

PT INCO

PRESS RELEASE

**PT INTERNATIONAL NICKEL INDONESIA Tbk
REPORTS FOURTH QUARTER 2008 EARNINGS**

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JAKARTA, February 20, 2009 --- PT International Nickel Indonesia Tbk (“PT Inco” or the “Company”, IDX:INCO) today announced its unaudited results. PT Inco’s financial performance in the last quarter of 2008 was impacted by lower nickel prices and high energy costs. The Company recorded a net loss of US\$ 9.8 million, or US\$(0.001) per share, for the fourth quarter of 2008 compared to a net earnings of US\$200.5 million, or US\$0.020 per share, for the fourth quarter of 2007. Sales revenues of US\$180.0 million in the quarter ended December 31, 2008 compared to US\$458.5 million in the same quarter of 2007. EBITDA totalled US\$7.7 million for the fourth quarter of 2008, compared to US\$308.8 million in the fourth quarter of 2007. Production of nickel in matte for the fourth quarter was 17,300 metric tons compared to 18,600 metric tons in the corresponding period in 2007.

The sharp decrease in nickel prices in 2008 translated into a corresponding decline in the Company’s results for the full year of 2008, compared to 2007 results. Sales revenue decreased 43.6 per cent to US\$1,312.1 million in 2008 from US\$2,325.9 million in 2007. Net earnings in 2008 decreased 69.4 per cent to US\$359.3 million, or US\$0.036 per share, from US\$1,173.0 million, or US\$0.118 per share, in 2007. EBITDA decreased to \$550.0 million from \$1,759.7 million in 2007. Production of nickel in matte in 2008 decreased 5.6 per cent to 72,400 metric tons from 76,700 metric tons in 2007.

“The 2008 results were driven by lower margins on nickel in matte sold as a result of lower average selling prices and lower nickel in matte deliveries,” said Arif Siregar, the Company’s President Director. “Our annual production in 2008 was below our initial plan of 77,000-to-79,000 metric tons as a result of the Company’s management decision to turn off all thermal power generators. The decision was made in late October 2008 with an objective of maintaining the Company’s profitability considering declining nickel prices and high energy costs. Consequently, the Company now relies on its low-cost hydropower generation and anticipates as much as a 20 per cent production decrease going forward”.

“We are continuously upgrading our environmental, health and safety performance. We are pleased that we were able to maintain our safe operations in 2008 with a record of zero disabling injuries which is one of the best safety records in the worldwide mining industry. Also, our performance rating on environmental management, as evaluated by Indonesia’s Ministry of Environment, improved to the Blue category”, added Mr. Siregar.

The Company’s realized price for nickel in matte averaged US\$10,675 per metric ton in the fourth quarter of 2008, a 55.2 per cent decrease from US\$23,817 per metric ton in the same period of the prior year. In 2008, the Company’s realized price for nickel in matte averaged US\$17,724 per metric ton, a decrease of 40.7 per cent from US\$29,881 per metric ton in 2007.

Cost of goods sold in the quarter ended on December 31, 2008 decreased by 6.4 per cent compared to the same period last year primarily as a result of switching off thermal power generators. Consumption of high sulphur fuel oil in the fourth quarter of 2008 was 628,984 barrels at US\$93.72 per barrel compared to 629,943 barrels at US\$67.7 per barrel in the corresponding period in 2007. The diesel fuel price climbed to an average of US\$0.95 per liter in the fourth quarter of 2008 up from US\$0.68 per liter in the same period last year. The Company’s operations consumed 18,480 kiloliters of diesel fuel in the fourth quarter of 2008, compared to 40,422 kiloliters in the fourth quarter of 2007.

Cash provided by operating activities but before capital expenditures was US\$289.7 million in 2008 compared with US\$1,401.0 million in 2007. The decrease in 2008 was mainly due to a US\$1,034.6 million decrease in cash receipts from customers and a US\$72.1 million decrease in other receipts, increase in payments to suppliers by US\$187.2 million, which more than offset a decrease of US\$158.2 million in corporate income tax. Cash used in relation to capital expenditures in 2008 rose to US\$185.0 million from US\$102.0 million in 2007. Cash used for dividend payments in 2008 decreased to US\$225.1 million from US\$1,468.4 million in 2007. Net cash outflow after capital expenditures, debt servicing and dividend payments was US\$128.2 million in 2008, compared to an outflow of US\$183.6 million in 2007.

“We are maintaining our strategy to use relatively low-cost hydropower generation during the course of 2009 in light of the current global nickel market” added Mr. Siregar.

PT Inco continues to work on its three major capital projects: Karebbe hydropower generation facilities; coal conversion; and electrostatic precipitators (ESP) in the Reduction Kilns. The first two projects have an objective of sustaining profitability in the long run. The ESP project is one of our commitments to improve our environmental performance at our Sorowako operations by reducing dust emissions and improving nickel recovery by processing recycled dust. The Company plans to spend US\$228.8 million on capital expenditure in 2009.

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:

	Fourth Quarter		Full Year	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Nickel in matte production:	17,300	18,600	72,400	76,700
Nickel in matte deliveries:	16,800	19,200	74,000	77,800
Average realized price per metric ton	10,675	23,817	17,724	29,881
Net sales – millions	180.0	458.5	1,312.1	2,325.9
Net earnings – millions	(9.8)	200.5	359.3	1,173.0
Net earnings per share	(0.001)	0.020	0.036	0.118

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 December 31, 2008, the Company's inventories of nickel in matte were 85 metric tons, compared with 747 metric tons at December 31, 2007. Variations in inventories are largely due to shipment scheduling.

UNAUDITED CONDENSED FINANCIAL STATEMENTS ARE ATTACHED

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PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED STATEMENTS OF EARNINGS
(US\$ in Thousands Except Per Share Amounts)

	Fourth Quarter		Year	
	<u>2008</u>	2007	<u>2008</u>	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales	179,986	458,500	1,312,097	2,325,858
Cost of Goods Sold	<u>(175,640)</u>	<u>(187,652)</u>	<u>(808,472)</u>	<u>(682,867)</u>
Gross Profit	4,346	270,848	503,625	1,642,991
Selling, General and Administration Expenses	<u>(135)</u>	<u>(15,180)</u>	<u>(25,367)</u>	<u>(47,518)</u>
Operating Profit	<u>4,211</u>	<u>255,668</u>	<u>478,258</u>	<u>1,595,473</u>
Interest Expense	(40)	(478)	(605)	(1,503)
Other (Expense)/Income, Net	<u>(18,063)</u>	<u>31,622</u>	<u>(14,401)</u>	<u>82,473</u>
	<u>(18,103)</u>	<u>31,144</u>	<u>(15,006)</u>	<u>80,970</u>
Earnings Before Income Taxes	(13,892)	286,812	463,252	1,676,443
Income Taxes	<u>4,085</u>	<u>(86,328)</u>	<u>(103,936)</u>	<u>(503,407)</u>
Net (Loss)/Earnings	<u>(9,807)</u>	<u>200,484</u>	<u>359,316</u>	<u>1,173,036</u>
Net (Loss)/Earnings Per Share	<u>\$ (0.001)</u>	<u>\$ 0.020</u>	<u>\$ 0.036</u>	<u>\$ 0.118</u>

PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED BALANCE SHEETS
(US\$ in Thousands)

	December 31, 2008	December 31, 2007
	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	166,107	294,306
Trade Receivables from Affiliates	63,566	159,365
Other Receivables	7,007	20,268
Taxes Receivable	82,580	10,100
Inventories, net	147,015	137,783
Prepaid Expenses and Advances	31,146	14,694
Total Current Assets	497,421	636,516
Property, Plant and Equipment, net	1,336,122	1,244,294
Other Assets	9,041	6,386
Total Assets	1,842,584	1,887,196
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Amounts Due to Affiliates	5,527	11,816
Trade Payables	38,972	44,715
Taxes Payable	5,740	126,322
Other Current Liabilities	51,467	68,909
Total Current Liabilities	101,706	251,762
Deferred Income Tax Liabilities, net	179,569	213,812
Employee Benefits Liability	2,192	2,265
Other Liabilities	38,233	32,829
Total Liabilities	321,700	500,668
Equity	1,520,884	1,386,528
Total Liabilities and Equity	1,842,584	1,887,196

PT INTERNATIONAL NICKEL INDONESIA Tbk
CONDENSED STATEMENTS OF CASH FLOWS
(US\$ in Thousands)

	Year	
	2008	2007
	(Unaudited)	(Audited)
Cash Flows from Operating Activities		
Receipts from Customers	1,407,896	2,442,523
Payments to Suppliers	(709,240)	(522,005)
Payments of Corporate Income Tax	(324,822)	(483,040)
Payments to Employees	(88,582)	(88,297)
Payments of Employee Benefit Contributions	(4,702)	(5,737)
Other Receipts	38,661	110,799
Other Payments	(29,530)	(53,262)
Net Cash Flows Provided by Operating Activities	289,681	1,400,981
Cash Flows from Investing Activities		
Payments for Property, Plant and Equipment	(185,277)	(102,317)
Net Cash Flows Used for Investing Activities	(185,277)	(102,317)
Cash Flows from Financing Activities		
Payments of Dividends	(225,130)	(1,468,375)
Repayments of Finance Leases	(6,762)	(12,333)
Payments of Interest	(711)	(1,506)
Net Cash Flows Used for Financing Activities	(232,603)	(1,482,214)
Net Decrease in Cash and Cash Equivalents	(128,199)	(183,550)
Cash and Cash Equivalents at beginning of Period	294,306	477,856
Cash and Cash Equivalents at End of Period	166,107	294,306