

# S07.08-WC ratios

## Financial indicators

### Working Capital Ratios

#### 1. Working Capital and Industrial Working Capital

- The **Working Capital** enables the Group to evaluate the balance between inventories, what is owed by customers and what should be paid suppliers.

$$\text{WC} = \text{Inventories} + \text{Receivables} - \text{Payables}$$

To improve the WC, inventories should be reduced, short payment conditions with our customers should be negotiated and, in contrast, advantageous payment conditions with our suppliers should be arranged.

- Working Capital** includes

<b>TOT-A300</b>	<b>+ Total Inventories</b>		
STOT-A300			+ Inventories - Gross
A31000			+ Inventory: raw materials
A34000			+ Inventory: work-in-progress
A37000			+ Inventory: finished and semi-finished goods
STOT-A390			+ Inventories - Write-down
A39100			+ Inventory write-down: raw materials
A39400			+ Inventory write-down: work-in-progress
A39700			+ Inventory write-down: finished and semi-finished goods
	<b>+ Total Receivables</b>		
STOT-A410			+ Trade receivables
A41100			+ Trade receivables
A49100			+ Trade receivables - Write-down
TOT-A400			+ Other short-term receivables
STOT-A400			+ Other short-term receivables - Gross
			Excluding
A44100			- Income taxes receivable
A46100			- Dividends receivable
STOT-A490			+ Other short-term receivables - Write-down
	<b>- Total Payables</b>		
L40100			+ Trade payables
L40800			+ Fixed assets suppliers
STOT-L400			+ Other short-term payables
			Excluding
L44800			- Income taxes payable
L46930			- Dividends payable

- Industrial Working Capital**

**Industrial Working Capital** = Working capital as stated above

**EXCLUDING** Other ST receivables/payables and fixed assets suppliers

**But INCLUDING:**

- A40160 - Advances paid to suppliers
- L41160 - Advances received from customers

## 2. Working Capital Ratios

Sales and costs annualization should be computed as following:

- On January month Sales annualized (Sales A) = Sales on Jan. x 12 ★
- On February month Sales A = (Sales Jan. + Sales Feb) x 6 ★
- On month M dated from March Sales A = (Sales on M month+ M-1 month + M-2 month) x 4 ★★

★ Due to structure effects, we don't use the monthly Y-1 Sales.

★★ From March, we used the last 3 months of sales = compatibility with overdues.

For these ratios, advances (paid and received) and transferred receivables (related to securitization) are not deducted.

### 2.1. Inventories

Inventories in days of VC + NVC = 365 \* Inventories / (VC + NVC Annualized) like sales calculations.

ST-CP-PM	VC = Product Market VC		
R15400			+ Proportional costs of sales - Standard
R15410			+ Actual/Standard variance - Proportional costs of sales
R15430			+ Elimination of margin in inventories

ST-CNP-PM	NVC = Product Market NVC		
R25490			+ Non-proportional costs of production
R25460			+ Period non-proportional costs linked to production
R25470			+ Absorption of non-proportional costs linked to production
R25410			+ Actual/Standard variance - Non-proportional costs of production
STOT-R258			+ Production depreciation - actual

### 2.2. Receivables

- Total Receivables in days of Sales = 365 \* Total receivables / Total Sales annualized
- Product/Market (PM) Receivables in days of PM Sales = 365 \* PM Receivables / PM Sales Annualized
- Services Receivables in days of Services Sales = 365 \* Services Receivables / Services Sales Annualized

### 2.3. Payables

- Total payables in days of VC = 365 \* Payables / (VC PM + VC Services) Annualized
- PM Payables in days of VC = 365 \* PM Payables / VC PM Annualized