

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 1996

Commission file number 0-23336

ELECTRIC FUEL CORPORATION

-----  
Exact Name of Registrant as Specified in its  
Charter

Delaware

95-4302784

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(I.R.S. Employer  
Identification No.)

885 Third Avenue, New York, New York 10022 - Suite 2900

-----  
(Address of Principal Executive Offices)  
(Zip Code)

(212) 230-2172

-----  
(Registrant's Telephone Number, Including Area  
Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the issuer's common stock as of November 5, 1996 was 14,257,508.

ELECTRIC FUEL CORPORATION

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PART II - OTHER INFORMATION

	DECEMBER 31, 1995	SEPTEMBER 30, 1996
ASSETS	(Audited)	(Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,364,867	\$12,952,982
Marketable debt securities (at fair market value)	4,215,518	2,026,040
Accounts receivable:		
Trade	398,535	369,272
Other	2,421,804	1,847,899
Inventories	535,208	847,040
TOTAL CURRENT ASSETS	12,935,932	18,043,233
INVESTMENTS:		
Investee company	35,849	35,849
FIXED ASSETS:		
Cost	6,639,926	8,586,272
Less - accumulated depreciation and amortization	654,391	1,403,865
	5,985,535	7,182,407
OTHER ASSETS AND DEFERRED CHARGES net of accumulated amortization	743,885	70,800
	\$19,701,201	\$25,332,289

The accompanying notes are an integral part of the Financial Statements.

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ELECTRIC FUEL CORPORATION  
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1995	SEPTEMBER 30, 1996
	(Audited)	(Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 2,743,539	\$ 1,115,421
Other	6,357,706	3,056,110
Advances from Customers	4,223,066	784,854
TOTAL CURRENT LIABILITIES	13,324,311	4,956,385
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT		
net of amount funded	555,908	811,754
TOTAL LIABILITIES	13,880,219	5,768,139
STOCKHOLDERS' EQUITY:		
Common stock -- \$0.01 par value; authorized -- 28,000,000 shares; issued - 11,328,110 shares as of December 31, 1995 and 12,719,046 as of September 30, 1996; outstanding - 8,675,947 shares as of December 31, 1995 and 12,719,046 as of September 30, 1996.	113,282	127,191
Preferred stock - \$0.01 par value; authorized - 1,000,000 shares, no shares outstanding		
Additional paid-in capital	24,168,108	47,090,995
Accumulated deficit	(16,873,340)	(24,620,467)
Unrealized gain on available-for-sale securities	29,048	1,746

Treasury stock, at cost (common stock -- 2,652,163 shares as of December 31, 1995)	(193,174)	
Notes receivable from stockholders	(1,422,942)	(3,035,315)
TOTAL STOCKHOLDERS' EQUITY	5,820,982	19,564,150
	<u>\$19,701,201</u>	<u>\$25,332,289</u>

The accompanying notes are an integral part of the Financial Statements.

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ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1995	1996	1995	1996
<S>	<C>	<C>	<C>	<C>
REVENUES	\$ 2,363,408	\$ 3,618,289	\$ 1,215,698	\$ 1,123,682
RESEARCH AND DEVELOPMENT EXPENSES AND COST OF REVENUES				
Expenses incurred	8,063,950	10,316,159	4,031,655	2,959,957
Less - royalty- bearing grants	1,368,983	908,000	652,520	908,000
	6,694,967	9,408,159	3,379,135	2,051,957
PROVISION FOR ANTICIPATED PROGRAM LOSSES	2,100,000			
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,911,949	2,534,914	693,937	1,020,859
	10,706,916	11,943,073	4,073,072	3,072,816
OPERATING LOSS	(8,343,508)	(8,324,784)	(2,857,374)	(1,949,134)
FINANCIAL INCOME - NET	520,821	641,092	128,509	261,188
LOSS BEFORE TAXES ON INCOME	(7,822,687)	(7,683,692)	(2,728,865)	(1,687,946)
TAXES ON INCOME	52,115	63,435	52,115	11,859
LOSS FROM THE OPERATION OF THE COMPANY & ITS CONSOLIDATED SUBSIDIARIES	(7,874,802)	(7,747,127)	(2,780,980)	(1,699,805)
SHARE IN LOSS OF ASSOCIATED COMPANY	(52,134)		(19,134)	
LOSS FOR THE PERIOD	\$ (7,926,936)	\$ (7,747,127)	\$ (2,800,114)	\$ (1,699,805)
LOSS PER SHARE	\$ (0.93)	\$ (0.67)	\$ (0.33)	\$ (0.14)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,506,724	11,618,955	8,586,901	12,214,392

</TABLE>

The accompanying notes are an integral part of the Financial Statements.

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ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(UNAUDITED)

<TABLE>  
<CAPTION>

COMMON STOCK	ADDITIONAL PAID-IN	ACCUMULATED	UNREALIZED GAIN ON AVAILABLE- FOR-SALE	TREASURY	NOTES RECEIVABLE FROM SHARE-
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	SHARES	AMOUNT	CAPITAL	DEFICIT	SECURITIES	STOCK	HOLDERS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT JANUARY 1, 1996	11,328,110	\$113,282	\$24,168,108	\$ (16,873,340)	\$29,048	\$ (193,174)	\$ (1,422,942)	\$ 5,820,982
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1996:								
Shares issued in a public offering	3,750,000	37,500	21,562,647*					21,600,147
Shares issued in connection with the exercise of option	293,099	2,931	1,516,933					1,519,864
Option issued as compensation for services rendered by consultants			9,959					9,959
Treasury stock retired	(2,652,163)	(26,522)	(166,652)			193,174		0
Loans granted to stockholders							(1,545,895)	(1,545,895)
Accrued Interest on notes receivable from stockholders							(66,478)	(66,478)
Change in unrealized gain on available-for-sale securities					(27,302)			(27,302)
Loss				(7,747,127)				(7,747,127)
BALANCE AT SEPTEMBER 30, 1996	12,719,046	\$127,191	\$47,090,995	\$ (24,620,467)	\$ 1,746	\$0	\$ (3,035,315)	\$19,564,150

\* Net of \$ 2,774,853 - offering expenses

The accompanying notes are an integral part of the Financial Statements.

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ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
LOSS FOR THE PERIOD	\$ (7,926,936)	\$ (7,747,127)
ADJUSTMENTS REQUIRED TO RECONCILE LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
LOSS RELATING TO INVESTMENT IN INVESTEE COMPANY	52,134	
DEPRECIATION AND AMORTIZATION	306,033	775,310
AMORTIZATION OF PREMIUM NET OF ACCRUED INTEREST AND GAIN FROM SALE OF MARKETABLE DEBT SECURITIES	114,583	50,176
CAPITAL LOSS FROM DISPOSAL OF FIXED ASSETS		777
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT -- NET	199,528	255,846
INTEREST ACCRUED ON NOTES AND LOAN TO STOCKHOLDERS	(65,742)	(66,478)
CHANGES IN OPERATING ASSET AND LIABILITY ITEMS:		
DECREASE IN ACCOUNTS RECEIVABLE	618,109	334,188
INCREASE IN INVENTORIES	(127,900)	(311,832)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE AND ACCRUALS	3,495,153	(4,929,714)
CHANGES IN RELATED PARTIES -- NET	10,141	
INCREASE (DECREASE) IN ADVANCES FROM CUSTOMERS	118,829	(3,438,212)
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,206,068)	\$ (15,077,066)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PURCHASE OF FIXED ASSETS	(3,289,200)	(2,015,573)
INVESTMENT GRANT RELATING TO FIXED ASSETS		317,723
PROCEEDS FROM DISPOSAL OF FIXED ASSETS		1,371
AMOUNTS CARRIED TO OTHER ASSETS AND DEFERRED CHARGES	(159,499)	(44,967)
PROCEEDS FROM SALE AND REDEMPTION OF MARKETABLE DEBT SECURITIES	7,451,300	2,112,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 4,002,601	\$ 370,554

FORWARD

\$ 796,533 \$(14,706,512)

</TABLE>

The accompanying notes are an integral part of the Financial Statements.

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ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996
FORWARD	\$ 796,533	\$(14,706,512)

CASH FLOWS FROM FINANCING ACTIVITIES:

ISSUE OF SHARE CAPITAL (INCLUDING ADDITIONAL PAID IN CAPITAL), NET OF OFFERING EXPENSES		22,310,699
LOANS GRANTED TO STOCKHOLDERS		(1,545,895)
PAYMENT ON NOTE RECEIVABLE FROM STOCKHOLDERS	24,629	
PROCEEDS FROM EXERCISE OF WARRANTS AND OPTIONS	102,257	1,529,823
PURCHASE OF TREASURY STOCK	(46,987)	
NET CASH PROVIDED BY FINANCING ACTIVITIES	79,899	22,294,627
INCREASE IN CASH AND CASH EQUIVALENTS	876,432	7,588,115
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,307,855	5,364,867
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,184,287	\$ 12,952,982
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -- CASH PAID DURING THE PERIOD FOR:		
INTEREST	\$ 1,911	\$ 3,758
ADVANCES TO INCOME TAX AUTHORITIES	\$ 51,805	\$ 120,922

</TABLE>

The accompanying notes are an integral part of the Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. The interim financial statements of Electric Fuel Corporation ("the Company") reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of the Company's management, necessary for a fair statement of results for the periods presented. Operating revenue and expenses for any interim period are not necessarily indicative of results for a full year.

For the purpose of these interim financial statements, certain information and disclosures normally included in the financial statements have been condensed or omitted. These unaudited statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 1995.

2. In February 1996, the Company completed a public offering of 3,750,000 shares of its common stock of par value of \$0.01 per share, at an offering price of \$6.50 per share.
3. On October 2, 1996, the Company issued in a private placement 1,538,462 shares of its common stock of par value of \$0.01 per share, at an offering price of \$6.50 per share.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
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The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report. Amounts reported here have been rounded to the nearest thousand.

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. See "Important Factors Regarding Forward-Looking Statements" attached as Exhibit 99 to the Company's Annual Report for the year ended December 31, 1995 on Form 10-K and incorporated herein by reference. 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.

THE DEUTSCHE POST FIELD TEST

In May 1995, a Field Test managed by the German postal service commenced in which the Electric Fuel System would be tested by Deutsche Post in vehicles powered by the Electric Fuel battery in mail delivery operations in Bremen, Germany, and by certain other fleet operators (including Deutsche Telekom, the German telecommunications company) (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 in Germany and Sweden.

As of September 30, 1996, the refueling and regeneration plant constructed in Bremen, Germany is supporting a fleet of nine Mercedes-Benz 4.6-ton vans (seven being used by the Deutsche Post, and two being used by Vatenfall AB and the Swedish Post), with approximately half of the vehicles being driven at any given time. While the Company had originally anticipated the Field Test to expand to a total of 64 vehicles for the Deutsche Post during 1996 (20 Mercedes-Benz vans and 44 GM-Opel light pick-up trucks), at recent meetings the Company has discussed with certain other Field Test partners modifications of the Field Test program. Because of changes made by Opel in the design of their vehicles and engineering issues relating to the integration of the battery into these vehicles, the Company now anticipates that one Opel vehicle will be participating in the Field Test by the end of 1996 and that an additional five Opel vehicles will be participating by the end of the first half of 1997. The Company also anticipates that the size of the fleet will be reduced and its composition changed to include a new

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Mercedes van used for package deliveries. Because of these changes, the Field Test could be extended in time.

The provision for anticipated program losses previously recorded by the Company reflects the program losses currently estimated by management (assuming a substantial reduction in the size of the Field Test or the receipt of additional funds by the Company in connection with the Field Test), and accordingly no increase to the provision was recorded in the third quarter of 1996. In the future, however, the provision may be increased to reflect any revised estimates of project costs. The costs of the Field Test incurred by the Company have exceeded the related program budgeted amounts by more than 20%, thereby allowing the Company, pursuant to the terms of the Field Test Partners Agreement, to enter into discussions to obtain additional funding from the Deutsche Post. The Company is continuing these discussions with the Deutsche Post in this regard. There can be no assurance, however, that the Company will be able to obtain any such funding. The balance of the provision for the uncompleted portions of the program amounts to \$2.2 million as at September 30, 1996. The overall provision includes cost estimates based on the Company's production experience to date for the supply of batteries and battery-vehicle interface equipment, the estimated service expenses for the Field Test fleet and costs related to the 100 kg/hour regeneration plant in Bremen, Germany which is supporting the Mercedes-Benz Field Test vehicles in service at September, 1996.

RESULTS OF OPERATIONS:

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 1995.

REVENUES:

Revenues for the third quarter of 1996 amounted to \$1,124,000 vs. \$1,216,000 in the comparable period in 1995, a decrease of \$92,000. Revenues for the third quarter of 1996 were principally derived from activities relating to the Field Test program. In the third quarter of 1995 revenues were primarily related to the Field Test, as well as revenues in connection with Phase 1 of the program with STN Atlas Elektronik GmbH (STN) to develop a high power zinc oxygen battery for torpedoes. The Company is presently negotiating the final details of Phase 2 of its program with STN. Also included in the third quarter of 1995 were revenues related to the completion and delivery of certain outstanding orders from Edison Termoelettrica, Spa (Edison). The Company anticipates recognizing most of the remaining expected revenues related to the Field Test under the current agreement in 1996 and into 1997, as batteries continue to be delivered, and the Field Test fleet is serviced.

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EXPENSES:

For the third quarter of 1996, research and development expenses and cost of revenues were \$2,960,000 compared with \$4,032,000 for the third quarter of 1995. The Company believes that, given the Company's stage of development, it is not, at this time, meaningful to distinguish between R&D expenses and cost of revenues. The decrease in expenses of \$1,072,000 from the third quarter of 1995 is principally attributable to a reduction of certain expenses in connection with the Deutsche Post Field Test, particularly the costs of the regeneration plant in Bremen, as well as by utilization of the previously accrued provision for project losses. This overall reduction was partially offset by costs associated with the continued growth of the Company, including the operation of the Company's production and development facilities in Israel and its new facility in Bremen, Germany; and increased personnel costs relating to the foregoing. For the third quarter of 1995, \$653,000 of royalty-bearing grants were recognized, which reduced R&D expenses during this period. The Company's 1996 grant application has been approved by the Office of the Chief Scientist of the Ministry of Industry and Trade. The total approved grant for 1996 will amount to approximately \$1.2 million. During the third quarter of 1996, \$908,000 of royalty-bearing grants were recognized, which reduced R&D expenses during this period. Expenses related to the Field Test are expected to continue at least through the rest of 1996 and into 1997 as the Company continues to deliver batteries and operates the Bremen regeneration plant. They will substantially exceed any expected revenues related thereto. 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.

Selling, general and administrative expenses for the third quarter of 1996 were \$1,021,000 vs. \$694,000 in the third quarter of 1995. This increase was primarily attributable to increased salaries, fees and allocated overhead expenses with respect to the Company's expanded activities, particularly in Germany. As the Company further expands its activities, it expects increases in selling, general and administrative expenses, particularly with respect to marketing expenses, as well as administrative expenses in its German subsidiary.

NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1995.

REVENUES:

Revenues for the nine months ended September 30, 1996 totaled \$3,618,000 vs. \$2,363,000 in the comparable period in 1995, an increase of \$1,255,000. Revenues for the first nine months of 1996 were principally derived from activities relating to the Field Test program. Additionally, the Company completed recognition of revenues related to Phase 1 of its development program with STN to develop a high power zinc oxygen battery for torpedoes. The Company is presently negotiating the final details of Phase 2 of

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its program with STN. In the first nine months of 1995 the revenues were primarily related to the Deutsche Post Field Test, as well as certain revenues related to marketing rights and the sale of equipment in the contract signed with Vattenfall AB. Also included in the first nine months of 1995 were revenues related to the completion and delivery of certain outstanding orders from Edison and revenues in connection with Phase 1 of the program with STN. The Company anticipates recognizing most of the remaining expected revenues related to the Field Test under the current agreement in 1996 and into 1997, as batteries continue to be delivered and the Field Test fleet is serviced.

EXPENSES:

Research and development expenses and cost of revenues were \$10,316,000 in the first nine months of 1996 compared with \$8,064,000 for the first nine months of 1995. The Company believes that, given the Company's stage of development, it is not, at this time, meaningful to distinguish between R&D expenses and cost of revenues. The increase in expenses of \$2,252,000 from the first nine months of 1995 was principally attributable to: expenses in connection with the Deutsche Post Field Test, including battery production costs primarily related to batteries for the Mercedes-Benz vehicles and costs of the regeneration plant in Bremen, although the overall expenses were partially offset by utilization of the previously accrued provision for project losses; costs associated with the continued growth of the Company, including the operation of the Company's production and development facilities in Israel and its new facility in Bremen, Germany; and increased personnel costs relating to the foregoing. During the first nine months of 1995, the Company increased its provision for anticipated program losses related to the Field Test by \$2.1 million. For the first nine months of 1995, \$1,369,000 of royalty-bearing grants were recognized, which reduced R&D expenses during this period. The Company's 1996 grant application has been approved by the Office of the Chief Scientist of the Ministry of Industry and Trade. The total approved grant for 1996 will amount to approximately \$1.2 million. During the first nine months of 1996, \$908,000 of royalty-bearing grants were recognized, which reduced R&D expenses during this period. Expenses related to the Field Test are expected to continue at least through the rest of 1996 and into 1997 as the Company continues to deliver batteries and operates the Bremen regeneration plant. They will substantially exceed any expected revenues related thereto. 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.

Selling, general and administrative expenses rose in the first nine months of 1996 to \$2,535,000 compared with \$1,912,000 in the first nine months of 1995. This increase was primarily attributable to increased salaries, fees and allocated overhead expenses with respect to the Company's expanded activities,

particularly in Germany. As the Company further expands its activities, it expects increases in selling, general and administrative expenses, particularly with respect to marketing expenses, as well as administrative expenses in Germany.

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#### LIQUIDITY AND CAPITAL RESOURCES

Battery and vehicle deliveries for Mercedes-Benz's participation in the Field Test are expected to continue through 1996 and into 1997. It is anticipated by the Company that deliveries of Opel batteries and vehicles will be delayed, as noted above. Under the current agreement, the Company has recognized to date approximately 62% of the Field Test revenues. Most of the remaining revenues and expenses related to the Field Test are expected to be recognized during the remainder of 1996 and into 1997. Total consideration to the Company, under its current contractual arrangements, 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 \$15.2 million), less a contribution to the costs of the Field Test by the Company of DM 7.0 million (approximately \$4.8 million), leaving a net balance of approximately DM 15.0 million (approximately \$10.4 million), which will not be sufficient to offset the Company's related expenses.

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. As of September 30, 1996, the Company had cash, cash equivalents and investments of approximately \$15.0 million compared with \$9.6 million as of December 31, 1995.

The Company used available funds in the first nine months of 1996 primarily for the advancement of its commitments with regard to the Field Test, continued R&D expenditures, and other working capital needs. The Company increased its investment in fixed assets by \$1.9 million to \$8.6 million during the nine months ended September 30, 1996. Fixed assets include \$3.1 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 \$3.4 million.

Also during the first quarter of 1996, the Company's Israeli subsidiary, Electric Fuel Ltd. ("EFL"), 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 Electric Fuel Corporation ("EFC") and be secured by a pledge of foreign currency deposits in the amount of NIS 750,000 (approximately \$233,000). Additionally the Credit Facility imposes financial and other covenants on EFC and EFL and presently expires on December 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

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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. As of September 30, 1996 the bank had issued letters of credit and bank guarantees totaling approximately \$178,000. At the present time, the Company is not engaged in any hedging activities.

The Company has no long-term debt outstanding and expects that its cash flow from operations and the private placement of its common stock on October 2, 1996, together with present cash reserves and amounts available under the Credit Facility, will be sufficient to fund the Company's projected activities into 1998, provided that the Field Test is modified to reduce the number of vehicles substantially or the Company receives additional funding in connection with its participation in the Field Test. However, costs related to the Field Test have exceeded, and may continue to exceed, budgeted amounts. Moreover, 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 facility to commercial capacity. 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. The Company also intends to use its resources to research and develop other applications exploiting the proprietary technology related to the Electric Fuel System and other advanced battery technologies. Accordingly, the Company may be required to seek additional funding or pursue other options, such as joint ventures with Field Test partners or others, during this period. The Company continues to consider financing alternatives when presented and, if financing becomes available on satisfactory terms, including price, the Company may obtain additional funding, including through the issuance of equity securities.

#### Subsequent Events

Pursuant to a Stock Purchase Agreement dated September 30, 1996 between the Company and Mr. Leon Gross, one of the Company's existing shareholders, on October 2, 1996, the Company issued 1,538,462 shares of the Company's common stock, \$.01 par value per share to Mr. Gross at a price of \$6.50 per share, for a total purchase price of \$10.0 million. The shares were issued in a private placement under the Securities Act of 1933, as amended, (the "Securities Act")



in reliance on the exemption therefrom provided by Section 4(2) of the Securities Act. As a result of this transaction, approximately 47.2% of the stock of the Company's Israeli-based subsidiary, EFL, is now owned (directly, indirectly or by application of certain attribution rules) by three United States citizens. Accordingly, if 50% of the shares of the Company is ever acquired or deemed to be acquired by five or

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fewer individuals (including, if applicable, those individuals who currently own an aggregate of 47.2% of the Company) who are United States citizens or residents, EFL would satisfy the foreign personal holding company ("FPHC") stock ownership test under the Internal Revenue Code and the Company could be subject to additional U.S. taxes on any undistributed FPHC income of EFL. For the first three quarters of 1996, EFL has not had, nor does it expect to have in 1996, any income which would qualify as undistributed FPHC income. However, no assurance can be given in this regard.

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.

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PART II

Item 6.

(b) No reports on Form 8-K were filed during the third quarter of 1996.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELECTRIC FUEL CORPORATION

(Registrant)

By: /s/ Robert S. Ehrlich  
-----

Name: Robert S. Ehrlich  
Title: Chairman of the Board and  
Chief Financial Officer

Dated: November 14, 1996

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<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1996
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<CASH>	12,952,982
<SECURITIES>	2,026,040
<RECEIVABLES>	369,272
<ALLOWANCES>	0
<INVENTORY>	847,040
<CURRENT-ASSETS>	18,043,233
<PP&E>	8,586,272
<DEPRECIATION>	1,403,865
<TOTAL-ASSETS>	25,332,289
<CURRENT-LIABILITIES>	4,956,385
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	127,191
<OTHER-SE>	19,436,959
<TOTAL-LIABILITY-AND-EQUITY>	25,332,289
<SALES>	0
<TOTAL-REVENUES>	3,618,289
<CGS>	0
<TOTAL-COSTS>	9,408,159<F1>
<OTHER-EXPENSES>	0<F1>
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	(641,092)
<INCOME-PRETAX>	(7,683,692)
<INCOME-TAX>	63,435
<INCOME-CONTINUING>	(7,747,127)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(7,747,127)
<EPS-PRIMARY>	(0.67)
<EPS-DILUTED>	(0.67)

<FN>

<F1>

TOTAL COSTS INCLUDES 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.

</FN>

</TABLE>