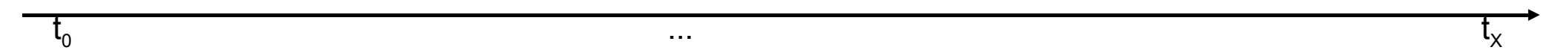
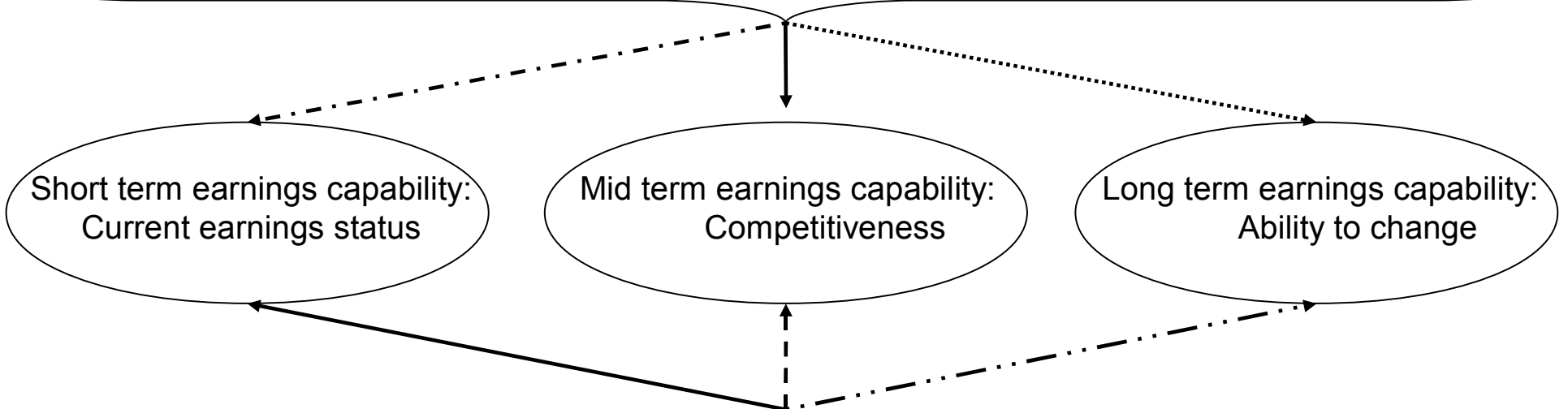


Investments in Intangibles



<b>Intangibles</b>		
<b>Employees,</b> contributing with their knowledge and competencies	<b>Internal Processes,</b> i.e. efficient processes in operations of goods or services, internal requests, logistics etc.	<b>Networks,</b> including customers, suppliers, investors and cooperation with other companies
<b>Business Success Factors</b>		
- Motivation - Qualification - Leadership	- Throughput times - Quality of processes - Communication processes - Risk management	- Customer satisfaction - Customer segments - Investor relations - Suppliers



<b>Key Performance Indicators (KPI)</b>		
Financial indicators; - Cost / Income Ratio - Return on Equity - Return on Capital Employed - Return on Investment	Cashflow indicators; - Equity ratio - Debt equity ratio - Solvency - Cashflow net margin	The systematic of business success; - Development of profitability - Business and order development - Developm. of throughput times - Customer acquisition

Steps	Criteria	Sources
1. Current financial situation	Profitability/Cash	Annual Report, Bank ratings, BSC
2. Competiveness	Customer segments, branch, competitors, structural- and relational capital	Business environment analysis, Intellectual Capital Statement, BSC
3. Ability to change	Innovation capability, fixed vs. variable costs, human capital	Intellectual Capital Statement, BSC
4. (Future) Earnings Capability (steps 1 to 3)	Earnings Capability Index™	Analysis of steps 1 to 3.
5. Management action items	Activity plan	ECI report, BSC
6. Implementation (in business operations)	i.e. CRM or HR development	i.e. job and process descriptions, customer survey
7. Follow-up, controlling	Verification of index	Actuals vs. Plan, KPI (adjusted)

# The Logic behind the Earnings Capability Index (ECI)™

**Earnings Capability Index (ECI)™**  
 = Forecast on Business Success  
 and Profitability

Current Earnings		
<b>Cost / Income Ratio</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Cash</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Profitability</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Earnings sustainability</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Weighted Sum</b>		
Weight short term		80 %
Weight mid term		15 %
Weight long term		5 %
Short term EC forecast		0

Competitiveness		
<b>Customer Value</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Market Position</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Quality and Systematic Relational Capital</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Quality and Systematic Structural Capital</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Weighted Sum</b>		
Weight short term		40 %
Weight mid term		40 %
Weight long term		20 %
Mid term EC forecast		0

Ability to Change		
<b>Innovation and Growth Capability</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Payroll Flexibility</b>		
Value	0,0 %	0
Score	0	
Weight	1	
<b>Quality and Systematic Human Capital</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Interdependency Analysis HC, SC and RC</b>		
Value	0,0 %	0
Score	0	
Weight	2	
<b>Weighted Sum</b>		
Weight short term		5 %
Weight mid term		50 %
Weight long term		45 %
Long term EC forecast		0

Future Earnings Capability based on classical financial data

Current Earnings		Competitiveness		Ability to change	
<b>Cost / Income Ratio</b>		<b>Customer Value</b>		<b>Innovation and Growth Capability</b>	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	1	Weight	2
92		100		95	
<b>Accrued Earnings</b>		<b>Customer Potential</b>		<b>Payroll Flexibility</b>	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	2	Weight	2	Weight	1
100		100		50	
<b>Return on Equity</b>		<b>Market Penetration</b>		<b>Process Efficiency</b>	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	2	Weight	1
98		0		100	
Short term EC forecast		Mid term EC forecast		Long term EC forecast	
91		67		84	

Earnings Capability Index

<b>Earnings Sustainability</b>		<b>Quality and Systematic Relational Capital</b>		<b>Quality and Systematic Human Capital</b>	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	2	Weight	2
71		72		67	
<b>Quality and Systematic Structural Capital</b>		<b>Interdependency Analysis HC, SC and RC</b>			
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	2	Weight	2
71		30			
<b>Weighted Sum</b>		<b>Weighted Sum</b>		<b>Weighted Sum</b>	
92		64		67	
Weight short term	80 %	Weight short term	40 %	Weight short term	5 %
Weight mid term	15 %	Weight mid term	40 %	Weight mid term	50 %
Weight long term	5 %	Weight long term	20 %	Weight long term	45 %
Short term EC forecast		Mid term EC forecast		Long term EC forecast	
87		76		67	

Earnings Capability forecast based on classical financial data and indicators = 242 (= 91 + 67 + 84)

Earnings Capability Index (quantitative and qualitative indicators) = 230 (= 87 + 76 + 67)

→ Difference: -12 Punkte = -5%

Future Earnings Capability based on classical financial data

Current Earnings			Competitiveness			Ability to change		
<b>Cost / Income Ratio</b>			<b>Customer Value</b>			<b>Innovation and Growth Capability</b>		
Value	0,0 %	54	Value	0,0 %	100	Value	0,0 %	51
Score	0		Score	0		Score	0	
Weight	1		Weight	1		Weight	2	
<b>Accrued Earnings</b>			<b>Customer Potential</b>			<b>Payroll Flexibility</b>		
Value	0,0 %	79	Value	0,0 %	100	Value	0,0 %	81
Score	0		Score	0		Score	0	
Weight	2		Weight	2		Weight	1	
<b>Return on Equity</b>			<b>Market Penetration</b>			<b>Process Efficiency</b>		
Value	0,0 %	97	Value	0,0 %	58	Value	0,0 %	100
Score	0		Score	0		Score	0	
Weight	1		Weight	2		Weight	1	
Short term EC forecast		81	Mid term EC forecast		82	Long term EC forecast		78

Earnings Capability Index

			<b>Quality and Systematic Relational Capital</b>			<b>Quality and Systematic Human Capital</b>		
			Value	0,0 %	50	Value	0,0 %	48
			Score	0		Score	0	
			Weight	2		Weight	2	
<b>Earnings Sustainability</b>			<b>Quality and Systematic Structural Capital</b>			<b>Interdependency Analysis HC, SC and RC</b>		
Value	0,0 %	68	Value	0,0 %	51	Value	0,0 %	35
Score	0		Score	0		Score	0	
Weight	1		Weight	1		Weight	2	
Weighted Sum		75	Weighted Sum		71	Weighted Sum		56
Weight short term		80 %	Weight short term		40 %	Weight short term		5 %
Weight mid term		15 %	Weight mid term		40 %	Weight mid term		50 %
Weight long term		5 %	Weight long term		20 %	Weight long term		45 %
Short term EC forecast		73	Mid term EC forecast		70	Long term EC forecast		64

Earnings Capability forecast based on classical financial data and indicators = 241 (= 81 + 82 + 78)

Earnings Capability Index (quantitative and qualitative indicators) = 207 (= 73 + 70 + 64)

→ Difference: -34 Punkte = -14%