

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 quarter ended: March 31, 1996

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 March 31, 1996 was 12,425,947.

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ELECTRIC FUEL CORPORATION

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ELECTRIC FUEL CORPORATION
 CONSOLIDATED BALANCE SHEETS

<TABLE>
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	December 31, 1995	March 31, 1996
ASSETS	(Audited)	(Unaudited)
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,364,867	\$ 23,102,528
Marketable debt securities (at fair market value)	4,215,518	3,152,481
Accounts receivable:		
Trade	398,535	413,984
Other	2,421,804	1,931,034
Inventories	535,208	367,977
Total current assets	12,935,932	28,968,004
INVESTMENTS:		
Investee company	35,849	35,849
FIXED ASSETS:		
Cost	6,639,926	7,491,141
Less - accumulated depreciation and amortization	654,391	843,875
	5,985,535	6,647,266
OTHER ASSETS AND DEFERRED CHARGES net of accumulated amortization	743,885	30,833
	\$ 19,701,201	\$ 35,681,952

</TABLE>

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ELECTRIC FUEL CORPORATION
 CONSOLIDATED BALANCE SHEETS

<TABLE>
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	December 31, 1995	March 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY	(Audited)	(Unaudited)
<S>	<C>	<C>
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 2,743,539	\$ 1,719,703
Other	6,357,706	5,586,330
Advances from Customers	4,223,066	3,327,600
Total current liabilities	13,324,311	10,633,633
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT net of amount funded	555,908	649,335

Total Liabilities	13,880,219	11,282,968
	-----	-----
STOCKHOLDERS' EQUITY:		
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Common stock--\$0.01 par value; authorized--14,000,000 shares issued - 11,328,110 shares as of December 31, 1995 and 12,425,947 as of March 31, 1996; outstanding--8,675,947 shares as of December 31, 1995 and 12,425,947 shares as of March 31, 1996	113,282	124,260
Preferred stock - \$0.01 par value; authorized - 1,000,000 shares, no shares outstanding		
Additional paid-in capital	24,168,108	45,568,576
Accumulated deficit	(16,873,340)	(19,869,761)
Unrealized gain on available-for-sale securities	29,048	18,851
Treasury stock, at cost (common stock--2,652,163 shares as of December 31, 1995)	(193,174)	
Notes receivable from stockholders	(1,422,942)	(1,442,942)
	-----	-----
Total Stockholders' Equity	5,820,982	24,398,984
	-----	-----
	\$19,701,201	\$35,681,952
	=====	=====
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ELECTRIC FUEL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

=====		
<TABLE>		
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	Three months ended March 31,	
	-----	-----
	1995	1996
	-----	-----
<S>	<C>	<C>
REVENUES	\$ 282,662	\$ 1,265,855
RESEARCH AND DEVELOPMENT EXPENSES AND COST OF REVENUES		
Expenses incurred	1,654,337	3,749,647
Less - royalty-bearing grants	223,673	
	-----	-----
	1,430,664	3,749,647
PROVISION FOR ANTICIPATED PROGRAM LOSSES	1,500,000	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	602,919	627,922
	-----	-----
	3,533,583	4,377,569
	-----	-----
OPERATING LOSS	(3,250,921)	(3,111,714)
FINANCIAL INCOME - NET	198,505	130,033
	-----	-----
LOSS BEFORE TAXES ON INCOME	(3,052,416)	(2,981,681)
TAXES ON INCOME		14,740
	-----	-----
LOSS FROM THE OPERATION OF THE COMPANY & ITS CONSOLIDATED	(3,052,416)	(2,996,421)
SHARE IN LOSS OF ASSOCIATED		

COMPANY	(18,000)	
LOSS FOR THE PERIOD	\$ (3,070,416)	\$ (2,996,421)
LOSS PER SHARE	\$ (0.36)	\$ (0.28)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,413,668	10,757,815

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ELECTRIC FUEL CORPORATION

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional paid-in capital	Accumulated deficit	on
	Shares	Amount			
Unrealized gain available-for- sale securities					
BALANCE AT JANUARY 1, 1996	11,328,110	\$ 113,282	\$ 24,168,108	\$ (16,873,340)	
CHANGES DURING THE THREE MONTH PERIOD ENDED MARCH 31, 1996:					
Shares issued in a public of offering	3,750,000	37,500	21,567,120 *		
Treasury stock retired	(2,652,163)	(26,522)	(166,652)		
Accrued Interest on notes receivable from stockholders					
Unrealized loss on available-for-sale securities					
Loss				(2,996,421)	
BALANCE AT MARCH 31, 1996	12,425,947	\$124,260	\$ 45,568,576	\$ (19,869,761)	

</TABLE>

<TABLE>

	(UNAUDITED)		
	Treasury Stock	Notes receivable from shareholders	Total
BALANCE AT JANUARY 1, 1996	\$ (193,174)	\$ (1,422,942)	\$ 5,820,982
CHANGES DURING THE THREE MONTH PERIOD ENDED MARCH 31, 1996:			
Shares issued in a public offering			21,604,620
Treasury stock retired	193,174		0

Accrued Interest on notes receivable from stockholders		(20,000)	(20,000)
Unrealized loss on available-for-sale securities			(10,197)
Loss			(2,996,421)
BALANCE AT MARCH 31, 1996	\$0	\$ (1,442,942)	\$ 24,398,984

* Net of \$ 2,690,540 - offering expenses

</TABLE>

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ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1995	1996
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the period	(\$3,070,416)	\$ (2,996,421)
Adjustments required to reconcile loss to net cash used in operating activities:		
Loss relating to investment in investee company	18,000	
Depreciation and amortization	68,132	209,820
Amortization of premium net of accrued interest and gain from sale of marketable debt securities	17,322	15,840
Capital loss from disposal of fixed assets		777
Liability for employee rights upon retirement--net	61,753	93,427
Interest accrued on notes and loan to stockholders	(21,840)	(20,000)
Changes in operating asset and liability items:		
Decrease (Increase) in accounts receivable	1,216,010	501,855
Decrease (Increase) in inventories	(7,590)	167,231
Increase in accounts payable and accruals	2,066,171	(1,084,660)
Changes in related parties--net	10,141	
Increase (Decrease) in advances from customers	1,262,740	(895,466)
Net cash provided by (used in) operating activities	\$ 1,620,423	\$ (4,007,597)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(644,789)	(897,733)
Proceeds from disposal of marketable debt securities	995,610	
Purchase of marketable debt securities		
Proceeds from disposal of fixed assets		1,371
Proceeds from sale of marketable debt securities		1,037,000
Net cash provided by investing activities	\$ 350,821	\$ 140,638
FORWARD	\$ 1,971,244	\$ (3,866,959)

</TABLE>

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ELECTRIC FUEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1995	1996
<S>	<C>	<C>

FORWARD	\$ 1,971,244	\$ (3,866,959)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of share capital (including additional paid in capital), net of offering expenses		21,604,620
Purchase of treasury stock	(46,987)	
	-----	-----
Net cash provided by (used in) financing activities	(46,987)	21,604,620
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	1,924,257	17,737,661
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	\$ 3,232,112	\$ 23,102,528
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION--CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 338	\$ 618
	=====	=====
Advances to income tax authorities	\$ 14,315	\$ 73,295
	=====	=====

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

- 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.

- In February 1995, 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.

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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.

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 10K 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.

Results of Operations:

Three months ended March 31, 1996 compared to the three months ended March 31, 1995.

Revenues:

Revenues for the first quarter of 1996 totaled \$1,266,000 compared with \$283,000 in the comparable period in 1995, an increase of \$983,000. Revenues for the first quarter of 1996 were principally derived from activities relating to the Deutsche Post AG (Deutsche Post) field test program. Additionally, the company continued to recognize revenues from its agreement with STN Atlas Elektronik GmbH to develop a high power zinc oxygen battery for torpedoes. First quarter 1995 revenues were attributable to the completion and delivery of certain outstanding orders from Edison Termoelettrica, SpA ("Edison"), as well as beginning recognition of revenues related to the Deutsche Post field test. The Company anticipates a significant portion of the remaining expected revenues related to the field test to be recognized in 1996 and the beginning of 1997, as the regeneration plant becomes fully operational, batteries are delivered and operations begin. Revenues in connection with the operation of the field test fleet are expected to continue throughout 1997.

Expenses

Research and development expenses and cost of revenues were \$3,750,000 compared

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with \$1,654,000 for the first 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 increase in expenses of \$2,096,000 from the first quarter of 1995 is principally attributable to: expenses in connection with the Deutsche Post field test; costs associated with the continued growth of the Company, including the operation of the Company's production and development facilities in Israel, and increased personnel costs relating to the foregoing. With regard to the Company's R&D program, for the first quarter of 1995, \$224,000 of royalty bearing grants were recognized, which reduced R&D expenses during this period. Since the Company's 1996 grant application has 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 have been recognized in the first quarter of 1996. Expenses related to the field test are expected to increase through the rest of 1996 and into 1997 as the Company continues to deliver batteries and operates the Bremen regeneration plant.

In the first quarter of 1995, the Company increased its provision for anticipated program losses on the Deutsche Post field test by \$1.5 million. Management currently estimates that previously recorded provisions for anticipated program losses are sufficient and accordingly no increase to the provision was recorded in the first quarter of 1996. The balance of the provision for the uncompleted portions of the program amounts to \$3.6 million as at March 31, 1996. The remaining provision 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 provision includes 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 completed 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.

Selling, general and administrative expenses for the first quarter of 1996 were \$628,000 compared with \$603,000 in the first quarter of 1995. As the Company expands its activities it expects increases in selling, general and administrative expenses, particularly with respect to marketing expenses.

The Company reported a net loss of \$2,996,000 in the first quarter of 1996 compared with a net loss \$3,070,000 in the first quarter of 1995 due to the factors sighted above.

Liquidity and Capital Resources

Battery and vehicle deliveries for the field test are expected to continue during 1996 and the beginning of 1997. Accordingly, most of the Company's revenues and expenses related to the field test are expected to be recognized during 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 \$15.2 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

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net balance of approximately DM 15.0 million (approximately \$10.4 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 R&D, operational and selling, general and administrative expenses will continue to increase.

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 March 31, 1996, the Company had cash, cash equivalents and investments of approximately \$26.3 million compared with \$9.6 million as of December 31, 1995.

The Company used available funds in the first three 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 \$898,000 to \$7.5 million during the three months ended March 31, 1996. Fixed assets include \$2.6 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.

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 \$240,000). 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. As of March 31, 1996 the bank had issued letters of credit and bank guarantees totaling approximately \$455,000, and there were approximately \$677,000 of open foreign currency forward contracts entered into for hedging purposes.

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 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 Partnership 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

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to produce batteries in increased quantities as well as to construct new regeneration and refueling facilities or expand its existing facility 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.

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Part II

Item 6.

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

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: Chief Financial Officer

Dated: May 15, 1995

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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>