



OTC: AXPW Market capitalization: \$ 37 million
 URL: www.axionpower.com Shares outstanding (5/1/08): 20,219,481
 Recent price (06/02/08): \$ 1.82 Year ends: December 31

Business: Axion Power manufactures high-quality batteries for specialty markets and has developed new proprietary technology for lead-carbon (PbC®) energy storage devices for a wide range of energy storage and power delivery markets including renewable energy (wind, solar), grid-related (uninterruptible power, load-leveling, peak shaving), and emerging markets, including next-generation hybrid electric vehicles (HEVs). Axion Power proprietary energy storage technology is a potentially disruptive technology that represents the first major advance in lead-acid battery performance in more than 30 years. Axion's PbC and PbC Technology were accepted by the U.S. Patent & Trademark Office.

Prototype energy storage devices using the Company's new technology demonstrate a number of significant advantages over conventional lead-acid batteries including: higher-power delivery levels; 10X faster recharging rates; 3X-4X longer battery life even in deep-discharge applications; significantly reduced warranty claims and premature failures; an environment-friendly and significant reduction in the use of lead; a significant reduction in weight; and the storage devices are maintenance free. Axion commenced sales in April 2006 and currently produces specialty 16-volt lead-acid batteries for race cars under the TurboStart™ brand name and a line of specialty lead-acid replacement batteries for antique and collector cars also under the TurboStart name. Axion is also producing, for testing and demonstration, quantities of prototype next-generation PbC energy storage devices on the same production lines as its lead-acid battery production lines in New Castle, Pennsylvania, and expects to produce new energy storage systems in volume at significantly lower cost than other advanced battery technologies such as lithium ion and nickel metal hydride.

Strategy and Outlook: The Company's strategy is to eventually commercialize its proprietary technology through multiple channels including production of its own **brand/line**, manufacturing agreements with major brand-name suppliers, and sales of carbon electrode assemblies as plug-and-play replacements for lead-based negative electrodes currently being used by all other battery manufacturers. Initial commercialization is focused on renewable energy, with the first of several planned alternative-energy demonstration projects already scheduled; the projects are expected to generate revenue of \$50,000 to \$75,000 per project. In addition we have a \$250,000 NYSERDA grid buffering project which will begin in the next 60 days. The Company is also targeting other grid-related projects and then will target the hybrid electric vehicle market.

Axion Power sees a number of global market opportunities for its technology in markets, which according to (Source: Frost and Sullivan World Stationary Lead Acid Battery Markets), are projected to exceed \$4.3 billion in combined annual sales by 2009:

Renewable (wind/solar) applications: expected to grow from current estimates of \$400 million to \$895 million annually in 2009.

Grid-related applications: projected to reach \$600 million annually by 2009 from current estimates of \$500 million.

DC power applications: estimated to increase from its current level of \$600 million in annual sales to \$900 million in 2009.

Emerging (hybrid electric vehicles, fuel cells) markets: projected to grow from \$180 million annually to \$2 billion by 2009.

Technology Summary: Conventional lead-acid batteries use negative electrodes made of lead. In comparison, Axion's proprietary PbC energy storage devices use negative electrodes made of nanoporous activated carbon that exhibits very high surface-area. The resulting battery uses less lead and is more environmentally friendly. It is also better suited for renewable energy, hybrid electric vehicle, and many other existing applications for batteries. Axion's Intellectual property includes treatment processes for the activated carbon used to make the electrodes, designs and manufacturing techniques for the carbon negative electrodes, manufacturing of the PbC batteries, and several other innovations related to the PbC batteries. Axion's PbC battery Technology® can be manufactured in a wide range of sizes common to the lead acid battery industry and therefore can accommodate a wide range of energy storage and power delivery requirements.

Comparative Analysis: Prototype testing has been ongoing since April 2004 and includes complete charge-discharge cycles every seven hours to a 90% depth of discharge. During testing, Axion prototypes have withstood more than 1,600 cycles before failure; in comparison, lead-acid batteries designed for deep-discharge applications survive only 300 to 500 cycles under the same conditions. The following table provides anticipated performance and price comparisons:

	Energy Density		Useful life (Cycle)	Device Cost	
	(Wh/kg)	(Wh/l)		(\$/kWh)	(\$/kWh/Cycle*)
Axion PbC	12	30	1,600	\$600	\$0.38
Lead-acid	25	75	400	\$250	\$0.63
Lithium-ion	65	120	1,000	\$1,200	\$1.20
Nickel metal hydride	45	80	600	\$900	\$1.50

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Recent Developments:

- May 13, 2008: Axion reported that during the first quarter of 2008, its sales were \$215,727, as compared to \$164,513 during the first quarter of 2007. All first quarter revenues came from specialty lead-acid batteries that the Company has been manufacturing in limited quantities at its modernized plant in New Castle, Pennsylvania. The Company reported a net loss of \$3.0 million, or \$0.17 per share, for the first quarter of 2008, as compared to a net loss of \$6.5 million, or \$0.40 per share, for the first quarter of 2007.
- May 5, 2008: Axion announced that Thomas Granville, CEO will present at the 4th Annual Merriman Curhan Ford & Co. CleanTech Conference on May 13, 2008 at 4:00 pm. The event will be held at Le Parker Meridien in New York City, 118 W. 57th Street.
- April 9, 2008: Axion announced that it has closed the second tranche of its previously announced financing agreement with The Quercus Trust of Los Angeles, California ("Quercus"). Under the original agreement, Quercus agreed to make a staged \$18 million equity investment in Axion. Yesterday's closing brings Quercus' total investment to \$8 million since January. Merriman Curhan Ford and Co. acted as sole placement agent for the transaction.
- April 7, 2008: Axion reported results today for the year ended December 31, 2007. For 2007, the Company reported revenues of \$534,000 as compared with \$275,000 for 2006. Operating loss was \$5.2 million in 2007 as compared with \$7.5 million in 2006, resulting in a net loss before taxes of (\$5.8 million) in 2007 as compared with a net loss before taxes of (\$7.0 million) in 2006.

Financial Highlights

	<u>Year Ended</u>		
	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>
Revenue:	\$ 533,911	\$ 275,377	--
Gross profit (loss):	(596,974)	(282,606)	--
Net loss:	(14,284,082)	(7,863,492)	(9,600,465)
Net loss per share (basic and diluted):	(\$0.88)	(\$0.47)	(\$0.67)
Weighted average common shares outstanding:	16,247,299	16,628,290	14,238,585

Corporate Information

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AXPW price chart provided by EDGAR@Online



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