

At the end of 2004, **shareholders' equity** of Allianz amounted to 28.6 (21.7) billion euros. The 6.9 billion euro increase includes 4.6 billion euros from the issue of new shares. The remaining increase of 2.3 billion euros essentially reflects higher unrealized gains of 2.5 billion euros on securities held-for-sale.

Return on equity

At 6.4 percent, the IFRS return on equity improved substantially from the previous year, when it had amounted to –4.6 percent. Before amortization of goodwill, we thus reached a return on equity of 12.1 (–0.3) percent. But the improvement of this indicator was still limited by the increase of unrealized gains from our equity portfolio, since these valuation reserves increase shareholders' equity but are not recognized as profit in the income statement.

Market capitalization and the Allianz share

The market capitalization of Allianz AG, adjusted for treasury shares, was 36.7 billion euros on December 31, 2003. The Allianz share was quoted at 80.8 euros at the beginning of 2003. In the first quarter of 2003, its price fell to 40.5 euros, but it recovered to 100.1 euros by the end of the year. If, in addition to the increase of the share price, one takes into account the dividend paid and assumes a participation in our capital increase on the basis of an "operation blanche", our shareholders obtained a total return on investment of 26.3 percent. The recovery thus lagged behind that of the German stock index DAX (+ 37.1 percent), but it was stronger than that of the Dow Jones EURO STOXX Insurance index (16.5 percent).

Human resources

The number of employees worldwide declined from 181,651 to 173,750 in 2003. This is the result of our extensive efforts towards streamlining our business processes and of the consolidation of certain business areas.