

**AXION POWER INTERNATIONAL, INC.**  
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**AXION TO PROVIDE BATTERIES FOR NEW YORK STATE-FUNDED  
DEMONSTRATION TO PROVIDE ADDITIONAL PEAK POWER CAPACITY**

**October 1, 2007 – NEW CASTLE, PENNSYLVANIA** – Axion Power International, Inc. (OTC: AXPW) announced today that it has agreed to supply its proprietary Lead/nano-Carbon (PbC)-acid batteries and an advanced battery management system for a 250 kW/750 kWh demonstration project that will be funded by the New York State Energy Research and Development Authority (“NYSERDA”). The project will use Axion batteries to provide utility substation support and upgrade deferral for New York’s Delaware County Electric Cooperative (“DCEC”). During the first 18 months of the project, the batteries will be subjected to extreme environmental conditions to test their ability to operate at those extremes.

Starting January 2008, Axion will provide the PbC-acid batteries and battery management system for the NYSEDA-DCEC project to privately held, New York-based Gaia Power Technologies, Inc. (“Gaia”) as subcontractor under a prime contract between Gaia and NYSEDA. Axion will receive a cash fee of \$225,000 under the terms of this contract.

Commenting on the NYSEDA-DCEC project, Thomas Granville, Axion’s CEO said: “The basic purpose of the NYSEDA-DCEC project is to demonstrate the feasibility of using distributed battery storage at existing utility substations to provide additional peak power without spending money to construct new facilities. From 1980 through 2000, New York State’s peak demand for electrical power grew 5.1 times as much as the population.”

Mr. Granville continued, “Utilities, faced with the need to build generation and distribution facilities to meet peak customer demand, have long believed that cost-effective short-term energy storage systems would be an ideal solution. To date, the bulk of the efforts have been unsatisfactory due to the high cost and limited lives of most battery-based systems. We believe our low-cost PbC-acid battery has the potential to provide the cost-effective short-term energy solution the utility industry has sought for decades. Our NYSEDA-DCEC installation will cost significantly less than other recently announced battery projects, and will give us an excellent opportunity to test our batteries and management system under extreme utility operating conditions.”

Mr. Granville concluded, “Authoritative sources have forecast a nationwide demand for up to \$42 billion dollars of short-term energy storage. Our pricing per megawatt on the NYSEDA-DCEC project is within the target range we have identified, and we believe we can cost-reduce our batteries significantly for volume orders. We are pleased to have this opportunity to prove the potential of our batteries for the utility industry.”

**About Axion Power International, Inc.**

Axion has developed and patented a next generation energy storage device that won the prestigious 2006 Frost & Sullivan Technology Innovation Award for North America in the field of lead-acid batteries. According to Frost & Sullivan, Axion’s new PbC-acid batteries have “the potential to revitalize the lead-acid battery industry by breathing new life into an established technology that was not well-suited to the requirements of important new applications like hybrid electric vehicles and renewable power.”

Axion’s new PbC-acid batteries use sophisticated carbon electrode assemblies to replace the simple lead-based negative electrodes used by other lead-acid battery manufacturers. The resulting PbC-acid battery offers energy storage approaching lead acid batteries, coupled with far longer cycle life and power output approaching super-capacitors. These low-cost devices recharge rapidly and are environmentally friendly because they use substantially less lead – up to 60% in some applications. Axion has been producing prototype PbC-acid batteries at its lead-acid battery plant in New Castle, Pennsylvania for over a year using the same cases, positive electrodes, separators, electrolytes and manufacturing equipment as its specialty lead-acid batteries. The only notable manufacturing difference is the use of its proprietary carbon electrode assemblies that replace the lead-based negative electrodes. Early results from seven months of demonstration testing at an integrated wind and solar power installation in Ontario are very encouraging.

Axion believes its PbC-acid batteries are the only class of advanced battery that can be assembled on existing lead-acid battery production lines with no significant changes to production equipment and fabrication processes. It also believes it will be able to manufacture carbon electrode assemblies in volume at low cost using standard automated production methods that are commonly used in the electronics industry. When its electrode manufacturing methods are fully developed, Axion believes it will be able to sell carbon electrode assemblies as virtual plug and play replacements for the lead-based negative electrodes used by all other battery manufacturers.

Axion’s goal is to become the leading supplier of carbon electrode assemblies for the lead-acid battery industry.

**"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995:**

*Certain statements in this Press Release are "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. These statements include, without limitation, statements concerning the impact of the settlement agreement on our future business prospects and our ability to successfully complete the commercialization of the e3 Supercell. These forward-looking statements are based on our current expectations and beliefs and are subject to a number of risk factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such risks and uncertainties include the risk that the settlement agreement will not produce the results we intend and all of the risks inherent in commercializing a new product (including technology risks, market risks, financial risks and implementation risks, as well as other risks and uncertainties affecting the Company), included in filings with the Securities and Exchange Commission, all of which are available at [www.sec.gov](http://www.sec.gov). We disclaim any intention or obligation to revise any forward-looking statements, including, without limitation, financial estimates, whether as a result of new information, future events, or otherwise.*

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