

PRESS RELEASE

**PT INTERNATIONAL NICKEL INDONESIA Tbk
REPORTS SECOND QUARTER 2008 EARNINGS OF
US\$156.0 MILLION**



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SECOND QUARTER 2008 EARNINGS OF US\$156.0 MILLION**

JAKARTA, August 7, 2008 --- PT International Nickel Indonesia Tbk (“PT Inco”, or the “Company”, IDX: INCO) today announced its unaudited financial results. Despite challenge from the fall in nickel prices from an all-time high in the second quarter of 2007, a temporary reduction in our nickel output and high oil prices, PT Inco financial performance was strong and above its historical levels. Net earnings of US\$156.0 million for the second quarter of 2008 (US\$0.016 per share), compared to US\$479.2 million (US\$0.048 per share) for the second quarter 2007. Sales revenues of US\$439.2 million in the quarter ended June 30, 2008 compared to US\$859.0 million in the same quarter of 2007. Operating profit in the quarter reached US\$219.8 million, with an operational margin of 50 per cent. EBITDA totalled US\$244.7 million for the second quarter of 2008, compared to US\$705.1 million in the second quarter 2007. Production of nickel in matte for the second quarter was 17,015 metric tons, compared to 21,072 metric tons in the corresponding period in 2007.

Sales revenues decreased 37.3 per cent to US\$819.2 million in the first six months of 2008 from US\$1,305.7 million in the same period in 2007. Net earnings in the first half of 2008 decreased 58.2 per cent to US\$295.6 million, or US\$0.030 per share, from US\$707.0 million, or US\$0.071 per share, in the first half of 2007. Production of nickel in matte in the first half of 2008 decreased 4.9 per cent to 37,151 metric tons from 39,052 metric tons in the first six months of 2007.

“As expected, lower production in the second quarter of 2008 resulted from the rescheduling of our planned shutdown from first quarter to second quarter of 2008 along with unplanned equipment repairs.” said Arif Siregar, the Company’s President Director and Chief Executive Officer. “We had to repair one rotary kiln due to bullgear spring problems and a failure at one electric furnace which impacted production by approximately 1,800 metric tons. However, we are striving to recover the production losses and we are maintaining our production forecast for 2008 of 77,000-to-79,000 metric tons. At the same time we maintain a safe operation. In the first six months of 2008 we had zero disabling injuries as a result of significant efforts directed at enhancing our safety leadership and systems.”

“The water level of our main catchment area has improved, though it is still below historical averages, will likely be above the minimum required level to generate hydroelectricity for the balance of the year. Therefore, the management of the Company maintains its strategy in the current higher nickel price environment, to increase production output by using fuel fired generators.” added Mr. Siregar. “In addition, at the end of the quarter we completed the rebuild of our steam turbine generator that will run with an average higher capacity and is more cost-effective. We expect that the rebuild of the steam generator will continue to bring benefits for next quarters. We also improved the performance of our thermal generators resulting in less diesel fuel consumption and higher average output.”

The Company is continuing its efforts in energy conservation to enhance cost-efficiency. Our efforts have reduced the consumption of auxiliary power. Work has continued with regards to the Karebbe hydroelectric generating project. The engineering and procurement are nearly complete while the groundwork is at approximately 15 per cent completion, including the near completion of the diversion channel. PT Inco is in the early stages of its coal conversion project which will give flexibility to use coal in place of high sulphur fuel oil (HSFO) in our operations and that is expected to reduce the unit cash costs of nickel in matte production. The Company also expects to install electrostatic precipitators (ESPs) on the remaining three of its reduction kilns to replace existing wet scrubber systems in 2009 instead of 2010 as earlier planned. ESP technology has already been installed in the other two reduction kilns.

The Company’s realized price for nickel in matte averaged US\$22,477 per metric ton in the second quarter of 2008, compared with US\$38,926 per metric ton in the corresponding 2007 period. In the first half 2008, the Company’s realized price for nickel in matte averaged US\$21,860 per metric ton, decreased 37.4% from US\$34,919 per metric ton in the first six months 2007.

Unit cash cost of production in the second quarter of 2008 increased 36.7 per cent to US\$9,934 per ton from US\$7,269 per ton in the same period last year. The increase in unit cash costs primarily resulted from rising energy related costs; higher price of high sulphur fuel oil (HSFO), and the use of greater amounts of more expensive diesel fuel. Consumption

of HSFO in the second quarter 2008 was 621,636 barrels at US\$84.86 per barrel compared to 774,517 barrels at US\$53.02 per barrel in the corresponding period in 2007. The diesel fuel price climbed to an average of US\$0.87 per liter in the second quarter of 2008 from US\$0.56 per liter in the prior year period. The Company's operations consumed 41,100 kilo liters of diesel fuel in the second quarter of 2008, compared to 33,310 kilo liters in the second quarter of 2007.

In the first half of 2008, cash provided by operating activities, but before capital expenditures, decreased to US\$260.4 million from US\$763.8 million for the same period last year, primarily due to a decrease in receipts from customers of US\$381.0 million, an increase in tax payments of US\$8.9 million, an increase in payments to suppliers of US\$96.2 million and a decrease in other receipt of US\$22.2 million. Cash used in relation to capital expenditures in the first six months of 2008 rose to US\$69.5 million from US\$55.5 million in the corresponding 2007 period. Cash used for dividend payments in the first half of 2008 decreased to US\$225.1 million from US\$497.1 million in the first half of 2007. As a result, there was a net cash outflow of US\$38.3 million in the first half of 2008 compared with an inflow of US\$205.3 million for the same period in 2007.

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

	Second Quarter		First Half	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Nickel in matte production:	17,015	21,072	37,151	39,052
Nickel in matte deliveries:	19,264	21,713	36,961	36,808
Average realized prize per metric ton	22,477	38,926	21,860	34,919
Net sales – millions	439.2	859.0	819.2	1,305.7
Net earnings – millions	156.0	479.2	295.6	707.0
Net earnings per share	0.016	0.048 ¹	0.030	0.071 ¹

¹Restated 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 June 30, 2008, the Company's inventories of nickel in matte were 938 metric tons, compared with 3,187 metric tons at March 31, 2008 and 2,902 metric tons, at June 30, 2007. Variations in inventories and deliveries are largely due to shipment scheduling.

In addition, PT Inco has discontinued ore supply to PT Antam Tbk ("PT Antam") under the Cooperative Resources Agreement (the "CRA") as of July 18, 2008.

For the period ended June 30, 2008 the Company recorded net receipts under this agreement of US\$25.6 million in Other Income, compared to US\$33.7 million in the corresponding period 2007.

With the discontinuation of ore supply to PT Antam and based on the letter received from the Department of Energy and Mineral Resources ("DEMR") when we entered into the CRA, the Company is required to deliver a report by April 2009 evaluating the economic and technical feasibility of the construction of a production facility in Pomalaa. The Company will continue the on-going study with respect to the Pomalaa and Bahodopi area to be reviewed with the DEMR within the framework of the Contract of Work.

UNAUDITED CONDENSED FINANCIAL STATEMENTS ARE ATTACHED

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PT INTERNATIONAL NICKEL INDONESIA Tbk

CONDENSED STATEMENTS OF EARNINGS

(Unaudited)

(US\$ in Thousands except Per Share Amounts)

	Second Quarter		First Half	
	2008	2007	2008	2007
Sales	439,159	858,995	819,157	1,305,715
Cost of Goods Sold	210,696	179,640	388,309	308,240
Gross Profit	228,463	679,355	430,848	997,475
Selling, General and Administration Expense	8,696	17,258	18,192	28,014
Operating Profit	219,767	662,097	412,656	969,461
Interest Expense	(185)	(277)	(439)	(608)
Other Income, net	3,398	22,893	10,374	41,333
	3,213	22,616	9,935	40,725
Earnings Before Income Taxes	222,980	684,713	422,591	1,010,186
Income Taxes	66,975	205,482	126,983	303,178
Net Earnings	156,005	479,231	295,608	707,008
Basic Net Earnings Per Share	0.016	0.048 ¹	0.030	0.071 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.



PT INTERNATIONAL NICKEL INDONESIA Tbk

CONDENSED BALANCE SHEETS

(Unaudited)
(US\$ in Thousands)

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2007*</u>
<u>Assets</u>			
Cash and Cash Equivalents	256,054	683,188	294,306
Trade Receivables-Related Parties	138,859	361,117	159,365
Other Receivables	23,714	24,995	20,268
Taxes Receivables	14,909	5,891	10,100
Inventories, net	160,293	123,736	137,783
Prepaid Expenses and Advances	12,090	11,148	14,694
Total Current Assets	605,919	1,210,075	636,516
Property, Plant and Equipment, net	1,271,801	1,222,612	1,244,294
Other Assets	9,614	8,116	6,386
Total Assets	1,887,334	2,440,803	1,887,196
<u>Liabilities and Equity</u>			
Trade Payables - Related parties	28,534	21,903	11,816
- Third parties	61,210	27,567	44,715
Accrued Expenses	42,568	36,278	43,973
Taxes Payable	30,080	192,696	126,322
Current Maturities of long Term Liability :			
Finance Leases	6,337	10,305	6,762
Other Current Liabilities	13,480	13,824	18,174
Total Current Liabilities	182,209	302,573	251,762
Deferred Income Tax Liabilities, net	213,704	213,350	213,812
Long Term Liability (net of current maturities) :			
Finance Leases	4,557	4,560	7,725
Employee Benefit Liability	3,822	2,966	2,265
Asset Retirement Obligation	25,865	24,385	25,104
Total Liabilities	430,157	547,834	500,668
Equity	1,457,177	1,892,969	1,386,528
Total Liabilities and Equity	1,887,334	2,440,803	1,887,196

* Audited



PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)
(US\$ in Thousands)

	First Half	
	2008	2007
Cash Flows from Operating Activities		
Receipts from Customers	839,663	1,220,627
Payments to Suppliers	(318,517)	(222,360)
Payment of Corporate Income Tax	(221,600)	(212,750)
Payments to Employees	(43,482)	(44,205)
Payment of Employee Benefits Contributions	(2,067)	(2,858)
Other Receipts	22,995	45,232
Other Payments	(16,612)	(19,908)
Net Cash Flows Provided from Operating Activities	260,380	763,778
Cash Flows from Investing Activities		
Payments for Property, Plant & Equipment	(69,541)	(55,530)
Net Cash Flows Used for Investing Activities	(69,541)	(55,530)
Cash Flows from Financing Activities		
Payment of Dividends	(225,051)	(497,081)
Repayment of Finance Leases	(3,594)	(5,140)
Payment of Interest	(446)	(695)
Net Cash Flows Used for Financing Activities	(229,091)	(502,916)
Net (Decrease)/Increase in Cash and Cash Equivalents	(38,252)	205,332
Cash and Cash Equivalents at the Beginning of Period	294,306	477,856
Cash and Cash Equivalents at the End of Period	256,054	683,188
Non-cash Transaction in Financing Activities		
Acquisition of Assets under Finance Lease	-	6,246