



FOR IMMEDIATE RELEASE  
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### **ASARCO Files Chapter 11 Reorganization**

TUCSON, Arizona – ASARCO LLC (Asarco) announced today that it has filed a voluntary petition for Chapter 11 reorganization in the United States Bankruptcy Court in Corpus Christi, Texas. “Asarco has elected to seek protection under the bankruptcy laws for the benefit of all of its creditors and stakeholders,” said Daniel Tellechea, CEO and President of the Company. “We are determined to complete our reorganization as quickly and smoothly as possible,” Tellechea said.

“Asarco regrets any inconvenience that this decision may impose on its creditors and stakeholders,” said Mr. Tellechea, “but we believe that the Chapter 11 process is the best way for the Company to reorganize its liabilities, reduce its operating costs and restructure its balance sheet in order to be viable in the long term.”

“I have been asked, ‘Why now?’” said Mr. Tellechea. “Creditors and labor unions may mistakenly believe that Company operations have returned to profitability, given currently high copper prices. But in fact we are still recovering from the last long downturn in the copper market. A number of factors have combined to overwhelm us, including historical asbestos and environmental liability, high cost pension and health benefits plans, the current labor strike and the downgrading of the Company’s debt rating. Because of these factors, Asarco has some of the highest cost operations in the copper industry. By filing chapter 11 now, Company management can act to protect jobs, reduce costs and preserve Asarco’s long-term viability,” Tellechea added.

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Approximately 95,000 asbestos-related personal injury claims are pending against Asarco and/or two of Asarco's non operating subsidiaries that historically engaged in asbestos mining and cement pipe manufacturing. Asarco's asbestos-impacted subsidiaries voluntarily filed for chapter 11 last April in Corpus Christi to take advantage of the Bankruptcy Code's special provisions for asbestos-related liabilities. In addition, Asarco is a party in numerous consent decrees and lawsuits brought by federal and state environmental authorities and private entities as a result of the Company's lead, zinc, cadmium, arsenic and copper mining, smelting and refining operations over the last 106 years.

"A three-year standstill agreement with the federal government on environmental remediation obligations, negotiated in 2003, ends in early 2006," said Mr. Tellechea. "Although the deadline is several months away, we are already feeling increased pressure to meet additional remediation demands. Global settlement of our historical environmental liability has not been possible, leaving Asarco without legal or economic certainty," he concluded.

In June 2004, Asarco began negotiating new collective agreements with union officials, which include health and pension benefits. The Company has sought concessions to reduce costs in order to achieve long-term profitability. Approximately 1500 hourly employees in Arizona and Texas commenced a strike over the July 4<sup>th</sup> holiday weekend as part of the unions' negotiating strategy. Asarco's facilities presently are producing copper on a reduced basis with the help of salaried and some hourly employees. "We hope our hourly employees return to work so that Asarco can improve its existing financial position and continue operating," Mr. Tellechea said.

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Within the last month, Standard & Poor Services downgraded Asarco's long-term corporate credit rating from BB- to CCC and changed its outlook on the Company from positive to negative. In doing so, the S&P cited the same challenges and uncertainties mentioned above.

Asarco is a Tucson-based integrated copper mining, smelting and refining company.

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