

## **ABSTRACT**

*In facing the dynamic economic movements and the increase of competition between companies since entering the Association of Southeast Asian Nations (ASEAN) open markets, each company must always be sensitive to the challenges and opportunities that exist to maintain or even increase both tangible and intangible competitive advantages. However, the company owner's lack of awareness on the importance of Knowledge-Based Business in managing dynamic knowledge makes the company gain a minimum profit. If the company can apply science and technology well, it will indirectly increase the investor's trust in the company and will have an impact on the company's financial performance. This study uses the measurement approach of Value Added Intellectual Capital (VAIC) which has 3 (three) components, namely Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA) on intangible assets owned by the company.*

*This study aims to determine the influence of Intellectual Capital on Company's Financial Performance that is proxied by the Return on Equity (ROE) indicator. This type of research belongs to a casual descriptive verificative with a sample population of Pharmaceutical Sub-Sector companies listed on the Indonesia Stock Exchange in 2014-2018. Samples were selected using the Nonprobability Sampling method with the Purposive Sampling technique and obtained 8 companies as the research samples. This study uses panel data regression models and hypothesis testing both partially and simultaneously using t-test and F-test to determine the relationship between variables in the study.*

*The results showed that partially VACA and VAHU effect the company's financial performance, but STVA did not effect the company's financial performance. While simultaneously, VACA, VAHU, and STVA together affect the company's financial performance.*

**Keywords:** *Return On Equity (ROE), Structural Capital Value Added (STVA), Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), Value Added Intellectual Capital (VAIC)*