%	18.3%
Effective tax rate <sup>1)</sup>	37.8%	29.5%

1) Excluding goodwill amortization & special charge of \$ 258 million in 2001

## Cash Flow/Investing Activities

<u>Total Group</u>		
Operating Cash Flow	154,652	165,364
Percent of revenues	11.4%	13.0%
Free Cash Flow, before acquisitions	110,176	82,864
Percent of revenues	8.1%	6.5%
Acquisitions, net	7,328	33,276
Capital expenditures, net	44,476	82,500
Percent of revenues	3.3%	6.5%
Maintenance	19,326	44,043
Percent of revenues	1.4%	3.5%
Growth	25,150	38,457
Percent of revenues	1.9%	3.0%
Number of de novos	21	22
North America	13	17
International	8	5

## Fresenius Medical Care - Quarterly Performance Scorecard

### Balance Sheet

	Three Months Ended December 31, 2002	Three Months Ended December 31, 2001
<u>Total Group</u>		
Debt (in US-\$ millions)	2,833	2,884
Debt/EBITDA	3.1	2.9
<u>North America</u>		
Days sales outstanding	81	87
Sequential development	0.0%	-2.2%
Year-over -year development	-6.9%	-3.3%
<u>International</u>		
Days sales outstanding	137	151
Sequential development	-2.8%	-3.2%
Year-over -year development	-9.3%	3.4%

### Clinical Performance

North America		
Urea reduction >= 65%	88%	85%
Single Pool Kt/v > 1.2	92%	92%
Hemoglobin >= 11g/dl	74%	74%
Albumin >= 3.5 g/dl	82%	81%
Mortality rate (FY 2001 over FY 2000)*	17.65	17.91
Hospitalization days (FY 2001 over FY 2000)*	9.1	9.4
*Note: 2002 data not yet available		

### Demographics

North America		
Average age (yr)	61	61
Average time on dialysis (yr)	3.3	3.2
Average body weight (kg)	76	75
Prevalence of diabetes	50%	49%

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