



## NEWS

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

### ASARCO REPORTS FOURTH QUARTER AND FULL YEAR RESULTS

NEW YORK, N.Y. January 27, 1999 -- ASARCO Incorporated (NYSE:AR) today reported a net loss of \$24.0 million, or 60 cents per share before a special non-recurring after-tax charge of \$44.7 million (\$66.1 million pre-tax), for the quarter ended December 31, 1998, compared with net earnings of \$5.1 million, or 13 cents per common share on a diluted basis, for the quarter ended December 31, 1997. Including the non-recurring charge, the net loss for the fourth quarter of 1998 was \$68.7 million or \$1.73 per share.

For the full year ended December 31, 1998, Asarco reported a net loss of \$69.9 million, or \$1.76 per share before non-recurring items, and \$130.6 million, or \$3.29 per share including non-recurring items, compared with net income of \$98.3 million or \$2.34 per diluted share before non-recurring gains and \$143.4 million, or \$3.42 per diluted share including non-recurring items, for the year ended December 31, 1997. Results for the full year 1998 include the fourth quarter non-recurring charge and a non-recurring charge made in the first quarter of the year of \$16.0 million (\$23.2 million pre-tax) related to the sale of the Company's Missouri Lead Division and for severance costs in connection with a cost reduction program. Earnings for the full year 1997 included non-recurring after-tax gains totaling \$47.6 million or \$1.13 per share, from the sale of shares of Grupo Mexico, S.A. de C.V., Mexico's largest mining company.

Sales of products and services were \$501.8 million in the fourth quarter of 1998 compared with \$603.2 million in the same period of 1997. Sales of products and services for the year ended December 31, 1998 were \$2,233.1 million compared with \$2,721.0 million for the same period of 1997.

The average price for copper on the New York Commodity Exchange (COMEX) and the London Metal Exchange (LME) in the fourth quarter of 1998 was 70 cents per pound compared with 87 cents per pound in the fourth quarter of 1997. Prices for the Company's other metals were also lower in the fourth quarter of 1998 compared with the year earlier period. For the full year 1998, the average price for copper was 75 cents per pound compared with \$1.04 and \$1.03 per pound in 1997 on the COMEX and the LME, respectively.

Announcing the Company's results, Richard de J. Osborne, Chairman of the Board said, "The losses reported by the Company for the fourth quarter and the full year reflect the low copper price which existed throughout 1998. During the fourth quarter of 1998, the copper price fell to levels that had not been seen in 11½ years. In order to lessen the effect of the decline in the copper price on the Company, Asarco initiated a cost reduction program late in 1997 which has been successful in reducing costs and improving the Company's operating results. The cost reduction program consists of staff reductions, operational improvements, and reductions in

purchased services. The program is estimated to have benefited the Company's pre-tax results by \$20.6 million in the fourth quarter of 1998 and \$72.1 million for the full year.

"Fourth quarter 1998 results include a special after-tax charge of \$44.7 million (\$66.1 million pre-tax) which was announced by the Company in November 1998. The special charge includes \$23.2 million after-tax (\$32.7 pre-tax) to increase the Company's reserves for environmental remediation costs at several of its historical plant sites. In addition, the charge includes \$6.2 million after-tax (\$9.5 million pre-tax) for severance and other expenses to be incurred in connection with the three year suspension of operations at the Company's copper smelter in El Paso, Texas. Due to the tightness in the copper concentrate market, the Company was able to sell on favorable terms copper concentrates produced by its mines that would normally have been smelted at El Paso.

"The special charge in the fourth quarter also includes an after-tax charge of \$6.4 million (\$9.8 million pre-tax) to write down the book value of the Company's Black Cloud lead/zinc mine in Leadville, Colorado because of declining ore reserves and to provide for closure. Last week the Company announced that the mine would be closed by the end of this month. The balance of the charge (\$14.1 million pre-tax and \$8.9 million after-tax) is related to severance and other costs in connection with the Company's cost reduction program and for an increase in reserves for certain employee benefit plans.

"The Company's beneficial interest in mined copper production in the fourth quarter of 1998 was 270.6 million pounds, an increase of more than 3% from the prior year. Production at the Company's North American copper operations increased slightly in the fourth quarter of 1998 compared with the fourth quarter of 1997 while the Company's beneficial interest in copper produced by Southern Peru Copper Corporation (SPCC), a 54.3% owned subsidiary, increased nearly 8% in the fourth quarter of 1998 over the prior year quarter.

"For the full year 1998, the Company's beneficial interest in mined copper production grew nearly 5% to 1.0 billion pounds. The Company's North American copper operations benefited from a nearly 40% increase in the production of low cost solvent extraction/electrowinning (SX/EW) copper. The increase was attributable to improved SX/EW operations at the Company's Ray mine and to a full year of operations at the Company's 75% owned Silver Bell SX/EW facility which started up in mid 1997."

Commenting on the Company's full year results Osborne said, "The decline in metal prices, particularly copper, made the past year a difficult one for Asarco. However, despite the poor financial results the Company achieved a number of its strategic objectives during the year. The substantial increase in the production of low cost SX/EW copper in 1998 reflects the Company's strategy of focusing on expanding the production of low cost copper. The sale of Asarco's former Missouri Lead Division in September continued the Company's strategy of focusing on its core businesses with long term growth potential. The Company's remaining operations performed quite well throughout the year, although the decline in metal prices more than offset the improvements in costs and production.

During 1998 the Company also made substantial progress reducing its cash cost of producing copper. Largely through the success of operating improvements and its cost reduction program, the Company's consolidated cash cost per pound of copper produced was lowered by almost five cents during 1998 to just under 65 cents a pound. The Company expects to achieve more than four cents per pound in further cost improvements in 1999 as the full effects of the cost reduction program are realized.

"The Company's specialty chemicals business, Enthone-OMI, increased its pre-tax earnings by 5.1% to \$30.9 million in 1998 before a non-recurring pre-tax charge of \$1.8 million in connection with its cost reduction program. Enthone-OMI was able to increase profits despite the economic problems experienced in many countries in Asia where Enthone-OMI has a substantial portion of its business. In the third quarter of 1998 the Company concluded the acquisition of Deutsche Oberflachtechnik GmbH (DOT), significantly expanding Enthone-OMI's marketing and technology position in the important German specialty chemicals market. The acquisition contributed positively to Enthone-OMI's earnings in 1998 and is expected to be an important factor in continuing its established pattern of earnings growth in the future.

"Profits at American Limestone, the Company's aggregates business also grew in 1998. For the full year American Limestone recorded pre-tax profits of \$14.6 million, an increase of 5.8% over the prior year. Good weather, a strong construction market in the Southeast, and reduced costs were responsible for the increase in profits."

Commenting on the Company's outlook for 1999 Osborne said, "With the price of copper hovering at levels not seen in over a decade, pessimism abounds. We believe that the increases in terminal market inventories are largely the result of movements of material from less visible producer stocks into terminal market warehouses. Demand from our customers for copper is very strong, and, with the exception of Asia, the world's developed economies are enjoying an unprecedented period of growth. There are also some encouraging signs of economic recovery in Asia. In our judgement, market fundamentals do not justify the pessimism which now prevails in the market and we look for conditions to improve during 1999."

ASARCO Incorporated is one of the world's leading integrated producers of copper, as well as a producer of specialty chemicals, aggregates and other metals.

###

ASARCO Incorporated  
and Subsidiaries

SUMMARY OF EARNINGS

	(Unaudited) Three Months Ended December 31,		Year Ended December 31,	
	1998	1997	1998	1997
	(in millions, except per share data)			
Sales	\$ 501.8	\$ 603.2	\$ 2,233.1	\$ 2,721.0
Earnings (loss) before taxes, minority interest and non-recurring items	\$ (32.2)	\$ 10.8	\$ (56.8)	\$ 238.3
Taxes on income (benefit)	<u>(13.2)</u>	<u>(9.2)</u>	<u>(20.0)</u>	<u>49.4</u>
Earnings (loss) before minority interests and non-recurring items	(19.0)	20.0	(36.8)	188.9
Minority interests	<u>(5.0)</u>	<u>(14.9)</u>	<u>(33.1)</u>	<u>(90.6)</u>
Earnings (loss) before non-recurring items	(24.0)	5.1	(69.9)	98.3
Non-recurring items, net of taxes	(44.7)	-	(60.7)	45.1
Net earnings (loss)	\$ (68.7)	\$ 5.1	\$ (130.6)	\$ 143.4
Weighted average common shares outstanding (Basic)	39.7	40.2	39.7	41.9
Weighted average common shares outstanding (Diluted)	39.7	40.2	39.7	42.0
Net earnings (loss) per share (Basic)	\$ (1.73)	\$ 0.13	\$ (3.29)	\$ 3.42
Net earnings (loss) per share (Diluted)	\$ (1.73)	\$ 0.13	\$ (3.29)	\$ 3.42

ASARCO Incorporated  
and Subsidiaries

Fourth Quarter and Twelve Months Results

	Three Months Ended December 31, (in millions)		Twelve Months Ended December 31, (in millions)	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<u>Segment Sales</u>				
Copper	\$ 355.1	\$ 436.9	\$ 1,575.6	\$ 2,022.0
Lead, Zinc & Precious Metals	\$ 37.2	\$ 68.5	\$ 237.5	\$ 304.2
Specialty Chemicals	\$ 91.4	\$ 82.7	\$ 351.0	\$ 323.7
Aggregates	\$ 15.1	\$ 13.6	\$ 56.5	\$ 54.1
Exploration	\$ -	\$ -	\$ -	\$ -
All Other	\$ 3.0	\$ 1.5	\$ 12.5	\$ 17.1
 <u>Segment Operating Income</u> (incl. Equity Earnings)				
Copper	\$ (42.0)	\$ 27.1	\$ (30.9)	\$ 314.2
Lead, Zinc & Precious Metals	\$ (20.3)	\$ (2.7)	\$ (63.3)	\$ (14.7)
Specialty Chemicals	\$ 6.3	\$ 7.7	\$ 29.1	\$ 29.4
Aggregates	\$ 4.1	\$ 3.6	\$ 14.6	\$ 13.8
Exploration	\$ (2.7)	\$ (9.5)	\$ (16.8)	\$ (31.7)
All Other	\$ (36.0)	\$ (5.6)	\$ (46.6)	\$ (27.4)

ASARCO Incorporated  
and Subsidiaries

Average Metal Prices

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Copper (per pound - COMEX)	\$0.70	\$0.87	\$0.75	\$1.04
Copper (per pound - LME)	\$0.70	\$0.87	\$0.75	\$1.03
Lead (per pound - LME)	\$0.23	\$0.26	\$0.24	\$0.28
Silver (per ounce - Handy & Harman)	\$4.96	\$5.26	\$5.53	\$4.89
Zinc (per pound - LME)	\$0.43	\$0.54	\$0.46	\$0.60
Molybdenum (per pound - Metals Week Dealer Oxide)	\$2.30	\$3.66	\$3.31	\$4.18

Metal Production and Sales

Three Months Ended December 31,

	<u>1998</u>			<u>1997</u>		
	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>
<b>Copper (000s pounds)</b>						
Asarco	168,700	242,500	282,400	167,800	281,100	289,900
SPCC	196,500	162,400	199,000	182,500	157,200	188,400
Consolidated	365,200	404,900	481,400	350,300	438,300	478,300
Asarco Beneficial Interest	270,600	326,300	385,600	262,000	361,900	387,300
<b>Lead (000s pounds)</b>						
Asarco	1,800			54,700	62,500	57,500
<b>Silver (000s ounces)</b>						
Asarco	1,352	4,980	3,649	1,363	5,531	4,092
SPCC	894	693	860	869	635	773
Consolidated	2,246	5,673	4,509	2,232	6,166	4,865
Asarco Beneficial Interest	1,828	5,349	4,107	1,823	5,867	4,501
<b>Zinc (000s pounds)</b>						
Asarco	37,400		30,200	27,900		37,000
<b>Molybdenum (000s pounds)</b>						
Asarco	928		922	1,282		1,299
SPCC	1,645		1,647	3,012		2,986
Consolidated	2,573		2,569	4,294		4,285
Asarco Beneficial Interest	1,803		1,797	2,877		2,880

Note: SPCC presented at 100%.

At December 31, 1997, Asarco's equity ownership was 54.2% and its beneficial interest in SPCC was 53.0%. At December 31, 1998, Asarco's equity ownership was 54.3% and its beneficial interest in SPCC was 53.2%.

Metal Production and Sales

Year Ended December 31,

	<u>1998</u>			<u>1997</u>		
	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>	<u>Mined</u>	<u>Refined</u>	<u>Sales</u>
Copper (000s pounds)						
Asarco	681,300	1,020,000	1,188,800	621,300	1,076,100	1,113,300
SPCC	666,400	647,400	752,100	685,500	611,500	744,000
Consolidated	1,347,700	1,667,400	1,940,900	1,306,800	1,687,600	1,857,300
Asarco Beneficial Interest	1,025,200	1,353,900	1,578,300	978,300	1,394,200	1,502,800
Lead (000s pounds)						
Asarco	157,200	162,300	159,400	231,000	254,200	255,000
Silver (000s ounces)						
Asarco	6,008	23,594	16,263	5,242	20,330	19,350
SPCC	2,890	2,735	3,288	3,146	2,462	3,086
Consolidated	8,898	26,329	19,551	8,388	22,792	22,436
Asarco Beneficial Interest	7,546	25,049	18,013	6,901	21,629	20,978
Zinc (000s pounds)						
Asarco	158,500		151,200	145,900		146,000
Molybdenum (000s pounds)						
Asarco	4,956		4,950	5,121		5,346
SPCC	9,559		9,677	9,395		9,398
Consolidated	14,515		14,627	14,516		14,744
Asarco Beneficial Interest	10,041		10,096	10,080		10,307

Note: SPCC presented at 100%.

At December 31, 1997, Asarco's equity ownership was 54.2% and its beneficial interest in SPCC was 53.0%. At December 31, 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)		Year Ended	
	Three Months Ended		December 31,	
	December 31,	December 31,	December 31,	December 31,
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	(in thousands, except per share data)			
Sales of products and services	\$ 501,810	\$ 603,186	\$ 2,233,068	\$ 2,721,048
Operating costs and expenses:				
Cost of products and services	468,273	498,558	1,962,790	2,112,640
Selling, administrative and other	38,510	35,291	144,324	137,657
Depreciation and depletion	36,571	33,839	144,636	130,802
Research and exploration	5,244	12,276	26,954	43,186
Environmental and other closed plant charges, net of recoveries	34,757	4,647	42,123	22,074
Asset dispositions and impairments	10,298	-	30,298	-
Total operating costs and expenses	<u>593,653</u>	<u>584,611</u>	<u>2,351,125</u>	<u>2,446,359</u>
Operating income (loss)	(91,843)	18,575	(118,057)	274,689
Interest expense, net	(16,264)	(17,834)	(67,787)	(74,247)
Other income	<u>4,816</u>	<u>10,021</u>	<u>28,847</u>	<u>107,126</u>
Earnings (loss) before taxes on income and minority interests	(103,291)	10,762	(156,997)	307,568
Taxes on income (benefit)	<u>(36,098)</u>	<u>(9,235)</u>	<u>(53,016)</u>	<u>73,571</u>
Earnings (loss) before minority interests	(67,193)	19,997	(103,981)	233,997
Minority interests in net earnings of consolidated subsidiaries	(1,502)	(14,862)	(26,659)	(90,605)
Net earnings (loss)	<u>\$ (68,695)</u>	<u>\$ 5,135</u>	<u>\$ (130,640)</u>	<u>\$ 143,392</u>
Per share amounts:				
Net earnings (loss):				
Basic	<u>\$ (1.73)</u>	<u>\$ 0.13</u>	<u>\$ (3.29)</u>	<u>\$ 3.42</u>
Diluted	<u>\$ (1.73)</u>	<u>\$ 0.13</u>	<u>\$ (3.29)</u>	<u>\$ 3.42</u>
Cash dividends	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.70</u>	<u>\$ 0.80</u>
Weighted average number of shares outstanding (Basic)	<u>39,654</u>	<u>40,226</u>	<u>39,655</u>	<u>41,903</u>
Weighted average number of shares outstanding (Diluted)	<u>39,654</u>	<u>40,247</u>	<u>39,655</u>	<u>41,976</u>

ASARCO Incorporated  
and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31,	<u>1998</u>	<u>1997</u>
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 193,048	\$ 210,559
Marketable securities	22,705	205,317
Accounts and notes receivable, net	409,792	446,966
Inventories	352,411	362,119
Other assets	104,809	74,967
Total current assets	1,082,765	1,299,928
Investments:		
Available-for-sale and other at cost	121,532	126,843
Equity method	64,465	61,337
Net property	2,526,567	2,418,810
Other assets including intangibles, net	228,480	203,484
Total Assets	\$ 4,023,809	\$ 4,110,402
<b>LIABILITIES</b>		
Current liabilities:		
Bank loans	\$ 4,963	\$ 204
Current portion of long-term debt	27,676	28,712
Accounts payable	336,501	352,839
Salaries and wages	27,268	35,788
Taxes on income	84,007	62,565
Reserve for closed plant and environmental matters	53,394	44,164
Other current liabilities	47,611	49,534
Total current liabilities	581,420	573,806
Long-term debt	1,014,942	849,991
Deferred income taxes	56,045	118,289
Reserve for closed plant and environmental matters	90,985	102,432
Postretirement benefit obligation other than pensions	108,741	104,491
Other liabilities and reserves	113,754	133,609
Total non-current liabilities	1,384,467	1,308,812
MINORITY INTERESTS	533,329	533,911
<b>COMMON STOCKHOLDERS' EQUITY</b>		
Common Stock (a)	521,956	522,420
Accumulated other comprehensive income, net of tax	(6,989)	3,389
Retained earnings	1,009,626	1,168,064
Total Common Stockholders' Equity	1,524,593	1,693,873
Total Liabilities, Minority Interests and Common Stockholders' Equity	\$ 4,023,809	\$ 4,110,402
(a) Common Shares: Authorized 80,000; Outstanding:	39,652	39,663

ASARCO Incorporated  
and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Condensed)

	(Unaudited)		Year Ended	
	Three Months Ended		December 31,	
	December 31,		December 31,	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	(in thousands)		(in thousands)	
<b>OPERATING ACTIVITIES</b>				
Net (loss) earnings	\$ (68,695)	\$ 5,135	\$ (130,640)	\$ 143,392
Depreciation and depletion	36,571	33,839	144,636	130,802
(Benefit) Provision for deferred income taxes	(36,687)	12,484	(73,373)	(12,074)
Net (gain) loss on sale of investments and property	(1,677)	3,664	162	(69,671)
Increase (decrease) in reserves for closed plant and environmental matters	45,028	(11,193)	(2,217)	(6,268)
Minority interests	1,502	14,862	26,659	90,605
Asset dispositions and impairments	10,298	-	30,298	-
Cash provided from (used for) operating assets and liabilities	3,453	3,079	73,159	45,143
Other, net	655	(982)	2,951	(663)
	<u>(9,552)</u>	<u>60,888</u>	<u>71,635</u>	<u>321,266</u>
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(124,155)	(123,951)	(380,116)	(322,436)
Net proceeds from (purchases of) held to maturity investments	42,244	106,998	182,612	(203,554)
Other, net	1,874	5,208	40	358,662
	<u>(80,037)</u>	<u>(11,745)</u>	<u>(197,464)</u>	<u>(167,328)</u>
<b>FINANCING ACTIVITIES</b>				
Debt incurred (paid), net	102,821	(9,998)	168,674	64,840
Escrow deposits (withdrawals) on long-term loans	327	(523)	2,311	(15,364)
Net treasury stock transactions	(471)	(30,780)	(2,103)	(99,561)
Net distributions to minority interests	(5,583)	(12,452)	(27,207)	(54,826)
Dividends paid to common stockholders	(3,965)	(8,057)	(27,758)	(33,604)
	<u>93,129</u>	<u>(61,810)</u>	<u>113,917</u>	<u>(138,515)</u>
Effect of exchange rate changes on cash	<u>(1,922)</u>	<u>(314)</u>	<u>(5,599)</u>	<u>2,728</u>
	<u>\$ 1,618</u>	<u>\$ (12,981)</u>	<u>\$ (17,511)</u>	<u>\$ 18,151</u>