

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, 1999

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 9, 1999 was 14,048,054.

INDEX

<TABLE>  
<CAPTION>

Page

<S>

<C>

PART I - FINANCIAL INFORMATION:

Item 1 - INTERIM FINANCIAL STATEMENTS (UNAUDITED):

Consolidated Balance Sheets at September 30, 1999 and December 31, 1998	3-4
Consolidated Statements of Operations for the Nine Months and Three Months ended September 30, 1999 and 1998	5
Consolidated Statements of Changes in Stockholders' Equity for the Nine Months ended September 30, 1999	6
Consolidated Statements of Cash Flows for the Nine Months ended September 30, 1999 and 1998	7-8
Notes to the Consolidated Financial Statements	9-11

Item 2 - Management's Discussion and Analysis of Financial

Condition and Results of Operations	12-16
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PART II - OTHER INFORMATION:

Item 6 - Reports on Form 8-K	17
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</TABLE>

Page 2

ELECTRIC FUEL CORPORATION  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

December 31, 1998 September 30, 1999

ASSETS	(Audited)	(Unaudited)
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,242,555	\$3,000,020
Marketable debt securities	3,700,575	
Accounts receivable:		
Trade	613,467	431,939
Other	1,299,056	1,043,340
Inventories	374,543	481,592
Total current assets	11,230,196	4,956,891
FIXED ASSETS:		
Cost	6,342,171	7,510,239
Less - accumulated depreciation and amortization	2,907,312	3,486,046
	3,434,859	4,024,193
	\$14,665,055	\$8,981,084

</TABLE>

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

Page 3

ELECTRIC FUEL CORPORATION  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

	December 31, 1998	September 30, 1999
	(Audited)	(Unaudited)
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 1,099,352	\$ 1,538,207
Other	1,003,522	924,546
Deferred income	136,549	
Total current liabilities	2,239,423	2,462,753
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT net of amount funded	1,844,120	1,514,783
Total Liabilities	4,083,543	3,977,536
STOCKHOLDERS' EQUITY:		
Common stock - \$0.01 par value; authorized - 28,000,000 shares; issued - 14,303,387 shares as of December 31, 1998 and December 30, 1999: outstanding - 14,048,054 shares as of December 31, 1998 and September 30, 1999:		
Preferred stock - \$0.01 par value; authorized - 1,000,000 shares, no shares outstanding	143,034	143,034
Additional paid-in capital	57,398,814	57,398,814
Accumulated deficit	(44,553,027)	(50,103,205)
Accumulated other comprehensive loss	(1,943)	
Treasury stock, at cost (common stock - 255,333 shares)	(1,806,481)	(1,806,481)
Notes receivable from stockholders	(598,885)	(628,614)
Total Stockholders' Equity	10,581,512	5,003,548
	\$ 14,665,055	\$ 8,981,084

</TABLE>

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

Page 4

ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>

<CAPTION>

	Nine months ended September 30,		Three months ended September 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
REVENUES	\$ 3,529,328	\$ 1,901,409	\$ 677,816	\$ 781,260
RESEARCH AND DEVELOPMENT EXPENSES AND COST OF REVENUES				
Expenses incurred	7,153,612	6,397,159	1,894,944	2,007,686
Less - royalty-bearing grants		1,040,736		370,500
	7,153,612	5,356,423	1,894,944	1,637,186
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,476,615	2,249,691	906,137	719,602
	9,630,227	7,606,114	2,801,081	2,356,788
OPERATING LOSS	(6,100,899)	(5,704,705)	(2,123,265)	(1,575,528)
FINANCIAL INCOME - NET	379,269	160,544	106,061	37,819
LOSS BEFORE TAXES ON INCOME	(5,721,630)	(5,544,161)	(2,017,204)	(1,537,709)
TAXES ON INCOME	32,453	6,017	5,422	
LOSS FOR THE PERIOD	(5,754,083)	(5,550,178)	(2,022,626)	(1,537,709)
LOSS PER SHARE *	\$ (0.41)	\$ (0.40)	\$ (0.14)	\$ (0.11)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING *	13,992,335	14,048,054	14,045,663	14,048,054

</TABLE>

\* See note 3

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

Page 5

ELECTRIC FUEL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

<TABLE>

<CAPTION>

	Common Stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT JANUARY 1, 1999	14,303,387	\$143,034	\$57,398,814	\$ (44,553,027)	
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1999:					
Realization of loss on available for sale securities					
Accrued Interest on notes receivable from stockholders					
Loss				(5,550,178)	
BALANCE AT SEPTEMBER 30, 1999	14,303,387	\$143,034	\$57,398,814	\$ (50,103,205)	
<CAPTION>					
	Accumulated other comprehensive loss	Treasury stock	Notes receivable from shareholders	Total	
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT JANUARY 1, 1999	\$ (1,943)	\$ (1,806,481)	\$ (598,885)	\$10,581,512	
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1999:					
Realization of loss on available for sale securities					
Accrued Interest on notes receivable from stockholders	1,943				1,943
Loss					
BALANCE AT SEPTEMBER 30, 1999			(29,729)	(29,729)	(29,729)
				(5,550,178)	(5,550,178)
		\$ (1,806,481)	\$ (628,614)	\$5,003,548	\$5,003,548

</TABLE>

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

Page 6

ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>  
<CAPTION>

	Nine months ended September 30,	
	1998	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	\$ (5,754,083)	\$ (5,550,178)
Adjustments required to reconcile loss to net cash used in operating activities:		
Depreciation and amortization	656,353	578,734
Amortization of net premium on marketable debt securities	17,137	
Interest accrued on notes to stockholders		(29,729)
Liability for employee rights upon retirement net	(358)	(329,337)
Shares issued as compensation for services rendered by directors	10,750	
Loss on sale of marketable securities	260	1,943
Capital loss on sale of fixed assets	4,535	
Writedown of fixed assets	442,154	
Changes in operating asset and liability items:		
Decrease in accounts receivable	825,530	437,244
Decrease (increase) in inventories	23,656	(107,049)
Increase (decrease) in accounts payable and accruals	(780,823)	359,879
Decrease in deferred income	(803,899)	(136,549)
Net cash used in operating activities	\$ (5,358,788)	\$ (4,775,042)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(794,211)	(1,168,068)
Loans granted to stockholders	(19,158)	
Proceeds from disposal of fixed assets	88,659	
Sale of (purchase of) marketable debt securities - net	(2,063,832)	3,700,575
Net cash provided by (used in) investing activities	\$ (2,788,542)	\$ 2,532,507
FORWARD	\$ (8,147,330)	\$ (2,242,535)

</TABLE>

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

Page 7

ELECTRIC FUEL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
<S>	<C>	<C>
FORWARD	\$ (8,147,330)	\$ (2,242,535)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on note receivable from stockholders	147,299	
Proceeds from exercise of options	90,906	
Net cash provided by financing activities	238,205	
DECREASE IN CASH AND CASH EQUIVALENTS	(7,909,125)	(2,242,535)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,771,816	5,242,555
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 3,862,691	\$ 3,000,020

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

INFORMATION-CASH PAID DURING THE PERIOD FOR:

Interest	\$ 736	\$ 13,506
	=====	=====
Income Taxes	\$ 56,659	\$ 17,973
	=====	=====

</TABLE>

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

Page 8

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.

The Company incurred an operating loss of \$5.6 million (1998 - \$5.8 million) for the nine months ended September 30, 1999. These financial statements assume the Company will realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue its anticipated level of operations is dependent upon its ability to obtain adequate sources of financing as required and its ability to develop and maintain profitable operations. If the Company is unable to obtain such funding or to develop profitable operations, it will have to significantly reduce its anticipated future commitments and/or progress.

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, 1998.

2. EFFECTS OF RECENT PRONOUNCEMENT

In June 1998, the FASB issued FAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." FAS 133 established a new model for accounting for derivatives and hedging activities. FAS 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. FAS 133 is effective for calendar-year companies as from January 1, 2001.

The Company is currently evaluating the impact FAS 133 will have on its financial statements; however, since the use of derivatives by the Company is limited, it expects that the adoption of FAS 133 will have no material impact on its consolidated results of operations, financial position or cash flows.

3. Due to the conversion of certain outstanding management promissory notes, the number of shares outstanding at September 30, 1998 for purposes of calculating loss per share should have been 13,992,335 rather than 12,733,250, and accordingly the reported loss per share has been corrected to reflect this calculation.

Page 9

4. Segment Information

The following table shows the results of the Company's main segments for the first Nine months of 1999 and 1998, and fixed assets at September 30, 1999, and December 31, 1998.

<TABLE>

<CAPTION>

1999						
<S>	Segment	Defense & Safety	Electric Vehicle	Consumer Battery	All other	Total
		<C>	<C>	<C>	<C>	<C>
	Revenues from external customers	\$915,489	\$ 879,407	\$ 74,845	\$ 31,668	\$ 1,901,409
	Direct Expenses	963,106	2,088,451	2,493,918	2,060,639	7,606,114
	Segment Gross Loss	\$(47,617)	\$(1,209,044)	\$(2,419,073)	\$(2,028,971)	\$(5,704,705)
	Financial income, net and tax					\$ 154,527
	Loss					\$(5,550,178)
	Fixed assets, Net	\$355,660	\$ 891,800	\$ 1,776,237	\$ 1,000,496	\$ 4,024,193

<CAPTION>						
1998						
<S>	Segment	Defense & Safety <C>	Electric Vehicle <C>	Consumer Battery <C>	All other <C>	Total <C>
	Revenues from external customers	\$ 748,088	\$ 2,766,195		\$ 15,045	\$ 3,529,328
	Direct Expenses	1,113,594	3,963,653	2,040,720	2,512,260	9,630,227
	Segment Gross Loss	\$ (365,506)	\$ (1,197,458)	\$ (2,040,720)	\$ (2,497,215)	\$ (6,100,899)
	Financial income, net and tax					\$346,816
	Loss					\$ (5,754,083)
	Fixed assets, Net	\$ 388,654	\$ 993,704	\$ 1,864,676	\$ 1,117,372	\$ 4,364,406

</TABLE>

Page 10

The following table shows the results of the Company's main segments for the third quarter of 1999 and 1998.

<TABLE>						
<CAPTION>						
1999						
<S>	Segment	Defense & Safety <C>	Electric Vehicle <C>	Consumer Battery <C>	All other <C>	Total <C>
	Revenues from external customers	\$330,620	\$ 372,613	\$ 61,768	\$ 16,259	\$ 781,260
	Direct Expenses	242,631	691,055	712,683	710,419	2,356,788
	Segment Gross Profit (Loss)	\$ 87,989	\$ (318,442)	\$ (650,915)	\$ (694,160)	\$ (1,575,528)
	Financial income, net and tax					\$ 37,819
	Loss					\$ (1,537,709)

1998						
<S>	Segment	Defense & Safety <C>	Electric Vehicle <C>	Consumer Battery <C>	All other <C>	Total <C>
	Revenues from external customers	\$229,088	\$ 448,195		\$ 533	\$ 677,816
	Direct Expenses	289,594	1,249,653	727,720	534,114	2,801,081
	Segment Gross Loss	\$ (60,506)	\$ (801,458)	\$ (727,720)	\$ (533,581)	\$ (2,123,265)
	Financial income, net and tax					\$ 100,639
	Loss					\$ (2,022,626)

</TABLE>

Page 11

ELECTRIC FUEL CORPORATION

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, 1998, 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

During the third Quarter of 1999, the Company continued to focus its efforts on the development and the commercialization of its disposable ZincAir batteries for cellular phones. These batteries use the proprietary high-rate primary zinc-air technology developed by the Company in the last two years for portable electronic devices.

Advantages of the ZincAir batteries include the battery's high capacity -- up to 4 times more than typical rechargeable batteries. The batteries are ideal and convenient for frequent travelers or for outdoor activities where charging is impractical or impossible. Batteries are charged and ready to use right out of the pack providing instant power, and are suitable for emergency and backup applications.

The Company has signed several distribution agreements with after-market distributors of cellular accessories, and has received initial orders. Towards the end of the third Quarter, the Company began shipping batteries to its distributors. The Company line of existing products includes batteries for Nokia 5100/6100/7100 phones and Motorola MicroTAC phones and auxiliary battery for the Motorola StarTAC. Batteries for the Ericsson 600/800/1000 series are planned for the end of the fourth quarter.

Batteries are currently being produced using a manually operated production line. A custom designed high-capacity automatic line has been ordered as a turnkey project from an experienced vendor, and is currently in the final stage of the acceptance test. Delivery to the Company expected during the fourth quarter.

During the third quarter, the Company continued to invest in strengthening its intellectual property position. The Company has more than 30 patents issued covering general aspects and various applications of ZincAir technology. The Company also filed a significant number of new applications focusing specifically on ZincAir batteries for consumer electronic devices and cellphones.

The Company continues to develop other applications for its disposable ZincAir batteries, including devices for the telecommunications, medical and defense markets.

12

#### ELECTRIC FUEL CORPORATION

The Safety Products Division of the Company is introducing new emergency lights for the marine life jackets market, and sales are gradually growing. Sales of emergency lights for the aviation market are stable with a potential for an increase, if contracts currently under negotiation will materialize.

The Electric Vehicle Division is continuing its American all-electric transit bus development project in Nevada, supported by the Federal Transit Administration and the Israel-US Binational Industrial Research and Development (BIRD) Foundation. The Company is supporting its Italian partner, Edison, with its effort to establish a 50-100 electric vehicle project in Milan, and is continuing the effort to establish a consortium to commercialize the technology in Germany.

#### RESULTS OF OPERATIONS:

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 1998.

#### REVENUES

Revenues for the third quarter of 1999 totaled \$781,000 compared with \$678,000 in the comparable period in 1998, an increase of \$103,000. Revenues were \$331,000 (1998: \$229,000) for the Defense and Safety segment, \$373,000 (1998: \$448,000) for the Electric Vehicle segment and \$62,000 (1998: \$0) for the Consumer Battery segment.

During the third quarter of 1999, the Company recognized revenues from the sale of Survivor Locator Lights and sale of consumer batteries, activities related to the United States Department of Transportation ("DOT") program. In 1998, the Company signed an agreement with DOT as part of a consortium that is seeking to 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. The Company's share of the \$4.0 million cost is approximately \$3.5 million, 50% of which will be reimbursed to the Company out of the DOT funds. 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. The DOT program is expected to continue until the first quarter of year 2000. Additionally, the Company recognized revenues in connection with various defense R&D contracts.

During the third quarter of 1998, the Company recognized revenues from the sale of Survivor Locator Lights. The Company also recognized revenues from the sale of additional batteries to the Deutsche Post, and began recognizing revenues in connection with various defense R&D contracts.

#### EXPENSES

Research and development expenses and cost of revenues for the third

quarter of 1999 were \$2.0 million compared with \$1.9 million for the third quarter of 1998. 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.

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 BIRD Foundation. The DOT program described above complements the BIRD program.

13

#### ELECTRIC FUEL CORPORATION

R&D expenses were reduced by \$370,000 in the third quarter of 1999 as a result of recognition of grants from the Office of the Chief Scientist of the Ministry of Industry and Trade and the BIRD Foundation. The Company's 1999 R&D grant applications have been approved by the Research Committee of the Office of the Chief Scientist of the Ministry of Industry and Trade. As a result, royalty-bearing grants of up to \$910,000 will be available to the Company during 1999 to offset R&D expenses. Royalty-bearing grants in the amount of 223,000, was recognized in the third quarter of 1999. In addition, \$147,000 of royalty bearing grants from the BIRD Foundation were recognized in the third quarter of 1999.

Selling, general and administrative expenses for the third quarter of 1999 were \$720,000 vs. \$906,000 in the third quarter of 1998. The decrease was primarily attributable to reduced salaries and professional fees during the third quarter of 1999. 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.

Direct expenses for segments for the third quarter were \$243,000 (1998: \$290,000), \$691,000 (1998: \$1.2 million), and \$713,000 (1998: \$728,000) in the Defense and Safety, Electric Vehicle and Consumer Battery segments, respectively.

The Company reported a net loss of \$1.5 million in the third quarter of 1999 compared with a net loss of \$2 million in the third quarter of 1998 due to the factors cited above.

#### RESULTS OF OPERATIONS:

NINE MONTHS ENDED SEPTEMBER 30, 1999, COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 1998.

#### REVENUES

Revenues for the first nine months of 1999 totaled \$1.9 million compared with \$3.5 million in the comparable period in 1998, a decrease of \$1.6 million. The reduction is primarily a result of the Company's reduced activities in the electric vehicle market and the "start-up" phase of its consumer battery activities. Revenues were \$915,000 (1998: \$748,000) for the Defense and Safety segment, \$879,000 (1998: \$2.8 million) for the Electric Vehicle segment, and \$75,000 (1998: \$0) for the Consumer Battery segment for the first nine months of the year.

During the first nine months of 1999, the Company recognized revenues from the sale of Survivor Locator Lights, Defense R&D contracts, consumer batteries and activities related to the United States Department of Transportation ("DOT") program. In 1998, the Company signed an agreement with DOT as part of a consortium that is seeking to 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. The Company's share of the \$4.0 million cost is approximately \$3.5 million, 50% of which will be reimbursed to the Company out of the DOT funds. 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. The DOT program is expected to continue until the first quarter of year 2000.

Revenues for the first nine months of 1998 were principally derived from activities relating to the extension of Deutsche Post Field Test, which terminated in the second quarter of 1998. Additionally, in 1998, the Company recognized revenues from the sale of additional batteries to the

14

#### ELECTRIC FUEL CORPORATION

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 and defense R&D contracts.

#### EXPENSES

Research and development expenses and cost of revenues first nine months of 1999 were \$6.4 million compared with \$7.2 million for the first nine months of 1998. 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 \$0.8 million from the first nine months of 1999 is principally attributable to a reduction of expenses and personnel



related to Electric Vehicle battery development. This decrease was partially offset by the Company's increased costs associated with Consumer Battery development and production of increased quantities of Survivor Locator Lights in the Defense and Safety Division in the first nine months of 1999. The Company's 1999 grant applications have been approved by the Research Committee of the Office of the Chief Scientist of the Ministry of Industry and Trade and royalty bearing grants have therefore been recognized in the first nine months of 1999 in the amount of \$768,000. During the first nine months of 1998, no royalty bearing grants were recognized, as the 1998 Chief Scientist application was not approved until later in the year.

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 BIRD Foundation, and the Company recorded \$273,000 of royalty-bearing grants in the first nine months of 1999, in connection with this program. The DOT program described above complements the BIRD program.

Selling, general and administrative expenses for the first nine months of 1999 were \$2.2 million vs. \$2.5 million in the first nine months of 1998. The Company expects selling, general and administrative expenses will increase, particularly with respect to marketing expenses, as the Company expands the applications for its technology.

Direct expenses for segments for the first nine months of the year were \$963,000 (1998: \$1.1 million), \$2.1 million (1998: \$4.0 million), and \$2.5 million (1998: \$2.0 million) in the Defense and Safety, Electric Vehicle and Consumer Battery segments, respectively.

Financial income, net of interest expense, exchange differentials, bank charges, and other fees, totaled approximately \$161,000 in the first nine months of 1999 compared to \$379,000 in same period in 1998.

The Company reported a net loss of \$5.6 million in the first nine months of 1999 compared with a net loss of \$5.8 million in the first nine months of 1998 due to the factors cited above.

#### IMPACT OF YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. The Company considers a

15

#### ELECTRIC FUEL CORPORATION

product to be in "Year 2000" compliance if the product's performance and functionality will be unaffected by processing of dates prior to, during and after the year 2000.

The Company has retained an outside consultant to assess the Year 2000 compliance of the Company's computer hardware and software, and other equipment of the Company with embedded chips that may be date-sensitive. The consultant completed its initial assessment of the Company's systems in March 1999. Based on the initial review of the consultant, the Company believes that its core computer systems and equipment will be Year 2000 compliant, and that the Year 2000 issue will not materially affect the Company's operations or business. Management expects that the expenses incurred and to be incurred in connection with the Year 2000 issue will not materially exceed amounts budgeted for such matters.

#### LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1999, the Company had cash, cash equivalents and financial investments of approximately \$3.0 million compared with \$8.9 million as of December 31, 1998.

The Company used available funds in 1999 primarily for continued research and development expenditures, and other working capital needs. The Company increased its investment in fixed assets by \$1.2 million primarily in the automatic product line of disposable ZincAir cells for cellphone batteries, during the nine months ended September 30, 1999.

EFL presently has a line of credit with the First International Bank of Israel Ltd. ("FIBI") ("the Credit Facility"). Borrowings under the Credit Facility bear interest at FIBI's prime rate + 2% per annum, are unconditionally guaranteed by the Company and are secured by a pledge of foreign currency deposits in the amount of NIS 750,000 (approximately \$175,000). Additionally, the Credit Facility imposes financial and other covenants on EFC and EFL and presently expires on December 16, 1999. As of September 30, 1999, the bank had issued letters of credit and bank guarantees totaling approximately \$381,000.

The Company has no long term debt outstanding, and is using its cash reserves and revenues from operations primarily to continue development of batteries for consumer electronic devices, as well as to participate in the BIRD and DOT Electric Vehicle programs and Chief Scientist grant. Furthermore, as previously announced in July 1999, the Company entered into a three - year exclusive distribution contract with the Banner Telecom group for Electric Fuel's line of ZincAir cellular phone batteries. The Company also entered into

additional distribution agreements with cellular accessories after market distributors in several other countries. The Company has received orders from these distributors and begun initiating battery deliveries at the end of the third quarter. In order to manufacture the quantities envisioned under these agreements, the Company will have to operate its automatic production line, which has already been ordered. Accordingly, the Company is seeking additional funding, including increasing of its credit lines with the banks and through the issuance of equity or debt securities to put this automated production line into operation and continue its operations. At the same time, the Company is pursuing other options, such as joint ventures or other strategic relationships. However, there can be no assurance that the Company will obtain any such additional funding. If additional funding is not secured, the Company will have to modify, reduce, defer or eliminate certain of its anticipated future commitments and/or programs.

16

PART II

ITEM 6.

1. No reports on Form 8-K were filed during the first nine months of 1999.

Page 17

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

Dated: November 9, 1999

Page 18

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<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>