

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement CONFIDENTIAL, FOR USE OF THE
COMMISSION ONLY (AS PERMITTED BY
 Definitive Proxy Statement RULE 14C-5(D)(2))
 Definitive Additional Materials
 Soliciting Material Pursuant to (S)240.14a-11(c) or (S)240.14a-12

ELECTRIC FUEL CORPORATION

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or
Item 22(a)(2) of Schedule 14A.
 \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-
6(i)(3).
 Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the
filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:
 Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a)(2) and identify the filing for which the offsetting fee was paid
previously. Identify the previous filing by registration statement number,
or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

Notes:

[ELECTRIC FUEL LOGO APPEARS HERE]

May 20, 1996

Dear Stockholder:

It is our pleasure to invite you to the Annual Meeting of Stockholders of
Electric Fuel Corporation (the "Company") to be held on June 24, 1996 at 9:00
a.m. at The Harvard Club of New York, 27 West 44th Street, New York, New York
10036.

Whether or not you plan to attend, and regardless of the number of shares
you own, it is important that your shares be represented at the meeting. You

are accordingly urged to carefully review the enclosed proxy materials, and sign, date and return your proxy promptly in the enclosed envelope, which requires no postage if mailed in the United States. Your return of a proxy in advance will not affect your right to vote in person at the meeting.

We ask for your support in approving the election of the Class II director, the approval of a proposal to amend the Amended and Restated Certificate of Incorporation to increase the authorized Common Stock of the Company, the approval of a Non-Employee Director Stock Option Plan and the ratification of the appointment of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as the Company's independent accountants.

Sincerely,

[Scan Signature]

ROBERT S. EHRLICH
Chairman of the Board
of Directors

ELECTRIC FUEL CORPORATION

885 Third Avenue
New York, New York 10022

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held June 24, 1996

The Annual Meeting of Stockholders of Electric Fuel Corporation (the "Company") will be held at The Harvard Club of New York, 27 West 44th Street, New York, New York 10036, on Monday, June 24, 1996 at 9:00 a.m. for the following purposes:

1. To fix the number of Class II directors at one and to elect one Class II director for a three-year term ending in 1999 and until a successor is elected and qualified.
2. To consider and act upon a proposal to amend the Amended and Restated Certificate of Incorporation of the Company to increase the authorized Common Stock of the Company from 14,000,000 shares to 28,000,000 shares.
3. To consider and act upon a proposal to approve a Non-Employee Director Stock Option Plan.
4. To consider and act upon a proposal to ratify the appointment of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as independent accountants of the Company.
5. To transact such other business as may properly come before the meeting and any adjournments thereof.

The Board of Directors has fixed the close of business on May 10, 1996 as the record date for determination of stockholders entitled to notice of and to vote at the meeting and any adjournments thereof.

IF YOU ARE UNABLE TO BE PRESENT PERSONALLY, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. IF YOU LATER DESIRE TO REVOKE YOUR PROXY, YOU MAY DO SO AT ANY TIME BEFORE IT IS EXERCISED.

BY ORDER OF THE BOARD OF DIRECTORS,

Yehuda Harats
President and Chief Executive Officer

May 20, 1996

-2-

ELECTRIC FUEL CORPORATION

885 Third Avenue
New York, New York 10022

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by and on behalf of the Board of Directors of Electric Fuel Corporation (the "Company") for use at the Annual Meeting of Stockholders to be held on Monday, June 24, 1996 at 9:00 a.m. and any adjournments thereof for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Stockholders of record at the close of business on May 10, 1996 will be entitled to vote at the Annual Meeting of Stockholders. On that date, there were [12,425,947] shares of Common Stock, par value \$.01 per share (the "Common Stock"), of the Company outstanding, the holders of which are entitled to one vote per share on each matter to come before the meeting. Proxies properly executed and returned will be voted at the meeting in accordance with any directions noted thereon or, if no direction is indicated, proxies will be voted FOR the election of the nominee for director set forth below, FOR approval of the amendment to the Amended and Restated Certificate of Incorporation to increase the authorized Common Stock of the Company, FOR approval of the Non-Employees Director Stock Option Plan and FOR the ratification of the appointment of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as independent accountants of the Company. Proxies will be voted in the discretion of the holders of the proxy with respect to any other business that may properly come before the meeting and all matters incidental to the conduct of the meeting. Any stockholder signing and delivering a proxy may revoke it at any time before it is voted by delivering to the Secretary of the Company a written revocation or a duly executed proxy bearing a later date than the date of the proxy being revoked. Any record stockholder attending the meeting in person may revoke his or her proxy and vote his or her shares at the meeting.

It is expected that this Proxy Statement and form of proxy enclosed are being mailed to stockholders on or about May 20, 1996.

Expenses in connection with the solicitation of proxies will be paid by the Company.

The Company is not aware of any matters other than those described in this Proxy Statement that will be acted upon at the Annual Meeting. In the event that any other matters

properly come before the meeting for a vote of stockholders, the persons named as proxies in the enclosed form of proxy will vote in accordance with their best judgment on such other matters.

The annual report of the Company for the fiscal year ended December 31, 1995 is being mailed to the Company's stockholders with this proxy statement.

Voting

Consistent with state law and under the Company's by-laws, a majority of the shares outstanding and entitled to vote, present in person or represented by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be counted by persons appointed by the Company to act as election inspectors at the meeting.

The nominee for election as a Class II director at the Annual Meeting who receives the greatest number of votes for the election of the director shall be elected the Class II director. A majority vote of the number of shares present in person or represented by proxy at the Annual Meeting entitled to vote thereon is necessary to approve the actions proposed in Item 2, Item 3 and Item 4 as well as any other matter which comes before the Annual Meeting, except where law, the Company's Amended and Restated Certificate of Incorporation or By-laws require otherwise.

The total number of votes cast "for" approval of proposals, other than the election of directors, will be counted for purposes of determining whether sufficient affirmative votes have been cast. Shares represented by proxies that withhold authority to vote for a nominee for election as a director or that reflect abstentions and "broker non-votes" (i.e., shares represented at the Annual Meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have the discretionary voting power on a particular matter) will be counted as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum, directions to withhold authority on a particular matter have the effect of a no vote, but neither broker non-votes nor abstentions will have any effect on the outcome of voting on the matter.

PROPOSAL NUMBER 1
ELECTION OF DIRECTORS

One Class II director is to be elected at the 1996 Annual Meeting for a three-year term that expires in 1999. Four other directors have been elected or appointed to terms that end in either 1996 or 1998, as indicated below. Unless instructions are given to the contrary, it is the intention of the persons named as proxies to vote the shares to which each proxy relates FOR the election of the nominee listed below for a term of three years expiring at the 1999 Annual Meeting of Stockholders and until the nominee's successor is elected and qualified or until the nominee's earlier death, removal or resignation. The nominee named below is presently serving as a director of the Company and is anticipated to be available for election and able to serve. However, if the nominee should become unavailable, such proxy will be voted for a substitute nominee designated by the Board of Directors. The nominee for election as a director at the Annual Meeting who receives the greatest number of votes properly cast for the election of directors shall be elected.

The Company's By-laws provide for a Board of Directors of one or more directors, and the number of directors is currently fixed at five. Under the terms of the Company's Amended and Restated Certificate of Incorporation, the Board of Directors is composed of three classes of similar size, each elected in a different year, so that only one-third of the Board of Directors is elected in any single year. Mr. Harats and Dr. Eastman are designated Class I directors and have been elected for a term expiring in 1998 and until their successors are elected and qualified; Mr. Rosenfeld is designated a Class II director elected for a term expiring in 1995 and until his successor is elected and qualified; and Mr. Ehrlich and Mr. Krueger are designated a Class III directors elected for a term expiring in 1996 and until their successors are elected and qualified.

Set forth below is certain information concerning the nominees and the other incumbent directors:

Board of Directors

<TABLE>
<CAPTION>

Name	Age	Position	Class	Director Since
<S>	<C>	<C>	<C>	<C>
Yehuda Harats(1)	44	President, Chief Chief Executive Officer and Director	I	May 1991
Jack E. Rosenfeld(1) (2)	57	Director	II	October 1993
Dr. Jay M. Eastman(1) (2)	47	Director	I	October 1993
Robert S. Ehrlich	57	Chairman of the Board Chief Financial Officer and Director	III	May 1991
Harvey M. Krueger(3)	66	Director	III	February 1996

</TABLE>

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Compensation Committee since March, 1996.

Nominee for Election as Class II Director at the 1996 Annual Meeting

Jack E. Rosenfeld has been a director of the Company since October 1993. Mr. Rosenfeld was President and Chief Executive Officer of Hanover Direct, Inc. ("Hanover"), formerly Horn & Hardart Co., which operates a direct mail marketing business, from September 1990 until December 1995 and had been President and Chief Executive Officer of its direct marketing subsidiary, since May 1988. Mr. Rosenfeld is currently acting as a consultant to the Board of Directors of Hanover. From July 1986 until May 1988, Mr. Rosenfeld was a partner in Rosenfeld & Co. (a private investment banking group). Mr. Rosenfeld is also a director emeritus of Hanover Direct, Inc. and a director of PSC Inc., a New York corporation ("PSCX"), a manufacturer and marketer of hand-held laser diode bar code scanners.

Class I Directors

Yehuda Harats has been President, Chief Executive Officer and a director of the Company since May 1991. Previously, from 1980 to May 1991, he was the Executive Vice President, Director of the Process Division and head of the Heat Collection Element Division, at Luz Industries Israel Limited ("LII"). In 1989, he was part of the team awarded the Rothschild Award for Industry, granted by the President of the State of Israel, for his work at LII. Before joining LII in 1980, Mr. Harats was Manager of the Maintenance Planning Unit of the Israel Air Force. Mr. Harats received a B.Sc. in Mechanical Engineering from the Israel Institute of Technology (Technion) in Haifa, Israel.

Dr. Jay M. Eastman has been a director of the Company since October 1993. Since November 1991, Dr. Eastman has served as President, Chief Executive Officer And Director of Lucid Technologies, Inc., which is developing laser technology applications for medical diagnosis and treatment. Dr. Eastman also serves as Senior Vice President of Strategic Planning of PSCX, a position he has held since January 1, 1996. From December 1987 through December 1995, Mr. Eastman was Executive Vice President of PSCX. He joined PSCX in 1986 when PSCX acquired Optel Systems, Inc., a corporation which he co-founded and served as Chairman, President and Chief Executive Officer from its formation in 1981. Dr. Eastman is also a director of Chapman Instruments, Inc., which develops, manufactures and sells surface profiling instruments and Dimension Technologies, Inc., a developer and manufacturer of 3D displays for computer and video displays. From 1981 until January 1983, Dr. Eastman was Director of the University of Rochester's Laboratory for Laser Energetics, where he was a member of the staff from September 1975 to 1981.

Class III Directors

Robert S. Ehrlich has been Chairman of the Board of the Company since January 1993 and Chief Financial Officer of the Company since May 1991. From May 1991 until January 1993, Mr. Ehrlich was Vice Chairman of the Board. From May 1990 until March 1994, Mr.

-4-

Ehrlich was also President, Chief Executive Officer and a director of Advanced Materials Technology, Inc. ("Amtec"), a former stockholder which was merged with and into EFC immediately prior to the Closing of the Company's initial public offering. From December 1987 until July 1992, Mr. Ehrlich was Chairman of the Board of PSCX. He continues to serve as a director of PSCX and Chairman of the Executive Committee and was formerly Chairman of the Compensation and Nominating Committees of PSCX. From February 1987 until October 1989, Mr. Ehrlich was Chairman and CEO of Fresenius USA, Inc., a Massachusetts corporation ("FRN"), a manufacturer and distributor of renal care systems, solutions and supplies. Mr. Ehrlich continues to serve as a member of the Executive Committee, Chairman of the Compensation Committee and a director of FRN. From 1974 until 1989, Mr. Ehrlich was President of Ehrlich & Co., a private investment banking firm. Mr. Ehrlich was also Executive Vice President and Chief Financial Officer and a director of Mattel Inc. ("Mattel") during 1972 and 1973 and continued as a director of Mattel through 1987. Mr. Ehrlich received a B.S. and J.D. from Columbia University in New York, New York.

Harvey M. Krueger was elected to the Board of Directors in February 1996. Mr. Krueger has been a Senior Managing Director of Lehman Brothers Inc., an investment banking firm and the lead manager of the Company's recent equity offering, since May 1984. From December 1977 to May 1984, he was Managing Director of Lehman Brothers Kuhn Loeb, Inc. From 1965 to 1977, he was a Partner of Kuhn Loeb & Co. and in 1977, he served as President and Chief Executive Officer of Kuhn Loeb & Co. Mr. Krueger serves as a director on the boards of directors of a number of companies, including Automatic Data Processing, Inc., R.G. Barry Corporation, a manufacturer of footwear, Chau, Inc., a manufacturer of women's apparel, and IVAX Corporation, a generic pharmaceutical manufacturer. In addition, he serves on the International Advisory Board of Club Mediterranee, S.A. and as chairman of the board of directors of Stockton Partners, Inc., the general partner of the manager of the Renaissance Fund LDC, a private closed-end investment fund.

Information Concerning the Board and Its Committees

In fiscal 1995, the Board of Directors held three meetings and acted by unanimous written consent on three occasions. Each of the directors attended all of the meetings of the Board of Directors and of each committee of which he is a member. The Board has two standing committees: the Audit Committee and the Compensation Committee.

The Audit Committee was established in December 1993 and held one meeting during fiscal 1995. The duties of the Audit Committee are (i) to review with management and the independent auditors the scope and results of the annual audit, the nature of any other services provided by the independent auditors, changes in the accounting principles applied to the presentation of the Company's financial statements, and any comments by the independent auditors on the Company's policies and procedures with respect to internal accounting, auditing and financial controls, and (ii) to make recommendations to the Board of Directors on the

-5-

engagement of the independent auditors. Messrs. Harats and Rosenfeld and Dr. Eastman are members of the Audit Committee.

The Compensation Committee was established in December 1993 and held four meetings during fiscal 1995. The duties of the Compensation Committee are to recommend compensation arrangements for the Chief Executive Officer and the Chief Financial Officer and review annual compensation arrangements for all other officers and significant employees. Mr. Rosenfeld and Dr. Eastman are the members of the Compensation Committee as is Mr. Krueger, who joined this

Committee in March, 1996. All Committee members are "disinterested persons" as that term is used in Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Non-employee members of the Board of Directors are paid \$1,000 (plus expenses) for each Board of Directors Meeting attended and \$500 (plus expenses) for each meeting of a committee of the Board of Directors attended. In addition, in September 1995, the Board of Directors adopted, (and later amended on March 25, 1996), subject to stockholder approval, a Non-Employee Director Stock Option Plan pursuant to which non-employee directors will receive an initial grant of options to purchase 15,000 shares of the Company's Common Stock upon the effective date of such plan or upon their election as a director. Thereafter, non-employee directors receive options to purchase 5,000 shares of Common Stock for each year of service on the Board. All such options will be granted at fair market value and vest ratably, over three years from the date of the grant.

Pursuant to the Underwriting Agreements entered into in connection with the Company's recent equity offering consummated in February 1996, the Company was required, prior to this annual meeting of its stockholders, to increase its number of directors to a total of six and nominate a person for election by the stockholders at such annual meeting to be approved by Lehman Brothers Inc., the lead manager for the underwriters in the equity offering. However, the requirements of Section 5(s) have been waived by Lehman Brothers Inc. as to the 1996 annual meeting of the stockholders and the nomination and election of a sixth director is now required to be made at the 1997 annual meeting of the stockholders.

THE BOARD OF DIRECTORS RECOMMENDS
ELECTION OF THE NOMINEE
DESCRIBED ABOVE

-6-

EXECUTIVE COMPENSATION; CERTAIN ARRANGEMENTS;
SECURITY OWNERSHIP

Summary Compensation Table

The following table shows the compensation paid by the Company for services rendered for 1993, 1994 and 1995 to the Chief Executive Officer and the other highest paid executive officers (of which there were only two) who received more than \$100,000 in salary and bonuses during fiscal 1995 (the "Named Executive Officers").

Summary Compensation Table

<TABLE>
<CAPTION>

Name and Principal Position At December 31, 1995	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary	Bonus	Other Annual Compensation	Options (Number)	All Other Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Yehuda Harats(1)	1995	\$140,684	\$40,364	\$1,742(2)	0	
President, Chief Executive Officer and a Director	1994	127,445	30,000	1,447	170,000	192,029
	1993	113,484	15,628	0	0	15,728
Robert S. Ehrlich(1) (4) Chairman and Chief Financial Officer	1995	\$140,684	\$40,364	\$6,148(2)	0	\$123,657(5)
	1994	114,034	30,000	0	170,000	118,442
Menachem Korall(1) Vice President of Technology	1995	\$106,491	\$30,328	\$1,744(2)	0	\$102,703(6)
	1994	95,458	27,000	1,447	90,000	95,458
	1993	77,184	0	0	0	14,772

</TABLE>

(1) The amounts reported for each Named Executive Officer were paid in New Israeli Shekels ("NIS") and have been translated into U.S. dollars at the average exchange rate of NIS into U.S. dollars during the year in question.

(2) Represents taxes paid by the employee and reimbursed by the Company.

(3) Of this amount, \$120,000 represents the Company's accrual for severance pay which would be payable to Mr. Harats upon a "change of control" of the Company or upon the occurrence of certain other events, \$8,181 represents the Company's accrual for sick leave and vacation redeemable by Mr. Harats,

\$20,113 consisted of payments to Mr. Harats in lieu of vacation and/or sick leave, \$25,274 consisted of the Company's payment to a pension fund which provides a savings plan, insurance and severance pay benefits and an education fund which provides for the on-going education of employees. Additionally, \$1,741 represents the value charged for tax purposes for the use of a car provided by the Company.

-7-

- (4) Mr. Ehrlich was not compensated by the Company during 1993. During that period, Mr. Ehrlich was employed by Amtec, a consultant to, and stockholder of, the Company.
- (5) Of this amount, \$72,000 represents the Company's accrual for severance pay which would be payable to Mr. Ehrlich upon a "change of control" of the Company or upon the occurrence of certain other events, \$15,498 represents the Company's accrual for sick leave and vacation redeemable by Mr. Ehrlich, \$4,565 represents the Company's accrual for severance pay which would be payable to Mr. Ehrlich under the laws of the State of Israel upon the termination of his employment by the Company, \$25,431 represents the Company's payments to pension and education funds and \$6,163 represents the value charged for tax purposes for the use of a car provided by the Company.
- (6) Of this amount, \$54,000 represents the Company's accrual for severance pay which would be payable to Mr. Korall upon a "change of control" of the Company or upon the occurrence of certain other events, \$15,909 represents the Company's accrual for sick leave and vacation redeemable by Mr. Korall, \$2,101 represents the Company's accrued severance pay which would be payable to Mr. Korall under the laws of the State of Israel upon the termination of his employment by the Company, \$8,945 consisted of payments to Mr. Korall in lieu of vacation and/or sick leave, \$19,861 represents the Company's payments to pension and education funds, and \$1,887 represents the value charged for tax purposes for use of a car provided by the Company.

The table below sets forth information for the Named Executive Officers with respect to fiscal 1995 year-end option values.

<TABLE>
<CAPTION>

Name	Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options Fiscal-Year-End (1)	
	Exercisable (Number)	Unexercisable (Number)	Exercisable (\$)	Unexercisable (\$)
<S>	<C>	<C>	<C>	<C>
Yehuda Harats.....	170,000	0	456,875	0
Robert S. Ehrlich..	207,478	0	742,364	0
Menachem Korall....	90,000	0	241,875	0

(1) In-the-money options are options for which the fair market value of the underlying securities exceeds the exercise or base price of the option.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors for the 1995 fiscal year consisted of Dr. Jay Eastman and Jack Rosenfeld, neither of whom have served as officers of the Company.

Robert S. Ehrlich, Chairman and Chief Financial Officer of the Company, serves as a director and Chairman of the Executive Committee and formerly served as the Chairman of the Compensation and Nominating Committees of PSC, Inc., a New York Corporation, for which Dr. Eastman, a member of the Compensation Committee of the Company, serves as Senior Vice President and Mr. Rosenfeld serves as director.

Harvey M. Krueger, a director of the Company, is Senior Managing Director of Lehman Brothers Inc., an investment banking firm ("Lehman"). Lehman was the lead manager of the

-8-

Company's recent equity offering consummated in February 1996, in which the Company issued 3.75 million shares of its Common Stock.

Employment Contracts and Termination of Employment Arrangements

Each of Messrs. Ehrlich, Harats and Korall are parties to employment agreements (the "Employment Agreements") with the Company for an initial term of three years, which can be extended automatically for

additional terms of two years each unless terminated sooner by either the executive or the Company. In 1994, each of the Employment Agreements was extended for a period of two years ending December 1998. The Employment Agreements provide for a base salary of \$10,000, \$10,000 and \$7,500 per month for Messrs. Ehrlich, Harats and Korall, respectively (the "Base Salary"). On each anniversary of the Employment Agreements, Base Salary is adjusted in an amount equal to the excess, if any, of any increase in the Israeli Consumer Price Index over any devaluation in currency of Israel compared to the U.S. dollar during the immediately preceding year. Accordingly, Base Salary for Messrs. Ehrlich, Harats and Korall is currently \$11,736, \$11,736 and \$8,802 per month, respectively. In addition, the Employment Agreements require bonuses to be paid in an amount the greater of (a) not less than 50% of Base Salary or (b) 2%, 2% and 1%, respectively of Net Earnings (defined as net income before taxes and extraordinary and other nonrecurring items) (the "Bonus"), subject to certain conditions, as well as other benefits such as vacation, sick leave, provision of automobiles and insurance contributions. The determination of the amount of Bonus to be paid pursuant to the Employment Agreements is based on attainment of the Company's budgeted results. Additionally, the Compensation Committee will set qualitative goals annually as a basis for paying bonuses to each of Messrs. Ehrlich, Harats and Korall. The Employment Agreements also contain confidentiality and non-competition covenants. Pursuant to the Employment Agreements, each of Messrs. Ehrlich, Harats and Korall was granted demand and "piggyback" registration rights covering shares of the Company's Common Stock held by them. The Employment Agreements may be terminated by the Company in the event of death, disability or for "Cause" (defined as conviction of certain crimes, willful failure to carry out directives of the Company's Board of Directors or gross negligence or willful misconduct). Messrs. Ehrlich, Harats and Korall each have the right to terminate their employment for "Good Reason," which is defined to include adverse changes in employment status or compensation, insolvency of the Company, material breaches and certain other events. Upon termination of employment, the Employment Agreements provide for payment of all accrued and unpaid compensation, any Bonus due for the year in which employment is terminated and a termination payment equal to thirty-six times monthly Base Salary at the highest rate in effect within the 90 day period prior to the termination of employment. In addition, certain benefits will continue and all outstanding options will be fully vested.

Other employees have entered into individual employment agreements with the Company. These agreements govern the basic terms of the individual's employment, such as salary, vacation, overtime pay, severance arrangements and pension plans. Subject to Israeli law, which restricts a company's right to relocate an employee to a work site further than sixty kilometers from his or her regular work site, the Company has retained the right to transfer certain employees to other locations and/or positions provided that such transfers do not result in a decrease in salary or benefits. In

-9-

addition, all of these agreements contain provisions governing the confidentiality of information and ownership of intellectual property learned or created during the course of the employee's tenure with the Company. Under the terms of these provisions, employees must keep confidential all information regarding the Company's operations (other than information which is already publicly available) received or learned by the employee during the course of employment. This provision remains in force for five years after the employee has left the service of the Company. Further, intellectual property created during the course of the employment relationship belongs to the Company.

A number of the individual employment agreements, but not all, contain non-competition provisions which restrict the employee's rights to compete against the Company, or work for an enterprise which competes against the Company, for a period of two years after the employee has left the service of the Company.

Under the laws of Israel, an employee of the Company who has been dismissed from service, died in service, retired from service upon attaining retirement age, or left due to poor health, maternity or certain other reasons, is entitled to severance pay at the rate of one month's salary for each year of service. The Company funds this obligation currently by making monthly payments to an approved private provident fund and by its accrual for severance pay in the consolidated financial statements.

Compensation Committee Report

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended that might incorporate future filings, including this Proxy Statement, in whole or in part, the following report and the Performance Graph on page 13 shall not be incorporated by reference into any such filings.

The Compensation Committee of the Board of Directors of the Company for 1995 consisted of Dr. Eastman and Mr. Rosenfeld; Mr. Krueger joined this Committee in March 1996. The Committee's responsibilities include recommending the annual compensation arrangements for the Chief Executive Officer and the Chief Financial Officer of the Company and reviewing the annual compensation arrangements for all other officers and significant employees of the Company, all by reference to the parameters set by any agreements the Company may have with such persons. No member of this Committee was an officer or employee of the Company during 1995.

-10-

The Company maintains compensation and incentive programs designed to motivate, retain and attract management and utilize various combinations of base salary, bonus payable upon the achievement of specified goals, discretionary bonus and stock options. It is the Company's current policy to establish, structure and administer compensation plans and arrangements so that the deductibility to the Company of such compensation will not be limited under Section 162(m) of the Internal Revenue Code.

Each of the Named Executive Officers, including the Chief Executive Officer Yehuda Harats, has entered into an employment agreement (collectively, the "Employment Agreements"), effective December 15, 1993, with the Company for an initial term of three years, which can be extended automatically for additional terms of two years each. In 1994, the Company exercised its option to extend each of the Employment Agreements for a period of two years ending December 1998. The Employment Agreements provide for a base salary of \$10,000, \$10,000 and \$7,500 per month for Messrs. Harats, Ehrlich and Korall, respectively (the "Base Salary"). On each anniversary of the Employment Agreements, Base Salary is increased in an amount equal to the excess, if any, of any increase in the Israeli Consumer Price Index over any devaluation in Israel's currency compared to the U.S. dollar during the immediately preceding year. (This effectively fixes the value in Israel's currency of the U.S. dollar denominated salary.) Accordingly, Base Salary for Messrs. Ehrlich, Harats and Korall is currently \$11,736, \$11,736 and \$8,802 per month, respectively.

In addition, the Employment Agreements require that bonuses be paid in an amount of the greater of (a) 50% of annual Base Salary or (b) 2%, 2% and 1%, respectively, of annual Net Earnings (defined as net income before taxes and extraordinary and other nonrecurring items) (the "Bonus"), provided that 100% of

budgeted results are attained. Additionally, the Employment Agreements provide for other benefits such as vacation, sick leave, provision of automobiles and insurance contributions. For the year ended December 31, 1995, the Company achieved 80% of its budgeted results. Consequently, the Compensation Committee, during the first quarter of 1996, exercised its discretionary authority to grant bonuses based upon the Company's results of operations and specific achievements of the Company as a result of the efforts of the Named Executive Officers. Accordingly, each of Messrs. Harats, Ehrlich and Korall was awarded a discretionary bonus for 1995 of \$40,364, \$40,364 and \$30,328, respectively, which represents approximately 33% of Base Salary. The achievements considered by the Committee were: (i) the successful completion of the Company's public offering of 3.75 million shares of its Common Stock, which was consummated in February 1996 and which resulted in proceeds to the Company of approximately \$24.0 million; (ii) the completion of the Company's 10 kg/hour regeneration plant located in Beit Shemesh, near Jerusalem, Israel; (iii) the delivery of batteries by the Company to Deutsche Post AG ("Deutsche Post") for use in the Deutsche Post field test resulting in payment to the Company of 70% of the total budgeted cost of batteries for the field test; (iv) the opening of the 100 kg/hour regeneration plant in Bremen for the Deutsche Post field test; and (v) the entry by the Company into several new strategic alliances.

No stock options were granted to the Named Executive Officers in 1995. As of December 31, 1995, Messrs. Harats', Ehrlich's and Korall's total options represented approximately 1.73%, 2.11%

-11-

and 0.91% of the fully-diluted outstanding stock of the Company, respectively, which the Compensation Committee believes are appropriate levels of options for the Named Executive Officers in view of their equity position in the Company.

With respect to executive officers other than the Named Executive Officers, compensation is determined not by formula, but based on the achievement of qualitative objectives established by the Chief Executive Officer and Chief Financial Officer, who then provide recommendations to the Compensation Committee for proposed remuneration of the Company's executive officers based on such objectives.

Officer compensation is generally comprised of a combination of both cash compensation and grants of options under the Company's stock option plans. Stock options are awarded annually in connection with annual bonuses and, occasionally, during the year on a discretionary basis. Stock options are intended to offer an incentive for superior performance while basing executive compensation on the achievement of higher share value, and to foster the retention of key personnel through the use of schedules which vest options over

time if the person remains employed by the Company. There is no set formula for the award of options to individual executives. Factors considered in making option awards to the officers other than the Named Executive Officers in 1995 included prior grants to the officer, the importance of retaining the officer's services, the officer's potential to contribute to the success of the Company and the officer's past contributions to the Company.

Dated: COMPENSATION COMMITTEE
 Dr. Jay M. Eastman
 Jack E. Rosenfeld

-12-

CUMULATIVE TOTAL RETURN FOR PERIOD INDICATED
 AMONG ELECTRIC FUEL CORPORATION.
 NASDAQ MARKET INDEX AND PEER GROUP INDEX

[GRAPH APPEARS HERE]

	2/94	12/94	12/95
ELECTRIC FUEL	100	48.54	65.53
PEER GROUP	100	49.18	47.69
BROAD MARKET	100	97.21	126.09

ASSUMES \$100 INVESTED ON FEB. 24, 1994
 (THE DAY THE COMPANY'S COMMON STOCK BEGAN
 TRADING ON THE NASDAQ NATIONAL MARKET SYSTEM)
 ASSUMES DIVIDENDS REINVESTED YEAR ENDING DEC. 31, 1994

-13-

OWNERSHIP OF COMMON STOCK

The following table sets forth information regarding the security ownership of those persons owning of record or known to the Company to be beneficial owners of more than five percent of the Company's Common Stock as of May 1, 1996, each of the Company's Named Executive Officers and directors, and the shares of Common Stock held by all directors and executive officers of the Company as a group.

<TABLE>
 <CAPTION>

<S>	Shares Beneficially Owned/(1) (2)/	Percentage of Total Shares Outstanding/2/
<C>		<C>
Named Executive Officers and Directors -----		
Robert S. Ehrlich	988,979/(3) (6)/	7.8%
Yehuda Harats	1,386,207/(4) (6)/	11.0%
Menachem Korall	530,632/(5) (6)/	4.2%
Dr. Jay M. Eastman	0	0
Jack E. Rosenfeld	0	0
Harvey M. Krueger	3,000	*
All Directors and Executive Officers of the Company as a group	2,905,818/(3) (4) (5) (6)/	23.0%
Other Five Percent Holders -----		
Newton D. Becker 2743 Aqua Verde Circle Los Angeles, California	1,746,904/(7)/	14.1%
Newton Becker Irrevocable Trust No. 1 c/o Bryan Gordon 4046 San Remo Way Tarzana, California	793,350/(8)/	6.4%
Leon S. Gross c/o Enterprises, Inc. River Park House	1,334,786/(9)/	11.15%

</TABLE>

- (1) Unless otherwise indicated in these footnotes, each of the persons or entities named in the table has sole voting and sole investment power with respect to all shares shown as beneficially owned by that person, subject to applicable community property laws.
- (2) For purposes of determining beneficial ownership of the Company's Common Stock, owners of options exercisable within sixty days are considered to be the beneficial owners of the shares of Common Stock for which such securities are exercisable. The percentage ownership of the outstanding Common Stock reported herein is based on the assumption (expressly required by the applicable rules of the Securities and Exchange Commission) that only the person whose ownership is being reported has converted his options into shares of Common Stock.
- (3) Includes 207,478 shares of Common Stock issuable upon exercise of options exercisable, or potentially exercisable, within 60 days.
- (4) Includes 170,000 shares of Common Stock issuable upon exercise of options exercisable, or potentially exercisable, within 60 days.
- (5) Includes 90,000 shares of Common Stock issuable upon exercise of options exercisable, or potentially exercisable, within 60 days.
- (6) Messrs. Ehrlich, Harats and Korall are parties to a Stockholders Voting Agreement pursuant to which each of the parties agrees to vote the shares of the Company's Common Stock held by that person in favor of the election of Messrs. Ehrlich and Harats (or their designees) as directors of the Company.
- (7) All shares are held in the name of the Becker Family Trust of which Mr. Becker is the trustee and sole beneficiary during his lifetime. Excludes 793,350 shares held by the Newton Becker Irrevocable Trust No. 1, as to which Mr. Becker disclaims beneficial ownership.
- (8) Shares held for the benefit of members of Mr. Becker's family. David E. Becker and Bryan Gordon, Mr. Becker's son and stepson, respectively, are co-trustees.
- (9) Based solely upon a Schedule 13D dated February 23, 1995, as amended on April 23, 1996. The Schedule 13D states that Mr. Gross has power to direct the vote of all 1,334,786 of such shares and shared power to dispose or direct the disposition of all of such shares, which are subject to margin account agreements.

* Less than one percent

DELINQUENT FILINGS

Under the securities laws of the United States, the Company's directors, certain of its officers, and any persons holding more than ten percent of the Company's Common Stock are required to report their ownership of the Company's Common Stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this proxy statement any failure to file by these dates during 1995. All of these filing requirements were satisfied by its directors and officers and, to the knowledge of the Company, ten percent holders, except as follows: Robert S. Ehrlich was required to file a Form 4 on or prior to July 10, 1995, for his sale of 4,000 shares of the Company's common stock in June 1995; Mr. Ehrlich did not file this Form 4 until July 19, 1995.

-15-

CERTAIN TRANSACTIONS

Harvey M. Krueger, a director of the Company, is Senior Managing Director of Lehman Brothers Inc., an investment banking firm ("Lehman"). Lehman was the lead manager of the Company's recent equity offering consummated in February 1996, in which the Company issued 3.75 million shares of its Common Stock.

In January 1993, each of Messrs. Ehrlich, Harats and Korall exercised options to purchase 423,116, 719,304 and 343,785 shares of the Company's Common Stock, respectively, at an exercise price of \$0.35 per share. In payment for the option exercise, each of Messrs. Ehrlich, Harats and Korall issued nonrecourse promissory notes (the "Promissory Notes") secured by the shares of Common Stock purchased, bearing interest at one point over the applicable United States federal funds rate. In December 1994, the Promissory Notes were amended to change the interest rate to the higher of a United States dollar rate of 7% or the percentage increase in the Israeli CPI between the date of the Promissory Notes and the date interest is calculated, based on the original principal

amount of the loan expressed in NIS. Interest is payable at maturity. As of December 31, 1995, the aggregate amount outstanding pursuant to the Promissory Notes for each of Messrs. Ehrlich, Harats and Korall was \$180,081, \$309,108 and \$141,139, respectively (including an aggregate of \$117,124 in accrued interest receivable), which are also the largest aggregate amounts outstanding since the issuance of the Promissory Notes. The Promissory Notes mature on January 3, 1998.

On March 2, 1994, Amtec, a stockholder of the Company, was merged with and into EFC (the "Reorganization"). Prior to the Reorganization, Amtec had an aggregate of 25,790 shares of Preferred Stock and 8,686 shares of Common Stock outstanding, held by Messrs. Ehrlich and Harats and certain other persons and entities. There were no options for the purchase of Amtec's Preferred or Common Stock outstanding. Each share of Amtec's Preferred Stock was entitled to the payment of \$100 per share, together with all accrued and unpaid dividends, prior to any distribution being made on shares of Amtec's Common Stock. Those accrued and unpaid dividends equaled approximately \$39.00 per share of Amtec Preferred Stock at the time of the Reorganization. The Boards of Directors of EFC and Amtec determined that a reorganization of the ownership of EFC and Amtec was necessary in order to simplify the corporate structure, achieve operating efficiencies and put publicly traded stock in the hands of EFC's ultimate stockholders.

For the period beginning January 1, 1992 through the date of the Reorganization, Amtec was a consultant to the Company and received an aggregate of approximately \$272,000 in respect of management services and consulting fees. During this period Mr. Ehrlich was President, Chief Executive Officer, director and a stockholder of Amtec and received compensation from Amtec in respect of services provided to EFC.

-16-

PROPOSAL NUMBER 2

PROPOSED AMENDMENT TO ARTICLE FOUR OF THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE AUTHORIZED COMMON STOCK OF THE COMPANY FROM 14,000,000 SHARES TO 28,000,000 SHARES.

General

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The Board of Directors has approved a proposed amendment to Article Four of the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of Common Stock which the Company is authorized to issue from 14,000,000 to 28,000,000. The Board of Directors of the Company has directed that the proposed amendment be submitted to a vote of the stockholders of the Company at the Annual Meeting.

The Amended and Restated Certificate of Incorporation of the Company currently authorizes 15,000,000 shares of capital stock consisting of 14,000,000 shares of Common Stock, \$.01 par value, and 1,000,000 shares of Preferred Stock, \$.01 par value. The proposed amendment would increase the authorized Common Stock to 28,000,000 shares. The holders of Common Stock are entitled to (i) one vote for each share of Common Stock registered in the name of such holder, (ii) receive dividends on their shares of stock when and as declared by the Board of Directors, (iii) in the event of liquidation, dissolution or the winding up of the affairs of the Company, share pro rata in the net assets available for distribution to holders of Common Stock after satisfaction of the prior claims of the holders of Preferred Stock of any series or any shares of any other class of capital stock ranking senior to the Common Stock as to assets, in accordance with the Amended and Restated Certificate of Incorporation.

On May 1, 1996, 12,425,947 shares of Common Stock were issued and outstanding. In addition, 1,143,033 shares of Common Stock are reserved for issuance upon the exercise of stock options granted under the Company's 1991 Stock Option Plan ("1991 Plan") and 1993 Stock Option and Restricted Stock Purchase Plan (the "1993 Plan"). An aggregate of 995,000 shares of Common Stock may be issued upon the exercise of stock options to be granted under the Amended and Restated Non-Employee Director Stock Option Plan and the 1991 and 1993 Plans.

In February of 1996, the Company issued 3,750,000 shares in its second equity offering. The Board of Directors believes that it is in the best interests of the Company to increase the authorized number of shares of Common Stock to 28,000,000 shares, which would make available for issuance under the Company's stock option plans as well as for issuance in the future for other valid corporate purposes, without further authorization of the stockholders (except as may be required by applicable law or regulation) additional shares of Common Stock. The Board of Directors believes that the proposed amendment to Article Four will provide several long-term advantages to the Company and its shareholders. In order to attract and retain qualified individuals in key positions and maintain the 1991 and 1993 Plans for the long term, the Company requires additional shares for issuance under the current terms of such Plans in order to have sufficient shares to be issued

-17-

thereunder and to grant appropriate levels of stock options to employees. The Board of Directors has frequently utilized options as a form of noncash compensation and believes that continued employee ownership should be encouraged. In addition, increased costs related to the Company's involvement in the Deutsche Post Field Test, the establishment by the Company of additional strategic alliances or investment by the Company in programs to advance the development and commercialization of the Electric Fuel System may require the Company to seek additional financing over the next several years. An increase in authorized shares would enable the Board of Directors to raise cash assets through sales of Common Stock or other debt or equity securities convertible into Common Stock to public and private investors without the need to seek shareholder authorization at that time, which could significantly delay the receipt of such financing. Finally, the passage of this Proposal would also enable management, with the approval of the Board of Directors, to pursue acquisitions or enter into transactions or other business combinations which management believes provide the potential for growth and profit.

With the extremely limited number of shares currently available for the potential uses discussed above, it is impractical for the Company to evaluate or seek to obtain additional financings, or consummate business combinations or other transactions which, if they could be accomplished, might enhance shareholder value. If additional shares are available, financings or transactions dependent upon the issuance of additional shares would be less likely to be undermined by delays and uncertainties occasioned by the need to obtain shareholder authorization prior to the consummation of such transactions or financings. The ability to issue shares, as deemed in the Company's best interest by the Board, will also permit the Company to avoid the expenses which are incurred in holding special shareholders' meetings.

Certain Effects, Advantages and Disadvantages of the Proposed Amendment

The Proposal, if approved, would strengthen the position of management and might make the removal of management more difficult, even if such removal would be generally beneficial to the Company's stockholders. The authorization to issue the additional shares of Common Stock would provide management with a capacity to negate the efforts of unfriendly tender offerors through the issuance of securities to others who are friendly or desirable to management. Moreover, the Company currently has in place certain provisions which have an anti-takeover effect. Under the terms of the Company's Amended and Restated Certificate of Incorporation, Directors are elected for a term of three years, and the Board of Directors is composed of three classes of similar size, each elected in a different year, so that only one third of the Board of Directors is up for election in any single year. Additionally the Company's Amended and Restated Certificate of Incorporation provides for "blank check" preferred stock. Moreover, the provisions of the Company's Amended and Restated Certificate of Incorporation permit the directors, in exercising their fiduciary duties, including without limitation, evaluating a tender offer or exchange offer for the Company's stock or any merger or consolidation of the Company or any sale, lease, exchange or transfer of all or substantially all of the assets of the Company, the acquisition of securities of a third party or any reclassification, recapitalization or reorganization of the Company or any of its securities, to consider various factors, including, among others, other constituencies such as employees, creditors, customers

-18-

and the economy. As a result of these provisions, potential purchasers of the Company may be discouraged from attempting to effect an acquisition transaction with the Company, thereby possibly depriving holders of the Company's securities of certain opportunities to sell or otherwise dispose of such securities at above market prices pursuant to such transactions. However, the Company has elected not to be governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, an anti-takeover section which prohibits certain business combinations between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates and/or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation.

This Proposal is primarily intended to assist the Company in attracting, motivating and retaining qualified employees through the issuance of stock options and allow the Company the ability to issue securities in future financings. This Proposal would also allow the Company to pursue acquisitions and other business combinations. This Proposal is not the result of the Board's knowledge of any specific effort to obtain control of the Company by means of a merger, tender offer, proxy solicitation in opposition to management or otherwise. The Company is not submitting this proposal to enable it to frustrate any efforts by another party to acquire a controlling interest or to seek Board representation. The submission of this proposal is not a part of any plan by the Company's management to adopt a series of amendments to the Amended and Restated Certificate of Incorporation or Bylaws so as to render the takeover of the Company more difficult.

Other than with respect to the issuance of shares in connection with the Company's stock option plans, including if approved by the stockholders, the

Amended and Restated Non-Employee Directors Plan, the Company currently has no specific plans or proposals for the use of the additional shares, the authorization of which is sought hereby. However, the Company could determine to issue additional shares at any time. The Company is at an early stage of development and, as such, is continuously evaluating proposals for potential financings, including private placements of debt and equity securities. In the event this Proposal is passed, shareholder approval of the issuance of the 14,000,000 additional shares of Common Stock, the authorization of which is sought hereby, will not be sought prior to the issuance of additional securities unless such issuances relate to an increase in shares under certain stock option plans as required by Section 16 of the Securities Exchange Act of 1934, mergers, consolidations or other transactions which require shareholder approval.

The affirmative vote of the holders of record of a majority of the outstanding shares of stock entitled to vote thereon is necessary to adopt the proposed amendment to Article Four. If this Proposal is adopted, the amended portion of Article Four of the Amended and Restated Certificate of Incorporation will read as follows:

FOUR: The total number of shares of all classes of stock which the

corporation shall have authority to issue is Twenty-nine Million (29,000,000) consisting of two classes of shares designated as follows:

-19-

A. Twenty-eight Million (28,000,000) shares of Common Stock, \$.01 par value, (the "Common Stock"); and

B. One Million (1,000,000) shares of Preferred Stock, \$.01 par value, (the "Preferred Stock").

THE BOARD OF DIRECTORS RECOMMENDS THE APPROVAL OF PROPOSED AMENDMENT TO ARTICLE FOUR OF THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE AUTHORIZED COMMON STOCK OF THE COMPANY FROM 14,000,000 SHARES TO 28,000,000 SHARES.

-20-

PROPOSAL NUMBER 3

APPROVAL OF AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN.

General

The Company believes that stock-based awards are a key component to the Company's ability to retain and attract high quality directors to manage the business and affairs of the Company. As such, the 1995 Stock Option Plan for Non-Employee Directors, as adopted on September 28, 1995 and as amended on March 25, 1996, (the "Plan") was adopted to advance the interests of Electric Fuel Corporation (the "Company") by enhancing the ability of the Company to attract and retain directors who are in a position to make significant contributions to the success of the Company and to reward such directors for such contributions through ownership of shares of the Company's common stock (the "Stock"). Pursuant to the Plan, non-employee directors will receive an initial grant of options to purchase 15,000 shares of Stock upon the effective date of the Plan or upon their election as a director. Thereafter, non-employee directors will receive options to purchase 5,000 shares of Stock per year of service on the Board.

Description of the Plan

Administration. The Plan shall be administered by a committee (the "Committee") of the Board of Directors (the "Board") of the Company from time to time appointed by the Board to administer the Plan in accordance with the express provisions of the Plan, which include, adopting, amending and rescinding rules and regulations for the administration of the Plan, interpreting the Plan and to deciding any questions and settling all controversies and disputes that may arise in connection with the Plan. Such determinations of the Committee shall be conclusive and shall bind all parties. Subject to the limitations of the Plan and Rule 16b-3 under the Securities Exchange Act of 1934, as from time to time in effect ("Rule 16b-3"), the Committee shall also have the authority, both generally and in particular instances, to waive compliance by a non-employee director with any obligation to be performed by him under an option and to waive any condition or provision of an option. Because this Plan is a "formula" plan under the Securities and Exchange Act of 1934, non-employee directors may be members of the Committee administering the Plan. Accordingly, options to non-employee directors are granted solely under this Plan and not under the Company's regular stock award plans. Each director who is not an employee of the Company or of any subsidiary of the Company will be eligible to receive options under the Plan (an "Eligible Director").

Effective Date and Term of Plan. This Plan was approved by the Board of Directors on September 28, 1995 (the "Effective Date") and was later amended on

March 25, 1996. It is subject to approval by vote of a majority of the stockholders of the Company present and eligible to vote on the question at the Annual Meeting. Options are permitted to be granted and were granted under the Plan

-21-

prior to the date of stockholder approval, and options so granted shall be effective on the effective date of grant subject to stockholder approval of the Plan. No options may be awarded under this Plan after September 28, 2005, but the Plan shall continue thereafter while previously awarded options remain subject to the Plan.

Shares Subject to Plan. Subject to certain adjustments set forth in the Plan, the aggregate number of shares of Stock that may be delivered upon the exercise of options granted under the Plan shall be 500,000. If any option granted under the Plan terminates without having been exercised in full, the number of shares of Stock as to which such option was not exercised shall be available for future grants within certain limits under the Plan. Shares delivered under the Plan shall be authorized but unissued Stock or, if the board so decides in its sole discretion, previously issued Stock acquired by the Company and held in treasury. In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capital stock, the number and kind of shares of stock or securities of the Company subject to options then outstanding or subsequently granted under the Plan, the maximum number of shares or securities that may be delivered under the Plan, the exercise price, and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons.

Terms and Conditions of Options. Each individual who was an Eligible Director on the Effective Date of the Plan was granted, on that date, an option covering 15,000 shares of Stock, subject to stockholder approval and each individual becoming an Eligible Director after the Effective Date is entitled, upon first qualifying as an Eligible Director, to be granted an option covering 15,000 shares of Stock. Following the initial grant of 15,000 shares, each Eligible Director shall be awarded an additional option covering 5,000 shares of Stock on each anniversary date of the initial grant, provided that he or she is an Eligible Director on such anniversary.

The exercise price of each option shall be 100% of the fair market value ("the closing price of the Stock as reported on The Nasdaq National Market System") per share of the Stock at the time the option is granted, but not less, in the case of an original issuance of authorized stock, than par value per share. The latest date on which an option may be exercised (the "Final Exercise Date") is ten years from the date on which the option was granted. Each option shall become exercisable in three equal installments on each of the first, second and third anniversaries of the grant. The exercise price of options granted under the Plan must be paid in cash, or by certified check, bank draft or money order payable to the order of the Company through the delivery of shares of Stock, or by a combination of the above.

Termination of Options. Upon the death of any Eligible Director granted options under this Plan, all options not then exercisable shall terminate. All options held by the director that are exercisable immediately prior to death may be exercised by his executor or administrator, or by the person or persons to whom the option is transferred by will or the applicable laws of descent and distribution, at any time within the three-month period following the director's death (but not later than the Final Exercise Date).

-22-

If a director's service with the Company terminates for any reason other than death, all options held by the director that are not then exercisable shall terminate. Options that are exercisable on the date of termination shall continue to be exercisable for a period of three months (or until the Final Exercise Date, if earlier), but shall terminate immediately if the director was removed or terminated for fraud, dishonesty or intentional misrepresentation or embezzlement, misappropriation or conversion of assets or opportunities of the Company or any of its subsidiaries. After completion of that three-month period, such options shall terminate to the extent not previously exercised, expired or terminated.

In the event of any merger or consolidation involving the Company, any liquidation or dissolution of the Company, any sale of substantially all of the Company's assets or any other transaction or series of related transactions as a result of which a single person or several persons acting in concert own a majority of the Company's then outstanding Stock (such merger, consolidation, sale or other transaction being hereinafter referred to as a "Transaction"), all outstanding options shall become exercisable prior to the consummation of such Transaction, such options shall be exercisable at such time as the Committee determines but in no event for less than a period of at least 20 days prior to the consummation, but only to the extent the Committee determines it may so accelerate the exercisability of such options in accordance with the applicable requirements of Rule 16b-3. Upon consummation of the Transaction, all outstanding options not so exercised shall terminate and cease to be exercisable. There shall be excluded from the foregoing any Transaction as a

result of which (a) the holders of Stock prior to the Transaction retain or acquire securities constituting a majority of the outstanding voting common stock of the acquiring or surviving corporation or other entity and (b) no single person owns more than half of the outstanding voting common stock of the acquiring or surviving corporation or other entity. For purposes of this Section, voting common stock of the acquiring or surviving corporation or other entity that is issuable upon conversion of convertible securities or upon exercise of warrants or options shall be considered outstanding, and all securities that vote in the election of directors (other than solely as the result of a default in the making of any dividend or other payment) shall be deemed to constitute that number of shares of voting common stock which is equivalent to the number of such votes that may be cast by the holders of such securities.

Certain Federal Income Tax Consequences

No income is realized by the optionee solely by reason of the grant of an option under the Plan. In general, exercise of the option will result in ordinary income at time of exercise in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price. The Company will be entitled to a corresponding deduction if it satisfies applicable reporting requirements. Any gain or loss recognized upon a subsequent sale or exchange of the shares will be a capital gain or loss, long-term or short-term depending upon the applicable holding period for the shares.

The discussion set forth in the preceding paragraph is limited to certain federal income tax consequences and assumes optionees who are U.S. citizens or tax residents. There may be additional

-23-

or different tax consequences where the optionee is not a U.S. citizen or tax resident or under other U.S. (including state and local) or non-U.S. tax rules.

Miscellaneous. Neither adoption of the Plan nor the grant of options to an Eligible Director shall confer upon any person any right to continued status as a director with the Company or any subsidiary or affect in any way the right of the Company or subsidiary to terminate a director relationship at any time or shall affect the Company's right to grant to such director options that are not subject to the Plan, to issue to such directors Stock as a bonus or otherwise, or to adopt other plans or arrangements under which Stock may be issued to directors.

The Committee may at any time discontinue granting options under the Plan. The Committee may at any time or times amend the Plan or any outstanding options for the purpose of satisfying any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of options, provided that no such amendment shall adversely affect the rights of any director (without his or her consent) under any option previously granted. Certain terms and conditions of the options of this Plan shall not be amended any more frequently than once every six months other than to comply with changes in the Internal Revenue Code of 1986, the Employee Retirement Income Security Act of 1974 or the rules and regulations thereunder, all as from time to time in effect.

Options Granted Under the Plan Subject to Stockholder Approval. The Plan was adopted by the Board of Directors on September 28, 1995 and was amended on March 25, 1996, subject to stockholder approval. Options have been granted under the Plan to two non-employee Eligible Directors, effective September 28, 1995 for 15,000 shares each, at an exercise price of \$7.938, the then fair market value of the Stock. An option was also granted to another director, elected to the Board in February 1996, who became an Eligible Director on March 25, 1996, for 15,000 shares at an exercise price of \$7.50, the then fair market value of the Stock, all subject to stockholder approval of the Plan.

-24-

NEW PLAN BENEFITS

Name and Position	Dollar Value (\$)	Number of Units (Options)
Non-Executive Director Group	0/1/	45,000

/1/ The exercise price of these options is currently greater than the fair market value of the underlying Common Stock.

The affirmative vote of at least a majority of all outstanding shares of Common Stock of the Company entitled to vote is required to authorize the proposed amendment.

THE BOARD OF DIRECTORS

RECOMMENDS RATIFICATION OF THE
AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

-25-

PROPOSAL NUMBER 4

RATIFICATION OF THE SELECTION
OF INDEPENDENT ACCOUNTANTS

The Board of Directors recommends the ratification by the stockholders of the appointment by the Board of Directors of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as the Company's independent accountants for the fiscal year ending December 31, 1995. Kesselman & Kesselman, a member of Coopers & Lybrand (International), has served as the Company's independent accountants since December 1990. Unless instructions are given to the contrary, it is the intention of the persons named as proxies to vote the shares to which the proxy is related FOR the ratification of the appointment of Kesselman & Kesselman, a member of Coopers & Lybrand (International). The affirmative vote of the holders of a majority of shares properly cast on the proposal, in person or by proxy, will be required to ratify the selection of Kesselman & Kesselman, a member of Coopers & Lybrand (International). In the event that the stockholders do not ratify the selection of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as an independent accounting firm, the Board of Directors will consider the selection of another firm of independent accountants. Representatives of Kesselman & Kesselman, a member of Coopers & Lybrand (International), are not expected to be present at the Annual Meeting.

The affirmative vote of at least a majority of all outstanding shares of Common Stock of the Company entitled to vote is required to authorize the proposed amendment.

THE BOARD OF DIRECTORS
RECOMMENDS RATIFICATION OF THE
SELECTION OF INDEPENDENT ACCOUNTANTS DESCRIBED ABOVE

-26-

QUORUM REQUIREMENT AND METHOD OF TABULATION

Consistent with Delaware corporate law and under the Company's By-Laws, a majority of the shares entitled to be cast on a particular matter, present in person or represented by proxy, constitutes a quorum as to such matter. Votes cast by proxy or in person at the Annual Meeting will be counted by persons appointed by the Company to act as election inspectors for the meeting. The election inspectors will count shares represented by proxies that withhold authority to vote for a nominee for election as a director or that reflect abstentions and "broker non-votes" (i.e., shares represented at the meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, and (ii) the broker or nominee does not have the discretionary voting power on a particular matter) only as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum, but neither abstentions nor broker non-votes have any effect on the outcome of voting on the matter.

STOCKHOLDER PROPOSALS

Pursuant to Rule 14a-8 promulgated by the SEC, stockholder proposals intended to be included in the Company's proxy material for the Company's 1996 Annual Meeting of Stockholders must be received by the Company on or before January 20, 1997 at its principal executive offices, 885 Third Avenue, New York, New York 10022 Attention: Corporate Secretary.

OTHER MATTERS

The management has no knowledge of any other matter that may come before the Annual Meeting and does not, itself, currently intend to present any such other matter. However, if any such other matters properly come before the meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgement.

PROXY SOLICITATION

The cost of soliciting proxies will be paid by the Company. Proxies may be solicited without extra compensation by certain directors, officers and regular employees of the Company by mail, telegram or personally.

Stockholders are encouraged to send their proxies without delay. Your cooperation is appreciated.

-27-

FINANCIAL STATEMENTS

The Company's audited financial statements for the fiscal year ended December 31, 1995 and certain other related financial and business information of the Company are combined in the Company's 1995 Annual Report furnished to the stockholders along with this Proxy Statement.

-28-

ELECTRIC FUEL CORPORATION

Proxy Solicited on behalf of the Board of Directors of Electric Fuel Corporation for Annual Meeting of Stockholders to be held June 24, 1996

The undersigned, having received the Notice of the Annual Meeting of Stockholders and the Proxy Statement of behalf of the Board of Directors of Electric Fuel Corporation (the "Company"), hereby appoint(s) Robert S. Ehrlich and Yehuda Harats, and each of them, proxies of the undersigned (with full power of substitution) to attend the Annual Meeting of the Company to be held on June 24, 1996 at 9:00 a.m. at the Harvard Club, 27 West 44th Street, New York, N.Y. 10036 and all adjournments thereof (the "Meeting") and there to vote all shares of Common Stock of the Company that the undersigned would be entitled to vote, if personally present, in regard to all matters which may come before the Meeting, and without limiting the general authorization hereby given, the undersigned directs that his vote be cast as specified in this proxy.

This Proxy when properly executed will be voted in the manner specified herein. If no specification is made, the proxies intend to vote for the nominees and for the other proposals set forth herein and described in the Board of Directors' Proxy Statement. If either of the nominees is not available to serve, this Proxy may be voted for a substitute. This proxy delegates discretionary authority with respect to matter not known or determined at the time of solicitation of this proxy. The undersigned hereby revokes any other proxy previously granted to vote the same shares of stock for said meeting.

SEE REVERSE SIDE. If you wish to vote in accordance with the recommendations of the Board of Directors, just sign on the reverse side. You need not mark any boxes.

CONTINUED AND TO BE SIGNED ON THE REVERSE SIDE

A [X] Please mark your votes as in this example.

The Board of Directors recommends a vote FOR each of the following matters:

- | | | | |
|--|-----|---------|-----------------------------|
| | FOR | WITHELD | Nominee: Jack E. Rosenfield |
| 1. The election of one Class II | [] | [] | |
| director for a term ending in 1999 and until a | | | |
| successor is elected and qualified. | | | |

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.

- | | FOR | AGAINST | ABSTAIN |
|---|-----|---------|---------|
| 2. To fix the number of Class II directors at one. | [] | [] | [] |
| 3. The approval of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the authorized shares of Common Stock from 14,000,000 shares to 28,000,000 shares. | [] | [] | [] |
| 4. The approval of the Non-Employee Director Stock Option Plan. | [] | [] | [] |
| 5. Ratification of the appointment of Kesselman & Kesselman, a member of Coopers & Lybrand (International), as independent accountants of the Company. | [] | [] | [] |

PLEASE DATE AND RETURN THIS PROXY FORM PROMPTLY USING THE ENCLOSED ENVELOPE.

I do plan to attend [] the meeting.	I do not plan to [] attend the meeting.
--	---

Signature _____ Date _____

Date

Signature if Held Jointly

Note: Please sign exactly as name appears on this proxy. When share are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please in partnership name by authorized person.

1995

May 1996

Dear fellow shareholder,

1995 was a very productive year for Electric Fuel. We made a significant investment in our technology, and have made great progress towards our goal of becoming the number one supplier of battery systems for zero emission electric vehicles.

We developed three high energy battery models -- one for small pick-up trucks and sub-compact passenger vehicles, one for pick-up trucks and passenger vehicles, and one for full size vans, buses and trucks. All models use a new concept of self-contained, easy to exchange, battery trays. The tray configuration allows easy and cost effective installation of the battery on almost every existing vehicle being produced today.

A key date in 1995 was December 14, the official kick-off of the Deutsche Post field test of the Electric Fuel zinc-air battery system. On that day, with over 300 journalists and guests present, the Electric Fuel MB410, 4.5-ton Mercedes-Benz van and the GM-Opel Corsa Combo light pick-up truck were unveiled to the public. Fitted with batteries, with the largest electric capacity ever installed in electric vehicles, these cars demonstrated excellent performance at below freezing temperatures on the main streets of Bremen, Germany.

December 14 was also the official opening of Electric Fuel's zinc regeneration facility in Bremen, Germany. The plant provides the refueling and zinc-regeneration support for the Deutsche Post fleet. The plant is 10 times larger than the regeneration plant in Bet Shemesh, Israel which was put into service in May 1995, and offers a high degree of automation. These two regeneration plants, together with the plant in Italy, demonstrate the Company's vision of the future of the electric vehicle infrastructure. We believe the Electric Fuel unique approach is the best, low cost, and most convenient method for refueling electric vehicles, particularly for the fleet market, with great business potential for Electric Fuel and its licensees.

The Deutsche Post program, with its magnitude and impressive array of partners, is of great importance to our company. In 1995, we invested significant resources in battery development, regeneration and refueling equipment, as well as in other related activities. This investment, which is reflected in the attached financials, was made in order to maximize our success in this program.

Recently, the Deutsche Post Field Test partners decided that the 20 Mercedes-Benz MB410 vans that were originally designated for use almost solely by the Deutsche Post, will be redistributed for use in service among several of the Deutsche Post program partners, including Deutsche Telekom, the city and utility of Bremen, the Swedish Post and Vattenfall. The roll out of the fleet will begin in May, 1996 with four MB410s. Vehicles will gradually be added to the fleet throughout the summer.

GM-Opel, which is supplying the 44 Corsa Combo pickup trucks for the Post program, is engaged in an extensive engineering effort which could result in commercially viable electric vehicles using the Electric Fuel system. Because of the magnitude of the effort involved, the Opel cars are expected to be available to the field test only by the end of 1996.

Electric Fuel's strategic partner in Italy, Edison SpA, has significantly increased its Electric Fuel related activities over the past few months. Edison, Italy's largest private energy company, recently installed a small Electric Fuel battery in a Seat Marbella subcompact car and achieved a driving range of 300 kilometers in the hilly terrain around Turin, Italy. The car exhibited excellent performance, achieving a driving range six times better than the same vehicle powered by a lead-acid battery--even in the sub-freezing temperatures. It offers a payload capacity four times greater than when driven with the lead-acid battery.

We believe there is a substantial market for small fleet vehicles similar to the Seat Marbella, especially in the emerging markets of Asia and Latin America.

In 1995 the Swedish Post and Vattenfall, Sweden's largest utility, joined the Deutsche Post field test as Associate Partners. Eskom, South Africa's electric company, has also stated its intention to join the Deutsche Post field test program as Associate Partners.

Besides the many milestones achieved in 1995 in Germany and in Italy, Electric Fuel signed a letter of intent with General Motors and its Israeli representative Universal Motors Israel, for a joint program in Israel. The objective of the GM-UMI electric vehicle demonstration project is to evaluate the Electric Fuel zinc-air battery for commercial fleet usage, particularly for South America and Asia, which are new vast potential markets for electric

vehicles.

We enter 1996 with a great EV technology for fleet operators--one that is capable of delivering long range, high speed travel and fast refueling at reasonable cost. We continue to build our company one step at a time, in tune with our vision--to provide an environment-friendly energy system that will cause significant and positive changes in the world in which we live. We look forward to sharing this vision with our shareholders, employees and partners throughout the world.

Very truly yours,

Robert S. Ehrlich
Chairman of the Board

Yehuda Harats
President & CEO

The text for this report was taken from the Company's Form 10K, as filed with the Securities and Exchange Commission, March 1995.

Safe Harbor Statement. This report contains forward looking statements that involve risks and uncertainties. There are certain important factors that could cause results to differ materially from those anticipated by the statements made herein. Among, but not limited to these, are reliance on the Deutsche Post Field Test, the uncertainty of the electric vehicle market and significant future capital requirements. Additional information on these and other factors which could affect the Company's financial results are included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, on file with the Securities and Exchange Commission.

4

Introduction

Electric Fuel Corporation ("EFC" or the "Company") is engaged in the design, development and commercialization of an innovative, advanced zinc-air battery system for powering zero emission electric vehicles. The Company's proprietary system (the "Electric Fuel System") consists of a refuelable zinc-air battery comprised of a series of cells with removable zinc anode cassettes (referred to as "Electric Fuel"), an automated battery refueling system for mechanically replacing, rather than electrically recharging, depleted fuel cassettes (the "Refueling System"), and a regeneration system for recycling the depleted fuel cassettes (the "Regeneration System"). The Company believes that the Electric Fuel battery exhibits a combination of performance characteristics superior to those of electric vehicle batteries that are currently commercially available or, to the Company's knowledge, under development. To date, the Electric Fuel battery has been successfully installed and driven in extensive laboratory tests and in limited road tests, including in a Mercedes-Benz MB180E 3.5 ton van. Working prototypes of the Company's Refueling System and Regeneration System have been operated in Israel and Italy.

Business Strategy

The Company's strategy is to market the Electric Fuel System initially to large fleet operators. The Company believes that environmental concerns, recently enacted and proposed legislation and high gasoline prices create significant incentives for fleet operators, particularly in Europe, to use electric vehicles, and that the Electric Fuel system is particularly suitable for fleet operations. While the Company's efforts are currently focused on Europe, governmental action has been taken in the United States which the Company believes will create incentives for fleet operators to introduce electric vehicles into their fleets. The Company intends to strengthen existing and develop new networks of strategic alliances with fleet operators, companies engaged in energy production and transportation, automobile manufacturers and others in order to establish the infrastructure necessary for further development and commercialization of the Electric Fuel System. If the Electric Fuel System is successfully commercialized, the Company expects to derive revenues from the sale of components of the Electric Fuel System, including Electric Fuel, manufactured by the Company and from licensing rights to the Electric Fuel System to third parties. The Company is also developing other applications for its proprietary technology.

The Company has historically derived revenues from licensing its proprietary technology, supplying components of the Electric Fuel System and providing technical services to its strategic partners. The Company expects that in the future, depending on the availability of financing and other resources, it will derive revenues principally from the manufacture and lease or sale of commercial quantities of Electric Fuel batteries and Electric Fuel, royalty payments related to licensing to others the right to manufacture and sell batteries and Electric Fuel, the establishment of joint ventures for the manufacture and sale of batteries and Electric Fuel or a combination of the above. The Company also expects to obtain revenues from licensing to others rights relating to the Refueling System and Regeneration System, or to enter into joint ventures for the manufacture, operation and sale of refueling and regeneration equipment, or

a combination of the above. There can be no assurance, however, that the Company will ever derive such revenues. During the next two years, in a field test managed by the German postal service, the Electric Fuel System will be tested by Deutsche Post in vehicles powered by the Electric Fuel battery in regular mail delivery operations in Bremen, Germany, and by certain other fleet operators (including Deutsche Telekom, the German telecommunications company) in representative operations of their fleets in Germany and Sweden.

The following are the key elements of the Company's strategy:

Fleet Operators. The Company intends, particularly in its initial marketing efforts, to focus on fleet operators, such as mail, delivery and courier services, utility companies, government agencies and

5

food and goods distributors. The Company believes that such fleet operators will be responsive to environmental concerns and will be targeted by legislative and other mandates limiting access to cities and requiring the use of electric vehicles. In addition, these potential customers have centralized technical support facilities which can act as hubs for their vehicles, and are therefore well positioned to install refueling systems and adapt to new technologies. The Company believes that, as large fleet operators adopt electric vehicles, an expanded infrastructure will become available to small fleet and individual drivers, allowing the market for the Electric Fuel System to expand.

Geographic Focus. To date, the Company has entered into cooperative strategic agreements in Italy, Germany and Sweden. The Company believes that its existing relationships in these countries will enable it to expand into other countries in Europe. While the Company's main focus is currently in Europe, it is exploring the possibility of entering into similar arrangements in the United States, where legislation has been enacted to promote the use of zero emission vehicles.

Strategic Alliances. The Company has sought and intends to continue to seek to exploit its zinc-air battery technology through strategic alliances with fleet operators, companies engaged in energy production and transportation, automobile manufacturers and others, in order to provide the additional investment and other resources required to further develop and commercialize the Electric Fuel System. To that end, the Company has formed alliances with Deutsche Post AG ("Deutsche Post"), Deutsche Telekom AG ("Deutsche Telekom"), Edison Termoelettica ("Edison"), Vattenfall AB, Stadtwerke Bremen AG and Uhde GmbH ("Uhde").

Further Technological Development. In conjunction with its strategic partners, the Company's continued development and engineering activities will be directed toward scaling up the production of batteries, Refueling Systems and Regeneration Systems. In addition, the Company intends to continue to design and engineer the Electric Fuel System, including scrubbing, air and water circulation, control systems and other peripheral systems incorporated in the Electric Fuel battery, to develop and further automate the mechanical refueling and regeneration process, and to continue to increase battery lifetime and decrease battery cost.

New Applications. The Company is continually researching and developing other applications for its proprietary technology related to the Electric Fuel System and other advanced battery technologies. The Company is currently developing a battery for torpedoes and has developed a signal light powered by water activated batteries for use in life jackets and other rescue apparatus.

The Deutsche Post Field Test

During the next two years, in a field test managed by the German postal service, the Electric Fuel System will be tested by Deutsche Post in vehicles powered by the Electric Fuel battery in regular mail delivery operations in Bremen, Germany, and by certain other fleet operators (including Deutsche Telekom, the German telecommunications company) in representative operations of their fleets in Germany and Sweden. In December 1995, the construction of the refueling and regeneration plant in Bremen, Germany was completed and the plant is expected to be operational in the spring of 1996. Based on the anticipated delivery schedule of vehicles, the Field Test is scheduled to expand during 1996 to a total of 64 Mercedes-Benz 4.6 ton vans and GM-Opel light pick-up trucks. The Field Test will test only vehicles powered by the Electric Fuel System and is expected to end in December 1997. Deutsche Post will decide, on the basis of its own requirements and at its discretion, whether it deems the Field Test successful. If Deutsche Post deems the Field Test successful, Deutsche Post has informed the Company that it intends to begin replacing, over several years, up to 25,000 vehicles in its fleet with electric vehicles powered by the Electric Fuel System. The Company believes that acceptance of the Electric Fuel System by Deutsche Post for its fleet is crucial to the Company's efforts to commercialize the Electric Fuel System. There can be no assurance, however, that Deutsche Post will deem the Field Test to have been successful and accept the Electric Fuel System as a powering system for a

6

substantial portion of its fleet. In addition to Deutsche Post and Deutsche Telekom, participants in the Field Test currently include other fleet operators such as the German state of Bremen, the German municipality of Hamm, Stadtwerke

Mainz AG (the municipal utility of Mainz, Germany), the Swedish postal service, Vattenfall AB, the largest utility in Sweden, as well as German industrial suppliers such as Mercedes-Benz AG, GM-Opel, Webasto AG Fahrzeugtechnik, an automotive parts manufacturer ("Webasto"), and Stadtwerke Bremen AG (the municipal utility of Bremen). Eskom, a South African utility company, has also expressed interest in joining the Field Test as an Associated Partner and in initiating a similar demonstration project in South Africa. Other major fleet operators have expressed interest in participating in the Field Test.

The Field Test is a cooperative and strategic partnership managed by Deutsche Post to conduct a representative operating test of the Electric Fuel System. The Company views the Field Test as consisting of three phases. The first phase of the Field Test began in May 1995, when the Company delivered the first Mercedes-Benz MB 410 van converted to the Electric Fuel System to be used in the Field Test, and the Company's 10 kg/hour regeneration plant located in Beit Shemesh, near Jerusalem, Israel, was completed. The second phase of the Field Test began upon the opening of the 100 kg/hour regeneration plant in Bremen and the third phase of the Field Test will begin when the entire 64 vehicle fleet is in operation. Deutsche Post has indicated that access by its fleet to all urban areas to which it provides service is of primary importance, and that there is a possibility that this competitive requirement may only be satisfied by using zero emission vehicles which will not be denied access under governmental initiatives. Further, Deutsche Post has stated that, for competitive reasons, it will be willing to accept a cost for electric vehicles greater than that for conventionally-powered vehicles in order to preserve complete access to urban areas.

The Field Test will also permit an analysis of the economic feasibility and infrastructure of the Electric Fuel System. Deutsche Post has budgeted approximately DM 25.7 million (approximately \$17.3 million) for the Field Test, which will be funded by Deutsche Post and its partners, including the Company. The Company expects that expenses incurred in connection with the Field Test will exceed revenues related thereto.

In the Field Test, "Industrial Partners," in addition to the Company, will supply products and services to the Field Test, "Users" will operate vehicles in the Field Test, and "Associated Partners" will receive information and limited services in exchange for their financial contributions.

With respect to the Industrial Partners in the Field Test, Mercedes-Benz AG has agreed to supply 20 MB 410 vans and GM-Opel has agreed to supply 44 Corsa Combo light pick-up trucks, each converted for use in the Field Test. Webasto has provided battery exchange equipment for the Refueling System, and Stadtwerke Bremen AG has agreed to operate the regeneration plant in Bremen. During the course of the Field Test, Deutsche Post plans to operate 15 MB 410 vans and 28 Opel Corsa Combo light pick-up trucks, and Deutsche Telekom plans to operate 10 Opel Corsa Combos. The other Users are expected to operate the remaining vehicles as follows: State of Bremen (4 MB 410 vans and 1 Opel Corsa Combo); Stadtwerke Bremen AG (1 Opel Corsa Combo); Stadtwerke Mainz AG (1 MB 410 van and 1 Opel Corsa Combo); and City of Hamm (1 Opel Corsa Combo). Vattenfall AB and the Swedish postal service plan to operate one MB 410 van and two Opel Corsa Combos in Sweden using the refueling and regeneration services provided by the 100 kg/hour regeneration plant in Bremen. All of the Field Test vehicles are expected to replace, for purposes of the Field Test, vehicles used in regular operation by the users of the vehicles.

Pursuant to the agreement among the partners in the Field Test (the "Partners Agreement"), the Company is obligated to deliver a total of thirty batteries (each containing 528 cassettes) for the Mercedes-Benz 4.6 ton vans and sixty-six batteries (each containing 264 cassettes) for the Opel Corsa Combo light pick-up trucks. Furthermore, the Company is required to design, construct, install and operate a 100 kg/hour regeneration plant in Bremen, as well as providing, for evaluation purposes, its existing 10 kg/hour regeneration plant in Beit

7

Shemesh, Israel. The 10 kg/hour regeneration plant was constructed to both produce and fuel the initial batteries to be used for the Field Test and other customers, such as Edison, and to provide the conceptual design and evaluation required for the 100 kg/hour regeneration plant in Bremen. The 100 kg/hour plant, which will provide regeneration services necessary for the Field Test, has been constructed in a facility the Company is leasing from Stadtwerke Bremen. The Company, Uhde and Bateman Engineering Limited designed the plant. The Company contracted with several subcontractors, including Siemens Aktiengesellschaft, Haushahn Automtionssysteme, Mannesman Anlagenbau AG and Richter Chemie Technick GmbH in connection with the construction and equipping of the Bremen plant. The regeneration plant is scheduled to become operational during the first half of 1996, although it is not expected to initially operate at full capacity.

Edison

In May 1993, the Company entered into an exclusive license agreement (pursuant to the exercise of an option granted in 1991) with Edison, Italy's leading private operator in the field of electric energy production. Pursuant to this license, which terminates in 2008, Edison is authorized to manufacture, use and sell Electric Fuel batteries, Refueling Systems, Regeneration Systems and related services based on the Company's technology in Italy, France, Spain and Portugal. The license also grants Edison non-exclusive license rights for the

sale of Electric Fuel battery systems and related services to Deutsche Post and Deutsche Telekom, if the Company has first sold in excess of an aggregate of 250 batteries to those customers.

In November 1993, Edison and Ente Nazionale per L'Energia Elettrica, Italy's government-owned national electric company ("ENEL"), announced a new energy program, a significant portion of which is dedicated to the Electric Fuel System. In connection with this announcement, Edison performed demonstration drives of two electric vehicles powered by the Electric Fuel System, one of which was a 2.1 ton van that had previously been test-driven at Centro Electrotecnico Sperimentale Italiano ("CESI"), an independent research and testing institute affiliated with ENEL, for a distance of more than 190 miles (306 kilometers) at a constant speed of 44 miles per hour (71 kilometers per hour). At the end of the demonstration drive, 25% of the battery's capacity was still available.

As part of the license agreement, Edison agreed to cooperate in a development program which will cover a maximum of four years commencing upon the satisfactory completion of the in-vehicle battery performance tests. During this four-year period, Edison will purchase from the Company batteries and related components and services in an amount up to \$4.0 million, but not less than 600 million Italian lira (approximately \$375,000) per year. After the above four-year period or, alternatively, as soon as Edison has succeeded in selling at least 150 battery systems in any consecutive four-month period, the cooperation described above will terminate and Edison will be obligated to purchase from the Company no less than 35% of all battery cells required by it for manufacturing battery systems and no less than 20% of the refueling systems it requires so long as the Company is able to provide these products at prices competitive with Edison's internal costs of producing these products itself. There can, however, be no assurance that the Company will be able to produce such components in a manner that will make such sales profitable to the Company. The license expires in the year 2008, and Edison is under no obligation to exploit the Company's technology.

In November 1995, the Company supplied Edison with a zinc-air battery for an Italian Seat Marbella, a small passenger car. The battery was used in an initial test drive and it is expected that additional tests are being performed during the first quarter of 1996.

Other Strategic Alliances

The Company has and will continue to seek to exploit its zinc-air battery technology through strategic alliances with fleet operators, companies engaged in energy production and transportation, automobile manufacturers and others, in order to provide the other resources required to further develop and commercialize the Electric Fuel System.

8

To that end, the Company has formed or engaged in preliminary discussions for other alliances in Europe.

Deutsche Telekom

Deutsche Telekom has informed the Company that if the Field Test is successful it intends to convert between 12,000 and 15,000 vehicles of its fleet to vehicles powered by the Electric Fuel System, although there can be no assurance that it will do so. After the completion of the Field Test, in exchange for Deutsche Telekom's DM 3.0 million (approximately \$2.0 million) investment in the Field Test, the Company has agreed to reimburse Deutsche Telekom 10% of Deutsche Telekom's investment for each 1,250 vehicles Deutsche Telekom converts to the Electric Fuel System. The Company expects to enter into additional agreements similar to its agreement with Deutsche Telekom with other Users in the Field Test.

Uhde

The Company has entered into a three year agreement with Uhde under which both companies will cooperate in the joint development and marketing of Electric Fuel regeneration plants during the term of the Field Test. Additionally, the Company and Uhde have entered into an agreement which provides for a cooperative marketing arrangement for commercial Electric Fuel regeneration plants in Germany, Austria, Switzerland, Belgium, Luxembourg and The Netherlands. This cooperation agreement is for an exclusive basis until five years after the completion of the Field Test and will terminate in the year 2011. Pursuant to this agreement, the Company is entitled to receive fees on a per transaction basis based on Uhde's revenues related to the sale of regeneration plants as well as recurring fees from the purchasers of these plants.

Stadtwerke Bremen

The Company has agreed that it will grant to Stadtwerke Bremen AG, the municipal utility of Bremen, Germany, the option of, after the completion of the Field Test, becoming the Company's partner in Germany either by granting a right of first refusal for contracts to own and operate regeneration plants in Bremen and Niedersachsen and to sell certain components of the Electric Fuel System, or participating in a regeneration joint venture in Germany with the Company.

Sweden/Vattenfall

Contemporaneously with the Field Test in Bremen, Vattenfall AB and the Swedish postal service, Posten Distribution AB, plan to operate three of the Field Test vehicles in Sweden, one Mercedes-Benz MB 410 van and two Opel Corsa Combos. For this purpose, Vattenfall has contracted with the Company to purchase up to eight Electric Fuel batteries, identical to those being used in the Field Test. The Company has agreed to provide refueling and regeneration services to Vattenfall from the 100 kg/hour regeneration plant in Bremen. In connection with this strategic agreement, Vattenfall has agreed to make payments to the Company over time upon the achievement of certain milestones, including delivery of batteries to Vattenfall and the completion and commencement of operations of the Company's regeneration facilities. Vattenfall has also agreed to use its best efforts to promote the use of the Electric Fuel System. In addition, until the completion of the Field Test, Vattenfall may exercise a right of first refusal for a license, on terms to be negotiated, to own and operate regeneration facilities and sell Electric Fuel in Sweden, Denmark, Norway and Finland.

Israel

In December 1995, the Company entered into a non-binding letter of intent with General Motors Corporation and, its Israeli representative, Universal Motors Israel Ltd. (together, "GM-UMI"). In the letter, GM-UMI and the Company have stated their intent to cooperate in implementing a demonstration fleet of GM vans, to be used in GM-UMI's day-to-day operations, powered by Electric Fuel batteries and using the Company's refueling and regeneration facilities in Beit Shemesh. The parties intend to coordinate the details of the project during 1996. The Company and GM-UMI are in the preliminary stages of negotiations, however, and there can be no assurance that this project will be initiated.

Marketing

To date, the Company has focused its marketing efforts and resources in Europe due to greater demand for zero and reduced emission vehicles in Europe than

in the United States. Beginning in 1996, the Company intends to use a portion of the net proceeds to the Company of the Offering to continue these efforts in Europe and to commence its marketing efforts and establish marketing facilities in the United States and the Far East. In the future, the Company expects to focus its marketing efforts in geographic areas worldwide that have adopted legislation and other initiatives supporting the use of electric vehicles.

Working with fleet operators, the Company plans to develop demonstration and evaluation programs that will illustrate how the Electric Fuel System will be able to meet the needs of fleet operators. The Company plans to concurrently seek to expand its existing strategic alliances in Europe, benefiting from experience gained in connection with the Field Test and its alliances with Edison and Vattenfall. If successful, these alliances will then be used by the Company to generate interest in similar alliances in the United States and other countries. The Company also intends to seek the support of government agencies, electric utilities and zinc manufacturers.

Manufacturing

The Company is currently producing prototype batteries at its facilities in Israel, based upon standard industrial techniques. In addition, the Company has constructed a production facility in leased premises in Beit Shemesh, Israel for manufacturing and assembling the Electric Fuel batteries and related components of the Electric Fuel System. This facility was completed during the second quarter of 1995 at an aggregate cost of approximately \$1.7 million, including the regeneration equipment, and will initially be utilized to manufacture and assemble Electric Fuel batteries for the Field Test, producing both 80 kWh and 160 kWh battery systems for use in the participating GM-Opel and Mercedes-Benz vehicles. The Company plans to expand this facility to enable more efficient assembly of batteries in greater quantities. The Company believes that the manufacturing process required to produce its batteries incorporates relatively standard and inexpensive procedures and, therefore, the establishment of a full-scale production facility will be commercially feasible.

It is the Company's plan that zinc anodes for its battery will be manufactured by parties licensed by the Company to operate regeneration facilities. Regeneration and refueling equipment will be manufactured by the Company and by third parties licensed by the Company to do so, although proprietary components of the equipment may be manufactured and supplied by the Company. Prototype regeneration and refueling systems have been constructed by the Company and are in operation at its facilities in Israel and a prototype regeneration facility is in operation in Italy. The Company has also constructed a 100 kg/hr regeneration facility in Bremen, Germany and designs for larger scale versions of these systems are currently under development.

New Applications

The Company is continually researching and developing other applications for its proprietary technology related to the Electric Fuel System and other advanced battery technologies. The Company is currently developing, in cooperation with STN Atlas Elektronik GmbH ("STN Atlas"), a German defense and marine industry contractor, a high power zinc-oxygen battery for torpedoes. STN Atlas has exclusive rights to sell torpedoes with the Company's zinc-oxygen batteries until 2001, subject to automatic extension if full-scale production commences, as well as certain rights with respect to the application of the Company's

proprietary technology for batteries.

The Company has also developed Survivor Locator Light ("SLL"), a signal light powered by a water activated magnesium-cuprous chloride battery, used to locate survivors of airplane or boat accidents in the water. The Company has received certification of the SLL by both the United States Federal Aviation Administration and the Civil Aviation Authority of Israel for use of the SLL in aircraft. The Company has received an initial order to produce 60,000 SLLs over the next two years.

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Five Year Summary of Selected Financial Data

The selected financial information set forth below with respect to the statements of income (loss) for each of the five fiscal years in the period ended December 31, 1995, and with respect to the balance sheets at the end of each such fiscal year has been derived from the financial statements of the Company, which have been audited by Kesselman & Kesselman, independent certified public accountants in Israel. The financial information set forth below is qualified by and should be read in conjunction with the Financial Statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

<TABLE>
<CAPTION>

	Year Ended December 31				
<S>	<C> 1991	<C> 1992	<C> 1993	<C> 1994	<C> 1995
	(dollars in thousands, except per share data)				
Statement of Operations					
Data:					
Revenues	\$ 170	\$1,519	\$3,694	\$ 4,873	\$ 4,372
Research and development expenses and costs of revenues	1,139	1,426	1,830	4,770	14,379
Less: royalty-bearing grants	(553)	(594)	(578)	(699)	(1,561)
	586	832	1,252	4,071	12,818
Provision for anticipated program losses			1,500	2,600	
Selling, general and administrative expenses	379	623	1,694	336	2,752
Operating income (loss)	\$ (795)	\$ 64	\$ 748	(4,063)	(13,798)
Financial income (expenses)	15	(19)	50	583	664
Income (loss) before taxes on income	(780)	\$ 45	\$ 798	(3,480)	(13,134)
Taxes on income		8	147	20	35
Income (loss) from the operations of the Company and its subsidiaries	\$ (780)	\$ 37	\$ 651	\$ (3,500)	\$ (13,169)
Share in loss of investee Company				\$61	\$52
Net Income (loss)	(780)	37	651	(3,561)	(13,221)
Earnings (loss) per share	\$(0.21)	\$*	\$0.08	\$(0.43)	\$(1.55)
Weighted average number of common shares outstanding (in thousands)	3,659	7,760	7,926	8,319	8,530

*less than \$0.01

Balance Sheet Data:	1991	1992	1993	1994	1995
Cash, cash equivalents and investments in marketable debt securities	\$ 832	\$1,444	\$2,514	\$18,222	\$ 9,580
Receivables and other assets	163	209	958	2,528	4,135
Fixed assets, net of depreciation	79	105	398	1,989	5,986
Total Assets	\$1,074	\$1,758	\$3,870	\$22,739	\$ 19,701
Liabilities	\$ 731	\$1,285	\$2,783	\$ 3,736	\$ 13,880
Long term debt	0	0	0	0	0
Stockholders' equity	343	473	1,087	19,003	5,821
Total liabilities and stockholders equity	\$1,074	\$1,758	\$3,870	\$22,739	\$ 19,701

Price Range of Common Stock

Since February, 1994, the Company's Common Stock has been traded under the symbol EFCX in the NASDAQ National Market System. The following table sets forth, for the periods indicated, the range of high and low closing prices of the Company's Common Stock in the NASDAQ National Market System.

1994	High	Low
First Quarter	\$ 14.25	\$ 8.00
Second Quarter	12.50	6.50
Third Quarter	8.50	5.50
Fourth Quarter	8.50	5.75
1995	High	Low
First Quarter	6.25	\$ 4.25
Second Quarter	13.875	4.625
Third Quarter	11.375	7.875
Fourth Quarter	10.00	7.875

As of March 19, 1996, the Company had approximately 204 holders of record of its Common Stock.

The Company has never paid any cash dividends on its Common Stock. The Board of Directors presently intends to retain all earnings for use in the Company's business. Any future determination as to payment of dividends will depend upon the financial condition and results of operations of the Company and such other factors as are deemed relevant by the Board of Directors.

ELECTRIC FUEL
CORPORATION

1995
Financial
Report

HIGHLIGHTS OF MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report. Amounts reported here have been rounded to the nearest thousand, unless such amounts are more than \$1.0 million in which event such amounts have been rounded to the nearest hundred thousand.

General

From its inception, the Company has been engaged principally in the research,

design, development and commercialization of an advanced zinc-air battery system for powering zero emission electric vehicles. The Electric Fuel System consists of a refuelable zinc-air battery comprised of a series of cells with removable zinc-anode cassettes, a battery refueling system for refueling the depleted fuel cassettes and a regeneration system for recycling the depleted cassettes. The Company continues to develop and engineer all components of the Electric Fuel System, currently primarily for use in the Field Test, as well as in connection with its other strategic alliances.

The Company has experienced significant fluctuations in the sources and amounts of its revenues and expenses, and the Company believes that the following comparisons of results of operations for the periods presented do not provide a meaningful indication of the development of the Company. During these periods, the Company has received periodic lump-sum payments relating to licensing and other revenues from Deutsche Post in connection with the Field Test, and from Edison, which have been based on the achievement of certain milestones, rather than ratably over time. The Company's expenses have been based upon meeting the contractual requirements under its agreements with various strategic partners and, therefore, have varied according to the timing of activities, such as the need to provide prototype products and to establish and engineer refueling and regeneration facilities. The Company's research and development expenses have been offset, to some extent, by the periodic receipt of research grants from the Chief Scientist. The Company expects that, because of these and other factors, including general economic conditions and delays due to legislation and regulatory and other processes and the development of competing battery technologies, future results of operations may not be meaningfully compared with those of other periods. Thus, the Company believes that period-to-period comparisons of its past results of operations should not be relied upon as indications of future performance.

The Company incurred significant operating losses for the years ended December 31, 1995 and 1994, and expects to continue to incur significant operating losses over the next several years. These losses may increase and be incurred over a longer period of time as the Company expands its research and development activities and establishes production and regeneration facilities, and such losses may fluctuate from quarter to quarter. However, if the Electric Fuel System is successfully commercialized, the Company expects to derive revenues from the sale of components of the Electric Fuel System manufactured by the Company, including Electric Fuel, and from licensing rights to the Electric Fuel System to third parties. There can be no assurance that the Company will ever derive such revenues or achieve profitability.

Forward Looking Statements

When used in this discussion, the words "believes", "anticipated" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Years Ended December 31, 1995 and 1994

Revenues for the year ended December 31, 1995, totaled \$4.4 million compared with \$4.9 million in the comparable period in 1994, a decrease of \$500,000. In 1994, the Company recognized revenues from Deutsche Post in connection with the granting of a use license, as well as from Edison for the construction and delivery of equipment related to the Electric Fuel System. Revenues for the year ended December 31, 1995, were principally derived from activities relating to the Field Test, including the construction of the 100 kg/hr regeneration facility in Bremen and the initial production of battery components and related equipment; and a grant of marketing rights and the sale of equipment to Vattenfall AB when it and the Swedish Post joined the Field Test as associate partners. In addition, revenues related to the Company's agreement with STN Atlas Elektronik GmbH to develop a high power zinc oxygen battery for torpedoes and the completion and delivery of all of the Company's outstanding orders from Edison were recognized in 1995. The Company anticipates a significant portion of the remaining expected revenues related to the Field Test to be recognized in 1996.

Research and development expenses and cost of revenues were \$14.4 million during 1995 compared with \$4.8 million during 1994. The Company believes that, given the Company's stage of development, it is not, at this time, meaningful to distinguish between research and development expenses and cost of revenues. The increase in expenses of \$9.6 million compared to 1994 is principally attributable to: expenses in connection with the Field Test, including costs related to construction of the Bremen regeneration facility and initial battery production costs; costs associated with the operation of the Company's production facilities in Israel (which were expanded in 1995 to include a new facility in Beit Shemesh); increased personnel and consulting costs relating to the foregoing; and further engineering costs related to the integration of the Electric Fuel battery into vehicles being used in the Field Test. In the year ended December 31, 1995, the Company accrued \$1.6 million of royalty-bearing

grants representing substantially all of the expected grants from the Chief Scientist in connection with the Company's 1995 research and development program, including an increase of \$185,000 in Chief Scientist grants in connection with the Company's 1994 research and development program. For the year ended December 31, 1994 the Company accrued \$699,000 of Chief Scientist grants. The majority of expenses related to the Field Test are expected to continue to be incurred through 1996, when the initial phase of the Field Test is expected to be concluded.

Selling, general and administrative expenses for the year ended December 31, 1995 decreased to \$2.8 million compared with \$3.4 million in 1994. Selling, general and administrative expenses for 1994 included a royalty accrual to the Chief Scientist of \$1.1 million, resulting, without reflecting the royalty accrual, in a net increase in selling, general and administrative expenses of \$500,000 in 1995. This increase was attributable to increased costs as the Company intensified its marketing efforts in to new geographic areas, provided administrative support for the Company's expanded activities, and continued to develop its managerial infrastructure to meet its growth requirements. As the Company expands its activities it expects further increases in selling, general and administrative expenses.

Management currently estimates the total program losses related to the Field Test to approximate \$5.7 million and, at December 31, 1995, the provision for anticipated program losses on the uncompleted portions of the program to approximate \$4.1 million. Accordingly, the 1995 financial statements reflect a \$2.6 million net increase in the provision for anticipated program losses from \$1.5 million recorded in 1994.

This provision, in addition to the provision recorded in 1994, reflects anticipated losses from the Field Test based on the most recent estimates of costs related to the Field Test, and may be offset by future revenues or increased to reflect any future revised estimates of project costs. The overall increase to the provision includes revised cost estimates based on the Company's production experience to date

for the supply of the battery-vehicle interface equipment, batteries, the estimated service expenses for the Field Test fleet and the 100 kg/hour regeneration plant being built in Bremen, Germany. Since the plant is currently dedicated to the Field Test, the cost of the plant (net of anticipated residual value) is reflected as a current expense.

Financial income, net of interest expense, bank charges, and other fees, totaled approximately \$665,000 in 1995 compared to \$584,000 in 1994. Financial income reflects primarily interest earned on United States tax-exempt securities, which increased to \$781,000 in 1995 from \$689,000 in 1994.

The Company has incurred net operating losses or had earnings arising from tax-exempt income during the years ended December 31, 1995 and 1994 and, accordingly, no provision for income taxes was required. Taxes payable in 1995 and 1994 are primarily composed of United States federal alternative minimum taxes. The difference between the tax expense and the tax benefit arising on pre-tax losses is the valuation allowance which was established to eliminate the deferred tax assets.

The Company reported a net loss of \$13.2 million in 1995 compared with a net loss of \$3.6 million in 1994 due to the factors cited above.

Liquidity and Capital Resources

Battery and vehicle deliveries for the Field Test commenced in December 1995 and are expected to continue through 1996. Accordingly, most of the Company's revenues and expenses related to the Field Test are expected to be recognized in these periods. Total consideration to the Company for the batteries, equipment and services to be supplied in connection with the Field Test (including DM 1.0 million from Vattenfall AB) is expected to be DM 22.0 million (approximately \$15.4 million), less a contribution to the costs of the Field Test by the Company of DM 7.0 million (approximately \$4.9 million), leaving a net balance of DM 15.0 million (approximately \$10.5 million), which the Company does not believe will be sufficient to offset its related expenses.

The Company expects that, in connection with the expansion of its activities and the engineering and establishment of the Electric Fuel System, the Company's research and development, operational and selling, general and administrative expenses will continue to increase.

As of December 31, 1995, the Company had cash, cash equivalents and investments of \$9.6 million compared with \$18.2 million as of December 31, 1994.

The Company used available funds during 1995 primarily for the advancement of its commitments with regard to the Field Test, continued research and development expenditures and other working capital needs. The Company invested in fixed assets \$5.3 million (and anticipates receiving investment grants of \$835,000 thereon). Fixed assets include \$2.0 million related to the value of the Bremen facility after its use in the Field Test, based on construction costs to date. The Company currently anticipates that the total residual value of the Bremen facility will be approximately \$3.6 million.

Subsequent Events

In the first quarter of 1996, the Company completed a public offering of 3,750,000 shares of its Common Stock at an offering price of \$6.50 per share. The offering resulted in net proceeds to the Company of approximately \$21.6 million. The Company currently has cash, cash equivalents and investments of approximately \$26.2 million.

Also in 1996, EFL has established a line of credit with the First International Bank of Israel Ltd. ("FIBI") (the "Credit Facility"). Borrowings under the Credit Facility will bear interest at FIBI's prime rate + 2% per annum, be unconditionally guaranteed by EFC and be secured by a pledge of foreign currency deposits in the amount of NIS 750,000. Additionally, the Credit Facility imposes financial and other covenants on EFC and EFL and will expire on May 31, 1996, at which time the Credit Facility will be reviewed for renewal by FIBI. The Credit Facility provides EFL with a line of credit in the maximum principal amount of NIS 3.8 million (approximately \$1.2 million), which is expected to be used as credit support for various obligations of the Company, and will enable EFL to enter into up to U.S. \$4.0 million in currency hedging forward contracts with a 5% collateral requirement.

The Company currently has no long-term debt outstanding and expects that its cash flow from operations, cash reserves (including proceeds of the Company's 1996 stock offering) and amounts available under the Credit Facility, will be sufficient to fund the Company's activities through 1997. However, costs related to the Field Test have exceeded, and may continue to exceed, budgeted amounts and while the Company, in accordance with the terms of the Partners Agreement, intends to request additional funding from the Deutsche Post, there can be no assurance that it will obtain any such additional funding. As a result, the Company might have to reduce, or defer, its anticipated future commitments. Furthermore, if the Field Test is successful and Deutsche Post, or any other participant in the Field Test, begins to convert all or a portion of their fleets to the Electric Fuel System, the Company could be required to produce batteries in increased quantities as well as to construct new regeneration and refueling facilities or expand its existing facilities to commercial capacity. Moreover, additional strategic alliances may also require the establishment or expansion of facilities in Israel or elsewhere. In addition, the Company may determine that it should invest in certain programs, such as additional electric vehicle demonstration programs, which it believes will advance the development and commercialization of the Electric Fuel System. Accordingly, the Company may be required to seek additional financing during this period.

Actual cash requirements will depend in part upon actual and anticipated sales and licenses. The Company may also be able to finance some portion of its fixed asset and equipment needs through Approved Enterprise grants from the Government of Israel.

Report of Independent Auditors

To the Stockholders of Electric Fuel Corporation:

We have audited the consolidated balance sheets of Electric Fuel Corporation (hereafter--the "Company") at December 31, 1995 and 1994 and the consolidated statements of income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was performed in accordance with auditing standards generally accepted in Israel and in the United States, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement, whether caused by an error in the financial statements or by misleading information included therein. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a fair basis of our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in Israel and in the United States (as applicable to these financial statements, such accounting principles are practically identical), the consolidated financial position of the Company at December 31, 1995 and 1994, and the consolidated results of operation, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995.

KESSELMAN AND KESSELMAN
Certified Public Accountants (Israel)

Jerusalem, Israel
March 21, 1996

<TABLE>
<CAPTION>

ELECTRIC FUEL CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31	
	1995	1994

CURRENT ASSETS (note 7):		
<S>	<C>	<C>
Cash and cash equivalents (note 1L)	\$5,364,867	\$1,307,855
Marketable debt securities--current portion (notes 1e and 8a)	4,215,518	9,459,667
Accounts receivable:		
Trade	398,535	1,632,323
Related parties (note 10)		10,141
Other (note 8b)	2,421,804	622,143
Inventories (note 1f)	535,208	131,750

Total current assets	\$12,935,932	\$13,163,879

INVESTMENTS:		
Marketable debt securities (notes 1e and 8a)		\$7,454,509
Investee company (note 1d)	\$35,849	87,983
	35,849	7,542,492

FIXED ASSETS (notes 1g and 2):		
Cost	6,639,926	2,155,533
Less--accumulated depreciation and amortization	654,391	166,620
	\$5,985,535	\$1,988,913

OTHER ASSETS AND DEFERRED CHARGES		
net of accumulated amortization (notes 1h and 8c)	743,885	43,333
	\$19,701,201	\$22,738,617
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES (note 7):		
Accounts payable and accruals		
Trade	\$2,743,539	\$533,035
Other (note 8d)	6,357,706	2,849,654
Advances from Customers	4,223,066	58,121

Total current liabilities	\$13,324,311	\$3,440,810

LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT,		
Net of amount funded (note 3)	555,908	295,133

COMMITMENTS (note 4)		

Total Liabilities	\$13,880,219	\$3,735,943
=====		
STOCKHOLDERS' EQUITY (note 5):		
Common stock--\$.01 par value*; authorized--14,000,000 shares; issued--11,328,110 shares as of December 31, 1995 and 11,183,550 shares as of December 31, 1994; outstanding--8,675,947 shares as of December 31, 1995 and 8,540,087 shares as of December 31, 1994	\$113,282	\$111,836
Preferred stock--\$.01 par value; authorized--1,000,000 shares, no shares outstanding		
Additional paid-in capital	24,168,108	24,059,587
Accumulated deficit	(16,873,340)	(3,652,282)
Unrealized gain on available-for-sale securities	29,048	

Treasury stock, at cost (common stock--2,652,163 shares as of December 31, 1995 and 2,643,463 shares as of December 31, 1994) (193,174) (146,187)

Notes receivable from stockholders (notes 5a(4) and b(4)) (1,422,942) (1,370,280)

 Total stockholders' equity \$5,820,982 \$19,002,674
 =====
 \$19,701,201 \$22,738,617
 =====

</TABLE>

* Adjusted for a 5.289 for one stock (note 5c)

The accompanying notes are an integral part of the financial statements

<TABLE>

<CAPTION>

ELECTRIC FUEL CORPORATION
 CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Year ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
REVENUES (notes 1i, 4a and 9a)	\$4,371,610	\$4,872,688	\$3,694,798

RESEARCH AND DEVELOPMENT EXPENSES AND COST OF REVENUES (note 1j):

Expenses incurred (note 9b)	14,378,805	4,770,182	1,829,661
Less--royalty-bearing grants (note 4b)	1,560,792	698,911	577,816
	\$12,818,013	\$4,071,271	\$1,251,845

PROVISION FOR ANTICIPATED PROGRAM LOSSES (notes 1i, 1n and 4a) 2,600,000 1,500,000

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (note 9c) 2,752,033 3,364,752 1,694,485

 \$18,170,046 \$8,936,023 \$2,946,330

OPERATING INCOME (LOSS) \$(13,798,436) \$(4,063,335) \$748,468

FINANCIAL INCOME (EXPENSES)--NET (note 9d) 664,722 583,563 49,581

INCOME (LOSS) BEFORE TAXES ON INCOME \$(13,133,714) \$(3,479,772) \$798,049

TAXES ON INCOME (note 6) 35,210 19,814 146,644

INCOME (LOSS) FROM THE OPERATIONS OF THE COMPANY AND ITS SUBSIDIARIES \$(13,168,924) \$(3,499,586) \$651,405

SHARE IN LOSS OF INVESTEE COMPANY (note 1d) 52,134 61,276

NET INCOME (LOSS) \$(13,221,058) \$(3,560,862) \$651,405

EARNINGS (LOSS) PER SHARE (note 9e) \$(1.55) \$(0.43) \$0.08

WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (note 9e)* 8,530,388 8,318,985 7,925,926

</TABLE>

* Adjusted for a 5.289 for one stock split--see note 5c

The accompanying notes are an integral part of the financial statement

<TABLE>

<CAPTION>

ELECTRIC FUEL CORPORATION
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Total	Common Stock		Additional paid-in capital	Accumulated deficit	Unrealized gain on available-for-sale securities	Treasury stock	Notes receivable from stockholders
	Shares*	Amount					

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT JANUARY 1, 1993 \$472,977	7,444,960	\$74,449	\$1,141,353	\$ (742,825)			

CHANGES DURING 1993:							
Purchase of treasury stock (2,643,463* shares), (notes 5a(1) and (2))					(146,187)	(146,187)	
Shares issued in connection with the exercise of options 109,093	1,700,868	17,009	662,863			(570,779)	
Net income 651,405				651,405			

BALANCE AT DECEMBER 31, 1993 \$1,087,288	9,145,828	\$91,458	\$1,804,216	\$ (91,420)	\$ (146,187)	\$ (570,779)	

CHANGES DURING 1994:							
Shares issued in a public offering (note 5a(3)) 21,939,284	2,000,000	20,000	21,919,284**				
Shares issued in connection with Amtec merger (note 1d) 328,275	26,262	263	328,012				
Shares issued in connection with the exercise of options 4,440	11,460	115	4,325				
Options issued as compensation for services rendered by consultants 3,750			3,750				
Loan granted to stockholder (note 5a(4)) (720,000)						(720,000)	
Accrued interest on notes receivable from stockholders (79,501)						(79,501)	
Loss (3,560,862)				(3,560,862)			

BALANCE AT DECEMBER 31, 1994 \$19,002,674	11,183,550	\$111,836	\$24,059,587	\$ (3,652,282)	\$ (146,187)	\$ (1,370,280)	

CHANGES DURING 1995:							
Shares issued in connection with the exercise of options 109,967	144,560	1,446	108,521				
Purchase of treasury stock (8,700 shares) (note 5a(7)) (46,987)					(46,987)		
Accrued interest on notes receivable from							

stockholders (77,291)							(77,291)
Payment of interest and principal on notes receivable from stockholders 24,629							24,629
Unrealized gain on available-for- sale securities 29,048					29,048		
Loss (13,221,058)				(13,221,058)			

BALANCE AT DECEMBER 31, 1995	11,328,110	\$113,282	\$24,168,108	\$ (16,873,340)	\$29,048	\$ (193,174)	\$ (1,422,942)
\$5,820,982							

</TABLE>

* Adjusted for 5.289 for one stock split (note 5c)

** Net of \$3,060,716 -- offering expenses

The accompanying notes are an integral part of the financial statements

ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	Year ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	(\$13,221,058)	(\$3,560,862)	\$651,405
Adjustments required to reconcile net income or loss to net cash provided by or used in operating activities:			
Share in loss of investee company	52,134	61,276	
Depreciation and amortization	506,895	148,530	32,681
Amortization of net premium on marketable debt securities	278,455	70,804	
Deferred income taxes -- net		142,744	(142,744)
Capital loss (gain) from disposal of fixed assets	(3,786)	6,494	
Capital loss from disposal of marketable debt securities, net	348		
Liability for employee rights upon retirement -- net	260,775	259,671	24,494
Issue of stock options as compensation for services rendered by consultants		3,750	
Interest accrued on notes and loan to stockholders	(77,291)	(79,501)	(37,054)
Changes in operating asset and liability items:			
Decrease (increase) in accounts receivable	268,712	(1,703,314)	(345,412)
Increase in inventories	(403,458)	(131,750)	
Increase in accounts payable and accruals	5,718,556	1,789,466	1,002,847
Changes in related parties -- net	10,141	132,606	(141,001)

Increase (decrease) in advances from customers	4,164,945	(862,331)	420,452

Net cash provided by (used in) operating activities	(\$2,444,632)	(\$3,722,417)	\$1,465,668

CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(5,333,875)	(1,772,885)	(406,609)
Investment grant relating to fixed assets		108,090	
Purchase of marketable debt securities		(16,984,980)	
Loan granted to stockholder (note 5a(4))		(720,000)	
Merger of Amtec (stockholder) in 1994 (a)		146,177	
Amounts carried to other asset and deferred charges	(710,552)	(50,000)	(39,579)
Proceeds from disposal of fixed assets	9,559	57,101	
Proceeds upon sale or redemption of marketable debt securities	12,448,903		

Net cash provided by (used in) investing activities	\$6,414,035	(\$19,216,497)	(\$446,188)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of share capital (including additional paid in capital), net of offering expenses		21,978,863	
Payment to the Estate of Luz International Limited		(250,000)	
Proceeds from exercise of options	109,967	4,440	146,147
Payment on note receivable from stockholders	24,629		
Purchase of treasury stock(b)	(46,987)		(96,187)
Short-term bank credit -- net		(468)	

Net cash provided by financing activities	\$87,609	\$21,732,835	\$49,960

Forward	\$4,057,012	(\$1,206,079)	\$1,069,440
=====			

</TABLE>

ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

<TABLE>
<CAPTION>

	Year ended December 31		
	1995	1994	1993

Forward	\$4,057,012	(\$1,206,079)	\$1,069,440

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,057,012	(1,206,079)	1,069,440

BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,307,855	2,513,934	1,444,494

BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	\$5,364,867	\$1,307,855	\$2,513,934
=====			

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION - CASH PAID DURING THE YEAR FOR:

Interest	\$48,810	\$1,083	\$526
Advances to income tax authorities	\$65,448	\$22,821	\$15,499

(a) Merger of Amtec (stockholder) in 1994, see note 1d

assets and liabilities of Amtec at date of merger:

Working capital (excluding cash and cash equivalents)	(\$25,842)
Investment in associated company	149,259
Fixed assets - net	58,681

	\$182,098
Stock of the Company issued upon merger	(328,275)

	(\$146,177)

(b) As to transaction during 1993 not involving cash flows, see note 5a(1).

</TABLE>

=====

The accompanying notes are an integral part of the financial statements.

ELECTRIC FUEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING
POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. General

Electric Fuel Corporation (EFC)--a Delaware Corporation--together with its subsidiaries are referred to as the Company. Primarily, all operating assets of the Company are situated at, and operations of the Company are carried out by Electric Fuel (E.F.L.) Ltd. (EFL)--an Israeli wholly-owned subsidiary. The Company is engaged in one business segment--design, development, and commercialization of an innovative advanced zinc-air battery system for powering zero-emission electric vehicles. The Company's products have not fully reached the commercial stage. Until commencement of commercial product sales occurs, the Company plans to meet its funding requirements through fees from potential users of its technology, sales of pre-production battery systems and equipment, grants from various programs from the State of Israel's Ministry of Industry and Trade and the funds raised from the public offering of EFC's shares.

The other subsidiaries are:

- 1) Electric Fuel B.V. -- a Netherlands company, wholly-owned by EFL.
- 2) Vipco Israel Limited -- an wholly-owned Israeli company which EFC acquired as a result of the merger of Amtec (see below) into the Company in 1994 (not presently active).
- 3) Erbato GmbH -- a recently incorporated German company, 80% owned by EFL (not presently active).
- 4) EFL GmbH -- a recently incorporated German company, wholly-owned by EFL.

In these financial statements:

Luz -- Luz International Limited and its Estate in Bankruptcy (stockholder in EFC until June 1993) and its subsidiaries.

Amtec -- Advanced Materials Technologies, Inc. -- formerly a stockholder in EFC, which was merged into the Company (see d. below).

Investee company -- Coatec Ltd., an Israeli company (16% owned as at December 31, 1995; 25% owned as at December 31, 1994) which was acquired as a result of the merger of Amtec.

b. Functional Currency of Subsidiaries

The currency of the primary economic environment in which EFL operates is the U.S. dollar (the dollar). The operations of EFL's subsidiaries are an integral part of EFL. Thus, the functional currency of the subsidiaries is the dollar.

Transactions and balances originally denominated in dollars are presented in their original amounts. Gains and losses arising from non-dollar transactions and balances are included in net income.

c. Principles of Consolidation

The consolidated financial statements include the accounts of EFC and its subsidiaries. Inter-company balances and transactions have been eliminated.

d. Merger of Amtec

Immediately prior to the closing of the Company's initial public offering (IPO) of its capital stock (see note 5a(3)), Amtec was merged into the Company. The primary asset of Amtec was its stockholding in the Company. Other assets (net of liabilities) as per Amtec's book value amounted to \$328,275 and were exchanged for stock of the Company at the IPO price of \$12.50 per share. This transaction

has been recorded by the Company as a purchase of these assets at the aforementioned book value.

As a result of the merger, the Company acquired two Israeli companies, a wholly-owned subsidiary and an investee company (see a. above). The investment in the investee company was accounted for by the equity method. In July 1995, following an issue of shares by the investee company to a third party, EFC's investment in that company decreased from 25% to 16% and accordingly, EFC leased accounting for this investment by the equity method at such time.

e. Marketable Debt Securities

Composed of fixed income obligations of state and political subdivisions (1994-- and U.S. Government and Agencies). The securities were classified as at December 31, 1994, as held-to-maturity in accordance with Statement No. 115 of the Financial Accounting Standards Board of the United States (FASB) and reflected in the financial statements at their amortized cost. In December 1995, the Company reassessed its classification of these securities and concluded that it would be more appropriate to classify the balance of securities as available-for-sale; accordingly, the securities are stated as of December 31, 1995 at fair market value and the changes in their value are carried directly to stockholders' Equity. The effect of this change is immaterial.

f. Inventories

Composed of raw materials and supplies valued at the lower of cost or market. Cost is determined on the "first-in, first-out" basis.

g. Fixed Assets

These assets are stated at cost, net of related investment grant.

The assets are depreciated by the straightline method, on the basis of their estimated useful life.

Annual rates of depreciation are as follows:

Machinery and equipment	10%
Computers and related equipment	20%
Office furniture and equipment	6%; 10%
Vehicles	15%

Leasehold improvements are amortized by the straight-line method over the term of the lease, which is shorter than the estimated useful life of the improvements.

h. Other Assets and Deferred Charges

Other asset represents know-how purchased in 1994. The know-how is stated at cost and amortized over five years.

Deferred charges represent costs incurred in connection with the Company's public offering and in February 1996, which will be charged in 1996 against the premium upon the issuance of the stock.

i. Revenue Recognition

Revenues in respect of contracts for prototype equipment, technical assistance, services, etc. are recognized upon the delivery of the equipment (subsequent to which the consideration is non-refundable) or as the services are performed. Revenues from technology licenses (or from options for said licenses) are recognized upon sale of license or the exercise of the option.

If such sale or exercise is uncertain, revenue is recognized to the extent of non-refundable fees received.

Revenue and costs in connection with the Company's contractual program commitments (see note 4a(2)) are recognized on the "percentage of completion" method. The percentage of completion is determined according to the ratio of amounts already expended to estimated total cost as projected at balance sheets dates. Full provision is made for losses arising from these commitments upon their anticipation.

j. Research and Development

Research and development expenses are included under "Research and development expenses and cost of revenues". Because of the nature of the Company's operations, management is of the opinion that it is not meaningful to segregate these costs. Research and development expenses, net of related participations, are charged to income as incurred.

k. Deferred Income Taxes

The Company uses the liability method of accounting for income taxes, as set forth in Statement No. 109 of the FASB, "Accounting for Income Taxes". Under this method, deferred income are provided on the basis of the differences between the financial reporting and income tax bases of assets and liabilities at the statutory rates enacted for future periods.

l. Cash Equivalents

The Company considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

m. Foreign Currency Forward Contracts

In order to hedge foreign currency exposure on firm commitments, the Company entered, in 1995, into foreign currency forward contracts. Gains and losses from these contracts are deferred and recognized in the same period as the underlying hedged transaction.

n. Estimates and Assumptions in the Financial Statements

The preparation of the financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

As stated in i. above, the Company fully provides for anticipated losses on its contractual program commitments (see also note 4a(2)). As at December 31, 1995 and 1994, the Company has provided \$4.1 million and \$1.5 million, respectively. The ultimate cost of the program, however, may fluctuate as the project progresses. The Company expects the project to be substantially completed in 1997.

o. Concentration of Credit Risks

Most of the Company's cash and cash equivalents and marketable debt securities at December 31, 1995 and 1994 are deposited with Israeli and U.S. banks and U.S. brokers. Similarly, the counterparty to the Company's hedging of foreign currency (see m. above) is a major Israeli bank. Accordingly, the Company considers the inherent credit risks to be remote.

The Company's revenues are earned almost entirely in Europe, from large institutional customers. In general, the exposure to concentration of credit risks relating to trade receivables is limited, due to the nature of the Company's customers.

p. Reclassification

Certain prior years' amounts have been reclassified to conform to the 1995 presentation.

NOTE 2 = FIXED ASSETS

Composition of assets, grouped by major classifications, is as follows:

<TABLE>

<CAPTION>

	COST*		Accumulated depreciation and amortization	
	December 31		December 31	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Machinery and equipment	**\$5,191,697	\$1,327,964	\$377,652	**\$76,877
Computers and related equipment	175,895	128,948	60,119	27,591
Office furniture and equipment	173,131	89,987	20,395	7,816
Vehicles	426,428	342,391	84,469	27,986
Leasehold improvements	672,775	266,243	111,756	26,350
Total	\$6,639,926	\$2,155,533	\$654,391	\$166,620

</TABLE>

* Net of related investment grant in the amount of \$986,677 and \$152,092 as at December 31, 1995 and 1994, respectively (see also note 6b).

** including \$1,987,062 - residual value of equipment relating to the field test, see also note 4a(2).

NOTE 3 = EMPLOYEE RIGHTS UPON RETIREMENT:

a. The liability for employee rights upon retirement to Israeli employees,

pursuant to Israeli law and employment agreements (see also note 4d) is primarily funded by purchase of insurance policies whereby the significant risks have been irrevocably transferred to the insurance companies. Based on recent court decisions, the assets accumulated in the aforementioned insurance policies are the exclusive property of the individual employee.

Accordingly, the liability for employee rights upon retirement is reflected net of such assets which amount to approximately \$433,464 as at December 31, 1995 (December 31, 1994 = \$234,669) which the Company has no means of realizing, except for application towards its severance pay obligations. The balance sheet accrual (see b. below) represents the liability not covered by the insurance policies mentioned above, net of amount funded by deposits, in the name of EFL, with a recognized severance pay fund.

<TABLE>
<CAPTION>

b. The balance accrued and funded at balance sheet date is as follows:

	December 31	
	1995	1994
<S>	<C>	<C>
For severance pay	\$566,880	\$304,580
Less = amount funded	10,972	9,447
Unfunded balance*	\$555,908	\$295,133

</TABLE>

* Reflects primarily obligations of the Company in connection with employment agreements with certain senior employees (see note 4d).

EFL may only make withdrawals from the severance pay fund for the purpose of paying severance pay.

c. Expenses included for employee rights upon retirement for each of the years ended December 31, 1995, 1994 and 1993 amounted to approximately \$470,000, \$459,000 and \$94,000, respectively.

NOTE 4 = COMMITMENTS:

a. Agreements relating to the Company's technology:

1) Edison

Pursuant to agreements between the Company, through its Dutch subsidiary, and a major Italian energy company (Edison Termoelettrica, a subsidiary of Edison SpA; hereafter = Edison), the Company has provided batteries and related equipment and technical assistance in respect of the Company's technology. The Company has also granted Edison a sublicense for its technology in certain areas in Europe until the year 2008 and will be entitled to royalties of 5% to 3% of sales in excess of \$10 million. Edison has agreed to purchase up to \$4 million of equipment and services during the four years commencing upon the satisfactory completion of the in-vehicle battery performance tests and is to maintain certain purchase levels of the Company's equipment as stipulated in the agreements.

2) German Postal Service (Deutsche Post)

Pursuant to agreements with Technischer Überwachungsverein Bayern Sachsen e. V (TUV), Germany, the Company provided TUV with a prototype battery system, related equipment and technical assistance for the evaluation of the Company's system by TUV on behalf of the Deutsche Post AG (the German Postal Authority; hereafter = Deutsche Post). Total consideration received through 1993 in respect of these agreements approximates DM 1.41 million (approximately \$882,000).

Further to a letter of intent signed in November 1993 between the Company and Deutsche Post, the parties reached a final agreement in September 1994 regarding the licensing of the Company's technology for testing during a field test, for Deutsche Post's internal use and for costs incurred by the Company in connection with the start up of the field test program. The agreement calls for payment of DM 5 million (approximately \$3.1 million) to the Company which has been included in revenues for the year ended December 31, 1994. The Company has also agreed to pay royalties based on future sales of its products in certain parts of Europe.

In December 1994, EFL finalized an agreement with Deutsche Post and other partners for the purpose of conducting a field test using EFL's technology, which is anticipated to reach completion in 1997. It is anticipated that the partners, contribution to the field test will approximate DM 25.7 million (approximately \$17.9 million), of which the Company's share of Partners' contributions will amount to DM 7 million (approximately \$4.9 million). The field test partners will purchase equipment and services from EFL in the approximate gross amount of DM 21.0 million (approximately \$14.6 million). In addition to Deutsche Post, partners in the field test currently include Deutsche Telekom, Mercedes-Benz, Adam Opel (GM Europe), Webasto, and several German municipalities.

The projected costs to be incurred in connection with the field test are

expected to be greater than the related revenues. Accordingly, the Company has accrued a provision for anticipated program losses in the cumulative amounts of \$4.1 million and \$1.5 million as at December 31, 1995 and 1994, respectively.

3. Vattenfall

During 1995, EFL signed an agreement with Vattenfall AB to sell up to eight batteries = identical to those used in

the Deutsche Post field test, to provide refueling and regeneration services and to provide other equipment and services for total consideration of approximately \$1 million. In connection with this agreement, the Company recognized revenues of \$270,000 during the year ended December 31, 1995.

4. Other

Pursuant to an agreement with International Lead Zinc Research Organization, Inc. (ILZRO), U.S.A., the Company carried out a study to be reimbursed by ILZRO in the maximum amount of \$50,000 per annum during 1994 and 1993.

b. Royalty Commitments

Since its inception, EFL has received royalty-bearing research and development (R&D) grants from the Chief Scientist's Office (Chief Scientist) of the Ministry of Industry and Trade. Pursuant to the terms of these grants, EFL is obligated to pay royalties to the Chief Scientist on proceeds from the sale of products in the R&D of which the Chief Scientist participated. EFL had further assumed responsibility to pay royalties to the Chief Scientist on account of certain amounts granted to Luz prior to the EFL's inception.

In 1994, EFL agreed to prepay royalty obligations on R&D grants received through 1993 in the approximate amount of \$1.1 million and in turn has received Chief Scientist approval for continuing support by way of R&D grants. In 1995, it was agreed that Chief Scientist support would amount to approximately \$885,000 and \$1.4 million on account of 1994 and 1995, respectively. The payable is linked to the Israeli consumer price index (CPI) and bear interest of 4% per annum. EFL has provided for the entire amount of royalties payable in these financial statements.

Royalties in connection with the grants received in 1994 and 1995 are payable at a rate of 3%-6% of net sales (up to 100% of grants received). In the case of approved transfer of technology out of Israel, total payments may exceed 100% of the amount granted.

Total commitments to pay royalties to the Chief Scientist at the 100% rate (if the R&D projects are successful) are in the approximate amount of \$3.3 million as at December 31, 1995.

c. Lease Commitments

The Company has entered into various non-cancelable operating lease agreements for the premises it occupies. The leases will expire by the end of 1997.

The rental payments under the above leases, at rates in effect at December 31, 1995 are as follows:

[CAPTION]

<TABLE>

Year ending December 31:

<S>	<C>
1996	\$429,000
1997	\$231,000

</TABLE>

The rental payments are primarily payable in Israeli currency, linked to the Israeli CPI.

As security in connection with these agreements, the Company has given a lessor a letter of credit in the approximate amount of \$30,000.

d. Employment Contracts

In December 1993, three senior employees (related parties) entered into employment agreements with the Company for an initial term of three years, which was extended for an additional term of two years. Base salary payable by the Company under these agreements amounts to \$375,000 annually, with further amounts payable as bonuses of not less than 50% of base salary or in the aggregate 5% of net income as defined, subject to certain conditions, including attainment of the Company budgeted goals.

The employees are entitled to other usual benefits and are to receive a termination payment equal to 36 times monthly base salary -- in addition to the usual severance pay required by Israeli law -- upon fulfillment of the contractual terms.

e. Consultants

In 1995, the Company incorporated a German company, Erbato GmbH which is owned 80% by the Company and 20% by a consultant and stockholder in the Company. Further, the consultant is entitled to certain fees based on marketing success.

Commencing September 1994, the Company paid the consultant a monthly retainer of DM 30,000, which will be credited against any future fees due to

the consultant but which is not refundable (see also note 5a(4)).

f. Foreign Currency Forward Contracts

At December 31, 1995, the Company had outstanding foreign currency forward contracts to sell DM 3.5 million for approximately \$2.5 million through April 1996. These contracts are used to hedge the net DM revenue stream to the Company in regard to the Deutsche Post field test (see a(2) above).

NOTE 5 = STOCKHOLDERS' EQUITY:

a. Capital transactions (the number of shares is adjusted for stock split = see c. below):

1) In June 1993, EFC purchased 2,620,927 shares of its common stock from Luz for approximately \$334,000 and release from certain royalty obligations in the maximum aggregate amount of \$2 million, less \$200,000 of debts to Luz which were forgiven.

2) During 1993, EFC purchased 22,536 shares of its common stock from various parties for approximately \$12,000.

3) In February 1994, EFC completed an IPO of 2,000,000 shares of its common stock of par value of \$0.01 per share, at an offering price of \$12.50 per share (see also note 1d).

4) In 1994, the Company extended a loan in the amount of \$720,000 to a stockholder and consultant to the Company and accepted a promissory note bearing interest at the rate of 5% per annum, originally payable in 1994 and subsequently extended to December 31, 1996. The note is partially collateralized by a pledge on 72,300 shares owned by such shareholder. The note receivable, including accrued interest, is reflected as a deduction of Stockholders' Equity in the financial statements.

5) During 1994, employees exercised options and purchased 11,460 shares for \$4,440.

6) During 1995, employees exercised options and purchased 144,560 shares for \$109,967.

7) During 1995, EFC purchased 8,700 shares of its common stock for \$46,987.

b. Common Stock Options

The Company has adopted the following stock option plans whereunder options may be granted for purchase of the Company's common stock:

1) 1991 Employee Plan - 2,115,600 shares reserved for issuance.

2) 1993 Employee Plan -
1,200,000 shares reserved for issuance.

Under the terms of the employee plans, the Board of Directors or the designated committee will grant options and will determine the vesting period and the exercise terms.

3) 1995 Non-Employee Director Plan -
500,000 shares reserved for issuance.

In September 1995, the Board of Directors adopted, subject to stockholder approval, a Non-Employee Director Stock Option Plan pursuant to which non-employee directors will receive an initial grant of options to purchase 15,000 shares of the Company's common stock upon the effective date of such plan or upon their election as a director. Thereafter, non-employee directors will receive options to purchase 5,000 shares of Common Stock per year of service to the Board. All such options will be granted at fair market value.

In October 1995, the FASB issued Statement No. 123 = "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 defines a "fair value" based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all their employee stock compensation plans. However, it also allows companies to continue to measure compensation cost for those plans using the "intrinsic value" based method of accounting prescribed by APB 25. Entities electing to continue accounting according to APB 25 must comply with the disclosure requirements of SFAS 123 and, in addition, must make pro-forma disclosures of net income and earnings per share, as if the fair value based method of accounting defined in SFAS 123 had been applied. The Company has elected to continue applying the provisions of APB 25. The disclosures required by SFAS 123 will be included in the Company's annual financial statements beginning 1996.

SFAS 123 will also require that transactions with other than employees, entered into after December 15, 1995, in which goods or services are the consideration received for the issuance of equity instruments shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Changes in the options outstanding may be summarized as follows:

<TABLE>

<CAPTION>

	Number of options	
<S>	<C>	<C>
Balance at January 1, 1992 and 1993	(1)	1,848,505
Changes during the year ended December 31, 1993:		
Granted during the year:		
At \$0.82	(2) (3)	349,984
At IPO price		250,000
Exercised during the year:		
At \$0.35	(1) (4)	(1,525,876)
At \$0.82	(2)	(174,992)
Balance at December 31, 1993		747,621
Changes during the year ended December 31, 1994:		
Granted during the year -		
At \$5.75-\$6.25	(5) (6) (7)	358,187
Exercised during the year:		
At \$0.35		(10,578)
At \$0.82		(882)
Balance at December 31, 1994		1,094,348
Changes during the year ended December 31, 1995:		
Granted during the year -		
At \$4.625-\$8.00	(8) (9)	223,245
Exercised during the year:		
At \$0.35		(31,735)
At \$0.82		(111,158)
At \$4.625		(1,667)
Balance at December 31, 1995		1,173,033

</TABLE>

Average exercise price at December 31, 1995, 1994 and 1993 was \$4.71, \$3.60 and \$4.70, respectively.

The options granted may be exercised as follows:

<TABLE>

<CAPTION>

	December 31	
	1995	1994
	Number of shares	
<S>	<C>	<C>
First year and thereafter	933,800	394,358
Second year and thereafter	136,533	208,323
Third year and thereafter	72,700	61,667
Seventh year and thereafter	30,000	(7) 430,000
	1,173,033	1,094,348

</TABLE>

The number of shares reserved for future grants under the Plans at December 31, 1995, 1994 and 1993 was 965,671 shares, 688,916 shares and 1,042,103 shares, respectively.

(1) Including 1,142,424 options granted to related parties, which were

exercised during the year ended December 31, 1993.

(2) Including 174,992 options issued, outside of the Plans, to a related party, which were exercised in December 1993 (paid for in January 1994), and 37,478 options granted, under the Plans, to other related parties.

(3) Based on the purchase price EFC's stock from Luz, see a(1) above. The options granted are net of 277,673 options previously issued at \$0.35 per share, forfeited by employees during 1993 and granted to other employees at \$0.82 per share.

(4) The purchase of the common stock upon exercise of options was financed by EFC's acceptance of 5 year non-recourse notes receivable due January 1998 and bearing interest at the higher of the increase in the Israeli CPI or linkage to the dollar + 7% interest. The notes receivable, including accrued interest, are reflected as a reduction of Stockholders' Equity in the financial statements.

(5) The options granted are net of 250,000 options previously granted to an employee pool at \$12.50 per share (IPO price) and 11,813 options previously granted at \$0.82 per share, which were canceled during 1994. The options granted include 5,000 options issued outside of the Plans (see (6) below).

(6) During 1994, consultants were issued five year options, outside of the

Plans, for the purchase of 5,000 shares of EFC's stock at a price of \$6.25 per share, in consideration for services rendered to the Company. The statements of income (loss) include \$3,750 of consulting expense in 1994 relating to such issuance.

(7) The options were granted in 1994 to related parties. The exercise date may be accelerated based on the share price of EFC's common stock. During 1995, these options became exercisable.

(8) The options granted are net of 21,955 options previously granted which were canceled during 1995.

(9) Including 30,000 options granted to non-employee directors, subject to approval of the plan by shareholders.

c. On December 14, 1993, EFC declared a 5.289 for one split of its common stock in the form of a stock dividend.

NOTE 6 -- TAXES ON INCOME:

a. Taxation of U.S. parent (EFC)

Since EFC incurred net losses or had earnings arising from tax-exempt income during the reported years, no provisions for income taxes were required. Taxes payable in 1994 and 1995 are primarily composed of federal alternative minimum taxes. The difference between the tax provision and the total tax benefit computed by applying the statutory federal income tax rate to pre-tax loss is the valuation allowance which was established to eliminate the deferred tax asset.

As at December 31, 1995, EFC has operating loss carry-forwards for U.S. federal income tax purposes of approximately \$280,000, which are available to offset future taxable income, if any, expiring primarily in 2009.

b. Israeli subsidiary (EFL):

1) Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (hereinafter -- the law).

EFL's manufacturing facility has been granted "approved enterprise" status under the above law, and is entitled to investment grants from the State of Israel of 38% of the investment in fixed assets of the approved enterprise and to reduced tax rates on income arising from the approved enterprise, as detailed below. The approved investment program is in the approximate amount of \$500,000. EFL substantially placed the program into operation during 1993 and will enjoy the tax benefits available under the law. EFL is entitled to additional tax benefits as a "foreign investment company", as defined by the law.

In 1995, EFL received approval for a second "approved enterprise" program for investment in fixed assets of approximately \$6 million. EFL, as a Jerusalem-based high-tech company, has received approval for grants at the rate of 38% for investments in these approved fixed assets. Certain fixed assets have been temporarily approved for use outside of Jerusalem. If these fixed assets continue to operate outside Jerusalem after July 1996, EFL shall be required to refund a portion of the applicable grant in the approximate amount of \$71,000 per year for a period of seven years.

The main tax benefits available to EFL are:

(a) Reduced tax rates

During the period of benefits -- 10 years -- commencing in the first year in which EFL earns taxable income from the approved enterprise (provided the maximum period to which it is restricted by law has not elapsed), a reduced

corporate tax rate of 10%-25% (depending on percentage of foreign ownership; based on present ownership percentages -- 20%) will apply, instead of the regular tax rates (see (4) hereafter).

(b) Accelerated depreciation

EFL is entitled to claim accelerated depreciation in respect of machinery and equipment used by the approved enterprise for the first five years of the operation of these assets.

(c) Conditions for entitlement to the benefits

The entitlement to the above benefits is conditional upon EFL's fulfilling the conditions stipulated by the law, regulations published thereunder and the instruments of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be canceled and EFL may be required to refund the amount of the benefits, in whole or in part, with the addition of interest.

As security for compliance with the terms attaching to investment grants (see above), EFL has registered floating charges on all its assets in favor of the State of Israel.

2) Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985 (hereafter -- the inflationary adjustments law). Under this law, results for tax purposes are measured in real terms, in accordance with the changes in the Israeli CPI. As explained in note 1b, the financial statements are presented in dollars. The difference between the change in the Israeli CPI and in the Israeli currency/dollar exchange rate -- both on annual and cumulative bases -- causes a difference between taxable income (loss) and pre-tax income (loss) reflected in the financial statements.

3) Tax benefits under the Law for the Encouragement of Industry (Taxes), 1969

EFL is an "industrial company" as defined by this law and as such is entitled to certain tax benefits, mainly accelerated depreciation as prescribed by regulations published under the inflationary adjustments law, the right to claim public issue expenses and amortization of know-how, patents and certain other intangible property rights as deductions for tax purposes.

4) Tax rates applicable to income from other sources

Income not eligible for "approved enterprise" benefits mentioned in (1) above is taxed at the regular rate: 1995 -- 37%; 1994 -- 38%; 1993 -- 39%. In accordance with an amendment to the Israeli Income Tax Ordinance enacted on December 31, 1992, the regular corporate tax rate is to be further scaled down in 1996 to 36%.

5) Tax rates applicable to income distributed as dividends by EFL

The effective tax on income distributed by EFL to its parent, EFC, would be increased as a result of the Israeli withholding tax imposed upon such dividend distributions. The overall effective tax rate on such distribution would be 32% in regard of income arising from EFL's approved enterprise and 44% regarding other income. EFL does not have any earnings available for dividend distribution nor does it intend to distribute any dividends in the foreseeable future.

6. Tax loss carryforwards

As at December 31, 1995, EFL has operating loss carryforwards for Israeli tax purposes of approximately \$12 million, which are available, indefinitely, to offset future taxable income.

c. European subsidiaries

The European subsidiaries are taxed based upon tax laws in their country of residence.

d. Deferred income taxes

Presented in the balance sheets as follows:

	December 31	
	1995	1994
<S>	<C>	<C>
Domestic income taxes		
Deferred tax asset	\$97,000	\$127,000
Less - valuation allowance	\$(97,000)	\$(127,000)
	-, -	-, -
Foreign income taxes:		
Deferred tax asset		
-current (1) (2)	3,900,000	1,390,000
Deferred tax asset		
(liability) - non-current (3)		(35,000)

	3,900,000	1,355,000
Less - valuation allowance	(3,900,000)	(1,355,000)
	-, -	-, -

</TABLE>

(1) Mainly in respect of provision for anticipated program loss and loss carryforwards.

(2) Includes deductible expenditures reported as a reduction of the proceeds from issuing capital stock.

(3) Mainly in respect of accrued employee rights upon retirement and depreciation on fixed assets.

e. Tax assessments

EFC and its subsidiaries have not been assessed for tax purposes since incorporation.

f. Taxes on income included in the statements of income (loss):

1) As follows:

<TABLE>

<CAPTION>

	Year ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
Current:			
U.S.	\$52,010	\$19,184	
Israeli		(142,744)	\$216,219
European	(16,800)	630	73,169
	35,210	\$(122,930)	\$289,388
Deferred --			
Israeli		142,744	(142,744)
	\$35,210	\$19,814	\$146,644

</TABLE>

2) A reconciliation of the theoretical tax expense, assuming all income is taxed at the regular rates applicable to income of companies in Israel, see b(4) above (the difference in the liability arising from the

discrepancy between the theoretical tax rate and the tax rate applicable in the country of residence of the European subsidiaries is not material) and the actual tax expense, is as follows:

<TABLE>

<CAPTION>

	Year ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
Income before taxes on income, as reported	\$(13,133,714)	\$(3,479,772)	\$796,049
Add--losses (income) of EFC, see a. above--domestic	(375,807)	(240,770)	21,897
Income (loss) before taxes on income (foreign--mainly Israeli)	\$(13,509,521)	\$(3,720,542)	\$819,946
Theoretical tax expense	*	*	319,779
Tax benefit arising from reduced tax rate as an "approved enterprise"			(75,132)
			\$244,647
Increase in taxes resulting from permanent differences--disallowed deductions			1,384
Utilization of carryforward losses in respect of which deferred taxes were not provided			(89,545)
Sundry--net			(9,842)
Taxes on income in the consolidated income statements			\$146,644

</TABLE>

* No tax benefits are reflected. The loss carryforwards have been fully reserved as the realization of such deferred tax asset is uncertain.

NOTE 7--MONETARY BALANCES IN NON-DOLLAR CURRENCIES:

<TABLE>

<CAPTION>

	December 31, 1995		December 31, 1994	
<S>	<C> Israeli currency- unlinked	<C> Other non- dollar currencies	<C> Israeli currency- unlinked	<C> Other non- dollar currencies
Assets--current				
Cash and cash equivalents		\$3,559,341	\$300,076	\$27,460
Accounts receivable	1,854,151	457,817	262,829	1,130,126
	\$1,854,151	\$4,017,158	\$562,905	\$1,157,586
Liabilities--current				
accounts payable & accruals	\$2,720,635	\$1,327,288	\$1,126,881	\$49,817

NOTE 8--SUPPLEMENTARY BALANCE SHEET INFORMATION:

	December 31, 1995		December 31, 1994	
a. Marketable debt securities:	Amortized cost	Fair Market value	Amortized cost	Fair Market value
U.S. Treasury securities and obligations of U.S. government corporations and agencies				
			\$6,296,350	\$6,276,611
Obligations of states and political subdivisions				
	\$4,186,470	\$4,215,518	10,617,826	10,529,078
	\$4,186,470	\$4,215,518	\$16,914,176	\$16,805,689
Less--portion due in one year or less--presented among current assets				
	\$4,186,470	\$4,215,518	9,459,667	9,420,737
Balance--				
due in one to two years	-, -	-, -	\$7,454,509	\$7,384,952

As stated in note 1e, the said securities were classified as of December 31, 1994 as held-to-maturity and reflected at amortized cost. As of December 31, 1995, they are classified as available-for-sale and reflected at fair market value. Unrealized gain in the amount of \$29,048 arising from this reclassification is reflected in Stockholders' Equity.

<TABLE>
<CAPTION>

	December 31	
<S>	<C> 1995	<C> 1994
b. Accounts receivable--other:		
Israeli Government departments and agencies:		
Research and development grant receivable	\$447,952	
Investment grant receivable	878,587	\$44,002
VAT and other receivables	826,663	219,718
Land development fees	76,921	
	\$2,230,123	\$263,720
Employees	18,282	20,906
Prepaid expenses	39,965	54,699
Interest receivable	72,208	259,229
Sundry	61,226	23,589
	\$2,421,804	\$622,143
c. Other assets and deferred charges		
	1995	1994

Deferred public offering expenses	\$710,552	
Know-how purchased	\$50,000	\$50,000
Less--accumulated amortization	16,667	6,667
	\$33,333	\$43,333
	\$743,885	\$43,333

<CAPTION>

d. Accounts payable and accruals--other:	December 31	
	1995	1994
Employees and employee institutions	\$393,180	\$291,150
Provision for vacation pay	261,943	180,129
Income taxes payable	20,199	169,737
Accrued expenses	1,568,236	704,742
Provision for anticipated program losses	4,100,000	1,500,000
Sundry	14,148	3,896
	\$6,357,706	\$2,849,654

</TABLE>

e. Fair value of financial instruments

SFAS No. 107 "Disclosure About Fair Value of Financial Instruments" requires disclosure of information about the fair value of certain financial instruments for which it is practicable to estimate that value.

The financial instruments of the Company consist mainly of cash and cash equivalents, marketable debt securities, accounts receivable and accounts payable and accruals and foreign currency forward contracts.

In view of their nature, the fair value of the financial instruments included in working capital of the Company is usually identical or close to their carrying value.

The fair value of open foreign currency forward contracts at December 31, 1995 is approximately \$30,000.

NOTE 9--SELECTED INCOME STATEMENT DATA:

<TABLE>

<CAPTION>

	Year ended December 31		
	1995	1994	1993
<S>	<C>	<C>	<C>
a. Revenues--classified by geographical distribution (see also note 4a):			
Germany (in D.M.)	\$3,578,938	\$3,202,908	\$376,820
Italy (in U.S. dollars)	423,732	1,616,122	3,206,492
U.S.A. (in U.S. dollars)		50,000	64,300
Sweden (in U.S. dollars)	270,000		
Other	98,940	3,658	47,186
	\$4,371,610	\$4,872,688	\$3,694,798

b. Research and development expenses and cost of revenues:

Materials, subcontracted work & consulting	\$8,389,716	\$2,390,930	\$827,069
Salaries and related expenses	3,831,004	2,266,105	949,543
Other	2,158,085	113,147	53,049
	\$14,378,805	\$4,770,182	\$1,829,661

c. Selling, general and administrative expenses:

Salaries and related expenses	\$1,112,574	\$363,746	\$227,551
Consulting and professional fees	736,836	611,222	854,063
Royalties (note 4b)		1,136,910	68,206
Other	902,623	1,252,874	544,665
	\$2,752,033	\$3,364,752	\$1,694,485

d. Financial income (expenses)--net:

Interest, bank charges and fees	(\$142,492)	(\$64,643)	(\$7,249)
Exchange differences, net	26,090	(40,885)	(11,862)
Interest income	781,124	689,091	68,692
	\$664,722	\$583,563	\$49,581

</TABLE>

e. Earnings (loss) per share:

1) Earnings (loss) per share are computed based on the weighted average number of shares outstanding (net of treasury stock) during each year and common stock equivalents, after adjustment for 5.289 to one stock split, effected on December 14, 1993, see note 5c.

2) The following options are not taken into account as part of the common stock equivalents since their effect on the earnings (loss) per share was not dilutive: part of options for 1993 and all options for 1994 and 1995.

3) The notes receivable from stockholders relating to exercised options are assumed--for per share computation--to be proceeds used to purchase stock under the treasury stock method.

NOTE 10--RELATED PARTIES

a. Balances with related parties:

These represent balances with stockholders--included among current assets--amounting to \$10,141 at December 31, 1994.

b. Transactions with related parties:

	Year ended December 31		
	1995	1994	1993
Interest income	\$77,291	\$79,501	\$37,054
Research and development expenses and cost of revenues			28,147
General and administrative expenses		\$30,000	\$121,993

c. As to capital transactions with related parties--see note 5.

d. As to employment contracts with senior employees--see note 4d.

NOTE 11--SUBSEQUENT EVENT

In connection with a public offering of its common stock at a gross offering price of \$6.50 per share, the Company issued 3,300,000 shares of its common stock in February 1996 and an additional 450,000 shares to its underwriters to cover over allotments in March 1996.

ELECTRIC FUEL OFFICERS AND DIRECTORS

Electric Fuel Corporation

Robert S. Ehrlich
Chairman and Chief Financial Officer

Yehuda Harats
President and Chief Executive Officer

Menachem Korall
Senior Vice President, Technology

Harvey M. Krueger
Director

Jack E. Rosenfeld
Director

Dr. Jay M. Eastman
Director

Stewart J. Edelman
Treasurer and Controller

Electric Fuel Limited

Robert S. Ehrlich
Chairman, Chief Financial Officer and Director

Yehuda Harats
President, Chief Executive Officer and Director

Menachem Korall
Senior Vice President, Technology

Amnon Sherf
Vice President, Operations

Jonathan Whartman
Vice President, Marketing

Stewart J. Edelman
Treasurer and Controller

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SHAREHOLDER INFORMATION

Annual Meeting:

The annual meeting of shareholders will be held Monday, June 24, 1996, at 9:00 AM at The Harvard Club, 27 West 44th Street, New York, NY 10036.

Share Transfer Agent:

American Stock Transfer & Trust Company, 40 Wall Street, New York, NY 10005

Shares Traded:

The securities of Electric Fuel Corporation are quoted on the NASDAQ National Market System under the symbol EFCX.

Legal Counsel, Electric Fuel Corporation:

Ropes & Gray, One International Place, Boston, Massachusetts 02110-2624.

Legal Counsel, Electric Fuel Limited:

Yigal Arnon & Co., 3 Daniel Frisch Street, Tel Aviv 64731, Israel.

Independent Auditor:

Kesselman & Kesselman, a member firm of Coopers & Lybrand (International), 9a Diskin Street, Jerusalem 96440, Israel.

Forms 10-K:

Electric Fuel Corporation's Annual Report on Form 10-K provides additional information and is on file with the Securities and Exchange Commission. It is available free of charge upon written request to Shareholder Relations, Electric Fuel Corporation, 885 Third Avenue, Suite 2900, New York, NY 10022, or to Electric Fuel Ltd., 5 Kiryat Mada Street, Har Hotzvim Science Park, P.O. Box 23073, Jerusalem 91230, Israel.

Product Literature:

Electric Fuel's product literature is available free of charge upon written request to Electric Fuel, Marketing Communications, 5 Kiryat Mada Street, Har Hotzvim Science Park, P.O. Box 23073, Jerusalem 91230, Israel. Information is also available on the Internet. The address of the Company's World Wide Web site is: <http://www/electric-fuel.co.il>

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ELECTRIC FUEL CORPORATION

AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. PURPOSE

The purpose of this 1995 Stock Option Plan for Non-Employee Directors (the "Plan") is to advance the interests of Electric Fuel Corporation (the "Company") by enhancing the ability of the Company to attract and retain directors who are in a position to make significant contributions to the success of the Company and to reward such directors for such contributions through ownership of shares of the Company's common stock (the "Stock").

2. ADMINISTRATION

The Plan shall be administered by a committee (the "Committee") of the Board of Directors (the "Board") of the Company from time to time appointed by the Board to administer the Plan in accordance with the express provisions of the Plan, (a) to prescribe the form or forms of instruments evidencing options and any other instruments required under the Plan and to change such forms from time to time; (b) to adopt, amend and rescind rules and regulations for the administration of the Plan; and (c) to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations of the Committee shall be conclusive and shall bind all parties. Subject to Section 7 of this Plan and to Rule 16b-3 under the Securities Exchange Act of 1934, as from time to time in effect ("Rule 16b-3"), the Committee shall also have the authority, both generally and in particular instances, to waive compliance by a non-employee director with any obligation to be performed by him under an option and to waive any condition or provision of an option.

The Plan is a "formula" plan within the meaning of the rules and regulations of the Securities and Exchange Act of 1934. As a result of the Plan being a formula plan and otherwise meeting certain requirements of the SEC adopted under Section 16, non-employee directors may be members of the Committee administering the Plan. Accordingly, options to non-employee directors are granted solely under this Plan and not under the Company's regular stock award plans.

3. EFFECTIVE DATE AND TERM OF PLAN

This Plan, having been approved by the Board of Directors on September 28, 1995 (the "Effective Date"), is subject to approval of this Plan by vote of a majority of the stockholders of

the Company present and eligible to vote on the question at an annual or special meeting of stockholders held not later than September 28, 1996. Options may be granted under the Plan prior to the date of stockholder approval, and options so granted shall be effective on the effective date of grant subject to stockholder approval of the Plan as provided in this Section. No options may be awarded under this Plan after September 28, 2005, but the Plan shall continue thereafter while previously awarded options remain subject to the Plan.

4. SHARES SUBJECT TO PLAN

a. Number of Shares. Subject to adjustment as provided in Section 4(c) of this Plan, the aggregate number of shares of Stock that may be delivered upon the exercise of options granted under the Plan shall be 500,000. If any option granted under the Plan terminates without having been exercised in full, the number of shares of Stock as to which such option was not exercised shall be available for future grants within the limits set forth in this Section 4(a).

b. Shares to be Delivered. Shares delivered under the Plan shall be authorized but unissued Stock or, if the board so decides in its sole discretion, previously issued Stock acquired by the Company and held in treasury. No fractional shares of Stock shall be delivered under the Plan.

c. Changes in Stock. In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capital stock, the number and kind of shares of stock or securities of the Company subject to options then outstanding or subsequently granted under the Plan, the maximum number of shares or securities that may be delivered under the Plan, the exercise price, and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons.

5. ELIGIBILITY FOR OPTIONS

Each director who is not an employee of the Company or of any subsidiary of the Company shall be eligible to receive options under the Plan (an "Eligible Director").

6. TERMS AND CONDITIONS OF OPTIONS

a. Number of Options.

i. Initial Grant. Each individual who is an Eligible Director on the

Effective Date of the Plan shall be granted, on that date, an option covering 15,000 shares of Stock, subject to stockholder approval as provided in Section 3. Each individual who thereafter becomes an Eligible Director shall, upon first qualifying as an Eligible Director, be granted an option covering 15,000 shares of Stock. Option grants pursuant to either of the two preceding sentences are herein referred to as "Initial Grants".

ii. Subsequent Options. Following the Initial Grant, each Eligible

Director shall be awarded an additional option covering 5,000 shares of Stock on each anniversary of the Initial Grant, provided that he or she is an Eligible Director on such anniversary.

b. Exercise Price. The exercise price of each option shall be 100% of the fair market value per share of the Stock at the time the option is granted, but not less, in the case of an original issue of authorized stock, than par value per share. For this purpose, "fair market value" shall mean the closing price of the Stock as reported on the Nasdaq National Market System (or other exchange or market system if no longer listed on such exchange) on the date of the grant (based on The Wall Street Journal report of composite transactions).

c. Duration of Options. The latest date on which an option may be exercised (the "Final Exercise Date") shall be the date which is ten years from the date the option was granted.

d. Exercise of Options.

i. Each option shall become exercisable in accordance with the following:

- (1) One year after the date of the grant, the option shall become exercisable to the extent of one-third of the shares covered thereby, and
- (2) On each of the second and third anniversaries of the date of the grant, the option shall become exercisable as to an additional one-third of the shares covered thereby.

-3-

ii. Any exercise of an option shall be in writing, signed by the proper person and delivered or mailed to the Company, accompanied by (a) the option certificate and any other documents required by the Committee and (b) payment in full for the number of shares for which the option is exercised.

iii. If an option is exercised by the executor or administrator of a deceased director, or by the person or persons to whom the option has been transferred by the director's will or the applicable laws of descent and distribution, the Company shall be under no obligation to deliver Stock pursuant to such exercise until the Company is satisfied as to the authority of the person or persons exercising the option.

e. Payment for and Delivery of Stock. Stock purchased under the Plan shall be paid for as follows; (i) in cash or by certified check, bank draft or money order payable to the order of the Company, (ii) through the delivery of shares of Stock having a fair market value on the last business day preceding the date of exercise equal to the purchase price, provided that, in the case of shares of stock acquired directly from the Company, such shares have been held for at least six months, or (iii) by a combination of cash and Stock as provided in clauses (i) and (ii) above.

An option holder shall not have the rights of a stockholder with regard to awards under the Plan except as to Stock actually received by him or her under the Plan.

The Company shall not be obligated to deliver any shares of Stock (a) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with and any applicable taxes have been paid, (b) if the outstanding Stock is at the time listed on any stock exchange, until the shares to be delivered have been listed or authorized to be listed on such exchange upon official notice of issuance, and (c) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Stock has not been registered under the Securities Act of 1933, as from time to time in effect, the Company may require, as a condition to exercise of the option, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such

Stock bear an appropriate legend restricting transfer.

f. Nontransferability of Options. No option may be transferred other than by will or by the laws of descent and distribution, and during a director's lifetime an option may be exercised only by the director.

g. Death. Upon the death of any Eligible Director granted options under this Plan, all options not then exercisable shall terminate. All options held by the director that are exercisable immediately prior to death may be exercised by his executor or administrator, or by the person or persons to whom the option is transferred by will or the applicable laws of descent and distribution, at any time within the three-month period following the director's death (but not later than the Final Exercise Date).

h. Other Termination of Status of Director. If a director's service with the Company terminates for any reason other than death, all options held by the director that are not then exercisable shall terminate. Options that are exercisable on the date of termination shall continue to be exercisable for a period of three months (or until the Final Exercise Date, if earlier), but shall

-4-

terminate immediately if the director was removed or terminated for fraud, dishonesty or intentional misrepresentation or embezzlement, misappropriation or conversion of assets or opportunities of the Company or any of its subsidiaries. After completion of that three-month period, such options shall terminate to the extent not previously exercised, expired or terminated.

i. Mergers, etc. In the event of any merger or consolidation involving the Company, any liquidation or dissolution of the Company, any sale of substantially all of the Company's assets or any other transaction or series of related transactions as a result of which a single person or several persons acting in concert own a majority of the Company's then outstanding Stock (such merger, consolidation, sale or other transaction being hereinafter referred to as a "Transaction"), all outstanding options shall become exercisable prior to the consummation of such Transaction, such options shall be exercisable at such time as the Committee determines but in no event for less than a period of at least 20 days prior to the consummation, but only to the extent the Committee determines it may so accelerate the exercisability of such options in accordance with the applicable requirements of Rule 16b-3. Upon consummation of the Transaction, all outstanding options not so exercised shall terminate and cease to be exercisable. There shall be excluded from the foregoing any Transaction as a result of which (a) the holders of Stock prior to the Transaction retain or acquire securities constituting a majority of the outstanding voting common stock of the acquiring or surviving corporation or other entity and (b) no single person owns more than half of the outstanding voting common stock of the acquiring or surviving corporation or other entity. For purposes of this Section, voting common stock of the acquiring or surviving corporation or other entity that is issuable upon conversion of convertible securities or upon exercise of warrants or options shall be considered outstanding, and all securities that vote in the election of directors (other than solely as the result of a default in the making of any dividend or other payment) shall be deemed to constitute that number of shares of voting common stock which is equivalent to the number of such votes that may be cast by the holders of such securities.

7. EFFECT, DISCONTINUANCE, CANCELLATION, AMENDMENT AND TERMINATION.

Neither adoption of the Plan nor the grant of options to an Eligible Director shall confer upon any person any right to continued status as a director with the Company or any subsidiary or affect in any way the right of the Company or subsidiary to terminate a director relationship at any time or shall affect the Company's right to grant to such director options that are not subject to the Plan, to issue to such directors Stock as a bonus or otherwise, or to adopt other plans or arrangements under which Stock may be issued to directors.

The Committee may at any time discontinue granting options under the Plan. The Committee may at any time or times amend the Plan or any outstanding options for the purpose of satisfying any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of options, provided that no such amendment shall adversely affect the rights of any director (without his or her consent) under any option previously granted. The provisions of Section 5 or

-5-

6 of this Plan shall not be amended any more frequently than once every six months other than to comply with changes in the Internal Revenue Code of 1986, the Employee Retirement Income Security Act of 1974 or the rules and regulations thereunder, all as from time to time in effect.

-6-