



September 2, 2008

Dear Shareholders:

I'm pleased to write this letter to you not just as Chairman and a fellow shareholder of Ener1, Inc., but now also as Chief Executive Officer responsible for the company's operations. Since being elected CEO by the Board of Directors on August 19, I've received a number of questions about my vision of the near-to-medium-term steps for growing long-term enterprise value.

As an alternative energy company, Ener1 now touches many aspects of the business world that are crucial to creating critically necessary change in our country, not just within the energy field itself but also as it intersects with the automotive, utility, military and environmental industries. To highlight the need to break free of oil, a recent "Power Summit" in Denver featured T. Boone Pickens, Carl Pope and John Podesta. Pope, Executive Director of the Sierra Club, commented that while the three men had divergent views about many things, they all agreed that a cogent and effective national energy policy that develops alternatives to fossil fuels needs to be implemented now.

It is, indeed, a rare moment in our nation's history to be able to lead such an important and exciting organization as Ener1, whose lithium-ion automotive batteries and other future energy storage devices will play a major role in reducing dependence on imported oil.

It is also a critical time for Ener1 as it takes the steps necessary to ensure that the company becomes a significant global player within the alternate energy sector. While we continue to maintain a significant technological advantage over our competitors, we must demonstrate the ability to ramp up production and meet the demands of our customers in order to capitalize on that edge. Our commitment to do just that was the impetus for the buyout of Delphi's stake in EnerDel that was effected on August 13 – a transaction that I believe will be an accelerator for our volume production plans.

As I've mentioned in previous letters to you, during my tenure at Ener1, shareholders' equity has increased from a deficit of approximately \$75 million to positive equity of approximately \$35 million as of June 30, 2008. This has led to important achievements such as listing on a major U.S. stock exchange and transitioning our shareholder base over to institutional investors that have a long-term investment horizon. Of our top 30 shareholders, more than two-thirds are investors with assets under management of \$1.0 billion or greater. My experience and track record in the capital markets combined with our proven ability to make the difficult decisions necessary to execute Ener1's business plan lead me to believe that we'll continue to create significant shareholder value and broaden our institutional investor base going forward. I've summarized below some of the initiatives we've undertaken with a view to making that value creation a reality.

Our commitment to being the first automotive lithium-ion battery company to locate its primary manufacturing facility in the U.S. represents a meaningful point of differentiation. While we acknowledge that a worldwide manufacturing platform will be necessary as the company's business becomes increasingly global, it is also true that it will not be practical or cost effective in the long term to ship our products to the world's largest automobile market from overseas. Additionally, we anticipate that U.S. car manufacturers will require, or at least have a firm preference for, domestically manufactured batteries.

The process of manufacturing lithium-ion batteries requires a tremendous amount of know-how and a skilled labor force. We were pleased, therefore, when Indiana Governor Mitch Daniels visited our plant last month and announced a state incentive package of up to \$7.0 million which will, among other things, assist in attracting the best engineering and manufacturing talent available. In our view, this package is another step in procuring a range of government incentives, including on the federal level, that will lead to meaningful job creation in the green-technology sector.

On a broader scale, I wanted to share with you our views on the value of the capital expenditures at our advanced automotive battery subsidiary EnerDel. We've calculated that every \$1.00 of capital expended will return between \$4.00 and \$6.00 in revenues annually. Estimates of the revenues that will be generated by the automotive industry's demand for lithium-ion batteries are as high as \$150 billion per year. As a result, the potential return on investment of capital expenditures, when viewed in the context of a market opportunity of such potential scale, creates a powerful incentive to invest in plant and equipment today. Clearly the key issue is balancing the timing of such investment with expected additional revenue, keeping in mind the need for production capacity in order to be awarded volume production contracts by the automotive sector. Another important point is our "first-mover" advantage. We are currently ramping up for volume production of our 27-kilowatt-hour pack for Think Global's Think City electric vehicle, which will represent the first large-scale installation of a lithium-ion battery pack in a consumer vehicle. Beyond the automotive field, we expect that the ability to store energy to power an automobile will be significant in the near term to electrical utilities as they seek to install stationary energy storage devices for load-balancing applications and for renewable energy sources such as wind and solar. Tapping the huge overall energy storage market is Ener1's ultimate future goal.

The primary issue for Ener1 remains: can we obtain significant purchase orders from automobile manufacturers beyond Think Global and, in turn, will we be able to effectively increase production to fill those orders. We believe that we will be able to demonstrate by the end of the year that the answer to these questions is a resounding "yes." It is important to note that, while a few development contracts exist, we are not aware of any full scale production contracts that have been awarded by automobile manufacturers to lithium ion battery companies. Toyota's recent announcement to accelerate from late 2010 to late 2009 the production of the Prius plug-in hybrid using lithium-ion batteries is indicative of the race to bring lithium-ion energy storage solutions to market, a race we expect to lead.

Turning to our other alternative energy business units, EnerFuel and NanoEner, I will be undertaking a strategic assessment of these companies along with Dr. Peter Novak, our Chief Technology Officer and President, over the next four months. The goal of this review is to determine how we can best obtain maximum value for our shareholders from these units. We are satisfied with their operational progress so far this year and look forward to achieving an ambitious set of milestones for both companies over the next twelve months.

We'll have a number of opportunities to present further information on company developments to our investors in the coming weeks and months. I look forward to providing to you updates on the completion of our business milestones on the path to becoming a worldwide leader in lithium-ion automotive batteries and in the overall energy storage industry.

Regards,

Charles Gassenheimer
Chairman & CEO