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30 November, 2010 / Mei
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Draft IFRIC Interpretation on Stripping Costs in the Production Phase of a Surface Mine

Dear Sirs

We very much welcome the opportunity to comment on the above-captioned draft IFRIC interpretation.

We would like to point out that the proposals are fully in line with Holcim's existing accounting policy on stripping costs as we believe the requirements of IAS 16 Property, Plant and Equipment apply. Therefore, from our point of view, an interpretation is not necessary.

Question 1 – Definition of a stripping campaign

The proposed Interpretation defines a stripping campaign as a systematic process undertaken to gain access to a specific section of the ore body, which is a more aggressive process than routine waste clearing activities. The stripping campaign is planned in advance and forms part of the mine plan. It will have a defined start date and it will end when the entity has completed the waste removal activity necessary to access the ore to which the campaign is associated.

Do you agree that the proposed definition satisfactorily distinguishes between a stripping campaign and routine waste clearing activities? If not, why?

We believe that the proposed definition satisfactorily distinguishes between a stripping campaign which is capitalized as part of PPE and routine waste clearing activities which are normally expensed when incurred.

Question 2 – Allocation to the specific section of the ore body

The proposed Interpretation specifies that the accumulated costs recognised as a stripping campaign component shall be depreciated or amortised in a rational and systematic manner, over the specific section of the ore body that becomes directly accessible as a *result of the stripping campaign. The units of production method is applied unless another method is more appropriate.*

(a) Do you agree with the proposal to require the stripping campaign component to be depreciated or amortised over the specific section of the ore body that becomes accessible as a result of the stripping campaign? If not, why?

Yes, we believe that the stripping campaign component should be depreciated over the specific section of the ore body that becomes accessible as a result of the stripping campaign since these costs were directly incurred in order to improve access to those raw materials.

(b) Do you agree with the proposal to require the units of production method for depreciation or amortisation unless another method is more appropriate? If not, why not?

We agree with the proposal to require the units of production method for depreciation since this best reflects the consumption of economic benefits related to the area exposed as a result of the stripping campaign.

Question 3 – Disclosures

The proposed Interpretation will require the stripping campaign component to be accounted for as an addition to, or an enhancement of, an existing asset. The stripping campaign component will therefore be required to comply with the disclosure requirements of that existing asset.

Is the requirement to provide disclosures required for the existing asset sufficient? If not, why not, and what additional specific disclosures do you propose and why?

We agree with the proposal that to provide disclosures required for the existing asset is sufficient.

Question 4 – Transition

Entities would be required to apply the proposed Interpretation to production stripping costs incurred on or after the beginning of the earliest comparative period.

(a) Do you agree that this requirement is appropriate? If not, what do you propose and why?

We agree with the proposed transition requirements.

The proposed Interpretation requires any existing stripping campaign component to be recognised in profit or loss, unless the component can be directly associated with an identifiable section of the ore body. The proposed Interpretation also requires any stripping cost liability balances to be recognised in profit or loss on transition.

(b) Do you agree with the proposed treatment of existing stripping cost balances? If not, what do you propose and why?

We agree with the proposed transition requirements relating to existing stripping cost balances. However, we find it difficult to comprehend how a company can recognize a stripping cost liability unless it relates to an unpaid amount as a result of stripping activities carried out by a third party in the past.

We thank you for the opportunity to submit our contribution to your due process.

If you would like further clarification of the points raised in this letter, either of the undersigned would be happy to discuss these further with you.

Keith Cameron
Head Standards and Accounting Principles

Raymond Meile
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