PT INCO

PRESS RELEASE

PT INTERNATIONAL NICKEL INDONESIA Tbk

REPORTS THIRD QUARTER 2008 EARNINGS

PT INTERNATIONAL NICKEL INDONESIA Tbk
Plaza Bapindo, Citibank Tower 22nd fl, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190, Indonesia
Tel: +62-21 5249000 Fax.: +62-21 5249010

PT INTERNATIONAL NICKEL INDONESIA Tbk REPORTS THIRD QUARTER 2008 EARNINGS

JAKARTA, October 27, 2008 --- PT International Nickel Indonesia Tbk ("PT Inco", or the "Company", IDX: INCO) today announced its unaudited financial results. PT Inco's financial performance in the first nine months of 2008 remained strong with an operating margin of 42 per cent. Net earnings for the third quarter of 2008, or US$0.007 per share, was US$73.5 million compared to US$265.5 million, or US$0.027 per share, for the third quarter 2007. Sales revenues of US$313.0 million in the quarter ended September 30, 2008 compared to US$561.6 million in the same quarter of 2007. Operating profit in the quarter reached US$61.4 million, with an operating margin of 20 per cent. EBITDA totaled US$75.6 million for the third quarter of 2008, compared to US$399.9 million in the third quarter 2007. Production of nickel in matte for the third quarter was almost 19,100 metric tons, similar to the corresponding period in 2007.

Considering 2007 saw all-time record nickel prices, the sharp decrease in nickel prices in 2008 has translated into a corresponding decline in the Company's results for the first nine months of 2008. Sales revenue decreased 39.4 per cent to US$1,132.1 million in the first nine months of 2008 from US$1,867.4 million in the same period in 2007. Net earnings in the first nine months of 2008 decreased 62.1 per cent to US$369.1 million, or US$0.037 per share, from US$972.6 million, or US$0.097 per share, in the same period of 2007. Production of nickel in matte in the first nine months of 2008 decreased 3.3 per cent to 56,200 metric tons from 58,100 metric tons in the corresponding period in 2007. Despite these decreases, results for the first nine months 2008 represent the Company's second best results.

"Production in the third quarter of 2008 of 19,100 metric tons is roughly the same as third quarter 2007, but slightly below our plan due to a major maintenance shutdown of one of our electric furnaces which was originally planned for fourth quarter of 2008." said Arif Siregar, the Company's President Director. "We are very pleased that we have been able to maintain our safe operations in the third quarter with a record of zero disabling injuries to date. We are continuously improving our safety system. For instance, we installed a state of the art mining simulator for heavy equipment with a collision avoidance system that ultimately increases safety performance."

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"Due to the higher than expected water levels in our lakes, PT Inco's management made an important decision in late September 2008 to put the small-size diesel generators, a total of 32 generators with 1 megawatt capacity each, on standby. As a consequence, we reduced the cost of our energy supply. The Company's management is also cautiously monitoring nickel, oil and other commodity prices to ensure profitability of the Company is maintained." added Mr. Siregar. "We are continuing our efforts to enhance our production cost-structure by improving, among others, the condition of our mining road surfaces in order to extend the lifetime of our vehicle tires and reduce diesel consumption for the mining fleet. We are also reducing high sulphur fuel oil (HSFO) consumption in our process plant's reduction kiln through improved performance. In addition, we are replacing some of the older equipment in our mining fleet which will lead to higher overall equipment availability and reduce operating costs."

Energy substitution and cost reduction are focal points of PT Inco's current capital investment program. Construction of a third hydroelectric generating facility at the Karebbe site at a cost of US$410 million is underway with all the main contracts awarded and construction of the dam commenced. The Karebbe project will produce enough hydroelectric energy to displace all existing oil and diesel generation to feed the electric furnaces at the Sorowako facility and is the main initiative in PT Inco's energy cost reduction program. The Company's energy cost reduction project also involves conversion of the process plant dryers from HSFO to pulverized coal. This project will provide the Company flexibility to use either coal or HSFO depending on the prevailing economics associated with the use of these fuel sources.

The Company's realized price for nickel in matte averaged US$15,888 per metric ton in the third quarter of 2008, compared with US$26,500 per metric ton in the corresponding 2007 period. In the first nine months of 2008, the Company's realized price for nickel in matte averaged US$19,803 per metric ton, a decrease from US$31,874 per metric ton in the first nine months of 2007.

Cost of goods sold in the quarter ended on September 30, 2008 increased by 30.8 per cent compared to the same period last year primarily as a result of rising energy-related costs, such as higher prices for HSFO and diesel fuel. Consumption of HSFO in the third quarter of 2008 was 773,069 barrels at US$104.07 per barrel compared to 657,123 barrels at US$59.68 per barrel in

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the corresponding period in 2007. The diesel fuel price climbed to an average of US$1.10 per liter in the third quarter of 2008 up from US$0.62 per liter in the same period last year. The Company's operations consumed 37,828 kiloliters of diesel fuel in the third quarter of 2008, compared to 42,760 kiloliters in the third quarter of 2007.

Net earnings for the first nine months of 2008 were also impacted by a credit to income tax expense of US$35.5 million as a result of a reduction in the balance of deferred tax liabilities due to the reduction in corporate income tax rate from 30 per cent to 28 per cent effective January 1, 2009, and 25 per cent effective January 1, 2010.

In the first nine months of 2008, cash provided by operating activities, but before capital expenditures, decreased to US$254.6 million from $1,221.3 million in the same period last year, primarily due to a decrease in receipts from customers of US$779.1 million and higher payments to suppliers of $196.1 million. This was partly offset by lower tax payments by US$47.8 million. Cash used in relation to capital expenditures in the first nine months of 2008 rose to US$125.3 million from US$73.6 million in the corresponding 2007 period. Cash used for dividend payments in the first nine months of 2008 decreased to US$225.1 million from US$497.1 million in the first nine months of 2007. In total, there was a net cash outflow of US$101.7 million in the first nine months of 2008 compared with an inflow of US$640.8 million for the same period in 2007.

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

	Third Quarter		First Nine Months	
	2008	2007	**2008**	2007
Nickel in matte production:	**19,078**	19,069	**56,227**	58,119
Nickel in matte deliveries:	**19,697**	21,194	**57,171**	59,461
Average realized price per metric ton	**15,888**	26,500	**19,803**	31,874
Net sales – millions	**313.0**	561.6	**1,132.1**	1,867.4
Net earnings – millions	**73.5**	265.5	**369.1**	972.6
Net earnings per share	**0.007**	0.027[1]	**0.037**	0.097[1]

[1] Restated to reflect 10-for-1 stock split approved by shareholders on December 17, 2007 and effective on the Indonesia Stock Exchange on January 15, 2008

Under the Company's long-term, must-take U.S. dollar-denominated sales contracts, the selling price of our nickel in matte is the greater of Vale Inco Limited's net average realized price for nickel or the value determined by a formula based on the London Metal Exchange cash price for nickel.

At September 30, 2008, the Company's inventories of nickel in matte were 575 metric tons, compared with 950 metric tons at June 30, 2008 and 1,132 metric tons on September 30, 2007.

In light of the current market and economic situation, the Company's Board of Commissioners, at their meeting on October 24, 2008 held in Toronto, Canada, decided to defer dividend deliberations until consideration of a final dividend at the Company's annual shareholders meeting to be held in March 2009.

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The Board of Commissioners also decided to approve the strategy proposed by the Board of Directors of shutting down all the thermal power generators, until their usage becomes profitable again. Consequently, the Company will henceforth rely on its low-cost hydropower generation. It is anticipated that this decision will result in decreased annual production on a go-forward basis, perhaps by as much as 20 per cent.

UNAUDITED CONDENSED FINANCIAL STATEMENTS ARE ATTACHED

For further information, please contact:
Indra Ginting, Director of Investor Relations & Corporate Secretary gintiin@inco.com
Claudio Bastos, Senior Vice President and Chief Financial Officer cbastos@inco.com
or e-mail to ptinco_ir@inco.com
or visit our website at www.pt-inco.co.id

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PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED STATEMENTS OF EARNINGS

(Unaudited)

(US$ in Thousands except Net Earnings Per Share Amount)

	Third Quarter		Nine Months	
	2008	2007	**2008**	2007
Sales	$ **312,954**	561,643	$ **1,132,111**	1,867,357
Cost of Goods Sold	**(244,522)**	(186,975)	**(632,832)**	(495,215)
Gross Profit	**68,432**	374,668	**499,279**	1,372,142
Selling, General and Administration Expenses	**(7,040)**	(11,035)	**(25,232)**	(39,364)
Operating Profit	**61,392**	363,633	**474,047**	1,332,778
Interest Expense	**(126)**	(417)	**(565)**	(1,024)
Other Income/(Expense)	**(6,712)**	16,229	**3,662**	57,877
	(6,838)	15,812	**3,097**	56,853
Earnings Before Income Taxes	**54,554**	379,445	**477,144**	1,389,631
Income Tax Benefit/(Expense)	**18,961**	(113,901)	**(108,021)**	(417,079)
Net Earnings	$ **73,515**	265,544	$ **369,123**	972,552
Net Earnings Per Share	$ **0.007**	0.027[1]	$ **0.037**	0.097[1]

[1] Restated to reflect 10-for-1 stock split approved by shareholders on December 17, 2007 and effective on the Indonesia Stock Exchange on January 15, 2008

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PT INTERNATIONAL NICKEL INDONESIA Tbk

CONDENSED BALANCE SHEETS

(Unaudited)

(US$ in Thousands)

	September 30, 2008	September 30, 2007	December 31, 2007*
ASSETS			
Cash and Cash Equivalents	**$ 192,625**	$ 1,118,695	$ 294,306
Trade Receivables from Affiliates	**129,894**	202,712	159,365
Taxes Receivable	**48,102**	7,576	10,100
Inventories, net	**151,248**	124,125	137,783
Other Current Assets	**37,355**	28,885	34,962
Total Current Assets	**559,224**	1,481,993	636,516
Property, Plant and Equipment, net	**1,294,935**	1,227,026	1,244,294
Other Assets	**10,060**	7,979	6,386
Total Assets	**$ 1,864,219**	$ 2,716,998	$ 1,887,196
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade Payables	**$ 48,793**	$ 30,664	$ 11,816
Amounts Due to Affiliates	**10,907**	36,022	44,715
Current Taxes Payable	**8,272**	186,016	126,322
Other Current Liabilities	**51,829**	58,712	68,909
Total Current Liabilities	**119,801**	311,414	251,762
Provision for Employee Benefits	**4,087**	2,564	2,265
Deferred Income Tax Liabilities, net	**180,204**	214,433	213,812
Other Liabilities	**29,435**	30,074	32,829
Total Liabilities	**333,527**	558,485	500,668
Shareholders' Equity	**1,530,692**	2,158,513	1,386,528
Total Liabilities and Shareholders' Equity	**$ 1,864,219**	$ 2,716,998	$ 1,887,196

*Audited

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CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(US$ in Thousands)

	Nine Months	
	2008	2007
Cash Flows from Operating Activities		
Receipts from Customers	**$ 1,161,582**	$ 1,940,675
Payments to Suppliers	**(560,685)**	(364,592)
Payments to Employees	**(70,675)**	(58,454)
Payment of Pension Contributions	**(3,503)**	(3,805)
Payments of Corporate Taxes	**(284,933)**	(332,717)
Other Receipts	**37,997**	76,107
Other Payments	**(25,201)**	(35,936)
Net Cash Flows Provided by Operating Activities	**254,582**	1,221,278
Cash Flows from Investing Activities		
Payments for Fixed Assets	**(125,334)**	(73,622)
Net Cash Flows Used for Investing Activities	**(125,334)**	(73,622)
Cash Flows from Financing Activities		
Payments of Interest	**(585)**	(1,144)
Payments of Lease Obligations	**(5,235)**	(8,522)
Payments of Dividends	**(225,109)**	(497,151)
Net Cash Flows used for Financing Activities	**(230,929)**	(506,817)
Net Increase (Decrease) in Cash and Cash Equivalents	**(101,681)**	640,839
Cash and Cash Equivalents at Beginning of Period	**294,306**	477,856
Cash and Cash Equivalents at End of Period	**$ 192,625**	$ 1,118,695

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