

PRESS RELEASE

**PT INTERNATIONAL NICKEL INDONESIA Tbk
REPORTS SECOND QUARTER 2011 EARNINGS
OF US\$126.3 MILLION**



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JAKARTA, JULY 29, 2011 – PT International Nickel Indonesia Tbk (“PTI” or the “Company”, IDX: INCO) announces results for the second quarter 2011 (“2Q11”), unaudited.

PTI recorded net earnings of US\$126.3 million in 2Q11 (US\$0.013 per share), an increase compared to US\$111.8 million (US\$0.011 per share) achieved in the first quarter of 2011 (“1Q11”). Total net earnings in 2011 year-to-date of US\$ 238.1 million were 9% above the same period in 2010 when PTI achieved US\$ 218.8 million. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) totalled US\$193.9 million in 2Q11, compared to US\$172.7 million in 1Q11. EBITDA in 2011 year-to-date of US\$ 366.6 million was 9% above the US\$ 336.2 million obtained in the same period in 2010. The increase in net earnings and EBITDA in 2Q11 compared to 1Q11 was mainly driven by higher deliveries due to higher production, partially offset by lower average realized prices.

The Company recorded an average realized price of nickel in matte of US\$19,895 per metric ton during 2Q11, compared to US\$20,246 per metric ton in 1Q11. Net sales were US\$393.0 million for the three months ended June 30, 2011, an increase compared to US\$322.4 million in 1Q11. This increase was mainly due to higher deliveries of nickel in matte. In 2Q11 deliveries totalled 19,438 metric tons compared to 15,689 metric tons in 1Q11.

Production of nickel in matte in 2Q11 was 18,598 metric tons, an increase of 13% compared to 16,502 metric tons in 1Q11. The increase in production was mainly due to higher calcine throughput in 2Q11 compared to 1Q11, as there were earthquake and lightning storms in Sorowako during 1Q11. As a result of this, electrical lines and some facilities were impacted causing a temporary shutdown of production. All procedures were taken to guarantee a proper and safe operation prior to restart. This has been reflected in 2Q11 production.

The Company’s total cost of goods sold in 2Q11 increased to US\$212.4 million from US\$155.3 million in 1Q11, primarily due to higher production and deliveries of nickel in matte. The cost of goods sold per metric ton in 2Q11 increased by 10% compared to 1Q11, mainly due to an increase in diesel and oil costs, employee costs and services and contracts for additional activities at the Processing Plant and Hydroelectric facility related to the earthquake in 1Q11.

In 2Q11, our cash balance was lower by US\$99.5 million compared to 1Q11. This was mainly due to dividend payment of US\$144.9 million and payments of property, plant and equipment of US\$52.3 million, partially offset by cash inflows from operating activities of US\$97.7 million.



The Karebbe hydroelectric power generating plant project is almost completed and expected to come on line in the 3Q11, as planned. Overall, the project was approximately 99% complete at the end of 2Q11, progressing on time and on budget. The project will produce enough hydroelectric energy to displace existing oil and diesel use to feed the electric furnaces at the Sorowako facility and it will reduce our cost of energy in a greener and sustainable way. Beyond this, it will enable PTI's production growth in the integrated industrial complex of Sorowako and Bahodopi.

The Company plans to spend US\$232 million on capital expenditures in 2011. PTI investments are in line with its strong growth strategy for the next years. The Company's goal is to achieve an annual production of 90,000 metric tons in 2015. Some initiatives to achieve this target are Bahodopi projects; Project CEPAT (Rapid Mining Method Optimization); Production Optimization Project Phase 1 which includes a rebuild and upgrade of one of PTI's electric furnaces; and Operational and Maintenance Improvement Program (OMIP).

PTI is finalizing the feasibility and engineering studies to achieve 120,000 metric tons of production over the next few years, based on the construction of a new processing line in Sorowako and new production facilities in Bahodopi. The additional power capacity that will be generated by Karebbe combined with the upgrade of our current facilities will enable this level of production. This growth plan represents a new future for the Company and all of PTI's stakeholders, including our shareholders, clients, suppliers, employees, the local communities, all levels of government and the Indonesian society.

The Company's results are summarized below (unaudited) – all figures are in US\$ except for nickel in matte production and deliveries which are in metric tons.

	Second Quarter <u>2011</u>	First Quarter <u>2011</u>	First Half <u>2011</u>	First Half <u>2010</u>
Nickel in matte production:	18,598	16,502	35,100	37,995
Nickel in matte deliveries:	19,438	15,689	35,127	37,434
Average realized price per metric ton	19,895	20,246	20,052	16,281
EBITDA ¹	193.9	172.7	366.6	336.2
Net sales ¹	393.0	322.4	715.4	619.2
Net earnings ¹	126.3	111.8	238.1	218.8
Net earnings per share	0.013	0.011	0.024	0.022

¹ US\$ million

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PT INTERNATIONAL NICKEL INDONESIA Tbk

CONDENSED STATEMENTS OF EARNINGS

(Unaudited)

(US\$ in thousands except Basic Net Comprehensive Earnings per Share Amount)

	Second Quarter <u>2011</u>	First Quarter <u>2011</u>	Six Months <u>2011</u>	Six Months <u>2010</u>
Sales	392,977	322,404	715,381	619,185
Cost of Goods Sold	<u>(212,424)</u>	<u>(155,270)</u>	<u>(367,694)</u>	<u>(312,871)</u>
Gross Profit	180,553	167,134	347,687	306,314
Selling, General and Administration Expenses	<u>(8,943)</u>	<u>(6,454)</u>	<u>(15,397)</u>	<u>(12,714)</u>
Operating Profit	<u>171,610</u>	<u>160,680</u>	<u>332,290</u>	<u>293,600</u>
Finance Costs	-	-	-	(4)
Other Expenses, net	<u>(659)</u>	<u>(11,163)</u>	<u>(11,822)</u>	<u>(5,159)</u>
	<u>(659)</u>	<u>(11,163)</u>	<u>(11,822)</u>	<u>(5,163)</u>
Earnings Before Income Taxes	170,951	149,517	320,468	288,437
Income Tax Expense	<u>(44,668)</u>	<u>(37,655)</u>	<u>(82,323)</u>	<u>(69,638)</u>
Net Comprehensive Earnings Attributable to Shareholders	<u>126,283</u>	<u>111,862</u>	<u>238,145</u>	<u>218,799</u>
Basic Net Comprehensive Earnings per Share (in US\$)	<u>0.013</u>	<u>0.011</u>	<u>0.024</u>	<u>0.022</u>

PT INTERNATIONAL NICKEL INDONESIA Tbk CONDENSED BALANCE SHEETS

(US\$ in thousands)

	June 30, 2011 (Unaudited)	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	423,064	522,570	404,129
Trade receivables – related parties	170,775	139,232	124,061
Other receivables	11,300	11,346	10,893
Taxes receivable	84,374	82,993	63,858
Inventories, net	120,564	134,164	101,986
Prepaid expenses and advances	2,940	4,246	6,768
Total current assets	813,017	894,551	711,695
Restricted cash	2,151	538	1,211
Taxes receivables	45,746	45,746	-
Property, plant and equipment, net	1,518,754	1,487,953	1,464,508
Other assets	17,552	12,302	12,821
Total assets	2,397,220	2,441,090	2,190,235
<u>LIABILITIES AND EQUITY</u>			
Trade Payables – Related parties	6,773	7,733	8,556
– Third parties	32,845	64,739	32,864
Accrued expenses	40,443	39,727	43,069
Taxes payable	11,730	5,748	49,416
Current maturities of long-term liabilities:			
– Borrowings	18,750	18,750	-
Other current liabilities	28,176	27,230	24,192
Total current liabilities	138,717	163,927	158,097
Deferred income tax liabilities, net	170,711	172,524	171,931
Long-term liabilities:			
– Borrowings	272,967	272,073	140,561
Employee benefits liability	4,313	3,779	3,235
Asset retirement obligation	37,598	37,085	36,571
Total liabilities	624,306	649,388	510,395
Equity	1,772,914	1,791,702	1,679,840
Total liabilities and equity	2,397,220	2,441,090	2,190,235



PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(US\$ in thousands)

	Second Quarter <u>2011</u>	First Quarter <u>2011</u>	Six Months	
			<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities				
Receipts from Customers	361,434	307,233	668,667	597,575
Payments to Suppliers	(171,945)	(133,650)	(305,595)	(213,653)
Payments of Corporate Income Tax	(38,706)	(82,835)	(121,541)	(35,375)
Payments to Employees	(27,415)	(24,147)	(51,562)	(38,719)
Payments of Employee Benefits Contributions	(747)	(774)	(1,521)	(2,417)
Other Payments	(25,185)	(55,898)	(81,083)	(10,127)
Other Receipts	238	178	416	66,597
Net Cash Flows Provided from Operating Activities	<u>97,674</u>	<u>10,107</u>	<u>107,781</u>	<u>363,881</u>
Cash Flows from Investing Activities				
Payments for Property, Plant and Equipment	(52,264)	(38,566)	(90,830)	(65,231)
Net Cash Flows Used for Investing Activities	<u>(52,264)</u>	<u>(38,566)</u>	<u>(90,830)</u>	<u>(65,231)</u>
Cash Flows from Financing Activities				
Proceeds of Long-term Borrowings	-	150,000	150,000	-
Payments of Dividends	(144,901)	-	(144,901)	(140,102)
Payments of Finance Costs	(15)	(3,074)	(3,089)	(413)
Payments of Finance Leases	-	(26)	(26)	(1,709)
Net Cash Flows used for Financing Activities	<u>(144,916)</u>	<u>146,900</u>	<u>1,984</u>	<u>(142,224)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(99,506)	118,441	18,935	156,426
Cash and Cash Equivalents at the Beginning of the Period	<u>522,570</u>	<u>404,129</u>	<u>404,129</u>	<u>261,050</u>
Cash and Cash Equivalents at the End of the Period	<u>423,064</u>	<u>522,570</u>	<u>423,064</u>	<u>417,476</u>