

ASARCO NEWS

ASARCO Incorporated
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FOR IMMEDIATE RELEASE

Asarco Shareholders Elect Five Directors; Hear Reports on Organizational Changes, Results and Corporate Strategy

NEW YORK, N.Y., April 28, 1999 -- ASARCO Incorporated (NYSE: AR) shareholders today elected five directors and approved the selection of PricewaterhouseCoopers LLP as the Company's independent auditors at the Company's annual meeting here.

Elected to a two-year term on the board of directors was Richard de J. Osborne, who retired as chairman and chief executive officer of the Company following the meeting.

Elected to three-year board terms were: Kevin R. Morano, executive vice president and chief financial officer of Asarco; Michael T. Nelligan, chief executive officer of Don Ward Transport, Inc.; Manuel T. Pacheco, president of the University of Missouri; and James Wood, chairman of the board of directors of the Great Atlantic & Pacific Tea Company, Inc.

Mr. Osborne announced at the meeting that he had reached retirement age and, in accordance with Asarco policy, was stepping down as chairman and chief executive officer following the meeting. The board of directors elected Francis R. McAllister to succeed Osborne as chairman and CEO, Kevin R. Morano to succeed McAllister as president and chief operating officer, and William Dowd to be vice president and chief financial officer. Dowd had been Asarco's controller.

It was announced at the meeting that the Asarco board today declared a quarterly dividend of five cents per share, payable on June 2, 1999 to shareholders of record at the close of business on May 12, 1999.

Mr. Osborne commented on the Company's recent financial results and the outlook for the copper market and Mr. McAllister reviewed Asarco's current operations, its cost reduction programs and the Company's future strategy at the meeting.

1Q Financial Results

Asarco reported a loss of \$35.3 million, or 89 cents per share, in the first quarter of this year. The Company, Mr. Osborne said, is coping with the same issue as all other copper producers in the world: the fact that in real terms recent copper price have been at the lowest levels they've been in the 100 years of Asarco's corporate life.

"The closest the copper price came to the current price on an inflation adjusted basis," Mr. Osborne said, "was in 1932 at the depth of the Great Depression."

Each one-cent change in the price of copper, according to Mr. Osborne, affects Asarco's earnings by \$6.9 million, or 17.2 cents per share, and the decline in the price of copper during the first quarter, while partially offset by cost reductions and other operating improvements, lowered Asarco's net after-tax earnings by \$34.9 million.

(more)

Copper Market

In terms of fundamentals, however, Mr. Osborne pointed out that the market is in much better shape than current copper prices might suggest. The current supply of copper stocks represents less than six weeks of consumption and current production and consumption now appear to be in approximate balance. "Recent terminal market inventory increases appear to be the result of concentrate inventories accumulated during a smelting capacity bottleneck which existed in 1995 and 1996. Those concentrate inventories were smelted and released to the market in 1997 and 1998," he said.

"We expect the market (for copper) to grow about 3.1% this year and 3.5% next year and believe that the market will shift into a deficit in the fourth quarter of this year and that deficit will amount to about 200,000 tons next year.

"It seems to us that the extreme volatility that we now see in the copper price relates more to the influence of financial participants in the market -- commodity funds, hedge funds and trend-following funds -- who react more to market sentiment and trends than to supply/demand fundamentals.

"As sentiment shifts," he said, "as it appears to have shifted in recent weeks, we think the price of copper could respond rather rapidly."

Asarco Strategy

Mr. Osborne said that since copper prices are set by the market and are not within Asarco's control, the Company has geared its strategy to deal with matters it can control: its costs and its mix of businesses. "It has been our strategy to become a fully integrated producer of copper, from mine to refined product. Through acquisition, development and expansion programs, we have emerged in the last three years as the world's fifth largest copper mining company and the third largest fully integrated copper company. We think that level of integration protects us from the added volatility of the smelting and refining market," he said.

Cited as Asarco's implementation of other strategic actions by Mr. Osborne: Initiated an aggressive cost reduction program in late 1997 to respond to lower metals prices. Asarco expanded low-cost production, reduced personnel, reduced purchased service costs and invested in new high-productivity equipment.

Narrowed the focus of its business. In the last decade, Asarco sold or shut down 19 operations or businesses, including sale of its investments in Asarco Australia, M.I.M. Holdings, and most of Grupo Mexico, and sale of its Missouri lead business.

Expanded the operations of its three core businesses: copper, specialty chemicals and construction aggregates. Asarco spent more than \$1 billion modernizing and expanding its domestic copper business and is embarked on a \$1.2 billion modernization and expansion of its 54%-owned Southern Peru Copper Corporation operations. Further, the Company has made 13 acquisitions in the specialty chemical business and six in its construction aggregates business.

"These businesses," Mr. Osborne said, "have grown at a 26.3% and 9.3% compound rate in the last 10 years and in 1998 contributed more than \$45 million to our pre-tax earnings."

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Preparing for the Future

Incoming Asarco Chairman and Chief Executive Officer Frank McAllister said that, presented with the constants always facing the copper industry (the need to replace reserves, keep costs low, accommodate new technology, survive fluctuating price extremes and maintain good management practices), Asarco is preparing for its future in copper and other industries with promising growth potential.

“Copper consumption growth and a decade-long, double-digit growth in specialty chemicals and aggregates,” Mr. McAllister said, “support our strategic focus as one which has and will improve the Company’s return on equity. We’ve had 13 straight years of record demand for copper. At the same 3.4% annual growth rate over the next 10 years, the world will need an additional 5 million tons of copper. To meet this demand, we have expanded our copper ore reserves significantly and continue the pursuit for new copper reserves. Our reserves now have a life, at current production rates, of 37 years.

“We are expanding our production of low-cost copper at our existing properties including low-cost solvent extraction/electrowinning (SX/EW) applications at our Silver Bell and Ray mines and low-cost sulfide and SX/EW production in Peru. Smaller mining equipment is being replaced with much larger shovels and trucks, and state-of-the-art communications and control system computer technology is being used to enhance our management and work practices and lower costs.

“At Southern Peru,” Mr. McAllister said, “we are embarked on the largest capital spending program and expansion in Asarco’s history. We’re investing in the development of low-cost copper production and we’re modernizing Southern Peru’s Ilo smelter to be one of the world’s largest modern smelters with sulfur dioxide capture over 99%.

“While we are currently concentrating on our copper mining operations in the U.S. and in southern Peru,” he said, “the Company continues to investigate and pursue other mining opportunities with emphasis on the development of reserves of low-cost copper, and reserves of silver and gold. This effort is principally outside of the U.S. Investments in the countries of South America and Australia are of particular attraction to the Company because of our experience there and because of their favorable investment climates.

“Similarly, we expect continued growth and expansion in our specialty chemicals and aggregates businesses. The outstanding performance of Enthone-OMI, Asarco’s specialty chemicals business, results from capitalizing on carefully considered external and internal growth opportunities and quality management. American Limestone Company also has grown and contributed significantly to earnings. This growth will continue.”

Mr. McAllister said that Asarco is targeting these core businesses -- low-cost copper, specialty chemicals and aggregates -- because management believes they have the greatest potential for growth and because they will help the Company to achieve its key management objective: Enhanced return on equity for its shareholders.

ASARCO Incorporated, which celebrates its centennial this year, is one of the world’s leading integrated producers of nonferrous metals, particularly copper. Asarco also produces specialty chemicals, aggregates and other metals.

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