

4.10.1 Stripping Costs

Definition

Costs in connection with the preparation of mineral reserves to commence excavation of the raw materials (e.g. removal of overburden) are called stripping costs. This includes third party costs as well as own costs (labor, utilization of machines and material).

Accounting Treatment for Capitalization

Stripping costs incurred both before and during the operation of the mineral reserves have to be capitalized if they qualify under the capitalization rules of property, plant and equipment i.e. if the value of stripping is greater than or equal to USD 20,000 and the useful life of stripping is more than 1 year as described in '[Property, Plant and Equipment](#)'. These costs are capitalized as 'Mineral Reserves' in the category 'Land and mineral reserves' of [property, plant and equipment](#).

All other stripping costs are expensed as incurred to the appropriate type of cost.

Site installation costs (e.g. for draining, pumps, fences, roads etc.) are not considered as stripping costs and therefore have to be capitalized in each appropriate category of PPE, based on the capitalization rules set out in [property, plant and equipment](#). They are not allowed to be included in the category 'Mineral Reserves'.

Depreciation and Amortization

Capitalized stripping costs have to be depreciated based on tons of raw material exposed by the stripping over the life of those reserves exposed. Practically, this is done based on an estimate made by a geologist or similar expert, subject to any legal or contractual limitations of the volumes to be extracted.

The related depreciation and amortization is recorded as type of cost "Depreciation and Amortization of Long-Term Operating Assets" in the following cost centers:

- 'Raw Material Extraction' for clinker and cement
- 'Quarry / Pit Preparation' for aggregates

Reporting Requirements

Capitalized stripping costs have to be reported under PPE on line 31 (Land and mineral reserves). Depreciation of capitalized costs are to be classified on line 105 (depreciation and amortization of PPE).