



A123Systems Awarded \$249M Grant from U.S. Department of Energy to Build Advanced Battery Production Facilities in the United States

Grant to Support Scale-up of Vertically-integrated U.S. Battery Manufacturing System

WATERTOWN, Mass. – August 5, 2009 – A123Systems announced today that it was awarded a \$249 million grant from the U.S. Department of Energy's (DOE) Electric Drive Vehicle Battery and Component Manufacturing Initiative. Under the terms of the \$249 million grant, A123 will be required to match the funds over time as they are used. This grant is an important part of A123's U.S. manufacturing strategy, which also includes an application for a loan from the Department of Energy's Advanced Technology Vehicles Manufacturing (ATVM) program. The grant will be used to help implement A123's strategy for the construction of world-class lithium ion battery manufacturing facilities in the United States, with the first construction location in Livonia, Michigan.

The DOE grant supports A123Systems' commitment to creating a complete U.S. battery manufacturing industry, keeping each element of the process – intellectual property development, component production and final assembly – in the United States.

"This grant is another exciting step towards creating an American battery infrastructure, which may reduce our dependence on foreign oil and increase our nation's energy security," said David Vieau, A123Systems' president and chief executive officer. "The capital provided by the DOE's investment will help us speed our growth and better compete in global markets."

The planned automotive lithium-ion battery manufacturing system is expected to be U.S.-based and vertically-integrated. Utilizing Michigan's talented workforce, it is expected to span the full production process including: research and development, manufacturing of high value components such as A123Systems' proprietary Nanophosphate™ cathode powder, electrode coating, cell fabrication, module fabrication, through the final assembly of complete battery pack systems ready for vehicle integration.

In January, A123 also submitted an application under the DOE's Advanced Technology Vehicles Manufacturing (ATVM) Incentive Program for direct loans to further support the manufacturing initiative. The company is continuing to work with the DOE through the ATVM application process.

A123 was born out of the research labs of the Massachusetts Institute of Technology and was funded initially with a \$100,000 grant from the U.S. Department of Energy in 2001. The company has raised over \$350 million in private capital from investors, including GE (NYSE: GE).

Support for A123's US battery plant plans is broad and spans the following:

Michigan State Government

"Three years ago, Michigan set the goal of becoming the advanced battery capital of the world," said Governor Jennifer M. Granholm. "Thanks to our aggressive plan and great partners like A123Systems, we are well on our way. Today's announcement of funding for this critical endeavor means new jobs, economic development and opportunity for Michigan citizens."

Senator Kerry

"For those of us in Massachusetts who have been pushing for years to secure investments to make America the world's leader in the domestic advanced battery field, this announcement is terrific news," said Sen. John Kerry. "A123Systems is doing the kind of cutting edge work we need to get our manufacturing industry back on track and create jobs here at home. Not only will these batteries help us decrease our dependence on foreign oil, they will help us compete and win on a global playing field. These grants are a wise investment that will pay many dividends."

Senator Stabenow

"This grant will help promote a 21st century manufacturing strategy that creates a more energy independent country while putting the Americans back to work. The investment will support an infrastructure that will allow Michigan and the rest of the nation to lead the world in innovation in automotive and clean energy technologies," said Senator Debbie Stabenow.

Senator Levin

"We are at a critical juncture both in terms of the commercialization of advanced battery technology and the economic

recovery. By providing financial incentives for battery development and production, this grant is a major step by the government towards reducing our dependence on foreign oil, creating jobs and enabling the U.S. to compete globally to produce green vehicles,” said Senator Carl Levin.

Congressman Markey

“We shouldn’t have to trade a reliance on Middle Eastern oil for East Asian batteries. Through these grants, A123 and other American clean tech companies will re-energize our economy, re-establish America as a technology leader, and renew our commitment to a better environment. I congratulate A123 for receiving this prestigious grant,” said Congressman Ed Markey.

Congressman Dingell

“I want to congratulate A123Systems, one of Michigan’s own, for the grant it received today. This federal investment is the ultimate vote of confidence in the company and the advanced batteries it has produced and will continue to produce. In view of other countries’ efforts to assist their domestic manufacturers, I feel it imperative that we do the same in the United States. A123 will play a key role in Michigan’s transformation into a high-tech economic powerhouse, and I would hope that today’s grant announcement is the first of many for this great company,” said Congressman John Dingell.

Senator Bingaman

“The investment that President Obama announced today is a hopeful sign that the U.S. is reversing the recent trend of seeing ideas invented in this country commercialized overseas. It’s one of many steps that our nation must take in the next few years to once again be a world leader in clean energy technologies,” said Senator Jeff Bingaman.

About A123Systems

A123Systems develops and manufactures advanced lithium-ion batteries and battery systems for the transportation, electric grid services and portable power markets. Founded in 2001 and headquartered in Massachusetts, A123Systems’ proprietary nanoscale electrode technology is built on initial developments from the Massachusetts Institute of Technology. For additional information please visit www.a123systems.com.