



NEWS

ASARCO Incorporated
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McAllister Reviews Asarco's Results, Merger Plans And Market Outlook for Analysts

NEW YORK, N.Y., July 23, 1999 -- ASARCO Incorporated (NYSE:AR) Chairman and Chief Executive Officer Francis R. McAllister reviewed Asarco's solid progress on cost reduction, the forthcoming merger with Cyprus Amax Minerals Company which will lead to significant long-term value for shareholders, and updated the outlook for the copper market in a presentation to financial analysts today.

Asarco announced yesterday its results for the second quarter, reporting a net loss of \$21.1 million, or 53 cents per common share, for the quarter ended June 30, 1999, compared with a net loss of \$14.5 million, or 37 cents per common share, for the quarter ended June 30, 1998.

Merger to benefit shareholders

McAllister reviewed for analysts the recently announced merger of equals between Asarco and Cyprus, noting that the resulting company, Asarco Cyprus Incorporated, will be the largest publicly traded copper company with beneficial production of about 2 billion pounds annually, or about 8 percent of Western World refined copper production. The Company will also be the world's largest producer of molybdenum. On a combined basis, the Company will have copper in ore reserves of about 78 billion pounds, with a beneficial interest of 62 billion pounds, and significant molybdenum reserves.

"The merger," McAllister said, "is expected to result in substantial expense reductions of at least \$150 million annually and cash costs will drop to 50 cents per pound when the synergies are fully implemented. At that time, Asarco Cyprus will require a copper price of only 65 cents per pound to break even on a net earnings basis. As a result of the expense reductions, the transaction will be accretive to earnings in 2000."

Operating improvements and cost-reduction programs instituted in reaction to the copper market continue to reduce Asarco cash costs and contribute to earnings improvements, McAllister told the analysts. The programs added \$12.5 million to net earnings in the second quarter as compared with 1998's second quarter. "We anticipate a 1999 cash cost of 60 cents per pound on a consolidated basis," McAllister said

In recent weeks, the Company has announced production changes at Asarco and at Southern Peru Copper Company in which Asarco has a 54.3% interest. Adverse weather conditions in Peru have reduced production there by 60 million pounds this year compared with previous estimates. Conditions in Peru are improving and production is expected to increase in the third and fourth quarters. Hard ore at the Ray Complex will reduce prior production estimates there by 25 million pounds. Asarco plans to increase crushing capacity to raise throughput at Ray. At the Mission Complex, changes in the mine plan will reduce production by about 55 million pounds on an annual basis saving \$6 million annually.

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Market outlook

McAllister said there have been reductions of over half a million tons of annual copper production in recent weeks. "By our estimate," he said, "annual production has been cut by almost 1.1 million tons or almost 10% of Western mine supply since early 1998. Continued growth in consumption, along with these production cuts, is more than enough to offset the significant new mine production which has and is forecast to reach the market. After the traditional summer build-up in stocks, we expect the market to return to a deficit position sometime in the fourth quarter and remain in a deficit in 2000."

ASARCO Incorporated is one of the world's leading producers of copper, specialty metals and aggregates.

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