Companhia Vale do Rio Doce
Form 6-K
November 15, 2005

Table of Contents

United States Securities and Exchange Commission
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the
Securities Exchange Act of 1934
For the month of November 2005
Companhia Vale do Rio Doce

Avenida Graça Aranha, No. 26
20005-900 Rio de Janeiro, RJ, Brazil
(Address of principal executive office)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

(Check One) Form 20-F þ Form 40-F o

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1))

(Check One) Yes o No þ

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7))

(Check One) Yes o No þ

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

(Check One) Yes o No þ

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). 82-___.)

TABLE OF CONTENTS

USGAAP Press Release
USGAAP Financial Pages (F Pages)
USGAAP Financial Pages (S Pages)
Equity Investee Information (09/30/2005)
Signature

Table of Contents

US GAAP

BOVESPA: VALE3, VALE5
NYSE: RIO, RIOPR
LATIBEX: XVALO, XVALP

www.cvrd.com.br
rio@cvrd.com.br
Investor Relations Department
Roberto Castello Branco
Alessandra Gadelha
Barbara Geluda
Daniela Tinoco
Eduardo Mello Franco
Fabio Lima
Tel: (5521) 3814-4540

SUSTAINING PROFITABLE GROWTH
Performance of CVRD in the third quarter 2005 (3Q05)

Rio de Janeiro, November 9, 2005 Companhia Vale do Rio Doce (CVRD) has been reporting continuous good operational and financial results, breaking numerous records quarter over quarter. Past investments and significant productivity gains have resulted in record sales, which in this quarter were achieved in shipments of iron ore & pellets, potash, and railroad general cargo transportation and port services.

Most of CVRD units are operating at full capacity with every ton produced being shipped to clients.

In spite of the cost pressures arising from the economic cycle and the firm appreciation of the Brazilian Real, profit margins continue to be much higher than the historic average. Cash generation has been sufficient to finance a vast program of investments and considerable returns to shareholders, while the balance sheet has continuously strengthened.

§ Shipments of iron ore and pellets in 3Q05 totaled 65.260 million tons, exceeding the previous record 62.386 million tons in 2Q05 and bringing the total for the first nine months of 2005 (9M05) to 187.442 million

tons.

§ Potash sales were a record 197,000 tons in 3Q05, and 464,000 tons in 9M05.

§ Railroad general cargo transported for clients in the quarter, 7.789 billion net ton kilometer (ntk), broke the Company s previous record, of 7.466 billion ntk in 3Q04 and the total for CVRD s railroads in 9M05 was 20.886 billion ntk.

§ Cargo handled for clients in CVRD s ports reached 8.349 million tons in 3Q05, an all time record, and 23.040 million tons in 9M05.

§ Gross revenue in the quarter was US$3.610 billion, 57.8% more than in 3Q04. Gross revenue in 9M05 was US$9.659 billion, 59.9% more than in 9M04.

§ Operational profit, measured as adjusted EBIT[(1)], consisted of US$1.405 billion in the quarter, 58.6% more than in 3Q04, and US$3.971 billion in 9M05.

§ Adjusted EBIT margin in 3Q05 is 40.8%, 430 basis points higher than the average for the 1Q01 3Q05 period.

§ 3Q05 cash generation, measured by adjusted EBITDA[(2)], was US$ 1.734 billion, 72.2% higher yoy. Adjusted EBITDA in the nine months equals to US$ 4.760 billion.

§ LTM adjusted EBITDA increased for the fourteenth consecutive quarter reaching US$ 5.761 billion.

§ 3Q05 net earning was US$ 1.317 billion, or US$ 1.15 per share, 39.7% higher than in 3Q04. Net earnings in the first nine months of 2005 is US$ 3.645 billion,

---

Except where otherwise indicated the operational and financial information in this release is based on the consolidated figures in accordance with USGAAP and, with the exception of information on investments and behaviour of markets, quarterly financial statements reviewed by the company s independent auditors. The main subsidiaries that are consolidated are the following: Caemi, Alunorte, Albras, RDM, RDME, RDMN, Urucum Mineração, Docenave, Ferrovia Centro-Atlântica (FCA), Itaco, CVRD Overseas e Rio Doce International Finance.

Table of Contents

US GAAP

US$ 3.17 per share, 96.8% higher than the 9M04 net earning of US$ 1.852 billion.

Annualized return on equity (ROE) for the quarter is 35.8%.

Capex in 3Q05 was US$917 million, and US$2.309 billion in 9M05.

SELECTED FINANCIAL INDICATORS

US$ million

	3Q04	**2Q05**	**3Q05**	**9M04**	**9M05**
Gross revenues	2,287	3,721	3,610	6,051	9,659
Adjusted EBIT	886	1,771	1,405	2,301	3,971
Adjusted EBIT margin (%)	40.8	50.1	40.8	40.0	43.2
Adjusted EBITDA	1,007	2,033	1,734	2,721	4,760
Net earnings	943	1,630	1,317	1,852	3,645
Earnings per share (US$)	0.82	1.41	1.15	1.61	3.17
Annualized ROE (%)	32.7	39.0	35.8	32.7	29.9
Total debt/ adjusted LTM EBITDA [3](x)	1.34	0.83	0.68	1.34	0.68
Capex *	424.0	821.3	917.0	1,270.3	2,309.0

* including acquisitions

OUTLOOK FOR THE BUSINESS

Global economic growth remains on track, in spite of the continuing high prices of crude oil and refined oil products that contribute to increases in production costs bringing some uncertainty over the future.

World economic expansion has undergone some variations since 2003, but these were not enough to deflect it from a path of expansion higher than the long-term trend. After a surge in the end of 2003 and the beginning of 2004, global growth slowed down somewhat, converging to levels below than the 6% posted during that period. Expansion picked up again in 1Q05, before another soft patch driven by the global inventories cycle.

Nevertheless, in 3Q05 industrial production and international trade again expanded firmly. Also, leading indicators for manufacturing industry important for the demand for ores and metals - showed significant strength.

The global Purchasing Managers Index (PMI) for manufacturing industry, computed by JP Morgan, reached a 13-month peak in October, consistent with a manufacturing output growth rate of 6% p.a. The figures indicate balanced growth across the regions, with increases in the Euro Zone, principally in Germany, its leading economy, and Japan, where the manufacturing PMI is the highest since September 2004 and 2005, respectively. In the US there was a slight decrease in October, but after a very high level in the previous months.

Long-term interest rates, in spite of some recent volatility, continue to be very low, and stock markets have been strong, stimulated by companies increasing profits and more solid balance sheets. Credit spreads, as well as premiums demanded on long-term debt securities, are now tight in comparison with historic averages.

Oil prices, after a peak in nominal terms in August reflecting market nervousness on the impact of hurricanes in the US, have fallen during the last two months.

In 3Q05, the US economy grew at an annual rate of more than 3% for the tenth quarter running, in spite of the effects of Hurricane Katrina.

Table of Contents

US GAAP

Increased oil prices led to US monthly inflation in September being the highest since 1980, with the 12-month inflation reaching 4.7%. However, core inflation is at 2% p.a. We expect the US Federal Reserve to take monetary policy on a less expansionary course, continuing to increase short-term interest rates to attempt to avoid secondary pass-through effects on domestic prices from the high prices of oil and oil products. The short-term real interest rate in the US is still close to zero even after the increases of 300 basis points in the nominal rate between June 2004 and October 2005.

The Chinese economy posted annualized GDP growth above 9% for the ninth consecutive quarter. Industrial production growth stabilized at 16% p.a. since 2Q05, while fixed assets investments, an important leading indicator for steel consumption, show an annual growth rate of 27%.

Since urbanization is still low in China, similar to Brazil s level of 45 years ago, and since its manufacturing industry has not yet reached the capital-intensive production stage, there is significant potential for expansion of demand for ore and metals over the next 10 to 15 years.

China s economic development, intensive in metals consumption a long-term phenomenon is a key difference between the current expansion cycle and those of the 1980s and 90s, when the demand for mineral products depended basically upon fluctuations in mature economies, which were more exposed to cyclical fluctuations and where the importance of manufacturing industry output is naturally declining.

On the other hand, the investment cycle in the ores and metals industry, which began a pickup in 2003 after the contraction that followed the South East Asian crisis, that caused significant increase in costs of equipment and engineering services and in the time taken to conclude new projects. This has two important consequences: the first is the lengthen of the cycle, as supply responds more slowly to the context of higher prices; and the second is that the attractiveness of new projects requires higher long term prices.

Forecasts of an excess in supply of metals in the second half of 2005 did not materialize. On the contrary, inventories of aluminum and copper diminished in September and October. Copper prices have tested the barrier of US$ 4,000/ton, unprecedented in the last 20 years, and aluminum prices are again varying around US$ 2,000/ton, level reached in the March of this year, and highest since January 1995.

With firm indications of industrial production growth worldwide in the coming quarters, low inventory levels, and the absence of any projects adding significant increment in the supply of copper concentrate, this situation is very likely to continue.

In aluminum, China s increased production has called for higher imports of alumina and this has been a determining factor in the current excess global demand, reflected in a significant raise in spot prices, now above US$ 500/ton, more than double their levels of 2001-2. We do not expect this imbalance to be corrected in the next 24 months.

World steel production was 6.3% up year-on-year in 9M05, led strongly by China, where production rose 27.4%. Chinese production is now more than 31% of world production, and exceeds the aggregate production of Europe of the 25 and the NAFTA countries.

US GAAP

China s iron ore imports in 9M05 were 198.9 million tons, 31.7% more than in 9M04. In the context of the stability of demand in the rest of the world, the increase of almost 50 million tons in Chinese imports is a good indicator of the substantial pressure of the global demand.

The existence of a spot iron ore market provides short-term signals on the degree of balance between supply and demand. The change in estimated spot transactions from 4% of seaborne trade in 2003 to 9%, and the persistence of prices higher than those in the long-term contract market gives us a good indication of continuation of the excess demand for iron ore. This information is even more important if we consider that this is happening in an environment in which inventories continue to be low, without any signal of increase, and in which the iron ore industry has been working at full capacity since the second half of 2003.

Among the products for which global demand benefits most strongly from China s economic growth are those, such as iron ore, alumina (bauxite), copper concentrate and nickel, in which reserves are limited in volume and/or quality precisely the markets in which CVRD either has an excellent existing position (iron ore and alumina) or is investing to become one of the largest global players (copper and nickel).

RELEVANT EVENTS

Consolidation of the investment grade rating

After the upgrade by Moody s Investor Service of CVRD s credit risk from Ba1 to *Baa3*, corresponding to investment grade, this rating was confirmed by two other important rating agencies, Standard & Poor s Rating Services with a *BBB* rating, and Dominion Bond Rating Services, with a rating of *BBB low*.

As a result, besides being the first Brazilian company to receive an investment grade rating, CVRD is the only Brazilian company classified as investment grade by three of the world s most important rating agencies.

These decisions consolidate market perception on CVRD s high quality credit risk.

New tranche of CVRD 2034 issued

In October, CVRD issued US$ 300 million in bonds due 2034 making up a single series with its US$ 500 million 2034 issued on January 15, 2004.

Purchase offers from investors were more than twice supply. The placement, which provides an yield to investor of 7.65% per year, will lead to magnifying the market liquidity of CVRD 2034 and lengthening the average maturity of the Company s debt. This issuance is in line with the strategic aim of minimizing the Company refinancing risk while at the same time strengthening the positive perception of CVRD s credit quality by the global capital markets.

Acquisition offer for Canico

In September, CVRD made an offer for the acquisition of all the common stock of the Canadian mining exploration company Canico Resource Corp (Canico) for CAN$17.50 (Canadian dollars) per common share, to be paid in cash. Canico focuses on the development of the Onça Puma lateritic nickel project in the Brazilian state of Pará. Due to the location of Canico s sole asset and existing

Table of Contents

US GAAP

efficient infrastructure in Carajás, also in the state of Pará, Brazil, there are significant synergies to be exploited.

Investment in new pelletizing plants

A US$ 759 million investment by CVRD s subsidiary Caemi in its Itabiritos project was approved.

The project consists of construction of a pelletizing plant (US$ 462 million) at Vargem Grande, in the state of Minas Gerais, Brazil, with nominal production capacity of 7 Mtpy, an iron ore concentration plant at the Pico mine (US$ 282 million) and a 4-km iron ore pipeline (US$ 15 million), to carry the ore between these two operational units. Operational start-up is scheduled for 2008.

At the same time CVRD approved the development of the third pelletizing plant of Samarco, at Ponta Ubu, in the state of Espírito Santo, for an estimated investment of US$ 1.183 billion, to increase its current pellet production capacity by 7.6 Mtpy to 21.6 Mtpy.

Of this total, US$ 518 million will be invested in the pelletizing plant, US$ 240 million in an iron ore concentration plant at the Alegria mine, and US$ 300 million in an iron ore pipeline parallel to the existing one, linking these two units the remainder being invested in the mine and in expansion of the shipment and storage capacity. This operation is scheduled to start-up in the first half of 2008.

CVRD holds 50% of Samarco, which represents an integral part of its business strategy in pellets.

Development of the 118 project approved

In October, CVRD s Board of Directors approved the investment to develop the 118 oxide copper project. The estimated cost is US$ 232 million, with start-up planned for first half 2008. Estimated average production capacity is 36,000 tpy of copper cathode, with forecast useful life of 11 years.

The project has synergies with the Sossego mine, through the utilization of this mine s deposit of oxide ore in its processing plant, and with the Vermelho nickel project, through the use of the sulfuric acid plants.

Further expansions of bauxite and alumina output capacity

In line with the strategic focus on upstream in the aluminum production chain, in which CVRD has strong competitive advantages, the Board of Directors approved expansion of the Paragominas bauxite mine and Alunorte s alumina refinery both in the state of Pará, Brazil.

US$ 196 million will be invested in the second phase of Paragominas, which will add 4.5 Mtpy of bauxite to the 5.4 Mtpy capacity of the first phase, currently under development. Conclusion of the first phase is set for 1Q07, and of the second phase for 2Q08.

The construction of stages 6 and 7 of Alunorte, each with production capacity of 925,000 tpy of alumina, will require investment of US$ 846 million. This project is expected to be concluded in 2Q08, when the refinery will reach nominal capacity of 6.26 Mtpy.

Table of Contents

US GAAP

Dividends

The priorities for use of the Company s cash flow are: financing of the growth opportunities that generate value, appropriate management of the balance sheet, and return to shareholders. A total of US$ 1.3 billion was distributed to shareholders this year, and of US$ 3.4 billion in the last four years.

On October 31, 2005, CVRD paid dividends to its shareholders consisted of R$ 1.8 billion, equivalent to R$ 1.57 per common or preferred outstanding share. This amount corresponds to the second portion of the minimum dividend announced in January of R$ 1.1 billion together with the additional dividend proposed in September of R$ 678 million.

In 2005 CVRD has paid R$ 3.09 billion to its shareholders, or R$ 2.68 per common or preferred outstanding share, an increase of 36% over the amount paid in 2004 and representing average annual growth of 39% since 2002.

SALES AND REVENUES

CVRD s gross revenue in 3Q05 was US$ 3.610 billion, 57.8% more than in 3Q04, and the second highest quarterly revenue in its history, 3.0% lower than in the previous quarter, 2Q05.

However, adjusting revenue in the two quarters for the retroactive effect of the iron ore and pellets price increase adjustments of US$ 318 million in 2Q05 and US$ 22 million in 3Q05 the 3Q05 revenue is the highest in CVRD s history, at US$ 3.588 billion, versus US$ 3.403 billion in 2Q05.

3Q05 gross revenue was US$ 1.323 billion more than in 3Q04, mainly reflecting higher prices which contributed US$ 1.164 billion, or 88.0% of the total increase, and more volumes sold, which contributed US$ 159 million, or 12.0%.

Revenue in the first nine months of the year was US$ 9.659 billion, 13.9% higher than in the whole year of 2004; and LTM revenue to September 30, 2005 was US$ 12.087 billion, a new all-time record.

In 3Q05 ferrous minerals accounted for 75.0% of the gross revenue; products of the aluminum chain (bauxite, alumina and primary aluminum) 9.9%; logistics services 9.9%; and non-ferrous minerals 5.0%.

Europe continued to be the main destination of CVRD s sales, responsible for 28.1% of 3Q05 gross revenue, followed by Brazil with 27.9%, China 15.7% and Japan 9.5%.

Ferrous minerals

All-time record in shipments of iron ore and pellets

CVRD s shipments of iron ore and pellets in 3Q05 were a new all-time record of 65.260 million tons, 8.0% higher than in 3Q04. Sales of iron ore totaled 58.879 million tons, while sales of pellets were 6.381 million tons.

Table of Contents

US GAAP

Since the demand for iron ore continues to be extremely strong, a large proportion of the growth in shipments was sustained by productivity gains achieved in all the productive complexes of CVRD s Southern System. As well as the operational performance, the start-up of the Fábrica Nova mine was essential in supporting the capacity for the Company to expand its sales.

In 3Q05 CVRD acquired 4.613 million tons of iron ore from producers located in the Iron Quadrangle , in the state of Minas Gerais, to complement its production and meet clients needs. In the first nine months of the year it purchased 13.109 million tons of iron ore, 11.9% higher than the volume of 11.710 million tons acquired in the first nine months of 2004.

Total iron ore sales in 9M05 were 167.529 million tons, more than in the whole year of 2003, and 12.6% higher than in 9M04.

A non-recurring event problems at a US client s unloading terminal caused by Hurricane Katrina - resulted in sales of pellets in 3Q05, at 6.381 million tons, being lower than in 3Q04, of 6.847 million tons. Pellets sales in 9M05 were 19,913 million tons, compared to 20.431 million tons in 9M04.

CVRD sold 14.301 million tons of iron ore to China in 3Q05, 21.9% of its total sales volume. Japan received shipments of 6.330 million tons, or 9.7% of the total, Germany 6.124 million tons, 9.4%, France 4.6%, Italy 4.5% and South Korea 4.1%.

Sales to Brazilian steelmakers and pig iron producers amounted to 8.975 million tons, 13.8% of total shipments. Sales to the pelletizing joint ventures at Tubarão were 5.774 million tons, 8.8% of the total. After pelletization, the majority of this volume is sold to other countries.

CVRD s average realized sale price for iron ore in 3Q05 was US$ 35.07/ton, 72.0% higher than in 3Q04. For pellets this average price was US$ 79.92/ton, or 94.7% more than in 3Q04.

Shipments of manganese ore summed 271,000 tons in 3Q05, 13.4% yoy, but an increase of 77,000 tons compared to 2Q05.

Sales of ferro alloys reached 131,000 tons, 16.0% less than in 3Q04 and 10.9% lower than in 2Q05. This was expected, due to the temporary shutdown of the equivalent of one-third of CVRD s total ferro alloys production capacity in August, resulting in output 15% lower than in the previous quarter.

CVRD s average sale price of manganese ore was US$ 73.80/ton, 24.6% less qoq, but 15.5% more than in 3Q04.

The fall in ferro alloy prices continued a trend which started at the end of last year: the average price in 3Q05, US$ 618.32/ton, was 34.1% less than in 2Q05 and 42.9% less than in 3Q04.

Alloy prices are beginning to show signs of stabilization, with some recovery since September, on market reaction to contraction in global production.

In 3Q05 ferrous minerals iron ore, pellets, manganese and ferro alloys provided the greater part of the Company s gross revenue: US$ 2.706 billion or 75.0% of CVRD s total gross revenue and 71.4% higher than in 3Q04.

Iron ore shipments contributed US$ 2.065 billion to this total, pellets US$ 510 million, services of operation of the Tubarão pelletizing plants US$ 19 million, manganese ore US$ 20 million, and ferro alloys US$ 81 million.

Table of Contents

US GAAP

Bauxite, alumina and primary aluminum

The volume of primary aluminum sold, 112,000 tons in 3Q05, was slightly higher than the 110,000 tons sold in 2Q05, and 10.9% more than the volume sold in 3Q04 reflecting the very high output in that quarter, equal to the record quarterly output of 4Q04.

Shipments of alumina in the 3Q05 were 507,000 tons, almost the same as in 3Q04, and 26.1% more than in 2Q05. With the Alunorte refinery operating at full capacity, at an annual rate of 2.5 million tons, the fluctuations in volumes sold each quarter have been caused by the use of swaps with other producers in order to maximize the profitability of sales.

In 3Q05 CVRD sold 368,000 tons of bauxite, 22.5% less than in the previous quarter. The drought in the Amazon region harmed the navigation through Trombetas river, negatively affecting bauxite shipments. Since the raining season starts in the last quarter of the year, this problem was already eliminated.

The average realized price for bauxite in 3Q05 was US$ 27.17/ton, in line with 2Q05, and 4.2% more than in 3Q04. The price of alumina in the quarter was US$ 287.97/ton, higher 12.5% yoy and 5.2% qoq.

The average sale price for alumina in 3Q05 was equivalent to 15.6% of the average price of primary aluminum traded on the LME (London Metals Exchange) in the period reflecting the influence of new contracts with prices at a higher percentage of the benchmark and spot sales taking advantage of the current situation of high prices. Approximately 15% of CVRD alumina sales are made in the spot market.

CVRD s average price for primary aluminum was US$ 1,803.57/ton in 3Q05, a little below that of 2Q05, US$ 1,854.55/ton. Since CVRD s sales are based on the average price of the LME in the previous month, the Company s average sales prices in 3Q05 did not include any reflection of the September price increase, which will appear in 4Q05.

Revenue from products in the aluminum chain in 3Q05 totaled US$ 358 million, 9.5% more than in 2Q05, and 9.9% of CVRD s total revenue in the quarter.

Copper

CVRD sold 96,000 tons of copper concentrate in 3Q05, 9,000 tons less than in 2Q05, and the same volume as in 3Q04. Copper concentrate sales in 9M05 was 286,000 tons.

Copper output from the Sossego mine continues to be lower than its nominal capacity due to the delay in delivery of drilling equipment: only one of the four drilling machines ordered is working. When the new equipment, specially adapted to work with the type of rock found at Sossego, starts operating, we expect output, and consequently sales, to start rising in 1Q06.

CVRD s average price of copper concentrate in 3Q05, US$ 958.33 per ton, was 31.4% higher than in 3Q04 of US$ 729.17/ton, and 8.2% over 2Q05 US$ 885.71/ton. LME copper prices are still at record levels, due to the limitations in growth of supply of concentrate, strong Chinese demand and the historically low level of inventories.

High prices compensated for the effect on revenue of lower volume sold in 3Q05. Total revenues from shipment of copper concentrates were US$ 92 million in the quarter, totaling US$ 260 million in 9M05.

Table of Contents

US GAAP

Industrial minerals

CVRD sold 280,000 tons of kaolin in 3Q05 against 303,000 tons in 2Q05, and 319,000 tons in 3Q04. Lower sales volume was partly caused by postponement of an 18 thousand tons shipment to Japan, from end of September to October, due to problems with the vessel.

Average sale price for kaolin in the quarter was US$ 150.00 per ton, 16.7% higher than in 3Q04 and 1.0% more than in 2Q05. Revenue from sales of kaolin was US$ 42 million, US$ 1 million over 3Q04.

Potash sales at 197,000 tons, were 52.7% more than in 2Q05 and 22.4% higher than in 3Q04. The increase from the previous quarter reflects the seasonal effect of the farm planting cycle and increasing demand, which was partially met by the use of inventories accumulated since the beginning of the year. The Taquari-Vassouras potash mine had its capacity increased from 600,000 to 850,000 tons/year, and should be operating at full capacity in 2006.

The average price of CVRD s potash sales in 3Q05 was US$ 238.58/ton, in line with 2Q05 and 9.7% higher yoy. Potash sales contributed US$ 47 million to CVRD s revenue in 3Q05, US$ 16 million more than in 2Q05.

Logistics

CVRD s logistic services generated revenue of US$ 359 million in 3Q05, 13.6% higher qoq and 54.7% yoy. Logistic services provided 9.9% of CVRD s total revenue in 3Q05.

Revenue from logistics in 9M05 totaled US$ 907 million, 41% more than in 9M04 of US$ 643 million.

Higher volumes carried and the appreciation of the Brazilian Real against the US dollar also boosted sales revenues, since the services are priced in Brazilian currency.

CVRD s railroads transported 7.789 billion ntk of general cargo, a record, and an increase of 4.3% over 3Q04 at 7.466 billion ntk. The main cargos carried were agricultural products, 39.1% of the total, steel industry inputs and products 37.0%, and construction material and forest products 6.9%. Transport of agricultural products overtook transport of steel-related products for the first time, resulted from haulage of the crop and CVRD s increasing exploitation of its own growth potential.

Railroad transportation of general cargo by the Carajás (EFC), Vitória-Minas (EFVM) and Centro-Atlântica (FCA) railroads contributed US$ 267 million to revenue. Port services contributed US$ 60 million, while coastal shipping and port support services provided US$ 32 million.

CVRD s ports and maritime terminals handled 8.349 million tons of general cargo, which compares with 7.634 million in 3Q04, a record volume.

VOLUME SOLD: IRON ORE AND PELLETS

Thousands of tons

	3Q04	**%**	**2Q05**	**%**	**3Q05**	**%**	**9M05**	**%**
Iron ore	53,606	88.7	56,167	90.0	58,879	90.2	167,529	89.4
Pellets	6,847	11.3	6,219	10.0	6,381	9.8	19,913	10.6
Total	**60,453**	**100.0**	**62,386**	**100.0**	**65,260**	**100.0**	**187,442**	**100.0**

Table of Contents

US GAAP

VOLUME SOLD: MINERALS AND METALS

Thousands of tons

	3Q04	2Q05	3Q05	9M04	9M05
Manganese ore	313	194	271	679	663
Ferro-alloys	156	147	131	492	410
Alumina	508	402	507	1,326	1,387
Primary aluminum	101	110	112	317	331
Bauxite	652	475	368	1,562	1,204
Potash	161	129	197	465	464
Kaolin	319	303	280	897	863
Copper concentrates	96	105	96	130	286

IRON ORE AND PELLET SALES BY DESTINATION

Thousands of tons

	3Q04	%	2Q05	%	3Q05	%	9M05	%
EU	**18,337**	**30.3**	**20,016**	**32.1**	**18,884**	**28.9**	**56,303**	**30.0**
Germany	6,204	10.3	6,466	10.4	6,124	9.4	18,406	9.8
France	2,854	4.7	2,850	4.6	2,977	4.6	8,251	4.4
Belgium	2,285	3.8	1,779	2.9	1,961	3.0	5,647	3.0
Italy	2,012	3.3	3,148	5.0	2,915	4.5	7,983	4.3
Others	4,982	8.2	5,773	9.3	4,907	7.5	16,016	8.5
China	**11,340**	**18.8**	**11,747**	**18.8**	**14,301**	**21.9**	**36,905**	**19.7**
Japan	**5,742**	**9.5**	**6,249**	**10.0**	**6,330**	**9.7**	**18,272**	**9.7**
South Korea	**2,813**	**4.7**	**1,237**	**2.0**	**2,647**	**4.1**	**6,339**	**3.4**
Middle East	**1,916**	**3.2**	**2,063**	**3.3**	**2,244**	**3.4**	**5,621**	**3.0**
USA	**1,333**	**2.2**	**1,083**	**1.7**	**878**	**1.3**	**3,237**	**1.7**
Brazil	**14,181**	**23.5**	**14,397**	**23.1**	**14,749**	**22.6**	**43,356**	**23.1**
Steel mills and pig iron producers	9,213	15.2	9,038	14.5	8,975	13.8	26,833	14.3
Pelletizing joint ventures	4,968	8.2	5,359	8.6	5,774	8.8	16,523	8.8

LOGISTICS SERVICES GENERAL CARGO

	3Q04	2Q05	3Q05	9M04	9M05
Railroads (million ntk)	7,466	7,418	7,789	20,428	20,886
Ports (thousand tons)	7,634	8,336	8,349	21,644	23,040

AVERAGE PRICES REALIZED

US$ / ton

	3Q04	2Q05	3Q05	9M04	9M05
Iron ore	20.39	38.58	35.07	19.24	31.76
Pellets	41.04	90.69	79.92	39.55	70.05
Manganese	63.90	97.94	73.80	58.91	88.99
Ferro alloys	1,083.33	938.78	618.32	858.13	880.49
Alumina	255.91	273.63	287.97	239.06	282.62
Aluminum	1,752.48	1,854.55	1,803.57	1,671.92	1,830.82

Bauxite	26.07	27.37	27.17	25.61	27.41
Potash	217.39	240.31	238.58	191.40	232.76
Kaolin	128.53	148.51	150.00	132.66	146.00
Copper concentrates	729.17	885.71	958.33	723.08	909.09

Table of Contents

US GAAP

GROSS REVENUE BY DESTINATION

US$ million

	3Q04	%	2Q05	%	3Q05	%	9M05	%
Europe	699	30.6	1,149	30.9	1,015	28.1	2,817	29.2
Brazil	621	27.2	1,013	27.2	1,006	27.9	2,671	27.7
China	277	12.1	431	11.6	568	15.7	1,278	13.2
Japan	200	8.7	324	8.7	342	9.5	882	9.1
Emerging Asia (ex-China)	87	3.8	167	4.5	183	5.1	475	4.9
USA	118	5.2	119	3.2	85	2.4	302	3.1
Rest of the World	285	12.5	518	13.9	411	11.4	1,234	12.8
Total	**2,287**	**100.0**	**3,721**	**100.0**	**3,610**	**100.0**	**9,659**	**100.0**

GROSS REVENUE BY PRODUCT

US$ million

	3Q04	%	2Q05	%	3Q05	%	9M05	%
Ferrous minerals	**1,579**	**69.0**	**2,908**	**78.2**	**2,706**	**75.0**	**7,218**	**74.7**
Iron ore	1,093	47.8	2,167	58.2	2,065	57.2	5,320	55.1
Pellet plant operation services	12	0.5	6	0.2	19	0.5	45	0.5
Pellets	281	12.3	564	15.2	510	14.1	1,395	14.4
Manganese ore	20	0.9	19	0.5	20	0.6	59	0.6
Ferro-alloys	169	7.4	138	3.7	81	2.2	361	3.7
Others	4	0.2	14	0.4	11	0.3	38	0.4
Non ferrous minerals	**146**	**6.4**	**169**	**4.5**	**181**	**5.0**	**494**	**5.1**
Potash	35	1.5	31	0.8	47	1.3	108	1.1
Kaolin	41	1.8	45	1.2	42	1.2	126	1.3
Copper concentrates	70	3.1	93	2.5	92	2.5	260	2.7
Aluminum products	**327**	**14.3**	**327**	**8.8**	**358**	**9.9**	**1,031**	**10.7**
Primary aluminum	177	7.7	204	5.5	202	5.6	606	6.3
Alumina	130	5.7	110	3.0	146	4.0	392	4.1
Bauxite	17	0.7	13	0.3	10	0.3	33	0.3
Others	3	0.1						
Logistics services	**232**	**10.2**	**316**	**8.5**	**359**	**9.9**	**907**	**9.4**
Railroads	164	7.2	233	6.3	267	7.4	659	6.8
Ports	43	1.9	59	1.6	60	1.7	166	1.7
Shipping	25	1.1	24	0.6	32	0.9	82	0.8
Others	**3**	**0.1**	**1**	**0.0**	**6**	**0.2**	**9**	**0.1**
Total	**2,287**	**100.0**	**3,721**	**100.0**	**3,610**	**100.0**	**9,659**	**100.0**

OPERATIONAL COSTS AND EXPENSES

Cost of goods sold (COGS) totaled US$ 1.645 billion in 3Q05, 9.1% more than in 2Q05 and 56.2% higher than 3Q04. The Brazilian currency appreciated by 21.3% against the US dollar from 3Q04 to 3Q05, causing a negative impact on CVRD s costs, which are around 70%, denominated in Brazilian Reais. The volatility of the exchange rate was responsible for 34.3%, or US$ 203 million, of the total increment of US$ 602 million in costs between the two quarters.

The principal item responsible for the increase in COGS, was outsourced services US$ 153 million higher than 3Q04, mainly due to the increase of US$ 48 million in waste removal, US$ 48 million in freight expenses because of higher volume carried and prices rise and US$ 43 million in maintenance services.

Table of Contents

US GAAP

Material costs increased by US$ 122 million, basically driven by higher usage of conveyor belts and replacement of spare parts and tires, which also had higher prices.

Expenses on acquisition of iron ore and pellets raised by US$ 93 million, due to the increase in prices and to the growth of 14.7% in the volume acquired from third parties, as previously described, from 4.022 million tons in 3Q04 to 4.613 million tons in 3Q05.

Expenses on energy rose by US$ 87 million, reflecting adjustment on prices of fuel and electricity in 2Q05. Around 25% of the increment in energy costs took place in Albras, whose electricity supply contract was renewed in June 2004. The price per MWh settled in the contract is sensitive to Brazilian inflation, changes in the BRL/USD exchange rate and the LME aluminum price.

The total of depreciation and amortization, at US$ 161 million in 3Q05, was US$ 66 million higher than in 3Q04, reflecting not only the increase in the Company s asset base which rose from US$ 3.3 billion at the end of 2002 to US$ 13.4 billion in September 2005 due to significant investments - but also the appreciation of the Real.

Demurrage expenses were US$ 18 million in the quarter, and US$ 55 million in 9M05, which, when annualized, is equivalent to US$ 73 million, 13.6% lower than in the whole year of 2004, reflecting CVRD s efforts to optimize its logistics and expand its ports capacity. We do, however, expect a stronger reduction in the future.

Personnel expenses, at US$ 139 million in the 3Q05, increased US$ 41 million yoy, mainly reflecting the annual raise in employees salaries, which was agreed at 6.5% for the period July 2005 through June 2006, and also the payment of an extraordinary bonus in August.

Other factors that contributed to the increase in COGS were tax expenses US$ 20 million higher, and leasing expenses US$ 12 million over 3Q04.

Sales, general and administrative expenses, at US$ 160 million in 3Q05, were US$ 48 million higher than in 3Q04, driven by annual increase of remuneration of administrative employees, according to parameters previously cited, and the appreciation of the Brazilian Real.

There was also a provision for losses in inventories of ferro alloys of US$ 28 million in 3Q05, and an increase of US$ 15 million in contingency expenses, essentially generated by FCA.

There was a raise of US$ 68 million in research and development (R&D) expenses, which were US$ 36 million in 3Q04 against US$ 104 million in 3Q05. CVRD continues to intensify its mineral exploration efforts, aiming to prepare for growth in the coming decade through greenfield projects. Of the total R&D allocation in 3Q05, 41.3%, or US$ 43 million, was spent on mining exploration and project studies in countries of South America, Asia, Africa and Australia.

Table of Contents

US GAAP

COST OF GOODS SOLD BREAKDOWN

US$ million

	3Q04	%	2Q05	%	3Q05	%	9M05	%
Personnel	98	9.3	117	7.8	139	8.4	354	8.0
Material	188	17.9	279	18.5	310	18.8	820	18.6
Fuels	119	11.3	148	9.8	164	10.0	442	10.0
Electric energy	67	6.4	117	7.8	109	6.6	323	7.3
Outsourced services	224	21.3	342	22.7	377	22.9	1,009	22.9
Acquisition of iron ore and pellets	123	11.7	215	14.3	216	13.1	546	12.4
Acquisition of other products	87	8.3	81	5.4	83	5.0	251	5.7
Depreciation and exhaustion	95	9.0	127	8.4	161	9.8	410	9.3
Others	52	4.9	82	5.4	86	5.2	245	5.6
Total	**1,053**	**100.0**	**1,508**	**100.0**	**1,645**	**100.0**	**4,400**	**100.0**

GOOD OPERATIONAL PERFORMANCE

Operational profit, measured by adjusted EBIT, was US$ 1.405 billion in 3Q05, US$ 519 million more than in 3Q04, led by net revenue US$ 1.272 billion higher, partially offset by an increase of US$ 592 million in COGS.

Adjusted EBIT in 9M05 was US$ 3.971 billion, 72.6% over US$ 2.301 billion in 9M04.

Adjusted EBIT margin in the quarter was 40.8%, 430 bp more than the quarterly average for the period 2001/2005, and equal to the adjusted EBIT margin for 3Q04. The margin of the ferrous minerals division was 50.7%, 570 bp higher than the 45.0% of 3Q04, because of higher prices of iron ore and pellets valid for 2005.

The adjusted EBIT margin of the aluminum business was 25.3%, vs. 44.4% in 3Q04. The increase in average price in the three products in the aluminum chain bauxite, alumina and aluminum was more than offset by the impact of the appreciation of the Brazilian Real on costs, especially in electricity, that together with alumina are the largest components in the cost of aluminum production. Also, there were price raises in several inputs, such as caustic soda, up 20%, and calcining oil 25%, both used in production of alumina, and coke 35%, which affects the cost of production of primary aluminum.

Adjusted EBIT margin for logistics services was 27.6%, 40 bp more than in 3Q04, reflecting the appreciation of the Brazilian Real.

The EBIT margin of the non-ferrous minerals division, which contributes on average to 4% of CVRD s adjusted EBIT, decreased from 33.6% in 3Q04 to 8.0% in 3Q05. The main reason for this decline was the negative operation margin in kaolin business, because of inventory write-off, provision for ICMS credit loss and increase on storage and packaging costs and port expenses in Europe, the major market for CVRD kaolin sales.

Excluding the kaolin business, the adjusted EBIT margin of the non-ferrous minerals division would be 24.6% in 3Q05.

US GAAP

ADJUSTED EBIT MARGIN BY BUSINESS AREA

	3Q04	2Q05	3Q05
Ferrous minerals	45.0%	56.7%	50.7%
Non ferrous minerals	33.6%	30.9%	8.0%
Aluminum	44.4%	32.7%	25.3%
Logistics	27.2%	30.0%	27.6%
Total	**40.8%**	**50.1%**	**40.8%**

A POWERFULL CASH FLOW

3Q05 cash flow, measured by adjusted EBITDA, was US$ 1.734 billion, an increase of 72.2% compared to 3Q04, but 14.7% lower than in 2Q05. Discounting the retroactive effects on 3Q05 and 2Q05 of the changes in iron ore and pellets prices gives adjusted EBITDA for 3Q05 would be US$ 1.712 billion, almost equal to the US$ 1.715 billion of the previous quarter.

In the twelve-month period to September 2005, adjusted EBITDA amounted US$ 5.761 billion. 3Q05 was fourteenth consecutive quarterly result in which LTM adjusted EBITDA increased and was 75.2% higher yoy.

The growth in CVRD s adjusted EBITDA has been characterized by low risk, since the negative volatility of the quarterly variations over the period from 1Q01 through 3Q05 has been low, at only 29.4% of total volatility.

The main drivers contributing for the US$ 727 million growth in adjusted EBITDA between 3Q05 and 3Q04 are increases of US$ 519 million in adjusted EBIT, US$ 69 million in depreciation, and US$ 139 million in dividends received from affiliated companies and joint ventures.

The total of dividends received in 3Q05 was US$ 158 million, vs. US$ 19 million in 3Q04. The largest contribution to this strong increase came from Samarco, which paid US$ 75 million to CVRD in the quarter. CVRD also received dividends from Usiminas, US$ 29 million; GIIC, US$ 20 million; Hispanobras, US$ 16 million; Itabrasco, US$ 10 million; and CSI, US$ 8 million.

In 3Q05 the breakdown of cash flow by business area is: ferrous mineals 87.8%, aluminum 6.4%, logistics 6.6%, non-ferrous minerals 1.0%; and others representing dividends received from non-consolidated companies, less spending on research and development, -1.8%.

QUARTERLY ADJUSTED EBITDA

US$ million

	3Q04	2Q05	3Q05	9M04	9M05
Net operating revenues	2,173	3,536	3,445	5,749	9,194
COGS	(1,053)	(1,508)	(1,645)	(2,873)	(4,400)
SG&A	(112)	(135)	(160)	(319)	(408)
Research and development	(36)	(54)	(104)	(86)	(192)
Other operational expenses	(86)	(68)	(131)	(170)	(223)
Adjusted EBIT	**886**	**1,771**	**1,405**	**2,301**	**3,971**
Depreciation, amortization & exhaustion	102	136	171	280	436
Dividends received	19	126	158	140	353
Adjusted EBITDA	**1,007**	**2,033**	**1,734**	**2,721**	**4,760**

Table of Contents

US GAAP

ADJUSTED EBITDA BY BUSINESS AREA

US$ million

	3Q04	%	2Q05	%	3Q05	%	9M05	%
Ferrous minerals	722	71.7	1,687	83.0	1,523	87.8	3,884	81.6
Non- ferrous minerals	33	3.3	45	2.2	17	1.0	102	2.1
Logistics	100	9.9	130	6.4	114	6.6	334	7.0
Aluminum	152	15.1	149	7.3	111	6.4	429	9.0
Others		0.0	22	1.1	(31)	-1.8	11	0.2
Total	**1,007**	**100.0**	**2,033**	**100.0**	**1,734**	**100.0**	**4,760**	**100.0**

FINANCIAL RESULT

CVRD posted net financial result of a negative US$ 180 million in 3Q05, US$ 25 million less than in 3Q04. Financial revenues, at US$ 36 million, were US$ 26 million higher than the US$ 10 million computed in 3Q04, but this increase was more than offset by financial expenses US$ 51 million higher, at US$ 216 million.

In the nine first months of 2005, the net financial result was negative in US$ 267 million, an improvement against the net financial expenses of US$ 372 million in the same period last year. The improvement in this result was determined by reduction of US$ 60 million in losses on derivative transaction contracted to hedge aluminum prices and of US$ 28 million in interest expenses. The increase of US$ 51 million in financial revenues, was partly offset by a US$ 25 million raise on monetary adjustment of legal liabilities.

EQUITY INCOME

Equity income from subsidiaries in the 3Q05 totaled US$ 194 million, 52.8%, or US$ 67 million, more than in 3Q04. This increment came mainly from the pelletizing companies, benefiting from price increases for their products: they produced equity income of US$ 125 million in 3Q05, vs. US$ 49 million in 3Q04. Much of this amount came from Samarco, which contributed US$ 82 million to CVRD s profit in 3Q05, vs. US$ 35 million in 3Q04.

The contribution of MRS Logística was also higher, at US$ 17 million in 3Q05 compared with US$ 8 million in 3Q04, mainly due to the appreciation of the Real against the US dollar, since its revenues are denominated in Reais.

The contribution from investments in steel companies was lower US$ 35 million in 3Q05 vs. US$ 50 million in 3Q04 following the divestment of CST.

RESULT FROM SHAREHOLDINGS

R$ million

	3Q04	2Q05	3Q05	9M04	9M05
Iron Ore and Pellets	50	128	127	115	307
Aluminum, Alumina and Bauxite	20	18	15	52	51
Logistics	8	12	17	22	39
Steel	50	62	35	176	150
Others	(1)			(2)	
Total	**127**	**220**	**194**	**363**	**547**

Table of Contents

US GAAP

US$ 3.6 BILLION NET EARNINGS IN 9M 2005

CVRD computed net earnings of US$ 1.317 billion in 3Q05, 39.7% more than in 3Q04, but 19.2% less than in 2Q05. Net earnings in the first nine months of 2005 was US$ 3.645 billion, almost twice the amount for 9M04, of US$ 1.852 billion; and net earning in the 12 months ended September 2005 was US$ 4.366 billion, 69.7% more than in the year 2004.

The main component of the growth between 3Q04 and 3Q05 was the increase of US$ 519 million in operational profit.

The appreciation of the Brazilian Real, which, on the one hand, increased operational costs and expenses, compressing margins, operational profit, cash flow and net profit, on the other hand caused a positive effect in the later, through monetary variations of US$ 163 million. Equity income from subsidiaries increased its contribution to earnings by US$ 67 million from 3Q04 to 3Q05.

At the same time, revenue from sale of assets was US$ 188 million lower: an accounting gain of US$ 314 million was posted on the sale of the stake in CST in 3Q04, while a gain of US$ 126 million was posted on the divestment of the Quebec Cartier Mining Company in 3Q05.

DEBT: EXCELLENCE IN CREDIT QUALITY

After achieving investment grade status on July 8, 2005, with the rating by Moody s Investor Service, CVRD obtained the same recognition from two of the other principal rating agencies in the world: Standard & Poor s Ratings Services and Dominion Bond Ratings Service. In our view, this represents the consolidation of market s perception on CVRD s high credit quality.

CVRD s total debt on September 30, 2005 was US$ 3.942 billion, which compares with US$ 4.168 billion at the end of June 2005, and US$ 4.088 billion at the end of 2004. Net debt[(4)] at the end of September 2005 was US$ 2.707 billion, a reduction of US$ 505 million from the net debt position of US$ 3.212 billion at the end of June 2005. The average maturity of CVRD s debt on September 30, 2005 was 6.89 years, of which 47% was at fixed rates and 53% at floating rates.

The Company s leverage and interest coverage indicators continued to improve, reflecting the strength of its balance sheet: total debt/adjusted EBITDA declined from 0.83x on June 30, 2005 to 0.68x on September 30, 2005; and interest coverage, measured as LTM Adjusted EBITDA / interest paid, increased from 17.73x to 21.03x over the same period.

In October 2005 CVRD raised US$ 300 million from the issue of a further tranche of the CVRD 2034 bond, with an yield to investors of 7.65% p.a. This represents a spread of 286 bp over US Treasury securities of equal duration, and 50 bp less than the US$ 500 million issue of January 2004 and with a yield to investors 70 bp lower.

The transaction, which was placed amidst an environment of fears of inflation acceleration in the US and expectations of higher long-term interest rates, was very successful, given the excess demand to buy the bond and the spread reduction compared to the January 2004 issue.

Table of Contents

US GAAP

The main effects of an additional issue of the 2034 bond were: liquidity increase, a marginal lengthening of the average maturity of CVRD s debt, and, consequently, reduction in its refinancing risks.

FINANCIAL EXPENSES

			US$ million
	3Q04	**2Q05**	**3Q05**
Financial expenses on:			
Debt with third parties	(61)	(57)	(69)
Debt with related parties	(3)	(4)	2
Total debt-related financial expenses	**(64)**	**(61)**	**(67)**

	3Q04	**2Q05**	**3Q05**
Gross interest on:			
Tax and labour contingencies	(11)	(13)	(27)
Tax on financial transactions (CPMF)	(9)	(16)	(15)
Derivatives	(36)	56	(64)
Others	(45)	(17)	(43)
Total gross interest	**(101)**	**10**	**(149)**
Total	**(165)**	**(51)**	**(216)**

DEBT INDICATORS

			US$ million
	3Q04	**2Q05**	**3Q05**
Gross debt	4,418	4,168	3,942
Net debt	2,479	3,212	2,707
Gross debt / adjusted LTM EBITDA(x)	1.34	0.83	0.68
Adjusted LTM EBITDA / LTM interest expenses (5)(x)	13.00	17.73	21.03
Gross debt / EV(6)(x)	0.16	0.11	0.08

Enterprise Value = market capitalization + net debt

THE SEEDS OF FUTURE GROWTH

CVRD s total capital expenditure in 3Q05 was US$ 917.0 million, 11.7% more than in 2Q05 at US$ 821.3 million and 60.8% higher than in 1Q05 at US$ 570.3 million.

Capex in 9M05 was US$ 2.309 billion, 69.3% of the US$ 3.332 billion budgeted for the year. In the 12 months to the end of September 2005 CVRD s capex was US$ 2.995 billion, an all-time record in the Company s history.

Of the total 3Q05 capex, US$ 700.2 million was allocated to organic growth R&D and projects and US$ 216.8 million to stay-in-business capex . In the first nine months of the year US$ 1.608 billion was invested in projects, US$ 181 million in R&D and US$ 519 million in maintenance.

Three important projects have been completed this year: the Fábrica Nova iron ore mine, the increase in capacity at the Taquari-Vassouras potash mine from 600,000 to 850,000 tons/year and the construction of the Aimorés hydroelectric power plant.

In the quarter, CVRD invested US$ 110.1 million in R&D, which compares with US$ 42.7 million in 2Q05. Mineral exploration efforts were concentrated mainly in looking for new deposits of copper, coal, nickel, gold and manganese and in project studies (conceptual, pre-feasibility and feasibility studies).

Table of Contents

US GAAP

CVRD Board of Directors approved projects totaling US$ 2.033 billion, involving capacity expansion of pellets, copper, bauxite and alumina. These projects, submitted to rigorous approval criteria, will be new sources of cash generation and shareholder value from 2008, when operations are scheduled to begin.

CVRD subsidiary Caemi will invest US$ 759 million in the Itabiritos project, to be completed in 2008. This involves construction of a pelletizing plant with nominal capacity of 7 Mtpy (US$ 462 million), an iron ore concentration plant at the Pico mine (US$ 282 million) and an iron ore pipeline for the transportation of ore between these two units (US$ 15 million).

The investment in the second phase of the Paragominas bauxite mine, in Brazil, state of Pará, was also approved. It will add 4.5 Mtpy to the nominal capacity of the first phase currently being developed, of 5.4 Mtpy. The project, budgeted to cost US$ 196 million, is planned for completion in the second quarter of 2008, when Paragominas will have capacity to produce 9.9 Mtpy of bauxite.

Construction of stages 6 and 7 of the Barcarena alumina refineryt, each with annual capacity of 935,000 tons, has also been approved. The cost of this project is estimated at US$ 846 million, extremely competitive even with the appreciation of the Brazilian Real and the strong rise in prices of equipments and contractors services.

The start-up is also programmed for the second quarter of 2008. The two new stages will increase the capacity of the refinery to 6.26 Mtpy, consolidating its position as the world s largest and most up-to-date plant.

In October CVRD s Board approved investment in developing the 118 oxide copper project, with average production capacity estimated at 36,000 tons of cooper cathode/year. The 118 project is in the Southern part of Carajás, in the Brazilian state of Pará. The estimated investment is US$ 232 million, for start-up in the first half of 2008.

Main CVRD projects underway: progress report

Area	Project	Budgeted 2005	Status
Ferrous minerals	Expansion of the Carajás iron ore mines to 85 Mtpy Northern System	140	This project will add 15 Mtpy to CVRD s production capacity and is scheduled for conclusion in 3Q06. The second ship loader of Pier III started operating in August.
	Brucutu iron ore mine Southern System	205	Phase I of the project is expected to be complete in 3Q06, bringing nominal production capacity to 12 Mtpy. Conclusion of Phase II is planned for 2007, bringing capacity to 24 Mtpy. Studies are in progress for expansion to 30 Mtpy.
	Expansion of the Itabira iron ore mines Southern System	16	Modernization of operations and expansion of production capacity of the Itabira mines to 46 Mtpy. Conclusion and start-up scheduled for 2H07.
	Fazendão iron ore mine Southern System	52	Project for 14 million tpy of run-of-mine (ROM) iron ore. Works are planned to start in 1H06, for completion and start-up in 2H07.
	Fábrica iron ore mine Southern System	38	Project to expand capacity by 5 million tons from 12 to 17 Mtpy, with start-up in 3Q07.

Table of Contents

US GAAP

Area	Project	Budgeted 2005	Status
	Timbopeba iron ore mine Southern System	25	Small-scale equipments for this project are now operating. Access road to the mine is under construction, to be ready in December 2005. Output is in line with estimates (2.7 million tons).
	Tubarão Port expansion Southern System	22	Project to expand conveyor belt systems and cargo handling area machinery, and build new cargo handling areas. The project will increase the port s handling capacity by 10 million tons. Conclusion scheduled for December 2006.
	Expansion of the São Luis pelletizing plant	18	Expansion of capacity from 6 to 7 Mtpy will be finalized by January 2006. 85% of the project has been completed. Estimated production this year is 6.25 million tons.
	Anthracite	86	The process of acquisition of 25% of the Chinese anthracite producer Henan Longyu Energy Resources Ltd., in partnership with Yoncheng and Baosteel, has been completed. The mine is expected to produce 1.7 million tons of high quality anthracite in 2005, of which CVRD s take is equal to its percentage holding in the company.
Coal	Metallurgical coke	16	Acquisition of a 25% stake, in association with the Chinese coal producer Yankuang, in Shandong Yankuang International Coking Ltd, to produce metallurgical coke. The project has estimated production capacity of 2 Mtpy of coke and 200,000 tons/year of methanol. Start-up scheduled for 2006.
	Expansion of the Taquari-Vassouras potash mine	9	The works to expand nominal potash production capacity from 600,000 to 850,000 tpy have been completed.
Non-ferrous minerals	118 copper mine	32	This project was approved in October 2005 and the mine is scheduled to start producing in 1H08. The project will have production capacity of 36,000 tons of copper cathode/year, and estimated total investment of US$ 232 million. The principal equipment

			has been ordered.
	Vermelho nickel mine	34	This project was approved in July 2005, for scheduled start-up of the mine in 4Q08, with estimated production capacity of 46,000 tons of metallic nickel and 2,800 tons of cobalt per year. Estimated total investment is US$ 1.2 billion. The main equipment has been ordered and work on the site should start in 2006 after the rainy season. Work on obtaining the environmental license is in progress.
	Alumina: Alunorte stages 4 and 5	306	The project to built stages 4 and 5 will increase alumina refinery capacity to 4.2 Mtpy, with start-up planned for stage 4 in 1Q06, and stage 5 planned for completion in 2Q06. 95% of the physical works have been completed.
Aluminum	Paragominas Bauxite mine Phase 11	154	The first module of this mine will produce 5.4 Mtpy of bauxite, starting in 1Q07. The 244-km ore pipeline, which will carry bauxite from the mine to the alumina refinery in Barcarena, in the Brazilian state of Pará, is under construction with completion expected to March 2006.
Logistics	Acquisition of locomotives and wagons -EFVM, EFC and FCA	559	Up to the end of September 2005, 3,953 wagons and 68 locomotives had been purchased.
	Aimorés hydroelectric plant	12	This power plant, on the Rio Doce, in the Brazilian state of Minas Gerais, will have generation capacity of 330MW. The three rotors are already in partial operation. CVRD s stake is 51.0%.
Electricity	Capim Branco I and II hydro plants	73	These two power plants on the Araguari river in the state of Minas Gerais will have generation capacity of 240MW and 210MW respectively. Both are planned to start operating in 2006.

19

Table of Contents

US GAAP

CAPEX BY BUSINESS AREA

US$ million

Business area	3Q05		realized 2005	
Ferrous minerals	353.7	38.6%	893.9	38.7%
Non ferrous minerals	71.3	7.8%	160.1	6.9%
Logistcs	231.6	25.3%	514.1	22.3%
Aluminum	170.8	18.6%	448.5	19.4%
Coal	5.9	0.6%	99.9	4.3%
Electric energy	33.6	3.7%	93.1	4.0%
Others	50.1	5.5%	99.1	4.3%
Total	**917.0**	**100.0%**	**2,308.7**	**100.0%**

CONFERENCE CALL AND WEBCAST

CVRD will hold its conference call and webcast on Friday, November 11, at 12:00 pm Rio de Janeiro time, 9:00 am Eastern Standard Time and 2:00 pm UK time. Instructions for participation are on the website www.cvrd.com.br, *Investor Relations* section. A recording of the call and webcast will be available on the website for 90 days following November 11.

SELECTED FINANCIAL INDICATORS FOR THE MAIN NON-CONSOLIDATED COMPANIES

Selected financial indicators for the principal non-consolidated companies are available in CVRD s quarterly financial statements, on its website www.cvrd.com.br, in the *Investor Relations* section.

20

Table of Contents

US GAAP

FINANCIAL STATEMENTS

			US$ million
	3Q04	**2Q05**	**3Q05**
Gross operating revenues	2,287	3,721	3,610
Taxes	(114)	(185)	(165)
Net operating revenue	**2,173**	**3,536**	**3,445**
Cost of goods sold	(1,053)	(1,508)	(1,645)
Gross profit	**1,120**	**2,028**	**1,800**
Gross margin (%)	51.5	57.4	52.2
Selling, general and administrative expenses	(112)	(135)	(160)
Research and development expenses	(36)	(54)	(104)
Employee profit-sharing	(17)	(24)	(24)
Others	(69)	(44)	(107)
Operating profit	**886**	**1,771**	**1,405**
Financial revenues	10	27	36
Financial expenses	(165)	(51)	(216)
Monetary variation	77	304	163
Gains on sale of affiliates	314		126
Tax and social contribution (Current)	(285)	(330)	(172)
Tax and social contribution (Deferred)	61	(107)	(102)
Equity income and provision for losses	127	220	194
Accounting changes for asset write-offs			
Minority shareholding participation	(82)	(204)	(117)
Net earnings	**943**	**1,630**	**1,317**
Earnings per share (US$)	**0.82**	**1.41**	**1.15**

BALANCE SHEET

			US$ million
	09/30/04	**06/30/05**	**09/30/05**
Assets			
Current	4,246	4,634	5,006
Net Income	$ 3,600,297	$ 3,848,478	
Other Comprehensive Income			
Foreign currency translation adjustment	(97,825)	1,590,979	
Comprehensive Income	$ 3,502,472	$ 5,439,457	
Earnings per share			
Basic	$ 0.08	$ 0.09	
Diluted	$ 0.07	$ 0.08	
Weighted average number of common shares outstanding			
Basic	47,055,374	41,510,498	
Diluted	54,692,874	49,688,998	

The accompanying notes are an integral part of these condensed consolidated financial statements

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2009	2008
Cash Flows From Operating Activities:		
Net income	$ 3,600,297	$ 3,848,478
Adjustments to reconcile net income to net cash provided by (used in)operating activities:		
Depreciation and amortization	190,584	295,963
Amortization of deferred consulting expenses	50,281	87,594
Amortization of stock based compensation expense	261,965	133,781
Equity loss of unconsolidated entity	9,798	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,016,908)	2,099,466
Inventories	231,881	(1,137,602)
Other receivable & prepayments	227,176	373,611
Accounts payable, accrued expenses and other payables	1,294,663	1,883,196
Advance from Customer	2,706	(21,046)
Net cash provided by operating activities	3,852,444	7,563,440
Cash Flows From Investing Activities:		
Loan receivable	(19,355)	-
Deposit for long-term assets	(1,964,027)	-
Purchase of property, plant and equipment	(33,353)	(1,689)
Payment made on investment advance	(814,946)	-
Net cash used in investing activities	(2,831,681)	(1,689)
Cash Flows From Financing Activities		
Loan (to) from related parties	-	167,343
Purchase of treasury stock	(146,627)	-
Repayment of officer loan	(8,846)	-
Net cash provided by(used in) financing activities	(155,471)	167,343
Effect of exchange rate changes on cash and cash equivalents	(66,432)	919,979
Increase in cash and cash equivalents	798,859	8,649,073
Cash and Cash Equivalents - Beginning of period	32,746,155	2,704,823
Cash and Cash Equivalents - End of period	$ 33,545,014	$ 11,353,896
SUPPLEMENTAL CASH FLOW INFORMATION:		
During the year, cash was paid for the following:		
Interest expense	$ -	$ -

Income taxes	$	-	$	-
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Common stock issued for incentive stock-based compensation	$	152,800	$	-

The accompanying notes are an integral part of these condensed consolidated financial statements

4

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements, In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2009 and 2008 are not necessarily indicative of the results that may be expected for the full years. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and the financial statements and notes to thereto included in the Company's 2008 Form 10-K.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported total assets, liabilities, stockholders' equity or net income.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cashtech and ZQPT. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates required to be made by the management include, but are not limited to, the recoverability of long-lived assets and the valuation of accounts receivable and inventories. Actual results could differ from those estimates.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For purposes of the statement of cash flow, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivables are stated at net realizable value. Any allowance for doubtful accounts is established based on the management's assessment of the recoverability of accounts and other receivables. Management regularly reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the collectability of accounts receivable and the adequacy of the allowance. The allowance for accounts receivable is $16,478 and $ 16,506 as of March 31, 2009 and December, 31 2008, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a weighted average method. Cost of work in progress and finished goods comprises direct material, direct production cost and an allocated portion of production overheads. Management compares the cost of inventory with the market value and an allowance is made for writing down the inventory to its market value, if lower.

Revenue recognition

The Company's revenue recognition policies are in compliance with Staff Accounting Bulletin ("SAB") 104. Sales revenue is recognized when title and risks have passed, which is generally at the date of shipment and when collectability is reasonably assured.

The Company sells its products to the customers who have passed the Company's credit check. Sales agreements are signed with each customer. The purchase price of products is fixed in the agreement. The Company does not sell products to customers on a consignment basis. The company makes custom products based on sales agreements, so no returns are allowed. The Company warrants the product only in the event of defects for one year from the date of shipment. Historically, the Company has not experienced significant defects, and replacements for defects have been minimal. For the three months ended March 31, 2009 and 2008, no such returns and allowances have been recorded. Should returns increase in the future it would be necessary to adjust estimates, in which case recognition of revenues could be delayed. Payments received before all of the relevant criteria for revenue recognition are recorded as customer deposits.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Maintenance, repairs and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized. Depreciation and amortization are provided using the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

Buildings and improvements	39 years
Machinery, equipment and motor vehicles	5-10 years

Construction in progress

Construction in progress represents buildings and machinery under construction, which is stated at cost and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Prepaid consulting services

Prepaid consulting services represent the aggregate fair value of the Company's common stock issued in return for the consulting services provided by certain consultants to the Company. The fair value is determined by reference to the closing price of the Company's common stock as quoted on NASDAQ or other US stock exchanges at the date of issuance. The prepaid expenses are amortized on a straight-line basis over the respective terms of the service periods. Amortization of prepaid consulting services for the three months ended March 31, 2009 and 2008 was $50,281 and $87,594, respectively.

Impairment of long-lived assets

Long-lived assets, which include property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents and accounts and other receivables. As of March 31, 2009, most of the Company's cash and cash equivalents were held by major banks located in the PRC which the Company's management believes are of high credit quality. With respect to accounts receivable, the Company extends credit based on an evaluation of the customer's financial condition and without requiring collateral. The Company conducts periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.

Foreign currency translation

The functional currency of ZQPT is the Chinese Renminbi (“RMB”). For financial reporting purposes, RMB has been translated into United States dollars ("USD") as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing for the period. Capital accounts are translated at their historical exchange rates when the capital transaction occurred. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income." Gains and losses resulting from foreign currency translation are included in accumulated other comprehensive income.

Goodwill

Goodwill and other intangible assets are accounted for in accordance with the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets.” Under SFAS 142, goodwill, including any goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have indefinite useful lives are not amortized. Rather, goodwill and such indefinite-lived intangible assets are assessed for impairment at least annually based on comparisons of their respective fair values to their carrying values.

Finite-lived intangible assets are amortized over their respective useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In evaluating long-lived assets for recoverability, including finite-lived intangibles and property and equipment, the Company uses its best estimate of future cash flows expected to result from the use of the asset and eventual disposition in accordance with SFAS No.144. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized in an amount equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal, whether through sale or abandonment, are reported at the lower of carrying value or fair value less costs to sell.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payments," which establishes the accounting for employee stock-based awards. Under the provisions of SFAS No. 123(R), stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). The Company adopted SFAS No. 123 (R) using the modified prospective method and, as a result, periods prior to December 31, 2005 have not been restated.

Prior to December 31, 2005, the Company accounted for stock-based compensation in accordance with provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25), "Accounting for Stock Issued to Employees," and related interpretations. Under APB No. 25, compensation cost was recognized based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock. The Company has not granted any stock options and, accordingly, no compensation expense related to options was recognized prior to the adoption of SFAS No. 123 (R).

Both prior to and subsequent to December 31, 2005, the Company determined the fair value of each stock award to be equal to the quoted market price for the Company's common stock on the date of the award.

Unearned compensation represents shares issued to executives and employees that will be vested over a certain service period. These shares will be amortized over the vesting period in accordance with FASB 123 (R). The average vesting period for the shares issued to date has been 11.37 years, based on the terms of the employment agreements under which the stock was awarded. The expense related to the vesting of unearned compensation was $261,965 and $133,781 for three months ended March 31, 2009 and 2008, respectively.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, “Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Service.s. The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. Fair value is measured as the value of the Company’s common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty’s performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Research and development costs

Research and development costs are expensed as incurred. Engineers and technical staff are involved in the production of our products as well as on-going research, with no segregation of the portion of their salaries relating to research and development from the portion of their salaries relating to production. The total salaries are included in cost of goods sold. Research and development expense was $0 and $4,325 for the three months ended March 31, 2009 and 2008, respectively.

Income Tax

The Company utilizes Statement of Financial Accounting Standards (SFAS) No. 109, “Accounting for Income Taxes,” which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company has provided a 100% valuation allowance at March 31, 2009 for the temporary difference related to loss carry-forwards and stock-based compensation.

Comprehensive Income

Comprehensive income is defined to include changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income and the foreign currency translation gain, net of tax.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Earnings per Share

Earnings per share are calculated in accordance with the SFAS 128, “Earnings per share.” Basic net earnings per share are based upon the weighted average number of common shares outstanding, but excluding shares issued as compensation that have not yet vested. Diluted net earnings per share are based on the assumption that all dilutive convertible shares and stock options were converted or exercised, and that all unvested shares have vested. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Recently Issued Accounting Standards

In June 2008, the FASB issued FASB Staff Position on Emerging Issues Task Force Issue 03-6, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“FSP EITF 03-6-1”). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (“EPS”) pursuant to the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of FSP EITF 03-6-1. The adoption of this FSP EITF 03-6-1 did not have a material effect on the Company’s financial position.

In March 2008, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133, which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. SFAS No. 161 is effective beginning January 1, 2009. We are currently assessing the potential impact that adoption of SFAS No. 161 may have on our financial statements.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2007, the FASB issued SFAS No. 160,"Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The adoption of this SFAS 160 did not have a material effect on the Company's financial position.

In December 2007, Statement of Financial Accounting Standards No. 141(R), Business Combinations, was issued. SFAS No. 141R replaces SFAS No. 141, Business Combinations. SFAS 141R retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This replaces SFAS 141's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. SFAS 141R also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with SFAS 141R). SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The adoption of this SFAS No. 141R did not have a material effect on the Company's financial position.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

3. INVENTORY

	March 31, 2009	December 31, 2008
Raw Materials	$ 621,520	$ 791,891
Work-in-process	546,321	638,745
Finished goods	348,393	317,479
	$ 1,516,234	$ 1,748,115

The accumulative allowance for inventory was $47,574 and $47,655 as of March 31, 2009 and December 31, 2008, respectively. No allowance for inventory was made for the three months ended March 31, 2009 and 2008.

4. LOAN RECEIVABLE

The Company loaned to a non-related company, Harbin Jinhuida Investment Consulting Limited, the amount of $1,600,000 for one year term from October 30, 2008 to October 29, 2009 at a fixed interest rate of 10% per annum. The principal plus interest will be repaid upon maturity. The Company accrued interest income of $40,000 for the three months ended March 31, 2009 as a result of this transaction.

The Company also loaned $19,355 to RDX Holdings Limited. The entire amount is expected to be paid back in May 2009 without interest. Zhiguo Fu, the Company's Chief Executive Officer, is a member of the Board of Directors of the parent of RDX Holdings Limited.

5. OTHER RECEIVABLES

Other receivables generally consist of advances to employee and interest receivable. The Company has full oversight and control over the advanced accounts. Therefore, no allowance for the uncollectible accounts is considered necessary.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
Building and improvements	$ 12,376,306	$ 12,397,349
Machinery and equipment	3,692,727	3,698,917
Motor Vehicles	250,368	217,236
	16,319,401	16,313,502
less: Accumulated Depreciation	(2,959,062)	(2,803,788)
Construction in Progress	3,120,842	3,126,130
Total property, plant and equipment, net	$ 16,481,181	$ 16,635,843

Depreciation expense for the three months ended March 31, 2009 and 2008 was $159,886 and $273,796, respectively.

Construction in progress represents direct costs of construction and design fees incurred for the Company's new plant and equipment. Capitalization of these costs ceases and the construction in progress is transferred to plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided until it is completed and ready for its intended use. Construction in progress totaled $3,120,842 and $3,126,130 as of March 31, 2009 and December 31, 2008, respectively.

7. INVESTMENT IN UNCONSOLIDATED ENTITY

In the fourth quarter of 2008, the Company entered an equity investment agreement ("Agreement") with Beyond E-Tech, Inc (BET) to acquire 49% of issued and outstanding capital stock of BET for a total payment of $1,500,000. The Company made the payment in full as of March 31, 2009. BET is a newly-organized company that imports and distributes cell phones in the United States. Pursuant to the Agreement, during any period of time when the Company is a shareholder of BET, BET shall exclusively market products for resale that use ABAT's rechargeable polymer lithium-ion batteries.

The Company has a significant influence on BET and therefore uses the equity method to account for the investment in BET. According to the Agreement, the Company has significant influence over the operating and financial policies of BET, including a right of approval of its operating budget, veto power over large capital expenses, and other management controls. Net loss on using this equity method investment was $9,798 for the three months ended March 31, 2009.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

7. INVESTMENT IN UNCONSOLIDATED ENTITY (Continued)

The Company uses its best estimate of future cash flows expected to result from the use of this asset in accordance with SFAS No. 157. There was $371,743 impairment loss recognized on this investment for the year ended December 31, 2008 because the estimated future undiscounted net cash flows related to this investment are less than the carrying amount.

8. DEPOSIT FOR LONG-TERM ASSETS

The Company entered various agreements to purchase equipment and machinery in an effort to expand its production in 2009. As of March 31, 2009, the Company made a total down payment of $3.71 million on those long-term assets. The Company expects to pay the remaining contract amount of $1.83 million in 2009. The deposit will be reclassified to the respective accounts under the fixed assets upon delivery and transfer of legal titles.

9. INVESTMENT ADVANCE

On October 24, 2008, Cashtech entered an agreement with Wuxi Angell Autocycle Co. Ltd ('Wuxi Angell') under which the Company will acquire a 55% interest in Wuxi Angell in exchange for a cash payment of RMB 25 million (approximately US$3.64 million) and 2 million shares of ABAT's common stock.

On April 28, 2009 Advanced Battery Technologies and its wholly-owned subsidiary, Cashtech Investment Limited, amended the above agreement and entered into a Share Purchase Agreement with the owners of Wuxi Angell, who are Wuxi Baoshiyun Autocycle Co., Ltd. and Bao Jin, . The Share Purchase Agreement provides that Cashtech Investment Limited will purchase 100% equity in Wuxi Angell in exchange for (a) U.S.$3,640,000 already paid by Advanced Battery Technologies, (b) 70,000,000 Chinese Renminbi (approx. $10,248,902) to be paid at closing, and (c) 3,000,000 shares of the common stock of Advanced Battery Technologies, Inc.

The Company has advanced payment in the total amount of approximately $3.81 million as of March 31, 2009.

Wuxi Angell is the customer of ABAT with sales of $0.24 million and $2.41 million, which represented 2.2% and 24.0% of the total sales of the Company for the three months ended March 31, 2009 and 2008, respectively.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

10. INTANGIBLE ASSETS

Intangible assets consist of land use rights and patents. All land in the People's Republic of China is government owned and cannot be sold to any individual or company. However, the government grants the user a "land use right" (the Right) to use the land and the power line underneath. The Group leases two pieces of land per real estate contract from the PRC Government for a period from August 2003 to September 2043, on which the office and production facilities of ZQ Power-Tech are situated. The Group leases power from the local government for a period from July 2003 to July 2013.

Rights to use land and power and patent right are stated at fair market value less accumulated amortization. The Company amortizes the patents over a 10 year period. The Company evaluates intangible assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets, other long-lived assets, and goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. As of March 31, 2009, no impairment of intangible assets has been recorded.

Net intangible assets at March 31, 2009 and December 31, 2008 were as follows:

	March 31, 2009	December 31, 2008
Rights to use land and power	$ 1,024,957	$ 1,024,225
Patents	897,089	901,076
	1,922,046	1,925,301
Less: accumulated amortization	(407,212)	(377,143)
	$ 1,514,834	$ 1,548,158

Amortization expense was $30,698 and $22,167 for the three months ended March 31, 2009 and 2008, respectively.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

10. INTANGIBLE ASSETS (Continued)

Based upon current assumptions, the Company expects that its intangible assets will be amortized over the next five years according to the following schedule:

As of March 31		
2010	$	120,820
2011		120,820
2012		120,820
2013		120,820
2014		120,820
Thereafter		910,734
	$	1,514,834

11. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets of the 30% minority interest in ZQPT acquired from the minority shareholders in ZQPT. Goodwill is tested for impairment on an annual basis and in between annual test dates if events or circumstances indicate that the carrying amount of goodwill exceeds its implied fair value. The Company determined the implied fair value of goodwill by allocating the price paid to acquire the 30% minority interest to all of its assets and liabilities.

12. LOAN FROM OFFICER

The Company’s CEO, Mr. Zhiguo Fu, periodically loans money to finance the operations of its New York Office. As of March 31, 2009, the Company still owed Mr. Fu a total of $8,390. The loan is intended to be interest free and due upon demand.

13. STOCK-BASED COMPENSATION

(1) 2004 Equity Incentive Plan

The Company adopted the 2004 Equity Incentive Plan (the “2004 Plan”) on August 24, 2004. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of the participants of the Plan (the "Participants") to those of the Company's stockholders, and by providing the Participants with an incentive for outstanding performance. The Plan is further intended to attract and retain the services of the Participants upon whose judgment, interest, and special efforts the successful operation of the Company is dependent. The Company has reserved 5,000,000 shares of common stock for the options and awards under the Plan.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

13. STOCK-BASED COMPENSATION (Continued)

Subject to the terms and provisions of the Plan, the Board of Directors, at any time and from time to time, may grant shares of stock to eligible persons in such amounts and upon such terms and conditions as the Board of Directors shall determine.

The Committee appointed by the Board of Directors to administer the Plan shall have the authority to determine all matters relating to the options to be granted under the Plan including selection of the individuals to be granted awards or stock options, the number of stocks, the date, the termination of the stock options or awards, the stock option term, vesting schedules and all other terms and conditions thereof.

A summary of the status of the Company's unearned stock compensation under the 2004 Equity Incentive Plan as of March 31, 2009, and changes for the three months ended March 31, 2009, is presented below:

Unearned stock compensation as of January 1, 2009	$ 2,103,694
Unearned stock compensation granted	-
Compensation expenses debited to statement of operations with a credit to additional paid-in capital	(66,440)
Unearned stock compensation as of March 31, 2009	$ 2,037,254

In addition, the compensation cost capitalized as an offset to additional paid-in capital in relation to shares issued to non-employee consultants under the 2004 Plan in prior years and current period was $381,991. The Company's contracts with these consultants have terms ranging from 60 months to 120 months, and the unearned stock compensation will be amortized as expense over the respective terms of the contracts. The amortization for the three months ended March 31, 2009 and 2008 was $50,281 and $87,594, respectively.

The following table shows the amortization of the unearned stock compensation relating to consulting contracts.

As of March 31,	Amortization
2009	116,375
2010	115,354
2011	100,729
2012	$ 49,533
	$ 381,991

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

13. STOCK-BASED COMPENSATION (Continued)

(2) 2006 Equity Incentive Plan

The Company adopted the 2006 Equity Incentive Plan (the "2006 Plan") on April 24, 2006. The 2006 Plan became effective on April 18, 2006. The number of shares available for grant under the 2006 Plan shall not exceed 8,000,000 shares and shares of stock and options may be granted to the eligible persons at the discretion of the Company's Board of Directors or the Committee administering the plan. Incentive stock options ("ISO"), nonqualified stock options ("NQSO"), or a combination thereof may be granted but ISOs can only be granted to the Company's employees. The Committee can also grant shares of restricted stock or performance shares (a performance share is equivalent in value to a share of stock) to eligible persons at any time and from time to time.

The exercise price for each ISO awarded under the 2006 Plan shall be equal to 100% of the fair market value of a share on the date the option is granted and be 110% of the fair market value if the eligible person owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations. The exercise price of a NQSO shall be determined by the Committee in its sole discretion.

No option shall be exercisable later than the tenth anniversary date of its grant and each option shall expire at such time as the Committee determines at the time of grant. The eligible person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations shall exercise his/her option before the fifth anniversary date of its grant.

Options shall vest at such items and under such terms and conditions as determined by the Committee; provided, however, unless a different vesting period is provided by the Committee at or before the grant of an option, the options will vest on the first anniversary of the grant.

Options granted under the 2006 Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each participant.

No award shall be made under the 2006 Plan after December 31, 2015.

A summary of the status of the Company's unearned stock compensation under the 2006 Equity Incentive Plan as of March 31, 2009 is presented below:

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

13. STOCK-BASED COMPENSATION (Continued)

Unearned stock compensation as of January 1, 2009	$ 3,634,101
Unearned stock compensation granted	152,800
Compensation expenses debited to statement of operations with a credit to additional paid-in capital	(195,525)
Unearned stock compensation as of March 31, 2009	$ 3,591,376

Other than the transaction as detailed above, no options or awards have been made, exercised or lapsed during the three months ended March 31, 2009 and 2008 under the 2004 Plan and the 2006 Plan.

14. INCOME TAXES

Under the Income Tax Laws of the PRC, the Company is generally subject to tax at a statutory rate of 25% and was, until January 2008, subject to tax at a statutory rate of 33% (30% state income taxes plus 3% local income taxes) on its taxable income. However, ZQ Power-Tech is located in a specially designated technology zone which allows foreign-invested enterprises a five-year income tax holiday. ZQ Power-Tech enjoyed a two-year tax exemption through December 31, 2007, and enjoys an additional 50% income tax reduction from January 1, 2008 to December 31, 2010.

On March 16, 2007, National People's Congress passed a new corporate income tax law, which was effective on January 1, 2008. This new corporate income tax unifies the corporate income tax rate to 25%, and includes cost deductions and tax incentive policies for both domestic and foreign-invested enterprises in China. According to the new corporate income tax law, the applicable corporate income tax rate of our Chinese subsidiaries decreased to 12.5% in 2008.

A reconciliation of tax at United States federal statutory rate to provision for income tax recorded in the financial statements is as follows:

	For the Three Months Ended March 31,	
	2009	2008
U.S. statutory income tax rate	35.0%	35.0%
Foreign tax rate difference	(10.0%)	(10.0%)
Effect of favorable tax exemption in China	(10.7%)	(10.9%)
Actual consolidated income tax rate	14.3%	14.1%

The estimated tax savings as a result of our tax holidays for the three months ended March 31, 2009 and 2008 amounted to $602,482 and $629,445, respectively. The net effect on earnings per share had the income tax been applied would decrease basic earnings per share for the three months ended March 31, 2009 and 2008 from $0.08 to $0.07and from $0.09 to $0.08, respectively.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

14. INCOME TAXES (Continued)

The Company was incorporated in the United States. It incurred a net operating loss for U.S. income tax purposes for the three months ended March 31, 2009 and 2008. The net operating loss carry forwards , including amortization of share-based compensation, for United States income tax purposes amounted to $664,422 and $397,191 the three months ended March 31, 2009 and 2008, respectively, which may be available to reduce future years' taxable income. These carry forwards will expire, if not utilized, beginning in 2027 through 2028. Management believes that the realization of the benefits arising from this loss appear to be uncertain due to Company's limited operating history and continuing losses for United States income tax purposes. Accordingly, the Company has provided a 100% valuation allowance at March 31, 2009 for the temporary difference related to loss carry-forwards and restricted stock issuance. Management reviews this valuation allowance periodically and makes adjustments as warranted. The valuation allowances for the three months ended March 31, 2009 and 2008 were $232,547 and $139,017, respectively.

15. EARNINGS PER SHARE

Earnings per share for the three months period ended March 31, 2009 and 2008 is determined by dividing net income for the periods by the weighted average number of both basic and diluted shares of common stock and common stock equivalents outstanding. The following is an analysis of the differences between basic and diluted earnings per common share in accordance with Statement of Financial Accounting Standards No. 128, “Earnings Per Share.”

The following demonstrates the calculation for earnings per share for the three months ended March 31, 2009 and 2008:

	For the Three Months Ended March 31,			
		2009		2008
Basic earning per share				
Net Income	$	3,600,297	$	3,848,478
Weighted average number of common shares outstanding-Basic		47,055,374		41,510,498
Earnings per share-Basic	$	0.08	$	0.09
Diluted earnings per share				
Net Income	$	3,600,297	$	3,848,478
Weighted average number of common shares outstanding-Basic		47,055,374		41,510,498
Effect of diluted securities-Stock options		7,637,500		8,178,500
Weighted average number of common shares outstanding-Diluted		54,692,874		49,688,998

Earnings per share-Diluted	$	0.07	$	0.08

21

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

15. EARNINGS PER SHARE (Continued)

At March 31, 2009 and 2008, the Company had unvested stock awards of 7,637,500 and 8,178,500, respectively, under the 2004 and 2006 equity plans. All unvested stock awards were included in the diluted earnings per share calculation as they are dilutive.

At March 31, 2009, the Company had outstanding warrants of 2,592,945 and there were no outstanding warrants as of March 31, 2008. For the three months ended March 31, 2009, all outstanding warrants, with an exercise above the market price during the three months ended March 31, 2009, were excluded from the diluted earnings per share calculation as they are anti-dilutive.

16. STOCKHOLDERS' EQUITY

On August 8 and August 15, 2008 the Company issued a total of 5,058,834 shares of common stock (the "Shares") and warrants to purchase a total of 2,276,474 shares of common stock (the "Warrants") to eight accredited institutional funds. The aggregate purchase price for the securities was $21,500,034. From the proceeds of the offering, the Company paid a fee of $1,075,002 to Rodman & Renshaw, LLC, which acted as the placement agent for the offering. The Company also reimbursed Rodman & Renshaw, LLC for its out-of-pocket expenses totaling $68,560, and issued to Rodman & Renshaw, LLC warrants to purchase 316,471 shares of common stock. The Company realized net proceeds of $20,356,480 from the offering.

The Warrants sold in the offering, as well as the warrants issued to Rodman & Renshaw, LLC, permit the holders to purchase common stock from Advanced Battery Technologies for a price of $5.51 per share. The Warrants expire in five years. Cashless exercise is permitted only if there is no effective registration statement permitting resale of the common shares underlying the Warrants. No warrant-holder may exercise a Warrant to purchase shares that would cause the holder to own more than 4.99% of the outstanding common stock of Advanced Battery Technologies.

Both Investor Warrants and Placement Agent Warrants meet the conditions for equity classification pursuant to FAS 133 "Accounting for Derivatives" and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." Therefore, these warrants were classified as equity and included in the Additional Paid-in Capital.

The fair value of the warrants at the grant date was calculated using the Black-Scholes options pricing model using the following assumptions: Volatility 91.52%, risk free interest rate 3.21% for August 8, 2008 Placement and 3.11% for August, 15, 2008 Placement, and expected term of 5 years. The grant date value was $8,709,964.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

16. STOCKHOLDERS' EQUITY (Continued)

Following is a summary of the status of warrants activities as of March 31, 2009:

	Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Life in years	Aggregate Intrinsic Value
Outstanding, December 31, 2008	2,592,945	5.51	4.33	-
Granted	-	-	-	-
Forfeited	-			-
Exercised	-			-
Outstanding, March 31, 2009	2,592,945	$ 5.51	$ 4.33	-

On December 8, 2008, the Board of Directors approved a stock repurchase program. The Company repurchased 194,581 shares as treasury stock as of March 31, 2009.

In addition, according to the five-year employment contract, the company issued 40,000 shares to one employee in January 2009 and there are 160,000 shares remaining to be issued to him in the following four years.

As a result of these transactions, there are 54,821,577 shares of common stock issued and 54,626,996 shares outstanding as of March 31, 2009.

17. CONCENTRATION OF RISKS

Four major customers accounted for approximately 50.0% of the net revenue for the three months ended March 31, 2009, with each customer individually accounting for 21.2%, 10.8%, 9.1% and 7.9%, respectively. At March 31, 2009, the total receivable balance due from these customers was $6,017,030, representing 36.0% of total accounts receivable. Four major customers accounted for 59% of the net revenue for the three months ended March 31, 2008. At March 31, 2008, the total receivable balance due from these customers was $3,604,435, representing 26% of total accounts receivable.

Four major vendors provided approximately 55.8% of the Company's purchases of raw materials for the three months ended March 31, 2009, with each vendor individually accounting for 17.4%, 14.7%, 12.6% and 11.1%, respectively. The Company's accounts payable to these vendors was $485,112 as of March 31, 2009, representing 53.1% of total accounts payable. Four vendors provided around 60% of the Company's purchase of raw materials for the three months ended March 31, 2008, with each vendor individually accounting for 18%, 16%, 14%, and 12%, respectively. The Company's accounts payable to these vendors was $132,963 as of March 31, 2008.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

18. LITIGATION

In September 2008, Susquehanna Financial Group, LLLP ("SFG") commenced an action against the Company in the Court of Common Pleas of Montgomery County, Pennsylvania. SFG alleges that it was party to two contracts with the Company, pursuant to which SFG alleges that it was entitled to serve as financial advisor with respect to any offering of securities by the Company completed prior to March 2009. SFG alleges that the Company failed to afford SFG the opportunity to serve as financial advisor in connection with the private placement by the Company in August 2008. SFG alleges that it is entitled to damages in the amount of $1,359,872 and a warrant to purchase 81,882 share of the Company's common stock exercisable at $8.00 per share. The Company has answered the Complaint, and has denied that SFG was entitled to serve as financial advisor in connection with the August 2008 private placement by reason of the fact that SFG had terminated its agreements with the Company, had waived any continuing rights under the contracts, and had acted in bad faith in connection with the services it undertook to perform for the Company.

19. WARRANTIES

The Company warrants that all equipment manufactured by it will be free from defects in materials and workmanship under normal use for a period of one year from the date of shipment. The Company's experience for costs and expenses in connection with such warranties has been minimal and during the three months ended March 31 2009 and 2008, no amounts have been considered necessary to reserve for warranty costs.

20. COMMITMENTS AND CONTINGENCIES

The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in the North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company's sales, purchases and expenses transactions are denominated in RMB and all of the Company's assets and liabilities are also denominated in RMB. The RMB is not freely convertible into foreign currencies under the current law. In China, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China, the central bank of China. Remittances in currencies other than RMB may require certain supporting documentation in order to affect the remittance.

ADVANCED BATTERY TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

20. COMMITMENTS AND CONTINGENCIES (Continued)

The Company entered various agreements to purchase equipment and machinery in an effort to expand its production in 2009. As of March 31, 2009, the Company made a total down payment of $3.71 million on those long-term assets. The Company still has the commitment to pay the remaining contract amount of $1.83 million in 2009.

According to the five-year employment contract, the company issued 40,000 shares to one employee in January 2009 and there are 160,000 shares remaining to be issued to him in the following four years.

21. SUBSEQUENT EVENTS

On May 4, 2009 Cashtech Investment Limited, the wholly-owned subsidiary of Advanced Battery Technologies, acquired 100% interest of the registered capital of Wuxi Angell Autocycle Co., Ltd. The registered capital was purchased from Wuxi Baoshiyun Autocycle Co., Ltd. and Bao Jin, who are not affiliated with Advanced Battery Technologies or its subsidiaries. In exchange for the equity in Wuxi Angell, the Company paid US$3,640,000 and 70,000,000 Chinese Renminbi (approx. $10,248,902) in cash. In addition, the Company issued 3,000,000 shares of its common stock to the sellers.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements: No Assurances Intended

In addition to historical information, this Quarterly Report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements represent Management's belief as to the future of Advanced Battery Technologies. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section of our Annual Report on Form 10-K for the year ended December 31, 2008 entitled "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

Results of Operations

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Near the end of 2004, ZQ Power-Tech obtained the financing needed to complete additional factory facilities at ZQ Power-Tech's campus in Heilongjiang. Since 2004, the number of employees at our facility has increased from 300 to, as of March 31 2009, 607, because we more than doubled our production capacity to its current level of $45 million per year. We now have two buildings ("A" and "B") in full production. As our revenues in 2008 reached $45 million and continue to grow, the need to outfit buildings "C" and "D" so as to double our production capacity became apparent. Toward that end, during 2008 we completed an equity placement to obtain the capital necessary for the expansion.

Due to the limitation of current capacity and higher administration cost, our business presented slight growth during the three months ended March 31, 2009, accompanied by a reduction in operating income and net income. Our revenue increased by 6.5% and our net income decreased by 6.5%. However, as new manufacturing capacity will become available later this year, , we expect to achieve significant growth in 2009. In addition, on May 4, 2009 we acquired 100% of Wuxi Angell, a leading manufacturer of battery-powered motorbikes and scooters. We believe that the acquisition will help us to offset the effects of recent worldwide recession and accelerate our future growth.

Revenues. In the three months ended March 31, 2009, we realized $10,685,738 in revenues, an increase of 6.5% compared to the $10,031,969 in revenue that we achieved in the same period of 2008. As a result of competition and fully utilized production capacity, our prices and unit sales have remained relatively stable.

The growth in our battery business has been accompanied by a reorientation in the relative importance of different battery sizes. When we first entered the battery business in 2003 and following years, the bulk of our sales were small capacity batteries, primarily those used in consumer electronic devices. Our growth, however, has been propelled by customers for our medium capacity batteries (used for electric scooters, electric bicycles, power tools, miners' lamps, searchlights, etc.) and large capacity batteries (used for electric sanitation vehicles, stationary applications, and other large scale battery applications). In the three months ended March 31, 2009, the contribution of batteries in these categories as well as the contribution of miner's lamps to our total revenues was:

Type	Amount(US$)	% (of total revenue)
Small Capacity Batteries	$976,580	9.14%
Medium Capacity Batteries	$3,593,637	33.63%
Large Capacity Batteries	$3,829,069	35.83%
Miner's Lamps	$2,286,452	21.40%

Gross Profit. Our cost of revenues consists of the cost of raw materials, labor costs and production overhead. In the three months ended March 31, 2009, our revenue increased by 6.5% and our cost of goods sold increased by 13.3%, from $4,989,742 to $5,651,189. This higher growth in cost of sales is mainly attributable to the higher proportion of sales from lower margin products, i.e., medium capacity batteries. The result was a deterioration in our gross margin from 50.3% in the three months ended March 31, 2008 to 47.1% in the same period of 2009.

The current global recession has caused a widespread and dramatic drop in the cost of raw materials, including the metals that we utilize in our batteries. We expect this situation will help us to return to the level of gross margin that we achieved in 2008. However, if the recession results in diminished sales or our acquisition initiatives do not generate higher profit in the first year after acquisition, our gross margin is likely to suffer.

Operating Expenses: The Company's operating expenses increase by 56.7%, from $571,890 in the three months ended March 31, 2008 to $896,319 in the same period of 2009. The increase is primarily due to the higher noncash stock compensation amortization expense and higher administration expenses incurred by our US office, such as salaries and legal fee. However, considering only the operation expenses in Heilongjiang ZQPT, our main production base in China, the operation expenses only slightly increased by $51,818, which is mainly attributable to our expanded operation.

Included in our general and administrative expense during the three months ended March 31, 2009 was $312,246 attributable to amortization of the market value of stock that we granted to employees or consultants. This non-cash expense resulted from our use of stock during our early years to incentivize key individuals. The market value of the stock at the time it was issued is being amortized over the term of the employee's or consultant's services, thus:

In the case of employees, the period of amortization is based on a vesting schedule included in the employees' contracts. The average vesting period for the employees is 11.4 years. To date, only one employee of the Company who received stock awards has terminated employment; so the amortization has been proportional to that schedule.
In the case of consultants, the period of amortization is based on the term of the consulting contracts, although amortization will be accelerated if the consulting relationship ceases. Again, to date, the consultants who received stock have remained involved in the Company's affairs, so there has been no acceleration of amortization.

At March 31, 2009 there remained $5,628,630 in unamortized stock compensation on the Company's books. The amortization of this sum will contribute to our operating expenses as described above.

In the three months ended March 31 2009, we realized $74,348 interest income, which is mainly due to our $1.6 million lending to a non-related company, Harbin Jinhuida Investment Consulting Limited, at an interest rate of 10% per annum, and our cash deposited in Chinese banks. Additionally, we recognized $9,798 investment loss from our 49% equity investment in Beyond E-Tech, Inc., a Texas corporation recently organized to engage in distributing cellular telephones in the United States. The acquisition has been recorded as an "investment in unconsolidated entity" on our balance sheet, and our participation in that business will be accounted for through the equity method. Because Beyond E-Tech incurred a net loss of approximately $19,997 in the three months ended March 31, 2009, the value of our investment was reduced on our balance sheet by 49% of that sum – i.e. $19,997 – and we incurred "equity loss" in that amount

The Company's revenue less expenses produced a pre-tax income of $4,202,779 for the three months ended March 31, 2009 and a pre-tax income of $4,477,923 in the same period of 2008. In the three months period of 2009, domestic (U.S.) pre-tax loss was $664,422 and foreign (China) pre-tax income was $4,867,201. As a result of Chinese tax laws that reward foreign investment in China, currently and through 2010, ZQ Power-Tech is entitled to a 50% tax abatement, which results in an effective corporate tax rate of approximately 12.5%. After taxes of $602,482 realized in the three months ended March 31 2009, our net income was $3,600,297, a decrease of 6.5% over 2008. This first quarter 2009 income represented $.08 basic earnings per share and $.07 fully diluted.

Our business operates primarily in Chinese Renminbi, but we report our results in our SEC filings in U.S. Dollars. The conversion of our accounts from RMB to Dollars results in translation adjustments. While our net income is added to the retained earnings on our balance sheet; the translation adjustments are added to a line item on our balance sheet labeled "accumulated other comprehensive income," since it is more reflective of changes in the relative values of U.S. and Chinese currencies than of the success of our business. During the three months ended March 31 2009, the effect of converting our financial results to Dollars was to reduce our accumulated other comprehensive income by $97,825.

Liquidity and Capital Resources

At March 31, 2009 the Company had a working capital balance of $51,062,087, a slight improvement from our working capital balance of $49,991,602 at December 31, 2008. The primary reason for the improvement in working capital was the net income realized during the three months period. During this same period, in order to complete the expansion plan for two new assembly lines and replace some outdated equipments, we made an additional deposit of $1,964,027 with our vendors during this three months period; we also made advanced payment of $814, 946 to Wuxi Angell shareholders to fulfill our acquisition agreement.

ZQ Power-Tech has sufficient liquidity to fund its near-term operations and to fund the working capital demands of an expansion of its operations. If we determine that additional funds are needed for other attractive growth opportunities, we have available $16,481,181 in property, plant and equipment, which ZQ Power-Tech owns free of liens. On May 7, 2009 our backlog of firm orders was approximately $64 million. Based on that backlog of orders, we believe that secured financing will be available on favorable terms if needed

Given the financial resources available to ZQ Power-Tech, management believes that it has sufficient capital and liquidity to sustain operations for the foreseeable future.

Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had a material effect on the Company's financial position or results of operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our operating subsidiary, ZQ Power-Tech, carries on business exclusively in Chinese Renminbi. Therefore it does not have any derivative instruments or other financial instruments that are market risk sensitive.

ITEM 4 CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

The term "disclosure controls and procedures" (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within time periods specified in the rules and forms of the Securities and Exchange Commission. "Disclosure controls and procedures" include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date"). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(b) Changes in internal controls.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in the Company's internal control over financial reporting that occurred during the period covered by this report, and they have concluded that there was no change to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes from the risk factors included in the Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Repurchase of Equity Securities

The following table sets forth information regarding the Company's repurchase of shares of its common stock during the 1st quarter of 2009.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs
January 1, 2009- January 31, 2009	0	N.A.	0	3,880,490
February 1, 2009 – February 28,	0	N.A.	0	3,880,490

2009				
March 1, 2009 – March 31, 2009	75,071	1.9532	75,071	3,805,419
Total	75,071	1.9532	75,071	3,805,419

(1) In December 2008 the Board of Directors announced a stock repurchase program under which the Company may purchase up to 4 million shares of its common stock. Purchases will be made, from time to time, in the open market, depending on several factors, including price, prevailing market conditions, and other investment opportunities. The program will expire on November 30, 2009.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADVANCED BATTERY TECHNOLOGIES, INC.

Date: May 11, 2009

By: /s/ Zhiguo Fu
Name: Zhiguo Fu
Title: Chief Executive Officer

Date: May 11, 2009

By: /s/ Guohua Wan
Name: Guohua Wan
Title: Chief Financial Officer