COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-CSR
March 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act File Number: 811-21326

Cohen & Steers REIT and Preferred Income Fund, Inc.

(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY 10017

(Address of principal executive offices) (Zip code)

Francis C. Poli

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017

(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: December 31, 2017

Item 1. Reports to Stockholders.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

To Our Shareholders:

We would like to share with you our report for the year ended December 31, 2017. The total returns for the Fund and its comparative benchmarks were:

	Six Months Ended December 31, 2017	Year Ended December 31, 2017
Cohen & Steers REIT and Preferred Income Fund at Net Asset Value[a]	3.80%	12.65%
Cohen & Steers REIT and Preferred Income Fund at Market Value[a]	6.01%	19.58%
FTSE NAREIT Equity REIT Index[b]	2.46%	5.23%
ICE BofAML Fixed-Rate Preferred Securities Index[b]	1.71%	10.58%
Blended Benchmark 50% FTSE NAREIT Equity REIT Index/50% ICE BofAML Fixed-Rate Preferred Securities Index[b]	2.09%	7.92%
S&P 500 Index[b]	11.42%	21.83%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effects of leverage, resulting from borrowings under a credit agreement. Current total returns of the Fund can be obtained by visiting our website at cohenandsteers.com. The Fund s returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund s dividend reinvestment plan. Index performance does not reflect the deduction of any fees, taxes or expenses. An investor cannot invest directly in an index. Performance figures for periods shorter than one year are not annualized.

Managed Distribution Policy

Through November 30, 2017, Cohen & Steers REIT and Preferred Income Fund, Inc. (the Fund) made regular monthly distributions at a level rate (the Policy). As a result of the Policy, the Fund paid distributions in excess of the Fund s investment company taxable income and realized gains.

[a] As a closed-end investment company, the price of the Fund s exchange-traded shares will be set by market forces and can deviate from the net asset value (NAV) per share of the Fund.

[b] The FTSE NAREIT Equity REIT Index contains all tax-qualified Real Estate Investment Trusts (REITs) except timber and infrastructure REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria. The ICE BofAML Fixed-Rate Preferred Securities Index tracks the performance of fixed-rate U.S. dollar-denominated preferred

securities issued in the U.S. domestic market. The S&P 500 Index is an unmanaged index of 500 large-capitalization stocks that is frequently used as a general measure of U.S. stock market performance. Benchmark returns are shown for comparative purposes only and may not be representative of the Fund s portfolio. The Fund s benchmarks do not include below-investment-grade securities.

1

On December 5, 2017 the Board of Directors of the Fund, acting in accordance with an exemptive order received from the U.S. Securities and Exchange Commission (SEC), approved the adoption of a managed distribution policy under which the Fund intends to include long-term capital gains, where applicable, as part of the regular monthly cash distributions to its shareholders (the Plan). The Plan will give the Fund greater flexibility to realize long-term capital gains and to distribute those gains on a regular monthly basis. In accordance with the Plan, the Fund currently distributes $ 0.124 per share on a monthly basis.

The Fund may pay distributions in excess of the Fund s investment company taxable income and net realized gains. This excess would be a return of capital distributed from the Fund s assets. Distributions of capital decrease the Fund s total assets and, therefore, could have the effect of increasing the Fund s expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

Shareholders should not draw any conclusions about the Fund s investment performance from the amount of these distributions or from the terms of the Fund s Plan. The Fund s total return based on NAV is presented in the table above as well as in the Financial Highlights table.

The Plan provides that the Board of Directors may amend or terminate the Plan at any time without prior notice to Fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination. The termination of the Plan could have the effect of creating a trading discount (if the Fund s stock is trading at or above NAV) or widening an existing trading discount.

Market Review

The year was defined by a broad-based acceleration in global growth, subdued inflation, low interest rates and a high investor appetite for income. In this environment, preferred securities delivered strong returns in 2017 and outperformed most other classes of fixed income, while U.S. real estate benefited from an improving economy, although returns trailed the broad stock market by a wide margin amid concerns over rising interest rates and the growing challenges facing retail landlords.

Supported by economic growth, central banks took measures to tighten highly accommodative monetary policy conditions. The U.S. Federal Reserve hiked overnight rates three times to end the year at 1.5%, and also laid out plans for slowly shrinking its balance sheet in late 2017. The Bank of England and the Bank of Canada also raised rates, while the European Central Bank announced plans to reduce its quantitative easing program by cutting its monthly bond purchases in half to 30 billion ($36 billion) per month for the first nine months of 2018.

While the passage of the Tax Cut and Jobs Act in late December added fuel to an already healthy U.S. economy, REITs are expected to see little direct benefit from a lower corporate tax rate because they pay little to no taxes. However, we believe REITs held outside of U.S. open-end funds, closed-end funds, exchange-traded funds (ETFs) and unit investment trusts gained additional investor appeal due to a new 20% deduction on pass-through income, reducing the effective tax rate on REIT income distributions. Lower taxes also offer the prospect of a stronger business environment and increased consumer spending that could benefit overall demand for real estate.

Fund Performance

The Fund had a positive total return in 2017 and outperformed its blended benchmark on both a NAV and market price basis. In real estate, performance varied significantly among different property sectors, with e-commerce trends having a major influence on REIT returns, lifting sectors that provide infrastructure for the digital ecosystem, while weighing on retail sectors.

Data centers were among the strongest performers, as the continued adoption of e-commerce, cloud computing and rising digital media consumption increased the need for data storage and computing power. Our overweight in data centers was an important contributor to the Fund s relative performance. The Fund also had an out-of-index allocation to cell tower REITs, which enjoyed substantial gains due to demand for faster mobile networks and more bandwidth.

Regional malls struggled amid soft year-over-year sales comparisons for major brick-and-mortar retailers, department store closings and tenant bankruptcies. The Fund s underweight allocation and favorable stock selection in the sector aided relative performance. The Fund s modest exposure was concentrated in owners of high-quality regional malls that ended the year largely unchanged. We chose not to own lower-tier mall companies, which lagged far behind on continuing concerns about future occupancy rates and capital expenditure requirements.

Shopping center landlords also declined on tenant bankruptcies, increasing vacancies and downward pressure on rents. Investors were also concerned that grocery store anchor tenants may face competition from Amazon s entry into the space. Our underweight in the sector contributed to relative performance.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Apartment owners generally benefited from an improving job market and expensive coastal housing markets. Healthy gains in several companies were partly offset by weakness in student housing landlords that reported underwhelming results. Our stock selection and overweight in the sector detracted from relative performance, due in part to our overweight in a student housing REIT.

In preferreds, we sought to own securities with meaningful call protection in both the retail and over-the-counter (OTC) markets, with the aim of limiting redemption risk and allowing more room for a security s price to appreciate. With credit spreads compressing and sovereign yields generally relatively steady over the year, this had an overall positive effect on performance.

U.S. and European banks the largest issuers of preferreds enjoyed strong earnings growth, benefiting from higher net interest margins, as well as improved trading and investment banking income all of which contributed to improving credit fundamentals. Security selection in the banking sector contributed to relative performance. We were overweight European contingent capital securities (CoCos), which were among the strongest performers in the period, as economic fundamentals and a better political backdrop in Europe continued to support credit spread compression amid improvements in banking markets.

In August, we reduced our allocation to property & casualty and reinsurance companies as the outlook for hurricane damage in the U.S. worsened. While these companies have strong capital positions, the large accumulated losses from hurricane activity raised near-term earnings concerns. Security selection in the insurance sector also contributed to performance.

Impact of Leverage on Fund Performance

The Fund employs leverage as part of a yield-enhancement strategy. Leverage, which can increase total return in rising markets (just as it can have the opposite effect in declining markets), significantly contributed to the Fund s performance for the 12-month period ended December 31, 2017.

Impact of Derivatives on Fund Performance

The Fund used derivatives in the form of forward foreign currency exchange contracts for managing currency risk on certain Fund positions denominated in foreign currencies. These contracts did not have a material effect on the Fund s total return for the 12-month period ended December 31, 2017.

Sincerely,

THOMAS N. BOHJALIAN	WILLIAM F. SCAPELL
Portfolio Manager	*Portfolio Manager*

JASON YABLON

Portfolio Manager

The views and opinions in the preceding commentary are subject to change without notice and are as of the date of the report. There is no guarantee that any market forecast set forth in the commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Visit Cohen & Steers online at cohenandsteers.com

For more information about the Cohen & Steers family of mutual funds, visit cohenandsteers.com. Here you will find fund net asset values, fund fact sheets and portfolio highlights, as well as educational resources and timely market updates.

Our website also provides comprehensive information about Cohen & Steers, including our most recent press releases, profiles of our senior investment professionals and their investment approach to each asset class. The Cohen & Steers family of mutual funds invests in major real asset categories including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

Our Leverage Strategy

(Unaudited)

Our current leverage strategy utilizes borrowings up to the maximum permitted by the Investment Company Act of 1940 to provide additional capital for the Fund, with an objective of increasing net income available for shareholders. As of December 31, 2017, leverage represented 24% of the Fund s managed assets.

Through a combination of variable and fixed rate financing, the Fund has locked in interest rates on a significant portion of this additional capital for periods expiring in 2020, 2021 and 2022[a] (where we effectively reduce our variable rate obligation and lock in our fixed rate obligation over various terms). Locking in a significant portion of our leveraging costs is designed to protect the dividend-paying ability of the Fund. The use of leverage increases the volatility of the Fund s NAV in both up and down markets. However, we believe that locking in portions of the Fund s leveraging costs for the various terms partially protects the Fund s expenses from an increase in short-term interest rates.

Leverage Facts[b,c]

Leverage (as a % of managed assets)	24%
% Fixed Rate	85%
% Variable Rate	15%
Weighted Average Rate on Financing	2.4%[a]
Weighted Average Term on Financing	3.6 years[a]

The Fund seeks to enhance its dividend yield through leverage. The use of leverage is a speculative technique and there are special risks and costs associated with leverage. The NAV of the Fund s shares may be reduced by the issuance and ongoing costs of leverage. So long as the Fund is able to invest in securities that produce an investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, shareholders would realize lower net investment income. In addition to the impact on net income, the use of leverage will have an effect of magnifying capital appreciation or depreciation for shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund were not employing leverage. Conversely, in down markets, the use of leverage will generally result in greater capital depreciation than if the Fund had been unlevered. To the extent that the Fund is required or elects to reduce its leverage, the Fund may need to liquidate investments, including under adverse economic conditions which may result in capital losses potentially reducing returns to shareholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

[a] On February 24, 2015, the Fund amended its credit agreement to extend the fixed rate financing terms, originally expiring in 2017, 2018 and 2019, by three years, now expiring in 2020, 2021 and 2022. The weighted average rate on financing does not include the three year extension for the 2021 and 2022 fixed-rate tranches and will increase as the extended fixed-rate tranches become effective. The weighted average term on financing includes the three year extension.

[b] Data as of December 31, 2017. Information is subject to change.

[c] See Note 7 in Notes to Financial Statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

December 31, 2017

Top Ten Holdings[a]

(Unaudited)

Security	Value	% of Managed Assets
Simon Property Group	$ 43,888,500	3.1
Prologis	41,158,412	2.9
Equinix	38,060,056	2.7
Equity Residential	30,939,737	2.2
Extra Space Storage	27,219,425	1.9
Essex Property Trust	26,848,068	1.9
UDR	25,929,044	1.8
Digital Realty Trust	24,056,363	1.7
Crown Castle International Corp.	22,763,489	1.6
SL Green Realty Corp.	22,205,811	1.5

[a] Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)

(Unaudited)

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

December 31, 2017

		Number of Shares	Value
Common Stock	65.3%		
Communications Towers	2.1%		
Crown Castle International Corp.[a]		205,058	$ 22,763,489
Real Estate	63.2%		
Data Centers	7.7%		
CyrusOne[a,b]		163,314	9,722,082
Digital Realty Trust[a,b]		211,206	24,056,363
Equinix[a,b]		83,977	38,060,056
QTS Realty Trust, Class A[a,b]		224,353	12,150,959
			83,989,460
Diversified	0.5%		
American Assets Trust[a]		150,222	5,744,489
Health Care	4.8%		
HCP[a,b]		681,392	17,770,703
Healthcare Trust of America, Class A[a,b]		689,491	20,712,310
Physicians Realty Trust[a,b]		740,460	13,320,875
			51,803,888
Hotel	4.0%		
Host Hotels & Resorts[a,b]		952,766	18,912,405
Pebblebrook Hotel Trust[a,b]		283,625	10,542,341
Sunstone Hotel Investors[a,b]		856,730	14,161,747
			43,616,493
Industrials	3.8%		
Prologis[a,b]		638,016	41,158,412
Net Lease	2.5%		
Four Corners Property Trust		214,456	5,511,519
Gaming and Leisure Properties[a]		264,452	9,784,724
Gramercy Property Trust[a,b]		426,267	11,364,279

			26,660,522
Office	10.7%		
Alexandria Real Estate Equities[a,b]		125,046	16,329,757
Boston Properties		62,842	8,171,345
Douglas Emmett[a,b]		308,082	12,649,847
Highwoods Properties[a,b]		269,384	13,714,340

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Hudson Pacific Properties[a]		285,889	$ 9,791,698
Kilroy Realty Corp.[a,b]		241,457	18,024,765
SL Green Realty Corp.[a,b]		220,012	22,205,811
Vornado Realty Trust[a,b]		194,861	15,234,233
			116,121,796
Residential	15.7%		
Apartment	10.5%		
Apartment Investment & Management Co., Class A[a,b]		231,507	10,119,171
Equity Residential[a,b]		485,177	30,939,737
Essex Property Trust[a,b]		111,232	26,848,068
Mid-America Apartment Communities[a,b]		196,053	19,715,090
UDR[a,b]		673,132	25,929,044
			113,551,110
Manufactured Home	1.8%		
Sun Communities[a,b]		213,633	19,820,870
Single Family	1.8%		
American Homes 4 Rent, Class A		104,435	2,280,860
Invitation Homes[a,b]		729,598	17,196,625
			19,477,485
Student Housing	1.6%		
American Campus Communities[a,b]		428,760	17,592,023
Total Residential			170,441,488
Self Storage	4.3%		
CubeSmart[a]		281,601	8,143,901
Extra Space Storage[a,b]		311,257	27,219,425
Life Storage		129,987	11,577,942
			46,941,268

Shopping Centers	8.0%		
Community Center	2.7%		
Brixmor Property Group[a,b]		584,432	10,905,501
Regency Centers Corp.[a,b]		156,608	10,834,142
Weingarten Realty Investors		226,214	7,435,654
			29,175,297

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Regional Mall	5.3%		
GGP[a,b]		585,538	$ 13,695,734
Simon Property Group[a,b]		255,552	43,888,500
			57,584,234
Total Shopping Centers			86,759,531
Specialty	1.2%		
CoreCivic		206,790	4,652,775
Lamar Advertising Co., Class A		108,307	8,040,712
			12,693,487
Total Real Estate			685,930,834
Total Common Stock (Identified cost $503,317,154)			708,694,323
Preferred Securities $25 Par Value	19.5%		
Banks	5.2%		
Bank of America Corp., 6.20%, Series CC[a,c]		134,575	3,692,738
Bank of America Corp., 6.00%, Series EE[c]		153,877	4,183,916
Bank of America Corp., 6.50%, Series Y[a,c]		63,268	1,709,501
Citigroup, 6.30%, Series S[a,c]		139,006	3,743,431
GMAC Capital Trust I, 7.201% , due 2/15/40, Series 2 (TruPS) (FRN) (3 Month US LIBOR + 5.785%)[a,b,d]		324,847	8,429,780
Huntington Bancshares, 6.25%, Series D[a,c]		108,437	3,051,417
JPMorgan Chase & Co., 6.10%, Series AA[a,c]		43,750	1,179,937
JPMorgan Chase & Co., 6.15%, Series BB[a,c]		78,600	2,116,698
JPMorgan Chase & Co., 6.125%, Series Y[a,c]		90,000	2,398,500
New York Community Bancorp, 6.375% to 3/7/27, Series A[c,e]		143,450	4,102,670
People s United Financial, 5.625% to 12/15/26, Series A[c,e]		104,699	2,965,076
Regions Financial Corp., 6.375% to 9/15/24, Series B[c,e]		113,497	3,226,720
TCF Financial Corp., 5.70%, Series C[c]		73,000	1,878,290
Wells Fargo & Co., 5.85% to 9/15/23, Series Q[a,b,c,e]		192,386	5,194,422
Wells Fargo & Co., 5.70%, Series W[a,c]		117,835	3,062,532
Wells Fargo & Co., 5.625%, Series Y[c]		184,825	4,794,360

55,729,988

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
Electric	1.8%		
Integrated Electric	1.0%		
Alabama Power Co., 5.00%, Series A[c]		72,000	$ 1,913,760
DTE Energy Co., 5.375%, due 6/1/76, Series B		116,388	2,964,403
Georgia Power Co., 5.00%, due 10/1/77, Series 2017		60,825	1,557,728
Integrys Holdings, 6.00% to 8/1/23, due 8/1/73[e]		162,977	4,418,714
			10,854,605
Regulated Electric	0.8%		
Southern Co./The, 6.25%, due 10/15/75		238,165	6,428,073
Southern Co./The, 5.25%, due 12/1/77		70,000	1,781,500
			8,209,573
Total Electric			19,064,178
Financial	3.2%		
Diversified Financial Services	0.7%		
KKR & Co. LP, 6.75%, Series A[c]		140,000	3,781,400
State Street Corp., 5.35% to 3/15/26, Series G[c,e]		126,525	3,431,358
			7,212,758
Investment Advisory Services	0.3%		
Ares Management LP, 7.00%, Series A[c]		136,000	3,604,000
Investment Banker/Broker	2.2%		
Carlyle Group LP/The, 5.875%, Series A[c]		176,675	4,482,245
Charles Schwab Corp./The, 5.95%, Series D[c]		122,400	3,304,800
Morgan Stanley, 6.875% to 1/15/24, Series F[a,c,e]		254,714	7,244,066
Morgan Stanley, 6.375% to 10/15/24, Series I[a,c,e]		164,338	4,576,813
Morgan Stanley, 5.85% to 4/15/27, Series K[c,e]		166,775	4,519,603
			24,127,527
Total Financial			34,944,285

INDUSTRIALS CHEMICALS	1.0%		
CHS, 7.10% to 3/31/24, Series II[a,c,e]		193,453	5,292,874
CHS, 6.75% to 9/30/24, Series III[a,c,e]		130,453	3,453,091
CHS, 7.50%, Series IV[c]		74,495	2,097,034
			10,842,999

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
INSURANCE	3.0%		
MULTI-LINE	1.0%		
American Financial Group, 6.00%, due 11/15/55		99,000	$ 2,595,780
American Financial Group, 6.25%, due 9/30/54		89,041	2,334,655
Hanover Insurance Group/The, 6.35%, due 3/30/53		98,400	2,491,488
WR Berkley Corp., 5.75%, due 6/1/56		139,375	3,613,994
			11,035,917
MULTI-LINE FOREIGN	0.2%		
PartnerRe Ltd., 6.50%, Series G (Bermuda)[c]		74,903	2,014,891
PROPERTY CASUALTY FOREIGN	0.6%		
Axis Capital Holdings Ltd., 5.50%, Series E[c]		160,000	4,027,200
Validus Holdings Ltd., 5.80%, Series B[c]		105,871	2,712,415
			6,739,615
REINSURANCE	0.4%		
Reinsurance Group of America, 5.75% to 6/15/26, due 6/15/56[a,e]		138,000	3,862,620
REINSURANCE FOREIGN	0.8%		
Arch Capital Group Ltd., 5.25%, Series E[c]		241,762	6,073,061
Arch Capital Group Ltd., 5.45%, Series F[c]		120,000	3,040,800
			9,113,861
TOTAL INSURANCE			32,766,904
PIPELINES	0.3%		
NuStar Energy LP, 7.625% to 6/15/22, Series B[c,e]		113,604	2,573,131
REAL ESTATE	3.7%		
DIVERSIFIED	1.3%		
Colony NorthStar, 8.50%, Series D[c]		90,426	2,311,289
Lexington Realty Trust, 6.50%, Series C ($50 Par Value)[a,c]		76,536	3,928,210
VEREIT, 6.70%, Series F[a,c]		254,902	6,517,844

Wells Fargo Real Estate Investment Corp., 6.375%, Series A[c]	60,862	1,612,234
		14,369,577

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Number of Shares	Value
HOTEL	0.5%		
Hersha Hospitality Trust, 6.875%, Series C[a,c]		134,345	$ 3,376,761
Sunstone Hotel Investors, 6.95%, Series E[c]		65,000	1,702,350
			5,079,111
INDUSTRIALS	0.5%		
Monmouth Real Estate Investment Corp., 6.125%, Series C[c]		140,000	3,505,600
STAG Industrial, 6.875%, Series C[c]		96,000	2,513,280
			6,018,880
NET LEASE	0.4%		
Gramercy Property Trust, 7.125%, Series A[c]		151,270	4,049,498
SHOPPING CENTERS COMMUNITY CENTER	0.7%		
Cedar Realty Trust, 7.25%, Series B[a,b,c]		78,560	1,984,426
DDR Corp., 6.50%, Series J[a,c]		120,000	3,012,000
Saul Centers, 6.875%, Series C[a,c]		84,140	2,124,535
			7,120,961
SPECIALTY	0.3%		
Digital Realty Trust, 6.35%, Series I[c]		140,000	3,851,400
TOTAL REAL ESTATE			40,489,427
TECHNOLOGY SOFTWARE	0.3%		
eBay, 6.00%, due 2/1/56		133,000	3,583,020
UTILITIES	1.0%		
NextEra Energy Capital Holdings, 5.25%, due 6/1/76, Series K		116,605	2,981,590
SCE Trust IV, 5.375% to 9/15/25, Series J[c,e]		86,165	2,223,057
SCE Trust V, 5.45% to 3/15/26, Series K[a,b,c,e]		93,469	2,470,386
SCE Trust VI, 5.00%[c]		142,000	3,410,840
			11,085,873

TOTAL PREFERRED SECURITIES $25 PAR VALUE (Identified cost $196,652,839)	211,079,805

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Principal Amount	Value
PREFERRED SECURITIES CAPITAL SECURITIES	46.0%		
BANKS	8.3%		
Bank of America Corp., 6.30% to 3/10/26, Series DD[a,c,e]		$ 4,900,000	$ 5,549,250
Bank of America Corp., 6.50% to 10/23/24, Series Z[a,c,e]		6,113,000	6,953,537
Citigroup, 6.125% to 11/15/20, Series R[c,e]		4,806,000	5,118,390
Citigroup, 6.25% to 8/15/26, Series T[c,e]		4,425,000	4,886,306
Citigroup Capital III, 7.625%, due 12/1/36[a]		4,700,000	6,197,233
CoBank ACB, 6.25% to 10/1/22, Series F, 144A[a,c,e,f]		33,000	3,588,750
CoBank ACB, 6.125%, Series G[a,c]		46,500	4,748,813
CoBank ACB, 6.25% to 10/1/26, Series I[c,e]		4,334,000	4,775,743
Farm Credit Bank of Texas, 6.75% to 9/15/23, 144A[a,c,e,f]		63,000	6,930,000
Farm Credit Bank of Texas, 10.00%, 144A, Series I[a,c,f]		6,000	7,170,000
Goldman Sachs Group/The, 5.70% to 5/10/19, Series L[c,e]		1,520,000	1,569,172
Goldman Sachs Group/The, 5.00% to 11/10/22, Series P[c,e]		2,900,000	2,860,850
JPMorgan Chase & Co., 7.90% to 4/30/18, Series I[a,b,c,e]		3,000,000	3,041,250
JPMorgan Chase & Co., 6.75% to 2/1/24, Series S[a,c,e]		6,650,000	7,539,437
JPMorgan Chase & Co., 5.30% to 5/1/20, Series Z[c,e]		2,500,000	2,599,000
PNC Financial Services Group, 6.75% to 8/1/21[c,e]		2,775,000	3,083,858
SunTrust Banks, 5.125% to 12/15/27, Series H[c,e]		3,500,000	3,437,000
Wells Fargo & Co., 5.875% to 6/15/25, Series U[c,e]		5,270,000	5,843,376
Wells Fargo Capital X, 5.95%, due 12/1/36, (TruPS)[a]		3,700,000	4,218,000
			90,109,965
BANKS FOREIGN	16.2%		
Australia & New Zealand Banking Group Ltd./United Kingdom, 6.75% to 6/15/26, 144A (Australia)[c,e,f]		3,200,000	3,648,000
Banco Bilbao Vizcaya Argentaria SA, 6.125% to 11/16/27 (Spain)[c,e]		3,600,000	3,721,500
Banco Bilbao Vizcaya Argentaria SA, 8.875% to 4/14/21 (EUR) (Spain)[c,e]		4,600,000	6,556,473
Banco Santander SA, 6.75% to 4/25/22 (EUR) (Spain)[c,e]		2,600,000	3,550,152
Barclays PLC, 7.875% to 3/15/22 (United Kingdom)[c,e]		3,400,000	3,735,750
Barclays PLC, 8.25% to 12/15/18 (United Kingdom)[a,c,e]		3,370,000	3,539,764
BNP Paribas, 7.195% to 6/25/37, 144A (France)[a,c,e,f]		5,300,000	6,134,750
BNP Paribas SA, 7.375% to 8/19/25, 144A (France)[c,e,f]		2,000,000	2,312,500
BNP Paribas SA, 7.625% to 3/30/21, 144A (France)[a,c,e,f]		8,000,000	8,820,000

See accompanying notes to financial statements.

14

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

	Principal Amount	Value
Credit Agricole SA, 8.125% to 12/23/25, 144A (France)[a,c,e,f]	$ 7,300,000	$ 8,773,549
Credit Suisse Group AG, 7.125% to 7/29/22 (Switzerland)[c,e]	4,800,000	5,259,600
Credit Suisse Group AG, 7.50% to 12/11/23, 144A (Switzerland)[a,c,e,f]	1,605,000	1,837,645
Danske Bank A/S, 6.125% to 3/28/24 (Denmark)[c,e]	3,500,000	3,739,312
DNB Bank ASA, 6.50% to 3/26/22 (Norway)[c,e]	4,700,000	5,064,250
Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany)[a,b,f]	4,835,906	6,428,747
HSBC Capital Funding LP, 10.176% to 6/30/30, 144A (United Kingdom)[a,c,e,f]	6,192,000	10,000,080
HSBC Holdings PLC, 6.00% to 5/22/27 (United Kingdom)[c,e]	3,500,000	3,688,125
HSBC Holdings PLC, 6.375% to 3/30/25 (United Kingdom)[c,e]	1,800,000	1,939,500
HSBC Holdings PLC, 6.875% to 6/1/21 (United Kingdom)[c,e]	5,200,000	5,616,000
ING Groep N.V., 6.875% to 4/16/22 (Netherlands)[c,e]	4,200,000	4,599,000
Intesa Sanpaolo SpA, 7.00% to 1/19/21, Series EMTN (EUR) (Italy)[c,e]	1,200,000	1,596,091
Itau Unibanco Holding SA/Cayman Island, 6.125% to 12/12/22, 144A (Brazil)[c,e,f]	2,400,000	2,401,772
Lloyds Banking Group PLC, 7.50% to 6/27/24 (United Kingdom)[a,c,e]	5,866,000	6,665,242
Macquarie Bank Ltd./London, 6.125% to 3/8/27, 144A (Australia)[c,e,f]	4,800,000	4,998,000
Nationwide Building Society, 10.25% (GBP) (United Kingdom)[c,e]	4,215,000	8,956,031
Rabobank Nederland, 11.00% to 6/30/19, 144A (Netherlands)[a,c,e,f]	12,375,000	13,875,469
Royal Bank of Scotland Group PLC, 7.648% to 9/30/31 (United Kingdom)[a,c,e]	2,241,000	2,935,710
Royal Bank of Scotland Group PLC, 8.00% to 8/10/25 (United Kingdom)[c,e]	2,000,000	2,292,500
Royal Bank of Scotland Group PLC, 8.625% to 8/15/21 (United Kingdom)[c,e]	8,000,000	9,030,000

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Principal Amount	Value
Societe Generale SA, 7.375% to 9/13/21, 144A (France)[c,e,f]		$ 4,200,000	$ 4,562,460
Swedbank AB, 6.00% to 3/17/22 (Sweden)[c,e]		4,200,000	4,451,236
UBS Group AG, 6.875% to 3/22/21 (Switzerland)[c,e]		2,000,000	2,148,500
UBS Group AG, 6.875% to 8/7/25 (Switzerland)[c,e]		2,000,000	2,218,130
UBS Group AG, 7.00% to 2/19/25 (Switzerland)[c,e]		1,600,000	1,816,000
UBS Group AG, 7.125% to 2/19/20 (Switzerland)[c,e]		3,000,000	3,191,985
UBS Group AG, 7.125% to 8/10/21 (Switzerland)[c,e]		5,000,000	5,453,860
			175,557,683
Communications Towers	0.4%		
Crown Castle International Corp., 6.875%, due 8/1/20, Series A (Convertible)		3,900	4,409,633
Food	1.9%		
Dairy Farmers of America, 7.875%, Series A, 144A[c,f,g]		52,100	5,471,630
Dairy Farmers of America, 7.875%, Series B, 144A[c,f]		82,000	9,463,366
Land O Lakes, 7.25%, 144A[c,f]		5,000,000	5,462,500
Total Food			20,397,496
Industrials Diversified Manufacturing	1.2%		
General Electric Co., 5.00% to 1/21/21, Series D[a,b,c,e]		12,236,000	12,625,717
Insurance	11.0%		
Life/Health Insurance	4.4%		
MetLife, 10.75%, due 8/1/69		3,592,000	6,016,600
MetLife, 9.25%, due 4/8/38, 144A[a,f]		9,265,000	13,689,037
MetLife, 5.25% to 6/15/20, Series C[c,e]		5,266,000	5,488,436
MetLife Capital Trust IV, 7.875%, due 12/15/37, 144A[f]		2,881,000	3,853,338
Prudential Financial, 5.20% to 3/15/24, due 3/15/44[e]		2,000,000	2,132,500
Prudential Financial, 5.625% to 6/15/23, due 6/15/43[a,b,e]		9,464,000	10,261,342
Voya Financial, 5.65% to 5/15/23, due 5/15/53[e]		5,550,000	5,924,625
			47,365,878
Life/Health Insurance Foreign	4.3%		
Dai-ichi Life Insurance Co. Ltd., 4.00% to 7/24/26, 144A (Japan)[c,e,f]		6,100,000	5,991,420

Dai-ichi Life Insurance Co. Ltd., 5.10% to 10/28/24, 144A (Japan)[a,c,e,f]	3,400,000	3,604,000

See accompanying notes to financial statements.

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

December 31, 2017

		Principal Amount	Value				
Demeter BV (Swiss Re Ltd.), 5.625% to 8/15/27, due 8/15/52 (Netherlands)[e]		$ 4,200,000	$ 4,576,929				
La Mondiale Vie, 7.625% to 4/23/19 (France)[c,e]		4,500,000	4,774,207				
Legal & General Group PLC, 5.25% to 3/21/27, due 3/21/47, Series EMTN (United Kingdom)[e]		2,400,000	2,546,520				
Meiji Yasuda Life Insurance Co., 5.20% to 10/20/25, due 10/20/45, 144A (Japan)[a,e,f]		7,350,000	7,882,875				
Nippon Life Insurance Co., 4.70% to 1/20/26, due 1/20/46, 144A (Japan)[a,e,f]		10,000,000	10,350,000				
Phoenix Group Holdings, 5.375%, due 7/6/27, Series EMTN (United Kingdom)		3,600,000	3,790,501				
Sumitomo Life Insurance Co., 4.00% to 9/14/27, due 9/14/77, 144A (Japan)Income tax payable	96,875			80,588		648	178,111
Deferred taxes	20,236	4,630		11,040	(9,829)	26,077	
Total current liabilities	621,955	466,155	858,297	2,269,938	(2,803,864)	1,412,481	
Long term debt and capital lease obligations,	248,891	1,061	1,048,829	915,841	(1,102,998)	1,111,624	

less current portion						
Long term borrowings from related parties	383,072				(383,072)	
Other liabilities		4,779		114,762	9,074	128,615
Pension liabilities	834	49,543		54,993	(5,318)	100,052
Deferred taxes	5,041	4,328		235,297	5,780	250,446
Company obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company guaranteed debentures of subsidiaries				1,242,317		1,242,317
Minority interest			7,412		6,693	14,105
Total liabilities	1,259,793	525,866	1,914,538	4,833,148	(4,273,705)	4,259,640
Shareholders equity:	3,243,680	502,984	1,947,457	3,872,567	(6,323,008)	3,243,680
Total liabilities and shareholders equity	$4,503,473	$ 1,028,850	$ 3,861,995	$8,705,715	$(10,596,713)	$7,503,320

Table of Contents

FRESENIUS MEDICAL CARE AG
Notes to Consolidated Financial Statements (Continued)
(unaudited)
(in thousands, except share and per share data)

	For the nine months period ended September 30, 2004					
		Guarantor Subsidiaries				
	FME	D-GmbH	FMCH	Non-Guarantor Subsidiaries	Combining Adjustment	Combined Total
Operating Activities						
Net income (loss)	$ 293,808	$ 339	$ 182,883	$ 286,374	$ (469,595)	$ 293,808
Adjustments to reconcile net income to cash and cash equivalents provided by (used in) operating activities:						
Equity affiliate income	(216,837)		(211,094)		427,931	
Depreciation and amortization	1,425	19,454		159,166	(8,678)	171,367
Change in deferred taxes, net	1,188	(1,928)		14,643	22,477	36,380
(Gain) loss on sale of fixed assets	(137)	(279)		367	136	87
Compensation expense related to stock options	1,330					1,330
Cash (outflow) inflow from hedging	(30,699)			39,265		8,566
Changes in assets and liabilities, net of amounts from businesses acquired:						
Trade accounts receivable, net		(12,306)		4,057		(8,249)
Inventories		3,416		(3,657)	1,783	1,542
Prepaid expenses and other current and non-current assets	1,050	(2,998)	2,461	23,839	(3,641)	20,711
Accounts receivable from/payable to related parties	12,406	(339)	27,926	(62,558)	6,197	(16,368)
Accounts payable, accrued expenses and other current and non-current liabilities	2,376	21,026	(1,580)	28,394	323	50,539
Income tax payable	(6,800)		(18,808)	25,944		336
Net cash provided by (used in) operating activities	59,110	26,385	(18,212)	515,833	(23,067)	560,049
Investing Activities:						
Purchases of property, plant and equipment	(206)	(26,726)		(139,561)	10,095	(156,398)

Proceeds from sale of property, plant and equipment		1,133		12,150		13,283
Disbursement of loans to related parties	91,492		86,252	(623,756)	446,012	
Acquisitions and investments, net of cash acquired	(33,329)			(73,438)	32,786	(73,981)
Net cash provided by (used in) investing activities	57,957	(25,593)	86,252	(824,605)	488,893	(217,096)
Financing activities:						
Short-term borrowings, net	(24)			(2,592)		(2,616)
Long-term debt and capital lease obligations, net	9	(998)	(67,650)	396,584	(446,012)	(118,067)
Decrease of accounts receivable securitization program				(90,998)		(90,998)
Proceeds from exercise of stock options	2,246					2,246
Dividends paid	(122,106)			(12,387)	12,387	(122,106)
Capital Increase of Non-Guarantor-Subsidiaries				32,799	(32,799)	
Change in minority interest			(390)	(326)	367	(349)
Net cash (used in) provided by financing activities	(119,875)	(998)	(68,040)	323,080	(466,057)	(331,890)
Effect of exchange rate changes on cash and cash equivalents	2,808	(10)		(4,647)	231	(1,618)
Cash and Cash Equivalents:						
Net (decrease) increase in cash and cash equivalents	(0)	(216)		9,661		9,445
Cash and cash equivalents at beginning of period	3	300		48,124		48,427
Cash and cash equivalents at end of period	$ 3	$ 84	$	$ 57,785	$	$ 57,872

25

Table of Contents

FRESENIUS MEDICAL CARE AG
Notes to Consolidated Financial Statements (Continued)
(unaudited)
(in thousands, except share and per share data)

	For the nine months period ended September 30, 2003					
		Guarantor Subsidiaries				
	FME	D-GmbH	FMCH	Non-Guarantor Subsidiaries	Combining Adjustment	Combined Total
Operating Activities:						
Net income	$ 236,681	$ (3,112)	$ 154,033	$ 222,788	$ (373,709)	$ 236,681
Adjustments to reconcile net income to cash and cash equivalents provided by (used in) operating activities:						
Equity affiliate income	(171,212)		(182,534)		353,746	
Depreciation and amortization	1,476	18,340		146,080	(6,913)	158,983
Change in deferred taxes, net	2,380	(319)		37,731	4,797	44,589
Gain on sale of investments	(8,737)	(95)			8,832	
Loss (gain) on sale of fixed assets		142		(1,366)		(1,224)
Compensation expense related to stock options	1,165					1,165
Cash (outflow) inflow from hedging				27,851		27,851
Changes in assets and liabilities, net of amounts from businesses acquired:						
Trade accounts receivable, net		5,186		24,469		29,655
Inventories		(11,502)		(21,216)	12,670	(20,048)
Prepaid expenses and other current and non-current assets	(3,971)	2,820	2,477	30,772	(698)	31,400
Accounts receivable from/ payable to related parties	(41,768)	(1,768)	27,926	17,276	(6,745)	(5,079)
Accounts payable, accrued expenses and other current and non-current liabilities	28,201	13,816	2,695	(90,226)	(2,923)	(48,437)
Income tax payable	23,644		(19,001)	42,449		47,092
Net cash provided by (used in) operating activities	67,859	23,508	(14,404)	436,608	(10,943)	502,628
Investing Activities:						
	(9)	(16,760)		(129,902)	5,281	(141,390)

Purchases of property, plant and equipment						
Proceeds from sale of property, plant and equipment	1	585		12,079		12,665
Disbursement of loans to related parties	79,487		(632,507)		553,020	
Acquisitions and investments, net of cash acquired	(53,943)	(6,076)		(63,597)	44,803	(78,813)
Net cash provided by (used in) investing activities	25,536	(22,251)	(632,507)	(181,420)	603,104	(207,538)
Financing activities:						
Short-term borrowings, net	14,805			39,429		54,234
Long-term debt and capital lease obligations, net	(6,056)	(1,194)	656,207	(76,236)	(553,020)	19,701
Decrease of accounts receivable securitization program				(265,683)		(265,683)
Proceeds from exercise of stock options	471					471
Dividends paid	(107,761)			(9,745)	9,745	(107,761)
Redemption of Series D Trust Preferred Stock of subsidiary			(8,906)			(8,906)
Capital Increase of Non-Guarantor-Subsidiaries				51,510	(51,510)	
Change in minority interest			(390)	(1,485)	1,593	(282)
Net cash (used in) provided by financing activities	(98,541)	(1,194)	646,911	(262,210)	(593,192)	(308,226)
Effect of exchange rate changes on cash and cash equivalents	5,611	20		4,067	1,031	10,729
Cash and Cash Equivalents:						
Net increase (decrease) in cash and cash equivalents	465	83		(2,955)		(2,407)
Cash and cash equivalents at beginning of period	488	151		64,154		64,793
Cash and cash equivalents at end of period	$ 953	$ 234	$	$ 61,199	$	$ 62,386

Table of Contents

PART I
FINANCIAL INFORMATION

ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003

The Company

Fresenius Medical Care AG was created by the conversion of Sterilpharma GmbH, a limited liability company under German law organized in 1975, into a stock corporation under German law *(Aktiengesellschaft)*. A shareholder s meeting on April 17, 1996 adopted the resolutions for this conversion and the commercial register registered the conversion on August 5, 1996.

On September 30, 1996, we consummated a series of transactions under an Agreement and Plan of Reorganization entered into on February 4, 1996 by Fresenius AG and W.R. Grace & Co., which we refer to as our formation or the Merger elsewhere in this report. Pursuant to that agreement, Fresenius AG contributed Fresenius Worldwide Dialysis, its global dialysis business, including its controlling interest in Fresenius USA, Inc., in exchange for 35,210,000 Fresenius Medical Care Ordinary shares. Thereafter, we acquired:

all of the outstanding common stock of W.R. Grace & Co., whose sole business at the time of the transaction consisted of National Medical Care, Inc., its global dialysis business, in exchange for 31,360,000 Ordinary shares; and

the publicly-held minority interest in Fresenius USA, in exchange for 3,430,000 Ordinary shares.

Effective October 1, 1996, we contributed all our shares in Fresenius USA to Fresenius Medical Care Holdings, Inc., which conducts business under the trade name Fresenius Medical Care North America, and which is the holding company for all of our operations in the U.S. and Canada and manufacturing operations in Mexico.

You should read the following discussion and analysis of the results of operations of the Company in conjunction with our unaudited consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward looking statements express or imply.

Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are based upon our current expectations, assumptions, estimates and projections about us and our industry that address, among other things:

our business development, operating development and financial condition;

our expectations of growth in the patient population regarding renal dialysis products and services;

the effects of regulatory developments, legal and tax proceedings;

possible changes in government reimbursement policies and those of private payors;

changes in pharmaceutical administration patterns or reimbursement policies;

our ability to develop and maintain additional sources of financing; and

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

other statements of our expectations, beliefs, future plans and strategies, anticipated development and other matters that are not historical facts.

When used in this report, the words expects, anticipates, intends, plans, believes, seeks, estimates and expressions are generally intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and otherwise, could differ materially from those set forth in or contemplated by the forward-looking statements contained in this report. Important factors that could contribute to such differences are noted in the risk factors section of our Annual Report on Form 20-F, and in this report in Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1, Legal Proceedings. These risks and uncertainties include: general economic, currency exchange and other market conditions, litigation and regulatory compliance risks, changes in government reimbursement for our dialysis care and pharmaceuticals, the investigation by the Department of Justice, Eastern District of New York, and changes to pharmaceutical utilization patterns.

This report should be read in conjunction with our disclosures and discussions contained in our Annual Report on Form 20-F for the year ended December 31, 2003.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Overview

We are engaged primarily in providing dialysis services and manufacturing and distributing products and equipment for the treatment of end-stage renal disease. In the U.S., we also perform clinical laboratory testing and provide perfusion and autotransfusion services. Perfusion maintains human heart and lung function during cardiovascular surgery. Autotransfusion is used during surgery to collect, filter and reinfuse a patient s own blood as an alternative to using donor blood. Dialysis is a lifesaving treatment for irreversible, lifelong end stage renal disease, and necessitates multiple treatments per week for the remainder of a patient s life. The provision of dialysis services and the distribution of dialysis products and equipment represents, based on our estimate, an over $30 billion worldwide market and it is expected there will be annual patient growth of 5-7%. Patient growth is caused by factors such as the aging population, increasing incidence of diabetes and hypertension, improvements in treatment quality and improving standards of living in developing countries. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success. In addition the reimbursement and ancillary utilization environment significantly influence our business. In the past we experienced and also expect in the future generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. The majority of treatments are paid by governmental institutions such as Medicare in the United States. As a consequence of the pressure to decrease health care costs, reimbursement rate increases have been limited. Our ability to influence the pricing of our services is limited. Profitability depends on our ability to manage rising labor, drug and supply costs.

On December 8, 2003, the Medicare Prescription Drug, Modernization and Improvement Act of 2003 (MMA) was enacted. MMA mandates significant changes to U.S. government reimbursement for dialysis services and pharmaceuticals. Under final rules for implementing the MMA issued November 2, 2004 by the Centers for Medicare and Medicaid Services (CMS): (1) the dialysis treatment rate will be increased by 1.6% effective January 1, 2005; (2) effective January 1, 2005, payments for ten separately billable dialysis-related medications will be based on average acquisition cost (as determined by the Office of the Inspector General of the Department of Health and Human Services and updated by CMS) and payments for the remaining separately billable dialysis-related medications will be based on average sales price (ASP) plus 6% (ASP is defined in the law as a manufacturer s ASP to all purchasers in a calendar quarter per unit of each drug and biological sold in that same calendar quarter, excluding sales exempt from best price and nominal price sales and including all discounts, chargebacks and rebates.); and (3) the difference between the determined acquisition cost-based reimbursement and what would have been received under the current average wholesale price-based AWP-based reimbursement methodology will be added to the composite rate. This add-back amount has been determined to be 8.7% of the composite rate and will be subject to an annual update based on the growth in drug spending. In addition, the law requires composite rate payments to be case mix adjusted. The final rule, effective April 1, 2005, would result in providers receiving higher composite rate payments for patients based on age, body mass index and body surface area. Comments were solicited on the final rule through January 1, 2005.

In July 2004, CMS proposed certain changes with respect to its Epogen reimbursement and utilization guidelines. Its proposal reflects the agency s conclusion that the appropriate utilization of EPO should be monitored by considering both the patient s hemoglobin/hematocrit level and the dosage. Specifically, it proposed a pre-payment claims review process in which claims for EPO with hemoglobin levels below 13 (or hematocrit of 39) would not be targeted for review, but claims for EPO with hemoglobin levels above 13 would be reviewed based on the hemoglobin value and related EPO doses, and with payment limited to a fixed amount of EPO unless there is medical justification for the hemoglobin levels. The comment period on this policy draft was extended and ended on October 7, 2004. CMS has said it would like to have a new payment policy finalized for payments beginning January 1, 2005, to coincide with the change

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

in payment for EPO to acquisition cost. If the MMA is adopted as published in the final rule and the EPO reimbursement/utilization changes are adopted, we expect these rules could have an adverse impact on our operating results. As indicated above, the proposed regulations are subject to industry comment and further CMS review. For a discussion of the composite rate for reimbursement of dialysis treatments, see Item 4B, Business Overview Regulatory and Legal Matters Reimbursement in our Annual Report of Form 20-F.

Our operations are geographically organized and accordingly we have identified three operating segments, North America, International, and Asia Pacific. For reporting purposes, we have aggregated the International and Asia Pacific segments as International. We aggregated these segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, same type patient population, similar methods of distribution of products and services and similar economic environments. Our management board member responsible for the profitability and cash flow of each segment s various businesses supervises the management of each operating segment. The accounting policies of the operating segments are the same as those we apply in preparing our consolidated financial statements under accounting principles generally accepted in the United States (U.S. GAAP). Our management evaluates each segment using a measure that reflects all of the segment s controllable revenues and expenses.

Our management believes the most appropriate measure in this regard is operating income, referred to in previous filings as earnings before interest and taxes, or EBIT, which measures our source of earnings. Financing is a corporate function which segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. We also regard income taxes to be outside the segments control. In addition to operating income, our management also believes that earnings before interest, taxes, depreciation and amortization, or EBITDA, is helpful for investors as a measurement of our segments ability to generate cash and to service our financing obligations. EBITDA is also the basis for determining compliance with certain covenants contained in our senior credit agreement and the indentures relating to our outstanding trust preferred securities. You should not consider segment EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. We believe that operating income is the GAAP financial measure most directly comparable to our computation of EBITDA by segment, and the information in the table below under Results of Operations reconciles EBITDA for each of our reporting segments to operating income calculated in accordance with U.S. GAAP.

Results of Operations

The following tables summarize our financial performance and certain operating results by principal business segment for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies from the International segment to the North America segment.

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

	For the three months ended September 30, (unaudited) (in millions)	
	2004	**2003**
Total revenue		
North America	$ 1,079	$ 979
International	509	441
Totals	1,588	1,420
Inter-segment revenue		
North America	1	1
International	10	10
Totals	11	11
Total net revenue		
North America	1,078	978
International	499	431
Totals	1,577	1,409
EBITDA		
North America	183	166
International	96	91
Corporate	(8)	(6)
Totals	271	251
Amortization and depreciation		

North America	32	29
International	25	24
Corporate	0	1
Totals	57	54
Operating income		
North America	151	137
International	71	67
Corporate	(8)	(7)
Totals	214	197
Interest income	4	2
Interest expense	(49)	(55)
Income tax expense	(68)	(56)
Minority interest	1	(1)
Net income	$ 102	$ 87

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

	For the nine months ended September 30, (unaudited) (in millions)	
	2004	2003
Total revenue		
North America	$ 3,128	$ 2,864
International	1,490	1,240
Totals	4,618	4,104
Inter-segment revenue		
North America	1	2
International	29	27
Totals	30	29
Total net revenue		
North America	3,127	2,862
International	1,461	1,213
Totals	4,588	4,075
EBITDA		
North America	529	478
International	292	249
Corporate	(25)	(18)
Totals	796	709
Amortization and depreciation		

North America	95	90
International	75	67
Corporate	1	2
Totals	171	159
Operating income		
North America	434	387
International	217	181
Corporate	(26)	(18)
Totals	625	550
Interest income	10	9
Interest expense	(147)	(169)
Income tax expense	(194)	(152)
Minority interest		(1)
Net Income	$ 294	$ 237

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Three months ended September 30, 2004 compared to three months ended September 30, 2003

Key Indicators for Consolidated Financial Statements

	Three months ended September 30, 2004	Three months ended September 30, 2003	Change in % as reported	Change in % at constant exchange rates
Number of treatments	4,746,840	4,548,251	4%	
Same store treatment growth in %	3.4%	5.1%		
Revenue in $ million	1,577	1,409	12%	10%
Gross profit as % of revenue	32.8%	32.9%		
Selling, general and administrative costs as % of revenue	18.5%	18.0%		
Net income in $ million	102	87	17%	

Net revenue increased for the quarter ended September 30, 2004 over the comparable period in 2003 due to growth in revenue in both dialysis care and dialysis products.

Dialysis care revenue grew by 13% to $1,149 million (12% at constant exchange rates) in the third quarter of 2004 mainly due to the growth in same store treatments combined with acquisitions, increased revenue per treatment and the implementation of FIN 46R. Dialysis product revenue increased by 9% to $428 million (4% at constant exchange rates) in the same period.

The slight decrease in gross profit margin is primarily a result of higher personnel, recruiting and other expenses associated with the nursing shortage in North America, a discount provided to a distributor in Japan and price pressure in Japan as a result of biannual reimbursement rate reductions partially offset by higher margins for ancillary services in North America, higher treatment rates and growth in regions which have higher gross margins. Depreciation and amortization expense for the third quarter of 2004 was $58 million compared to $54 million for the same period in 2003.

Approximately 43% of the Company s worldwide revenues in the third quarters of 2004 and 2003 are paid by and subject to regulations under governmental health care programs, primarily Medicare and Medicaid, administered by the United States government.

Selling, general and administrative costs increased from $254 million in the third quarter of 2003 to $291 million in the same period of 2004. Selling, general and administrative costs as a percentage of sales increased from 18.0% in the third quarter of 2003 to 18.5% in the same period of 2004. The increase is mainly due to higher personnel expenses in North America and growth in regions with higher selling general and administrative costs partially offset by reduced expenses due to cost efficiency control in Latin America and indemnification related to a clinic in the Asia Pacific region. Net income for the period was $102 million compared to $87 million in 2003.

The number of treatments in the third quarter of 2004 represents an increase of 4% over the same period in 2003. Same store treatment growth was 3% with additional growth of 1% from acquisitions. At September 30, 2004 we owned, operated or managed 1,595 clinics compared to 1,540 clinics at September 30, 2003. During the third quarter of 2004, we acquired 8 clinics, opened 10 clinics and combined 16 clinics. The number of patients treated in clinics that we own, operate or manage increased from

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

approximately 117,600 at September 30, 2003 to 123,000 at September 30, 2004. Average revenue per treatment for world-wide dialysis services increased from $224 to $242 mainly due to worldwide improved revenue per treatment and favorable currency developments.

The following discussions pertain to our business segments and the measures we use to manage these segments.

North America Segment

Key Indicators for North America Segment

	Three months ended September 30, 2004	Three months ended September 30, 2003	Change in %
Number of treatments	3,257,708	3,134,625	4%
Same store treatment growth in %	3.2%	4.0%	
Revenue in $ million	1,078	978	10%
EBITDA in $ million	183	166	10%
EBITDA margin in %	17.0%	17.0%	
Depreciation and amortization in $ million	32	29	10%
Operating income in $ million	151	137	10%
Operating income margin in %	14.0%	14.0%	

Revenue

Net revenue for the North America segment for the third quarter 2004 increased as a result of increases in dialysis care revenue by 11% from $873 to $971 million and product sales revenue by 2% from $105 million to $107 million.

The increase in dialysis care revenue was driven by a 4% increase in treatments with same store treatment growth of 3% and 1% resulting from acquisitions. In addition, revenue per treatment improved by 4%. A further 3% increase resulted from the implementation of FIN 46R. For this quarter the administration of EPO represented approximately 23% of total North America revenue.

At September 30, 2004, approximately 84,600 patients were being treated in the 1,125 clinics that we own, operate or manage in the North America segment, compared to approximately 81,700 patients treated in 1,100 clinics at September 30, 2003. The average revenue per treatment, excluding laboratory testing revenue, increased from $269 in 2003 to $280 in 2004. Including laboratory testing the average revenue per treatment in the third quarter increased from $279 in 2003 to $291 during 2004. The improvement in the revenue rate per treatment is primarily due to increases in the dialysis treatment reimbursement rate coupled with both rate and utilization increases for ancillary drugs.

34

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Dialysis product revenue increased by 2% from $105 million in the third quarter of 2003 to $107 million in the same period of 2004. Dialysis product sales include the sales of machines to a third-party leasing company which are leased back by our dialysis services division. The volume of these transactions has increased in the third quarter of 2004 compared to the same period in 2003. The Company s decision to focus sales efforts more on its internally produced products while decreasing emphasis on relatively low margin ancillary products manufactured by third-parties partially offset the increased sales of machines. Our dialysis products division measures its external sales performance based on its sales to the net available external market . The net available external market excludes machine sales to third parties for machines utilized in the services division as well as sales to other vertically integrated dialysis companies and sales related to our adsorber business. Net available external market sales declined slightly in the third quarter of 2004 over the comparable period for 2003. The detail is as follows:

	Three months ended September 30, 2004	Three months ended September 30, 2003
Dialysis product sales	$ 106,886	$ 105,128
less sales to other vertically integrated dialysis companies and to leasing company of dialysis machines leased back	(10,381)	(8,405)
less adsorber business sales	(1,215)	(1,012)
Product sales to available external market	$ 95,290	$ 95,711

EBITDA

EBITDA margin, at 17.0% remained relatively flat in 2004 as compared to the same period in 2003. Margin improvements from favorable revenue rates were mostly offset by higher personnel costs and the effect from the implementation of FIN 46R (0.2%). Cost per treatment increased from $243 in 2003 to $252 in 2004.

Operating income

Operating margin also remained relatively flat due to the same factors listed under EBITDA.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

International Segment

Key Indicators for International Segment

	Three months ended September 30, 2004	Three months ended September 30, 2003	Change in % as reported	Change in % at constant exchange rates
Number of treatments	1,489,132	1,413,626	5%	
Same store treatment growth in %	3.8%	8.1%		
Revenue in $ million	499	431	15%	8%
EBITDA in $ million	96	91	6%	
EBITDA margin in %	19.3%	21.1%		
Depreciation and amortization in $ million	25	24	3%	
Operating income in $ million	71	67	7%	
Operating income margin in %	14.3%	15.5%		

Revenue

The increase in net revenues for the International segment resulted from increases in both dialysis care and dialysis product revenues. Acquisitions contributed approximately 1% while consolidations resulting from implementation of FIN 46R contributed approximately 2%. Organic growth during the period was 5% at constant exchange rates. This increase was also attributable to a 7% exchange rate effect due to the continued strengthening of various local currencies against the dollar in 2003 and 2004.

Total dialysis care revenue increased during the third quarter of 2004 by 22% (14% at constant exchange rates) to $177 million in 2004 from $146 million in the same period of 2003. This increase is a result of base business growth of 4%, a 2% increase in contributions from acquisitions, 8% contributions from consolidations resulting from implementation of FIN 46R and approximately 8% due to exchange rate fluctuations.

As of September 30, 2004, approximately 38,400 patients were being treated at 470 clinics that we own, operate or manage in the International segment compared to 35,900 patients treated at 440 clinics at September 30, 2003. The average revenue per treatment increased from $103 to $119 ($111 at constant exchange rates) due to the strengthening of the local currencies against the U.S. dollar and increased reimbursement rates partially offset by growth in countries with reimbursement rates below the average.

Total dialysis product revenue for the third quarter of 2004 increased by 12% (5% at constant exchange rates) to $321 million.

Including the effects of the acquisitions, European region revenue increased 20% (10% at constant exchange rates), Latin America region revenue increased 23% (24% at constant exchange rates), and Asia Pacific region revenue decreased 6% (9% decrease at constant exchange rates).

EBITDA

Our EBITDA margin decreased from 21.1% to 19.3%. The main causes were price pressure in Japan as a result of biannual reimbursement rate reduction, a discount provided to a distributor in Japan, negative impact of a stronger euro on cost of goods sold and the effect from the implementation of FIN 46R (0.2%) partially offset by indemnification related to a clinic in the Asia Pacific region, operating improvements in

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Latin America, such as reimbursement rate increases in Argentina and Venezuela, and cost control improvements throughout Latin America.

Operating income

Our operating income margin decreased from 15.5% to 14.3% due to the factors responsible for the decrease of EBITDA margin described above partially offset by lower depreciation as a percentage of revenue.

Corporate

We do not allocate corporate costs to our segments in calculating segment operating income and EBITDA as we believe that these costs are not within the control of the individual segments. These corporate costs primarily relate to certain headquarters overhead charges including accounting and finance, professional services, etc.

Total corporate operating loss was $8 million in the quarter ended September 30, 2004 compared to an operating loss of $7 million in the same period of 2003.

The following discussions pertain to our total Company costs.

Interest

Interest expense for the third quarter of 2004 decreased 14% compared to the same period in 2003 due to a lower debt level resulting from the use of positive cash flows and the conversion of a portion of debt from fixed into variable interest rates.

Income Taxes

The effective tax rate for the quarter ended September 30, 2004 was 39.8% compared to 39.1% during the same period in 2003.

Nine months ended September 30, 2004 compared to nine months ended September 30, 2003

Key Indicators for Consolidated Financial Statements

			Change in %	
	Nine months ended September 30, 2004	Nine months ended September 30, 2003	as reported	at constant exchange rates
Number of treatments	13,988,479	13,204,769	6%	

Same store treatment growth in %	3.7%	4.9%		
Revenue in $ million	4,588	4,075	13%	10%
Gross profit as % of revenue	33.2%	32.5%		
Selling, general and administrative costs as % of revenue	18.8%	18.1%		
Net income in $ million	294	237	24%	

Net revenue increased for the nine months ended September 30, 2004 over the comparable period in 2003 due to growth in revenue in both dialysis care and dialysis products.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Dialysis care revenue grew by 13% to $3,334 million (12% at constant exchange rates) in the first nine months of 2004 mainly due to higher treatment rates, acquisitions, the implementation of FIN 46R, and the effect of two additional treatment days in the first quarter of 2004. Dialysis product revenue increased by 11% to $1,254 million (4% at constant exchange rates) in the same period.

Gross profit margin improved to 33.2% in the nine months ended September 30, 2004 from 32.5% for 2003. The increase is primarily a result of higher treatment rates, higher margins for ancillary services in North America, higher number of treatments as a result of two additional treatment days in North America, operating improvements in Latin America and growth in regions which have higher gross margins offset by higher personnel and recruiting costs due to the nursing shortage in North America, a discount provided to a distributor in Japan, and reimbursement related price pressure in Japan. Depreciation and amortization expense for the period ended September 30, 2004 was $171 million compared to $159 million for the same period in 2003.

Approximately 43% of the Company s worldwide revenues in the first nine months of 2004 and 2003 are paid by and subject to regulations under governmental health care programs, primarily Medicare and Medicaid, administered by the United States government.

Selling, general and administrative costs increased from $736 million in the first nine months of 2003 to $861 million in the same period of 2004. Selling, general and administrative costs as a percentage of sales increased from 18.1% in the nine months ended September 30, 2003 to 18.8% in the same period of 2004. The increase is mainly due to increased personnel expenses in North America, higher bad debt expenses and growth in regions which have higher selling, general and administrative costs partially offset by indemnification related to a clinic in the Asia Pacific region and reduced expenses due to cost efficiency control in Latin America. Net income for the period was $294 million compared to $237 million in 2003.

In the nine months ended September 30, 2004, 13.99 million treatments were provided. This represents an increase of 6% over the same period in 2003. Same store treatment growth was 4% with additional growth of 2% from acquisitions. During the first nine months of 2004, we acquired 25 clinics, opened 35 clinics and combined 29 clinics. Average revenue per treatment for world-wide dialysis services increased from $223 to $238 mainly due to worldwide improved reimbursement rates and favorable currency developments.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

The following discussions pertain to our business segments and the measures we use to manage these segments.

North America Segment

Key Indicators for North America Segment

	Nine months ended September 30, 2004	Nine months ended September 30, 2003	Change in %
Number of treatments	9,613,428	9,186,053	5%
Same store treatment growth in %	3.1%	3.7%	
Revenue in $ million	3,127	2,862	9%
EBITDA in $ million	529	478	11%
EBITDA margin in %	16.9%	16.7%	
Depreciation and amortization in $ million	95	90	5%
Operating income in $ million	434	387	12%
Operating income margin in %	13.9%	13.5%	

Revenue

Net revenue for the North America segment for the first nine months of 2004 increased because dialysis care revenue increased by 11% from $2,542 million to $2,818 million. This was partially offset by a 3% decrease in product sales.

The increase in dialysis care revenue in the nine-month period ending September 30, 2004, was driven by a 5% increase in treatments with same store treatment growth of 3%, 1% increase attributable to two extra dialysis days in the first quarter of 2004, and 1% resulting from acquisitions. In addition, revenue per treatment improved by 4%. For the first nine months of 2004, the administration of EPO represented approximately 23% of total North America revenue.

The average revenue per treatment, excluding laboratory testing revenue, increased from $267 in 2003 to $278 in 2004. Including laboratory testing the average revenue per treatment in the first nine months increased from $278 in 2003 to $289 during 2004.

Dialysis product sales in the first nine months of both 2004 and 2003 include the sales of machines to a third-party leasing company which are leased back by our dialysis services division. The volume of these transactions has been reduced in the nine months ended September 30, 2004 compared to the same period in 2003. In addition, the Company decided to focus sales efforts more on its internally produced products while decreasing emphasis on relatively low margin ancillary products manufactured by third-parties. These two factors resulted in a 3% decrease in dialysis product revenue from $320 million in the first nine months of 2003 to $309 million in the same period of 2004. Our dialysis products division measures its external sales performance based on its sales to the net available external market . The net available external market

39

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

excludes machine sales to third parties for machines utilized in the services division as well as sales to other vertically integrated dialysis companies and sales related to our adsorber business. Net available external market sales were flat in the first nine months of 2004 over the comparable period for 2003. The detail is as follows:

	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Dialysis product sales	$ 309,144	$ 319,892
less sales to other vertically integrated dialysis companies and to leasing company of		
dialysis machines leased back	(18,588)	(31,079)
less adsorber business sales	(3,394)	(1,795)
plus other		29
Product sales to available external market	$ 287,162	$ 287,047

EBITDA

EBITDA margin increased 20 basis points from 16.7% in 2003 to 16.9% in 2004. The primary drivers of this margin improvement during the first nine months of 2004 are increases in commercial payor rates, improved ancillary margins, and incremental profits provided by an additional two dialysis days in the first quarter of 2004 partially offset by the effect of the implementation of FIN 46R (0.2%). Cost per treatment increased from $243 in 2003 to $251 in 2004, primarily due to increased personnel and benefit costs and bad debt expenses partially offset by improvements in medical supply and other miscellaneous costs.

Operating income

The increase in operating margin was caused by the factors listed under EBITDA and reduced depreciation and amortization expense, as a percentage of revenue, mainly as a result of completing the depreciation and amortization of fixed assets during the first half of 2003 that had been acquired in the 1996 merger and patient relationships acquired in 1997.

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

International Segment

Key Indicators for International Segment

	Nine months ended September 30, 2004	Nine months ended September 30, 2003	Change in % as reported	Change in % at constant exchange rates
Number of treatments	4,375,051	4,018,716	9%	
Same store treatment growth in %	5.0%	8.0%		
Revenue in $ million	1,461	1,213	20%	11%
EBITDA in $ million	292	249	18%	
EBITDA margin in %	20.0%	20.5%		
Depreciation and amortization in $ million	75	67	11%	
Operating income in $ million	217	181	20%	
Operating income margin in %	14.9%	14.9%		

Revenue

The increase in net revenues for the International segment resulted from increases in both dialysis care and dialysis product revenues. Acquisitions contributed approximately 3% while consolidations resulting from implementation of FIN 46R contributed approximately 1%. Organic growth during the period was 6% at constant exchange rates. This increase was also attributable to a 10% exchange rate effect due to the continued strengthening of various local currencies against the dollar in 2003 and 2004.

Total dialysis care revenue increased during the first nine months of 2004 by 30% (19% at constant exchange rates) to $516 million in 2004 from $399 million the same period of 2003. This increase is a result of base business growth of 7%, 8% increase in contributions from acquisitions, 5% contributions from consolidations resulting from implementation of FIN 46R and approximately 10% due to exchange rate fluctuations.

In the first nine months of 2004, the average revenue per treatment increased from $99 to $118 ($109 at constant exchange rates) due to the strengthening of the local currencies against the U.S. dollar and increased reimbursement rates partially offset by growth in countries with reimbursement rates below the average.

Total dialysis product revenue for the first nine months of 2004 increased by 16% (7% at constant exchange rates) to $945 million.

Including the effects of the acquisitions, European region revenue increased 23% (11% at constant exchange rates), Latin America region revenue increased 28% (25% at constant exchange rates), and Asia Pacific region revenue increased 7% (1% at constant exchange rates).

EBITDA

Our EBITDA margin decreased from 20.5% to 20.0%. The main cause of this was price pressure in Japan as a result of biannual reimbursement rate reductions, a discount provided to a distributor in Japan, the negative impact of stronger euro on cost of revenue and the effect from the implementation of FIN 46R (0.1%) partially offset by indemnification related to a clinic in the Asia Pacific region, operating improvements in Latin America such as reimbursement rate increases in Argentina and Venezuela and cost control improvements throughout Latin America.

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

Operating income

Our operating income margin remained flat during the nine-month period in 2004 as compared to 2003 due to the factors responsible for the increase of EBITDA margin described above coupled with lower depreciation expense as a percentage of revenue.

Corporate

We do not allocate corporate costs to our segments in calculating segment operating income and EBITDA as we believe that these costs are not within the control of the individual segments. These corporate costs primarily relate to certain headquarters overhead charges including accounting and finance, professional services, etc.

Total corporate operating loss was $26 million in the nine months ended September 30, 2004 compared to $18 million in the same period of 2003.

The following discussions pertain to our total Company costs.

Interest

Interest expense for the first nine months of 2004 decreased 13% compared to the same period in 2003 due to a lower debt level resulting from the use of positive cash flows and the conversion of a portion of debt from fixed into variable interest rates.

Income Taxes

The effective tax rate for the nine months ended September 30, 2004 was 39.7% compared to 39.0% during the same period in 2003.

LIQUIDITY AND CAPITAL RESOURCES

Nine months ended September 30, 2004 compared to nine months ended September 30, 2003

Cash Flow

Operations

We generated cash from operating activities of $560 million in the nine months ended September 30, 2004 and $503 million in the comparable period in 2003, an increase of about 11% over the prior year. Cash flows were primarily supported by increase in net income.

Investing

Cash used in investing activities increased from $208 million to $217 million mainly because of increased capital expenditures partially offset by decreased cash acquisition payments. In the first nine months of 2004, we paid approximately $74 million ($41 million for the North American segment and $33 million for the International segment) cash for acquisitions consisting primarily of dialysis clinics. In the same period in 2003, we paid approximately $79 million ($27 million for the North American segment and $52 million for the International segment) cash for acquisitions consisting primarily of dialysis clinics.

In addition, capital expenditures for property, plant and equipment net of disposals were $143 million for the nine months ended September 30, 2004 and $129 million in 2003. In 2004, capital expenditures were $78 million in the North America segment and $65 million for the International segment. In 2003, capital expenditures were $65 million in the North America segment and $64 million for the International segment. The majority of our capital expenditures were used for the maintenance of existing clinics, equipping new

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

clinics and the expansion of production facilities in Germany and North America. Capital expenditures were approximately 3% of total revenue.

Financing

Net cash used in financing was $332 million in the first nine months of 2004 compared to cash used in financing of $308 million in the same period of 2003. Our external financing needs decreased due to higher cash from operating activities partially offset by higher payments for investing and higher dividend payments. Cash on hand was $58 million at September 30, 2004 compared to $48 million at September 30, 2003.

On February 21, 2003, we entered into an amended and restated bank agreement with Bank of America N.A, Credit Suisse First Boston, Dresdner Bank AG New York, JPMorgan Chase Bank, The Bank of Nova Scotia and certain other lenders (collectively, the Lenders), pursuant to which the Lenders have made available to the Company and certain subsidiaries and affiliates an aggregate amount of up to $1.5 billion through three credit facilities. On August 22, 2003, the 2003 Senior Credit Agreement was amended so that, in effect, the aggregate amount of $1.5 billion was voluntarily reduced to $1.4 billion and the interest rate on a new term loan facility (Loan C) was 25 basis points lower than the interest rate on Loan B which was repaid. Additionally, funds available under this agreement were used to refinance the previous credit agreement s outstanding balances and to pay down $287 million of our accounts receivable facility. On May 7, 2004, the 2003 Senior Credit Agreement was amended so that Loan C was repaid, and a new Loan D was added. Loan D, combined with increases in the revolving credit facility and Loan A, as well as funds provided by the Company s accounts receivable facility, were used to permanently retire Loan C. The total amount of the 2003 Senior Credit Agreement remained unchanged.

On March 28, 2003, FMCH redeemed all of its outstanding shares of Class D Special Dividend Preferred Stock (Class D Shares) at a total cash outflow of approximately $9 million.

Liquidity

Our primary sources of liquidity have historically been cash from operations, cash from short-term borrowings as well as from long-term debt from third parties and from related parties and cash from issuance of Preference shares and trust preferred securities. Cash from operations is impacted by the profitability of our business and the development of our working capital, principally receivables. The profitability of our business depends significantly on reimbursement rates. Approximately 73% of our revenues are generated from providing dialysis treatment, a major portion of which is reimbursed by either public health care organizations or private insurers. For the nine months ended September 30, 2004, approximately 43% of our consolidated revenues resulted from U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect all Medicare reimbursement rates for the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. See Overview , above, for a discussion of recent Medicare reimbursement rate changes. Furthermore cash from operations depends on the collection of accounts receivable. We could face difficulties in enforcing and collecting accounts receivable under some countries legal systems. Some customers and governments may have longer payment cycles. This could have a material adverse effect on our capacity to generate cash flow.

Cash from short-term borrowings can be generated by selling interests in accounts receivable (accounts receivable facility) and by borrowing from our parent Fresenius AG. Long-term financing is provided by the revolving portion and term loans under our 2003 Senior Credit Agreement and has been

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

provided through the issuance of our trust preferred securities. We believe that our existing credit facilities, cash generated from operations and other current sources of financing are sufficient to meet our foreseeable needs.

At September 30, 2004, we had approximately $447 million of borrowing capacity available under the revolving portion of our 2003 Senior Credit Agreement.

Our 2003 Senior Credit Agreement and the indentures relating to our trust preferred securities include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our 2003 Senior Credit Agreement, we are obligated to maintain a minimum consolidated net worth, a minimum consolidated fixed charge ratio (ratio of earnings before interest, taxes, depreciation, amortization and rent to fixed charges) and a certain consolidated leverage ratio (ratio of consolidated funded debt to adjusted EBITDA).

Our 2003 Senior Credit Agreement and our indentures include other covenants which, among other things, restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends (limited to $180 million in 2005, dividends paid in 2004 were $122,106) and other restricted payments, create liens or make capital expenditures, investments or acquisitions. The breach of any of the covenants could result in a default under the 2003 Senior Credit Agreement or the notes underlying our trust preferred securities, which could, in turn, create additional defaults under the agreements relating to our other long-term indebtedness. In default, the outstanding balance under the 2003 Senior Credit Agreement becomes due at the option of the Lenders. As of September 30, 2004, we are in compliance with all financial covenants under the 2003 Senior Credit Agreement.

Our long-term financing under our trust preferred securities begins to come due in February 2008. However, Loan D under our amended 2003 Senior Credit Agreement will become due on October 31, 2007 if our trust preferred securities due February 1, 2008 are not repaid or refinanced or their maturity is not extended prior to that date. The trust preferred securities are generally not redeemable prior to their maturity.

The Company has an accounts receivable facility whereby certain receivables are sold to NMC Funding, a special purpose entity and a wholly-owned subsidiary. NMC Funding then sells and assigns undivided ownership interests in the accounts receivable to certain bank investors. Effective January 1, 2004 the accounts receivable facility was amended whereby NMC Funding would retain the right to repurchase all transferred interests in the accounts receivable sold to the banks under the facility. The repurchase of all transferred interests in the accounts receivable would result in the termination of the accounts receivable facility under the terms of the facility agreement. The Company has consolidated NMC Funding as of January 1, 2004 as the special purpose entity is no longer demonstratively distinct from the Company under the terms of the amendment. On October 21, 2004 the Company amended the accounts receivable facility to extend the maturity date to October 20, 2005.

Our capacity to generate cash from the accounts receivable facility depends on the availability of sufficient accounts receivable that meet certain criteria defined in the agreement with the third party funding corporation. A lack of availability of such accounts receivable could have a material impact on our capacity to utilize the facility for our financial needs.

The settlement agreement with the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate (see Part II, Item 1, Legal Proceedings) provides for payment by the Company of $115 million upon approval of the settlement agreement by the U.S. District Court, which has occurred, and confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that includes the settlement.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 2
Management s Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2004 and 2003 (continued)

We are subject to ongoing tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits. We are contesting, including appealing certain of these unfavorable determinations. We may be subject to additional unfavorable adjustments and disallowances in connection with ongoing audits. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments. With respect to adjustments and disallowances currently on appeal, we do not anticipate that an unfavorable ruling would have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments. If all potential additional tax payments and the Grace Chapter 11 Proceedings settlement payment were to occur contemporaneously, there could be a material adverse impact on our operating cash flow in the relevant reporting period. Nonetheless, we anticipate that cash from operations and, if required, our available liquidity will be sufficient to satisfy all such obligations if and when they come due.

PART I
FINANCIAL INFORMATION
ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Inflation

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, most of our net revenues from dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

Management of Currency and Interest Rate Risks

We are primarily exposed to market risk from changes in foreign currency exchange rates and changes in interest rates. In order to manage the risks from these foreign currency exchange rate and interest rate fluctuations, we enter into various hedging transactions with investment grade financial institutions as authorized by the management board. We do not contract for financial instruments for trading or other speculative purposes.

We conduct our financial instrument activity under the control of a single centralized department. We have established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Interest Rate Risks

At September 30, 2004, we had in place various interest rate swap agreements for a notional amount of $1,400 million which we believe to be adequate to manage our interest rate exposure.

Foreign Currency Exposure

We conduct our business on a global basis in several major international currencies, although our operations are located principally in Germany and the United States. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar, the euro and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. See Results of Operations International Segment. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases, lendings and borrowings, including intercompany borrowings. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. We employ, to a limited extent, forward contracts including options to hedge our currency exposure. Our policy, which has been consistently followed, is that forward contracts including options be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

Table of Contents

PART I
FINANCIAL INFORMATION
ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

During the period ended September 30, 2004, no material changes occurred to the information presented in Item 11 of the Form 20-F or the Company s hedging strategy described above. For additional information, see Item 11, Quantitative and Qualitative Disclosures About Market Risk, Notes to Consolidated Financial Statements Note 1(h). Summary of Significant Accounting Policies Derivative Financial Instruments, and Notes to Consolidated Financial Statements Note 21. Financial Instruments in the Company s 2003 Annual Report on Form 20-F.

47

Table of Contents

PART I
FINANCIAL INFORMATION

ITEM 4
CONTROLS AND PROCEDURES

The Company s management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report, as contemplated by Securities Exchange Act Rule 13a-14. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion. During the past fiscal quarter, there have been no significant changes in internal controls, or in factors that could significantly affect internal controls.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Commercial Litigation

We were formed as a result of a series of transactions pursuant to the Agreement and Plan of Reorganization (the Merger) dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG. At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant potential liabilities arising out of product-liability related litigation, pre-Merger tax claims and other claims unrelated to NMC, which was W.R. Grace & Co. s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify us, FMCH, and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC s operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Pre-Merger tax claims or tax claims that would arise if events were to violate the tax-free nature of the Merger, could ultimately be our obligation. In particular, W. R. Grace & Co. has disclosed in its filings with the Securities and Exchange Commission that: its tax returns for the 1993 to 1996 tax years are under audit by the Internal Revenue Service (the Service); W. R. Grace & Co. has received the Service s examination report on tax periods 1993 to 1996; that during those years W.R. Grace & Co. deducted approximately $122 million in interest attributable to corporate owned life insurance (COLI) policy loans; that W.R. Grace & Co. has paid $21 million of tax and interest related to COLI deductions taken in tax years prior to 1993; that a U.S. District Court ruling has denied interest deductions of a taxpayer in a similar situation. In October 2004, W.R. Grace & Co. obtained bankruptcy court approval to settle its COLI claims with the IRS. Subject to certain representations made by W.R. Grace & Co., the Company and Fresenius AG, W.R. Grace & Co. and certain of its affiliates agreed to indemnify us against this and other pre-Merger and Merger-related tax liabilities.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.- Conn., and by the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

In 2003, we reached agreement with the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to us that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and we will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, we will pay a total of $115 million to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air , formerly known as Grace Holding, Inc.). We are engaged in litigation with Sealed Air to confirm our entitlement to indemnification from Sealed Air for all losses and expenses incurred by the Company relating to pre-Merger tax liabilities and

Table of Contents

Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions of our payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, FMCH filed a suit in the United States District Court for the Northern District of California, *Fresenius USA, Inc., et al., v. Baxter International Inc., et al.*, Case No. C 03-1431, seeking a declaratory judgment that it does not infringe on patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against it for alleged infringement of Baxter s patents. In general, the alleged patents concern touch screens, conductivity alarms, power failure data storage, and balance chambers for hemodialysis machines. Baxter has filed counterclaims against FMCH seeking monetary damages and injunctive relief, and alleging that it willfully infringed on Baxter s patents. FMCH believes its claims are meritorious, although the ultimate outcome of any such proceedings cannot be predicted at this time and an adverse result could have a material adverse effect on our business, financial condition, and results of operations.

Other Litigation and Potential Exposures

In October 2004, FMCH and its Spectra Renal Management subsidiary received subpoenas from the U.S. Department of Justice, Eastern District of New York in connection with a civil and criminal investigation, which requires production of a broad range of documents relating to our operations, with specific attention to documents relating to laboratory testing for parathyroid hormone (PTH) levels and vitamin D therapies. We are cooperating with the government s requests for information. While we believe that we have complied with applicable laws relating to PTH testing and use of vitamin D therapies, an adverse determination in this investigation could have a material adverse effect on our business, financial condition, and results of operations.

From time to time, we are a party to or may be threatened with other litigation, claims or assessments arising in the ordinary course of our business. Management regularly analyzes current information including, as applicable, our defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

We, like other health care providers, conduct our operations under intense government regulation and scrutiny. We must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. We must also comply with the Anti-Kickback Statute, the False Claims Act, the Stark Statute, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from our interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistle blower actions. By virtue of this regulatory environment, as well as our corporate integrity agreement with the government, we expect our business activities and practices will continue to be subject to extensive review by regulatory authorities and private parties, and expect continuing inquiries, claims and litigation relating to our compliance with applicable laws and regulations. We may not always be aware that an inquiry or action has begun, particularly in the case of whistle blower actions, which are initially filed under court seal.

We operate many facilities throughout the U.S. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. We rely upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, we may identify instances where employees, deliberately or inadvertently, have submitted inadequate or false billings. The actions of such persons may subject us and our subsidiaries to liability under the Anti-Kickback Statute, the Stark Statute and the

False Claims Act, among other laws.

Table of Contents

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker s compensation or related claims, many of which involve large claims and significant defense costs. We have been subject to these suits due to the nature of its business and expect that those types of lawsuits may continue. Although we maintain insurance at a level which we believe to be prudent, we cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against us or any of our subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of our operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on our reputation and business.

We have also had claims asserted against us and have had lawsuits filed against us relating to businesses that we have acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. When appropriate, we have asserted our own claims, and claims for indemnification. A successful claim against the us or any of our subsidiaries could have a material adverse effect upon us and the results of our operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the our reputation and business.

Accrued Special Charge for Legal Matters

At December 31, 2001, we recorded a pre-tax special charge of $258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims (see Note 2 to the consolidated financial statements in this report.). The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. While we believe that our remaining accruals reasonably estimate our currently anticipated costs related to the continued defense and resolution of the remaining matters, no assurances can be given that our actual costs incurred will not exceed the amount of this accrual.

Table of Contents

ITEM 5. OTHER INFORMATION

Publication according to § 106 German Stock Corporation Act

Stephen Peck, member of the Supervisory Board, deceased on March 30, 2004.

As applied for by the Supervisory Board, the local court Hof an der Saale has appointed John Gerhard Kringel, retired Management Board member, Durango, Colorado, U.S., as member of the Supervisory Board effective from October 20, 2004. As stipulated in § 104 (2) of the German Stock Corporation Act, the appointment is effective for the interim period until the end of the 2004 Annual General Meeting in order to complete the Supervisory Board to its number of members as set forth in the by-laws.

ITEM 6. EXHIBITS

Exhibit No.	Item
10.1	Amendment No. 2 dated as of October 21, 2004 to the Third Amended and Restated Transfer and Administrative agreement dated as of October 23, 2003 among NMC Funding Corporation, National Medical Care, Inc., Paradigm Funding LLC, Asset One Securitization, LLC, Liberty Street Funding Corp., Giro Multifunding Corporation, and the Bank Investors listed therein, and WestLB AG, New York Branch, as administrative agent and agent (filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (This exhibit accompanies this report as required by the Sarbanes-Oxley Act of 2002 and is not to be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.)

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 12, 2004

Fresenius Medical Care
Aktiengesellschaft

By: /s/ Dr. Ben Lipps

Name: Dr. Ben Lipps
Title: Chief Executive Officer and
Chairman of the Management Board

By: /s/ Lawrence A. Rosen

Name: Lawrence A. Rosen
Title: Chief Financial Officer

53