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, 1998

Commission file No. 0-23336

ELECTRIC FUEL CORPORATION

Exact name of registrant as specified in its charter

Delaware	95-4302784
(State or other jurisdiction 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 at November 11, 1998 was 14,303,387.

ELECTRIC FUEL CORPORATION

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ELECTRIC FUEL CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
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ASSETS	DECEMBER 31, 1997 (Audited)	SEPTEMBER 30, 1998 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	$11,771,816	$ 3,862,691
Marketable debt securities and other short term investments	3,101,846	6,991,401
Accounts receivable:		
Trade	801,927	757,450
Other	1,711,037	929,984
Inventories	538,682	515,026
TOTAL CURRENT ASSETS	17,925,308	13,056,552
MARKETABLE DEBT SECURITIES	1,843,326	0
FIXED ASSETS:		
Cost	7,058,716	7,122,245
Less - accumulated depreciation and amortization	2,304,327	2,757,839
	4,754,389	4,364,406
OTHER ASSETS, net of accumulated amortization	49,182	41,675
	$24,572,205	$17,462,633

</TABLE>

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

ELECTRIC FUEL CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
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LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1997 (Audited)	September 30, 1998 (Unaudited)
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	$ 1,169,371	$ 686,131
Other	1,786,163	1,488,580
Advances from Customers	1,014,948	211,049
TOTAL CURRENT LIABILITIES	3,970,482	2,385,760
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT net of amount funded	1,842,749	1,842,391
TOTAL LIABILITIES	5,813,231	4,228,151
STOCKHOLDERS' EQUITY:		
Common stock -- $0.01 par value; authorized -- 28,000,000 shares; issued and outstanding - 14,218,161 shares as of December 31, 1997 and 14,303,387 shares as of September 30, 1998:	142,182	143,034
Preferred stock - $0.01 par value; authorized - 1,000,000 shares, no shares outstanding		
Additional paid-in capital	57,077,708	57,261,470
Accumulated deficit	(36,020,457)	(41,774,540)
Unrealized gain on available-for-sale securities	436	230
Treasury stock, at cost (common stock - 255,333 shares as of September 30, 1998)		(1,806,481)
Notes receivable from stockholders	(2,440,895)	(589,231)
TOTAL STOCKHOLDERS' EQUITY	18,758,974	13,234,482
	$24,572,205	$17,462,633

</TABLE>

ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1997	1998
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REVENUES	$3,931,087	$3,529,328	$1,099,531	$677,816
RESEARCH AND DEVELOPMENT EXPENSES AND COST OF REVENUES				
Expenses incurred	8,361,287	7,153,612	3,014,360	1,894,944
Less - royalty-bearing grants	1,838,867		1,238,867	
	6,522,420	7,153,612	1,775,493	1,894,944
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,985,555	2,476,615	935,421	906,137
	9,507,975	9,630,227	2,710,914	2,801,081
OPERATING LOSS	(5,576,888)	(6,100,899)	(1,611,383)	(2,123,265)
FINANCIAL INCOME - NET	591,894	379,269	199,595	106,061
LOSS BEFORE TAXES ON INCOME	(4,984,994)	(5,721,630)	(1,411,788)	(2,017,204)
TAXES ON INCOME	120,833	32,453	105,833	5,422
LOSS FOR THE PERIOD	(5,105,827)	(5,754,083)	(1,517,621)	(2,022,626)
LOSS PER SHARE	$ (0.41)	($0.45)	$ (0.12)	$ (0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	12,494,263	12,733,250	12,522,508	12,907,241

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

	Common Stock			
	Shares	Amount	Additional paid-in capital	Accumulated deficit
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BALANCE AT JANUARY 1, 1998	14,218,161	$142,182	$57,077,708	$(36,020,457)
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998:				
Shares issued in connection with the exercise of option	81,226	$812	$90,094	
Shares issued as compensation for services rendered by directors	4,000	$40	$10,710	
Purchase of treasury stock (255,333 shares)				
Accrued interest on notes receivable from stockholders			$82,958	
Payments of interest and principal on notes receivable from stockholders				
Loans granted to stockholders				
Unrealized loss on available-for-sale securities				
Loss				$(5,754,083)
BALANCE AT SEPTEMBER 30, 1998	14,303,387	$143,034	$57,261,470	$(41,774,540)

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)

	Unrealized gain on available-for-sale securities	Treasury stock	Notes receivable from shareholders	Total
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BALANCE AT JANUARY 1, 1998	$436		$(2,440,895)	$18,758,974
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998:				
Shares issued in connection with the exercise of option				$90,906
Shares issued as compensation for services rendered by directors				$10,750
Purchase of treasury stock (255,333				

shares)		(1,806,481)	$1,806,481	$0
Accrued interest on notes receivable from stockholders			$(82,958)	$0
Payments of interest and principal on notes receivable from stockholders			$147,299	$147,299
Loans granted to stockholders			$(19,158)	$(19,158)
Unrealized loss on available-for-sale securities	$(206)			$(206)
Loss				$(5,754,083)
BALANCE AT SEPTEMBER 30, 1998	$230	$(1,806,481)	$(589,231)	$13,234,482

</TABLE>

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

ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
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	Nine months ended September 30,	
	1997	1998
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	$ (5,105,827)	$ (5,754,083)
Adjustments required to reconcile loss to net cash used in operating activities:		
Depreciation and amortization	698,559	656,353
Amortization of net premium (discount) on marketable debt securities	(15,029)	17,137
Liability for employee rights upon retirement - net	314,227	(358)
Shares issued as compensation for services rendered by directors		10,750
Loss (gain) from marketable debt securities, net		260
Capital loss from disposal of fixed assets		4,535
Writedown of fixed assets		442,154
Changes in operating asset and liability items:		
Decrease (increase) in accounts receivable	(945,696)	825,530
Decrease in inventories	239,487	23,656
(Decrease) in accounts payable and accruals	(205,920)	(780,823)
Increase (decrease) in advances from customers	178,008	(803,899)
NET CASH USED IN OPERATING ACTIVITIES	$ (4,842,191)	$ (5,358,788)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(402,267)	(794,211)
Loans granted to stockholders		(19,158)
Proceeds from disposal of fixed assets		88,659
Sale or redemption of (purchase of) marketable debt securities and other short term investments- net	5,033,414	(2,063,832)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$4,631,147	$(2,788,542)
FORWARD	$(211,044)	$(8,147,330)

</TABLE>

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

ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<TABLE>
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	Nine months ended September 30,	
	1997	1998
<S>	<C>	<C>
FORWARD	$(211,044)	$(8,147,330)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on note receivable from Stockholders	$14,096	$147,299
Proceeds from exercise of warants and options	34,381	90,906
Net cash provided by financing activities	48,477	238,205

DECREASE IN CASH AND CASH EQUIVALENTS	(162,567)	(7,909,125)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,662,776	11,771,816
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 12,500,209	$ 3,862,691
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - CASH PAID DURING THE PERIOD FOR:		
Interest	$ 136	$ 736
Advances to income tax authorities	$ 55,790	$ 56,659

</TABLE>

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

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, 1997.

2. EFFECTS OF RECENT PRONOUNCEMENTS

   a) In February 1997, the FASB issued Statement No. 128, "Earnings per share" ("Statement 128"), which is effective as from 1997. All earning per share amounts for all periods have been presented and where appropriate restated to conform to the Statement 128 requirements. Consequently, the loss per share for the quarter ended September 30, 1997 increased from $0.11, as previously reported, to $0.12 as reported in these financial statements, and the loss per share for the nine months ended September 30, 1998 increased from $0.37, as previously reported, to $0.41 as reported in these financial statements.

   b) In June 1997, the FASB issued Statement No. 130 "Reporting Comprehensive Income" (Statement 130), which is effective for fiscal years beginning after December 15, 1997. Except for unrealized gains on available-for-sale securities in immaterial amounts, the provisions of Statement 130 require no additional reporting by the Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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, unless such amounts are more than 1.0 million, in which event such amounts have been rounded to the nearest hundred 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, 1997 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.

GENERAL

From its inception, the Company has been engaged principally in the research, design, development and commercialization of an innovative, advanced zinc-air battery for powering zero emission electric vehicles. In part, because the market for electric vehicles had not demonstrated previously anticipated levels of growth, the Company began a strategic shift to actively expand its activities into additional applications in zinc-air battery technology. In January 1998, the Company announced the creation of three market-related divisions to expand its business activities into wider applications. The three divisions are Electric Vehicle, Consumer Batteries, and Defense and Safety Products.

RESULTS OF OPERATIONS:
THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 1997.

REVENUES:

Revenues for the third quarter of 1998 totaled $678,000 compared with $1.1 million in the comparable period in 1997, a decrease of $422,000. Since the Deutsche Post AG ("Deutsche Post") Field Test concluded in the second quarter of 1998, no revenues from that program were recognized in the third quarter. This was the primary

reason for the reduction of revenues as compared to the third quarter of 1997. The Company recently signed an agreement with the United States Department of Transportation ("DOT") as part of a consortium that will demonstrate the ability of the Electric fuel battery system to power a full size, all electric transit bus. The DOT approved $2.0 million in federal funding for the cost-shared $4.0 million program. Consequently, revenues for the third quarter were principally derived from activities related to the DOT program. Since this is a cost-shared program, expenses associated with the Company's participation in the program will exceed the revenues to be earned from the program. Additionally, the Company recognized revenues from the sale of Survivor Locator Lights and continued recognizing revenues in connection with various defense R&D contracts.

Revenues for the third quarter of 1997, were principally derived from activities related to the Deutsche Post Field Test, as well as from the supply of batteries from a more recent order of the Deutsche Post. Additionally, the Company recognized revenues from the supply of batteries and equipment to Edison Termoelettrica, Spa (Edison).

EXPENSES:

Research and development expenses and cost of revenues for the third quarter of 1998 were $1.9 million compared with $3.0 million for the third quarter of 1997, a decrease of $1.1 million. 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. In addition to the reduction in the overall expenses, the internal division of expenses also changed between the periods. This was principally attributable to a reduction of expenses related to Electric Vehicle battery development, and most particularly expenses related to the Deutsche Post Field Test, which came to its conclusion during the second quarter of 1998. This overall reduction was partially offset by increases in the costs associated with Consumer Battery development, and production of increased quantities of Survivor Locator Lights in the Defense and Safety Division. With regard to the Company's R&D program, since the Company's 1998 grant applications have not yet been approved by the Research Committee of the Office of the Chief Scientist of the Ministry of Industry and Trade, no royalty bearing grants were recognized in the third quarter of 1998. The Company believes that its R&D program will be approved for funding during the fourth quarter. However, the Company anticipates a reduced grant as compared to prior years. During the third quarter of 1997, the Company recorded $1.2 million of royalty bearing grants from the Chief Scientist's Office, including an increase of $582,000 in grants in connection with the Company's 1996 research and development program. As previously announced, the Company has entered into an agreement to complete development of a battery for powering transit buses, in connection with a program to develop a new hybrid propulsion system in conjunction with General Electric Corporate Research and Development ("General Electric"). The program is being partially funded by the Israel - US Binational Industrial Research and Development (BIRD) Foundation. The DOT program noted above complements the BIRD program. Accordingly, the Company expects that, for the balance of 1998 and through late 1999, expenditures in connection with the Electric Vehicle battery, will increase as compared to the first nine months of 1998. R&D expenses and cost of operations related to Consumer

Battery and Defense and Safety applications are also expected to continue to increase for the balance of 1998, as the Company intensifies its efforts in these new areas.

Selling, general and administrative expenses for the third quarter of 1998 were $906,000 vs. $935,000 in the third quarter of 1997. The Company expects increases in selling, general and administrative expenses, particularly with respect to marketing expenses, as the Company expands the applications for its technology.

RESULTS OF OPERATIONS:
NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 1997.

REVENUES:

Revenues for the first nine months of 1998 were $3.5 million vs. $3.9 million in the comparable period in 1997. During 1998, the Deutsche Post and the Company agreed to extend the operations of the Field Test through May, 1998. Following the completion of the Field Test, the Deutsche Post and the Company agreed to mutually release each other from any financial claims regarding the Field Test, including additional funding due the Company or repaying advances made by the Deutsche Post to the Company with respect to Opel batteries, which were previously subject to a dispute. Consequently, revenues for the first nine months of 1998 were principally derived from recognizing the previously deferred advances, as well as from activities relating to the Field Test extension (reflecting coverage of expenses by the Deutsche Post). Additionally, the Company recognized revenues from the sale of additional batteries to the Deutsche Post as well as sales of Electric Vehicle batteries to Edison Termoelettrica, SpA ("Edison"). The Company also recognized revenues from the sale of Survivor Locator Lights. The company recently signed an agreement with the DOT as part of a consortium that will demonstrate the ability of the Electric fuel battery system to power a full size, all electric transit bus. The DOT approved $2.0 million in federal funding for the cost-shared $4.0 million program. Accordingly, the Company began recognizing revenues in connection with this program. Since this is a cost-shared program, expenses associated with the Company's participation in the program will exceed the revenues to be earned from the program. Additionally, the Company began recognizing revenues in connection with various defense R&D contracts.

Revenues for the first nine months of 1997 were principally derived from fees collected in relation to a preliminary license agreement completed with Vattenfall AB. Additionally, the Company continued to recognize revenues relating to its activities in the Deutsche Post Field Test program. The Company completed recognition of revenues from Phase 2 of its agreement with STN Atlas Elektronic GmbH (STN) to develop a high power zinc oxygen battery for torpedoes. In addition, the Company recognized revenues from the supply of batteries and equipment to Edison.

EXPENSES

Research and development expenses and cost of revenues were $7.2 million in the first nine months of 1998 vs. $8.4 million in the comparable period in 1997, a decrease of $1.2 million. 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. In addition to the reduction in the overall expenses, the internal division of expenses also changed between the periods. This was principally attributable to a reduction of expenses related to Electric Vehicle battery development, and most particularly expenses related to the Deutsche Post Field Test, which came to its conclusion during the second quarter of 1998. This overall reduction was partially offset by increases in the costs associated with Consumer Battery development, and production of increased quantities of Survivor Locator Lights in the Defense and Safety Division. Expenses also included a write off of certain production equipment related to the earlier generation Field Test version of the Electric Vehicle Battery, for a net amount of approximately $430,000. With regard to the Company's R&D program, since the Company's 1998 grant applications have not yet been approved by the Research Committee of the Office of the Chief Scientist of the Ministry of Industry and Trade, no royalty bearing grants were recognized in the third quarter of 1998. The Company believes that its R&D program will be approved for funding during the fourth quarter. However, the Company anticipates a reduced grant as compared to prior years. During the first nine months of 1997, the Company recognized $1.8 million of royalty bearing grants from the Chief Scientist's Office, including an increase of $582,000 in grants in connection with the Company's 1996 research and development program. As previously announced, the Company has entered into an agreement to complete development of a battery for powering transit buses, in connection with a program to develop a new hybrid propulsion system in conjunction with General Electric Corporate Research and Development ("General Electric"). The program is being partially funded by the Israel - US Binational Industrial Research and Development (BIRD) Foundation. The DOT program noted above complements the BIRD program. Accordingly, the Company expects that, for the balance of 1998 and through late 1999, expenditures in connection with the Electric Vehicle battery, will increase as compared to the first nine months of 1998. R&D expenses and cost of operations related to Consumer Battery and Defense and Safety applications are also expected to continue to increase for the balance of 1998, as the Company intensifies its efforts in these new areas.

Selling, general and administrative expenses decreased in the first nine months of 1998 to $2.5 million vs. $2.9 million in the comparable period in 1997. This decrease was primarily attributable to reduced salaries and professional fees during the first nine months of 1998. The Company expects increases in selling, general and administrative expenses, particularly with respect to marketing expenses, as the Company expands the applications for its technology.

IMPACT OF YEAR 2000

The Company has instituted a program to analyze all computer software and hardware, as well as other operating equipment that are reliant on date related functions, to ensure year 2000 compliance. It is expected that this program will be completed prior to December 31, 1998. When this review is completed, the Company will be in a position to take appropriate action to bring such hardware or software to year 2000 compliance. Management is currently of the opinion that year 2000 issues will not materially affect the Company's operations, and the Company does not expect to incur material expenditures to resolve these issues. Similarly, management believes, that the company is not exposed to material risks as a result of vendors not being compliant with year 2000 issues.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1998, the Company had cash, cash equivalents and financial investments of approximately $10.9 million compared with $16.7 million as of December 31, 1997.

The Company used available funds during the first nine months of 1998 primarily for continued research and development expenditures, and other working capital needs. The Company increased its net investment in fixed assets by approximately $706,000 during the nine months ended September 30, 1998. However, fixed assets were adjusted downward to reflect a write off of certain production equipment related to the earlier generation Field Test version of the Electric Vehicle Battery. As a result, the balance of fixed assets as at September 30, 1998 was $7.1 million.

Under an existing line of credit with the First International Bank of Israel Ltd., the Company had outstanding issued letters of credit and bank guarantees totaling approximately $488,000 as of September 30, 1998.

The Company has no long term debt outstanding and expects that its cash flow from operations, together with present cash reserves and amounts available under the Credit Facility, will be sufficient to fund the Company's projected activities into the third quarter of 1999. The Company is largely using its resources to continue development of other applications exploiting zinc air technology, primarily batteries for consumer electronic devices, as well as to participate in the BIRD & DOT programs. Accordingly, the Company is seeking additional funding, including through the issuance of equity securities, and is pursuing other options, such as joint ventures or other strategic relationships. There can be, however, no assurance that the Company will obtain any such additional funding. As a result, the Company might have to modify, reduce, defer or eliminate certain of its anticipated future commitments and/or programs, in order to continue operations.

PART II

ITEM 5

On July 5, 1998 the Company repurchased shares of the Company's common stock from Robert Ehrlich, Yehuda Harats and Stewart Edelman. Mr. Edelman is an officer of the Company, and each of Messrs. Ehrlich and Harats is a director and officer of the Company. The Company purchased 80,000 shares from Mr. Ehrlich, 170,000 shares from Mr. Harats and 5,333 shares from Mr. Edelman. As payment for these repurchases, the Company canceled the non-recourse notes executed by each of Messrs. Ehrlich, Harats and Edelman in favor of the Company in 1996 as payment for the purchase of the shares now being repurchased by the Company. The repurchases were approved by the Company's Board of Directors on July 1, 1998.

ITEM 6.

No reports on Form 8-K were filed during the third quarter of 1998.

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 11, 1998

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