

# ASARCO NEWS

ASARCO Incorporated  
180 Maiden Lane  
New York, N.Y. 10038-4991

## ASARCO REPORTS SECOND QUARTER RESULTS

NEW YORK, NY, July 22, 1999 -- ASARCO Incorporated (NYSE:AR) today reported 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.

For the six months ended June 30, 1999, Asarco reported a net loss of \$56.4 million, or \$1.42 per share, compared with a net loss of \$46.3 million, or \$1.17 per share, for the six months ended June 30, 1998. Results for the first six months of 1998 included an after-tax charge of \$16.0 million related to the sale of the Company's Missouri lead business and for severance costs associated with a subsidiary's cost reduction program.

Sales of products and services were \$490.7 million in the second quarter of 1999 compared with \$571.1 million in the same period of 1998. Sales of products and services for the first six months of 1999 were \$966.0 million compared with \$1,185.7 million for the same period in 1998.

The average price for copper on both the New York Commodity Exchange (COMEX) and the London Metal Exchange (LME) in the second quarter of 1999 was 67 cents per pound compared with a COMEX price of 78 cents per pound and LME price of 79 cents per pound, in the second quarter of 1998. The impact of the lower copper prices reduced earnings by approximately \$19.1 million when compared with the second quarter of 1998.

Announcing the Company's results, Asarco Chairman and Chief Executive Officer Francis R. McAllister said, "Through aggressive implementation of its ongoing cost reduction program the Company was able to offset some of the effect of low copper prices. The Company's cost reduction program and other operating improvements are estimated to have reduced the after-tax loss in the second quarter of 1999 by \$12.5 million compared with the second quarter of 1998. Through the six months of 1999, these improvements have produced an after-tax benefit of \$27.9 million over the prior year. The cost reduction programs in place at Asarco and its 54.3% owned subsidiary, Southern Peru Copper Corporation (SPCC), have also had a significant effect on the Company's production costs. The Company's consolidated cash cost per pound of copper produced was 60 cents per pound for the first six months of 1999 compared with 66 cents per pound for the first six months of 1998.

"In order to further reduce operating costs the Company has made operating changes at its Mission mine, that will decrease production by approximately 55 million pounds annually. The change will also result in the layoff of approximately 150 employees at the mine. Unusually hard ore has adversely affected mill throughput at the Ray mine, which will result in reduced production of approximately 25 million pounds during 1999. Overall, the effect on 1999 production is estimated to be a reduction of 52 million pounds."

The Company's beneficial interest in mined copper production totaled 246.4 million pounds in the second quarter of 1999 compared with 252.5 million pounds in the second quarter of 1998. Lower copper production at the Company's Mission and Ray copper mines was partially offset by higher production at SPCC's operations. Mined copper production at SPCC increased by 14% compared with the second quarter of last year due to the Cuajone mine expansion, which was completed in the first quarter of 1999.

The Company's specialty chemicals business, Enthone-OMI Inc., had pre-tax profits of \$8.4 million in the second quarter of 1999, an increase from \$8.2 million in the second quarter of 1998 mostly as a result of higher sales in North America.

Profits for the Company's aggregates business were \$4.2 million in the second quarter of 1999, compared with \$4.3 million in the second quarter of the prior year. Although sales were higher in the second quarter of 1999 compared with 1998, margins were slightly lower due to the mix of products sold.

Commenting on the Company's performance and its outlook for the remainder of 1999, McAllister said, "The recent announcement of mine closures and production cuts has had a positive effect on the copper price. We estimate that these closures will reduce annual production by approximately 500,000 tons, which should bring the market into balance. Demand for our products remains strong and coupled with the progress we've made in reducing our production costs, we look forward to improved results for the balance of this year and in 2000.

"Last week we announced the planned merger of Asarco and Cyprus Amax Minerals Company. We are very excited about the new opportunities this merger will create. The new Company, Asarco Cyprus Incorporated, will be the largest publicly traded copper company in the world. With its larger size and financial capacity, Asarco Cyprus will be better able to expand its low cost copper production and take advantage of other growth opportunities. The merger will improve the Company's ability to meet the challenges of low copper prices and to generate substantial cash flow during periods of strong copper prices. We believe this merger will create significant long term value for our shareholders."

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

###

ASARCO Incorporated  
and Subsidiaries

SUMMARY OF EARNINGS  
(Unaudited)

Three Months Ended  
June 30,  
(in millions, except per share data)      Six Months Ended  
June 30,  
(in millions, except per share data)

	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Sales	\$ 490.7	\$ 571.1	\$ 966.0	\$ 1,185.7
Earnings (loss) before taxes, minority interest and non-recurring items	\$ (28.2)	\$ (7.0)	\$ (77.6)	\$ (23.9)
Taxes on income (benefit)	<u>(9.0)</u>	<u>(1.5)</u>	<u>(25.1)</u>	<u>(8.8)</u>
Earnings (loss) before minority interests and non-recurring items	(19.2)	(5.5)	(52.5)	(15.1)
Minority interests	<u>(1.9)</u>	<u>(9.0)</u>	<u>(3.9)</u>	<u>(15.2)</u>
Earnings (loss) before non-recurring items	(21.1)	(14.5)	(56.4)	(30.3)
Non-recurring items, net of taxes	-	-	-	(16.0)
<b>Net earnings (loss)</b>	<b>\$ (21.1)</b>	<b>\$ (14.5)</b>	<b>\$ (56.4)</b>	<b>\$ (46.3)</b>
Weighted average common shares outstanding (Basic)	39.7	39.7	39.7	39.7
Weighted average common shares outstanding (Diluted)	39.7	39.7	39.7	39.7
Net earnings (loss) per share (Basic)	\$ (0.53)	\$ (0.37)	\$ (1.42)	\$ (1.17)
Net earnings (loss) per share (Diluted)	\$ (0.53)	\$ (0.37)	\$ (1.42)	\$ (1.17)

ASARCO Incorporated  
and Subsidiaries

Second Quarter and Six Months Results

	Three Months Ended June 30, (in millions)		Six Months Ended June 30, (in millions)	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
<u>Segment Sales</u>				
Copper	\$ 362.9	\$ 426.7	\$ 725.4	\$ 911.6
Specialty Chemicals	\$ 89.3	\$ 90.0	\$ 174.9	\$ 173.0
Aggregates	\$ 16.1	\$ 14.8	\$ 25.6	\$ 24.6
Exploration	\$ -	\$ -	\$ -	\$ -
All Other	\$ 22.4	\$ 39.6	\$ 40.1	\$ 76.5
 <u>Segment Operating Income</u> (incl. Equity Earnings)				
Copper	\$ (17.2)	\$ (1.9)	\$ (46.8)	\$ (0.2)
Specialty Chemicals	\$ 8.4	\$ 8.2	\$ 15.6	\$ 15.9
Aggregates	\$ 4.2	\$ 4.3	\$ 4.6	\$ 5.5
Exploration	\$ (5.2)	\$ (4.1)	\$ (7.2)	\$ (10.2)
All Other	\$ (4.2)	\$ (9.4)	\$ (12.9)	\$ (41.7)

ASARCO Incorporated  
and Subsidiaries

Average Metal Prices

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Copper (per pound - COMEX)	\$0.67	\$0.78	\$0.65	\$0.78
Copper (per pound - LME)	\$0.67	\$0.79	\$0.65	\$0.78
Silver (per ounce - COMEX)	\$5.13	\$5.69	\$5.20	\$5.96
Zinc (per pound - LME)	\$0.46	\$0.48	\$0.46	\$0.48
Molybdenum (per pound - Metals Week Dealer Oxide)	\$2.58	\$3.90	\$2.60	\$3.87

Metal Production and Sales

Three Months Ended June 30,

	<u>1999</u>			<u>1998</u>		
	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>
Copper (000s pounds)						
Asarco	153,600	203,600	302,600	171,300	258,100	289,900
SPCC	180,000	160,700	181,200	157,800	163,600	167,200
Consolidated	333,600	364,300	483,800	329,100	421,700	457,100
Asarco Beneficial Interest	246,400	286,200	396,100	252,500	342,400	376,100
Silver (000s ounces)						
Asarco	1,182	6,750	4,178	1,515	5,666	5,096
SPCC	743	586	674	614	690	764
Consolidated	1,925	7,336	4,852	2,129	6,356	5,860
Asarco Beneficial Interest	1,577	7,062	4,537	1,842	6,033	5,503
Zinc (000s pounds)						
Asarco	33,700		33,600	42,400		38,000
Molybdenum (000s pounds)						
Asarco	959		959	1,254		1,254
SPCC	3,196		3,228	2,339		2,730
Consolidated	4,155		4,187	3,593		3,984
Asarco Beneficial Interest	2,660		2,677	2,499		2,707

Note: SPCC presented at 100%.

At June 30, 1999 and 1998, Asarco's equity ownership was 54.3% and its beneficial interest in SPCC was 53.2%.

Metal Production and Sales

Six Months Ended June 30,

	<u>1999</u>			<u>1998</u>		
	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>
Copper (000s pounds)						
Asarco	319,200	434,200	631,500	329,800	534,900	624,900
SPCC	357,600	322,200	349,900	310,900	321,600	337,200
Consolidated	676,800	756,400	981,400	640,700	856,500	962,100
Asarco Beneficial Interest	503,600	599,800	811,900	490,100	700,900	799,100
Silver (000s ounces)						
Asarco	2,387	11,127	8,668	2,967	13,939	10,918
SPCC	1,511	1,166	1,307	1,254	1,345	1,518
Consolidated	3,898	12,293	9,975	4,221	15,284	12,436
Asarco Beneficial Interest	3,191	11,748	9,364	3,634	14,654	11,726
Zinc (000s pounds)						
Asarco	66,600		70,700	83,400		75,000
Molybdenum (000s pounds)						
Asarco	1,885		1,890	2,719		2,719
SPCC	5,682		5,552	5,464		5,581
Consolidated	7,567		7,442	8,183		8,300
Asarco Beneficial Interest	4,909		4,845	5,625		5,687

Note: SPCC presented at 100%.

At June 30, 1999 and 1998, Asarco's equity ownership was 54.3% and its beneficial interest in SPCC was 53.2%.

ASARCO Incorporated  
and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(in thousands, except per share data)			
Sales of products and services	\$ 490,704	\$ 571,148	\$ 966,011	\$ 1,185,658
Operating costs and expenses:				
Cost of products and services	424,227	496,188	855,274	1,033,972
Selling, administrative and other	35,859	33,836	72,092	71,284
Depreciation and depletion	37,164	35,686	73,117	71,958
Research and exploration	7,009	6,841	10,676	15,041
Environmental and other closed plant charges, net of recoveries	1,582	1,426	3,681	5,980
Asset dispositions and impairments	-	-	-	20,000
Total operating costs and expenses	<u>505,841</u>	<u>573,977</u>	<u>1,014,840</u>	<u>1,218,235</u>
Operating income (loss)	(15,137)	(2,829)	(48,829)	(32,577)
Interest expense	(18,848)	(16,398)	(38,337)	(33,858)
Other income	<u>5,754</u>	<u>12,229</u>	<u>9,584</u>	<u>19,348</u>
Earnings (loss) before taxes on income and minority interests	(28,231)	(6,998)	(77,582)	(47,087)
Taxes on income (benefit)	<u>(9,002)</u>	<u>(1,482)</u>	<u>(25,083)</u>	<u>(15,975)</u>
Earnings (loss) before minority interests	(19,229)	(5,516)	(52,499)	(31,112)
Minority interests in net earnings of consolidated subsidiaries	(1,834)	(9,026)	(3,882)	(15,236)
Net earnings (loss)	<u>\$ (21,063)</u>	<u>\$ (14,542)</u>	<u>\$ (56,381)</u>	<u>\$ (46,348)</u>
Per share amounts:				
Net earnings (loss):				
Basic	<u>\$ (0.53)</u>	<u>\$ (0.37)</u>	<u>\$ (1.42)</u>	<u>\$ (1.17)</u>
Diluted	<u>\$ (0.53)</u>	<u>\$ (0.37)</u>	<u>\$ (1.42)</u>	<u>\$ (1.17)</u>
Cash dividends	<u>\$ 0.05</u>	<u>\$ 0.20</u>	<u>\$ 0.10</u>	<u>\$ 0.40</u>
Weighted average number of shares outstanding (Basic)	<u>39,747</u>	<u>39,657</u>	<u>39,711</u>	<u>39,654</u>
Weighted average number of shares outstanding (Diluted)	<u>39,747</u>	<u>39,657</u>	<u>39,711</u>	<u>39,654</u>



ASARCO Incorporated  
and Subsidiaries

CONSOLIDATED BALANCE SHEET  
(unaudited)

	June 30, <u>1999</u>	December 31, <u>1998</u>
(in thousands)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 124,744	\$ 193,048
Marketable securities	31,688	22,705
Accounts and notes receivable, net	403,743	409,792
Inventories	305,037	352,411
Other assets	103,636	104,809
Total current assets	968,848	1,082,765
Investments:		
Available-for-sale and other cost	123,186	121,532
Equity	66,675	64,465
Net property	2,592,344	2,526,567
Other assets including intangibles, net	226,250	228,480
Total Assets	\$ 3,977,303	\$ 4,023,809
<b>LIABILITIES</b>		
Current liabilities:		
Bank loans	\$ 15,884	\$ 4,963
Current portion of long-term debt	31,462	27,676
Accounts payable	374,963	336,501
Salaries and wages	32,427	27,268
Taxes on income	90,304	84,007
Reserve for closed plant and environmental matters	47,658	53,394
Other current liabilities	41,187	47,611
Total current liabilities	633,885	581,420
Long-term debt	1,016,530	1,014,942
Deferred income taxes	27,735	56,045
Reserve for closed plant and environmental matters	76,120	90,985
Postretirement benefit obligation other than pensions	110,478	108,741
Other liabilities and reserves	119,575	113,754
Total non-current liabilities	1,350,438	1,384,467
<b>MINORITY INTERESTS</b>	534,463	533,329
<b>COMMON STOCKHOLDERS' EQUITY</b>		
Common Stock (a)	525,112	521,956
Accumulated other comprehensive income, net of tax	(15,097)	(6,989)
Retained earnings	948,502	1,009,626
Total Common Stockholders' Equity	1,458,517	1,524,593
Total Liabilities, Minority Interests and Common Stockholders' Equity	\$ 3,977,303	\$ 4,023,809
(a) Common Shares: Authorized 80,000; Outstanding:	39,767	39,652

ASARCO Incorporated  
and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Condensed)

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(in thousands)		(in thousands)	
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (21,063)	\$ (14,542)	\$ (56,381)	\$ (46,348)
Depreciation and depletion	37,164	35,686	73,117	71,958
Provision (benefit) for deferred income taxes	(13,097)	(5,843)	(27,743)	(24,965)
Net loss on sale of investments and property	340	98	310	275
Decrease in reserves for closed plant and environmental matters	(7,827)	(23,817)	(20,601)	(33,971)
Minority interests	1,834	9,026	3,882	15,236
Provision for asset impairment	-	-	-	20,000
Cash provided from operating assets and liabilities	32,946	102,839	101,736	62,710
Other, net	(626)	2,192	(803)	1,291
	<u>29,671</u>	<u>105,639</u>	<u>73,517</u>	<u>66,186</u>
Net cash provided from operating activities				
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(73,778)	(71,630)	(144,650)	(171,127)
Net proceeds from (purchases of) held to maturity investments	(6,151)	65,894	(8,983)	152,800
Other, net	1,067	(45,412)	1,842	(46,531)
	<u>(78,862)</u>	<u>(51,148)</u>	<u>(151,791)</u>	<u>(64,858)</u>
Net cash used for investing activities				
<b>FINANCING ACTIVITIES</b>				
Debt incurred (repaid), net	(101)	8,424	15,657	47,066
Escrow withdrawals (deposits) on long-term loans	(40)	5,385	(67)	7,000
Net treasury stock transactions	630	291	1,599	(1,628)
Net distributions to minority interests	(1,797)	(4,726)	(2,748)	(16,092)
Dividends paid to common stockholders	(1,986)	(7,932)	(3,970)	(15,861)
	<u>(3,294)</u>	<u>1,442</u>	<u>10,471</u>	<u>20,485</u>
Net cash provided from (used for) financing activities				
Effect of exchange rate changes on cash	2,982	(1,243)	(501)	(49)
	<u>2,982</u>	<u>(1,243)</u>	<u>(501)</u>	<u>(49)</u>
Effect of exchange rate changes on cash				
Increase (decrease) in cash and cash equivalents	<u>\$ (49,503)</u>	<u>\$ 54,690</u>	<u>\$ (68,304)</u>	<u>\$ 21,764</u>