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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000.

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

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.)
632 Broadway, Suite 301, New York, New York	10012
(Address of principal executive offices)	(Zip Code)

(212) 529-9200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	Not applicable

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value

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 [_]

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant as of March 13, 2001 was approximately $101,914,408 (based on the last sale price of such stock on such date as reported by The Nasdaq National Market).

(Applicable only to corporate registrants) Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 21,887,658 as of 3/13/01

Documents incorporated by reference: None

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ((S) 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

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PRELIMINARY NOTE

This annual report contains historical information and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our business, financial condition and results of operations. The words "estimate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Further, we operate in an industry sector where securities

values may be volatile and may be influenced by economic and other factors beyond our control. In the context of the forward-looking information provided in this annual report and in other reports, please refer to the discussions of risk factors detailed in, as well as the other information contained in, our other filings with the Securities and Exchange Commission.

Electric Fuel(R) is a registered trademark of Electric Fuel Corporation. Instant Power(TM), Charge without electricity(TM), PowerCartridge(TM) and SmartCord(TM) are trademarks of Electric Fuel Corporation. All company and product names mentioned may be trademarks or registered trademarks of their respective holders.

PART I

ITEM 1. BUSINESS

General

We are a world leader in primary and refuelable Zinc-Air fuel cell technology, pioneering advancements in consumer electronics, electric vehicles and defense and safety products.

We based our line of Instant Power disposable batteries for cellular telephones on our patented Zinc-Air fuel cell technology. The batteries, which come fully charged and ready to use right out of the pack, provide consumers with up to five times more talk and stand-by time when compared with conventional batteries (of equivalent size or weight). Instant Power disposable batteries are currently compatible with select models of Ericsson, Motorola, Nokia and Samsung cellphones and are on sale at retail outlets throughout the United States, Europe and Israel, including at such well-known retailers as Circuit City, CompUSA, Fred Meyer Stores, CarToys, and Wal-Mart (under the EverActive brand name), and other cellular and retail stores in the United States, and at the Carphone Warehouse, BT Retail, and other cellular and retail stores in the United Kingdom.

Additionally, we recently began selling our new Instant Power charger for cellphones and PDAs, a pocket-sized recharger weighing less than three ounces that plugs directly into a cellphone or PDA, allowing it to be recharged and used on the move without an electrical outlet.

We are also engaged in the design, development and commercialization of our proprietary battery technology for other portable consumer electronic devices, such as camcorders, as well as for electric vehicles and defense and safety product applications. We are also seeking ways to continue to commercialize our disposable zinc-air battery technology for other such devices, such as notebook and laptop computers.

We have been engaged in research and development in the field of zinc-air electrochemistry and battery design for over ten years, as a result of which we have developed our current technology and its applications. We have successfully applied our technology to our Instant Power line of disposable high-capacity zinc-air batteries and rechargers for cellular telephones. We have also applied our technology to the development of a refuelable zinc-air battery for powering zero emission electric vehicles, which we have successfully demonstrated in "on-the-road" programs in Germany, Sweden, Italy, Israel and the United States. Through these efforts, we have sought to position ourselves as a world leader in the application of zinc-air technology to innovative primary and refuelable battery systems.

While zinc-air technology has been in use for over a century in a great variety of typically low-power devices (such as hearing aids), we have developed technologies that provide our (environmentally-friendly) batteries with enhanced performance in both power and energy at a low manufacturing cost. Our high-energy, high-power zinc-air battery is composed of a zinc anode and an air (oxygen reduction) cathode. It is different from most other battery technologies in that one of the electrodes - the air cathode - is not consumed during discharge, but instead acts as a kind of electrochemical membrane that extracts oxygen from the atmosphere and introduces it into the cell. During discharge, the oxygen is electrochemically reduced to hydroxide ions at the cathode, and zinc at the anode is consumed by conversion to zinc oxide. In electric vehicles, fresh zinc replaces the oxidized zinc in a regeneration process. In our batteries and rechargers for consumer electronics devices, we

construct the entire pack from low-cost, recyclable components and thus can be disposed of in an environmentally-safe manner.

To fully utilize our zinc-air battery technology for a wide selection of applications, we operate in three business segments: Instant Power (formerly Consumer Batteries), Electric Vehicles, and Defense and Safety Products.

Our Instant Power Division develops and has introduced our first consumer products: disposable primary zinc-air batteries as a substitute for lower performing and initially more expensive rechargeable batteries, and a ready-to-use zinc-air charger for rechargeable cellphone batteries that gives consumers the option to keep talking on an empty battery during the charging process. We

manufacture and market four different models of our Instant Power disposable cellphone batteries, suitable for various models of cellphones produced by Nokia, Motorola, Ericsson and Samsung. Additionally, we manufacture and market the Instant Power charger for cellphones and PDAs, which lets wireless users "charge without electricity" and keep talking or working while recharging, even with a dead battery. These products are currently on sale at retail outlets throughout the United States, the United Kingdom, certain countries in Europe and Asia, and Israel. Other consumer and industrial applications based on the same zinc-air cells are currently under development.

Through our Electric Vehicle Division, we are continuing to focus on fleet applications of the zinc-air battery system with our partners in Europe and the United States. The division is implementing, in cooperation with, among others, General Electric, a program subcontracted to us by the U.S. federal government for developing an all-electric battery-powered transit bus in Nevada that is currently in Phase II of development, conducting evaluation of the system and vehicle performance. As of early 2001, the division is also cooperating with a consortium of industrial companies in Germany to advance the use of zinc-air technology in fleet vehicles through a demonstration project partially funded by the German government.

Our Defense and Safety Products Division continues to expand the development of other uses of the battery technology, including a portable high-power zinc-air battery pack for the U.S. Army. This division also oversees our water-activated safety light products (based on our patented magnesium-cuprous chloride technology) for the commercial aviation and marine markets and is pursuing further development of the safety products business.

While marketing and establishing automatic production facilities for our existing products, we also intend to develop new products based on the same zinc-air cell technology.

For financial information concerning the business segments in which we operate, see Note 14 of the Notes to the Consolidated Financial Statements. For financial information about geographic areas in which we engage in business, see Note 14(c) of the Notes to the Consolidated Financial Statements.

We were incorporated in Delaware in 1990. Unless the context requires otherwise, all references to us refer collectively to Electric Fuel Corporation (EFC) and EFC's wholly-owned Israeli subsidiary, Electric Fuel (E.F.L.) Limited (EFL), and other subsidiaries of EFC and EFL.

In December 2000, we established a new headquarters office in New York, from which we will concentrate our consumer product sales and marketing efforts for North America. Our new executive offices are located at 632 Broadway, Suite 301, New York, New York 10012, and our telephone number at our executive offices is (212) 529-9200. Our website is www.electric-fuel.com.

Reference to our website does not constitute incorporation of any of the information thereon into this annual report.

We conduct our research, development and production activities primarily through EFL at its facility in Beit Shemesh, Israel. We also have a small battery research and development facility in Auburn, Alabama that builds and tests prototype cells and batteries.

Business Strategy

We believe that we will meet our long-term objectives through a strategy of commercializing a broad portfolio of products utilizing our battery technologies.

This strategy consists of three elements:

- Develop and produce disposable zinc-air batteries for mass-market consumer electronic devices such as cellular phones, personal digital assistants (PDAs), camcorders, notebook computers and hand-held devices.

- Develop and implement refuelable zinc-air battery solutions for electric vehicles in large fleets of buses, light trucks and specialty vehicles.

- Develop and produce battery solutions for portable energy applications in the consumer, industrial, medical and military sectors.

We believe that there is a large potential market for high-capacity primary batteries that are capable of powering high-drain electronic devices, and we are seeking ways to continue to commercialize our disposable zinc-air battery technology for such devices. We intend to focus on increasing sales and distribution of our existing consumer products for cellular phones and PDAs, marketing these products through distributors, wireless carriers, original

equipment manufacturers (OEMs), accessory dealers, specialty and general retailers, and internet resellers. We are also engaged in the design, development and commercialization of our proprietary zinc-air battery technology for other portable consumer electronic devices, such as camcorders, and we are seeking ways to continue to commercialize our disposable zinc-air battery technology for other such devices, such as notebook and laptop computers.

We also intend to explore the possibility of establishing strategic marketing and manufacturing partnerships. Potential strategic partners for cellphone batteries and rechargers may include cellphone manufacturers, battery producers and assemblers, cellular accessory distributors, cellular phone service providers and consumer goods distributors. We currently manufacture zinc-air cells and assemble batteries and chargers for use in consumer electronic devices at our own facilities, although we may later outsource part of this work as volume increases.

Our Electric Vehicle Division continues to focus on obtaining and implementing demonstration projects in the U.S. and Europe, and on building broad industry partnerships that can lead to eventual commercialization of the zinc-air energy system. This approach supports our long-term strategy of achieving widespread implementation of the Electric Fuel zinc-air energy system for electric vehicles in large commercial and mass transit vehicle fleets. We intend to strengthen existing relationships and to develop new networks of strategic alliances with fleet operators, companies engaged in energy production and transportation, automobile manufacturers and others in order to

establish the infrastructure necessary for further development and commercialization of the Electric Fuel Zinc-Air system.

With respect to our Defense and Safety Products Division, we base our strategy in the defense business sector on the development and commercialization of our next-generation zinc-air battery technology, as applied in our ongoing work for the U.S. Army's Communications and Electronics Command (CECOM). We will continue to seek new applications for our technology in defense projects, wherever synergistic technology and business benefits may exist. We intend to continue to develop our battery products for defense agencies, and plan to sell our products either directly to such agencies or through prime contractors.

Our Defense and Safety Product Division's safety products group, which produces lifejacket lights based on our water-activated magnesium-cuprous chloride battery technology, intends to continue to work with OEMs, distributors and end-user companies to expand its market share in the aviation and marine segments. We presently sell four products in the Safety Products division, two for use with marine life jackets and two for use with aviation life vests. All four products are certified under applicable international marine and aviation safety regulations.

Instant Power Division

The Instant Power Division (formerly the Consumer Batteries Division) began initial deliveries of disposable cellphone batteries in the first line of commercial consumer products based on Electric Fuel's zinc-air battery technology in the second half of 1999. By the end of 2000, we were manufacturing and marketing four different models of our Instant Power disposable cellphone batteries, suitable for various models of cellphones produced by Nokia, Motorola, Ericsson and Samsung, and our products were on sale at retail outlets throughout the United States, Europe and Israel, including at such well-known retailers as Circuit City, CompUSA, Fred Meyer Stores, CarToys, and Wal-Mart (under the EverActive brand name), and other cellular and retail stores in the United States, and at the Carphone Warehouse, BT Retail, and other cellular and retail stores in the United Kingdom. Additionally, beginning in late 2000 we began manufacturing and marketing the Instant Power charger for cellphones and PDAs, which lets wireless users "charge without electricity" and keep talking or working while recharging, even with a dead battery.

There are currently more than 600 million cellular telephones in use worldwide, and industry experts expect that figure to grow to between 800 million and 1 billion by 2003. Moreover, we believe that two other industry trends will have a strong positive impact on the market for our line of primary cellphone batteries and chargers:

- We believe that the emergence and projected growth of so-called "convergence" products - those which combine wireless communications with computer functions such as data and media transmission, and internet and e-mail connection - will lead to an increased demand for high-power batteries and rechargers. The energy consumption of the new devices will underscore the limited capacity of rechargeables, which incorporate high-drain elements such as color screens and video.

- The amount of usage per user (usually measured in minutes of airtime) is increasing even faster than the number of users.

Batteries

We currently offer four models of disposable zinc-air battery for cellphones, all built from the same Electric Fuel zinc-air cells, which are connected in series in order to deliver the required voltage. We sell all of them under the brand name Instant Power, except for the products sold by Wal-Mart, which Wal-Mart sells under its own EverActive brand name. The four models and their general characteristics are as follows:

. Nokia
  Model No. EF-N6-33 for Nokia 5100, 6100 & 7100 series
  Capacity: 3300 mAh
  Operating Voltage: 3.6V
  Up to 9-18 hours talk time
  Up to 180-550 hours standby
  Weight: 80g (2.8 oz.)

. Motorola
  Model No. EF-M2-33 for Motorola dual battery StarTAC series (Auxiliary Battery)
  Capacity: 3300 mAh
  Operating Voltage: 3.6V
  Up to 6-16 hours talk time
  Up to 80-350 hours standby
  Weight: 79g (2.8 oz.)

. Ericsson
  Model No. EF-E6-33 for Ericsson 600 and 800 series and 1018 and 1228 models
  Capacity: 3300 mAh
  Operating Voltage: 4.8V
  Up to 8-16 hours talk time
  Up to 130-500 hours standby
  Weight: 97g (3.4 oz.)

. Samsung
  Model No. EF-S3-33 for Samsung SCH-3500
  Capacity: 3300 mAh
  Operating Voltage: 3.6V
  Up to 8.5 hours talk time
  Up to 400 hours standby
  Weight: 82g (2.9 oz.)

Chargers

Our Instant Power Chargers are the first cellphone chargers that not only require no electricity but also give consumers the option to keep talking on an empty battery during the charging process. The chargers consist of a compact disposable PowerCartridge, which is the same no matter what cellphone or PDA is being charged, and a reusable SmartCord electronic adapter that connects the PowerCartridge to the particular cellphone or PDA and stays with the user for the life of the device. The PowerCartridge has a capacity of 3300 milliampere-hours (mAh), weighs approximately 76 grams (2.7 oz.) and is good for up to three charges (or more on some models) and hours of talk.

We produce or develop SmartCords for various series and models of Nokia, Motorola, Ericsson, Panasonic, Siemens, Samsung, Audiovox, Mitsubishi, Sagem and Philips cellphones, models of Palm, Handspring, HP and Compaq PDAs, and Novatel modems. We sell the Instant Power charger as a package, where we sell the PowerCartridge with a SmartCord and a recloseable aluminum pouch designed to store the cartridge between uses. We also sell replaceable PowerCartridges separately.

Advantages of Our Consumer Battery Products

Battery Performance - Increased talk and standby time

Our Instant Power batteries deliver a unique combination of high-energy density and high power density, which provides superior performance in cellphones. Our Instant Power batteries provide 3 to 5 times more talk and standby time than comparable rechargeable batteries made for these products.

Convenience

The Electric Fuel Instant Power battery offers two kinds of convenience for cellphone users:

First, the battery is fully charged and ready to use right out of the package, and requires no initial charging, unlike new rechargeable batteries which are typically sold (or provided with new phones) in an uncharged or

partially charged state.

Second, the battery frees the user from the inconvenience of charging his cellphone battery. On business and vacation trips, the user of the Instant Power battery benefits both from not having to take along a charger and from not having to remember to charge the phone every night.

Thus, the Instant Power battery, with a three-year shelf life, offers cellphone users convenience similar to the convenience disposable alkaline batteries provide for portable CD players or pagers.

Safety and Environment

Zinc-air is a proven, safe chemistry used extensively in hearing aids and pagers, as well as other devices where a high-energy, lightweight battery is desired. Underwriters' Laboratories has tested our batteries and found them safe. The Electric Fuel Instant Power battery is designed to be environmentally benign and recyclable.

As a disposable battery, the Instant Power battery avoids the complications and hazards associated with recharging such as overcharge and overdischarge. We designed Instant Power batteries to be recyclable in the same manner as primary alkaline batteries. At present, there are no commercial recycling facilities available either in the United States or in Europe for primary alkaline or zinc-air batteries.

Advantages of Our Consumer Charger Products

Performance - Charge without electricity

Our Instant Power chargers, which consist of a disposable PowerCartridge and a reusable SmartCord, allow users to simultaneously charge a cellphone or PDA anywhere, anytime, without the need of an electric outlet, and to keep talking and working even if the unit's rechargeable battery is empty. Each disposable PowerCartridge provides up to three charges (or more on some models).

We supply the PowerCartridge in an airtight sealed aluminum bag, together with a recloseable aluminum pouch designed to store the cartridge between uses; we also sell replaceable cartridges separately.

Convenience and efficiency

The Instant Power charger, with a three-year shelf life, allows cellphone users to keep talking even if their battery is dead. It is compact (about twice the size of a box of matches), easy to use and convenient. The Instant Power charger begins delivering power instantly, and completes its charging cycle within approximately two hours. After use, the user places the PowerCartridge in the airtight pouch (provided) to halt the chemical reaction and thereby preserve power for the next recharge. Moreover, the SmartCord, which is reusable, is intended to stay with the user for the life of the phone or PDA, so that after the initial purchase the user need only replace the PowerCartridge.

Safety and Environment

Zinc-air is a proven, safe chemistry used extensively in hearing aids and pagers, as well as other devices where a high-energy, lightweight battery is desired. Underwriters' Laboratories has tested our batteries and chargers and found them safe. Electric Fuel Instant Power batteries and chargers are designed to be environmentally benign and recyclable in the same manner as primary alkaline batteries. At present, we are not aware of any commercial recycling facilities available either in the United States or in Europe for primary alkaline or zinc-air batteries.

Market, Marketing Strategies and Sales

Targeting key market segments

We have identified key market segments that we believe will purchase disposable cellphone batteries and chargers because of their back-up capability, high capacity and added convenience. These market segments are:

. Frequent travelers

. Outdoors enthusiasts

. As a backup and in an emergency

. Business people and heavy users

. Or just in case

Crafting key marketing messages

We have developed certain marketing messages that we believe identify for consumers the advantages of disposable cellphone batteries and chargers. These marketing messages are:

. "The revolutionary ready-to-use Instant Power battery."

. "Never let your cellphone go dead again."

. "Emergency power that lasts."

. "No electricity needed."

. "Business . travel . backup."

Multi-Sales Implementation Program

We are undertaking implementation of our marketing strategy for our products through the following channels:

(1) Sales through retailers and distributors of cellphone accessories. At the end of 2000, we had signed distributorship agreements or received orders in the U.S., the U.K., Australia, Croatia, the Czech Republic, Germany, Greece, Hong Kong, Iceland, Israel, Italy, Mexico, Poland, Spain, Switzerland, Taiwan and Thailand. These retailers and distributors include Circuit City, CompUSA, Fred Meyer Stores, CarToys, Wal-Mart (under the EverActive brand name) in the United States, and the Carphone Warehouse, the PocketPhone Shop and BT Retail in the UK. We are also selling through other, smaller distributors and online at www.iGo.com and our own website, www.electric-fuel.com, among others.

(2) Participation in trade shows. Through participation in trade shows in the U.S. and Europe, we are pursuing additional opportunities to expand our growing network of distributors, while garnering more publicity and product recognition in the industry. We are working on expanding our network of distributors in North America, Western and Eastern Europe, Asia, South and Central America, Australia and the Middle East.

(3) Direct sales via the Internet. We have revamped our website in order to facilitate secure on-line ordering of our products. In addition to our own website, our products are sold online at various sites, including www.iGo.com.

(4) Retail sales at travel-oriented locations. We are working to promote retail sales at travel-oriented locations, such as airports and train stations, and later supermarkets, convenience stores and mass retailers. Our products are already available in airport shops in the United States (AltiTUNES and Laptop Lane), the U.K. and Israel.

(5) Strategic alliances with cellular phone carriers. We see cooperation with cellular service providers as an important step towards broadening our cellphone battery market by appealing to mainstream cellular users.

(6) Strategic alliances with original equipment manufacturers. We seek cooperation ranging from having advanced design information on new device models to joint product development and marketing. We see potential in new devices such as PDAs and third generation (3G) cellphones.

Promotional activities

We have developed trade advertisement "Point of Sales" materials and in-store posters to support our retail efforts. We are participating in co-op advertising with our distributors, running special offers (such as "buy two, get one free") and internet promotions. We have also conducted a

limited advertising campaign on television and in newspapers in Israel and on radio and in newspapers in the United Kingdom.

U.S. Office

In January 2000 we opened a U.S. sales headquarters office, which is now located in Manhattan, and hired a Vice President of Sales and Marketing for North America, who heads our New York office.

Marketing Promotions

During 2000, in response to our growth in sales, we expanded our marketing efforts with a series of internal management promotions. In addition to our Vice President of Sales and Marketing for North America, we named a Senior Vice President for Europe and Asia, a European Sales Manager, a Sales Manager for Asia, and a Marketing and Sales Manager for Israel.

Trade Shows

During 2000, we participated in the Consumer Electronics Show (Las Vegas, Nevada), the CTIA Wireless show (New Orleans, Louisiana), CeBIT (Hanover, Germany) the PCS 2000 show (Chicago, Illinois), Taitronics (Taipei, Taiwan), SMAU (Milan, Italy) and Comdex (Las Vegas, Nevada). We participated or plan to participate in similar major trade shows scheduled for 2001 in the U.S., Europe and Asia.

Prices

As of March 13, 2001, our manufacturer's suggested retail prices were as follows: Instant Power batteries - $16.95; Instant Power Chargers (PowerCartridge and SmartCord together) - $19.95 for cellphones and $24.95 for PDAs; replaceable PowerCartridges - $9.95. Manufacturer's suggested retail prices do not necessarily correspond to the prices charged by our distributors, which may be higher or lower. We believe that Instant Power batteries, when produced in quantities closer to the maximum capacity of our new production lines, could eventually retail between $6.95 and $9.95, depending on the cell phone model and capacity of the battery.

Production

Our production facilities are located at Electric Fuel Ltd.'s facilities in Beit Shemesh, Israel, located between Jerusalem and Tel-Aviv (within Israel's pre-1967 borders). When we first began production, we used custom-designed manual and semi-automatic equipment and tooling to produce up to 2,000 batteries per day. An automated production line with a monthly capacity in the hundreds of thousands of units began production in the third quarter of 2000.

Competition

General

The market for cellphone batteries has been almost entirely dominated by rechargeable battery packs incorporating nickel-cadmium, nickel-metal hydride and lithium-ion cells. Typically, these batteries come in standard configuration of 800 to 1200 milliampere-hours (mAh) with new handsets, and rechargeable batteries of up to 3000 mAh or more are now available as aftermarket accessories. Rechargeable batteries are produced and/or packaged by the leading cellphone handset manufacturers, such as Nokia Corporation and Motorola, Inc., as well as by numerous aftermarket producers that sell private-label or off-brand models.

Rechargeable batteries provide lower life-cycle costs than primary batteries when measured in terms of cost per total lifetime usage. Further, rechargeable batteries relieve the user of the need to continually purchase primary batteries. However, the per-cycle usage time of rechargeable batteries is generally limited, particularly in the case of standard configuration batteries in the range of 800 mAh to 1200 mAh. Use of rechargeable batteries also requires the user to have available a charger and transformer unit; a power socket (generally one with alternating current (AC) electricity if for indoor use, or with direct current (DC) electricity if for outdoor or in-vehicle use); and sufficient time to charge the battery after it is depleted.

Our market penetration strategy is to deliver a battery that offers the convenience of a longer use time and that does not require charging, and to cater to those consumers who prefer to continue to use rechargeable batteries by providing them with a product that can charge their rechargeable batteries even in situations where charging from a source of AC electricity is inconvenient or impossible.

Until now, rechargeable battery technology for cellphones has evolved in steps: The first transition, starting in the early to mid-1990s, was from nickel-cadmium packs to nickel-metal hydride (NiMH) packs, which offered moderate gains in energy density while eliminating the so-called 'memory effect' which prevented nickel-cadmium batteries from being fully recharged if they were not first fully discharged. NiMH batteries typically offer practical energy densities of up to 70 watt-hours per kilogram (Wh/kg). The second transition has been to lithium-ion (Li-ion), which has offered moderate gains in energy density but at a higher cost than nickel-metal hydride. NiMH hydride batteries are still commonly sold alongside Li-ion packs. Li-ion packs typically offer practical energy densities in the range of 70-100 Wh/kg. A third transition, which industry experts anticipate will be underway shortly, is expected from lithium-ion to lithium-ion polymer. The latter promises further gains in energy density as well as greater flexibility in packaging. Figures promised by lithium-ion

polymer battery manufacturers such as Valence Technologies range from 120 to 135 Wh/kg at the cell level. In comparison, our current commercial products offer 150 to 167 Wh/kg at the pack level and about 240 Wh/kg at the cell level. ElectroFuel, Inc., a development company unrelated to us (please see "Item 3. Legal Proceedings," below), claims to have a lithium-ion polymer battery pack suitable for notebook computers that delivers 190 Wh/kg.

Other Primary Batteries

A huge array of consumer products are designed for and use primary alkaline batteries. These include toys, flashlights and small electronic products such as portable radios and compact disc players. Some information and communication accessories also fit into this category, such as pagers and many personal digital assistants (PDAs). Even though rechargeable batteries (such as, for example, "AA"-size nickel-metal hydride batteries) are widely available to run these devices, most consumers are currently choosing to purchase primary batteries rather than rechargeables, despite potential savings in life-cycle costs that can be derived from using rechargeables.

The primary distinguishing factor between devices that use primary alkaline batteries and those that use rechargeables is the power consumption of the device. Cellphones, notebook computers, camcorders and cordless power tools, which typically use rechargeables, have a higher power consumption than most devices that use primary alkaline batteries. The use of alkaline batteries in the higher power devices is either impossible or impractical because of prohibitively limited use time and high replacement cost, and therefore they have traditionally been designed to use rechargeable batteries.

An example of differentiation in battery selection along the lines of power can be seen in new PDAs that incorporate wireless communications. Older PDAs from companies such as 3Com and Psion were designed to use primary alkaline batteries, while newer models from these manufacturers, which now incorporate high-current wireless connectivity options, are being designed to use rechargeable battery packs.

Until now, primary battery packs for cellphones have not been widely available, although Duracell (a division of Gillette), among others, now offers such packs. The Duracell product consists of a reusable battery case with internal terminals into which the consumer can fit "AA"-size alkaline batteries; the case is sold with an initial quantity of batteries to allow initial use. We believe that such solutions have not been successful because the talk and standby times achievable with primary alkaline batteries are often even less than what is attainable with a rechargeable battery. Such solutions offer convenience similar to our products in terms of immediate availability in an emergency situation, but do not offer the convenience of much greater talk and standby times that our products offer.

We believe that primary batteries other than zinc-air, such as primary alkaline batteries, will not in the next few years be able to offer an adequate combination of power and energy capabilities that would make them acceptable to consumers for use with cellphones in non-emergency situations. However, there can be no assurance that primary batteries using technology other than zinc-air and having adequate power and energy capabilities will not be developed and become available in the near future.

Other Zinc-Air Batteries

Many companies manufacture primary zinc-air batteries for use in hearing aids and similar devices. Such batteries are produced in the U.S. by major battery companies such as Rayovac, Duracell and Energizer, and outside the U.S. by major battery manufacturers such as Sony and Matsushita (Panasonic). The design of these batteries does not currently provide sufficient power for high-current digital cellphone applications. Additionally, most of these zinc-air batteries contain mercury.

To date, we are not aware of any major battery manufacturer producing or announcing an intention to produce zinc-air batteries for cellphones. The entry into the market of a major battery manufacturer with a zinc-air pack similar to our would most likely impact our ability to market our products.

Over the last decade, several development companies have announced intentions to produce zinc-air battery packs for cellphones, notebook computers and similar devices. MATSI, Inc., a Georgia company, announced such intentions but apparently has ceased operations. AER Energy, a publicly-traded Georgia company, was formerly involved in the development and marketing of rechargeable zinc-air batteries for notebook computers, but in recent years has announced that it is working instead to bring primary zinc-air batteries for electronic devices to the market. To date it has not announced the availability of any such products beyond the prototype stage. AER Energy holds numerous patents related to zinc-air batteries, including several for an air manager system which they have licensed to Duracell.

Other Technologies

Motorola Inc., among others, has in recent years announced and published research concerning the use of micro-fuel cells in cellphones. Such devices produce electricity from a controlled

chemical reaction of hydrogen with oxygen. Should such devices become economical and available, they would most likely impact our ability to market our products. However, we do not believe that such devices will be made feasible or available in the next ten years, if ever.

Electric Vehicle Division

We believe that environmental concerns and current and proposed legislation create incentives for fleet operators to use zero emission electric vehicles, and that the Electric Fuel Zinc-Air Energy System for electric vehicles is particularly suitable for use by such fleet operations. For example, the California Air Resources Board (CARB) recently adopted a regulation under which transit agencies with fleets of 200 or more will be required to purchase at least three zero emissions buses by 2003. We believe the U.S. government will continue to use us as a subcontractor to develop electric vehicles, and we hope this support will create incentives for fleet operators (primarily bus and mass transit operators) to introduce electric vehicles into their fleets.

The Electric Fuel Zinc-Air Energy System for Electric Vehicles

The Electric Fuel Zinc-Air Energy System consists of

- an in-vehicle, zinc-air battery unit consisting of a series of zinc-air cells and refuelable zinc-fuel anode cassettes;
- a battery exchange unit for fast vehicle turn-around;
- an automated battery refueling system for mechanically replacing depleted zinc-fuel cassettes with charged cassettes; and
- a regeneration system for electrochemical recycling and mechanical repacking of the discharged fuel cassettes.

With its proprietary high-power air cathode and zinc anode technologies, our zinc-air battery delivers a unique combination of high-energy density and high-power density, which together power electric vehicles with speed, acceleration, driving range and driver convenience similar to that of conventionally powered vehicles.

We believe that our zinc-air battery system for powering electric vehicles offers numerous advantages over other electric vehicle batteries that make it ideal for fleet and mass transit operators. Fleet operators require a long operating range, large payload capacity, operating flexibility, all-weather performance, fast vehicle turnaround and competitive life-cycle costs. Electric Fuel-powered full-size vehicles, capable of long-range, high-speed travel, could fulfill the needs of transit operators in all weather conditions, with fast, cost-effective refueling. An all-electric, full-size bus powered by the Electric Fuel system can provide to transit authorities a full day's operating range for both heavy duty city and suburban routes in all weather conditions.

In field trials with major European entities, we have demonstrated the commercial viability of our battery system by regularly driving 300 to 400 km in actual drive cycles. In 1996, a Mercedes-Benz MB410 van powered by our zinc-air battery crossed the Alps, traveled from Chambray, France over the Moncenisio Pass, and continued to the zinc-air regeneration plant operated by Electric Fuel's Italian licensee, Edison Termoelettrica, SpA, in Turin, Italy. The 152 mile (244 km) drive included a 93 mile (150 km) continuous climb over mountainous terrain in which the vehicle climbed

over 4,950 feet (1,500 meters) to reach the summit at 6,874 feet (2,083 meters), using only 65% of the battery's capacity. In November 1997, an electric Mercedes-Benz MB410 van drove from central London to Central Paris on a single charge - a distance of 272 miles (439 km), not including the rail transport through the English Channel Tunnel.

Major Programs

We have formed several strategic partnerships and are engaged in demonstration programs involving the Electric Fuel Zinc-Air Energy System for electric vehicles in various locations in the U.S. and Europe.

The Department of Transportation-Federal Transit Administration Zinc-Air All Electric Transit Bus Program

In the United States, our zinc-air technology is the focus of a

Zinc-Air All Electric Bus demonstration program the costs and expenditures of which are 50% offset by subcontracting fees paid by the U.S. Department of Transportation's Federal Transit Administration. Phase I of the project, which was for $4 million, was completed in July 2000. Phase II of the project, which is for $2.7 million, was approved in the fourth quarter of 2000.

The program provides that the bus will utilize the new all-electric, battery/battery-hybrid propulsion system that we are jointly developing with General Electric, with funding from the Israeli-U.S. Bi-National Industrial Research and Development (BIRD) Foundation (described below). The bus used in the program is a standard 40-foot (12.2 meter) transit bus manufactured by NovaBus Corporation. It has a capacity of 40 seated and 37 standing passengers and a gross vehicle weight of 39,500 lbs. (17,955 kg.). The all-electric hybrid system consists of an Electric Fuel zinc-air battery as the primary energy source, and an auxiliary battery to provide supplementary power and recuperation of energy when braking. The vehicle draws cruising energy from the zinc-air battery, and supplementary power for acceleration, merging into traffic and hill climbing, from the auxiliary battery.

The program, which includes General Electric, Volvo's subsidiary Nova Bus Corporation, and the Regional Transportation Commission of Clark County, Nevada (RTC) as project partners, seeks to demonstrate the ability of the Electric Fuel battery system to power a full-size, all-electric transit bus, providing a full day's range for heavy duty city and suburban routes, under all weather conditions. In November 1998, a consortium consisting of Electric Fuel, the Center for Sustainable Technology, L.L.C. and RTC received approval for $2 million in federal subcontracting fees for the $4 million Zinc-Air Electric Transit Bus Program (Phase I). Additional project partners included the Community College of Southern Nevada and the Desert Research Institute. We successfully completed this phase in July 2000. Approval for Phase II, which focuses on conducting evaluation of the system and vehicle performance, including track testing and limited on-road demonstrations, enhancing the all-electric propulsion system developed in Phase I, including incorporating ultracapacitors and associated interface controls, and testing and evaluating the zinc-air battery system, received approval in the fourth quarter of 2000.

We believe that electric buses represent a particularly important market for electric vehicles in the United States. Transit buses powered by diesel engines operate in large urban areas where congestion is a fact of life and traffic is largely stop-and-go. As a result, they are the leading contributor to inner city toxic emissions, and are a major factor for those U.S. cities that have been designated as in "non-attainment" with respect to air quality standards. Moreover, the U.S. Environmental Protection Agency has identified particulate emissions from diesel engine emissions as a carcinogen.

Our zinc-air energy system is particularly suitable for transit buses because transit buses must operate for up to 12 hours a day on a single battery charge. Furthermore, transit buses require a large energy storage battery to power the vehicle while attending to passenger needs such as air-conditioning and handicapped access. The test program is designed to prove that an all-electric bus can meet these and all other Los Angeles and New York Municipal Transit Authority mass transit requirements including requirements relating to performance, speed, acceleration and hill climbing.

All-Electric Hybrid Propulsion System for Transit Buses and Heavy Duty Vehicles the BIRD Program

We and General Electric are also jointly developing an all-electric, battery/battery-hybrid propulsion system for powering electric buses and heavy-duty trucks. In July 1998 the BIRD Foundation awarded the two companies funding for the joint development of the electric propulsion system. The first application for the system will be an all-electric, zero-emission, full-size transit bus, in the program subcontracted to us by the Federal Transit Administration of the U.S. Department of Transportation referred to above. Our portion of the project was to develop a mobile refueling system for the transit bus. The refueling system, build in two standard 40" containers, was commissioned and successfully demonstrated in the All Electric Bus project. General Electric's portion of the project was to develop the EMS Energy Management System, which manages and controls all the various energy suppliers and consumers of the bus. The EMS was tested successfully as part of the integration drives completed under phase I of the FTA project.

Germany - Consortium Project

In January 2000, we agreed to participate in a new cooperative, all-electric hybrid vehicle development and demonstration program in Germany. A consortium consisting of major German industrial firms such as DaimlerChrysler AG and Varta Batterie AG will implement the program. The German Post, which sponsored an extensive field test of our zinc-air battery system for electric vehicles from 1995 through 1998, has also joined the consortium as an Advisory Partner. In January 2001, we received a DM 1 million ($469,000) order for zinc-air fuel-cells and zinc anodes to be delivered over the course of 2001.

During the course of the 4-year, DM 24 million ($11.5 million) program, the German firms and certain academic institutions will develop and demonstrate a hybrid vehicle based on a DaimlerChrysler cargo van, using our refuelable zinc-air batteries (to provide the main energy storage), high-power booster batteries provided by Varta, and ultracapacitors under development by Dornier GmbH (a division of DaimlerChrysler Aerospace) and by a Siemens-Matsushita subsidiary. Consortium organizers hope that the program will eventually lead to commercialization of clean electric transportation based on these technologies. We will be paid by the project for providing battery modules and battery zinc anodes for refueling.

The consortium's organizers include the Bremen Institute for Drive Technology and Ergonomics at the University of Bremen (BIBA) and funding is being made available by the German Federal Science Ministry is making the funding available. According to BIBA's press announcement, the Ministry selected the project, called "Electrical Power Supply for Vehicles with Long Range and High Acceleration" (abbreviated in German as "EFRB"), along with five other energy-related projects, from 68 applicants for financing under the ministry's major scientific energy initiative called "Energy Production and Storage for Peripheral and Mobile Applications."

In a previous field test managed by Deutsche Post, the German postal service, Deutsche Post tested the Electric Fuel Zinc-Air Energy System in electric cargo vans that ran in Germany and Sweden from 1996 until 1998. This field test, which was successfully completed in May 1998, was managed by Deutsche Post to conduct a representative operating test of the Electric Fuel System. Initiated in Bremen, Germany, in 1996, the Deutsche Post program involved the use of several models of postal vans powered by our zinc-air battery system and the establishment of the infrastructure for refueling and regenerating the batteries. Deutsche Post has stated that it is interested in adopting emission-free vehicles once such technology is available in large-scale production, and has joined the new Consortium as an Advisory Partner.

Competition

We believe that our products must be available at a price that is competitive with alternative technologies, particularly those intended for use in zero or low-emission vehicles. Besides other battery technologies, these include "hybrid systems" that combine internal combustion engine, diesel engine, battery technologies, use of hydrogen and use of regular or low-pollution fuels such as gasoline, diesel, compressed natural gas, liquefied natural gas, ethanol and methanol. Other alternative technologies presently use costly components, including use of fuel cells, supercapacitors, flywheels and catalytic removal of pollutants. These various technologies are at differing stages of development and any one of them, or a new technology, may prove to be more cost effective, or otherwise more readily acceptable by consumers, than the Electric Fuel Zinc-Air Energy System for electric vehicles. In addition, the California Air Resource Board has expressed to us concerns about the costs associated with the zinc-air regeneration infrastructure as compared to battery technologies that use electrical recharging.

The competition to develop electric vehicle battery systems and to obtain funding for the development of electric vehicle battery systems is, and is expected to remain, intense. Our technology competes with other battery technologies as well as with different zinc-air batteries and with advanced vehicle propulsion systems. The competition consists of development stage companies as well as major international companies and consortia including such companies, including automobile manufacturers, battery manufacturers, and energy production and transportation companies, many of which have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours.

An area of increased development has been that of fuel cell powered vehicles, spearheaded by the Ballard Corporation's solid polymer electrolyte hydrogen-air fuel cell program. Major automobile companies have made significant investments in this technology. However, we believe that our zinc-air cell technology is more likely to be commercially viable than the hydrogen or methanol systems, with a lower system cost and with more advantageous performance characteristics.

We believe that competing zinc-air battery technologies are at a much earlier stage of development, not just in terms of size and number of cells, modules and demonstrations in electric vehicles, but also in terms of the scale of development effort. We are not aware of a competing zinc-air battery development effort that could yield a product that is superior to ours in terms of vehicle performance or life-cycle cost.

Marketing

We plan to seek to expand our existing strategic alliances in Europe, the United States and the Far East, benefiting from experience gained in connection with the DOT/FTA and our alliances

with GE, Nova and Vattenfall. We also intend to seek support of government agencies, electric utilities and zinc manufacturers.

Defense and Safety Products Division

The Defense and Safety Products Division is continuing to expand the development of other advanced uses of the battery technology, including an advanced portable zinc-air battery for the U.S. Army. This division also oversees our water-activated lifejacket lights for commercial aviation and marine applications, and will pursue further development of the safety products business.

Defense Projects

We have a contract from the U.S. Army's Communications-Electronics Command (CECOM) to develop an advanced primary zinc-air battery packs. The terms of the current extension of the original contract call for us to deliver 500 prototype battery packs, for which we are to be paid $429,000. The 12/24 volt, 800 watt-hour battery pack for battlefield power, which is based on our zinc-air fuel cell technology, is approximately the size and weight of a notebook computer.

The battery packs, which are produced at our facility in Auburn, Alabama, will primarily be configured as 24V, 30Ah forward field chargers that will allow soldiers to significantly extend mission time by repeatedly field-charging the rechargeable batteries used in portable communication units. Some of the batteries are expected to be incorporated in hybrid power packs designed for use with the Land Warrior System, an integrated, modular soldier system that enhances the command and control, survivability, mobility and sustainment capabilities of individual infantry soldiers and small infantry units.

The primary zinc-air battery cell under development for the Army represents some technological advancements over the cell we are currently producing for consumer battery applications, and could be the basis for a new generation of zinc-air cells for consumer batteries. Because of this type of beneficial interaction between defense projects and the evolution of new commercial products, we intend to continue to pursue additional military contracts for primary zinc-air battery development.

Safety Products

In 1996, we began to produce and market lifejacket lights built with our patented magnesium-cuprous chloride batteries, which are activated by immersion in water (water-activated batteries), for the aviation and marine safety and emergency markets. At present we have a product line consisting of four lifejacket light models, all of which work in both freshwater and seawater. Each of our lifejacket lights is certified for use by relevant governmental agencies under various U.S. and international regulations. The four models and their general characteristics are shown as follows:

- Marine
  Model WAB-MX8
  0.75 candles (cd) in all directions for more than 8 hours
  Approved by the U.S. Coast Guard, Lloyd's Register (on behalf of the European Commission) and the Russian Maritime Register, under International Marine Organization (IMO) Safety of Life at Sea (SOLAS) regulations

- Marine
  Model WAB-H12
  1.0 cd in horizontal and vertical directions for more than 8 hours
  U.S Coast Guard approved for use on inland lakes, sounds and rivers, and within 20 miles of shore

- Aviation
  Model WAB-H18
  1.0 cd in horizontal and vertical directions for more than 8 hours
  Federal Aviation Administration approved under TSO C-85a (this is the latest and toughest certification, which no other leading aviation light can pass)
  The most popular aviation light on the market today

- Aviation
  Model WAB-H12
  1.0 cd in horizontal and vertical directions for more than 8 hours
  Federal Aviation Administration approved

We manufacture, assemble and package all our lifejacket lights in our factory in Beit Shemesh, Israel.

Market and Marketing Strategies

The annual market for lifejacket lights is estimated at two to three million units worldwide, of which about 50% is in Europe and 30% is in the United States. Approximately 80% of the sales are in the marine market; less than 20% of the sales are in the aviation market.

We market our lights to the commercial aviation industry in the United States exclusively through The Burkett Company of Houston, Texas, which receives a commission on sales. For our marine safety products, we have established our own network of distributors in the U.S., Europe, Asia and Oceania.

Competition

Two of the largest manufacturers of aviation and marine safety products, including TSO and SOLAS-approved lifejacket lights, are ACR Electronics Inc. of Hollywood, Florida, and Pains Wessex McMurdo Ltd. of England. Other significant competitors in the marine market include Daniamant Aps of Denmark, and EJE Translite of Canada.

Regulatory and Environmental Matters

We believe that our zinc-air batteries as currently produced are in compliance with applicable Israeli, European, and United States federal, state and local standards that govern the manufacture, storage, use and transport of the various chemicals used, and waste materials produced, in the manufacture and use of our zinc-air battery, including zinc and potassium hydroxide. We have obtained the necessary permits under the Israel Dangerous Substances Law, 5753-1993, required for the use of zinc metal, potassium hydroxide and certain other substances in our facilities in Israel.

Our disposable zinc-air batteries and chargers for cellular phones are similar in chemical makeup to primary alkaline batteries. Accordingly, our cellular phone battery and charger, like those products, is not expected to be regulated as to transport and is expected to be exempt from dangerous

goods regulations. Furthermore, like state-of-the-art zinc alkaline cells which must be mercury and cadmium free, our products are also completely free of toxic mercury and cadmium additives.

The presence of potassium hydroxide as an electrolyte in our electric vehicle batteries may subject its disposal to regulation under some circumstances. This electrolyte is the same as the electrolyte used in primary alkaline batteries and rechargeable nickel-cadmium and nickel-metal hydride batteries. Our electric vehicle battery technology uses relatively small amounts of spillable potassium hydroxide. The United States Department of Transportation regulates the transport of potassium hydroxide, and it is likely that any over-the-road transport of spillable potassium hydroxide in the United States would require manifesting and placarding.

The EPA, the Occupational Safety and Health Administration and other federal, state and local governmental agencies would have jurisdiction over operations of our production facilities were they to be located in the United States. Based upon risks associated with potassium hydroxide, government agencies may impose additional restrictions on the manufacture, transport, handling, use and sale of our products.

Patents and Trade Secrets

We rely on certain proprietary technology and seek to protect our interests through a combination of patents, know-how, trade secrets and security measures, including confidentiality agreements. Our policy generally is to secure protection for significant innovations to the fullest extent practicable. Further, we continuously seek to expand and improve the technological base and individual features of our batteries through ongoing research and development programs.

We have been filing patents on our zinc-air battery system for electric vehicles since 1990. These applications have resulted in 32 unexpired U.S. patents and 15 corresponding European patents. These patents cover various aspects of the Electric Fuel System technology, including the overall system, the zinc anode, including its physical and mechanical attributes, the construction of the air cathode, cell structure and arrangements, connectors, the automatic refueling system, zinc regeneration, and safety features.

We also hold two unexpired U.S. patents covering our high-power zinc-oxygen battery for torpedoes, two more covering the use of our zinc in other alkaline batteries, and one covering our water-activated magnesium-cuprous chloride batteries .

In early 1998, building on the development work that began at EFL in late 1996 on smaller zinc-air cells for consumer batteries, EFL began filing new patent applications specifically covering its consumer batteries. To date, we have filed more than 50 such applications in the U.S., and numerous

corresponding PCT applications have been filed for appropriate worldwide coverage. We expect to file additional applications in 2001 and succeeding years. The consumer battery patent applications cover all aspects of the cell and battery pack, including cell components and design, pack components and design, and air access management.

In addition to patent protection, we rely on the laws of unfair competition and trade secrets to protect our proprietary rights. We attempt to protect our trade secrets and other proprietary information through confidentiality and non-disclosure agreements with customers, suppliers, employees and consultants, and through other security measures. Although we intend to protect our rights vigorously, there can be no assurance that these measures will be successful.

Research and Development

During the years ended December 31, 1998, 1999, and 2000, our gross research and product development expenditures, including costs of revenues, of prototype batteries and components of the Electric Fuel System, were $10.2 million, $7.8 million and $9.7 million, respectively. During these periods, the Office of the Chief Scientist of the Israel Ministry of Industry and Trade (the "Chief Scientist") participated in our research and development efforts, thereby reducing our gross research and product development expenditures in the amounts of $447,000, $926,000 and $763,000 for the years 1998, 1999 and 2000, respectively. During 1998 the Israel-U.S. Binational Industrial Research and Development Foundation (BIRD) also began participating in our research and development efforts by sponsoring a joint project to develop a hybrid propulsion system for transit buses with General Electric Corporate Research and Development. We received grants from BIRD totaling $43,000, $277,000 and $195,000 during the years ended December 31, 1998, 1999 and 2000, respectively.

Under the terms of the grants from the Chief Scientist and current Chief Scientist regulations, we are obligated to pay royalties at the rate of 3% of the sales of products developed from projects funded by the Chief Scientist for the first three years of sales, increasing thereafter, up to 3.5%. We currently pay royalties at the rate of 3% of Electric Vehicle and cellphone battery revenues. The obligation to make such royalty payments ends when 100% of the amount granted (in New Israeli Shekels (NIS) linked to the U.S. dollar, plus interest (with respect to grants after January 1, 1999 at the LIBOR rate)) is repaid. The Government of Israel does not acquire proprietary rights in the technology developed using its funding, but certain restrictions with respect to the technology apply, including the obligation to obtain the Israeli Government's consent to manufacture the product based on such technology outside of Israel or to transfer the technology to a third party, which consent may be conditioned upon an increase in royalty rates or in the amount to be repaid. Current regulations require that, in the case of the approved transfer of manufacturing rights out of Israel, the maximum amount to be repaid through royalty payments will be increased to between 120% and 300% of the amount granted, depending on the extent of the manufacturing to be conducted outside of Israel, and that an increased royalty rate will be applied.

Under the terms of the grants from BIRD, we are obligated to pay royalties at the rate of 2 1/2% of the first year's gross sales and, in succeeding years, at the rate of 5% of gross sales until 100% of the grant has been repaid, at which point the repayment rate decreases to 2 1/2 % of gross sales. The total amount to be repaid reaches a maximum of 150% of the grant if it takes five years or longer for the grant to be repaid. Should we sell any portion of the technology developed outright to a third party, one-half of all proceeds of the sale are applied as received on account of royalties. The repayment obligation is in U.S. dollars linked in value to the U.S. Consumer Price Index.

Employees

As of March 13, 2001, we had 164 full-time employees in our Israeli subsidiary. Of these employees, 5 hold doctoral degrees and 40 hold other advanced degrees. Of the total, 30 employees were engaged in product research and development, 114 were engaged in production and operations, and the remainder in general and administrative functions. We also had one employee at our Auburn, Alabama research facility, one employee at our Georgia research facility and four employees in our New York office. Our success will depend in large part on our ability to attract and retain skilled and experienced employees.

We and the employees are not parties to any collective bargaining agreements. However, as substantially all of our employees are located in Israel and employed by EFL, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel)

and the Coordination Bureau of Economic Organizations (including the

Manufacturers' Association of Israel) are applicable to EFL's employees by order (the "Extension Order") of the Israeli Ministry of Labor and Welfare. These provisions principally concern the length of the work day and the work week, minimum wages for workers, contributions to a pension fund, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment, including certain automatic salary adjustments based on changes in the Israeli CPI.

Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment without due cause; additionally, some of our senior employees have special severance arrangements, certain of which are described under "Item 11. Executive Compensation - Employee Contracts," below. EFL currently funds its ongoing severance obligations by making monthly payments to approved severance funds or insurance policies. In addition, Israeli employees and employers are required to pay specified sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Since January 1, 1995, such amounts also include payments for national health insurance. The payments to the National Insurance Institute are approximately 14.6% of wages (up to a specified amount), of which the employee contributes approximately 66% and the employer contributes approximately 34%. The majority of the permanent employees of EFL are covered by "managers' insurance," which provides life and pension insurance coverage with customary benefits to employees, including retirement and severance benefits. We contribute 14.33% to 15.83% (depending on the employee) of base wages to such plans and the permanent employees contribute 5% of their base wages.

In 1993, an Israeli court held that companies that are subject to the Extension Order are required to make pension contributions exclusively through contributions to Mivtachim Social Institute of Employees Ltd., a pension fund managed by the Histadrut. We subsequently reached an agreement with Mivtachim with respect to providing coverage to certain production employees and bringing ourselves into conformity with the court decision. The agreement does not materially increase our pension costs or otherwise materially adversely affect its operations. Mivtachim has agreed not to assert any claim against EFL with respect to any past practices of EFL relating to this matter. Although the arrangement does not bind employees with respect to instituting claims relating to any nonconformity by EFL, we believe that the likelihood of the assertion of claims by employees is low and that any potential claims by employees against EFL, if successful, would not result in any material liability to us.

ITEM 2. PROPERTIES

Our corporate headquarters, constituting approximately 3,200 square feet, are located in New York City and leased for a term of five years expiring in November 2005. The Auburn, Alabama research facility, constituting approximately 2,000 square feet, is leased on a monthly basis. Our administrative facilities and research, development and production facilities for the manufacture and assembly of our batteries and chargers, related Electric Fuel System components, and Survivor Locator Lights, constituting approximately 34,000 square feet, are located in Beit Shemesh, Israel, located between Jerusalem and Tel-Aviv (within Israel's pre-1967 borders). The lease for these facilities in Israel expires on December 31, 2007; we have the ability to terminate the lease every two years upon three months' written notice. Moreover, we may terminate the lease at any time upon twelve months written notice. In addition, we lease additional space in Beit Shemesh of approximately an additional 34,000 square feet. As more fully described below, we intend to transfer the production facilities currently located in Beit Shemesh to a new facility in Jerusalem once the facilities are constructed.

We have been looking for additional land to construct larger premises near our Jerusalem facilities. In January 1999, we received a letter from the Israel Ministry of Industry and Trade authorizing

the allocation to us of approximately 5.9 dunam (approximately 1.5 acres) with rights to construct facilities of up to approximately 95,000 square feet in Jerusalem. We have paid the Jerusalem Land Development Authority approximately $157,000 in development fees related to this site to complete our obligations in this regard. We have yet to enter into a formal lease agreement for the site with the Israel Land Authority. When such a lease agreement is entered into, a capitalized lease fee will be due in the approximate amount of $1.2 million. If an agreement is not reached, the development fees will be returned to us.

ITEM 3. LEGAL PROCEEDINGS

As of the date of this filing, there were no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we were a party, other than as follows:

On August 1, 2000 we sued ElectroFuel, Inc., a Canadian corporation, in United States District Court for the Southern District of New York, alleging that its use of the "ElectroFuel" trademark and tradename in the United States in connection with its lithium polymer batteries constitutes an infringement of

our trademark rights to the "Electric Fuel" mark, as registered with the United States Patent and Trademark Office. We are seeking an injunction against ElectroFuel's use of the "ElectroFuel" mark and name in the United States in connection with its battery business, and damages. On September 26, 2000, ElectroFuel filed an answer and counterclaims challenging our use of the "Electric Fuel" trademark and tradename. ElectroFuel's counterclaim also seeks an injunction against our use of the "Electric Fuel" mark and name, a cancellation of our trademark registration, and damages. This action is currently in discovery.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our 2000 Annual Meeting of Stockholders on December 4, 2000. At that meeting, the stockholders voted on the following matters with the following results:

1. Fixing the number of Class III Directors at two:

Votes For	Votes Against	Abstentions	Shares Not Voting
13,732,267	144,438	50,298	0

2. Election of Class III Directors:

	Votes For	Votes Against	Abstentions	Shares Not Voting
Robert S. Ehrlich.....	13,333,089	593,914	0	0
Jeff Kahn.....	13,333,089	593,914	0	0

(Directors whose terms of office continued after the meeting were Yehuda Harats, Dr. Jay M. Eastman, Jack E. Rosenfeld, Lawrence M. Miller and Leon S. Gross)

3. Amending the Amended and Restated Certificate of Incorporation to increase the authorized common stock from 28,000,000 shares to 100,000,000 shares:

Votes For	Votes Against	Abstentions	Shares Not Voting
12,663,923	1,203,063	60,015	0

4. Amending the Non-Employee Director Stock Option Plan:

Votes For	Votes Against	Abstentions	Shares Not Voting
12,704,024	1,124,903	98,076	0

5. Amending the Amended and Restated 1993 Stock Option and Restricted Stock Purchase Plan to increase the number of shares of common stock reserved for issuance thereunder from 2,700,000 to 4,200,000:

Votes For	Votes Against	Abstentions	Shares Not Voting
3,792,570	1,279,011	89,774	8,763,648

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Since February 1994, our common stock has been traded under the symbol EFCX on the Nasdaq National Market. The following table sets forth, for the periods indicated, the range of high and low closing prices of our common stock on the Nasdaq National Market System:

	High	Low
Year Ended December 31, 2000		
Fourth Quarter	$ 11.1875	$ 3.7500
Third Quarter	$ 15.0000	$ 6.8750
Second Quarter	$ 16.1250	$ 4.5000
First Quarter	$ 23.8750	$ 3.0625
Year Ended December 31, 1999		
Fourth Quarter	$ 4.2500	$ 1.6250
Third Quarter	$ 2.0625	$ 1.1875
Second Quarter	$ 3.3750	$ 1.2500
First Quarter	$ 4.7500	$ 2.6250

As of February 28, 2001 we had approximately 238 holders of record of our common stock.

Dividends

We have never paid any cash dividends on our common stock. The Board of Directors presently intends to retain all earnings for use in our business. Any future determination as to payment of dividends will depend upon our financial condition and results of operations and such other factors as the Board of Directors deems relevant.

Recent Sales of Unregistered Securities

On January 5, 2000, we entered into a Common Stock Purchase Agreement with a group of private investors. Pursuant to this agreement, on January 10, 2000 we issued 385,000 shares of common stock to the investors at a price of $2.50 per share, for a total purchase price of $962,500. All the shares of common stock issued in this private placement were subsequently registered for resale pursuant to a registration statement on Form S-3 that was declared effective on February 10, 2000.

On May 17, 2000, we entered into a purchase agreement with Koor Industries Ltd. pursuant to which we issued 1,000,000 shares of common stock to Koor at $10.00 per share. All the shares of common stock issued to Koor in May 2000 were subsequently registered for resale pursuant to a registration statement on Form S-3 that was declared effective on June 27, 2000.

All of the above shares were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information set forth below with respect to the statements of loss for each of the two fiscal years in the period ended December 31, 2000, and with respect to the balance sheets at the end of each such fiscal year has been derived from our consolidated financial statements audited by Kost Forer & Gabbay, independent certified public accountants in Israel and a member firm of Ernst & Young International.

The selected financial information set forth below with respect to the statements of loss for each of the three fiscal years in the period ended December 31, 1998 and with respect to the balance sheet at the end of such fiscal year has been derived from our financial statements audited by Kesselman & Kesselman, independent certified public accountants in Israel and a member firm of PriceWaterhouseCoopers International Limited.

The financial information set forth below is qualified by and should be read in conjunction with the Consolidated Financial Statements contained in Item 8 of this Report and the notes thereto and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," below.

<TABLE>
<CAPTION>

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	(dollars in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Revenues	$ 5,405	$ 4,526	$ 4,013	$ 2,694	$ 4,054
Research and development expenses and costs of revenues	11,562	9,953	9,680	6,631	8,777
Selling, general and administrative expenses	4,693	4,333	3,561	3,163	7,802
Operating (loss)	$(10,850)	$ (9,760)	$ (9,228)	$ (7,100)	$(12,525)

Financial income, net.....	794	775	652	190	544
Loss before taxes on income.....	$(10,056)	$ (8,985)	$ (8,576)	$ (6,910)	$(11,981)
Taxes on income.....	(38)	144	(43)	6	0
Net loss.....	$(10,018)	$ (9,129)	$ (8,533)	$ (6,916)	$(11,981)
Net loss per share.....	$ (0.91)	$ (0.73)	$ (0.61)	$ (0.48)	$ (0.62)
Weighted average number of common shares used in computing basic and diluted net loss per share (in thousands).....	10,962	12,502	14,013	14,334	19,243

<CAPTION>

	As At December 31,				
	1996	1997	1998	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Cash, cash equivalents and investments in marketable debt securities.....	$ 23,959	$ 16,717	$ 8,943	$ 2,556	$ 11,596
Receivables and other assets.....	3,922	3,985	3,021	3,307	9,614
Property and equipment, net of depreciation.....	7,304	4,754	3,435	4,166	6,446
Total Assets.....	$ 35,185	$ 25,456	$ 15,399	$ 10,029	$ 27,656
Liabilities.....	$ 7,315	$ 6,697	$ 4,818	$ 5,787	$ 7,578
Stockholders' equity.....	27,870	18,759	10,581	4,242	20,078
Total liabilities and stockholders equity.....	$ 35,185	$ 25,456	$ 15,399	$ 10,029	$ 27,656

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve inherent risks and uncertainties. When used in this discussion, the words "believes," "anticipated," "expects" and similar expressions are intended to identify such forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those set forth elsewhere in this report. Please see "Important Factors Regarding Forward-Looking Statements," filed as Exhibit 99 to this report and incorporated herein by reference.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements contained in Item 8 of this report, and the notes thereto. We have rounded amounts reported here to the nearest thousand, unless such amounts are more than 1.0 million, in which event we have rounded such amounts to the nearest hundred thousand.

General

During 2000, we accelerated our efforts to develop and commercialize our Instant Power Zinc-Air long-lasting, disposable batteries and chargers for cellular phones. These devices use the proprietary high-rate primary zinc-air technology that we developed in the last two years for portable electronic devices. We also focused during the past year on expanding the distribution channels for our products, in order to make the transition from a research and development company to a global consumer goods company. Most notable among our new distributors was Wal-Mart, with over 1,000 outlets throughout the United States, which began marketing our batteries under its EverActive brand name in December 2000.

We have signed several distribution agreements with after-market distributors of cellular accessories (such as Carphone Warehouse, Circuit City, CompUSA and The LINK Store), and we have received initial orders from these distributors. Our line of existing products now includes batteries for Nokia 5100/6100/7100 phones, Motorola MicroTAC phones, the Ericsson 600/800/1000 line,

the Samsung SCH-3500 phone, and an auxiliary battery for the Motorola StarTAC, and chargers with SmartCords for various series and models of Nokia, Motorola, Ericsson, Panasonic, Siemens, Samsung, Audiovox, Mitsubishi, Sagem and Philips cellphones, models of Palm, Handspring, HP and Compaq PDAs and Novatel modems.

While we have successfully marketed our products to retailers such as Wal-Mart, certain of our customers have indicated to us in response to slower than anticipated initial sales results that we would benefit from educating consumers as to the advantages of disposable batteries and chargers for cellphones and PDAs. We have begun addressing this need, both on our own and in cooperative programs with certain of our retailers, through an advertising and public relations campaign in national newspapers, in-flight and consumer magazines and at major airports, as well as through in-store point-of-sale efforts.

Our Zinc-Air cells are produced using a custom-designed, high-capacity automatic line designed, engineered and built by our personnel and the U.S. equipment supplier. An automated production line with a monthly capacity in the hundreds of thousands of units began production in the third quarter of 2000.

During 2000, we continued to invest in strengthening our intellectual property position. We have 32 unexpired U.S. patents and 15 corresponding European patents issued covering general aspects and various applications of our zinc-air technology. We also have more than 50 new applications filed, focusing specifically on Instant Power batteries and chargers for consumer electronic devices and cellphones.

We continue to develop other applications for our disposable Instant Power batteries, including devices for the telecommunications, hand-held computer and defense markets.

Our Electric Vehicle Division is continuing its American all-electric transit bus development project in Nevada, subcontracted by the Federal Transit Administration (FTA) and supported by the Israel-US Binational Industrial Research and Development (BIRD) Foundation. On July 12, 2000, we announced that we had successfully completed the first actual driving tests of our all-battery electric bus. This event successfully completed phase I of the FTA program. Phase II of the program, which focuses on conducting evaluation of the system and vehicle performance, including track testing and limited on-road demonstrations, enhancing the all-electric propulsion system developed in Phase I, including incorporating ultracapacitors and associated interface controls, and testing and evaluating the zinc-air battery system, received approval in the fourth quarter of 2000.

In January 2000, we agreed to participate in a new cooperative, all-electric hybrid vehicle development and demonstration program in Germany. In January 2001, we received a DM 1 million ($469,000) order for zinc-air fuel-cells and zinc anodes to be delivered over the course of 2001.

Our Safety Products Division is continuing with the introduction of the new emergency lights for the marine life jackets market, and sales are steadily increasing.

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

We incurred significant operating losses for the years ended December 31, 2000, 1999 and 1998. While we expect to continue to derive revenues from the sale of batteries and chargers for

portable electronic devices, components of the Electric Fuel Electric Vehicle System, including refueling and Electric Fuel services and defense and safety products that we manufacture, as well as from licensing rights to our technology to third parties, there can be no assurance that we will ever derive such

revenues or achieve profitability.

Functional Currency

We consider the United States dollar to be the currency of the primary economic environment in which we and EFL operate and, therefore, both we and EFL have adopted and are using the United States dollar as our functional currency. Further, we believe that the operations of EFL's subsidiaries are an integral part of the Israeli operations. Transactions and balances originally denominated in U.S. dollars are presented at the original amounts. Gains and losses arising from non-dollar transactions and balances are included in net income.

Results of Operations

Fiscal Year 2000 compared to Fiscal Year 1999

Revenues. Revenues for the year ended December 31, 2000 totaled $4.1 million, compared to $2.7 million for 1999, an increase of $1.4 million, or 52%. This increase was the result of an increase in revenues from the Instant Power Division that resulted from increased marketing of our Instant Power batteries for cellular phones, an increase that was only partly offset by the completion of phase I of the FTA program and the concomitant drop-off in revenues in the Electric Vehicle division attributable to that program.

During 2000, we recognized revenues from the sale of lifejacket lights and sale of consumer batteries. We also recognized revenues from subcontracting fees received in connection with the United States Department of Transportation (DOT) program which began in 1998 and, after we completed Phase I in July of 2000, was extended in the fourth quarter of 2000. We participate in this program as a member of a consortium seeking to demonstrate the ability of the Electric Fuel battery system to power a full-size, all-electric transit bus. The total program cost of Phase II is approximately $2.7 million, 50% of which will be covered by the DOT subcontracting fees. Subcontracting fees cover less than all of the expenses and expenditures associated with our participation in the program. In 1999, we derived revenues principally from the sale of lifejacket lights and consumer batteries. Additionally, we also recognized revenues from activities related to the DOT program.

In 2000, revenues were $2.6 million for the Instant Power Division (compared to $0.3 million in 1999, an increase of $2.3 million, or 905%), $0.3 million for the Electric Vehicle division (compared to $1.2 million in 1999, a decrease of $0.9 million, or 75%), and $1.2 million for the Defense and Safety division (compared to $1.0 million in 1999, an increase of $0.2 million, or 19%).

Research and development expenses and cost of revenues. Research and development expenses and cost of revenues totaled $8.8 million during 2000, compared with $6.6 million during 1999 an increase of $2.2 million, or 33%. This increase was primarily the result of an increase in operations and engineering costs related to new product development and the ramping up of our automated production line. In 1999, we believed that, given our stage of development, it was not yet meaningful to distinguish between research

and development expenses and cost of revenues. We did distinguish between research and development expenses and cost of revenues in 2000. In addition to the increase in the overall research and development expenses in 2000, the internal division of expenses also changed between 1999 and 2000. This was principally attributable to a reduction of expenses related to Electric Vehicle battery development. This overall reduction was partially offset by significant increases in the costs associated with consumer product development and the production of increased quantities of lifejacket lights in the Defense and Safety Division.

Research and development expenses were reduced by $1.0 million during 2000 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. Our 2000 research and development 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 $763,000 from the Chief Scientist were recognized during 2000 (compared to $926,000 in 1999, a decrease of $233,000, or 18%) to offset research and development expenses. In addition, $195,000 of royalty bearing grants from the BIRD Foundation were recognized during 2000 (compared to $277,000 in 1999, a decrease of $82,000, or 30%). Research and development expenses and cost of operations related to Instant Power and Defense and Safety applications are expected to continue to increase for 2001, as we intensify our efforts in these new areas.

Direct expenses for our three divisions for the fiscal year ended 2000 were $10.2 million for the Instant Power Division ($3.0 million in 1999, an increase of $7.2 million, or 240%), $0.5 million for the Electric Vehicle division ($2.7 million in 1999, a decrease of $2.2 million, or 81%), and $1.1 million for the Defense and Safety division ($1.2 million in 1999, a decrease of $0.1 million, or 8%). The shift in expenses from the Electric Vehicle division to the Instant

Power Division was the result of the completion of phase I of the FTA program and the increased marketing of our Instant Power batteries for cellular phones, as discussed above.

Net costs of fixed assets (net of accumulated depreciation) at December 31, 2000 in the Instant Power, Electric Vehicle and Defense and Safety divisions were $4.5 million, $0.9 million and $0.4 million, respectively.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2000 were $7.8 million, compared to $3.2 million in 1999, an increase of $4.6 million, or 144%. This increase was primarily attributable to increased sales and marketing expenses in the Instant Power Division during 2000. We expect additional increases in selling, general and administrative expenses during 2001, particularly relating to marketing expenses in consumer battery applications, as we continue to expand the applications for our technology.

Financial income. Financial income, net of interest expense, exchange differentials, bank charges, and other fees, totaled approximately $544,000 in 2000, compared to $190,000 in 1999, an increase of $354,000, or 186%, due primarily to higher balances of invested funds as a result of the deposit of the proceeds of private placements of our securities conducted in 2000.

Income taxes. We and our Israeli subsidiary EFL incurred net operating losses or had earnings arising from tax-exempt income during the years ended December 31, 2000 and 1999 and, accordingly, we were not required to make any provision for income taxes. Taxes in these entities incurred in 2000 and 1999 are primarily composed of United States federal alternative minimum taxes.

Net losses. Due to the factors cited above, we reported a net loss of $12.0 million in 2000, compared with a net loss of $6.9 million in 1999, an increase of $5.1 million, or 74%.

Fiscal Year 1999 compared to Fiscal Year 1998

Revenues. Revenues for the year ended December 31, 1999 totaled $2.7 million, compared with $4.0 million for 1998. During 1999, we recognized revenues from the sale of lifejacket lights and sale of consumer batteries. We also recognized revenues from activities related to the DOT program, which began in 1998. Additionally, we recognized revenue during 1999 in connection with various defense research and development contracts.

Revenues for 1998 were principally derived from recognizing the previously deferred advances from the Deutsche Post as well as from activities relating to the Deutsche Post Field Test extension (reflecting payment by the Deutsche Post of expenses we incurred). Additionally, we recognized revenues from the sale of additional batteries to the Deutsche Post as well as sales of Electric Fuel Vehicle batteries to Edison. We also recognized revenues from the sale of lifejacket lights. We began recognizing revenues from the activities related to the DOT program in the second half of 1998.

In 1999, revenues were $255,000 for the Instant Power division (there were no revenues for this division in 1998), $1,229,000 for the Electric Vehicle division (compared to $2,792,000 for 1998, a decrease of $1,563,000, or 56%), and $979,000 for the Defense and Safety division (compared to $1,181,000 in 1998, a decrease of $202,000, or 17%).

Research and development expenses and cost of revenues. Research and development expenses and cost of revenues totaled $7.8 million during 1999, compared with $10.2 million during 1998, a decrease of $2.4 million, or 24%. We believes that, given our stage of development, it is not yet meaningful to distinguish between research and development expenses and cost of revenues. In addition to the reduction in the overall expenses in 1999, the internal division of expenses also changed between 1998 and 1999. This was principally attributable to a reduction of expenses related to Electric Vehicle battery development. This overall reduction was partially offset by significant increases in the costs associated with consumer battery development and the production of increased quantities of lifejacket lights in the Defense and Safety Division.

Research and development expenses were reduced by $1.2 million during 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. Our 1999 research and development grant applications were approved by the Research Committee of the Office of the Chief Scientist of the Ministry of Industry and Trade. As a result, we recognized royalty-bearing grants of $926,000 from the Chief Scientist during 1999 (compared to $447,000 in 1998, an increase of $479,000, or 107%) to offset research and development expenses. In addition, we recognized $277,000 of royalty bearing grants from the BIRD Foundation during 1999 (compared to $43,000 in 1998, an increase of $234,000, or 544%).

Direct expenses for our three divisions for the fiscal year ended 1999 were $3.0 million for the Instant Power Division ($3.0 million in 1998, no change)

$2.7 million for the Electric Vehicle division ($4.8 million in 1998, a decrease of $2.1 million, or 44%), and $1.2 million for the Defense and Safety division ($1.2 million in 1998, unchanged).

Net costs of fixed assets (net of accumulated depreciation) at December 31, 1999 in the Instant Power, Electric Vehicle and Defense and Safety divisions were $1,517,000, $1,130,000 and $360,000, respectively.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 1999 were $3.2 million, compared with $3.6 million in 1998, a decrease of $400,000, or 11%. This decrease was primarily attributable to reduced salaries, professional fees and Electric Vehicle marketing expenses during 1999.

Financial income. Financial income, net of interest expense, exchange differentials, bank charges, and other fees, totaled approximately $190,000 in 1999, compared to $652,000 in 1998, a decrease of $462,000, or 71%.

Income taxes. We and our Israeli subsidiary EFL incurred net operating losses or had earnings arising from tax-exempt income during the years ended December 31, 1999 and 1998 and, accordingly, no provision for income taxes was required. Taxes in these entities incurred in 1999 and 1998 are primarily composed of United States federal alternative minimum taxes.

Net losses. Due to the factors cited above, we reported a net loss of $6.9 million in 1999, compared with a net loss of $8.5 million in 1998, a decrease of $1.6 million, or 19%.

Liquidity and Capital Resources

As of December 31, 2000, we had cash and cash equivalents of approximately $11.6 million, compared with $2.6 million as of December 31, 1999, an increase of $9.0 million, or 346%. The increase in cash was primarily the result of the private placements of our securities described below.

We used available funds in 2000 primarily for continued research and development expenditures, and other working capital needs. We increased our investment in fixed assets by $2.9 million during the year ended December 31, 2000, primarily in the Instant Power Division. Our fixed assets amounted to $6.5 million as at year end.

Our Israeli subsidiary EFL presently has a line of credit with the First International Bank of Israel Ltd. (FIBI) of up to $750,000, guaranteed by our receivables (up to 75% of the receivables total amount as determined from time to time). This credit facility imposes financial and other covenants on EFC and EFL. As of December 31, 2000, the bank had issued letters of credit and bank guarantees totaling approximately $658,000.

In December 1999 and January 2000, we issued shares of our common stock and warrants to purchase our common stock in two private placements. The aggregate proceeds from these placements, including proceeds upon exercise of the warrants, were approximately $6.3 million.

During 2000, certain of our employees exercised options under our registered employee stock option plan. The proceeds to us from the exercised options are approximately $2.9 million.

On March 15, 2000, we entered into a share and assets purchase agreement to acquire Tadiran Batteries from Koor Industries Ltd. for $40.0 million in our common stock, based on the closing price of $17.125 per share of our common stock on March 8, 2000, the date on which we and Koor reached agreement in principle. Concurrently, we entered into a stock purchase agreement with Koor pursuant to which Koor was to acquire 613,139 shares of our common stock, at $17.125 per share, for a total cash investment of $10.5 million. These agreements were cancelled in connection with the transactions described in the next paragraph.

On May 17, 2000, we entered into a purchase agreement with Koor Industries Ltd. pursuant to which Koor agreed to purchase one million shares of our common stock at $10.00 per share, for a total cash investment of $10 million. We and Koor also entered into a registration rights agreement pursuant to which we agreed to register the shares issued to Koor, and Koor agreed to certain limitations on the resale of the shares in the six months following the investment. The purchase agreement with Koor provided that we would issue additional shares to Koor based on the extent to which the average closing price of our common stock on the Nasdaq for the thirty trading days immediately preceding the six-month anniversary of the closing date was below $10.00 per share. Pursuant to the terms of this provision, we issued an additional 92,952 shares of common stock to Koor. As part of the transactions contemplated by this purchase agreement, we and Koor agreed, pursuant to a termination and release agreement, that the agreements described in the previous paragraph would be

cancelled and that we would not proceed with the previously announced investment by Koor or the acquisition by us of Koor's subsidiary Tadiran Batteries Ltd.

On November 17, 2000 we issued and sold to Capital Ventures International, for an aggregate purchase price of $8.4 million: (i) 1,000,000 shares of our common stock; (ii) a Series A Warrant to purchase 666,667 shares of our common stock at any time prior to November 17, 2005 at a price of $12.56 per share; and (iii) a Series B Warrant to purchase 333,333 shares of our common stock at any time prior to August 17, 2001 at a price of $11.31 per share. In connection with this transaction, we also issued two warrants, one a warrant to purchase up to 100,000 shares of our common stock at $9.63 per share and one a warrant to purchase up to 50,000 shares of our common stock at $12.56 per share, to Josephthal & Co., Inc, who acted as our placement agent in connection with this transaction.

We have no long term debt outstanding, and we are using our cash reserves and revenues from operations primarily to continue development of batteries and chargers for consumer electronic devices, as well as to participate in the FTA Electric Vehicle program. Furthermore, in the third quarter of 2000, we established a commercial production line and we are preparing for market penetration of our new Instant Power zinc-air batteries and chargers for several models of cellular telephones and PDAs.

Approximately 25.8% of the stock of our Israeli-based subsidiary EFL is now owned (directly, indirectly or by application of certain attribution rules) by two United States citizens. If at any time in the future, 50% or more of the shares of EFL are held or deemed to be held by five or fewer individuals (including, if applicable, those individuals who currently own an aggregate of 25.8% of our stock) who are United States citizens or residents, EFL would satisfy the foreign personal holding company stock ownership test under the Internal Revenue Code and we could be subject to additional U.S. taxes on any undistributed foreign personal holding company income of EFL. For 2000,

EFL had no income which would qualify as undistributed foreign personal holding company income. However, no assurance can be given that in the future EFL will not have income that qualifies as undistributed foreign personal holding company income.

We believe that our present cash position and cash flows from operations will be sufficient to satisfy our estimated cash requirements through the next year. We are seeking additional funding, including through the issuance of equity or debt securities. However, there can be no assurance that we will obtain any such additional funding. If additional funding is not secured, we intend to further modify, reduce, defer or eliminate certain of our anticipated future commitments and/or programs, in order to continue future operations.

Impact of Inflation and Currency Fluctuations

Historically, the majority of our revenues have been in U.S. dollars. The United States dollar cost of our operations in Israel, with regard to expenses incurred in NIS, is influenced by the extent to which an increase in the rate of inflation in Israel is not offset by the devaluation of the NIS in relation to the dollar. In the past two years, inflation in Israel has been more than fully compensated by the devaluation of the NIS and, accordingly, the dollar cost of our NIS expenses has decreased. Even if the recent trend is reversed (as was the case in previous years), we do not believe that continuing inflation in Israel or delays in the devaluation of the NIS are likely to have a material adverse effect on us, except to the extent that such circumstances have an impact on Israel's economy as a whole. In the years ended December 31, 2000, 1999 and 1998, the annual rates of inflation in Israel were 0.0%, 1.3% and 8.6%, respectively, compared to the devaluation of the NIS against the dollar during such periods of (2.7)%, 0.0% and 17.6%, respectively.

Effective Corporate Tax Rate

Our production facilities in Israel have been granted "Approved Enterprise" status under the Israel Law for Encouragement of Capital Investments, 5719-1959, and consequently are eligible for certain tax benefits for seven to ten years after they first generate taxable income (provided the maximum period as prescribed by law has not elapsed). We have elected to receive a grant of funds together with a reduced tax rate for the aforementioned period.

EFL's effective corporate tax rate may be affected by the classification of certain items of income as being "approved income" for purposes of the Approved Enterprise law, and hence subject to a lower tax rate (25% to 10%, depending on the extent of foreign ownership of EFL - presently 15%) than is imposed on other forms of income under Israeli law (presently 36%). The effective tax upon income we distribute to our stockholders would be increased as a result of the withholding tax imposed upon dividends distributed by EFL to EFC, resulting in an overall effective corporate tax rate of approximately 28% for income arising from EFL's Approved Enterprises and 44% regarding other income.

EFC and EFL have incurred net operating losses or had earnings arising from

tax-exempt income during the years ended December 31, 2000, 1999 and 1998 and accordingly no provision for income taxes was required. Taxes in these entities paid in 2000, 1999 and 1998 are primarily composed of United States federal alternative minimum taxes.

As of December 31, 2000, we had U.S. net operating loss carry forwards of approximately $2.5 million that are available to offset future taxable income, expiring primarily in 2010, and foreign

net operating loss carry forwards of approximately $65.0 million, which are available indefinitely to offset future taxable income.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to the impact of interest rate changes and foreign currency fluctuations due to our international sales, production and funding requirements.

Our research, development and production activities are primarily carried out by our Israeli subsidiary, EFL, at its facility in Beit Shemesh, and accordingly we have sales and expenses in New Israeli Shekels. However, the majority of our sales are made outside Israel in U.S. dollars, and a substantial portion of our costs are incurred in U.S. dollars. Therefore, our functional currency is the U.S. dollar. Please see "Impact of Inflation and Currency Fluctuations," above and Note 2b to the Notes to the Consolidated Financial Statements.

Although we have a line of credit that may be affected by interest rate changes, given our level of borrowing, we do not believe the market risk from interest rate changes is material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective as of January 12, 2000, Kost Forer & Gabbay, a member of Ernst & Young International, replaced Kesselman & Kesselman as our independent accountants. This change was reported in a Current Report on Form 8-K, filed on January 18, 2000 (as amended on January 21, 2000). There have been no disagreements with accountants on any matter of accounting principles or financial disclosure required to be reported under this Item.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Executive Officers, Directors and Significant Employees

Executive Officers and Directors

Our executive officers and directors and their ages as of December 31, 2000 are as follows:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Robert S. Ehrlich.....	62	Chairman of the Board of Directors and

		Chief Financial Officer
Yehuda Harats.....	50	President, Chief Executive Officer and Director
Joshua Degani.....	53	Executive Vice President of Technical Operations and Chief Operating Officer
Avihai Shen.....	33	Vice President - Finance
Dr. Jay M. Eastman.....	54	Director
Jack E. Rosenfeld.....	61	Director
Lawrence M. Miller.....	54	Director
Leon S. Gross.....	94	Director
Jeff Kahn.....	42	Director

</TABLE>

Our by-laws provide for a board of directors of one or more directors. There are currently seven directors. Under the terms of our certificate of incorporation, the board of directors is composed of three classes of similar size, each elected in a different year, so that only one-third of the board of directors is elected in any single year. Mr. Harats, Dr. Eastman and Mr. Gross are designated Class I directors and have been elected for a term expiring in 2001 and until their successors are elected and qualified; Messrs. Rosenfeld and Miller are designated Class II directors elected for a term expiring in 2002 and until their successors are elected and qualified; and Messrs. Ehrlich and Kahn are designated Class III directors elected for a term which expires in 2003 and until their successors are elected and qualified.

Robert S. Ehrlich has been our Chairman of the Board since January 1993 and our Chief Financial Officer since May 1991. From May 1991 until January 1993, Mr. Ehrlich was our Vice Chairman of the Board. Mr. Ehrlich has been a director of Eldat, Ltd., an Israeli manufacturer of electronic shelf labels, since June 1999. Since 1987, Mr. Ehrlich has served as a director of PSC Inc. ("PSCX"), a manufacturer and marketer of laser diode bar code scanners, and, since April 1997, Mr. Ehrlich has been the chairman of the board of PSCX. Mr. Ehrlich received a B.S. and J.D. from Columbia University in New York, New York.

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

Dr. Joshua Degani has been our Chief Operating Officer since January 1998, and has been Executive Vice President for Technical Operations since he joined us in June 1997. From December 1991 through May 1997, Dr. Degani was Vice President for Research Development and Engineering in Laser Industries Ltd., a world leader in the development and productions of systems and applications of surgical lasers. From November 1989 until August 1991, he was Program Manager of Large Scale Battery Storage, and Vice President of Engineering at Luz. From February 1983 through October 1989, Dr. Degani was Director of Research and Development and later Plant Manager for Semiconductor Devices, a company which develops and manufactures advanced Infrared Detectors for thermal vision for military applications. From January 1980 through January 1983, he was employed by Bell Telephone Laboratories in New Jersey, USA, as a post doctorate, and later as a member of the technical staff. Dr. Degani received a B.Sc., M.Sc., and Ph.D. in Physics from the Hebrew University in Jerusalem, Israel.

Avihai Shen has been our Vice President - Finance since September 1999, and served as our corporate Secretary from September 1999 to December 2000. Mr. Shen was the CFO of Commtouch Software Ltd., an internet company based in California that develops e-mail solutions, from 1996 to early 1999, and worked previously at Ernst and Young in Israel. Mr. Shen is a certified Public Accountant and has a B.A. in Economics from Bar Ilan University in Israel.

Dr. Jay Eastman has been one of our directors since October 1993. Since November 1991, Dr. Eastman has served as President and Chief Executive Officer of Lucid, Inc., which is developing laser technology applications for medical diagnosis and treatment. Dr. Eastman has served as a director of PSCX since April 1996 and served as Senior Vice President of Strategic Planning from December 1995 through October 1997. Dr. Eastman is also a director of Dimension Technologies, Inc., a developer and manufacturer of 3D displays for computer and video displays, and Centennial Technologies Inc., a manufacturer of PCMCIA cards. From 1981 until January 1983, Dr. Eastman was Director of the University of Rochester's Laboratory for Laser Energetics, where he was a member of the staff from September 1975 to 1981. Dr. Eastman holds a B.S. and a Ph.D. in Optics from the University of Rochester in New York.

Jack E. Rosenfeld has been one of our directors since October 1993. Mr. Rosenfeld is also a director of Maurice Corporation and a director of PSCX. Since April 1998, Mr. Rosenfeld has been President and Chief Executive Officer of Potpourri Collection Inc., a specialty catalog direct marketer. Mr. Rosenfeld was President and Chief Executive Officer of Hanover Direct, Inc., formerly Horn

& Hardart Co., which operates a direct mail marketing business, from September 1990 until December 1995, and had been President and Chief Executive Officer of its direct marketing subsidiary, since May 1988. Mr. Rosenfeld holds a B.A. from Cornell University in Ithaca, New York and an LL.B. from Harvard University in Cambridge, Massachusetts.

Lawrence M. Miller was elected to the board of directors in November 1996. Mr. Miller has been a senior partner in the Washington D.C. law firm of Schwartz, Woods and Miller since 1990. He served from August 1993 through May 1996 as a member of the board of directors of The Phoenix Resource Companies, Inc., a publicly traded energy exploration and production company, and as a member of the Audit and Compensation Committee of that board. That company was merged into Apache Corporation in May 1996. Mr. Miller holds a B.A. from Dickinson College in Carlisle, Pennsylvania and a J.D. with honors from George Washington University in Washington, D.C. He is a member of the District of Columbia bar.

Leon S. Gross was elected to the board in March 1997. Mr. Gross' principal occupation for the past five years has been as a private investor in various publicly-held corporations, including Electric Fuel.

Jeff Kahn has been a director since June 2000. Mr. Kahn founded and managed Kahn Communications Group from 1987 to 1995. In 1995 that company was sold to Ruder Finn and he became Chief Strategic and Planning Officer of Ruder Finn (International). In 1997, Mr. Kahn founded and served as Chairman of Ruder Finn Israel while maintaining his responsibilities in Ruder Finn (International). Mr. Kahn also serves on the board of e-Sim (Nasdaq: ESIM) and several other privately-held companies. Mr. Kahn holds a B.A. from Brooklyn College in New York.

Committees of the Board of Directors

Our board of directors has an Audit Committee and a Compensation Committee consisting of Messrs. Rosenfeld and Miller and Dr. Eastman.

Created in December 1993, the purpose of the Audit Committee is to review with management and our independent auditors the scope and results of the annual audit, the nature of any other services provided by the independent auditors, changes in the accounting principles applied to the presentation of our financial statements, and any comments by the independent auditors on our policies and procedures with respect to internal accounting, auditing and financial controls. In addition, the Audit Committee is charged with the responsibility for making recommendations to the Board on the engagement of independent auditors. All Committee members are "independent," as independence is defined in Rule 4200(a)(15) of the National Association of Securities Dealers' listing standards. As required by law, the Audit Committee operates pursuant to a charter.

The Compensation Committee, also created in December 1993, recommends annual compensation arrangements for the Chief Executive Officer and Chief Financial Officer and reviews annual compensation arrangements for all officers and significant employees. All Committee members are "disinterested persons" as that term is used in Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Voting Agreements

Messrs. Ehrlich and Harats are parties to a Voting Agreement pursuant to which each of the parties agrees to vote the shares of our common stock held by that person in favor of the election of Messrs. Ehrlich and Harats (or their designees) as directors. Messrs. Gross, Ehrlich and Harats are parties to a Voting Rights Agreement dated September 30, 1996, as amended, pursuant to which each of the parties agrees to vote the shares of our common stock held by that person in favor of the election of Messrs. Ehrlich, Harats and Miller until the earlier of December 10, 2002 or our fifth annual meeting of stockholders after December 10, 1997.

Director Compensation

Non-employee members of our board of directors are paid $1,000 (plus expenses) for each board of directors meeting attended and $500 (plus expenses) for each meeting of a committee of the board of directors attended. In addition, we have adopted a Non-Employee Director Stock Option Plan pursuant to which non-employee directors receive an initial grant of options to purchase 25,000 shares of our common stock upon the effective date of such plan or upon the date of his or her election as a director. Thereafter, non-employee directors will receive options to purchase 10,000 shares of our common stock for each year of service on the board. All such options are granted at fair market value and vest ratably over three years from the date of the grant.

Significant Employees

Our significant employees and their ages as of December 31, 2000 are as follows:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Jonathan Whartman.....	46	Senior Vice President - Europe and Asia
Dr. Neal Naimer.....	42	Vice President - Battery Technology
Binyamin Koretz.....	43	Vice President - Strategic Planning
Menashe Ben Haim.....	39	Vice President of Operations
Mitchell L. Horwitz.....	45	Vice President - Sales and Marketing, North America
Yaakov Har-Oz.....	43	Vice President, General Counsel and Secretary
Menachem Givon.....	53	Application Manager
Dr. Yair Ein-Eli.....	34	Head of Electrochemistry/Chemistry & Material
Yoel Gilon.....	48	Director, Electric Vehicle Technologies
Robert Dopp.....	54	Director of Research, New Products
Ron Putt.....	53	Director of Technology, New Products

</TABLE>

Jonathan Whartman has been Senior Vice President - Europe and Asia since December 2000, and Vice President of Marketing from 1994 to December 2000. From 1991 until 1994, Mr. Whartman was our Director of Special Projects. Mr. Whartman was also Director of Marketing of Amtec from its inception in 1989 through the merger of Amtec into EFC. Before joining Amtec, Mr. Whartman was Manager of Program Management at Luz, Program Manager for desk-top publishing at ITT Qume in San Jose, California from 1986 to 1987, and Marketing Director at Kidron Digital Systems, an Israeli computer developer, from 1982 to 1986. Mr. Whartman holds a B.A. in Economics and an M.B.A. from the Hebrew University, Jerusalem, Israel.

Dr. Neal Naimer has been Vice President of Battery Technology since June 1997. Dr. Naimer was previously Director of Electrode Engineering of our Air Electrode development program. From 1987 to 1989, he was the Manager of the Chemical Vapor Deposition (Thin Films) Group at Intel Electronics in Jerusalem, and was Project Manager of the photo voltaic IR detector development program at Tadiran Semiconductor Devices in Jerusalem from 1984 to 1987. Dr. Naimer was educated at University College of London, England, where he received his B.Sc. in Chemical Engineering and a Ph.D. in Chemical Engineering.

Binyamin Koretz has been our Vice President of Strategic Planning since January 1998, responsible for new business development, economic modeling, intellectual property protection, and other planning activities. Mr. Koretz has also been responsible for our defense and safety applications since January 1998. Mr. Koretz was our Treasurer from 1993 until December 1994, and again from February 1999 until November 1999. Mr. Koretz previously spent six years at American Telephone and Telegraph, where he was responsible for planning and management of capital investment in that company's long-distance network. He holds a B.Sc. in Civil Engineering/Transportation Systems from the Massachusetts Institute of Technology and an M.B.A. from the University of California at Berkeley.

Menashe Ben Haim has been Vice President of Operations since January 2000. Mr. Ben Haim has over twelve years of industrial and engineering experience. He spent seven years in the paper converting industry as General Manager and Vice President of Operations. He previously worked

in the Israeli Aircraft industry in the MLM division. Mr. Ben Haim holds a Mechanical Engineering degree from Tel Aviv University and a B.A. in Business Management from Haifa University.

Mitchell L. Horwitz has been Vice President of Sales and Marketing, North America, since January 2000. Mr. Horwitz has been involved in the wireless industry since 1986 as President and Founder of Eastern Marketing Associates Inc. ("EMA"), the exclusive sales and marketing company to Novatel/Carcom Inc. Since EMA's acquisition by Novatel Communications in 1994, Mr. Horwitz has held several senior level sales position in the wireless industry, most recently as Vice President, Worldwide Sales and Marketing, for Globewave, Inc., a manufacturer of wireless modem devices based in New Jersey. Prior to that he was Executive Vice President of Formosa Electronics, a cellphone battery manufacturer with headquarters in New York and Taiwan. Mr. Horwitz holds a B.S. from Ohio University, with a major in Business Administration and a minor in Communications.

Yaakov Har-Oz has served as our Vice President and General Counsel since October 2000 and as our corporate Secretary since December 2000. From 1994 until October 2000, Mr. Har-Oz was a partner in the Jerusalem law firm of Ben-Ze'ev, Hacohen & Co. Prior to moving to Israel in 1993, he was an administrative law judge and in private law practice in New York. Mr. Har-Oz holds a B.A. from Brandeis University in Waltham, Massachusetts and a J.D. from Vanderbilt Law School (where he was an editor of the law review) in Nashville, Tennessee. He is

a member of the New York bar and the Israel Chamber of Advocates.

Menachem Givon has been Application Manager since January 1999. Mr. Givon earned his B.S. and M.S. in Physics at Ben-Gurion University. He has also taken considerable coursework in Electrical Engineering. From 1978 to 1990, he specialized in the development of production and quality control systems at Shoval Metal Industries in the Negev.

Dr. Yair Ein-Eli has been the Head of Electrochemistry, Chemistry and Material Groups since joining us in September 1998. Previously, he spent more than three years at Covalent Associates Inc., where he was responsible for the Li and Li-ion battery groups. Dr. Ein-Eli also held a post-doctoral position at Covalent for a period of 18 months. Dr. Ein-Eli holds a Ph.D. degree in chemistry and electrochemistry from Bar-Ilan University in Tel Aviv.

Yoel Gilon has been Director of Electric Vehicle Technologies at our Beit Shemesh facility since joining us in 1994. From 1991 to 1994, Mr. Gilon was Project Development Manager at Ormat Industries. Previously, Mr. Gilon was Vice President of System Engineering Development at Luz Industries. Mr. Gilon holds a B.Sc. in Mathematics and Physics and a M.Sc. in Mathematics from the Hebrew University of Jerusalem. He also holds a B.A. in Fine Arts from the Bezalel Academy in Jerusalem.

Robert Dopp has been Director of Research, New Products at our Auburn Laboratory since joining us in December 1997. From February 1997 until November 1997, Mr. Dopp was Manager of Advanced Components Development at AER Energy Resources. From December 1979 to February 1997, he was Principal Engineer, Zinc-Air Development at Rayovac Corporation. Mr. Dopp holds a B.S. in Biology from the University of Wisconsin.

Ron Putt has been Director of Technology, New Products at our Auburn research and development facility since April 1997. From October 1995 until April 1997, Mr. Putt worked as a consultant for Auburn University and Electro-Energy Inc. From April 1990 to October 1995, Mr. Putt was

Vice President at MATSI, Inc. Mr. Putt holds bachelor's and master's degrees in Chemical Engineering from the University of Delaware and University of California at Berkeley.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the securities laws of the United States, our directors, certain of our officers and any persons holding more than ten percent of our common stock are required to report their ownership of our common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and we are required to report any failure to file by these dates during 2000. We are not aware of any instances during 2000 where such "reporting persons" failed to file the required reports on or before the specified dates, except as follows:

(i) Mr. Kahn was required to report his holdings of our securities in a Form 3 that should have been filed on or prior to June 19, 2000 in connection with his becoming a director on June 9, 2000. He reported his holdings in a Form 5 filed on February 14, 2001.

(ii) Dr. Degani was required to file a Form 4 on or prior to August 10, 2000 in connection with his exercise of stock options in July 2000 that resulted in his acquisition of 51,500 shares of our common stock. He reported this transaction in a Form 5 filed on February 12, 2001.

(iii) Mr. Ehrlich was required to file a Form 4 on or prior to May 10, 2000 in connection with the sale by trusts for the benefit of certain of his children in April 2000 of 4,000 shares of our common stock, and on or prior to July 10, 2000 in connection with the sale by trusts for the benefit of certain of his children in June 2000 of 12,000 shares of our common stock. He reported these transactions in a Form 5 filed on February 12, 2001. Additionally, in a Form 4 filed on December 5, 2000, Mr. Ehrlich erroneously reported that a gift of 9,500 shares of our common stock in November 2000 had been a gift of shares held by Red Lion Enterprises, Inc., a company affiliated with Mr. Ehrlich, rather than his personal gift. Mr. Ehrlich corrected these errors, as well as certain arithmetic errors with respect to the calculation of his total holdings, in a Form 5 filed on March 19, 2001 amending the Form 5 he filed on February 12, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The Compensation Committee of our Board of Directors for 2000 consisted of Dr. Eastman, Mr. Rosenfeld and Mr. Miller. The Committee's responsibilities

include recommending the annual compensation arrangements for our Chief Executive Officer and our Chief Financial Officer and reviewing the annual compensation arrangements for principal officers and significant employees, all by reference to the parameters set by any agreements we may have with such persons. No member of this Committee was an officer or employee of ours during 2000. The members of the Committee are familiar with various forms and types of remuneration from reports of other public corporations and their own business experience. All Committee members are "disinterested persons" as that term is used in Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

REPORT OF THE COMPENSATION COMMITTEE

Objectives and Philosophy

We maintain compensation and incentive programs designed to motivate, retain and attract management and utilize various combinations of base salary, bonuses payable upon the achievement of specified goals, discretionary bonuses and stock options. It is our current policy to establish, structure and administer compensation plans and arrangements so that the deductibility of such compensation will not be limited under Section 162(m) of the Internal Revenue Code. Our Chief Executive Officer, Yehuda Harats, and our Chief Financial Officer, Robert S. Ehrlich, are parties to employment agreements with us. Our Executive Vice President of Technical Operations, Dr. Joshua Degani, is also party to an employment agreement.

Executive Officer Compensation

Each of the employment agreements with Messrs. Harats and Ehrlich provides that if the results we actually attain in a given year are at least 80% of the amount we budgeted at the beginning of the year, we will pay a bonus to each of Messrs. Ehrlich and Harats, on a sliding scale, in an amount equal to a minimum of 35% of their annual base salaries then in effect, up to a maximum of 90% of their annual base salaries then in effect if the results we actually attain for the year in question are 120% or more of the amount we budgeted at the beginning of the year.

For the year ended December 31, 2000, we accrued a bonus for Messrs. Ehrlich and Harats for 2000 at the 35% level. During 2000, we paid each of Messrs. Ehrlich and Harats $80,011 that we owed them (as calculated pursuant to the terms of their previous employment agreements with us, which required that bonuses be paid in an amount equal to the greater of (a) 50% of annual base salary or (b) 2% of annual net earnings (defined as net income before taxes and extraordinary and other nonrecurring items), provided that 100% of budgeted results and other goals are attained)) for their 1999 bonuses, as well as $47,652 that we still owed them on account of their 1998 bonuses.

As of December 31, 2000, Messrs. Harats' and Ehrlich's total options represented approximately 2.3% and 2.8%, respectively, of our outstanding stock, which the Compensation Committee believes are appropriate levels of options for them in view of their equity position (including options exercisable within 60 days) in Electric Fuel which, as of December 31, 2000, represented approximately 9.0% and 6.2%, respectively, of our outstanding stock. As of December 31, 2000, Dr. Degani's options represented less than 1% of our fully-diluted outstanding stock, which the Compensation Committee believes is an appropriate level of options considering his position with us.

Dr. Degani was awarded a cash bonus of $25,000 for 2000. Additionally, during the year 2000 we paid $25,000 to Dr. Degani on account of his previously accrued and unpaid bonuses for 1998 and 1999.

Compensation of Other Employees

With respect to employees other than the Named Executive Officers, compensation is determined not by formula, but based on the achievement of qualitative and/or quantitative objectives established in advance of each year by the Chief Executive Officer and Chief Financial Officer, who then, pursuant to authority delegated by the Compensation Committee, determine remuneration of our employees based on such objectives.

We seek to promote, including through our compensation plans, an environment that encourages employees to focus on our continuing long-term growth. Employee compensation is generally comprised of a combination of cash compensation and grants of options under our stock option plans. Stock options are awarded annually in connection with annual bonuses and, occasionally, during the year on a discretionary basis. Stock options are intended to offer an incentive for superior performance while basing employee compensation on the achievement of higher share value, and to foster the retention of key personnel through the use of schedules which vest options over time if the person remains employed by us. There is no set formula for the award of options to individual employees. Factors considered in making option awards to the employees other than the Named Executive Officers in 2000 included prior grants to the employees, the importance of retaining the employees services, the amount of cash bonuses received by the employees, the employees potential to contribute to our success and the employees' past contributions to us.

Repricing of Stock Options

During 2000, we approved the repricing of 150,000 of Mr. Harats's stock options from an exercise price of $6.625 to a new exercise price of $4.95, and 160,000 options from an exercise price of $3.375 to a new exercise price of $4.95. The market price of our common stock at the time of the repricing was $5.5125. The purpose of the repricing was to help Mr. Harats avoid certain negative tax consequences under Israeli law. The effect of repricing these options to market value would have meant a net loss to Mr. Harats of $55,000, since a majority of the options were exercisable at $1.75 below market value. In order to avoid this, the options were repriced at a new exercise price of $4.95, which was $0.625 below market value, which diminished the net loss in value to Mr. Harats to a loss of only $750.

Submitted by the Compensation Committee

Dr. Jay M. Eastman
Lawrence M. Miller
Jack E. Rosenfeld

Cash and Other Compensation

The following table shows the compensation that we paid (or accrued), in connection with services rendered for 2000, 1999 and 1998, to our Chief Executive Officer and the other highest paid executive officers (of which there were two) who received more than $100,000 in salary and bonuses during the year ended December 31, 2000 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE/(1)/

<TABLE>
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		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options	Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Yehuda Harats	2000	$ 245,560	$ 82,380(2)	$ 8,083(3)	400,000	$ 170,804(4)
President, Chief	1999	$ 141,710	$ 80,011	$ 8,055	100,000	$ 78,060
Executive Officer and director	1998	$ 118,246	$ 77,652	$ 15,942	368,177	$ 146,386

</TABLE>

<TABLE>
<CAPTION>

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Options	Compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Robert Ehrlich	2000	$ 245,574	$ 82,380(2)	$ 7,146(3)	400,000	$ 247,185(5)
Chairman of the Board and	1999	$ 137,466	$ 80,011	$ 6,094	47,500	$ 173,384
Chief Financial Officer	1998	$ 118,246	$ 77,652	$ 14,536	372,577	$ 202,030
Joshua Degani	2000	$ 130,417	$ 25,000(6)	$ 6,120(3)	35,000	$ 31,214(7)
Executive Vice President	1999	$ 110,259	$ 17,500	$ 5,063	35,000	$ 34,825
and Chief Operating Officer	1998	$ 109,497	$ 14,250	$ 6,241	185,071	$ 41,996

</TABLE>

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(1) We paid the amounts reported for each named executive officer in New Israeli Shekels (NIS). We have translated these amounts into U.S. dollars at the exchange rate of NIS into U.S. dollars at the time of payment or accrual.

(2) We did not pay any cash bonuses for fiscal year 2000 that were paid out in 2000. However, we accrued for each of Messrs. Ehrlich and Harats $82,380 in satisfaction of the bonuses they were entitled to according to their contracts. During 2000, we paid each of Messrs. Harats and Ehrlich $127,663 of their respective bonuses for 1998 and 1999 and we paid the balance in 2001.

(3) Represents the costs of taxes paid by the Named Executive Officer and reimbursed by us.

(4) Of this amount, $2,911 represents our accrual for severance pay that would be payable to Mr. Harats upon a "change of control" of EFC or upon the occurrence of certain other events; $70,500 represents our accrual for sick leave and vacation redeemable by Mr. Harats; $54,727 represents the increase of the accrual for severance pay that would be payable to Mr. Harats under the laws of the State of Israel if we were to terminate his employment; and $41,807 consists of our payments and accruals to a pension fund that provides a savings plan, insurance and severance pay benefits and an education fund that provides for the ongoing education of employees. Additionally, $859 represents other benefits that we paid to Mr. Harats in 2000.

(5) Of this amount, $59,363 represents our accrual for severance pay that would be payable to Mr. Ehrlich upon a "change of control" of EFC or upon the occurrence of certain other events; $58,353 represents the increase of the accrual for sick leave and vacation redeemable by Mr. Ehrlich; $59,942 represents the increase of our accrual for severance pay that would be payable to Mr. Ehrlich under the laws of the State of Israel if we were to terminate his employment; and $41,806 represents our payments and accruals to pension and education funds. Additionally, $26,862 represents our accrual to fund Mr. Ehrlich's pension fund as well as provide him with certain other post-termination benefits, and $859 represents other benefits that we paid to Mr. Ehrlich in 2000.

(6) We paid Dr. Degani the full amount of his 2000 bonus in 2000. In January 2000, we paid Dr. Degani $10,000 of his 1998 bonus and we paid the balance of his 1998 bonus in 2000.

(7) Of this amount, $7,206 represents our accrual for vacation redeemable by Dr. Degani; ($159) represents the reduction in the accrual for severance pay that would be payable to Dr. Degani under the laws of the State of Israel if we were to terminate his employment; and $23,577 represents our payments and accruals to pension and education funds. Additionally, $590 represents other benefits that we paid to Dr. Degani in 2000.

Stock Options

The table below sets forth information with respect to stock options granted to the Named Executive Officers for the fiscal year 2000.

Option Grants in Last Fiscal Year

<TABLE>
<CAPTION>

	Individual Grants				Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
Name	Number of Securities Underlying Options Granted	% of Total Options granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Yehuda Harats.....	400,000	25.1%	$4.6875	12/29/10	$3,054,177	$4,863,267
Robert S. Ehrlich..	400,000	25.1%	$4.6875	12/29/10	$3,054,177	$4,863,267
Joshua Degani.....	35,000	2.2%	$4.1250	12/20/05	$ 235,172	$ 374,472

</TABLE>

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(1) The potential realizable value illustrates value that might be realized upon exercise of the options immediately prior to the expiration of their terms, assuming the specified compounded rates of appreciation of the market price per share from the date of grant to the end of the option term. Actual gains, if any, on stock option exercise are dependent upon a number of factors, including the future performance of the common stock and the timing of option exercises, as well as the optionee's continued employment through the vesting period. The gains shown are net of the option exercise price, but do not include deductions for taxes and other expenses payable upon the exercise of the option or for sale of underlying shares of common stock. There can be no assurance that the amounts reflected in this table will be achieved.

The table below sets forth information for the Named Executive Officers with respect to aggregated option exercises during fiscal 2000 and fiscal 2000 year-end option values.

Aggregated Option Exercises and Fiscal Year-End Option Values

<TABLE>
<CAPTION>

		Number of Securities Underlying	Value of Unexercised

Name	Shares Acquired on Exercise	Value Realized	Unexercised Options at Fiscal Year End		In-the-Money Options at Fiscal-Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Yehuda Harats.....	441,665	$ 921,665.00	195,501	326,666	$ 180,990.31	$ 198,750.00
Robert S. Ehrlich...	371,000	$1,011,665.00	338,901	295,166	$ 388,665.31	$ 94,406.25
Joshua Degani.....	75,000	$ 711,000.00	85,070	62,000	$ 169,591.37	$ 89,250.00

</TABLE>

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

Report on Repricing of Options

The table below sets forth information for all Executive Officers with respect to repricing of options for the ten years preceding December 31, 2000.

Ten-Year Option Repricings

<TABLE>
<CAPTION>

Name and Principle Position	Date	Number of Securities Underlying Options Repriced or Amended	Market Price of Stock at Time of Repricing or Amendment ($)	Exercise Price at Time of Repricing or Amendment ($)	New Exercise Price ($)	Length of Original Option Term Remaining at Date of Repricing or Amendment (Years)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Yehuda Harats..... President, Chief Executive Officer and director	5/25/00	150,000	$5.125	$6.625	$4.950/(1)/	6.07
	5/25/00	160,000	$5.125	$3.375	$4.950/(1)/	8.43
Joshua Degani..... Executive Vice President and Chief Operating Officer	4/22/98	122,500	$2.500	$5.500	$2.500	9.05

</TABLE>

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/(1)/ The effect of repricing these options to market value would have meant a net loss to Mr. Harats of $55,000, since a majority of the options were exercisable at $1.75 below market value. In order to avoid this, we repriced the options at a new exercise price of $4.95, which was $0.625 below market value, which diminished the net loss in value to Mr. Harats to a loss of only $750. The purpose of the repricing was to help Mr. Harats avoid certain negative tax consequences under Israeli law.

Employment Contracts

Each of Messrs. Ehrlich and Harats are parties to similar employment agreements with us effective as of January 1, 2000. The terms of each of these employment agreements expire on December 31, 2002, but are extended automatically for additional terms of two years each unless either the executive or we terminate the agreement sooner. Additionally, we have the right, on at least 90 days' notice to the executive, unilaterally to extend the initial term of the executive's agreement for a period of one year (i.e., until December 31, 2003); if we exercise this right, the automatic two-year extensions would begin from December 31, 2003 instead of December 31, 2002.

The employment agreements provide for a base salary of $20,000 per month for each of Messrs. Ehrlich and Harats, as adjusted annually for Israeli inflation and devaluation of the Israeli shekel against the U.S. dollar, if any. Additionally, the board may at its discretion raise the executive's base salary. As of January 31, 2001, the board raised Mr. Harats's base salary to $23,750 per month effective January 1, 2002.

Each employment agreement provides that if the results we actually attain in a given year are at least 80% of the amount we budgeted at the beginning of the year, we will pay a bonus to each of Messrs. Ehrlich and Harats, on a sliding scale, in an amount equal to a minimum of 35% of their annual base salaries then in effect, up to a maximum of 90% of their annual base salaries then in effect if the results we actually attain for the year in

question are 120% or more of the amount we budgeted at the beginning of the year. We accrued a bonus for Messrs. Ehrlich and Harats for 2000 at the 35% level. During 2000, we paid each of Messrs. Ehrlich and Harats $80,011 that we

owed them (as calculated pursuant to the terms of their previous employment agreements with us) for their 1999 bonuses, as well as $47,652 that we still owed them on account of their 1998 bonuses.

The employment agreements also contain various benefits customary in Israel for senior executives (please see "Item 1. Business - Employees," above), tax and financial planning expenses and an automobile, and contain confidentiality and non-competition covenants. Pursuant to the employment agreements, we granted each of Messrs. Ehrlich and Harats demand and "piggyback" registration rights covering shares of our common stock held by them.

We can terminate the employment agreements in the event of death or disability or for "Cause" (defined as conviction of certain crimes, willful failure to carry out directives of our board of directors or gross negligence or willful misconduct). Messrs. Ehrlich and Harats each have the right to terminate their employment upon a change in our control or for "Good Reason," which is defined to include adverse changes in employment status or compensation, our insolvency, material breaches and certain other events. Additionally, Messrs. Ehrlich and Harats may retire (after age 68) or terminate their respective agreements for any reason upon 150 days' notice. Upon termination of employment, the employment agreements provide for payment of all accrued and unpaid compensation, and (unless we have terminated the agreement for Cause or the executive has terminated the agreement without Good Reason and without giving us 150 days' notice of termination) bonuses due for the year in which employment is terminated and severance pay in the amount of three years' base salary (or, in the case of termination by an executive on 150 days' notice, a lump sum payment of $520,000). Furthermore, certain benefits will continue and all outstanding options will be fully vested.

Dr. Degani entered into an employment agreement with us upon joining us in June 1997. Dr. Degani's employment agreement runs through January 1, 2003, and provides for a monthly base salary of $9,000. This was adjusted to $9,500, effective January 1998, and $12,000, effective January 2001. Dr. Degani's employment agreement provides for an annual bonus of not less than 1.5 times the monthly base salary then in effect, in accordance with Dr. Degani's success in the position, as well as other benefits such as vacation, sick leave, provision of an automobile and insurance contributions. During 2000, we accrued for Dr. Degani a bonus of $25,000 (half of which was paid in 2000 and half of which was paid in 2001), and we paid him $15,000 that we owed him for his 1998 bonus and his 1999 bonus.

Under the terms of his agreement, Dr. Degani is under most circumstances entitled to a termination payment (in addition to severance pay by law) in an amount equal to one year's base salary, or two years' base salary if the termination occurs within one year of a change in our control. Dr. Degani's employment agreement also contains confidentiality and non-competition covenants.

Other employees have entered into individual employment agreements with us. These agreements govern the basic terms of the individual's employment, such as salary, vacation, overtime pay, severance arrangements and pension plans. Subject to Israeli law, which restricts a company's right to relocate an employee to a work site farther than sixty kilometers from his or her regular work site, we have retained the right to transfer certain employees to other locations and/or positions provided that such transfers do not result in a decrease in salary or benefits. All of these agreements also contain provisions governing the confidentiality of information and ownership of intellectual property learned or created during the course of the employee's tenure with us. Under the terms of these provisions, employees must keep confidential all information regarding our operations (other than information which is already publicly available) received or learned by the employee during the course

of employment. This provision remains in force for five years after the employee has left our service. Further, intellectual property created during the course of the employment relationship belongs to us.

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

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

provident funds and by its accrual for severance pay in the consolidated financial statements. See Note 2r of the Notes to the Consolidated Financial Statements.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of our board of directors for the 2000 fiscal year consisted of Dr. Jay Eastman, Jack Rosenfeld and Lawrence Miller. None of the members have served as our officers or employees.

Robert S. Ehrlich, our Chairman and Chief Financial Officer, serves as Chairman and a director of PSCX, for which Dr. Eastman serves as director and member of the Executive and Strategic Planning Committees and Mr. Rosenfeld serves as director and member of the Executive Compensation Committees.

Performance Graph

The following graph compares the yearly percentage change in our cumulative total shareholder return on our common stock with the cumulative total return on the Nasdaq Market Index (Broad Market Index) and a self-constructed peer group index over the past five years, from December 31, 1995 through December 31, 2000. The cumulative total shareholder return is based on $100 invested in our common stock and in the respective indices on December 31, 1995. The stock prices on the performance graph are not necessarily indicative of future price performance.

CUMULATIVE TOTAL RETURN THROUGH DECEMBER 31, 2000
AMONG ELECTRIC FUEL CORPORATION,
NASDAQ MARKET INDEX AND PEER GROUP INDEX

[OBJECT OMITTED]

	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
ELECTRIC FUEL.....	100.00	82.96	42.96	35.59	41.48	55.56
PEER GROUP/(1)/.....	100.00	54.45	59.27	50.36	98.56	54.97
BROAD MARKET.....	100.00	122.71	149.25	208.40	386.77	234.81

- ------------------------------
(1) The Peer Group Index is comprised of the following companies: AER Energy Resources, Battery Tech Inc., Electrosource, Inc., Ultralife Batteries, Inc. and Valence Technology, Inc. The returns of each company have been weighted according to their respective stock market capitalization for purposes of arriving at a peer group average.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the security ownership, as of February 28, 2001, of those persons owning of record or known by us to own beneficially more than 5% of our common stock and of each of our Named Executive Officers and directors, and the shares of common stock held by all of our directors and executive officers as a group. There are no persons owning of record or known by us to own beneficially more than 5% of our common stock other than our directors and Named Executive Officers as listed below.

<TABLE>
<CAPTION>
Named Executive Officers and Directors	Shares Beneficially Owned/(1)//(2)/	Shares Outstanding/(2)/
<S>	<C>	<C>
Leon S. Gross.....	4,187,862/(3)//(11)/	19.6%
Yehuda Harats.....	1,926,872/(4)//(7)//(11)/	9.0%
Robert S. Ehrlich.....	1,340,567//(5)//(7)//(11)/	6.2%
Joshua Degani.....	139,570/(6)/	*
Avihai Shen.....	4,000	*
Dr. Jay M. Eastman.....	30,001/(8)/	*
</TABLE>

<TABLE>
<CAPTION>
Named Executive Officers and Directors	Shares Beneficially Owned/(1)//(2)/	Shares Outstanding/(2)/
<S>	<C>	<C>
</TABLE>

Jack E. Rosenfeld.....	32,001/(9)/	*
Lawrence M. Miller.....	36,915/(10)/	*
Jeff Kahn.....	65,000/(8)/	*
All of our directors and executive officers as a group (9 persons).....	7,762,788/(3)//(4)//(5)//(6)//(7)//(8)//(9)//(10)//(11)/	35.2%

</TABLE>
- ------------------------------

* Less than one percent.

/(1)/ Unless otherwise indicated in these footnotes, each of the persons or entities named in the table has sole voting and sole investment power with respect to all shares shown as beneficially owned by that person, subject to applicable community property laws.

/(2)/ For purposes of determining beneficial ownership of our common stock, owners of options exercisable within sixty days are considered to be the beneficial owners of the shares of common stock for which such securities are exercisable. The percentage ownership of the outstanding common stock reported herein is based on the assumption (expressly required by the applicable rules of the Securities and Exchange Commission) that only the person whose ownership is being reported has converted his options into shares of common stock.

/(3)/ Includes 175,000 shares held by Leon S. Gross and Lawrence M. Miller as co-trustees of the Rose Gross Charitable Foundation, and 35,000 shares issuable upon exercise of options exercisable within 60 days.

/(4)/ Includes 1,000,000 shares held by a family trust and 195,501 shares issuable upon exercise of options exercisable within 60 days.

/(5)/ Includes 91,068 shares held by an affiliated corporation, 232,813 shares held in Mr. Ehrlich's pension plan, and 338,901 shares issuable upon exercise of options exercisable within 60 days.

/(6)/ Includes 88,070 shares issuable upon exercise of options exercisable within 60 days.

/(7)/ Messrs. Ehrlich and Harats are parties to a Voting Agreement pursuant to which each of the parties agrees to vote the shares of our common stock held by that person in favor of the election of Messrs. Ehrlich and Harats (or their designees) as directors.

/(8)/ Shares issuable upon exercise of options exercisable within 60 days.

/(9)/ Includes 30,001 shares issuable upon exercise of options exercisable within 60 days.

/(10)/ Includes 25,001 shares issuable upon exercise of options exercisable within 60 days.

/(11)/ Messrs. Gross, Ehrlich and Harats are parties to a Voting Rights Agreement pursuant to which each of the parties agrees to vote the shares of our common stock held by that person in favor of the election of Messrs. Ehrlich, Harats and Miller until the earlier of December 10, 2002 or our fifth annual meeting of stockholders after December 10, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Messrs. Ehrlich and Harats have issued promissory notes for previously exercised options in the principal amounts $206,805 and $354,979, respectively. These notes will mature on December 31, 2007. We have recourse only to certain compensation due Messrs. Ehrlich and Harats upon termination, other than for cause, in which case Messrs. Ehrlich and Harats would continue to be personally liable on the notes. Our reserve for termination benefits to each of Messrs. Ehrlich and Harats is greater than the outstanding amount due to us under these promissory notes. Additionally, we have agreed to repurchase shares of our common stock, at any time, at current market prices, from either Messrs. Ehrlich or Harats as payment in full for the promissory notes. If the shares were sold to us, Messrs. Ehrlich and Harats would be granted new options at current market prices to purchase the same amount of shares of our common stock as were sold. As of December 31, 2000, the aggregate amount outstanding pursuant to these promissory notes for each of Messrs. Ehrlich and Harats was $0 and $46,182, respectively.

Pursuant to a securities purchase agreement dated December 28, 1999 between a group of purchasers, including Mr. Gross, and us, we issued an aggregate of 1,425,000 shares of common stock, including 375,000 shares to Mr. Gross. Such shares were issued at a price of $2.00 per share. We also issued in this transaction warrants to purchase an additional 1,425,000 shares of common stock, of which warrants to purchase 950,000 shares of common stock have an exercise price of $1.25 per share and are exercisable for a period of six months, and warrants to purchase 475,000 shares of common stock have an exercise price of $4.50 per share and are exercisable for one year. Of these, Mr. Gross

purchased six-month warrants to purchase 250,000 shares of common stock and one-year warrants to purchase 125,000 shares of common stock. Pursuant to this agreement, we agreed to register for resale the shares of common stock issued thereunder and the shares of common stock issuable pursuant to the warrants issued thereunder. The registration statement registering these shares became effective on February 10, 2000. Mr. Gross exercised his 250,000 six-month warrants on a cashless exercise basis in June 2000, resulting in the acquisition by him of 221,198 shares of common stock. He exercised his 125,000 one-year warrants on a cashless exercise basis in December 2000, resulting in the acquisition by him of 30,668 shares of common stock.

Pursuant to the terms of this purchase agreement, Mr. Gross agreed that for a period of five years, neither he nor his "affiliates" (as such term is defined in the Securities Act) directly or indirectly or in conjunction with or through any "associate" (as such term is defined in Rule 12b-2 of the Exchange Act), will (i) solicit proxies with respect to any capital stock or other voting securities of ours under any circumstances, or become a "participant" in any "election contest" relating to the election of our directors (as such terms are used in Rule 14a-11 of Regulation 14A of the Exchange Act); (ii) make an offer for the acquisition of substantially all of our assets or capital stock or induce or assist any other person to make such an offer; or (iii) form or join any "group" within the meaning of Section 13(d)(3) of the Exchange Act with respect to any of our capital stock or other voting securities for the purpose of accomplishing the actions referred to in clauses (i) and (ii) above, other than pursuant to the voting rights agreement described below.

In connection with a stock purchase agreement dated September 30, 1996 between Leon S. Gross and us, we also entered into a registration rights agreement with Mr. Gross dated September 30, 1996, setting forth registration rights with respect to the shares of common stock issued to Mr. Gross in connection with the offering. These rights include the right to make two demands for a shelf registration statement on Form S-3 for the sale of the common stock that may, subject to certain customary limitations and requirements, be underwritten. In addition, Mr. Gross was granted the right to "piggyback" on registrations of common stock in an unlimited number of registrations. In addition, under the registration rights agreement, Mr. Gross is subject to customary underwriting lock-up requirements with respect to public offerings of our securities.

Pursuant to a voting rights agreement dated September 30, 1996 and as amended December 10, 1997, between Mr. Gross, Robert S. Ehrlich, Yehuda Harats and us, Lawrence M. Miller, Mr. Gross's advisor, is entitled to be nominated to serve on our board of directors so long as Mr. Gross, his heirs or assigns retain at least 1,375,000 shares of common stock. In addition, under the voting rights agreement, Mr. Gross and Messrs. Ehrlich and Harats agreed to vote and take all necessary action so that Messrs. Ehrlich, Harats and Miller shall serve as members of the board of directors until the earlier of December 10, 2002 or our fifth annual meeting of stockholders after December 10, 1997. In addition, so long as Mr. Miller serves as a director, Mr. Gross, who shall succeed Mr. Miller should he cease to serve on the board (unless Mr. Gross is then serving on the board, in which case Mr. Gross may designate a director), shall be entitled to attend and receive notice of board meetings.

On December 3, 1999, Messrs. Ehrlich and Harats each purchased 125,000 shares of our common stock out of our treasury at the closing price of the common stock on December 2, 1999. Payment was rendered by Mr. Ehrlich in the form of a recourse promissory note in the amount of $167,975, secured by certain compensation due Mr. Ehrlich upon termination. Mr. Harats paid in the form of a non-recourse promissory note in the amount of $167,975, secured by the shares of common stock purchased and other shares of common stock previously held by Mr. Harats. The other terms of these notes are similar to the terms of the previous notes as described above.

On February 9, 2000, Messrs. Ehrlich and Harats each exercised 131,665 stock options. Messrs. Ehrlich and Harats paid the exercise price of the stock options and certain taxes that we paid on their behalf by giving us non-recourse promissory notes in the amount of $789,990 each, secured by the shares of our common stock acquired through the exercise of the options.

On January 12, 2001, Messrs. Ehrlich and Harats and Dr. Degani, along with certain other employees of ours, purchased shares of our common stock and warrants having similar terms to those we sold to Capital Ventures International (please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources," above), on the terms described in the following two paragraphs.

On January 12, 2001, Messrs. Ehrlich and Harats each purchased 100,000 shares of common stock, 66,667 Series A warrants to purchase 66,667 shares of our common stock at any time prior to January 12, 2006 at a price of $8.3438 per share, and 33,333 Series B warrants to purchase 33,333 shares of our common stock at any time prior to October 12, 2001 at a price of $7.5094 per share. The total purchase price of $556,250 (based on the number of shares of common stock purchased multiplied by the closing sale price of our common stock on the Nasdaq

National Market on January 12, 2001, which was $5.5625 per share) was paid by each of Messrs. Ehrlich and Harats by means of a non-recourse promissory note secured by the shares of common stock and warrants purchased. As part of the consideration for our agreeing to this arrangement, Messrs. Ehrlich and Harats each agreed to give us the right unilaterally to extend the term of his employment agreement for an additional year. Additionally, if Mr. Ehrlich or Mr. Harats voluntarily leaves our employ prior to the end of the extended term of his agreement, the shares and warrants purchased by means of this non-recourse note will revert back to us.

On January 12, 2001, Dr. Degani purchased 50,000 shares of common stock, 33,333 Series A warrants identical to those purchased by Messrs. Ehrlich and Harats, and 16,667 Series B warrants identical to those purchased by Messrs. Ehrlich and Harats. The total purchase price of $278,125 was paid by Dr. Degani by means of a non-recourse promissory note secured by the shares of common stock and warrants purchased. As part of the consideration for our agreeing to this arrangement, Dr. Degani agreed to extend the term of his employment agreement for an additional two years. Additionally, if Dr. Degani voluntarily leaves our employ prior to the end of the extended term of his agreement, the shares and warrants purchased by means of this non-recourse note will revert back to us.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements - See Index to Financial Statements on page 32 above.

(2) Financial Statements Schedules - All schedules are omitted because of the absence of conditions under which they are required or because the required information is presented in the financial statements or related notes thereto.

(3) Exhibits - The following Exhibits are either filed herewith or have previously been filed with the Securities and Exchange Commission and are referred to and incorporated herein by reference to such filings:

Exhibit Number	Description
/(8)/3.1	Amended and Restated Certificate of Incorporation
**3.1.1	Amendment to our Amended and Restated Certificate of Incorporation
/(2)/3.2	Amended and Restated By-Laws
/(1)/4	Specimen Certificate for shares of common stock, $.01 par value
/(1)/10.1	Option Agreement dated October 29, 1992 between Electric Fuel B.V. ("EFBV") and Electric Storage Advanced Technologies, Sr ("ESAT")
/(1)/10.2	Sublicense Agreement dated May 20, 1993 between EFBV and ESAT
/(1)/10.3	Letter Agreement dated May 20, 1993 between EFBV and ESAT
/(1)/10.4	Notice of Edison's assumption of ESAT's obligations under the Sublicense Agreement with EFBV
/(1)/10.5	Letter of Intent between us and Deutsche Post AG dated November 18, 1993
+/(6)/10.6	Amended and Restated 1993 Stock Option and Restricted Stock Purchase Plan dated November 11, 1996
+/(1)/10.7.1	Form of Management Employment Agreements
+*10.7.2	General Employee Agreements
*/(1)/10.8	Office of Chief Scientist documents
/(2)/10.8.1	Letter from the Office of Chief Scientist to us dated January 4, 1995
*/(1)/10.9	Lease Agreement dated December 2, 1992 between us and HarHotzvim Properties Ltd.
*/(1)/10.10	Letter of Approval by the Investment Center of the Ministry of Trade
*/(2)/10.11	Summary of the terms of the Lease Agreements dated as of November 11, 1994, November 11, 1994 and April 3, 1995 between EFL and Industries Building Company, Ltd.
+/(3)/10.12	Amended and Restated 1995 Non-Employee Director Stock Option Plan
/(3)/10.13	Letters of Approval of Lines of Credit from First International Bank of Israel Ltd. dated March 14, 1996 and March 18, 1996
/(4)/10.14	Stock Purchase Agreement between us and Leon S. Gross ("Gross") dated September 30, 1996
/(4)/10.15	Registration Rights Agreement between us and Gross dated September 30, 1996

Exhibit Number	Description

/(4)/10.16.....Voting Rights Agreement between us, Gross, Robert Ehrlich and Yehuda Harats dated September 30, 1996
/(5)/10.17.....Agreement between us and Walter Trux dated December 18, 1996
/(5)/10.18.....Cooperation Agreement between The Israel Electric Corporation and EFL dated as of October 31, 1996
+/(5)/10.19.....Amended and Restated Employment Agreement dated as of October 1, 1996 between us, EFL and Yehuda Harats
+**10.19.1.....Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Yehuda Harats
+**10.19.2.....Letter dated January 12, 2001 amending the Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Yehuda Harats
+(5)10.20.....Amended and Restated Employment Agreement dated as of October 1, 1996 between us, EFL and Robert S. Ehrlich
+**10.20.1.....Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Robert S. Ehrlich
+**10.20.2.....Letter dated January 12, 2001 amending the Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Robert S. Ehrlich
/(5)/10.21.....Agreement dated February 20, 1997 between STN ATLAS Elektronik GmbH and EFL
+/(6)/10.22.....Employment Agreement dated May 13, 1997 between us, EFL, and Joshua Degani
+**10.22.1.....Amendment dated January 12, 2001 to Employment Agreement dated May 13, 1997 between us, EFL, and Joshua Degani
+/(6)/10.23.....Termination Agreement dated March 12, 1998 between us, EFL and Menachem Korall
/(6)/10.24.....Consulting Agreement dated March 12, 1998 between us, EFL, and Shampi Ltd.
/(6)/10.25.....Amendment No. 1 to the Voting Rights Agreement between us, Gross, Robert Ehrlich, and Yehuda Harats dated December 10, 1997
/(6)/10.26.....Amendment No. 2 to the Registration Rights Agreement between us, Gross, Robert Ehrlich and Yehuda Harats dated December 10, 1997
/(7)/10.27.....1998 Non-Executive Stock Option and Restricted Stock Purchase Plan
/(8)/10.28.....Distribution Agreement dated December 31, 1998 between us and TESSCO Technologies Inc.
/(9)/10.29.....Amendment to our Restated Certificate of Incorporation
/(10)/10.30.....Securities Purchase Agreement dated December 28, 1999, and exhibits thereto, by and among us and the Purchasers listed on Exhibit A thereto
/(10)/10.31.....Form of Warrant dated December 28, 1999
/(10)/10.32.....Amendment No. 1 to Voting Rights Agreement dated December 28, 1999, by and between us, Leon S. Gross, Robert S. Ehrlich, Yehuda Harats and the Purchasers listed on Exhibit A to the Securities Purchase Agreement dated December 28, 1999
/(11)/10.33.....Common Stock Purchase Agreement dated January 5, 2000, and exhibits thereto, by and among us and the Purchasers listed on Exhibit A thereto

Exhibit Number	Description
/(12)/10.34.1...	Promissory Note dated January 3, 1998, from Yehuda Harats to us
/(12)/10.34.2...	Amendment dated April 1, 1998, to Promissory Note dated January 3, 1998 between Yehuda Harats and us
/(12)/10.35.1...	Promissory Note dated January 3, 1993, from Robert S. Ehrlich to us
/(12)/10.35.2...	Amendment dated April 1, 1998, to Promissory Note dated January 3, 1993 between Robert S. Ehrlich and us
/(12)/10.36.....	Promissory Note dated December 3, 1999, from Yehuda Harats to us
/(12)/10.37.....	Promissory Note dated December 3, 1999, from Robert S. Ehrlich to us
/(12)/10.38.....	Promissory Note dated February 9, 2000, from Yehuda Harats to us
/(12)/10.39.....	Promissory Note dated February 9, 2000, from Robert S. Ehrlich to us
**10.40.....	Share and Assets Purchase Agreement dated March 15, 2000 among us, Tadiran Limited, Tadiran Batteries Limited and Tadiran Electric Industries
**10.41.....	Stock Purchase Agreement dated March 15, 2000 between us and Koor Industries Ltd.
**10.42.....	Registration Rights Agreement dated March 15, 2000 between us, Tadiran Limited and Koor Industries Ltd.
**10.43.....	Voting Rights Agreement dated March 15, 2000 among made as of March 15, 2000 by and among us, Robert S. Ehrlich and Yehuda Harats, Koor Industries Ltd. and Tadiran Limited
/(13)/10.44.....	Termination and Release Agreement dated May 17, 2000 among us, Tadiran Limited, Tadiran Batteries Limited, Tadiran Electric Industries Corporation, Koor Industries Ltd., Robert S. Ehrlich and Yehuda Harats
/(13)/10.45.....	Common Stock Purchase Agreement dated May 17, 2000 between us and Koor Industries Ltd.

/(13)/10.46.....Registration Rights Agreement dated May 17, 2000 between us and Koor Industries Ltd.
/(14)/10.47.....Securities Purchase Agreement dated as of November 17, 2000 between us and Capital Ventures International
/(14)/10.48.....Series A Stock Purchase Warrant issued to Capital Ventures International dated November 17, 2000
/(14)/10.49.....Series B Stock Purchase Warrant issued to Capital Ventures International dated November 17, 2000
/(14)/10.50.....Stock Purchase Warrant issued to Josephthal & Co., Inc. dated November 17, 2000
**10.51.....Promissory Note dated January 12, 2001, from Yehuda Harats to us
**10.52.....Promissory Note dated January 12, 2001, from Robert S. Ehrlich to us
**10.53.....Promissory Note dated January 12, 2001, from Joshua Degani to us
**10.54.....Agreement of Lease dated December 5, 2000 between us as tenant and Renaissance 632 Broadway LLC as landlord
/(2)/21.....List of Subsidiaries of the Registrant
**23.1.....Consent of Kost Forer & Gabbay
**23.2.....Consent of Kesselman & Kesselman

Exhibit Number	Description
/(6)/27.1.....	Amended Financial Data Schedule Nine Months Ended September 30, 1997
/(6)/27.2.....	Amended Financial Data Schedule Six Months Ended June 30, 1997
/(6)/27.3.....	Amended Financial Data Schedule Three Months Ended March 31, 1997
** 99.....	Important factors regarding forward-looking statements

_____

* English translation or summary from original
** Filed herewith
\+ Includes management contracts and compensation plans and arrangements
/(1)/Incorporated by reference to our Registration Statement on Form S-1 (Registration No. 33-73256), which became effective on February 23, 1994
/(2)/Incorporated by reference to our Registration Statement on Form S-1 (Registration No. 33-97944), which became effective on February 5, 1996
/(3)/Incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 1995
/(4)/Incorporated by reference to our Current Report on Form 8-K dated October 4, 1996
/(5)/Incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 1996, as amended
/(6)/Incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 1997, as amended
/(7)/Incorporated by reference to our Registration Statement on Form S-8 (Registration No. 333-74197), which became effective on March 10, 1998
/(8)/Incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 1998
/(9)/Incorporated by reference to our Registration Statement on Form S-3 (Registration No. 333-95361), which became effective on February 10, 1999
/(10)/Incorporated by reference to our Current Report on Form 8-K filed January 7, 2000
/(11)/Incorporated by reference to our Current Report on Form 8-K filed January 24, 2000
/(12)/Incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 1999
/(13)/Incorporated by reference to our Current Report on Form 8-K filed May 23, 2000
/(14)/Incorporated by reference to our Current Report on Form 8-K filed November 17, 2000

(b) Reports on Form 8-K.

We filed a Current Report on Form 8-K on November 17, 2000, reporting "Item 5. Other Events," in connection with the Securities Purchase Agreement dated as of November 17, 2000 between us and Capital Ventures International.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 26 , 2001.
--

ELECTRIC FUEL CORPORATION

By: /s/ Robert S. Ehrlich

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ Yehuda Harats	President, Chief Executive Officer and Director	March 26, 2000
Yehuda Harats	(Principal Executive Officer)	--
/s/ Robert S. Ehrlich	Chairman, Chief Financial Officer and Director	March 26, 2000
Robert S. Ehrlich	(Principal Financial Officer)	--
/s/ Avihai Shen	Vice President - Finance	March 26, 2000
Avihai Shen	(Principal Accounting Officer)	--
/s/ Jay M. Eastman	Director	March 16, 2000
Dr. Jay M. Eastman		--
/s/ Leon S. Gross	Director	March 15, 2000
Leon S. Gross		--
/s/ Lawrence M. Miller	Director	March 26, 2000
Lawrence M. Miller		--
/s/ Jack E. Rosenfeld	Director	March 26, 2000
Jack E. Rosenfeld		--
/s/ Jeff Kahn	Director	March 22, 2000
Jeff Kahn		--

</TABLE>

ELECTRIC FUEL CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000

IN U.S. DOLLARS

INDEX

[ERNST & YOUNG LOGO APPEARS HERE]

Kost Forer & Gabbay
3 Aminadav St.
Tel-Aviv 67067, Israel

Phone: 972-3-6232525
Fax: 972-3-5622555

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of

ELECTRIC FUEL CORPORATION

We have audited the accompanying consolidated balance sheets of Electric Fuel Corporation ("the Company") and its subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company and its subsidiaries as of December 31, 1998 and for the year then ended, were audited by other auditors, whose report dated February 26, 1999, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Kost Forer & Gabbay

KOST FORER & GABBAY
A Member of Ernst & Young International

Tel Aviv, Israel
January 18, 2001

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	U.S. dollars	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,596,225	$ 2,555,645

Trade receivables (net of allowance for doubtful accounts in the amounts of $ 107,388 and $ 0 as of December 31, 2000 and 1999, respectively and allowance for returns in the amounts of $ 793,600 and $ 0 as of December 31, 2000 and 1999, respectively	2,212,434	498,077
Other accounts receivable and prepaid expenses (Note 3)	2,418,715	950,390
Inventories (Note 4)	3,208,948	1,045,480
Total current assets	19,436,322	5,049,592
NOTES RECEIVABLE FROM SHAREHOLDERS (Note 5)	778,677	-
SEVERANCE PAY FUND	995,283	813,535
PROPERTY AND EQUIPMENT, NET (Note 6)	6,446,064	4,165,769
	$ 27,656,346	$ 10,028,896

</TABLE>

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

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	U.S. dollars	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 3,242,460	$ 2,026,175
Other accounts payable and accrued expenses (Note 8)	1,544,975	1,400,763
Total current liabilities	4,787,435	3,426,938
ACCRUED SEVERANCE PAY	2,790,542	2,359,599

COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)

SHAREHOLDERS' EQUITY:
  Share capital (Note 10) -
   Common shares - $ 0.01 par value each;
     Authorized: 100,000,000 shares and 28,000,000 shares as of
     December 31, 2000 and 1999, respectively;
     Issued - 21,422,691 shares and 15,728,387 shares as of
     December 31, 2000 and 1999, respectively
     Outstanding - 21,417,358 shares and 15,723,054 shares as of
     December 31, 2000 and 1999, respectively 214,227
157,284
   Preferred shares - $ 0.01 par value each;
     Authorized: 1,000,000 shares as of December 31, 2000 and 1999;
     No shares issued and outstanding as of December 31, 2000 and
     1999 -
-
  Additional paid-in capital 87,658,990 (*
58,678,015
  Deferred stock compensation (17,240)
-
  Accumulated deficit (63,449,673)
(51,468,715)
  Treasury stock, at cost (Common shares - 5,333 shares as of
   December 31, 2000 and 1999) (37,731) (*
(37,731)
  Notes receivable from shareholders (4,290,204)
(3,086,494)

Total shareholders' equity 20,078,369
4,242,359

$ 27,656,346 $
10,028,896
==========
==========
*) Reclassified.
</TABLE>

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

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
==========

<TABLE>
<CAPTION>

	Year ended December 31,		
	2000	1999	1998
	U.S. dollars (except for share data)		
<S>	<C>	<C>	<C>
Revenues	$ 4,053,562	$ 2,693,998	$ 4,013,263
Cost of revenues *)	4,188,442	-	-
Gross profit (loss) *)	(134,880)	2,693,998	4,013,263
Research and development, net (Note 12a) *)	4,588,137	6,631,075	9,680,410
Sales and marketing expenses	4,160,902	760,359	

1,061,080			
General and administrative expenses	3,641,220	2,402,284	
2,499,559			
	----------	----------	---

Total operating costs and expenses	12,390,259	9,793,718	
13,241,049			
- -----			
	----------	----------	---

Operating loss	(12,525,139)	(7,099,720)	
(9,227,786)			
Financial income, net (Note 12b)	544,181	190,049	
652,042			
	----------	----------	---

Loss before taxes on income	(11,980,958)	(6,909,671)	
(8,575,744)			
Taxes on income (Note 11)	-	6,017	
(43,174)			
	----------	----------	---

Net loss	$ (11,980,958)	$ (6,915,688)	$
(8,532,570)			
	==========	==========	
==========			
Basic and diluted net loss per share	$ (0.62)	$ (0.48)	$
(0.61)			
	==========	==========	
==========			
Weighted average number of shares used in computing			
basic and diluted net loss per share	19,243,446	14,334,277	
14,013,305			
	==========	==========	
==========			

</TABLE>

*) In 1999 and 1998, the Company's cost of revenues was included in research and development costs (see Note 2l).

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

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
==========

<TABLE>
<CAPTION>

	Common shares		Additional paid-in	Accumulated	Deferred stock	Accumulated other comprehensive	Treasury
	Shares	Amount	capital	deficit	compensation	income (loss)	stock
	----------	----------	----------	----------	----------	----------	---- ----------
							U.S. dollars
		----------	----------	----------	----------	----------	----------
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance as of January 1, 1998	14,218,161	$ 142,182	$57,077,708	$ (36,020,457)	$ -	$ 436	$ -
Comprehensive loss:							
Unrealized losses on available-for-sale securities, net	-	-	-	-	-	(2,379)	-
Net loss	-	-	-	(8,532,570)	-	-	-

Total comprehensive loss							
Exercise of options	81,226	812	90,094	-	-	-	-
Purchase of treasury stock (255,333 shares) for notes receivable from shareholders and compensation costs in respect thereof	-	-	110,302	-	-	-	(1,806,481)
Amortization of deferred stock compensation	-	-	110,000	-	-	-	-
Issuance of shares as compensation for services rendered by directors	4,000	40	10,710	-	-	-	-
Loans granted to shareholders	-	-	-	-	-	-	-
Payment of interest and principal on notes receivable from shareholders	-	-	-	-	-	-	-
Accrued interest on notes receivable from shareholders	-	-	-	-	-	-	-
Balance as of December 31, 1998	14,303,387	$ 143,034	$ 57,398,814	$(44,553,027)	$ -	$ (1,943)	$(1,806,481)

<CAPTION>

	Total comprehensive loss	Notes receivable from shareholders	Total shareholders' equity
<S>	<C>	<C>	<C>
Balance as of January 1, 1998		$(2,440,895)	$18,758,974
Comprehensive loss:			
Unrealized losses on available-for-sale securities, net	$ (2,379)	-	(2,379)
Net loss	(8,532,570)	-	(8,532,570)
Total comprehensive loss	$ (8,534,949)		
Exercise of options		-	90,906
Purchase of treasury stock (255,333 shares) for notes receivable from shareholders and compensation costs in respect thereof		1,806,481	110,302
Amortization of deferred stock compensation		-	110,000
Issuance of shares as compensation for services rendered by directors		-	10,750
Loans granted to shareholders		(19,158)	(19,158)
Payment of interest and principal on notes receivable from shareholders		147,299	147,299
Accrued interest on notes receivable from shareholders		(92,612)	(92,612)
Balance as of December 31, 1998		$ (598,885)	$ 10,581,512

</TABLE>

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

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common shares		Additional paid-in	Accumulated	Deferred stock	Accumulated other comprehensive	Treasury
	Shares	Amount	capital	deficit	compensation	income (loss)	stock
							U.S. dollars
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance as of December 31, 1998	14,303,387	$ 143,034	$ 57,398,814	$(44,553,027)	-	$ (1,943)	$ (1,806,481)
Comprehensive loss:							
Net realized losses on available-for-sale securities, net	-	-	-	-	-	1,943	-
Net loss	-	-	-	(6,915,688)	-	-	-
Issuance of shares, net (*1,768,750	1,425,000	14,250	(* 1,279,201	-	-	-	-
Accrued interest on notes receivable from shareholders	-	-	-	-	--	-	-
Total comprehensive loss							
Balance as of December 31, 1999 (37,731)	15,728,387	157,284	58,678,015	(51,468,715)	-	-	-
Payment of interest and principal on notes receivable from shareholders	-	-	-	-	-	-	-
Issuance of shares, net	2,512,952	25,130	18,774,023	-	-	-	-
Exercise of options and warrants	3,181,352	31,813	9,373,650	-	-		
Deferred stock compensation	-	-	64,174	-	(64,174)	-	-
Amortization of deferred stock compensation	-	-	-	-	46,934	-	-
Amortization of compensation related to options issued to consultants	-	-	769,128	-	-	-	-
Accrued interest on notes receivable from shareholders	-	-	-	-	-	-	-
Net loss	-	-	-	(11,980,958)	-	-	-
Total comprehensive loss							
Balance as of December 31, 2000	21,422,691	$ 214,227	$87,658,990	$(63,449,673)	$ (17,240)	$	-
							$ (37,731)

<CAPTION>

	Total	Notes receivable	Total

	comprehensive loss	from shareholders	shareholders' equity
<S>	<C>	<C>	<C>
Balance as of December 31, 1998		$ (598,885)	$10,581,512
Comprehensive loss:			
Net realized losses on available-for-sale securities, net	$ 1,943	-	1,943
Net loss	(6,915,688)	-	(6,915,688)
Issuance of shares, net		(2,435,950)	626,251
Accrued interest on notes receivable from shareholders	$ (6,917,631)	(51,659)	(51,659)
Total comprehensive loss			
Balance as of December 31, 1999		(3,086,494)	4,242,359
Payment of interest and principal on notes receivable from shareholders		2,705,052	2,705,052
Issuance of shares, net		-	18,799,153
Exercise of options and warrants		(3,723,456)	5,682,007
Deferred stock compensation		-	-
Amortization of deferred stock compensation		-	46,934
Amortization of compensation related to options issued to consultants		-	769,128
Accrued interest on notes receivable from shareholders		(185,306)	(185,306)
Net loss	(11,980,958)	-	(11,980,958)
Total comprehensive loss	$(11,980,958)		
Balance as of December 31, 2000		$(4,290,204)	$20,078,369

*) Reclassified.
The accompanying notes are an integral part of the consolidated financial statements.

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2000	1999	1998
	U.S. dollars		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	$ (11,980,958)	$ (6,915,688)	$ (8,532,570)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write-down of investment in an investee	-	-	35,849
Write-down of property and equipment	-	-	1,251,604
Depreciation and amortization	753,910	710,759	903,945
Amortization of net premium on marketable securities	-	-	21,897

Capital loss on sale of available-for-sale marketable securities, net	-	107	150
Accrued severance pay, net	249,195	(298,056)	1,371
Issuance of shares as compensation for services rendered by directors	-	-	10,750
Amortization of deferred stock compensation	46,934	-	110,000
Purchase of treasury stock for notes receivable from shareholders and compensation costs in respect thereof.	-	-	110,302
Amortization of compensation related to options issued to consultants	769,128	-	-
Accrued interest on notes receivable from shareholders	(230,924)	(51,659)	(92,612)
Decrease (increase) in trade receivables and other accounts receivable and prepaid expenses	(2,657,682)	464,056	222,540
Decrease (increase) in inventories	(2,163,468)	(670,937)	164,139
Increase (decrease) in trade payables and other accounts payable and accrued expenses	1,257,016	1,200,315	(852,660)
Decrease in deferred revenues	-	(136,549)	(878,399)
Other	(6,330)	(2,868)	5,321
Net cash used in operating activities	(13,963,179)	(5,700,520)	(7,518,373)

</TABLE>

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

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended December 31,		
	2000	1999	1998
	U.S. dollars		
<S>	<C>	<C>	<C>
Cash flows from investing activities:			
Purchase of property and equipment	(2,858,512)	(1,473,444)	(985,507)
Investment grant relating to property and equipment	-	-	377,901
Loans granted to shareholders	(958,156)	-	(19,158)
Repayment of loans granted to shareholders	225,097	-	-
Proceeds from sale of property and equipment	57,867	34,643	157,500
Proceeds from sale of available-for-sale marketable securities	-	3,702,411	1,220,171
Net cash provided by (used in) investing activities	(3,533,704)	2,263,610	

750,907			
	----------	----------	-------

Cash flows from financing activities:			
- ----------			
Proceeds from issuance of shares, net	18,150,710	750,000	
-			
Proceeds from exercise of options and warrants	5,681,701	-	
90,906			
Payment of interest and principal on notes receivable from shareholders	2,705,052	-	
147,299			
	----------	----------	-------

Net cash provided by financing activities	26,537,463	750,000	
238,205			
	----------	----------	-------

Increase (decrease) in cash and cash equivalents	9,040,580	(2,686,910)	
(6,529,261)			
Cash and cash equivalents at the beginning of the year	2,555,645	5,242,555	
11,771,816			
	----------	----------	-------

Cash and cash equivalents at the end of the year	$ 11,596,225	$ 2,555,645	$
5,242,555			
	==========	==========	
==========			
Supplementary information on non-cash activities:			
- ----------			
Purchase of property and equipment against trade payables	$ 227,230	$ -	$
-			
	==========	==========	
==========			
Purchase of treasury stock in respect of notes receivable from shareholders	$ -	$ -	$
1,806,481			
	==========	==========	
==========			
Issuance of shares (including additional paid-in capital) against notes receivable.	$ -	$ 2,435,950	$
-			
	==========	==========	
==========			
Issuance of shares in respect of prepaid expenses	$ 525,000	$ -	$
-			
	==========	==========	
==========			
Exercise of options and warrants against notes receivable	$ 3,704,076	$ -	$
-			
	==========	==========	
==========			
Liabilities in respect of share issuance expenses	$ -	$ 123,749	$
-			
	==========	==========	
==========			
Supplemental disclosure of cash flows activities:			
Cash paid during the year for:			
Interest	$ 25,537	$ 38,202	$
1,045			
	==========	==========	
==========			
Income taxes	$ 34,149	$ 23,430	$
88,340			
	==========	==========	
==========			

</TABLE>

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

NOTE 1:- GENERAL

Electric Fuel Corporation ("EFC," "Electric Fuel," or the "Company") is engaged in the design, development and commercialization of its proprietary zinc-air battery technology for portable consumer electronic devices such as cellular telephones products, as well as for electric vehicles and defense applications. The Company is primarily operating through Electric Fuel Ltd. ("EFL") a wholly-owned Israeli subsidiary.

In November 2000, the Company established a wholly-owned subsidiary in the U.K ("EFL U.K."). The Company has two wholly-owned non-operating subsidiaries in Germany ("GmbH") and in the Netherlands ("BV").

A major portion of the Company's revenues from cellular telephone products is derived from sales by the Company to a single customer. For the years ended December 31, 2000, 1999 and 1998 sales to the abovementioned customer as a percentage of total revenues, were 35.6%, 0% and 0%, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

The Company's transactions are recorded in U.S. dollars, and its subsidiaries-transactions are recorded in new Israeli shekels and pounds; however, the majority of EFL's sales is made outside Israel in U.S. dollars, and a substantial portion of the EFL's costs is incurred in U.S. dollars. The majority of financial transactions of EFL UK is in U.S. dollars and a substantial portion of EFL UK's costs is incurred in U.S. dollars.

Company's management believes that the dollar is the primary currency of the economic environment in which the Company and each of its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the U.S. dollar.

Accordingly, monetary accounts maintained in currencies other than the U.S. dollar are remeasured into U.S. dollars in accordance with Statement No. 52 "Foreign Currency Translation" of the Financial Accounting Standard Board ("FASB"). All transaction, gains and losses from the remeasured monetary balance sheet items are reflected in the consolidated statements of operations as financial income or expenses, as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less.

e. Inventories:

Inventories are stated at the lower of cost or market value. Inventory write-offs are provided to cover risks arising from slow-moving items or technological obsolescence. Cost is determined as follows:

Raw and packaging materials - by the "moving average basis" method. Work in progress - represents the cost of development in progress.
Finished products - on the basis of direct manufacturing costs with the addition of allocable indirect manufacturing costs.

f. Property and equipment:

Property and equipment are stated at cost net of accumulated depreciation and investment grants.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

<TABLE>
<CAPTION>

	%
<S>	<C>
Machinery, equipment and installation	10 - 25 (mainly 10)
Computers and related equipment	33
Office furniture and equipment	6 - 10
Motor vehicles	15
Leasehold improvements	Over the term of the lease

</TABLE>

Impairment in value of property and equipment:

The Company and its subsidiaries periodically assess the recoverability of the carrying amount of property and equipment and provide for any possible impairment loss based upon the difference between the carrying amount and fair value of such assets in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company recorded impairment losses on long-lived assets in the amount of $0, $ 0 and $ 1,251,604 in 2000, 1999 and 1998, respectively.

g. Revenue recognition:

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 ("SAB 101"), as amended in June 2000, which summarizes the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company adopted SAB 101 during the fourth quarter of 2000. The adoption did not have a significant effect on our consolidated results of operations or financial position.

Revenues from long-term research and development agreements, subcontracted for the U.S. government, are rewarded on a cost plus basis when services are rendered (see Note 9c).

Revenues in respect of products are recognized when the following criteria are met:

1. Persuasive evidence of an arrangement exists.
2. Delivery has occurred.
3. The seller's price to the buyer is fixed or determinable.
4. Collectibility is reasonably assured.

The Company's provision for returns is provided in accordance with FAS 48 "Revenue Recognition when Right Of Return Exists," based on the Company's past experience. The Company accrues estimated sales returns upon recognition of sales.

h. Warranty costs:

The Company provides a warranty at no extra charge for one year. A provision is recorded to probable costs in connection with warranties, based on the Company's experience.

i. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." This Statement prescribes the use of the liability method, whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

j. Royalty-bearing grants:

Royalty-bearing grants from the office of Chief Scientist ("OCS") of the Israeli Ministry of Industry and Trade and from the Israel-U.S. Bi-national Industrial Research and Development Foundation ("BIRD-F") for funding approved research and development projects are recognized at the time the Company is entitled to such grants on the basis of the costs incurred, and included as a deduction of research and development costs.

k. Non-royalty-bearing grants:

The Company also received non-royalty-bearing grants from the U.S. Army's Communications Electronics Command ("Cecom") for funding of Defense and Safety Products. These grants are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and are included as a deduction of research and development costs.

l. Cost of revenues:

In 1999 and 1998, the Company's cost of revenues was included in research and development costs, since (i) the Company's production was integrated with the product development process, (ii) it was impossible to segregate the cost of revenues from the research and development expenses, and (iii) these expenses were interrelated by their nature.

m. Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and notes receivable from shareholders. Cash and cash equivalents are invested in U.S. dollar deposits with major Israeli, U.S. and U.K. banks. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The trade receivables of the Company and its subsidiaries are mainly derived from sales to customers located primarily in the United States and Europe. Management believes that credit risks are moderated by the diversity of its end customers and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. An allowance for doubtful accounts is determined with respect to those accounts that the Company has determined to be doubtful of collection.

The notes receivable from shareholders are from financially sound shareholders.

The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

n. Basic and diluted net loss per share:

Basic net income (loss) per share is computed based on the weighted average number of Common shares outstanding during each year. Diluted net income per share is computed based on the weighted average number of Common shares outstanding during each year, plus dilutive potential Common shares considered outstanding during the year, in accordance with FASB Statement No. 128, "Earnings Per Share."

All outstanding stock options and warrants have been excluded from the calculation of the diluted net loss per Common share because all such securities are anti-dilutive for all periods presented. The total weighted average number of shares related to the outstanding options and warrants excluded from the calculations of diluted net loss per share was 2,812,725, 2,820,679 and 2,964,255 for the years ended December 31, 2000, 1999 and 1998, respectively.

o. Accounting for stock-based compensation:

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44") in accounting for its employee stock option plans. Under APB 25, when the exercise price of the Company's share options is less than the market price of the underlying shares on the date of grant, compensation expense is recognized. The pro forma disclosures required by SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"), are provided in Note 10.

The Company applies SFAS 123 and EITF 96-18 "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" with respect to options issued to non-employees. SFAS 123 requires use of an option valuation model to measure the fair value of

the options at the grant date.

p. Advertising costs:

The Company and its subsidiaries expense advertising costs as incurred. Advertising expense for the years ended December 31, 2000, 1999 and 1998, was approximately $ 1,453,025, $ 364,957 and $ 255,520, respectively.

q. Fair value of financial instruments:

The following methods and assumptions were used by the Company and its subsidiaries in estimating their fair value disclosures for financial instruments:

The carrying amounts of cash and cash equivalents, trade receivable and trade payable approximate their fair value due to the short-term maturity of such instruments.

The carrying amount of the Company's long-term notes receivables from shareholders approximates their fair value. The fair value was estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar type of borrowing arrangements.

r. Severance pay:

The Company's liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. The Company records as expense the net increase in its funded or unfunded severance liability. Employees are entitled to one month's salary for each year of employment, or a portion thereof. The Company's liability for all of its employees is fully provided by monthly deposits with severance pay funds, insurance policies and by an accrual. Deposits with severance pay funds and insurance policies are under the control of the Company.

In addition and according to certain employment agreements, the Company is obligated to provide for a special severance pay in addition to amounts due to certain employees pursuant to Israeli severance pay law. The Company made a provision for this special severance pay.

The deposited funds include profits accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies and include immaterial profits.

Severance expenses for the years ended December 31, 2000, 1999 and 1998, amounted to approximately $ 430,943, $ 203,690 and $ 257,160, respectively.

s. Research and development cost:

Research and development costs are charged to the statement of operation as incurred.

t. Impact of recently issued accounting standards:

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which is required to be adopted in years beginning after June 15, 2000. Since the Company does not use derivatives, management does not anticipate that the adoption of the new Statement will have an effect on earnings or the financial position of the Company.

NOTE 3:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

<TABLE>
<CAPTION>

	December 31,	
	2000	1999

	U.S. dollars	
<S>	<C>	<C>
Government authorities	$ 1,726,282	$ 450,825
U.S. government	45,749	273,187
Employees	162,518	23,412
Prepaid expenses	299,082	22,194
Other	185,084	180,772
	$ 2,418,715	$ 950,390

NOTE 4:- INVENTORIES

Raw and packaging materials	$ 1,581,048	$ 783,768
Work in progress	457,319	142,300
Finished products	1,170,581	119,412
	$ 3,208,948	$ 1,045,480

</TABLE>

NOTE 5:- NOTES RECEIVABLE FROM SHAREHOLDERS

In February and May 2000, two officers of the Company exercised options to purchase a total of 263,330 and 550,000, respectively, shares of the Company's Common Stock. In connection with such exercises, the Company granted loans to those two officers to cover their related tax liabilities. Israeli capital gains tax on this transaction was in the form of non-recourse promissory note in the total amount of $ 733,059 bearing interest of Federal Fund + 1%.

NOTE 6:- PROPERTY AND EQUIPMENT

a. Composition of property and equipment is as follows:

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	U.S. dollars	
<S>	<C>	<C>
Cost:		
Computers and related equipment	$ 636,997	$ 529,790
Motor vehicles	389,019	520,851
Office furniture and equipment	311,885	300,570
Machinery, equipment and installations	8,502,762	5,849,813
Leasehold improvements	732,291	475,674
	10,572,954	7,676,698
Accumulated depreciation:		
Computers and related equipment	445,209	357,180
Motor vehicles	139,024	200,883
Office furniture and equipment	162,530	144,840
Machinery, equipment and installations	2,826,656	2,332,352
Leasehold improvements	553,471	

475,674

	4,126,890	3,510,929
Depreciated cost	$ 6,446,064	$ 4,165,769

</TABLE>

b. Depreciation expense amounted to $ 753,910, $ 710,759 and $ 893,940, for the years ended December 31, 2000, 1999 and 1998, respectively.

As for charges, see Note 9d.

NOTE 7:- SHORT-TERM BANK CREDIT

The Company received a line of credit of up to $751,000 guaranteed by its receivables (up to 75% of the total amount of the receivables as determined from time to time).

NOTE 8:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	U.S. dollars	
<S>	<C>	<C>
Employees and payroll accruals	$ 280,283	$ 288,580
Accrued vacation pay	388,350	233,749
Accrued expenses	531,991	663,310
Warranty	100,000	100,000
Royalties	62,000	68,679
Other	182,351	46,445
	$ 1,544,975	$ 1,400,763

</TABLE>

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Royalty commitments:

1. Under the Company's research and development agreements with the OCS, and pursuant to applicable laws, the Company is required to pay royalties at the rate of 3%-3.5% of net sales of products developed with funds provided by the OCS, up to an amount equal to 100% of research and development grants received from the OCS (linked to the U.S. dollars. Amount due in respect of projects approved after year 1999 also bears interest of the LIBOR rate).

2. EFL, in cooperation with a U.S. participant, has received approval from the BIRD-F for 50% funding of a project for the development of a hybrid propulsion system for transit buses. The maximum approved cost of the project is approximately $ 1.8 million, and the Company's share in the

project costs is anticipated to amount to approximately $ 1.1 million, which will be reimbursed by BIRD-F at the aforementioned rate of 50%.

Royalties at rates from 2.5%-5% of sales are payable up to a maximum of 150% of the grant received, linked to the U.S. Consumer Price Index. Accelerated royalties are due under certain circumstances.

3. The Company is obligated to pay royalties only on sales of products in respect of which OCS and BIRD-F participated in their development. Should the project fail, the Company will not be obligated to pay any royalties.

Royalties paid or accrued for the years ended December 31, 2000, 1999 and 1998 to OCS amounted to $70,637, $69,169 and $43,936, respectively and to BIRD-F $0, $0 and $0, respectively.

As of December 31, 2000, total contingent liability to pay royalties are as follows: OCS (at 100%) - approximately $ 9,010,000; BIRD-F (at 150%) - approximately $ 772,000.

b. Lease commitments:

The Company and its subsidiaries rent their facilities under various operating lease agreements, which expire on various dates, the latest of which is in 2005. The minimum rental payments under non-cancelable operating leases are as follows:

	Year ended December 31
	U.S. dollars
2001	429,987
2002	391,461
2003	396,213
2004	217,706
2005	174,612
	1,609,979

Total rent expenses for the years ended December 31, 2000, 1999 and 1998, were approximately $ 261,000, $ 345,000 and $ 470,000, respectively.

Rental payments are primarily payable in Israeli currency, linked to the Israeli Consumer Price Index ("CPI").

c. Agreements related to Research and Development projects:

In 1998, the Company, in cooperation with U.S. participants, entered into Phase I of an agreement with the U.S. government (Department of Transportation - Federal Transit Administration) for the performance of subcontracted services in regard to the construction and operation of a passenger bus for the U.S. government.

The services are priced on a cost plus basis to be paid by the U.S. government and are limited to the maximum approved cost of the project, which is approximately $2,000,000. The Company's share in the project is approximately $1,750,000.

Revenues in respect of Phase I for the years ended December 31, 2000, 1999 and 1998 were $253,582, $1,212,675 and $313,276, respectively.

In addition, during the last quarter of 2000, a phase II was signed, limited to the maximum approved cost of the project,which is approximately $1,361,000. The Company's share in the project is approximately $800,000.

d. Charges:

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

e. Guarantees:

The Company obtained bank guarantees in the amount of $ 49,433, mainly in respect of lease agreements. The bank had issued letter of credit totaling

approximately $ 123,227.

NOTE 10:- SHAREHOLDERS' EQUITY

a. Shareholders' rights:

The Company's shares confer upon the holders the right to receive notice to participate and vote in the general meetings of the Company and right to receive dividends, if and when declared.

b. Financial transactions:

1. Non-recourse notes receivable from employee-shareholders arising from the purchase of 1,500,000 of the Company's shares, matured in 1998. The notes were renewed as recourse notes, due on December 31, 2007, bearing interest of 5.5% or linked to the Israeli CPI, whichever is higher. In April 1998, the terms of the recourse notes were amended such that the Company would have recourse only to certain termination compensation due to the employee-shareholders (which exceeds the amounts outstanding under the notes), or if terminated for cause, the employee-shareholders would continue to be personally liable.

   Additionally, the Company agreed to purchase Company shares from the employee-shareholders, at prevailing market prices, up to the full amount outstanding under the notes and to grant new options at exercise prices equal to prevailing market prices, in the amount that the shares were sold by the employee-shareholders.

   In March 2000, the employee-shareholders exercised certain stock options. The proceeds from the sale of these options were allocated to the return of the loan referred to above. As of December 31, 2000, the balance of the loan was approximately $ 50,000.

2. In 1998, the Company purchased 255,333 shares from employee-shareholders (which shares such employees acquired upon the exercise of employee share options) for the aggregate amount outstanding under certain non-recourse notes given by such shareholders upon the Company's financing of the exercise price of such options. As a result of this transaction, compensation expense in the amount of approximately $ 110,000 was recorded in 1998.

3. In 1998, 4,000 shares of the Company's Common shares were issued to directors. Accordingly, the Company recorded compensation expense of $ 10,710.

4. On December 3, 1999, two officers of the Company each purchased 125,000 Common shares out of the Company's treasury at the closing price of the Common stock on December 2, 1999. Each such officer's purchase price of $ 167,975 was financed by the Company on the term disclosed in subsection 1.

5. On December 28, 1999, the Company entered into an agreement with a group of private investors, including Mr. Leon S. Gross, a director of Electric Fuel Corporation and one of the existing shareholders. Pursuant to the agreement, the Company issued 1,425, 000 shares of Common stock for total purchase price of $ 2,850,000. The Company also issued warrants to purchase up to an additional 1,425,000 shares of the Company's Common stock to the investors. Pursuant to the terms of these warrants, a total of 251,196 shares of Common stock were issued to such warrant holders in 2000 on a cashless exercise basis. As of December 31, 2000, 1,050,000 warrants had been exercised, in addition to the warrants issued on a cashless basis.

6. On January 5, 2000, the Company entered into a Common Stock Purchase Agreement with a group of private investors. Pursuant to this agreement, on January 10, 2000, the Company issued 385,000 shares of Common stock to the investors for a total purchase price of $ 962,500.

7. On February 9, 2000 and in May 2000, certain officers of the Company exercised options to purchase a total of 263,330 and 550,000, respectively, shares of the Company's Common stock, paying the exercise price in the form of ten-years non-recourse promissory notes in an aggregate amount of $ 658,326 and $ 3,045,750, respectively. The notes are secured by the shares issued upon exercise of such options, bearing interest of federal fund rate + 1% (the interest on the notes is fully recourse).

8. On May 17, 2000, the Company entered into an agreement with an investor, pursuant to which, the Company issued 1,000,000 Shares of Common Stock to the investor, at a price of $ 10 per share, for a total purchase of $ 10,000,000. In addition, according to the agreement, the Company issued

92,952 shares of Common stock, according to the anti-dilution calculation stated in this agreement.

9. On May 25, the Company repriced and fully exercised 150,000 warrants from $ 6.6 per share to $ 4.95 and 160,000 warrants from $ 3.375 per share to $ 4.95. A compensation of $ 26,260 was recorded.

10. On November 17, 2000, the Company entered into an agreement with a venture capital fund, pursuant to which the Company issued 1,000,000 shares of Common stock to the investor, at a price of $ 8.375 per share, for a total purchase of $ 8,375,000. The Company also issued warrants to purchase an additional 1,000,000 shares of Common stock to the investor, with an exercise price of $ 11.31-$ 12.56 per share. In addition, the Company issued warrants to purchase 150,000 shares of Common stock with an exercise price of $ 9.63-$ 12.56 to an investment banker involved in this agreement. (716,667 warrants are to be expired on November 17, 2005 and 433,333 warrants are to be expired on August 17, 2001).

11. In June 2000, 35,000 shares of Common stock were issued to a supplier. Accordingly, the Company recorded compensation expenses of $ 405,000 and prepaid expenses of $ 120,000 as of December 31, 2000.

c. Common share option plans:

1. The Company has adopted the following share option plans, whereby options may be granted for purchase of the Company's Common shares. Under the terms of the employee plans, the Board of Directors or the designated committee will grant options and will determine the vesting period and the exercise terms.

a) 1991 Employee Option Plan - 2,115,600 shares reserved for issuance, of which 33,692 are available for future grant to employees.

b) 1993 Employee Option Plan - as amended, 4,200,000 shares reserved for issuance, of which 1,546,613 are available for future grant to employees.

c) 1998 Employee Option Plan - as amended, 3,250,000 shares reserved for issuance, of which 1,662,769 are available for future grant to employees and consultants.

d) 1995 Non-Employee Director Plan - 500,000 shares reserved for issuance, of which 205,000 are available for future grant to directors.

Such directors will receive an initial grant of options to purchase 25,000 shares of the Company's Common stock and thereafter will receive options to purchase 10,000 shares of Common stock per year for serving on the Board of Directors. All employee options will be granted at fair market value.

2. Under these plans, options generally expire no later than 10 years from the date of grant. Each option can be exercised to purchase one share, conferring the same rights as the other Common shares. Options that are cancelled or forfeited before expiration become available for future grants.

The options generally vest over a three-year period (33.3% per annum).

3. A summary of the status of the Company's plans and other share options (except for options granted to consultants) granted as of December 31, 2000, 1999 and 1998, and changes during the years ended on those dates, is presented below:

<TABLE>
<CAPTION>

	2000		1999		1998	
		Weighted average		Weighted average		Weighted

	Number	average exercise price	Number	average exercise price	Number	average exercise price
		$		$		$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options outstanding at beginning of year	2,820,679	$ 3.44	2,964,255	$ 3.70	1,616,363	$ 5.38
Changes during year:						
Granted(1)	1,598,233	$ 4.58	496,475	$ 1.56	1,775,421	$ 2.79
Exercised	(1,715,628)	$ 3.84	-	-	(81,226)	$ 1.12
Repriced:						
Old exercise price	(310,000)	$ 4.95	-	-	(536,450)	$ 6.16
New exercise price	310,000	$ 4.95	-	-	536,450	$ 3.08
Forfeited or canceled	(79,059)	$ 4.93	(640,051)	$ 3.25	(346,303)	$ 2.70
Options outstanding at end of year	2,624,225	$ 3.82	2,820,679	$ 3.44	2,964,255	$ 3.70
Options exercisable at end of year	1,078,332	$ 3.81	2,082,390	$ 3.91	1,638,834	$ 3.67

(1) Includes 870,000, 182,500 and 803,325 options granted to related parties in 2000, 1999 and 1998, respectively.

4. The following table summarizes information about options outstanding as of December 31, 2000:

<TABLE>
<CAPTION>

Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding at December 31, 2000	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 2000	Weighted average exercise price
$		Years	$		$
<S> <C>	<C>	<C>	<C>	<C>	<C>
0.35-2	440,170	8.84	1.37	166,541	1.37
3-4	652,055	6.47	3.02	446,125	2.92
4-6	1,387,000	9.42	4.60	335,666	4.89
6-8	135,000	7.3	7.22	120,000	7.25
8 and above	10,000	6.54	9.06	10,000	

9.06
	---	---	---
	2,624,225	3.82	1,078,332
3.83			
	---	---	---

</TABLE>

The compensation cost that has been charged in the consolidated statements of operations in respect of options to employees in 2000, 1999 and 1998 was $ 46,934, $ 0 and $ 222,302, respectively. Such amount is presented as a reduction of shareholders' equity and is amortized ratably over the vesting period of the related options.

Weighted-average fair values and exercise price of options on dates of grant are as follows:

<TABLE>
<CAPTION>

	Equals market price			Exceeds market price			Less than market price	
	2000	1999	1998	2000	1999	1998	2000	1999 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C> <C>
Weighted average exercise prices	4.580	1.560	2.930	7.125	-	2.688	5.270	- 2.507
Weighted average fair value on grant date	4.120	1.320	2.802	3.760	-	2.460	6.600	- 3.107

</TABLE>

Because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that the existing option pricing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Pro forma information under SFAS 123:

Pro forma information regarding net loss is required by SFAS No. 123 (for grants issued after December 1994), and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant, using the Black-Scholes Option Valuation Model, with the following weighted-average assumptions

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Dividend yield	0%	0%	0%
Expected volatility	95%	120%	103%
Risk-free interest	6.5%	5.5%	4.5-5.6%
Expected life of up to	10 years	10 years	10 years

<CAPTION>

	2000		1999		1998	
	As reported	Pro-forma	As reported	Pro-forma	As reported	Pro-

forma

			U.S. dollars			
	Net loss	$ (11,980,958)	$(14,006,038)	$(6,915,688)	$(8,367,584)	(8,532,570)	$(11,633,365)
	Basic and diluted net loss per share	$ (0.62)	$ (0.73)	$ (0.48)	$ (0.58)	$ (0.61)	$ (0.83)

</TABLE>

5. Options issued to consultants:

a) The Company's outstanding options to consultants as of December 31, 2000, are as follows:

<TABLE>
<CAPTION>

Issuance date	Options for Common shares	Exercise price per share	Options exercisable	Exercisable through
		$		
Previous years	166,814*	6.94	2,286	August 2001
February 2000	11,000	7.125	11,000	10 years
August 2000	16,250	5.125 and 10	16,250	10 years
December 2000	119,508	5.125 and 10	119,508	10 years

</TABLE>

* As of December 31, 2000, 164,528 warrants had been exercised.

b) The Company had accounted for its options to consultants under the fair value method of SFAS No. 123 and EITF 96-18. The fair value for these options was estimated using a Black-Scholes option-pricing model with the following weighted-average assumptions for 2000: risk-free interest rates of 6.5%, dividend yields of 0%, volatility factors of the expected market price of the Company's Common shares of 95%, and a weighted-average expected life of the options of approximately 10 years.

c) In connection with the grant of stock options to consultants, the Company recorded stock compensation expenses totaling $ 769,128 through December 31, 2000.

6. Dividends:

In the event that cash dividends are declared in the future, such dividends will be paid in U.S. dollars. The Company does not intend to pay cash dividends in the foreseeable future.

NOTE 11:- INCOME TAXES

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

As of December 31, 2000, EFC Inc. has operating loss carryforwards for U.S. federal income tax purposes of approximately $ 2,465,000, which are available to offset future taxable income, if any, expiring in 2010.

b. Israeli subsidiary (EFL):

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

EFL's manufacturing facility has been granted "Approved Enterprise" status under the abovementioned law, and is entitled to investment grants from the State of Israel of 38% on property and equipment located in Jerusalem, and 20% on property and equipment located at its plant in Beit Shemesh, and to reduced tax rates on income arising from the "Approved Enterprise," as detailed below.

The approved investment program is in the amount of approximately $ 500,000. EFL effectively operated the program during 1993, and is entitled to the tax benefits available under the law. EFL is entitled to additional tax benefits as a "foreign investment company," as defined by the law. In 1995, EFL received approval for a second "Approved Enterprise" program for investment in property and equipment, in the amount of approximately $ 6,000,000, and approval for grants at the abovementioned rates, for these approved property and equipment.

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the above law, regulations published thereunder and the instruments of approval for the specific investments in "approved enterprises." In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest. As of December 31, 2000, the Company fulfilled all conditions.

The main tax benefits available to EFL are:

a) Reduced tax rates:

During the period of benefits (seven to ten years), commencing in the first year in which EFL earns taxable income from the "Approved Enterprise," a reduced corporate tax rate of 10%-25% (depending on the percentage of foreign ownership, based on present ownership percentages of 15%) will apply, instead of the regular tax rates (see 4. below).

The period of tax benefits, detailed above, is subject to limits of 12 years from the commencement of production, or 14 years from the approval date, whichever is earlier. Hence, the first program will expire in the year 2007 and the second in the year 2009. The benefits have not yet been utilized since the Company has no taxable income, since its incorporation.

b) Accelerated depreciation:

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

2. Measurement of results for tax purposes under the Income Tax Law (Inflationary Adjustments), 1985

Results for tax purposes are measured in real terms of earnings in NIS after certain adjustments for increases in the Consumer Price Index. As explained in Note 2b, the financial statements are presented in U.S. dollars. The difference between the annual change in the Israeli consumer price index and in the NIS/dollar exchange rate causes a difference between taxable income and the income before taxes shown in the financial statements. In accordance with paragraph 9(f) of SFAS No. 109, the Company has not provided deferred income taxes on this difference between the reporting currency and the tax bases of assets and liabilities.

3. Tax benefits under the Law for the Encouragement of Industry (Taxation), 1969:

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

4. Tax rates applicable to income from other sources:

Income from sources other than the "Approved Enterprise," is taxed at the regular rate of 36%.

5. Tax rates applicable to income distributed as dividends by EFL:

The effective taxes on income distributed by EFL to its parent company, EFC, would increase as a result of the Israeli withholding tax imposed upon

such dividend distributions. The overall effective tax rate on such distribution would be 28%, in respect to income arising from EFL's "Approved Enterprise," and 44% in respect of other income. EFL does not have any earnings available for distribution as dividend, nor does it intend to distribute any dividends in the foreseeable future.

6. Tax loss carryforwards:

As of December 31, 2000, EFL has operating loss carryforwards for Israeli tax purposes of approximately $ 65 million, which are available, indefinitely, to offset future taxable income.

c. European subsidiaries:

Income of the European subsidiaries, which is derived from intercompany transactions, is based on the tax laws in their countries of domicile.

d. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Significant components of the Company's deferred tax assets resulting from tax loss carryforward are as follows:

<TABLE>
<CAPTION>

	December 31,	
	2000	1999
	U.S. dollars	
<S> <C>	<C>	<C>
Domestic income taxes:		
Deferred tax asset *)	$ 862,750	$ 70,000
Less - valuation allowance	(862,750)	(70,000)
	$ -	$ -
Foreign income taxes:		
Deferred tax asset *)	$ 8,125,000	$ 7,300,000
Less - valuation allowance	(8,125,000)	(7,300,000)
	$ -	$ -

</TABLE>

The Company and its subsidiaries provided valuation allowances in respect of deferred tax assets resulting from tax loss carryforwards and other temporary differences. Management currently believes that it is more likely than not that the deferred tax regarding the loss carryforwards and other temporary differences will not be realized.

*) Mainly in respect of loss carryforwards, deductible expenditures reported as a reduction of the proceeds from issuing shares, accrued severance pay and depreciation on property and equipment.

e. Loss before taxes on income:

<TABLE>
<CAPTION>

	Year ended December 31		
	2000	1999	1998
	U.S. dollars		
<S>	<C>	<C>	<C>
Domestic	$ (2,021,661)	$ (232,205)	$ (313,902)
Foreign	(9,959,297)	(6,677,466)	(8,261,842)
	$ (11,980,958)	$ (6,909,671)	$ (8,575,744)

f. Income taxes included in the statements of operations:

U.S.	$ -	$ 6,017	$ 22,993
Europe	-	-	(66,167)
	$ -	$ 6,017	$ (43,174)

</TABLE>

ELECTRIC FUEL CORPORATION
AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12:- SELECTED STATEMENTS OF OPERATIONS DATA

a. Research and development, net (previous years included also COGS):

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
Research and development costs	$ 5,546,519	$ 7,834,051	$ 10,169,956
Less royalty-bearing grants	958,382	1,202,976	489,546
	$ 4,588,137	$ 6,631,075	$ 9,680,410

b. Financial income, net:

Financial expenses:			
Interest, bank charges and fees	$ (67,480)	$ (71,074)	$ (29,485)
Foreign currency translation differences	(219,043)	(32,661)	(34,154)
	(286,523)	(103,735)	(63,639)
Financial income:			
Interest	830,704	293,784	

715,681

Total	$ 544,181	$ 190,049	$ 652,042

NOTE 13:- RELATED PARTY DISCLOSURES

<CAPTION>

	Year ended December 31,		
	2000	1999	1998
	U.S. dollars		
<S>	<C>	<C>	<C>
Transactions:			
Selling, general and administrative expenses	$ 28,800	$ 15,750	$ 38,404
Financial income, net (see Note 5 and Note 10(b)(7))	$ 230,924	$ 51,659	$ 92,612

	December 31,	
	2000	1999
	U.S. dollars	
Balances:		
Other accounts payable and accruals	-	$ 15,750

</TABLE>

NOTE 14:- SEGMENT INFORMATION

a. General:

In 1998, the Company adopted, FAS 131, "Disclosures About Segments of an Enterprise and Related Information," which was issued in June 1997 by the FASB.

1. Criteria used by management to determine the enterprise's reportable segments:

The Company's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different marketing strategies.

2. The Company is involved in the research, development and commercial use of zinc-air electrochemical technology for primary and reusable battery systems. The Company operates in three business segments: consumer batteries, electric vehicles, and defense and safety products.

b. The following is information about reported segment gains, losses and assets:

<TABLE>
<CAPTION>

	Electric vehicles	Defense and safety products	Consumer batteries	All other	Total
			U.S. dollars		
2000:					
Revenues from outside customers	$ 310,441	$ 1,168,054	$ 2,563,621	$ 11,446	$ 4,053,562
Depreciation expense	(249,796)	(60,612)	(239,668)	(203,834)	(753,910)
Direct expenses (1)	(472,770)	(1,120,020)	(10,246,938)	(3,985,063)	(15,824,791)
Segment gross loss	$ (412,125)	$ (12,578)	$ (7,922,985)	$ (4,177,451)	(12,525,139)
Financial income, net					544,181
Net loss					$(11,980,958)
Segment assets	$ 908,414	$ 556,863	$ 7,527,160	$ 662,575	$ 9,655,012
Expenditures for segment assets	$ -	$ 7,671	$ 2,767,083	$ 310,988	$ 3,085,742
1999:					
Revenues from outside customers	$ 1,229,854	$ 979,123	$ 254,991	$ 230,030	$ 2,693,998
Depreciation expense	(234,550)	(85,291)	(149,259)	(241,659)	(710,759)
Direct expenses (1)	(2,659,478)	(1,242,652)	(3,007,398)	(2,173,431)	(9,082,959)
Segment gross loss	$ (1,664,174)	$ (348,820)	$ (2,901,666)	$ (2,185,060)	(7,099,720)
Taxes on income					(6,017)
Financial income, net					190,049
Net loss					$ (6,915,688)
Segment assets	$ 1,129,771	$ 360,553	$ 1,516,519	$ 1,158,926	$ 4,165,769
Expenditures for segment assets	$ 221,808	$ 80,657	$ 942,450	$ 228,529	$ 1,473,444

1998:					
Revenues from outside customers	$ 2,792,000	$ 1,181,000	$ -	$ 40,263	$ 4,013,263
Depreciation expense	(526,000)	(37,000)	(7,000)	(323,940)	(893,940)
Direct expenses (1) (2)	(4,766,000)	(1,188,000)	(3,011,000)	(3,382,109)	(12,347,109)
Segment gross loss	$ (2,500,000)	$ (44,000)	$ (3,018,000)	$ (3,665,786)	(9,227,786)
Taxes on income					43,174
Financial income, net					652,042
Net loss					$ (8,532,570)
Segment assets	$ 1,153,000	$ 369,000	$ 730,000	$ 1,182,859	$ 3,434,859
Expenditures for segment assets	$ 75,000	$ 67,000	$ 694,000	$ 149,507	$ 985,507

</TABLE>
(1) Including selling, general and administrative expenses.

(2) Including non-cash expense derived from write-down of property and equipment in the amount of $ 1.25 million.

c. Summary information about geographic areas:

The following presents total revenues according to end customers location for the years ended December 31, 2000, 1999 and 1998, and long-lived assets as of December 31, 2000, 1999 and 1998:

<TABLE>
<CAPTION>

	2000		1999		1998	
	Total revenues	Long-lived assets	Total revenues	Long-lived assets	Total revenues	Long-lived assets
	U.S. dollars					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S.A.	$ 2,664,105	$ 62,914	$ 2,282,643	$ 36,038	$ 1,374,261	$ 43,757
Germany	51,988	-	71,198	-	2,138,690	-
Italy	183,700	-	20,712	-	295,937	-
Israel	62,965	6,383,150	50,966	4,129,731	204,375	3,391,102
England	211,349	-	59,400	-	-	-
Other	879,455	-	209,079	-	-	-
	$ 4,053,562	$ 6,446,064	$ 2,693,998	$ 4,165,769	$ 4,013,263	$ 3,434,859

==========
</TABLE>

d. Revenues from major customers:

<TABLE>
<CAPTION>

	2000	1999	1998
	%		
<S>	<C>	<C>	<C>
Electric vehicles:			
Customer A	-	-	51
Customer B	6	45	8
Defense and safety products:			
Customer C	7	13	8
Consumer batteries			
Customer D	36	-	-

</TABLE>

<TABLE>
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SUPPLEMENTARY FINANCIAL DATA

Quarterly Financial Data (unaudited) for the two years ended December 31, 2000

	Quarter Ended			
2000	March 31	June 30	September 30	December 31
<S>	<C>	<C>	<C>	<C>
Net revenue	$ 652,946	$ 632,541	$ 566,367	$ 2,201,708
Gross loss	($ 1,423,902)	($ 1,230,490)	($ 1,211,023)	($ 857,602)
Net loss	($ 2,473,739)	($ 2,860,494)	($ 2,753,504)	($ 3,893,221)
Net loss per share - basic and diluted	(0.14)	(0.15)	(0.14)	(0.19)
Shares used in per share calculation	17,166,343	18,935,208	20,231,991	20,843,030
1999				
Net revenue	$ 554,481	$ 572,177	$ 781,260	$ 786,080
Gross loss	($ 1,576,849)	($ 1,011,010)	($ 855,926)	($ 477,104)
Net loss	($ 2,394,900)	($ 1,617,569)	($ 1,537,709)	($ 1,365,510)
Net loss per share - basic and diluted	(0.17)	(0.12)	(0.11)	(0.10)
Shares used in per share calculation	14,048,054	14,048,054	14,048,054	14,173,332

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
3.1.1.....	Amendment to our Amended and Restated Certificate of Incorporation
/+/ 10.19.1....	Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Yehuda Harats
/+/ 10.19.2....	Letter dated January 12, 2001 amending the Second Amended and

Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Yehuda Harats

/+/ 10.20.1.... Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Robert S. Ehrlich

/+/ 10.20.2.... Letter dated January 12, 2001 amending the Second Amended and Restated Employment Agreement, effective as of January 1, 2000 between us, EFL and Robert S. Ehrlich

/+/ 10.22.1.... Amendment dated January 12, 2001 to Employment Agreement dated May 13, 1997 between us, EFL, and Joshua Degani

10.40..... Share and Assets Purchase Agreement dated March 15, 2000 among us, Tadiran Limited, Tadiran Batteries Limited and Tadiran Limited

10.41..... Stock Purchase Agreement dated March 15, 2000 between us and Koor Industries Ltd.

10.42..... Registration Rights Agreement dated March 15, 2000 between us, Tadiran Limited and Koor Industries Ltd.

10.43..... Voting Rights Agreement dated March 15, 2000 among made as of March 15, 2000 by and among us, Robert S. Ehrlich and Yehuda Harats, Koor Industries Ltd. and Tadiran Limited

10.51..... Promissory Note dated January 12, 2001, from Yehuda Harats to us

10.52..... Promissory Note dated January 12, 2001, from Robert S. Ehrlich to us

10.53..... Promissory Note dated January 12, 2001, from Joshua Degani to us

10.54..... Agreement of Lease dated December 5, 2000 between us as tenant and Renaissance 632 Broadway LLC as landlord

23.1..... Consent of Kost Forer & Gabbay

23.2..... Consent of Kesselman & Kesselman

99..... Important factors regarding forward-looking statements

</TABLE>

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+ Includes management contracts and compensation plans and arrangements

Exhibit 3.1.1

STATE OF DELAWARE

CERTIFICATE OF AMENDMENT

OF THE

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

ELECTRIC FUEL CORPORATION

Adopted in accordance with the provisions of
Section 242 of the General Corporation Law
of the State of Delaware

The undersigned, being respectively the President and Secretary of Electric Fuel Corporation, a corporation existing under the laws of the State of Delaware (the "Corporation"), hereby certify as follows:

FIRST: Article FOUR of the certificate of incorporation of the Corporation, as heretofore amended and restated (the "Certificate of Incorporation"), authorizes the issuance of twenty-nine million (29,000,000) shares of capital stock, $.01 par value, of which twenty-eight million (28,000,000) shares were designated common stock and one million (1,000,000) shares were designated preferred stock.

SECOND: In order to increase the number of shares of capital stock that the Corporation shall be authorized to issue, the Certificate of Incorporation is hereby amended as follows:

By striking out Article FOUR as it now exists and inserting in lieu and instead thereof a new Article FOUR reading in its entirety as follows:

FOUR: The total number of shares of all classes of stock that the Corporation shall have authority to issue is one hundred-one million (101,000,000) consisting of two classes of shares designated as follows:

A: One hundred million (100,000,000) shares of Common Stock, $.01 par value (the "Common Stock"); and

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

THIRD: This amendment has been duly adopted at a meeting of the Board of Directors of the Corporation and at a meeting of the stockholders of the Corporation duly called and held, pursuant to notice in accordance with Section 222 of the General Corporation Law, by the vote of the holders of a majority of the outstanding stock of the Corporation entitled to vote thereon in accordance with the provisions of Section 242 of the General Corporation Law.

FOURTH: The capital of the Corporation shall not be reduced under or by reason of this amendment.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 11/th/ day of December, 2000.

/s/ Yehuda Harats
Yehuda Harats, President

ATTEST:

/s/ Yaakov Har-Oz

Yaakov Har-Oz, Secretary

Exhibit 10.19.1

EXECUTION COPY

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement") is effective as of the 1/st/ day of January, 2000 and is entered into by and among Electric Fuel Corporation, a Delaware corporation ("EFC"), and Electric Fuel Limited, an Israeli company ("EFL" and together with EFC, the "Companies"), and Mr. Yehuda Harats, Israel I.D. Number 05051616 (the "Executive").

WHEREAS, the Companies and the Executive entered into an Amended and Restated Employment Agreement dated as of October 1, 1996 (the "Original Agreement") formalizing the terms of the Executive's employment with the Companies;

WHEREAS, the Companies and the Executive now wish to amend and restate the Original Agreement in its entirety in accordance with the terms of this Agreement;

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, the parties agree as follows:

1. Term.

The term of the Executive's employment under this Agreement shall be for the period commencing on January 1, 2000, and ending on December 31, 2002 (the "Initial Term"). provided, however, that the term of this Agreement shall be automatically extended for additional terms of two (2) years each (each, an "Additional Term") upon the end of the Initial Term and each Additional Term, unless either the Executive or both Companies shall have given written notice to the other at least one hundred fifty days (150) days prior thereto that the term of this Agreement shall not be so extended (a "Non-Renewal"). The provisions of this Agreement shall apply to the relationship between the parties hereto retroactively as if this Agreement were signed on the commencement of the Initial Term.

2. Employment.

(a) The Executive shall be employed as the President and Chief Executive Officer of each Company. The Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons situated in a similar executive capacity in publicly-held United States corporations and their Israeli subsidiaries. The Executive shall exercise his authority in a reasonable manner and shall report to the Board of Directors of each Company (each a "Board").

(b) Excluding periods of vacation and sick leave to which the Executive shall be entitled, the Executive agrees to devote the attention and time to the businesses and affairs of the Companies required to discharge the responsibilities assigned to the Executive hereunder. The Companies acknowledge that the Executive is a member of the Steering Committee of Patir Research and Development Ltd. and may become an officer or director of this and other companies. In addition, the Companies acknowledge that the Executive is involved in certain technical and business development activities and may undertake other activities. The Companies consent to these other positions and activities so long as these do not interfere in any

material manner with the Executive's performance of his duties hereunder and do not constitute a violation of Section 8 hereof. The Executive's duties shall be in the nature of management duties that demand a special level of loyalty and accordingly the Israeli Law of Work Hours and Rest - 1951 shall not apply to this Agreement.

(c) While the Executive is employed by the Companies hereunder, EFC shall use its best efforts to cause the Executive to be elected to, and if so elected the Executive shall serve on, the Board of EFC as a member of such Board, and shall cause the Executive to be elected to, and the Executive shall serve on, the Board of EFL as a member of such Board.

(d) Each Company will use its reasonable best efforts to obtain, and to keep in place at all times that the Executive is a director or officer of either Company, a directors and officers liability policy covering the Executive in an amount and otherwise containing terms and conditions consistent with

past practices.

(e) The Executive agrees to serve on the board of directors of such subsidiaries of the Companies as the Board may reasonably request.

3. Base Salary, Bonus and Financial Planning Allowance.

(a) Base Salary

The Companies agree to pay or cause to be paid to the Executive during the first year of this Agreement a base salary at the rate of US $20,000 per month, payable in U.S. Dollars or in the currency of Israel (as determined by the Representative Rate of the U.S. Dollar published by the Bank of Israel immediately prior to the date of payment of each installment thereof), or such larger amount as the Board may in its sole discretion determine following a review which shall be conducted by the Board by not later than March 31 of each year, beginning March 31. 2002, such larger amount to take effect retroactively to the January 1 immediately preceding such review (hereinafter referred to as the "Base Salary"), and during the second year of this Agreement a Base Salary at the rate of US $23,750 per month. Notwithstanding such review, on each anniversary of the effective date of this Agreement, the Base Salary shall be adjusted upward in an amount equal to the official anticipated net Israeli inflation rate as published by the Israeli Central Bureau of Statistics in the month of December immediately preceding such anniversary, in each case for the year immediately following such anniversary, as adjusted for any changes in the value of the New Israeli Shekel against the U.S. Dollar. Such Base Salary shall be payable in equal monthly installments.

(b) Bonus

The Companies agree to pay or cause to be paid to the Executive on each anniversary of this Agreement or as soon thereafter as may be possible in order to determine the relevant results of the Companies, an annual bonus, as follows:

(i) If, as of such anniversary, the Companies shall have attained 80% of the Companies' Budgeted Number (as defined below) for the year preceding such anniversary, then

Executive's bonus shall be equal to 35% of Executive's annual Base Salary as then in effect for the year preceding such anniversary;

(ii) If, as of such anniversary, the Companies shall have attained 120% of the Companies' Budgeted Number (as defined below) for the year preceding such anniversary, then Executive's bonus shall be equal to 90% of Executive's annual Base Salary as then in effect for the year preceding such anniversary;

(iii) If, as of such anniversary, the Companies shall have attained more than 80% but less than 120% of the Companies' Budgeted Number (as defined below), then Executive's bonus shall be calculated as follows:

$$B = (S \times 35\%) + \frac{(N-80)}{40} \times (S \times 55\%)$$

Where:

B = The amount of Executive's annual bonus, as a percentage of Executive's Base Salary; and

N = The percentage of the Budgeted Number (as defined below) that was attained by the Companies in the immediately preceding fiscal year; provided, however, that N is more than 80 and less than 120;

S= Executive's Base Salary.

For the purposes of this Section 3(b), the Budgeted Number shall be the budgeted results of the Companies as mutually agreed by the Boards and Executive prior to the end of each fiscal year for the fiscal year designated in such budget.

(c) In addition, the Companies shall pay Executive an amount of $10,000 on each anniversary of this Agreement to cover Executive's tax and financial planning expenses.

(d) To the maximum extent permitted by law, all payments to the Executive hereunder shall be paid in U.S. Dollars. Subject to the immediately preceding sentence, and subject to the approval of the Executive, which shall not be unreasonably withheld, the Companies, in order to reflect the different duties of the Executive with respect to each of them, may allocate between themselves their obligations to make the payments and provide the benefits specified in this Agreement. The amount paid to the Executive hereunder by EFL shall be referred to hereinafter as the "EFL Base Salary"; provided, that in no event

shall the EFL Base Salary in any year be greater than the Base Salary for that year.

4. Employee Benefits.

The Executive shall be entitled to the following benefits:

(a) Manager's Insurance. The Companies will pay to an insurance company of the Executive's choice, as premiums for manager's insurance for the Executive, an amount equal to 13.33% of each monthly payment of the Base Salary together with 2.5% of the Base Salary for disability, and will deduct from each monthly payment of the Base Salary and pay to such insurance company an amount equal to 5% of each monthly payment of the Base Salary, which shall constitute the Executive's contribution to such premiums. Upon the termination of the Executive's employment with the Companies for whatever reason, including without limitation termination for Cause or the resignation by the Executive, the right to receive the manager's insurance benefits shall be automatically assigned to the Executive.

(b) Education Fund (Keren Hishtalmut). The Companies will contribute to an education fund of the Executive's choice an amount equal to 7.5% of each monthly payment of the Base Salary, and will deduct from each monthly payment of the Base Salary and contribute to such education fund an additional amount equal to 2.5% of each such monthly payment of the Base Salary. Upon the termination of the Executive's employment with the Companies for whatever reason, including without limitation termination for Cause or the resignation by the Executive, the right to receive any amounts in such fund shall be automatically assigned to the Executive. All education fund contributions or imputed income made under this Section in excess of the statutory exemption shall be tax-effected such that the amount of contribution net of any taxes and withholding (including such amounts in respect of payments pursuant to this sentence) equals the percentages specified herein.

(c) Vacation. The Executive shall be entitled to an annual vacation at full pay equal to 24 work days.

Vacation days may be accumulated and may, at the Executive's option or automatically upon termination, be converted into cash payments in an amount equal to the proportionate part of the Base Salary for such days; provided, however, that if the Executive accumulates more than two (2) times his then current annual entitlement of vacation days, such excess shall be automatically converted into the right to receive such a cash payment in respect of such excess. Payments to which the Executive is entitled pursuant to this Section 4(c) shall be made promptly after the Executive's request therefor.

(d) Sick Leave. The Executive shall be entitled to 30 days of fully paid sick leave; provided, however, that the Executive shall not be entitled to sick leave payment to the extent he is already covered by manager's insurance. Sick leave may be accumulated and may, at the Executive's option, be converted into cash payments in an amount equal to the proportionate part of the Base Salary for such days. Payments to which the Executive is entitled pursuant to this Section 4(d) shall be made promptly after the Executive's request therefor.

(e) Automobile. Every three years, the Companies shall make a new automobile available to the Executive during the term of this Agreement. Such automobile shall be of a high quality comparable to, but not less than, that of a current (2001, with respect to the Initial Term) model Mitsubishi Pajero or Volvo S70, to other cars and shall be subject to the approval of the Executive, which shall not be unreasonably withheld. The Executive shall be entitled to use the automobile for his personal and business needs, so long as he does not allow anyone

who would not be covered by the Companies' insurance to drive it. The Companies shall pay all expenses of maintaining and operating the automobile. All expense reimbursements or imputed income made under this Section shall be tax-effected such that the amount of reimbursement received by the Executive net of any taxes and withholdings (including such amounts in respect of payments pursuant to this sentence) equals the expense incurred.

(f) Recuperation Payments (D'mai Havra-ah). The Executive shall be entitled to

Recuperation Payments in accordance with the Companies' policies for all of its management employees, but no less than required by law.

(g) Benefit Plans. The Executive shall be entitled to participate in all incentive, bonus, benefit or other similar plans offered by either of the Companies, including without limitation EFC's 1993 Stock Option and Restricted Stock Purchase Plan, in accordance with the terms thereof and as determined by the Boards from time to time.

5. Expenses.

The Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by him in connection with the performance of his duties hereunder. Without limiting the generality of the foregoing, the Companies shall pay all of the Executive's expenses in the use of telephones for the Companies' businesses. The Executive shall be entitled to receive room, board and travel reimbursement in connection with the performance of his duties other than at the principal executive office of either Company, as is customary for senior executives in publicly-held United States and Israeli companies. All expense reimbursements made under this Section shall be tax-effected such that the amount of reimbursement received by the Executive net of any taxes and withholdings (including such amounts in respect of payments pursuant to this sentence) equals the expense incurred.

6. Termination.

The Executive's employment hereunder shall and/or may be terminated under the following circumstances:

(a) Death. This Agreement shall terminate upon the death of the Executive.

(b) Disability. The Companies may terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement which continues for a period of at least one hundred and eighty (180) consecutive days.

(c) Cause. The Companies may terminate the Executive's employment for Cause. For purposes of this Agreement, termination for "Cause" shall mean and include: (i) conviction for fraud, crimes of moral turpitude or other conduct which reflects on the Companies in a material and adverse manner; (ii) a willful failure to carry out a material directive of either of the Boards, provided that such directive concerned matters within the scope of the Executive's duties, was in conformity with Sections 2(a) and 2(b) hereof, would not give the Executive Good Reason to terminate this Agreement and was capable of being reasonably and lawfully performed; (iii) conviction in a court of competent jurisdiction for embezzlement of funds of the Companies; and (iv) reckless or willful misconduct that is materially harmful to either of the

Companies; provided, however, that the Companies may not terminate the Executive for Cause unless they have given the Executive (i) written notice of the basis for the proposed termination given not more than thirty (30) days after the Companies have obtained knowledge of such basis ("Companies' Notice of Termination") and (ii) a period of at least thirty (30) days after the Executive's receipt of such notice in which to cure such basis.

(d) Good Reason. The Executive may terminate his employment under this Agreement for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the events or conditions described in subsections (i) through (viii) hereof:

(i) a change in the Executive's status, title, position or responsibilities which, in the Executive's reasonable judgment, represents a reduction or demotion in the Executive's status, title, position or responsibilities as in effect immediately prior thereto;

(ii) a reduction in the Executive's Base Salary;

(iii) the failure by the Companies to continue in effect any material compensation or benefit plan in which the Executive is participating;

(iv) the insolvency or the filing (by any party, including the Companies) of a petition for the winding-up of either of the Companies;

(v) any material breach by the Companies of any provision of this Agreement;

(vi) any purported termination of the Executive's employment for Cause by the Companies which does not comply with the terms of Section 6(c) of this Agreement;

(vii) any movement of either Company's principal executive offices from the Jerusalem/Tel Aviv area of Israel; and

(viii) any movement of the location where the Executive is generally to render his services to the Companies hereunder from the Jerusalem/Tel Aviv area of Israel;

provided, however, that the Executive may not terminate his employment under this Agreement for Good Reason unless he has given the Companies (i) written notice of the basis for the proposed termination given not more than thirty (30) days after the Executive has obtained knowledge of such basis ("Executive's Notice of Termination") and (ii) a period of at least thirty (30) days after the Companies' receipt of such notice in which to cure such basis.

(e) Change in Control. The Executive may terminate this Agreement if there is a "Change in Control". For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(i) the acquisition (other than from EFC in any public offering or private placement of equity securities) by any person or entity of beneficial ownership of twenty (20%) or more of the combined voting power of EFC's then outstanding voting securities; or

(ii) individuals who, as of January 1, 2000, were members of the Board of EFC (the "Original EFC Board"), together with individuals approved by a vote of at least two-

thirds (2/3) of the individuals who were members of the Original EFC Board and are then still members of the Board of EFC, cease for any reason to constitute at least one-third (1/3) of the Board of EFC; or

(iii) approval by the shareholders of either of the Companies of a complete winding-up of such Company or an agreement for the sale or other disposition of all or substantially all of the assets of either of the Companies.

The Executive shall give to the Companies an Executive's Notice of Termination if the Executive desires to terminate his employment because there has been a Change in Control, such notice to specify the date of such termination which shall be not less than thirty (30) days after such notice is received by the Companies. Any such notice, to be effective with respect to any Change in Control, must be sent no later than twenty-four (24) months after such Change in Control.

(f) Termination Date, Etc. "Termination Date" shall mean in the case of the Executive's death, his date of death, or in all other cases, the date specified in the Notice of Termination subject to the following:

(i) if the Executive's employment is terminated by the Companies for Cause or due to Disability, the date specified in the Companies' Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive, provided that in the case of Disability the Executive shall not have returned to the full-time performance of his duties during such period of at least thirty (30) days;

(ii) if the Executive's employment is terminated for Good Reason, or because there has been a Change in Control, the Termination Date specified in the Executive's Notice of Termination shall not be more than sixty (60) days from the date the Notice of Termination is given to the Companies.

(g) Retirement. At any time beginning 150 days prior to his 68th birthday, the Executive may retire from his positions with the Companies ("Retirement") by giving to the Companies written Notice of Retirement specifying the Retirement Date, which Retirement Date shall be at least one hundred and fifty (150) days from the date of such Notice of Retirement.

(h) Termination at Will. Subject to the other provisions of this Section 6, the Executive may terminate his employment with the Companies for any reason

other than the other reasons specified in this Section 6 ("Termination at Will"), by giving to the Companies written Notice of Termination specifying the Termination Date, which Termination Date shall be at least one hundred and fifty (150) days from the date of such Notice of Termination.

7. Compensation upon Termination.

Upon termination of the Executive's employment hereunder, the Executive shall be entitled to the following benefits:

(a) If the Executive's employment is terminated by the Companies for Cause or if the Executive's employment is terminated by the Executive other than with either Good Reason, because there has been a Change in Control, due to Non-Renewal, due to Termination at Will or due to Retirement,

then the Companies shall pay the Executive all amounts of Base Salary and the employee benefits specified in clauses (a), (b) and (c) of Section 4 of this Agreement earned or accrued hereunder through the Termination Date but not paid as of the Termination Date (collectively, "Accrued Compensation").

(b) If the Executive's employment by the Companies shall be terminated (1) due to Disability, (2) by the Executive for Good Reason, (3) by the Executive because there has been a Change in Control, (4) by the Executive's death, (5) due to Non-Renewal, (6) due to Termination at Will, or (7) due to Retirement, then the Executive shall be entitled to the benefits provided below:

(i) the Companies shall pay the Executive (a) all Accrued Compensation, (b) a bonus at a rate of the higher of (i) 35%, or (ii) the rate that would otherwise be payable pursuant to the provisions of Section 3(b) above for the year in which the Termination Date occurs, of Executive's annual Base Salary as of the Termination Date, pro rated based on the number of days in such year which occurred prior to the Termination Date, and (c) the amounts referred to in Sections 4(d) and (e) above, to the extent earned or accrued hereunder through the Termination Date but unpaid as of the Termination Date;

(ii) the Companies shall pay the Executive as severance pay (in addition to any amounts payable as severance under law) and in lieu of any further salary for periods subsequent to the Termination Date (except as provided in Section 7(b)(i) above), in a single payment an amount in cash equal to:

(a) In the event of termination due to Good Reason, Change in Control, Non Renewal, Retirement, Disability, death or any other termination without Cause by the Companies, the annual Base Salary at the highest rate in effect at any time within the ninety (90) day period ending on the Termination Date (or if the Executive's employment is terminated due to Change in Control, the Base Salary rate in effect immediately prior to such Change in Control, if greater), multiplied by three (3).

(b) In the event of termination due to Termination at Will, the sum of five hundred twenty thousand dollars ($520,000).

(iii) for a number of months equal to the lesser of (A) thirty six (36) or (B) the number of months remaining until the Executive's 68th birthday, the Companies shall at their expense continue on behalf of the Executive and his dependents and beneficiaries all of the benefits, including without limitation manager's insurance, life insurance, disability, medical, dental and hospitalization benefits and use of an automobile, which were being provided to the Executive at the time Notice of Termination is given (or, if the Executive terminates his employment for Good Reason or because a Change in Control has occurred, the benefits provided to the Executive at the time immediately preceding when such Good Reason arose or such Change in Control occurred, if greater, or if such benefits are being provided after the Executive's death, the date of his death), provided that the Companies' obligation hereunder with respect to the

foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans; and

(c) The Companies shall procure life insurance on the Executive in order to secure the payment of its obligations arising in the event of termination under Section 6(a) hereof. Such insurance shall be payable to the Company, which shall remain primarily liable for the payment of all such obligations to the Executive.

As a condition to receiving the payments described in this Section 7, the Executive shall execute and deliver to the Companies a release in the form attached hereto as Exhibit A.

8. Confidentiality; Proprietary Rights; Competitive Activity.

(a) Confidentiality. Executive recognizes and acknowledges that the technology, developments, designs, inventions, improvements, data, methods, trade secrets and works of authorship which the Companies own, plan or develop, including without limitation the specifications, documentation and other information relating to the Companies' zinc-air battery systems, and businesses and equipment related thereto (in each case whether for their own use or for use by their clients) are confidential and are the property of the Companies. Executive also recognizes that the Companies' technology, customer lists, supplier lists, proposals and procedures are confidential and are the property of the Companies. Executive further recognizes and acknowledges that in order to enable the Companies to perform services for their clients, those clients may furnish to the Companies confidential information concerning their business affairs, property, methods of operation or other data. All of these materials and information will be referred to below as "Proprietary Information"; provided, however, that such information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Executive).

(b) Non-Disclosure. Executive agrees that, except as directed by the Companies, and in the ordinary course of the Companies' businesses, Executive will not during Executive's employment with the Companies and thereafter, disclose to any person or entity or use, directly or indirectly for Executive's own benefit or the benefit of others, any Proprietary Information, or permit any person to examine or make copies of any documents which may contain or be derived from Proprietary Information; provided, however, that the Executive's duties under this Section 8(b) shall not extend to (i) any disclosure that may be required by law in connection with any judicial or administrative proceeding or inquiry or (ii) any disclosure which may be reasonably required in connection with any actions or proceedings to enforce the Executive's rights under this Agreement. Executive agrees that the provisions of this paragraph shall survive the termination of this Agreement and Executive's employment by the Companies.

(c) Competitive Activity. The Executive undertakes not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise) at any time, during and for thirty-six (36) months following termination of his employment with the Companies, to engage in or contribute his knowledge to any work or activity that involves a product, process, service or development which is then directly (in any material manner) competitive with the Companies' zinc-air energy systems and the same as or similar to a product, process, service or development specifically related to the Companies' zinc-air energy system on which the Executive worked or with respect to which the Executive had access to Proprietary Information while with the

Companies. Notwithstanding the foregoing, the Executive shall be permitted to engage in the aforementioned proposed work or activity if the Companies furnishes him with written consent to that effect signed by an authorized officer of each Company.

(d) No Solicitation. During the period specified in 8(c) hereof, Executive will not solicit or encourage any customer or supplier of either Company or of any group, division or subsidiary of either Company, to terminate its relationship with either Company or any such group, division or subsidiary, and Executive will not, directly or indirectly, recruit or otherwise seek to induce any employee of either Company or any such group, division or subsidiary to terminate his or her employment or violate any agreement with or duty to either Company or any such group, division or subsidiary.

(e) Equitable Relief. The Executive agrees that violations of the material covenants in this Section 8 will cause the Companies irreparable injuries and agrees that the Companies may enforce said covenants by seeking injunctive or other equitable relief (in addition to any other remedies the Companies may have at law for damages or otherwise) from a court of competent jurisdiction. In the event such court declares these covenants to be too broad to be specifically enforced, the covenants shall be enforced to the largest extent as may be allowed by such court for the Companies' protection. Executive further agrees that no breach by the Companies of, or other failure by the Companies under this Agreement shall relieve the Executive of any obligations under Sections 8(a) and 8(b) hereof.

9. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of each Company, its successors and assigns and the Companies shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Companies would be required to perform it if no such succession or assignment had taken place. The term the "Companies" as used herein shall include such successors and assigns. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring all or substantially all the assets and business of either Company (including this Agreement) whether by operations of law or otherwise.

(b) Subject to Section 16 hereof, neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

10. Notice.

For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered mail, postage prepaid, addressed to the respective addresses set forth below or last given by each party to the other. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the eighth business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

The initial addresses of the parties for purposes of this Agreement shall be as follows:

The Companies: Electric Fuel Corporation
120 Wood Avenue South, Suite 300
Iselin, New Jersey 08830
Attention: Yehuda Harats, President

and Electric Fuel Limited
Western Industrial Park
P.O. Box 461
Beit Shemesh 99000
Israel

The Executive: Yehuda Harats
45 Hashayarot St.
Jerusalem 92555
Israel

11. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Companies. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

12. Governing Law; Venue.

This Agreement shall be governed by and construed and enforced in accordance with the laws of Israel without application of any conflicts of laws principles which would cause the application of the domestic substantive laws of any other jurisdiction. Each of the Executive and the Companies hereby irrevocably waives any objection it may now or hereafter have to the laying of venue in the courts of the State of Israel for any legal suit or action instituted by any party to the Agreement against any other with respect to the subject matter hereof.

13. Severability.

The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

14. Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof including, without limitation the Original Agreement.

15. Joint and Several Obligations.

The obligations and liabilities of each Company hereunder shall be joint and several with the obligations and liabilities of the other Company hereunder.

16. Registration Rights.

(a) If EFC at any time proposes to register any of its securities under the Securities Act of 1933, as from time to time in effect (together with the rules and regulations thereunder, all as from time to time in effect, the "Securities Act"), for its own account or for the account of any holder of its securities, on a form which would permit registration of Common Stock of EFC at the time held or obtainable upon the exercise of options, warrants or rights, or the conversion of convertible securities, at the time held by the Executive ("Registrable Securities"), for sale to the public under the Securities Act, EFC will each such time give notice to the Executive of its intention to do so. Such notice shall describe such securities and specify the form, manner and other relevant aspects of such proposed registration. The Executive may, by written response delivered to EFC within 15 days after the giving of any such notice, request that all or a specified part of the Registrable Securities be included in such registration. EFC will thereupon use its best efforts as part of its filing of such form to effect the registration under the Securities Act of all Registrable Securities which EFC has been so requested to register by the Executive, to the extent required to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities to be so registered.

(b) The Executive may, by notice to EFC specifying the intended method or methods of disposition, given at any time and from time to time after EFC has registered any shares of its Common Stock under the Securities Act, request that EFC effect the registration under the Securities Act of all or a specified part of the Registrable Securities; provided, however, that EFC shall not be required to effect a registration pursuant to this Section 16(b) unless such registration may be effected on a Form S-3 (or any successor or similar Form); and provided, further, that each registration pursuant to this Section 16(b) shall cover a number of Registrable Shares equal to not less than 2% of the aggregate number of shares of EFC Common Stock then outstanding. EFC will then use its best efforts to effect the registration as promptly as practicable under the Securities Act of the Registrable Securities which EFC has been requested to register by the Executive pursuant to the Section 16(b).

(c) Notwithstanding the provisions of Section 16(b), in the event that Executive has requested pursuant to Section 16(b) that EFC effect a registration of securities, and (i) the Board of EFC determines that it would be seriously detrimental to EFC to effect a registration pursuant to Section 16(b), or (ii) the Board of EFC determines in good faith that (A) EFC is in possession of material, non-public information concerning an acquisition, merger, recapitalization, consolidation, reorganization or other material transaction by or of EFC or concerning pending or threatened litigation and (B) disclosure of such information would jeopardize any such transaction or litigation or otherwise materially harm EFC, then EFC shall promptly notify Executive of the occurrence of any of the events described in the foregoing clauses (i) or (ii). Upon the occurrence of any of the events described in clauses (i) or (ii) hereof, EFC shall be allowed to defer a registration of securities pursuant to Section 16(b) above, and if a registration statement had already been filed at such time, Executive shall not dispose of his Registrable Securities under such regis-

tration statement until it is so advised in writing by EFC that the registration of securities under 16(b) may be effected or resumed. Notwithstanding the foregoing, any such deferment or prohibition on disposition shall not be in effect for more than 90 days in any 12 months period.

(d) EFC shall not be obligated to effect any registration of Registrable Securities under Section 16(a) hereof incidental to the registration of any of its securities in connection with mergers, acquisitions, exchange offers, dividend reinvestment plans or stock option or other employee benefit plans.

(e) EFC hereby agrees to pay, or cause to be paid, all legal, accounting, printing and other expenses (other than the fees and expenses of the Executive's own counsel and other than underwriting discounts and commissions attributable to the Registrable Securities) in connection with each registration of Registrable Securities pursuant to this Section 16.

(f) In connection with each registration of Registrable Securities pursuant to this Section 16, EFC and the Executive will enter into such agreements, containing such terms and conditions, as are customary in connection with public offerings, such agreements to contain, without limitation, customary indemnification provisions, representations and warranties and opinions and other documents to be delivered in connection therewith, and to be, if requested, with underwriters.

(g) The provisions of this Section 16 shall be subject to any agreement entered into by EFC, in good faith, with any underwriter of EFC's securities or any person or entity providing financing to EFC, in each case containing reasonable limitations on the Executive's rights and EFC's obligations hereunder.

(h) The provisions of this Section 16 shall survive the termination of the other provisions of this Agreement. The rights of the Executive under this Section 16 are assignable, in whole or in part, by the Executive to any person or other entity acquiring securities of EFC from the Executive.

(i) Notwithstanding anything in the foregoing to the contrary, the Executive shall not demand a registration during the 180 days following an underwritten public offering of the Common Stock of the Company.

(j) Without the prior written consent of the underwriters managing any public offering, for a period beginning ten days immediately preceding the effective date of any registration statement filed by the Company under the Securities Act of 1933, as amended, and ending on the earlier of (i) 180 days after the effective date of such registration statement and (ii) the end of the shortest period generally applicable to any "affiliate" (as defined in the Securities Act of 1933, as amended) of EFC who is a selling shareholder pursuant to such registration statement or who is otherwise subject to a lockup provision, the Executive (whether or not a selling shareholder pursuant to such registration statement) shall not sell or otherwise transfer any securities of EFC except pursuant to such registration statement.

IN WITNESS WHEREOF, the Companies have caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

ELECTRIC FUEL CORPORATION

By: Robert S. Ehrlich
Its: Chairman and CFO

ELECTRIC FUEL LIMITED

By: Robert S. Ehrlich
Its: Chairman and CFO

/s/ Yehuda Harats
Executive

Exhibit A

FORM OF MUTUAL RELEASE

This mutual release is executed and delivered by and between the undersigned employee of Electric Fuel Corporation, a Delaware corporation ("EFC") and Electric Fuel Limited ("EFL") and the undersigned's successors, assigns, executors, estates and personal representatives (collectively, the "Executive"), on the one hand, and EFC and EFL and each of their respective affiliates, agents, successors and assigns (collectively, the "Companies"), on the other hand. For and in consideration of the Executive receiving the compensation referred to in Section 7 of the Second Amended and Restated Employment Agreement dated as of January 1, 2000 and other good and valuable

consideration, the adequacy and receipt of which are hereby acknowledged by the Executive and the Companies, the Executive hereby remises, releases and forever discharges the Companies, and the Companies hereby remise, release and forever discharge the Executive, of and from any and all manner of action and actions, cause and causes of actions, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, controversies, executions, claims and demands of any kind and nature whatsoever in law or in equity, known or unknown, against the other party which ever existed prior to the date hereof, or may ever have on and after the date hereof with respect to matters arising, and dealings with the other party occurring, prior to the date hereof; provided, however, that nothing contained herein shall be construed to release the Executive from any obligations to the Companies pursuant to the Employment Agreement nor to release the Companies from any of their obligations to the Executive pursuant to the Employment Agreement.

IN WITNESS WHEREOF, the Executive and the Companies have each caused this Release to be executed as of _____.

EXECUTIVE

_____
Name:

ELECTRIC FUEL CORPORATION

By:_____
Title:

ELECTRIC FUEL LTD.

By:_____
Title:

Exhibit 10.19.2

[LETTERHEAD OF ELECTRIC FUEL CORPORATION]

January 12, 2001

Mr. Yehuda Harats
c/o Electric Fuel Corporation
Western Industrial Park
P.O. Box 641
Beit Shemesh 99000
- ------------------

Dear Yehuda:

Re: Your Employment Agreement dated January 1, 2000

In connection with your employment with Electric Fuel Corporation and Electric Fuel (E.F.C.) Ltd. (together, the "Company"), we wish to amend the Second Amended and Restated Employment Agreement dated January 1, 2000 between you and the Company (the "Agreement") in certain respects.

1. Notwithstanding anything to the contrary in the Agreement, it is hereby agreed between us that we shall have the right, unilaterally on 90 days' written notice to you, to extend the term of the Agreement until December 31, 2003.

2. As part of the consideration for your extension of the term of the Agreement as aforesaid, we will offer you the opportunity to purchase up to 100,000 shares of our common stock and up to 100,000 warrants to purchase shares of our common stock, at a total purchase price of $556,250 (based on a closing price per share of our common stock on January 12, 2001 of $5.5625 per share), on the following terms and conditions:

   (a) The total purchase price for the shares and the warrants will be $556,250, of which you will pay $1,000 in cash, and the remaining $555,250 by means of a ten-year, non-recourse promissory note dated January 12, 2001, bearing interest at the Interest Rate.

   (b) Of the 100,000 warrants, 33,333 warrants shall be warrants to purchase up to 33,333 shares of common stock at a purchase price of $7.5094 per share, expiring on October 12, 2001, and 66,667 warrants shall be warrants to purchase up to 66,667 shares of common stock at a purchase price of $8.3438 per share, expiring on October 12, 2006. Terms of purchase of common stock pursuant to these warrants shall be similar to the terms of purchase provided for in subparagraph (b) above (i.e., par value in cash and the remainder by ten-year non-recourse note bearing interest at the Interest Rate applicable on the date of exercise of the warrants).

   (c) You shall provide security for the promissory notes referred to above that shall be adequate under 12 U.S.C. (S) 221 et seq. (Regulation U), which will include at a minimum all shares of our common stock acquired by you pursuant to this paragraph 4.

   (d) The proceeds of any sales of the common stock purchased by you hereunder shall be used to reduce proportionally the amount of your outstanding loan from us, principal and interest. For example, if prior to the exercise of any warrants you sell 10,000 shares of the common stock purchased by you hereunder, the proceeds of this sale will be used first to pay down 10% of the original principal and 10% of the interest under your loan. Furthermore, we may withhold from such proceeds such amounts for taxes, etc. as we may be required to do under law.

   (e) Should you leave the employ of the Company prior to December 31, 2002 (or December 31, 2003 should we exercise the option to extend the term of the Agreement granted to us in paragraph one above), all securities purchased by you under the terms of this paragraph 4 shall revert back to the Company.

   (f) You acknowledge that these securities have not been registered under the United States Securities Act of 1933, as amended, or the rules and regulations thereunder (the "Securities Act"), and

accordingly are restricted within the meaning of, and subject to applicable impediments pertaining to the transfer of restricted securities under, the Securities Act. You represent and warrant to us that these securities are being and will be acquired by you in good faith solely for your own account, for investment purposes and not with a view to subdivision, distribution or resale, and may not be sold, transferred or assigned in the absence of an effective registration statement for these securities under the Securities Act or an opinion of our counsel that registration is not required under the Securities Act.

(g) As used herein, the term "Interest Rate" shall mean a rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Fund Rate.

5. In all other respects, the terms of the Agreement will govern the relationship between us.

If the foregoing is acceptable to you, kindly sign this letter in the space provided for your signature below, whereupon this letter will become a binding amendment to the Agreement.

Sincerely yours,

ELECTRIC FUEL CORPORATION

By: /s/ Robert S. Ehrlich

Robert S. Ehrlich
Chairman and Chief Financial Officer

ACCEPTED AND AGREED:

/s/ Yehuda Harats
- ---
Yehuda Harats

Exhibit 10.20.1

EXECUTION COPY

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement") is effective as of the 1/st/ day of January, 2000 and is entered into by and among Electric Fuel Corporation, a Delaware corporation ("EFC"), and Electric Fuel Limited, an Israeli company ("EFL" and together with EFC, the "Companies"), and Mr. Robert S. Ehrlich, Israel I.D. Number 303673487 (the "Executive").

WHEREAS, the Companies and the Executive entered into an Amended and Restated Employment Agreement dated as of October 1, 1996 (the "Original Agreement") formalizing the terms of the Executive's employment with the Companies;

WHEREAS, the Companies and the Executive now wish to amend and restate the Original Agreement in its entirety in accordance with the terms of this Agreement;

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, the parties agree as follows:

1. Term.

The term of the Executive's employment under this Agreement shall be for the period commencing on January 1, 2000, and ending on December 31, 2002 (the "Initial Term"), provided, however, that the term of this Agreement shall be automatically extended for additional terms of two (2) years each (each, an "Additional Term") upon the end of the Initial Term and each Additional Term, unless either the Executive or both Companies shall have given written notice to the other at least one hundred fifty days (150) days prior thereto that the term of this Agreement shall not be so extended (a "Non-Renewal"). The provisions of this Agreement shall apply to the relationship between the parties hereto retroactively as if this Agreement were signed on the commencement of the Initial Term.

2. Employment.

(a) The Executive shall be employed as the Chairman of the Board and Chief Financial Officer of each Company. The Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons situated in a similar executive capacity in publicly-held United States corporations and their Israeli subsidiaries. The Executive shall exercise his authority in a reasonable manner and shall report to the Board of Directors of each Company (each a "Board").

(b) Excluding periods of vacation and sick leave to which the Executive shall be entitled, the Executive agrees to devote the attention and time to the businesses and affairs of the Companies required to discharge the responsibilities assigned to the Executive hereunder. The Companies acknowledge that the Executive is a director of PSC Inc., Eldat Communications Ltd. and Jerusalem Global Ltd. and may be or become an officer or director of these or other companies. In addition, the Companies acknowledge that the Executive is involved in certain investment banking activities which, together with the above mentioned positions, will consume a portion of his time and require him to travel. The Companies consent to these other positions and activities so long as these do not interfere in any material manner with the Ex-

ecutive's performance of his duties hereunder and do not constitute a violation of Section 8 hereof. The Executive's duties shall be in the nature of management duties that demand a special level of loyalty and accordingly the Israeli Law of Work Hours and Rest - 1951 shall not apply to this Agreement.

(c) While the Executive is employed by the Companies hereunder, EFC shall use its best efforts to cause the Executive to be elected to, and if so elected the Executive shall serve on, the Board of EFC as a member of such Board, and shall cause the Executive to be elected to, and the Executive shall serve on, the Board of EFL as a member of such Board.

(d) Each Company will use its reasonable best efforts to obtain, and to keep in place at all times that the Executive is a director or officer of either Company, a directors and officers liability policy covering the Executive in an amount and otherwise containing terms and conditions consistent with

past practices.

(e) The Executive agrees to serve on the board of directors of such subsidiaries of the Companies as the Board may reasonably request.

3. Base Salary, Bonus and Financial Planning Allowance.

(a) Base Salary.

The Companies agree to pay or cause to be paid to the Executive during the first year of this Agreement a base salary at the rate of US $20,000 per month, payable in U.S. Dollars or in the currency of Israel (as determined by the Representative Rate of the U.S. Dollar published by the Bank of Israel immediately prior to the date of payment of each installment thereof), or such larger amount as the Board may in its sole discretion determine following a review which shall be conducted by the Board by not later than March 31 of each year, such larger amount to take effect retroactively to the January 1 immediately preceding such review (hereinafter referred to as the "Base Salary"). Notwithstanding such review, on each anniversary of the effective date of this Agreement, the Base Salary shall be adjusted upward in an amount equal to the official anticipated net Israeli inflation rate as published by the Israeli Central Bureau of Statistics in the month of December immediately preceding such anniversary, in each case for the year immediately following such anniversary, as adjusted for any changes in the value of the New Israeli Shekel against the U.S. Dollar. Such Base Salary shall be payable in equal monthly installments.

(b) Bonus

The Companies agree to pay or cause to be paid to the Executive on each anniversary of this Agreement or as soon thereafter as may be possible in order to determine the relevant results of the Companies, an annual bonus, as follows:

(i) If, as of such anniversary, the Companies shall have attained 80% of the Companies' Budgeted Number (as defined below) for the year preceding such anniversary, then Executive's bonus shall be equal to 35% of Executive's annual Base Salary as then in effect for the year preceding such anniversary;

(ii) If, as of such anniversary, the Companies shall have attained 120% of the Companies' Budgeted Number (as defined below) for the year preceding such anniversary, then Executive's bonus shall be equal to 90% of Executive's annual Base Salary as then in effect for the year preceding such anniversary;

(iii) If, as of such anniversary, the Companies shall have attained more than 80% but less than 120% of the Companies' Budgeted Number (as defined below), then Executive's bonus shall be calculated as follows:

$$B = (S \times 35\%) + \frac{(N-80)}{40} \times (S \times 55\%)$$

Where:

B = The amount of Executive's annual bonus, as a percentage of Executive's Base Salary; and

N = The percentage of the Budgeted Number (as defined below) that was attained by the Companies in the immediately preceding fiscal year; provided, however, that N is more than 80 and less than 120;

S = Executive's Base Salary.

For the purposes of this Section 3(b), the Budgeted Number shall be the budgeted results of the Companies as mutually agreed by the Boards and Executive prior to the end of each fiscal year for the fiscal year designated in such budget.

(c) In addition, the Companies shall pay Executive an amount of $10,000 on each anniversary of this Agreement to cover Executive's tax and financial planning expenses.

(d) To the maximum extent permitted by law, all payments to the Executive hereunder shall be paid in U.S. Dollars. Subject to the immediately preceding sentence, and subject to the approval of the Executive, which shall not be unreasonably withheld, the Companies, in order to reflect the different duties of the Executive with respect to each of them, may allocate between themselves their obligations to make the payments and provide the benefits specified in this Agreement. The amount paid to the Executive hereunder by EFL shall be referred to hereinafter as the "EFL Base Salary"; provided, that in no event shall the EFL Base Salary in any year be greater than the Base Salary for that year.

4. Employee Benefits.

The Executive shall be entitled to the following benefits:

(a) Manager's Insurance. The Companies will pay to an insurance company of the Executive's choice, as premiums for manager's insurance for the Executive, an amount equal to 13.33% of each monthly payment of the Base Salary together with 2.5% of the Base Salary for disability, and will deduct from each monthly payment of the Base Salary and pay to such insurance company an amount equal to 5% of each monthly payment of the Base Salary, which shall constitute the Executive's contribution to such premiums. Upon the termination of the Executive's employment with the Companies for whatever reason, including without limitation termination for Cause or the resignation by the Executive, the right to receive the manager's insurance benefits shall be automatically assigned to the Executive.

(b) Education Fund (Keren Hishtalmut). The Companies will contribute to an education fund of the Executive's choice an amount equal to 7.5% of each monthly payment of the Base Salary, and will deduct from each monthly payment of the Base Salary and contribute to such education fund an additional amount equal to 2.5% of each such monthly payment of the Base Salary. Upon the termination of the Executive's employment with the Companies for whatever reason, including without limitation termination for Cause or the resignation by the Executive, the right to receive any amounts in such fund shall be automatically assigned to the Executive. All education fund contributions or imputed income made under this Section in excess of the statutory exemption shall be tax-effected such that the amount of contribution net of any taxes and withholding (including such amounts in respect of payments pursuant to this sentence) equals the percentages specified herein.

(c) Vacation. The Executive shall be entitled to an annual vacation at full pay equal to 24 work days.

Vacation days may be accumulated and may, at the Executive's option or automatically upon termination, be converted into cash payments in an amount equal to the proportionate part of the Base Salary for such days; provided, however, that if the Executive accumulates more than two (2) times his then current annual entitlement of vacation days, such excess shall be automatically converted into the right to receive such a cash payment in respect of such excess. Payments to which the Executive is entitled pursuant to this Section 4(c) shall be made promptly after the Executive's request therefor.

(d) Sick Leave. The Executive shall be entitled to 30 days of fully paid sick leave; provided, however, that the Executive shall not be entitled to sick leave payment to the extent he is already covered by manager's insurance. Sick leave may be accumulated and may, at the Executive's option, be converted into cash payments in an amount equal to the proportionate part of the Base Salary for such days. Payments to which the Executive is entitled pursuant to this Section 4(d) shall be made promptly after the Executive's request therefor.

(e) Automobile. Every three years, the Companies shall make a new automobile available to the Executive during the term of this Agreement. Such automobile shall be of a high quality comparable to, but not less than, that of a current (2001, with respect to the Initial Term) model Honda Accord, to other cars and shall be subject to the approval of the Executive, which shall not be unreasonably withheld. The Executive shall be entitled to use the automobile for his personal and business needs, so long as he does not allow anyone who would not be covered by the Companies' insurance to drive it. The Companies shall pay all expenses of maintaining and operating the automobile. All expense reimbursements or imputed income made under this Section shall be tax-effected such that the amount of reimbursement received

by the Executive net of any taxes and withholdings (including such amounts in respect of payments pursuant to this sentence) equals the expense incurred.

(f) Recuperation Payments (D'mai Havra-ah). The Executive shall be entitled to Recuperation Payments in accordance with the Companies' policies for all of its management employees, but no less than required by law.

(g) Benefit Plans. The Executive shall be entitled to participate in all incentive, bonus, benefit or other similar plans offered by either of the Companies, including without limitation EFC's 1993 Stock Option and Restricted Stock Purchase Plan, in accordance with the terms thereof and as determined by the Boards from time to time.

5. Expenses.

The Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by him in connection with the performance of his duties hereunder. Without limiting the generality of the foregoing, the Companies shall pay all of the Executive's expenses in the use of telephones for the Companies' businesses. The Executive shall be entitled to receive room, board and travel reimbursement in connection with the performance of his duties other than at the principal executive office of either Company, as is customary for senior executives in publicly-held United States and Israeli companies. All expense reimbursements made under this Section shall be tax-effected such that the amount of reimbursement received by the Executive net of any taxes and withholdings (including such amounts in respect of payments pursuant to this sentence) equals the expense incurred.

6. Termination.

The Executive's employment hereunder shall and/or may be terminated under the following circumstances:

(a) Death. This Agreement shall terminate upon the death of the Executive.

(b) Disability. The Companies may terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement which continues for a period of at least one hundred and eighty (180) consecutive days.

(c) Cause. The Companies may terminate the Executive's employment for Cause. For purposes of this Agreement, termination for "Cause" shall mean and include: (i) conviction for fraud, crimes of moral turpitude or other conduct which reflects on the Companies in a material and adverse manner; (ii) a willful failure to carry out a material directive of either of the Boards, provided that such directive concerned matters within the scope of the Executive's duties, was in conformity with Sections 2(a) and 2(b) hereof, would not give the Executive Good Reason to terminate this Agreement and was capable of being reasonably and lawfully performed; (iii) conviction in a court of competent jurisdiction for embezzlement of funds of the Companies; and (iv) reckless or willful misconduct that is materially harmful to either of the Companies; provided, however, that the Companies may not terminate the Executive for Cause unless they have given the Executive (i) written notice of the basis for the proposed termination given not more than thirty (30) days after the Companies have obtained know-

ledge of such basis ("Companies' Notice of Termination") and (ii) a period of at least thirty (30) days after the Executive's receipt of such notice in which to cure such basis.

(d) Good Reason. The Executive may terminate his employment under this Agreement for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the events or conditions described in subsections (i) through (viii) hereof:

(i) a change in the Executive's status, title, position or responsibilities which, in the Executive's reasonable judgment, represents a reduction or demotion in the Executive's status, title, position or responsibilities as in effect immediately prior thereto;

(ii) a reduction in the Executive's Base Salary;

(iii) the failure by the Companies to continue in effect any material compensation or benefit plan in which the Executive is participating;

(iv) the insolvency or the filing (by any party, including the Companies) of a petition for the winding-up of either of the Companies;

(v) any material breach by the Companies of any provision of this Agreement;

(vi) any purported termination of the Executive's employment for Cause by the Companies which does not comply with the terms of Section 6(c) of this Agreement;

(vii) any movement of either Company's principal executive offices from the Jerusalem/Tel Aviv area of Israel; and

(viii) any movement of the location where the Executive is generally to render his services to the Companies hereunder from the Jerusalem/Tel Aviv area of Israel;

provided, however, that the Executive may not terminate his employment under this Agreement for Good Reason unless he has given the Companies (i) written notice of the basis for the proposed termination given not more than thirty (30) days after the Executive has obtained knowledge of such basis ("Executive's Notice of Termination") and (ii) a period of at least thirty (30) days after the Companies' receipt of such notice in which to cure such basis.

(e) Change in Control. The Executive may terminate this Agreement if there is a "Change in Control". For purposes of this Agreement, a "Change in Control" shall mean any of the following events:

(i) the acquisition (other than from EFC in any public offering or private placement of equity securities) by any person or entity of beneficial ownership of twenty (20%) or more of the combined voting power of EFC's then outstanding voting securities; or

(ii) individuals who, as of January 1, 2000, were members of the Board of EFC (the "Original EFC Board"), together with individuals approved by a vote of at least two-thirds (2/3) of the individuals who were members of the Original EFC Board and are then still members of the Board of EFC, cease for any reason to constitute at least one-third (1/3) of the Board of EFC; or

(iii) approval by the shareholders of either of the Companies of a complete winding-up of such Company or an agreement for the sale or other disposition of all or substantially all of the assets of either of the Companies.

The Executive shall give to the Companies an Executive's Notice of Termination if the Executive desires to terminate his employment because there has been a Change in Control, such notice to specify the date of such termination which shall be not less than thirty (30) days after such notice is received by the Companies. Any such notice, to be effective with respect to any Change in Control, must be sent no later than twenty-four (24) months after such Change in Control.

(f) Termination Date, Etc. "Termination Date" shall mean in the case of the Executive's death, his date of death, or in all other cases, the date specified in the Notice of Termination subject to the following:

(i) if the Executive's employment is terminated by the Companies for Cause or due to Disability, the date specified in the Companies' Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive, provided that in the case of Disability the Executive shall not have returned to the full-time performance of his duties during such period of at least thirty (30) days;

(ii) if the Executive's employment is terminated for Good Reason, or because there has been a Change in Control, the Termination Date specified in the Executive's Notice of Termination shall not be more than sixty (60) days from the date the Notice of Termination is given to the Companies.

(g) Retirement. At any time beginning 150 days prior to his 68th birthday, the Executive may retire from his positions with the Companies ("Retirement") by giving to the Companies written Notice of Retirement specifying the Retirement Date, which Retirement Date shall be at least one hundred and fifty (150) days from the date of such Notice of Retirement.

(h) Termination at Will. Subject to the other provisions of this Section 6, the Executive may terminate his employment with the Companies for any reason other than the other reasons specified in this Section 6 ("Termination at

Will"), by giving to the Companies written Notice of Termination specifying the Termination Date, which Termination Date shall be at least one hundred and fifty (150) days from the date of such Notice of Termination.

7. Compensation upon Termination.

Upon termination of the Executive's employment hereunder, the Executive shall be entitled to the following benefits:

(a) If the Executive's employment is terminated by the Companies for Cause or if the Executive's employment is terminated by the Executive other than with either Good Reason, because there has been a Change in Control, due to Non-Renewal, due to Termination at Will or due to Retirement, then the Companies shall pay the Executive all amounts of Base Salary and the employee benefits specified in clauses (a), (b) and (c) of Section 4 of this Agreement earned or accrued hereunder

through the Termination Date but not paid as of the Termination Date (collectively, "Accrued Compensation").

(b) If the Executive's employment by the Companies shall be terminated (1) due to Disability, (2) by the Executive for Good Reason, (3) by the Executive because there has been a Change in Control, (4) by the Executive's death, (5) due to Non-Renewal, (6) due to Termination at Will, or (7) due to Retirement, then the Executive shall be entitled to the benefits provided below:

(i) the Companies shall pay the Executive (a) all Accrued Compensation, (b) a bonus at a rate of the higher of (i) 35%, or (ii) the rate that would otherwise be payable pursuant to the provisions of Section 3(b) above for the year in which the Termination Date occurs, of Executive's annual Base Salary as of the Termination Date, pro rated based on the number of days in such year which occurred prior to the Termination Date, and (c) the amounts referred to in Sections 4(d) and (e) above, to the extent earned or accrued hereunder through the Termination Date but unpaid as of the Termination Date;

(ii) the Companies shall pay the Executive as severance pay (in addition to any amounts payable as severance under law) and in lieu of any further salary for periods subsequent to the Termination Date (except as provided in Section 7(b)(i) above), in a single payment an amount in cash equal to:

(c) In the event of termination due to Good Reason, Change in Control, Non Renewal, Retirement, Disability, death or any other termination without Cause by the Companies, the annual Base Salary at the highest rate in effect at any time within the ninety (90) day period ending on the Termination Date (or if the Executive's employment is terminated due to Change in Control, the Base Salary rate in effect immediately prior to such Change in Control, if greater), multiplied by three (3).

(d) In the event of termination due to Termination at Will, the sum of five hundred twenty thousand dollars ($520,000).

(iii) for a number of months equal to the lesser of (A) thirty six (36) or (B) the number of months remaining until the Executive's 68th birthday, the Companies shall at their expense continue on behalf of the Executive and his dependents and beneficiaries all of the benefits, including without limitation manager's insurance, life insurance, disability, medical, dental and hospitalization benefits and use of an automobile, which were being provided to the Executive at the time Notice of Termination is given (or, if the Executive terminates his employment for Good Reason or because a Change in Control has occurred, the benefits provided to the Executive at the time immediately preceding when such Good Reason arose or such Change in Control occurred, if greater, or if such benefits are being provided after the Executive's death, the date of his death), provided that the Companies' obligation hereunder with respect to the foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans; and

(c) The Companies shall procure life insurance on the Executive in order to secure the payment of its obligations arising in the event of termination under Section 6(a) hereof. Such insurance shall be payable to the Company, which shall remain primarily liable for the payment of all such obligations to the Executive.

As a condition to receiving the payments described in this Section 7, the Executive shall execute and deliver to the Companies a release in the form attached hereto as Exhibit A.

8. Confidentiality; Proprietary Rights; Competitive Activity.

(a) Confidentiality. Executive recognizes and acknowledges that the technology, developments, designs, inventions, improvements, data, methods, trade secrets and works of authorship which the Companies own, plan or develop, including without limitation the specifications, documentation and other information relating to the Companies' zinc-air battery systems, and businesses and equipment related thereto (in each case whether for their own use or for use by their clients) are confidential and are the property of the Companies. Executive also recognizes that the Companies' technology, customer lists, supplier lists, proposals and procedures are confidential and are the property of the Companies. Executive further recognizes and acknowledges that in order to enable the Companies to perform services for their clients, those clients may furnish to the Companies confidential information concerning their business affairs, property, methods of operation or other data. All of these materials and information will be referred to below as "Proprietary Information"; provided, however, that such information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Executive).

(b) Non-Disclosure. Executive agrees that, except as directed by the Companies, and in the ordinary course of the Companies' businesses, Executive will not during Executive's employment with the Companies and thereafter, disclose to any person or entity or use, directly or indirectly for Executive's own benefit or the benefit of others, any Proprietary Information, or permit any person to examine or make copies of any documents which may contain or be derived from Proprietary Information; provided, however, that the Executive's duties under this Section 8(b) shall not extend to (i) any disclosure that may be required by law in connection with any judicial or administrative proceeding or inquiry or (ii) any disclosure which may be reasonably required in connection with any actions or proceedings to enforce the Executive's rights under this Agreement. Executive agrees that the provisions of this paragraph shall survive the termination of this Agreement and Executive's employment by the Companies.

(c) Competitive Activity. The Executive undertakes not, directly or indirectly (whether as owner, partner, consultant, employee or otherwise) at any time, during and for thirty-six (36) months following termination of his employment with the Companies, to engage in or contribute his knowledge to any work or activity that involves a product, process, service or development which is then directly (in any material manner) competitive with the Companies' zinc-air energy systems and the same as or similar to a product, process, service or development specifically related to the Companies' zinc-air energy system on which the Executive worked or with respect to which the Executive had access to Proprietary Information while with the Companies. Notwithstanding the foregoing, the Executive shall be permitted to engage in the aforementioned proposed work or activity if the Companies furnishes him with written consent to that effect signed by an authorized officer of each Company.

(d) No Solicitation. During the period specified in 8(c) hereof, Executive will not solicit or encourage any customer or supplier of either Company or of any group, division or subsidiary of either Company, to terminate its relationship with either Company or any such group, division or subsidiary, and Executive will not, directly or indirectly, recruit or otherwise seek to induce any employee of either Company or any such group, division or subsidiary to terminate his or her employment or violate any agreement with or duty to either Company or any such group, division or subsidiary.

(e) Equitable Relief. The Executive agrees that violations of the material covenants in this Section 8 will cause the Companies irreparable injuries and agrees that the Companies may enforce said covenants by seeking injunctive or other equitable relief (in addition to any other remedies the Companies may have at law for damages or otherwise) from a court of competent jurisdiction. In the event such court declares these covenants to be too broad to be specifically enforced, the covenants shall be enforced to the largest extent as may be allowed by such court for the Companies' protection. Executive further agrees that no breach by the Companies of, or other failure by the Companies under this Agreement shall relieve the Executive of any obligations under Sections 8(a) and 8(b) hereof.

9. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of each Company, its successors and assigns and the Companies shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Companies would be required to perform it if no such succession or assignment had taken place. The term the "Companies" as used herein shall include such successors and assigns. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring all or substantially all the assets and business of either Company (including this Agreement) whether by operations of law or otherwise.

(b) Subject to Section 16 hereof, neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, his beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

10. Notice.

For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered mail, postage prepaid, addressed to the respective addresses set forth below or last given by each party to the other. All notices and communications shall be deemed to have been received on the date of delivery thereof or on the eighth business day after the mailing thereof, except that notice of change of address shall be effective only upon receipt.

The initial addresses of the parties for purposes of this Agreement shall be as follows:

The Companies: Electric Fuel Corporation
120 Wood Avenue South, Suite 300
Iselin, New Jersey 08830

Attention: Yehuda Harats, President

and Electric Fuel Limited
Western Industrial Park
P.O. Box 461
Beit Shemesh 99000
Israel

The Executive: Robert S. Ehrlich
21 Nahal Sorek
Ramat Beit Shemesh
Israel

11. Miscellaneous.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Companies. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

12. Governing Law; Venue.

This Agreement shall be governed by and construed and enforced in accordance with the laws of Israel without application of any conflicts of laws principles which would cause the application of the domestic substantive laws of any other jurisdiction. Each of the Executive and the Companies hereby irrevocably waives any objection it may now or hereafter have to the laying of venue in the courts of the State of Israel for any legal suit or action instituted by any party to the Agreement against any other with respect to the subject matter hereof.

13. Severability.

The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

14. Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof including, without limitation the Original Agreement.

15. Joint and Several Obligations.

The obligations and liabilities of each Company hereunder shall be joint and several with the obligations and liabilities of the other Company hereunder.

16. Registration Rights.

(a) If EFC at any time proposes to register any of its securities under the Securities Act of 1933, as from time to time in effect (together with the rules and regulations thereunder, all as from time to time in effect, the "Securities Act"), for its own account or for the account of any holder of its securities, on a form which would permit registration of Common Stock of EFC at the time held or obtainable upon the exercise of options, warrants or rights, or the conversion of convertible securities, at the time held by the Executive ("Registrable Securities"), for sale to the public under the Securities Act, EFC will each such time give notice to the Executive of its intention to do so. Such notice shall describe such securities and specify the form, manner and other relevant aspects of such proposed registration. The Executive may, by written response delivered to EFC within 15 days after the giving of any such notice, request that all or a specified part of the Registrable Securities be included in such registration. EFC will thereupon use its best efforts as part of its filing of such form to effect the registration under the Securities Act of all Registrable Securities which EFC has been so requested to register by the Executive, to the extent required to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities to be so registered.

(d) The Executive may, by notice to EFC specifying the intended method or methods of disposition, given at any time and from time to time after EFC has registered any shares of its Common Stock under the Securities Act, request that EFC effect the registration under the Securities Act of all or a specified part of the Registrable Securities; provided, however, that EFC shall not be required to effect a registration pursuant to this Section 16(b) unless such registration may be effected on a Form S-3 (or any successor or similar Form); and provided, further, that each registration pursuant to this Section 16(b) shall cover a number of Registrable Shares equal to not less than 2% of the aggregate number of shares of EFC Common Stock then outstanding. EFC will then use its best efforts to effect the registration as promptly as practicable under the Securities Act of the Registrable Securities which EFC has been requested to register by the Executive pursuant to the Section 16(b).

(e) Notwithstanding the provisions of Section 16(b), in the event that Executive has requested pursuant to Section 16(b) that EFC effect a registration of securities, and (i) the Board of EFC determines that it would be seriously detrimental to EFC to effect a registration pursuant to Section 16(b), or (ii) the Board of EFC determines in good faith that (A) EFC is in possession of material, non-public information concerning an acquisition, merger, recapitalization, consolidation, reorganization or other material transaction by or of EFC or concerning pending or threatened litigation and (B) disclosure of such information would jeopardize any such transaction or litigation or otherwise materially harm EFC, then EFC shall promptly notify Executive of the occurrence of any of the events described in the foregoing clauses (i) or (ii). Upon the occurrence of any of the events described in clauses (i) or (ii) hereof, EFC shall be allowed to defer a registration of securities pursuant to Section 16(b) above, and if a registration statement had already been filed at such time, Executive shall not dispose of his Registrable Securities under such registration statement until it is so advised in writing by EFC that the registration of securities under 16(b) may be effected or resumed. Notwithstanding the foregoing, any such deferment or prohibition on disposition shall not be in effect for more than 90 days in any 12 months period.

(d) EFC shall not be obligated to effect any registration of Registrable Securities under Section 16(a) hereof incidental to the registration of any of its securities in connection with mergers, acquisitions, exchange offers, dividend reinvestment plans or stock option or other employee benefit plans.

(e) EFC hereby agrees to pay, or cause to be paid, all legal, accounting, printing and other expenses (other than the fees and expenses of the

Executive's own counsel and other than underwriting discounts and commissions attributable to the Registrable Securities) in connection with each registration of Registrable Securities pursuant to this Section 16.

(f) In connection with each registration of Registrable Securities pursuant to this Section 16, EFC and the Executive will enter into such agreements, containing such terms and conditions, as are customary in connection with public offerings, such agreements to contain, without limitation, customary indemnification provisions, representations and warranties and opinions and other documents to be delivered in connection therewith, and to be, if requested, with underwriters.

(g) The provisions of this Section 16 shall be subject to any agreement entered into by EFC, in good faith, with any underwriter of EFC's securities or any person or entity providing financing to EFC, in each case containing reasonable limitations on the Executive's rights and EFC's obligations hereunder.

(h) The provisions of this Section 16 shall survive the termination of the other provisions of this Agreement. The rights of the Executive under this Section 16 are assignable, in whole or in part, by the Executive to any person or other entity acquiring securities of EFC from the Executive.

(i) Notwithstanding anything in the foregoing to the contrary, the Executive shall not demand a registration during the 180 days following an underwritten public offering of the Common Stock of the Company.

(j) Without the prior written consent of the underwriters managing any public offering, for a period beginning ten days immediately preceding the effective date of any registration statement filed by the Company under the Securities Act of 1933, as amended, and ending on the earlier of (i) 180 days after the effective date of such registration statement and (ii) the end of the shortest period generally applicable to any "affiliate" (as defined in the Securities Act of 1933, as amended) of EFC who is a selling shareholder pursuant to such registration statement or who is otherwise subject to a lockup provision, the Executive (whether or not a selling shareholder pursuant to such registration statement) shall not sell or otherwise transfer any securities of EFC except pursuant to such registration statement.

IN WITNESS WHEREOF, the Companies have caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

ELECTRIC FUEL CORPORATION

By: /s/ Yehuda Harats
Its: President and CEO

ELECTRIC FUEL LIMITED

By: /s/ Yehuda Harats
Its: President and CEO

/s/ Robert S. Ehrlich
Executive

Exhibit A

FORM OF MUTUAL RELEASE

This mutual release is executed and delivered by and between the undersigned employee of Electric Fuel Corporation, a Delaware corporation ("EFC") and Electric Fuel Limited ("EFL") and the undersigned's successors, assigns, executors, estates and personal representatives (collectively, the "Executive"), on the one hand, and EFC and EFL and each of their respective affiliates, agents, successors and assigns (collectively, the "Companies"), on the other hand. For and in consideration of the Executive receiving the compensation referred to in Section 7 of the Second Amended and Restated Employment Agreement dated as of January 1, 2000 and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged by the Executive and the Companies, the Executive hereby remises, releases and forever

discharges the Companies, and the Companies hereby remise, release and forever discharge the Executive, of and from any and all manner of action and actions, cause and causes of actions, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, controversies, executions, claims and demands of any kind and nature whatsoever in law or in equity, known or unknown, against the other party which ever existed prior to the date hereof, or may ever have on and after the date hereof with respect to matters arising, and dealings with the other party occurring, prior to the date hereof; provided, however, that nothing contained herein shall be construed to release the Executive from any obligations to the Companies pursuant to the Employment Agreement nor to release the Companies from any of their obligations to the Executive pursuant to the Employment Agreement.

IN WITNESS WHEREOF, the Executive and the Companies have each caused this Release to be executed as of _____.

EXECUTIVE

_____
Name:

ELECTRIC FUEL CORPORATION

By:_____
Title:

ELECTRIC FUEL LTD.

By:_____
Title:

Exhibit 10.20.2

[LETTERHEAD OF ELECTRIC FUEL CORPORATION]

January 12, 2001

Mr. Robert S. Ehrlich
c/o Electric Fuel Corporation
Western Industrial Park
P.O. Box 641
Beit Shemesh 99000
- ------------------

Dear Bob:

Re: Your Employment Agreement dated January 1, 2000

In connection with your employment with Electric Fuel Corporation and Electric Fuel (E.F.C.) Ltd. (together, the "Company"), we wish to amend the Second Amended and Restated Employment Agreement dated January 1, 2000 between you and the Company (the "Agreement") in certain respects.

1. Notwithstanding anything to the contrary in the Agreement, it is hereby agreed between us that we shall have the right, unilaterally on 90 days' written notice to you, to extend the term of the Agreement until December 31, 2003.

2. As part of the consideration for your extension of the term of the Agreement as aforesaid, we will offer you the opportunity to purchase up to 100,000 shares of our common stock and up to 100,000 warrants to purchase shares of our common stock, at a total purchase price of $556,250 (based on a closing price per share of our common stock on January 12, 2001 of $5.5625 per share), on the following terms and conditions:

(a) The total purchase price for the shares and the warrants will be $556,250, of which you will pay $1,000 in cash, and the remaining $555,250 by means of a ten-year, non-recourse promissory note dated January 12, 2001, bearing interest at the Interest Rate.

(b) Of the 100,000 warrants, 33,333 warrants shall be warrants to purchase up to 33,333 shares of common stock at a purchase price of $7.5094 per share, expiring on October 12, 2001, and 66,667 warrants shall be warrants to purchase up to 66,667 shares of common stock at a purchase price of $8.3438 per share, expiring on October 12, 2006. Terms of purchase of common stock pursuant to these warrants shall be similar to the terms of purchase provided for in subparagraph (b) above (i.e., par value in cash and the remainder by ten-year non-recourse note bearing interest at the Interest Rate applicable on the date of exercise of the warrants).

(c) You shall provide security for the promissory notes referred to above that shall be adequate under 12 U.S.C. (S) 221 et seq. (Regulation U), which will include at a minimum all shares of our common stock acquired by you pursuant to this paragraph 4.

(d) The proceeds of any sales of the common stock purchased by you hereunder shall be used to reduce proportionally the amount of your outstanding loan from us, principal and interest. For example, if prior to the exercise of any warrants you sell 10,000 shares of the common stock purchased by you hereunder, the proceeds of this sale will be used first to pay down 10% of the original principal and 10% of the interest under your loan. Furthermore, we may withhold from such proceeds such amounts for taxes, etc. as we may be required to do under law.

(e) Should you leave the employ of the Company prior to December 31, 2002 (or December 31, 2003 should we exercise the option to extend the term of the Agreement granted to us in paragraph one above), all securities purchased by you under the terms of this paragraph 4 shall revert back to the Company.

(f) You acknowledge that these securities have not been registered

under the United States Securities Act of 1933, as amended, or the rules and regulations thereunder (the "Securities Act"), and accordingly are restricted within the meaning of, and subject to applicable impediments pertaining to the transfer of restricted securities under, the Securities Act. You represent and warrant to us that these securities are being and will be acquired by you in good faith solely for your own account, for investment purposes and not with a view to subdivision, distribution or resale, and may not be sold, transferred or assigned in the absence of an effective registration statement for these securities under the Securities Act or an opinion of our counsel that registration is not required under the Securities Act.

(g) As used herein, the term "Interest Rate" shall mean a rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Fund Rate.

5. In all other respects, the terms of the Agreement will govern the relationship between us.

If the foregoing is acceptable to you, kindly sign this letter in the space provided for your signature below, whereupon this letter will become a binding amendment to the Agreement.

Sincerely yours,

ELECTRIC FUEL CORPORATION

By: /s/ Yehuda Harats

Yehuda Harats
President and Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Robert S. Ehrlich

Robert S. Ehrlich

Exhibit 10.22.1

[LETTERHEAD OF ELECTRIC FUEL CORPORATION]

January 12, 2001

Dr. Joshua Degani
c/o Electric Fuel Corporation
Western Industrial Park
P.O. Box 641
Beit Shemesh 99000
- ------------------

Dear Joshua:

Re: Your Employment Agreement dated May 13, 1977

In connection with your employment with Electric Fuel Corporation and Electric Fuel (E.F.C.) Ltd. (together, the "Company"), we wish to amend the above-referenced employment agreement between you and the Company (the "Agreement") in certain respects.

1. Notwithstanding anything to the contrary in the Agreement, it is hereby agreed between us that you will be employed by the Company as its Executive Vice President and Chief Operating Officer, and that the Company will pay you a base salary that will be the New Israeli Shekel equivalent of US$12,000 per month (your "Base Salary"), effective January 1, 2001. Your Base Salary will be reviewed and adjusted at the end of each calendar year beginning with the calendar year ending December 31, 2001 in accordance with the performance of your duties over the prior year, but in no event will it be adjusted to less than your Base Salary as increased (but not decreased) to reflect any increase in the "inflation supplement" ( ) between the date hereof and the date of such adjustment. The foregoing is in addition to and not instead of all forms of compensation other than salary detailed in the Agreement (bonus, stock options, etc.).

2. Notwithstanding anything to the contrary in the Agreement, it is hereby agreed between us that, in the event we decide to terminate your employment other than for cause (e.g., conviction for fraud, crimes of moral turpitude or other conduct which reflects on the Company in a material and adverse manner, a willful failure to carry out a material directive of senior management, or reckless or willful misconduct

that is materially harmful to the Company), or if your employment is terminated by reason of your death or disability, or if you terminate your employment under circumstances in which you would be entitled to severance pay under Israeli law, we will pay you, in addition to the severance pay that you would otherwise be entitled to under Israeli law, one year's salary at the highest rate applicable to you at any time since May 13, 1977. Alternatively, if you or the Company decide to terminate you employment for any reason at any time within one year of a Change of Control (as hereinafter defined), we will pay you, in addition to the severance pay that you would otherwise be entitled to under Israeli law, two years' salary at the highest rate applicable to you at any time since May 13, 1997.

As used herein, a "Change of Control" means (i) the acquisition (other than from the Company in any public offering or private placement of equity securities) by any person or entity of beneficial ownership of twenty (20%) or more of the combined voting power of the Company's then outstanding voting securities, or (ii) individuals who, as of January 1, 2000, were members of the Board of the Company (the "Original Company Board"), together with individuals approved by a vote of at least two-thirds (2/3) of the individuals who were members of the Original Company Board and are then still members of the Board of the Company, cease for any reason to constitute at least one-third (1/3) of the Board of the Company, or (iii) approval by the shareholders of the Company of a complete winding-up of the Company or an agreement for the sale or other disposition of all or substantially all of the assets of the Company.

3. Further, we are hereby offering you the opportunity to purchase up to 50,000 shares of our common stock and up to 50,000 warrants to purchase shares of our common stock, at a total purchase price of

$278,125 (based on a closing price per share of our common stock on January 12, 2001 of $5.5625 per share), on the following terms and conditions:

(a) The total purchase price for the shares and the warrants will be $278,125, of which you will pay $500 in cash, and the remaining $277,625 by means of a ten-year, non-recourse promissory note dated January 12, 2001, bearing interest at the Interest Rate.

(b) Of the 50,000 warrants, 16,667 warrants shall be warrants to purchase up to 16,667 shares of common stock at a purchase price of $7.5094 per share, expiring on October 12, 2001, and 33,333 warrants shall be warrants to purchase up to 33,333 shares of common stock at a purchase price of $8.3438 per share, expiring on October 12, 2006. Terms of purchase of common stock pursuant to these warrants shall be similar to the terms of purchase provided for in subparagraph (b) above (i.e., par value in cash and the remainder by ten-year non-recourse note bearing interest at the Interest Rate applicable on the date of exercise of the warrants).

(c) You shall provide security for the promissory notes referred to above that shall be adequate under 12 U.S.C. (S) 221 et seq. (Regulation U),

which will include at a minimum all shares of our common stock acquired by you pursuant to this paragraph 4.

(d) The proceeds of any sales of the common stock purchased by you hereunder shall be used to reduce proportionally the amount of your outstanding loan from us, principal and interest. For example, if prior to the exercise of any warrants you sell 10,000 shares of the common stock purchased by you hereunder, the proceeds of this sale will be used first to pay down 20% of the original principal and 20% of the interest under your loan. Furthermore, we may withhold from such proceeds such amounts for taxes, etc. as we may be required to do under law.

(e) Should you leave the employ of the Company prior to January 1, 2003 other than by reason of our terminating your employment other than for cause (as defined in paragraph 2 above), all securities purchased by you under the terms of this paragraph 4 shall revert back to the Company.

(f) You acknowledge that these securities have not been registered under the United States Securities Act of 1933, as amended, or the rules and regulations thereunder (the "Securities Act"), and accordingly are restricted within the meaning of, and subject to applicable impediments pertaining to the transfer of restricted securities under, the Securities Act. You represent and warrant to us that these securities are being and will be acquired by you in good faith solely for your own account, for investment purposes and not with a view to subdivision, distribution or resale, and may not be sold, transferred or assigned in the absence of an effective registration statement for these securities under the Securities Act or an opinion of our counsel that registration is not required under the Securities Act.

(g) As used herein, the term "Interest Rate" shall mean a rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Fund Rate.

5. In all other respects, the terms of the Agreement will govern the relationship between us.

If the foregoing is acceptable to you, kindly sign this letter in the space provided for your signature below, whereupon this letter will become a binding amendment to the Agreement.

Sincerely yours,

ELECTRIC FUEL CORPORATION

By: /s/ Yehuda Harats

Yehuda Harats
President and Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Joshua Degani

Joshua Degani

Exhibit 10.40

SHARE AND ASSETS PURCHASE AGREEMENT

This Share and Assets Purchase Agreement (this "Agreement"), dated as of March 15 2000, (the "Effective Date"), is entered into by and among Electric Fuel Corporation, a company incorporated under the laws of Delaware, with principal offices at Western Industrial Zone, P.O. Box 641, Bet Shemesh 99000, Israel ("EFC"), Tadiran Limited, a company incorporated under the laws of the State of Israel, with principal offices at [_____] ("Seller"), Tadiran Batteries Limited, a company incorporated under the laws of the State of Israel, with principal offices at [_____] ("Tadiran") and Tadiran Electric Industries Corporation, a company incorporated under the laws of the State of [___], with principal offices at [_____] ("TEI").

WHEREAS the Seller is the owner of all the issued and outstanding share capital of Tadiran, and subject to the terms and conditions of this Agreement, EFC desires to purchase and the Seller desire to sell all of the issued and outstanding share capital of Tadiran held by the Seller; and

WHEREAS All of the marketing of Tadiran's products in the United States is conducted by TEI;

NOW, THEREFORE, the parties hereto agree as follows:

PURCHASE AND SALE OF TADIRAN'S ORDINARY SHARES; PURCHASE OF TEI'S CERTAIN ASSETS

Purchase and Sale of Shares: In accordance with the terms and subject to the conditions set forth in this Agreement, at the Closing (as hereinafter defined), EFC will purchase from the Seller and the Seller will sell, assign, transfer, convey and deliver to EFC (the "Acquisition"), _____ Ordinary Shares of Tadiran, NIS__ par value per share (collectively the "Purchased Shares"), free and clear of all mortgages liens, charges, pledges, security interests, claims, encumbrances, third party rights or claims of any other kind whatsoever ("Liens"). The Purchased Shares comprise of 100% of the outstanding share capital of Tadiran.

Purchase and Sale of the TEI's certain assets. In addition to the purchase of the Purchased Shares, at the Closing TEI shall sell, assign, transfer, convey and deliver to EFC (or any other company identified by EFC) and EFC (or such other company) shall purchase all of TEI's assets, and assume certain liabilities (collectively, the "Certain Assets") which are used in or related to the marketing of Tadiran's products (the "Marketing Business"), as detailed in the list attached in Schedule 1.2 hereto. The Certain Assets include, without
---
limitation all of the inventory, customers, goodwill, liabilities and all employees employed by TEI in connection with the marketing of Tadiran's Products (the "Certain Employees"), who shall be employed by EFC (or any other company identified by EFC) following the Closing.

Consideration

In accordance with the terms and subject to the conditions set forth in this Agreement, and in consideration of the aforesaid sale of Purchased Shares and the Certain Assets, EFC will, at the Closing, issue, grant and deliver to the Seller 2,335,767 of EFC's Common Stock, $0.01 par value per share ("Common Stock"), as may be adjusted to reflect any stock dividend, stock split, consolidation, etc., prior to Closing (the "Acquisition Common Stock"). Out of the Acquisition Common Stock, 1,868,614 Common Stock are issued in consideration of the Purchased Shares and 467,153 Common

Stock are issued in consideration of the Certain Assets. The Seller shall have registration rights with respect to the Acquisition Common Stock (and additional shares which may be issued under Section 1.3.2 below) in accordance with the Registration Rights Agreement attached hereto as Schedule 1.3.1.

In the event that the average closing price of EFC's Common Stock on the Nasdaq National Market ("NASDAQ") for the 30 days ending on the day immediately preceding the first anniversary of the Closing (the "Acquisition Adjustment Price", and such 30 day period, the "Acquisition Adjustment Period") is below $17.125 (the "Reduced Price"), EFC shall issue to the Seller, for no additional consideration (the "Acquisition Adjustment"), additional Common Stock of EFC calculated in accordance with the following formula:

$$A = (40,000,000/B - 2,335,767) * C$$

Whereas:

A = number of additional Common Stock issued for no consideration under the Acquisition Adjustment;

B = the Reduced Price;

C = a fraction, the numerator of which is 2,335,767 minus the number of all Common Stock sold by the Seller until the first anniversary of the Closing and the denominator of which is 2,335,767;

provided, however, that in no event shall EFC be required to issue shares in excess of 583,941 additional shares of its Common Stock (as may be adjusted to reflect any stock dividend, stock split, consolidation, etc.) in satisfaction of its obligations under the Acquisition Adjustment (the effective price per each of the Common Stock purchased by the Seller hereunder after giving effect to the Acquisition Adjustment (if applicable) shall be referred to as the "Effective Price" and the total number of Common Stock issued to the Seller including Common Stock issued under the Acquisition Adjustment shall be referred to as the "Adjusted Acquisition Common Stock")

In the event that EFC is obligated to issue less than 583,941 shares of Common Stock in satisfaction of its obligations under the Acquisition Adjustment as set forth in Section 1.2.2 above, then the Seller shall have an option (the "Option"), exercisable immediately upon the conclusion of the Acquisition Adjustment Period and terminating at the close of business on the third day thereafter, to purchase up to such number of shares of EFC's Common Stock representing the difference between 583,941 multiplied by C (as defined in Section 1.3.2 above) and the number of Common Stock EFC is obligated to issue in satisfaction of its obligations under the Acquisition Adjustment. The exercise price per share for the Option shall be $US20.55 (all as may be adjusted to reflect any stock dividend, stock split, consolidation, etc.)

THE CLOSING

Closing Time, Date and Location: In accordance with the terms and subject to the conditions set forth in this Agreement, the closing of the Acquisition and the Investment contemplated by this Agreement (the "Closing") shall take place at the offices of Meitar, Liquornik, Geva & Co., 16 Abba Hillel Sil-

ver Rd., Ramat-Gan, Israel, at 10:00 a.m., local time, on April 15, 2000 or other later date mutually agreed by the parties (the "Closing Date").

Deliveries at the Closing

At the Closing, the Seller will deliver or cause to be delivered to EFC: (i) a duly executed resolutions of its Board of Directors in the form reasonably acceptable to EFC, (ii) if required, a duly executed resolutions of the Seller's shareholders in the form reasonably acceptable to EFC, (iii) a validly executed share transfer deed representing all of the Purchased Shares as well as a share certificate representing all Purchased Shares, issued in the name of EFC, (iv) the opinion of counsel to the Seller, dated as of the Closing Date, in the form reasonably acceptable to EFC, and (v) the approvals, consents and permits required as specified in Section 6.2.

At the Closing, Tadiran will deliver or cause to be delivered to EFC (i) a duly executed resolutions of its Board of Directors in the form reasonably acceptable to EFC, (ii) a duly executed resolutions of the Tadiran's shareholders in the form reasonably acceptable to EFC, (iii) the opinion of counsel to Tadiran, dated as of the Closing Date, in the form reasonably acceptable to EFC; (iv) the resignations letters of all members of Tadiran's Board of Directors.

At the Closing, TEI will deliver or cause to be delivered to EFC (i) a duly executed resolutions of its Board of Directors in the form reasonably acceptable to EFC, (ii) a duly executed resolutions of the TEI's shareholders in the form reasonably acceptable to EFC, (iii) the opinion of counsel to TEI, dated as of the Closing Date, in the form reasonably acceptable to EFC,(iv) the consent of the Certain Employees to the employment by EFC following the Closing, and (v) the executed deed of assignment with respect to the Certain Assets in the form reasonably acceptable to EFC.

At the Closing, EFC will deliver or cause to be delivered to Seller (i) a duly executed resolutions of its Board of Directors in the form reasonably acceptable to Seller, and (ii) the opinion counsel to EFC, dated as of the Closing Date, in the form reasonably acceptable to Seller;

REPRESENTATIONS AND WARRANTIES OF THE SELLER AND TADIRAN

Each of Seller and Tadiran, jointly and severally, hereby represents and warrants to EFC that, as of the date hereof and as of the Closing Date, the following representations and warranties are true, accurate and complete in all respects and acknowledges that EFC is entering into this Agreement in reliance thereon.

Organization: Tadiran is duly organized and validly existing under the laws of the State of Israel, and has full corporate power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted and as proposed to be conducted. Tadiran has all requisite power and authority to execute and deliver this Agreement, and to consummate the transactions contemplated hereby. Tadiran has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted. Tadiran is not in any material default under any of such franchises, permits, licenses, or other similar authority.

Share Capital: The authorized share capital of Tadiran consists of _____ Ordinary Shares, of which _____ are issued and outstanding, all of which are held by the Seller. There is no other share capital and there are no other preemptive rights, contractual obligations, convertible securities, outstanding warrants, options, convertible securities or conversion loans or other rights to subscribe for purchase or acquire from Tadiran any securities of Tadiran. All issued and outstanding share capital of Tadiran is duly authorized, validly issued and outstanding, fully paid and non-assessable and free and clear of

any Liens. The Purchased Shares, when transferred and delivered to EFC in accordance with this Agreement, will be duly authorized, validly issued, fully paid, non-assessable, and free of any preemptive rights, rights of first refusal or any other third party rights. Tadiran's subsidiaries (the "Subsidiaries") are as detailed in Schedule 3.2.

Authorization; Approvals: All corporate action on the part of Tadiran and the Seller necessary for the authorization, execution, delivery, and performance of all its obligations under this Agreement and for the authorization of the transfer of Purchased Shares have been (or will be) taken prior to the Closing. This Agreement constitutes a valid and binding obligation of Tadiran and the Seller, enforceable against them in accordance with its terms.

Financial Statements: Tadiran has furnished to EFC with Tadiran's consolidated audited financial statements as of and for the year ended December 31, 1999, which are attached hereto as Schedule 3.4 (the "Financial Statements"). The
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Financial Statements were prepared on a consistent basis in accordance with Israeli generally accepted accounting principles ("Israeli GAAP"), and fairly represent the financial position of Tadiran as of the date thereof.

Undisclosed Liabilities: As of December 31, 1999, (i) Tadiran and the Subsidiaries have no liabilities, debts or obligations, whether accrued, absolute or contingent or otherwise, and whether due or to become due, other than those liabilities reflected or reserved against in the Financial Statements, and (ii) Tadiran and the Subsidiaries do not have any liability or obligation of any nature, which is not fully reflected or reserved against in the Financial Statements (or reflected in the notes thereto), except for commercial liabilities and obligations incurred in the ordinary course of business consistent with past practice. Prior to the Closing, Tadiran has paid in full (or made suitable provisions in its Financial Statements in accordance with Israeli GAAP) all payments relating to the employment of its current and past employees and does not owe any such employee any salaries or other related payments other then the applicable monthly payments.

Absence of Certain Changes or Events: since the Financial Statements, there has not been, with respect to each of Tadiran and the Subsidiaries, any (i) Material Adverse Effect (as defined below) on its business, operations and condition, (ii) transactions not in the ordinary course of business, and (iii) sale, assignment, or transfer or encumbrance of any tangible or intangible asset, including any rights to Intellectual Property, except for sales, assignments, transfers and licenses in the ordinary course of business. The term "Material Adverse Effect" shall mean a material adverse effect on the business, operations, assets, condition (financial or otherwise), prospects or operating results.

Intellectual Property. Tadiran owns or has the right to use, free and clear of all Liens, claims and restrictions, all patents, trademarks, service marks, trade names and copyrights, all licenses and rights with respect to the foregoing, and all trade secrets, including know-how, inventions, designs, processes, works of authorship, computer programs and technical data and information (collectively herein "Intellectual Property") used and deemed by Tadiran necessary for use in the conduct of its business as now conducted. Other than as set forth in Schedule 3.7, Tadiran is not obligated or under any
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liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant to, any patent, trademark,

service mark, trade name, copyright or other intangible asset, with respect to the use thereof, and Tadiran has not granted or agreed to grant to any third party any exclusive or perpetual rights relating to the Intellectual Property. The Intellectual Property of Tadiran is as detailed in Section 3.7 hereto. Any
and all Intellectual Property of any kind currently being developed or developed in the past by any employee or consultant of Tadiran while in the employ or engagement of Tadiran, is the sole property of Tadiran. Neither Tadiran nor the Seller have received notice of any asserted rights with respect to any of the Intellectual Property, and

Taxes. Tadiran and the Subsidiaries have accurately prepared and timely filed all income and payroll tax returns and filings that are required to be filed by them (the "Tax Returns") and have paid or made provision for the payment of all amounts due pursuant to such Tax Returns. None of the Tax Returns have been audited by any taxing authority and no deficiency assessment or proposed adjustment of income or payroll taxes of Tadiran and the Subsidiaries is pending and Tadiran has no knowledge of any proposed liability for any tax to be imposed. Other than as described in Schedule 3.8, Tadiran and the Subsidiaries
are not currently liable for any tax (whether income tax, capital gains tax, or otherwise).

Contracts: Schedule 3.9 contains a list of all material contracts and agreements
to which Tadiran is a party or by which its property is bound (the "Contracts"). All such Contracts are valid and enforceable in accordance with their respective terms. There are no agreements, promises or understandings in force restricting the competitive freedom of Tadiran to provide and receive goods and services from any person or entity. Tadiran has performed all of its material obligations under such Contracts.

Compliance with Laws: Tadiran and the Subsidiaries own and operate, and have owned and operated, their properties and assets, and carry on and conduct, their business materially in compliance with all applicable laws.

Litigation: (i) Other then as set forth in Schedule 3.11, no action, claim,
charge, inquiry, proceeding or governmental inquiry or investigation is pending or, to the knowledge of the Seller and Tadiran, threatened against Tadiran and the Subsidiaries or any of its officers, directors or employees (in their capacity as such) or against any of their properties, assets or business before any court, arbitration board or tribunal or administrative or other governmental agency, and (ii) nor are Tadiran and the Seller aware that there is a basis for any such claim.

Brokers: No Agent, broker, investment banker, person or firm acting in a similar capacity is or will be entitled to any broker's or finder's fee in connection with this Agreement.

Environmental Matters. Other than as set forth in Schedule 3.13, neither the
business of Tadiran and the Subsidiaries nor any of the assets of Tadiran and the Subsidiaries violate any applicable law relating to the environment. No condition exists nor has any event occurred which would constitute a violation of any such law. Tadiran and the Subsidiaries have not stored or used any pollutants, contaminants, hazardous or toxic wastes or chemicals. Tadiran and the Subsidiaries have not received a notice or claim advising them that they are in violation of any environmental law.

Survival of representations. Without derogating from Section 10 hereof, each representation and warranty herein is made on the Effective Date of this Agreement and shall survive and remain in full force following the Closing for the following periods:

A. With respect to the representations detailed in Sections 3.1, 3.2, 3.3, 3.7 and 3.11(i), until the expiration of the statute of limitation applicable to claims by third parties in respect of the matter or matters which are the subject of said representations and warranties.

B. With respect to the representations detailed in Section 3.8, until March 31, 2002.

C. With respect to all other representations detailed in this Section 3 (including 3.11(ii)), until March 31, 2001.

REPRESENTATIONS AND WARRANTIES OF THE SELLER AND TEI

Each of Seller and TEI, jointly and severally, hereby represents and warrants to EFC that, as of the date hereof and as of the Closing Date, the following representations and warranties are true, accurate and complete in all respects

and acknowledges that EFC is entering into this Agreement in reliance thereon.

Authorization; Approvals: All corporate action on the part of TEI necessary for the authorization, execution, delivery, and performance of all its obligations under this Agreement and for the transfer of the Certain Assets have been (or will be) taken prior to the Closing. This Agreement constitutes a valid and binding obligation of TEI, enforceable against it in accordance with its terms.

Title to the Certain Assets; Encumbrances: TEI has good, valid and marketable title to the Certain Assets (real, personal and mixed), free and clear from any Lien. The Certain Assets constitute the entire assets and rights used by TEI in connection with the Marketing Business.

Contracts: The contracts which are part of the Certain Assets are as detailed in Schedule 4.3. Other than as described in Schedule 4.3 all such contracts are
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valid and enforceable in accordance with their respective terms. TEI has performed all of its material obligations under such Contracts and is not aware that any other party is in material breach of any obligation under such contracts.

The transfer of the Certain Assets to Tadiran at the Closing shall not have a Material Adverse Effect on a consolidated basis on Tadiran following the Closing.

Other then the Certain Assets EFC does not assume any obligation or liability of TEI relating to its activities which are not part of the Marketing Business.

Each representation and warranty herein is made on the Effective Date of this Agreement and shall survive and remain in full force and effect until the expiration of the statute of limitation applicable to claims by third parties in respect of the matter or matters which are the subject of said representations and warranties.

REPRESENTATIONS AND WARRANTIES OF EFC

EFC hereby represents and warrants to the Seller and Tadiran, that the following is true and correct as of the date hereof, as follows:

It is a corporation duly organized and validly existing under the laws of Delaware, certain of its shares are traded on the NASDAQ and it has the right and corporate authority to enter into this Agreement, to issue, grant and deliver the Acquisition Common Stock;

SEC Filings. EFC's annual report on Form 10-K for its fiscal years ended December 31, 1998 and December 31, 1999 and EFC's periodic reports on Form 10-Q for the periods ending on March 31, 1999, June 30, 1999 and September 30, 1999, as submitted to the SEC, were, when submitted, materially true and correct, and did not omit to state any material fact required to be stated therein.

Since the December 31, 1999 financial statements of EFC, there has not been a Material Adverse Effect on the business, operations and condition of EFC.

The Acquisition Common Stock, when issued to the Seller, shall be duly authorized, validly issued, fully paid, non-assessable, and free of any preemptive rights, rights of first refusal or any other third party rights.

COVENANTS OF THE PARTIES; FURTHER ACTIONS

Conduct of Business. During the period from the Effective Date to the Closing Date, Tadiran and the Seller will cause Tadiran to conduct Tadiran's business solely within the normal course of business and will not undertake any transaction nor incur any liability other than in the normal course of its business, consistent with past practices. In addition, TEI shall conduct the Marketing Business and manage the certain Assets solely within the normal course of business and will not undertake any transaction nor incur any liability other than in the normal course of its Marketing Business, consistent with past practices. Without derogating from the above, Tadiran shall, subject to applicable law, consult with EFC with respect to any material action of Tadiran and material action of TEI which is part of the Marketing Business prior to Closing.

Consents of Third Parties. The Seller shall use its respective best efforts to obtain at the earliest practicable date and prior to the Closing the approval and/or consent of the following entities to the transactions contemplated hereby: (i) the Israel Restrictive Trade Practices Authority, and (ii) Israeli Chief Scientist, (iii) Israeli Investment Center, and (iv) any other applicable approvals.

Access to Information. Tadiran shall permit EFC and its representatives and agents to have reasonable access during normal business hours to all of Tadiran's properties, books and records, as well as TEI's books and records (as

long as such information is related to the Marketing Business or the Certain Assets).

Tadiran shall not issue any shares or any options, warrants or any other convertible security, and shall not effect any stock split, stock divided, recapitalization, etc.

Public Announcements. Following the signature of this Agreement the parties shall issue a mutually agreed press release.

No Solicitation. From the Effective Date until the Closing Date, the Seller and Tadiran will not, and will not permit their respective directors, officers, investment bankers and affiliates to, solicit or accept any inquiries or proposals that constitute, or could reasonably be expected to lead to, any merger, consolidation or similar transaction involving Tadiran.

At the Closing EFC or Tadiran and the Seller shall enter into a ten year sublease agreement (with one year notice of termination right by EFC or Tadiran) attached hereto as Schedule 6.7 (the "Sublease Agreement") for the sublease of
the premises currently used by Tadiran, in terms equal to the current sublease of such premises by Tadiran, and the Transfer of Building Agreement attached hereto as Schedule 6.7A which shall be attached to the Sublease Agreement.

Following the Closing, EFC and its affiliates shall have the unlimited right to use the brand name "Tadiran" or any derivatives thereof in connection with its batteries activities or products, as well as all brand names owned or used by Tadiran prior to Closing. The Seller, Tadiran and their affiliates shall not have the right to use such brand names which are related to the batteries business following the Closing.

Following the date hereof, TEI will cooperate with EFC and use its best efforts to allow and persuade the Certain Employees to terminate their employment with TEI and to be employed by EFC, and shall be liable to all claims of the such Certain Employees related to their employment prior to the Closing. At EFC's request, TEI shall use its best efforts to transfer all accrued benefits with respect to the past employment of such Certain Employees to EFC, and following the completion of such transfer TEI shall not be liable to the past employment of such Employees.

CLOSING CONDITIONS

The obligations of EFC to effect the transactions contemplated hereby shall be subject to the fulfillment on or before the Closing Date of the following conditions, any one or more of which may be waived by EFC in its sole discretion.

Accuracy of Representations and Warranties. Each of the representations and warranties made by the Seller and Tadiran shall have been true, complete and accurate in all respects as of the date of this Agreement, and shall be accurate in all material respects as of the Closing Date as if made on the Closing Date.

Consents. All consents required to be obtained in connection with the transactions contemplated by this Agreement shall have been obtained prior to the Closing and shall be in full force and effect.

Documents. EFC shall have received all documents set forth in Section 2.2.1, 2.2.2 and 2.2.3.

Koor Industries Limited shall have completed an equity investment in EFC in accordance with the terms of the Share Purchase Agreement attached hereto as Schedule 7.1.4 dated as of the date of this Agreement.

The Voting Rights Agreement attached hereto as Schedule 7.1.5 has been duly executed by all parties thereto.

The Tax Ruling (as defined in Section 7.2 below) obtained by the Seller is in form reasonably acceptable to EFC.

The obligations of the Seller and Tadiran to effect the transactions contemplated hereby shall be subject to the receipt by the Seller of confirmation of the Israeli Revenue Authorities (the "Tax Ruling") of deferral of tax upon sale of the Purchased Shares in form reasonably acceptable to the Seller.

FURTHER CONDITIONS

Without derogating from Section 7 above, EFC shall have 10 days following the date hereof to (a) review the Schedules to this agreement to be provided by Tadiran following the signature hereof, and (b) conduct its due diligence with respect to Tadiran and the Certain Assets. If (i) the

Schedules to this agreement shall contain details and facts reasonably unacceptable to EFC, or (ii) such due diligence discloses any information with respect to Tadiran or the Certain Assets not previously known to EFC which reasonably has or can be reasonably expected to have a Material Adverse Effect on Tadiran, EFC shall have the option of terminating this Agreement without any compensation to either party hereto.

Indemnification:

The Seller, with respect to the representations, warranties, covenants and undertakings provided by the Seller, Tadiran and TEI, hereby agree and undertake to indemnify, defend and hold harmless EFC, against all liability, loss, damage or injury and all, reasonable costs and expenses, including without limitation, interest, penalties, costs of preparation and investigation and the reasonable fees and expenses of attorneys, accountants and other professional advisers (collectively, "Losses"), suffered or incurred by EFC from or as a result of a breach of any representation, warranty or agreement of the Seller, Tadiran or TEI. Such indemnification shall not apply in respect of any Loss in the aggregate amount of less than US$100,000, and shall cover Losses in the following manner:

If the event that the average closing price (the "Closing Price") of EFC's Common Stock on NASDAQ for the 10 days ending on the day immediately preceding a "Certain Date" (as defined in Section 9.3 below) is equal to or higher than the Effective Price, the Seller shall indemnify EFC in cash with respect to all Losses up to a total amount of $US40,000,000.

If the event that the Closing Price immediately preceding a "Certain Date" (as defined in Section 9.3 below) is less than the Effective Price, the Seller shall indemnify EFC in cash or in Common Stock of EFC with respect to all Losses up total amount equal to the Closing Price multiplied by the Adjusted Acquisition Common Stock.

The term "Certain Date" shall be deemed to be the first date upon which any fact that would result in the obligation of the Seller to indemnify EFC under this Section 9 becomes known to the public.

Anything herein to the contrary notwithstanding, in any event of indemnification pursuant to this Agreement by the Seller, the Seller agrees that it shall have no right of indemnity or contribution from Tadiran.

Without derogating from the above, the Seller shall not be liable to indemnify EFC against:

Losses that suitable provision is made in respect thereof in the Financial Statements.

Losses as a result of or attributable to a change in the accounting policies of Tadiran introduced or having effect after the Closing Date.

Losses covered under Tadiran's applicable insurance policies (EFC shall procure that Tadiran shall take reasonable steps to enforce such recovery under such policies).

Promptly after receipt by EFC of commencement of action, proceeding or investigation in respect of which indemnify may be sought, EFC (the "Indemnitee") shall inform the Seller (the "Indemnitor") which shall be entitled to assume the defense of the Indemnitee with counsel reasonably satisfactory to the Indemnitee and the fees and expanses of such counsel shall be at the sole cost and expanse of the Indemnitor. The Indemnitee shall cooperate with the Indemnitor in the defense. The Indemnitor shall not be liable for a settlement by the Indemnitee effected without its consent, which consent shall not be unreasonably withheld.

LIABILITY OF SELLER FOR PAST ENVIRONMENTAL RELATED CLAIMS

Notwithstanding anything else to the contrary in this Agreement, the Seller acknowledges, undertakes and agrees that any and all liability related to personal damage or injury arising from or related to third party environmental related claims, which are related to the conduct of Tadiran's business prior to the Closing hereunder (such as, without limiting the generality of the above, claims relating to the Cadmium and Alkaline batteries produced or sold by Tadiran), and including all such personal injury or damage environmental related claims as may be detailed in Schedule 3.11 (collectively, the "Environmental Claims"), shall be borne solely by the Seller, and EFC shall not be liable to any such Environmental Claims. Therefore, the Seller undertakes for an indefinite period of time to fully indemnify in cash EFC against any and all Environmental Claims if such claims are brought against EFC. If an Environmental Claim is brought against EFC the provisions of Section 9.5 shall also apply to such Environmental Claim.

TERMINATION

This Agreement may be terminated without liability at any time prior to the Closing by:

Mutual consent of the Seller and EFC.

Either the Seller or EFC, if the Closing shall not have occurred on or before 4 months as of the date hereof.

Either the EFC or the Seller, if any court of competent jurisdiction or other competent governmental entity shall have issued a statute, rule, regulation, order, decree or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement.

MISCELLANEOUS PROVISIONS

Notices. All notices and other communications hereunder shall be in writing and shall be deemed given at delivery, if delivered personally, or four (4) business days following it being sent, if sent by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses:

EFC: Yehuda Harats, Electric Fuel Ltd., Western Industrial Zone, P.O. Box 641, Bet Shemesh 99000, Israel, with a copy to Dan Geva or Raanan Lerner, Adv., Meitar, Liquornik, Geva & Co., 16 Abba Hillel Silver Road, Ramat Gan 52506, Israel.

Tadiran:_____

TEI:_____

The Seller:_____

Expenses. All costs and expenses incurred by Seller and Tadiran in connection with this Agreement and the transactions contemplated hereby shall be paid by the Seller and all such costs by EFC shall be paid by EFC.

Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel without giving effect to the provisions thereof relating to conflicts of law.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

Electric Fuel Corporation	Tadiran Electric Industries Corporation	Tadiran Limited	Tadiran Batteries
By: /s/	By:_____	By:_____	By:_____

Exhibit 10.41

ELECTRIC FUEL CORPORATION

COMMON STOCK PURCHASE AGREEMENT

March 15, 2000

To: Koor Industries Limited

Ladies and Gentlemen:

Electric Fuel Corporation, a Delaware corporation (the "Company"), proposes to sell (the "Offering") to Koor Industries Ltd. (the "Purchaser") 613,139 shares (the "Shares") of EFC Common Stock at a purchase price per share of $17.125, for an aggregate investment amount of $10,500,000 (the "Purchase Price"). In connection with and in consideration for the sale and purchase of the Shares, the Company and the Purchaser agree to abide by the mutual covenants contained herein.

1. Sale and Purchase of the Shares. On the basis of the representations, warranties and agreements contained in, and subject to the terms and conditions of this Share Purchase Agreement (the "Agreement"), the Company agrees to sell to the Purchaser, and the Purchaser agree to purchase from the Company, the Shares. The purchase price per share shall be $17.125.

In the event that within the 90 days immediately following the Closing hereunder (the "Investment Adjustment Period"), the Company issues shares of its Common Stock or securities convertible into its Common Stock at a price per share below $17.125, other than to its employees and consultants under its Stock option Plan (the "Investment Adjustment Price"), then it shall issue to the Purchaser, for no additional consideration, either (a) additional shares of the Company Common Stock such that the total number of shares of the Company Common Stock issued in consideration for the Purchase Price multiplied by the Investment Adjustment Price shall equal the Purchase Price, or, at the Purchaser's discretion, (b) warrants to purchase two times the number of shares of the Company Common Stock that the Company would be obligated to issue pursuant to the preceding clause (a) (the "Investment Adjustment Warrants"). The Investment Adjustment Warrants shall have an exercise price per share equal to the Investment Adjustment Price. The Investment Adjustment Warrants will be exercisable immediately upon issuance and shall expire if unexercised on the first anniversary of the conclusion of the Investment Adjustment Period.

2. Delivery and Payment. On the Closing Date, the Purchaser will pay to the Company the Purchase Price and the Company shall deliver the Shares to the Purchaser. Payment of the Purchase Price shall be made by wire transfer in immediately available funds in U.S. dollars to account number _____ in the name of _____, at _____, provided, however, that the Purchaser may, at their option wire New Israeli Shekels in lieu of U.S. dollars at the Bank HaPoalim U.S. dollar cash sell rate (i.e. the rate at which the bank sells to buyers) as of the Closing of the Offering. The Closing of the Offering shall take place at the offices of Meitar, Liquornik, Geva & Co.

concurrently with the Closing of the transactions under the Share and Assets Purchase Agreement among the Company, the Purchaser, Tadiran Batteries Ltd. and Tadiran Electric Industries Corporation dated March 15, 2000 (the "Tadiran Agreement"). The day on which the Closing takes place shall be referred to herein as the "Closing Date."

3. Offering of Shares. The Shares will be offered and sold to the Purchaser without being registered 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.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchaser as follows:

(a) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of Delaware. The Company's wholly-owned Israeli subsidiary, Electric Fuel (E.F.L.) Limited ("EFL"), is duly incorporated and is validly existing. Each of the Company and EFL is qualified and in good standing as a foreign corporation in each jurisdiction in which the character or location of its assets or properties (owned, leased or licensed) or the nature of its business makes such qualification necessary, except for such jurisdictions where the failure to so qualify, individually or in the aggregate, would not have a material adverse effect on the assets or properties, business, results of operations or financial condition, taken as a whole, of the Company and EFL.

(b) All necessary corporate action has been duly and validly taken to authorize the execution, delivery and performance of this Agreement by the Company. This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(c) Neither the execution, delivery and performance of this Agreement by the Company nor the consummation of any of the transactions contemplated hereby or thereby (including, without limitation, the issuance and sale by the Company of the Shares) will give rise to a right to terminate or accelerate the due date of any payment due under, or conflict with or result in the breach of any term or provision of, or constitute a default (or an event which with notice or lapse of time or both would constitute a default) under, or require any consent or waiver under, or result in the execution or imposition of any material lien, charge or encumbrance upon any properties or assets of the Company pursuant to the terms of, any material indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party or by which the Company or any of its properties or businesses is bound, or any franchise, license, permit, judgment, decree, order, statute, rule or regulation applicable to the Company, or violate any provision of the charter or by-laws of the Company or EFL, except for such consents or waivers that have already been obtained and are in full force and effect, or such consents or waivers the failure to so obtain would not individually or in the aggregate, have a material adverse effect upon the assets or properties, business, results of operations or financial condition, taken as a whole, of the Company and EFL.

(d) The Company's Annual Reports on Form 10-K for the fiscal year ended December 31, 1998 and December 31, 1999, the Company's Form 10-Qs for the fiscal periods ended March 31, 1999, June 30, 1999 and September 30, 1999 and all documents filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") (such documents are hereinafter referred to as the "Exchange Act Documents") were filed in a timely manner and, when they were filed (or, if any amendment with respect to any such document was filed, when such amendment was filed), conformed in all material respects to the requirements of the Exchange Act, and the rules and regulations thereunder, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Subsequent to the respective dates as of which information was given in the Exchange Act Documents, except as described therein, there has not been any material adverse change in the Company's operations, and, to the Company's knowledge, no event has occurred which with notice or lapse of time or both, that would constitute such a material adverse change, in the assets or properties, business, results of operations or financial condition of the Company taken as a whole.

(e) Other than as previously disclosed to the Purchaser, there are no claims for brokerage commissions or finder's fees on similar compensation in connection with the transactions by this Agreement based on any arrangement or agreement made by or on behalf of the Company other than as previously disclosed to the Purchaser, and the Company agrees to indemnify and hold the Purchaser harmless against any damages incurred as a result of any such claims.

5. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to Company that:

(a) It has full power and authority to execute, deliver and perform this Agreement. This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as the enforceability thereof may be

limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) The Shares, to be received by the Purchaser will be acquired for investment for the Purchaser's own account, and not with a view to the distribution of any part thereof. Other then in context of "Hedging" transactions, the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. The Purchaser does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer, or grant participation to such person or to any third person, with respect to any of the Shares.

(c) The Purchaser understands that the Shares may not be sold, transferred, or otherwise disposed of without registration under the Securities Act, or an exemption therefrom, and that in the absence of an effective registration statement covering the Shares or an available exemption from registration under the Securities Act, the Shares must be held indefinitely. In the absence of an effective registration statement covering the Shares, the Purchaser will sell, transfer, or otherwise dispose of the Shares only in a manner consistent with its representations and agreements set forth herein.

(d) The Purchaser understands that until the Shares are registered under the Securities Act, the certificates evidencing the Shares may bear substantially the following legends:

(i) "THE SECURITIES EVIDENCED HEREBY WERE ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND APPLICABLE STATE LAW, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM (IN EACH CASE BASED UPON DOCUMENTATION SATISFACTORY TO THE COMPANY, INCLUDING AN OPINION OF COUNSEL SATISFACTORY TO IT THAT REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE LAWS IS NOT REQUIRED) OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT."

(ii) Any legend required by any applicable law.

(e) The Purchaser is an "accredited investor" as such term is defined in Rule 501(a)(1) promulgated pursuant to the Securities Act.

(f) The Purchaser's financial condition is such that it is able to bear the risk of holding the Shares for an indefinite period of time.

(g) The Purchaser has such knowledge and experience in financial and business matters and in making high risk investments of this type and is capable of evaluating the merits and risks of the purchase of the Shares.

(h) There are no claims for brokerage commissions or finder's fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Purchaser, and the Purchaser agrees to indemnify and hold the Company harmless against any damages incurred as a result of any such claims.

(i) The Purchaser acknowledges that the Company will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations and agreements are no longer accurate, it shall promptly notify the Company, and the Company acknowledges that the representations and the agreements of the Purchaser herein are without prejudice to the representations and warranties of the Company contained in Section 4 above.

6. Conditions of the Purchaser's Obligations. The obligation of the Purchaser to purchase the Shares is subject to each of the following terms and conditions:

(a) The representations and warranties of the Company contained in this Agreement shall be true and correct when made and on and as of the Closing Date as if made on such date and the Company shall have performed all covenants and agreements and satisfied all the conditions contained in this Agreement required to be performed or

satisfied by it at or before the Closing Date.

(b) the Closing of the Tadiran Agreement.

7. Conditions of the Company's Obligations. The obligation of the Company to sell the Shares is subject to each of the following terms and conditions:

(a) The representations and warranties of the Purchaser contained in this Agreement shall be true and correct when made and on and as of the Closing Date as if made on such date and the Purchaser shall have performed all covenants and agreements and satisfied all the conditions contained in this Agreement required to be performed or satisfied by it at or before the Closing Date.

(b) the Closing of the Tadiran Agreement.

8. Registration Rights. The Purchaser shall have registration rights with respect to the Shares as detailed in the Registration Right Agreement which is attached as a schedule of the Tadiran Agreement.

9. Covenant of the Company. The Company covenants and agrees as follows:

The Company shall use its reasonable best efforts to do and perform all things required or necessary to be done and performed under this Agreement by the Company prior to the Closing Date, and to satisfy all conditions precedent to the delivery of the Purchase Price.

10. Covenants of the Purchaser. The Purchaser covenants and agrees as follows:

(a) The Purchaser shall use its reasonable best efforts to do and perform all things required or necessary to be done and performed under this Agreement by it prior to the Closing Date, and to satisfy all conditions precedent to the delivery of the Shares.

(b) The Purchaser agrees that from the date hereof until the fifth anniversary of the Closing Date, it will not, and will not permit any of its Affiliates, as defined in the Securities Act, to directly or indirectly or in conjunction with or through any Associate (as defined in Rule 12b-2 of the Exchange Act), (i) solicit proxies with respect to any capital stock or other voting securities of the Company under any circumstances, or become a "participant" in any "election contest" relating to the election of directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A of the Exchange Act) or (ii) make an offer for the acquisition of substantially all of the assets or capital stock of the Company or induce or assist any other person to make such an offer or (iii) form or join any "group" within the meaning of Section 13(d)(3) of the Exchange Act with respect to any capital stock or other voting securities of the Company for the purpose of accomplishing the actions referred to in clauses (i) and (ii). The covenant contained in this section 10(b) shall expire in relation to the Purchaser upon the sale by the Purchaser of the Shares issued to it hereunder.

11. Miscellaneous. This Agreement has been and is made for the benefit of the Purchaser and the Company, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser of Shares from the Purchaser merely because of such purchase.

All notices and communications hereunder shall be in writing and mailed or delivered or by telephone or telegraph if subsequently confirmed in writing, (a) if to the Purchaser to Koor Industries Limited, Beit Platinum, Ha'arbaah Street, Tel Aviv, attention: Yosef Ben Shalom, with a copy to Alan Sacks, Herzog, Fox and Neeman, 4 Weismann Street, Tel Aviv and (b) if to the Company, to Yehuda Harats, Electric Fuel Ltd., Western Industrial Zone, P.O. Box 641, Bet Shemesh 99000, Israel, with a copy to Dan Geva or Raanan Lerner, Adv., Meitar, Liquornik, Geva & Co., 16 Abba Hillel Silver Road, Ramat Gan 52506, Israel.

This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without regard to any conflicts or choice of law principles which would cause the application of the internal laws of any jurisdiction other than the State of Israel.

This Agreement may be signed in any number of counterparts, each of

which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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Please confirm that the foregoing correctly sets forth the agreement among us.

Very truly yours,

ELECTRIC FUEL CORPORATION

By /s/

Title:

Agreed and accepted:

KOOR INDUSTRIES LTD.

/s/ .
- ---

Exhibit 10.42

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the" Agreement") is made as of the 15 day of March, 2000, by and between Electric Fuel Corporation ("EFC"), Tadiran Limited ("Tadiran") and Koor Industries Limited ("Koor").

RECITALS

WHEREAS, Tadiran has purchased certain Common Stock of EFC, $0.01 per share ("Common Stock") in accordance with a Share and Assets Purchase Agreement (the "Acquisition Agreement"), dated as of March, 15, 2000, made by and among EFC, Tadiran, Tadiran Batteries Limited and Tadiran Electric Industries Corporation.

WHEREAS, Koor has purchased certain Common Stock of EFC in accordance with a Share Purchase and Agreement (the "Investment Agreement"), dated as of March, 15 2000, made by and among EFC and Koor.

WHEREAS, EFC would like to grant Tadiran and Koor certain registration rights with respect to their Common Stock in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

Certain definitions:

The term "Act" means the Securities Act of 1933, as amended.

The term "Form S-3" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC as a successor thereto which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

The terms "register", "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

The term "Holder" refers to a holder of Registrable Securities.

The term "Registrable Securities" means (1) all EFC Common Stock purchased by Tadiran under the Acquisition Agreement, and (ii) all EFC Common Stock purchased by Koor under the Investment Agreement; provided, however, that any Common Stock that could be distributed by the holder thereof (in accordance with applicable law) within three (3) months without the registration of such shares, shall not be deemed to be Registrable Securities.

The term "SEC" shall mean the Securities and Exchange Commission.

Registration Rights

Following the Closing of the Acquisition Agreement, EFC shall file as soon as possible with the SEC a registration statement on Form S-3 (the "Registration Statement") and shall use its best reasonable efforts to have such Registration Statement to be declared effective as soon as possible with the SEC, which shall include all of the Common Stock issued to Koor under the Investment Agreement as well as all of the Common Stock issued to Tadiran under the Acquisition Agreement;

Following the completion of the Effectiveness Period (as defined in Section 5 below), Koor and Tadiran shall have collectively two demand registration rights, provided that Koor is an affiliate (as such a term is defined in the Act) of EFC at such time that Koor or Tadiran request such demand registration.

If Koor or Tadiran intend to distribute the Registrable Securities covered by their request under Section 2.2 by means of an underwriting, they shall so advise EFC as a part of their request made pursuant to such Section and EFC shall have the right to designate the managing underwriter(s) in any underwritten offer.

The provisions of this Agreement with respect to the Registration Statement shall also apply, mutatis mutandis, to a registration statement of EFC filed in connection with a demand registration under Section 2.2.

Lock Up by Koor and Tadiran

Koor undertakes not to sell under the Registration Statement any of the Common Stock issued to it under the Investment Agreement prior to the completion of 6 months as of the date hereof.

Tadiran undertakes not to sell under the Registration Statement (i) half of the Common Stock issued to it under the Acquisition Agreement until the completion of 9 months as of the date hereof, and (ii) the remaining Common Stock issued to it under the Acquisition Agreement until the completion of 12 months as of the date hereof.

Nothing herein shall prevent Koor or Tadiran to enter into private Hedging transactions with respect to the Registrable Securities.

None of the information supplied or to be supplied by EFC for inclusion or incorporation by reference in the Registration Statement will, at the time the Registration Statement are filed with the SEC and at the time they become effective under the Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statement therein not misleading.

EFC will pay all expenses in connection with the filing of the Registration Statement, other than expenses of Tadiran's and Koor's counsel, and shall keep the Registration Statement effective and current until the completion of a period of 18 months as of the date the completion of the lock up on the Common Stock held by Koor as detailed in Section 3.1 above. plus any applicable Disclosure Blackout Period, Non-Disclosure Blackout Period and Primary Offering Black Out Period (collectively, the "Effectiveness Period").

With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of EFC to the public without registration or pursuant to the registration statements on Form S-3, EFC agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times;

(b) file with the SEC in a timely manner all reports and other documents required of EFC under the Securities Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request a written statement by EFC that it has complied with the foregoing subsections 6(a) and 6(b).

In the event that any of Koor or Tadiran shall unreasonably delay any action required to be taken by it in order for EFC to be able to file a Registration Statement in compliance with the foregoing provisions, EFC shall not be deemed to be in breach of these provisions in respect of non-registration of the pertinent shares of Tadiran or Koor under such Registration Statement.

If EFC determines in good faith that the Registration Statement includes an untrue statement of a material fact or omits to state a material fact required to be stated therein as necessary to make the statements therein not misleading in light of the circumstances then existing, EFC shall promptly make such disclosure and amend any such Registration Statement as may be required under applicable securities laws to keep such Registration Statement effective, and Tadiran and Koor shall, upon receipt of notice from EFC to that effect, be prohibited from reselling any EFC Common Stock for a period of 60 days ("Disclosure Blackout Period"), unless EFC notifies them of the earlier termination of any Disclosure Blackout Period; provided, however, that in no event shall a cumulative Disclosure Blackout Periods exceed 60 days during any 12-month period.

Notwithstanding the aforesaid, if EFC's Board of Directors determines that the registration and distribution of the EFC Common Stock pursuant to a Registration Statement would interfere with any pending financing, acquisition, public offering, corporation reorganization or any other material corporate development involving EFC (or would require premature disclosure thereof), during the Effectiveness Period, EFC may at any time and from time to time give Tadiran and Koor written notice of such determination and upon receipt of such notice, Tadiran and Koor shall be prohibited from reselling any EFC Common Stock for a period of up to 60 days (a "Non-Disclosure Blackout Period"), unless EFC notifies Tadiran and Koor of the earlier termination of any Non-Disclosure Blackout Period; provided, however, that in no event shall the cumulative Non-Disclosure Blackout Period exceed 120 days during the Effectiveness Period.

In addition, if EFC sells shares of its Common Stock in an underwritten public offering (the "Primary Offering") pursuant to a registration statement, Tadiran and Koor shall be prohibited from reselling any EFC Common Stock for a period of 180 days from the effective date of such Primary Offering (a "Primary Offering Black Out Period"), unless EFC notifies Tadiran and Koor of the earlier termination of such Primary Offering Black Out Period.

Indemnification relating to the Registration Statement

To the extent permitted by law, EFC will indemnify and hold harmless each one of the Holders, the partners, officers, directors and shareholders of each one of the Holders, legal counsel and accountants for each one of the Holders, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls Holder or underwriter within the meaning of the Securities Act or the 1934 Act against any losses, expenses, claims, damages, or liabilities to which they become subject under the Securities Act, the 1934 Act or other United States federal or state laws or the securities laws of the State of Israel or any other jurisdiction in which the Registrable Shares are sold, insofar as such losses, expenses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "violation"): (i) any untrue statement of a material fact contained in such registration statement, including

any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading in light of the circumstances under which they were made, or (iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any Federal or state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any federal or state securities law, or any of the securities laws of the State of Israel or any other jurisdiction in which the Registrable Shares are sold or any rule or regulation thereunder; and EFC will reimburse each such Holder, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to the Holders, underwriter or controlling person in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished to the Company expressly for use in connection with such registration by the Holders, underwriter or controlling person provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder or underwriter, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder or underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

To the extent permitted by law, each selling Holder will indemnify and hold harmless EFC, each of its directors, each of its officers who have signed the Registration Statement, each person, if any, who controls EFC within the meaning of the Securities Act, any underwriter (within the meaning of the Securities Act) for EFC, any person who controls such underwriter, and any Holder selling securities in such registration statement or any directors or officers or any persons controlling such parties, against any losses, claims, expenses, damages, or liabilities to which any of the forgoing persons become subject under the Securities Act, the 1934 Act or other United States federal or state securities law, or any of the securities laws of the State of Israel or any other jurisdiction in which the Registrable Shares are sold, insofar as such losses, expenses, claims, damages, liabilities (or actions in respect thereto) arise out of or are based upon any Violation (including alleged Violation), in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to EFC by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any persons intended to be indemnified pursuant to this section for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holders, which consent shall not be unreasonably withheld: provided that in no event shall any indemnity under this Section exceed the gross proceeds from the offering received by such Holder.

Promptly after receipt by an indemnified party of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 11, notify the indemnifying party in writing

of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to notify an indemnifying party in writing within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnifying party under this Section 11, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 11.

if the indemnification provided for in this Section 11 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

The obligations of EFC and the Holders under this Section 11 shall survive the completion of any offering of Registrable Securities hereunder.

Miscellaneous.
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Further Assurances. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties as reflected thereby.

Governing Law; Jurisdiction. This Agreement shall be governed by and construed according to the laws of the State of Israel, without regard to the conflict of laws provisions thereof. Any dispute arising under or in relation to this Agreement shall be resolved in the competent court of Tel Aviv-Jaffa district, and each of the parties hereby submits irrevocably to the jurisdiction of such court.

Successors and Assigns. This Agreement and the rights hereunder shall be deemed to be solely for the benefit of Tadiran, Koor and their successors, and the registration rights hereunder may not be assigned or transferred to third parties.

Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first hereinabove set forth.

/s/	/s/	/s/
Electric Fuel Corporation	Tadiran Limited	Koor Industries Limited
By:_____	By:_____	By:_____

Exhibit 10.43

VOTING RIGHTS AGREEMENT

VOTING RIGHTS AGREEMENT (the "Agreement"), made as of March 15, 2000 by and among Electric Fuel Corporation, a Delaware corporation (the "Company"), Robert S. Ehrlich and Yehuda Harats (each a "Stockholder" and collectively the "Stockholders"), Koor Industries Limited ("Koor") and Tadiran Limited ("Tadiran") (Koor and Tadiran shall be collectively referred to as the "Group")

WHEREAS, the Stockholders are holders of common stock of the Company, $0.01 par value per share (the "Common Stock"), and

WHEREAS, Koor has purchased certain Common Stock of the Company pursuant to a Share Purchase Agreement (the "Investment Agreement"), dated as of March 15 2000, made by and among the Company and Koor, and

WHEREAS, Tadiran has purchased certain Common Stock of the Company pursuant to a Share and Assets Purchase Agreement (the "Acquisition Agreement"), dated as of March 15 2000, made by and among the Company, Tadiran, Tadiran Batteries Limited and Tadiran Electric Industries Corporation.

NOW THEREFORE, in consideration of the premises and agreements set forth herein, the Stockholders agree with each other as follows:

Election of Directors. The parties agree that until the Expiration Date (as defined in Section 3 below):

Each Stockholder shall vote all shares of Common Stock or other voting securities of the Company over which such Stockholder has voting control, whether directly or indirectly, and to take other necessary or desirable actions within his or its control (whether as stockholder, director or officer of the Company or otherwise, including without limitation attendance at meetings in person or by proxy for purposes of obtaining a quorum and execution of written consents in lieu of meetings), so that Jonathan Kolber shall serve as member of the Company's Board of Directors, and

Each of the Group shall vote all shares of Common Stock or other voting securities of the Company over which such they have voting control, whether directly or indirectly, and to take other necessary or desirable actions within their control, so that each of Robert S. Ehrlich and Yehuda Harats shall serve as members of the Company's Board of Directors.

Assignment; Transfer of Common Stock. The obligations of each of the Stockholders and the Group hereunder shall remain in force and effect until the Expiration Date with respect to Common Stock held by them at any applicable date, but shall not limit any of the Stockholders and the Group from transferring any of their Common Stock to any third party. Upon the transfer of any Common Stock by the Stockholders or the Group, such transferred Common Stock shall not be a part of the agreement hereunder and shall be free from any voting obligations.

Term of Agreement: The obligations of the parties hereof shall expire on the earlier of (the "Expiration Date"):

The fifth anniversary of the Closing under the Acquisition Agreement; or

Such time as Koor and Tadiran have sold in the aggregate more than 50% of the total Common Stock purchased by them collectively under the Investment Agreement and the Acquisition Agreement.

Such time as the Stockholders have sold in the aggregate more than 50% of the total Common Stock held by them as of the date hereof.

Filings. If required, the parties agree to promptly file with the Securities and Exchange Commission all requisite filings required under the Securities Exchange Act of 1934, as amended, with respect to their ownership of Common Stock and the provisions of this Agreement.

Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the matters contemplated herein, and supersedes any and all prior understandings as to the subject matter of this Agreement.

General. The headings contained in this Agreement are for reference purposes

only and shall not in any way affect the meaning or interpretation of this Agreement. In this Agreement the singular includes the plural, the plural, the singular, the masculine gender includes the neuter, masculine and feminine genders. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without regard to any conflicts or choice of law principles.

Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first hereinabove set forth.

/s/ Robert S. Ehrlich	/s/ Yehuda Harats	Tadiran Limited	Koor Industries Limited
		By: /s/	By: /s/

Electric Fuel Corporation
By: /s/

Exhibit 10.51

PROMISSORY NOTE

$555,250.00 New York, New York
January 12, 2001

FOR VALUE RECEIVED, Yehuda Harats ("Maker") hereby promises to pay to the order of Electric Fuel Corporation ("EFC"), at 632 Broadway, New York, New York, or at such other place as may be designated in writing by EFC or any subsequent holder of this Note ("Holder"), the principal sum of Five Hundred Fifty-Five Thousand Two Hundred Fifty Dollars ($555,250.00), on January 12, 2011, together with simple interest from the date hereof on the principal amount from time to time unpaid at a per annum rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Funds Rate, until the principal sum is paid in full. Interest will accrue on the loan until maturity.

All payments hereunder shall be made in United States Dollars only. Maker may prepay this Note at any time and from time to time without premium or penalty.

Maker will bear no personal liability on the principal and accrued interest of this Note.

In the event that the Maker files or has filed against the Maker any petition under any bankruptcy or insolvency law or for the appointment of a receiver or makes a general assignment for the benefit of creditors, then the entire unpaid principal of this note, together with accrued interest thereon, shall automatically become immediately due and payable. No failure by the holder to take action with respect to any default hereunder shall affect its subsequent rights to take action with respect to the same or any other default. In the event of default the Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fees, to the extent allowed by law.

This Note shall be secured by a pledge to EFC of 100,000 shares (the "Pledged Shares") of EFC's common stock, $0.01 par value, acquired with this note.

The recourse under this note shall only be to the Pledged Shares. EFC shall have all rights of a secured party under the Uniform Commercial Code as in effect in the State of New York, including without limitation all remedies available thereunder to a secured party in the event of a default in the performance of the obligation secured, with respect to the Pledged Shares, and Maker will take all actions reasonably requested by EFC to perfect such security interest, including without limitation delivering to EFC the stock certificate or certificates representing the Pledged Shares, together with stock powers duly endorsed in blank. EFC shall release its security interest in the Pledged Shares when all principal and interest owed hereunder have been paid in full. Notwithstanding the foregoing, EFC shall sell Pledged Shares per Maker's instructions from time to time, provided that with respect to any and each such sale EFC may withhold from the proceeds of such sale that percentage of the original principal and accrued but unpaid interest under this Note as the Pledges Shares sold shall bear to the original 100,000 Pledged Shares (so that if, for example, Maker instructs EFC to sell 28,000 Pledged Shares, EFC shall be entitled to withhold from the proceeds of such sale 28% of the original principal amount and accrued but unpaid interest under this Note).

The Maker hereby waives presentment, demand, notice of nonpayment, protest and all other demands, notices and defenses (other than payment) in connection with the delivery, acceptance, performance and enforcement of this note.

This Note shall be deemed to have been made under and shall in all respects be governed by the internal laws of the State of New York without reference to conflicts of laws. Maker consents to the exclusive jurisdiction of the courts in New York, New York with respect to any and all suits brought in connection with this Agreement, and waives any right to object to the personal or subject matter jurisdiction of such court and waives any right to move dismissal based on grounds of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the 12/th/ day of January, 2001.

/s/ Yehuda Harats

Yehuda Harats

Exhibit 10.52

PROMISSORY NOTE

$555,250.00 New York, New York
January 12, 2001

FOR VALUE RECEIVED, Robert S. Ehrlich ("Maker") hereby promises to pay to the order of Electric Fuel Corporation ("EFC"), at 632 Broadway, New York, New York, or at such other place as may be designated in writing by EFC or any subsequent holder of this Note ("Holder"), the principal sum of Five Hundred Fifty-Five Thousand Two Hundred Fifty Dollars ($555,250.00), on January 12, 2011, together with simple interest from the date hereof on the principal amount from time to time unpaid at a per annum rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Funds Rate, until the principal sum is paid in full. Interest will accrue on the loan until maturity.

All payments hereunder shall be made in United States Dollars only. Maker may prepay this Note at any time and from time to time without premium or penalty.

Maker will bear no personal liability on the principal and accrued interest of this Note.

In the event that the Maker files or has filed against the Maker any petition under any bankruptcy or insolvency law or for the appointment of a receiver or makes a general assignment for the benefit of creditors, then the entire unpaid principal of this note, together with accrued interest thereon, shall automatically become immediately due and payable. No failure by the holder to take action with respect to any default hereunder shall affect its subsequent rights to take action with respect to the same or any other default. In the event of default the Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fees, to the extent allowed by law.

This Note shall be secured by a pledge to EFC of 100,000 shares (the "Pledged Shares") of EFC's common stock, $0.01 par value, acquired with this note.

The recourse under this note shall only be to the Pledged Shares. EFC shall have all rights of a secured party under the Uniform Commercial Code as in effect in the State of New York, including without limitation all remedies available thereunder to a secured party in the event of a default in the performance of the obligation secured, with respect to the Pledged Shares, and Maker will take all actions reasonably requested by EFC to perfect such security interest, including without limitation delivering to EFC the stock certificate or certificates representing the Pledged Shares, together with stock powers duly endorsed in blank. EFC shall release its security interest in the Pledged Shares when all principal and interest owed hereunder have been paid in full. Notwithstanding the foregoing, EFC shall sell Pledged Shares per Maker's instructions from time to time, provided that with respect to any and each such sale EFC may withhold from the proceeds of such sale that percentage of the original principal and accrued but unpaid interest under this Note as the Pledges Shares sold shall bear to the original 100,000 Pledged Shares (so that if, for example, Maker instructs EFC to sell 28,000 Pledged Shares, EFC shall be entitled to withhold from the proceeds of such sale 28% of the original principal amount and accrued but unpaid interest under this Note).

The Maker hereby waives presentment, demand, notice of nonpayment, protest and all other demands, notices and defenses (other than payment) in connection with the delivery, acceptance, performance and enforcement of this note.

This Note shall be deemed to have been made under and shall in all respects be governed by the internal laws of the State of New York without reference to conflicts of laws. Maker consents to the exclusive jurisdiction of the courts in New York, New York with respect to any and all suits brought in connection with this Agreement, and waives any right to object to the personal or subject matter jurisdiction of such court and waives any right to move dismissal based on grounds of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the 12/th/ day of January, 2001.

/s/ Robert S. Ehrlich

Robert S. Ehrlich

Exhibit 10.53

PROMISSORY NOTE

$277,625.00 New York, New York
January 12, 2001

FOR VALUE RECEIVED, Joshua Degani ("Maker") hereby promises to pay to the order of Electric Fuel Corporation ("EFC"), at 632 Broadway, New York, New York, or at such other place as may be designated in writing by EFC or any subsequent holder of this Note ("Holder"), the principal sum of Two Hundred Seventy-Seven Thousand Six Hundred Twenty-Five Dollars ($277,625.00), on January 12, 2011, together with simple interest from the date hereof on the principal amount from time to time unpaid at a per annum rate equal to the lesser of (i) 6.5%, and (ii) 1% over the then-current Federal Funds Rate, until the principal sum is paid in full. Interest will accrue on the loan until maturity.

All payments hereunder shall be made in United States Dollars only. Maker may prepay this Note at any time and from time to time without premium or penalty.

Maker will bear no personal liability on the principal and accrued interest of this Note.

In the event that the Maker files or has filed against the Maker any petition under any bankruptcy or insolvency law or for the appointment of a receiver or makes a general assignment for the benefit of creditors, then the entire unpaid principal of this note, together with accrued interest thereon, shall automatically become immediately due and payable. No failure by the holder to take action with respect to any default hereunder shall affect its subsequent rights to take action with respect to the same or any other default. In the event of default the Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fees, to the extent allowed by law.

This Note shall be secured by a pledge to EFC of 50,000 shares (the "Pledged Shares") of EFC's common stock, $0.01 par value, acquired with this note.

The recourse under this note shall only be to the Pledged Shares. EFC shall have all rights of a secured party under the Uniform Commercial Code as in effect in the State of New York, including without limitation all remedies available thereunder to a secured party in the event of a default in the performance of the obligation secured, with respect to the Pledged Shares, and Maker will take all actions reasonably requested by EFC to perfect such security interest, including without limitation delivering to EFC the stock certificate or certificates representing the Pledged Shares, together with stock powers duly endorsed in blank. EFC shall release its security interest in the Pledged Shares when all principal and interest owed hereunder have been paid in full. Notwithstanding the foregoing, EFC shall sell Pledged Shares per Maker's instructions from time to time, provided that with respect to any and each such sale EFC may withhold from the proceeds of such sale that percentage of the original principal and accrued but unpaid interest under this Note as the Pledges Shares sold shall bear to the original 50,000 Pledged Shares (so that if, for example, Maker instructs EFC to sell 14,000 Pledged Shares, EFC shall be entitled to withhold from the proceeds of such sale 28% of the original principal amount and accrued but unpaid interest under this Note).

The Maker hereby waives presentment, demand, notice of nonpayment, protest and all other demands, notices and defenses (other than payment) in connection with the delivery, acceptance, performance and enforcement of this note.

This Note shall be deemed to have been made under and shall in all respects be governed by the internal laws of the State of New York without reference to conflicts of laws. Maker consents to the exclusive jurisdiction of the courts in New York, New York with respect to any and all suits brought in connection with this Agreement, and waives any right to object to the personal or subject matter jurisdiction of such court and waives any right to move dismissal based on grounds of forum non conveniens.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the 12/th/ day of January, 2001.

/s/ Joshua Degani

Joshua Degani

Exhibit 10.54

FORM OF OFFICE LEASE
The Real Estate Board of New York, Inc.

AGREEMENT OF LEASE, made as of this 5/th/ day of December 2000, between RENAISSANCE 632 BROADWAY LLC, having an address at 627 Broadway, 6/th/ Floor, New York, New York 10012, Party of the first part, hereinafter referred as to as OWNER, and ELECTRIC FUEL CORPORATION, party of the second party, hereinafter referred to as TENANT.

WITNESSETH: Owner hereby leases to Tenant and Tenant hereby hires from Owner part of 3/rd/ Floor (3210 sq. ft.) Suite 301, in the building known as 632 Broadway, in the Borough of Manhattan, City of New York for the term of Five (5) Years, (or until such term shall sooner cease and expire as hereinafter provided) to commence on the 1st day of December, 2000 and to end on the 30/th /day of November 2005, both days inclusive, at an annual rental rate of

SEE PARAGRAPH 36 OF THE ANNEXED RIDER

which Tenant agrees to pay in lawful money of the United States which shall be legal tender in payment of all debts and duties, public and private, at the time of payment, in equal monthly installments in advance on the first day of each month during said term, at the office of Owner or subs other place as Owner may designate, without any set off or deduction whatsoever, except that Tenant shall pay first monthly installment (s) on the execution hereof (unless this lease be a renewal).

In the event that, at the commencement of the term of this lease, or thereafter, Tenant shall be in default in the payment if rent to Owner pursuant to the terms of another lease with Owner of with Owner's predecessor in interest, Owner may at Owner's option and without notice to Tenant add the amount of such arrears to any monthly installment of rent payable hereunder and the same shall be payable to Owner as additional rent.

The parties hereto, for themselves, their heirs, distributes, executors, administrators, legal representatives successors and assigns, hereby covenant as follows:

Rent:

1. Tenant shall pay the rent as above and as hereinafter provided.

Occupancy:

2. Tenant shall use and occupy demised premises for SEE PARAGRAPH 52 OF THE ANNEXED RIDER and for no other purpose

Tenant Alterations:

3. Tenant shall make no changes on or to the demised premises of any Nature without Owner's prior: written consent. Subject to the prior written consent of Owner, and to the provisions of this article, Tenant at Tenant's expense, may make alterations, additions or improvements which are non-structural and which do not affect utility services or plumbing and electrical lines, in or on or the interior of the demised premises by using contractors or mechanics first approved by Owner, Tenant shall, before making any alteration, additions, installations or improvements, at its expense obtain all permits, approvals and certificates required by any governmental or quasi-governmental bodies and (upon completion) certificates of final approval thereof and shall deliver promptly duplicates of all such permits approvals and certificates to Owner and Tenant agrees to carry and will cause Tenant's

contractors and sub-contractors to carry such workman's compensation, general liability, personal and property damage insurances as Owner may require. If any mechanic's lien is filed against the demised premises, or the building of which the same form a part, for work claimed to heave been done for, or materials furnished to Tenant, whether or not to be done pursuant to this article, the same shall be discharged by Tenant within thirty days thereafter, at Tenant's expense, by filing the bond required by law. All fixtures and all paneling partitions, railings and like installations, installed in the premises at any time, either by Tenant or by Owner in Tenant's behalf shall upon installation become the property of the Owner and shall remain upon and be surrendered with the demised premises unless Owner, by notice to Tenant no later than twenty days prior to the date fixed as the termination of this lease elects to relinquish Owner's right thereto and to have them removed by Tenant, in which event the same shall be removed from the premises by Tenant prior to the event the same shall be removed from the premises by Tenant prior to the expiration of the lease at Tenant's expense. Nothing in this Article shall be construed to give Owner title to or to prevent Tenant's removal of trade fixtures moveable office furniture and equipment, but upon removal of any such from the premises or upon removal of other installations as may be required by Owner, Tenant shall immediately and at its expense, repair and restore the premises to the condition

existing prior to installation and repair any damage to the demised premises or the building due to such removal. All property permitted or required to be removed, by Tenant at the end of the term remaining in the premises after Tenants removal shall be deemed abandoned and may, at the election of Owner, either be retained as Owner's property or may be removed from the premises by Owner, at Tenant's expense.

Maintenance and Repairs

4. Tenant shall, throughout the term of this lease, take good care of demised premises and the fixtures and appurtenances therein. Tenant shall be responsible for all damage or injury to the demised premises or any other part of the building and the systems and equipment thereof, whether requiring structural or nonstructural repairs caused by or resulting carelessness, omission, neglect or improper conduct of Tenant, Tenant subtenants, agents, employees, invitees or licensees, or which arise out of any work, labor, service or equipment done for or supplied to Tenant or any subtenant or arising out of the installation, use or operation of the property or equipment of Tenant or any subtenant. Tenant shall also repair all damage to the building and the demised premises caused by the moving of Tenant's fixtures, furniture and equipment. Tenant shall promptly make, at Tenant's expense, all repairs in and to the demised premises for which Tenant is responsible, using only the contractor for the trade or trades in question, selected from a list of at least two contractors per trade submitted by Owner. Any other repairs in or to the building or the facilities and systems thereof for which Tenant is responsible shall be performed by owner at the Tenant's expense. Owner shall maintain in good working order and repair the exterior and the structural portions of the building, including the structural portions of its demised premises, and the public portions of the building interior and the building plumbing, electrical, heating and ventilating systems (to the extent such systems presently exist) serving the demised premises. Tenant agrees to give prompt notice of any defective condition in the premises for which Owner may be responsible hereunder. There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from owner or others making repairs, alterations, additions or improvements in or to any portion of the building or the demised premises or in and to the fixtures, appurtenances or equipment thereof. It is specifically agreed that Tenant shall not be entitled to any setoff or reduction of rent by reason of any failure of Owner to comply with the covenants of this or any other article of this Lease. Tenant agrees that Tenant's sole remedy at law in such instance will be by way of any action for damages for breach of contract. The provisions of this Article 4 shall not apply in the case of fire other casualty which are deal with in Article 9 hereof.

Window Cleaning:

5. Tenant will not clean nor require, permit, suffer or allow any window in the demised premises to be cleaned from the outside in violation of Section 202 of the Labor law or any other applicable law or of the rules of the Board of Standards and Appeals, or of any other Board or body having or asserting jurisdiction

Requirements of Law:

6. Prior to the commencement of the lease term, if Tenant is then in possession, and at all times thereafter, Tenant, at Tenant's sole cost and expense, shall promptly comply with all present and future laws, orders and regulations of all state, federal, municipal and local governments, departments, commissions and board and any direction of any public officer pursuant to the law and all orders, rules and regulations of the New York Board of Fire Underwriters, Insurance Services Office, or any similar body which shall impose any violation, order or duty upon Owner or Tenant with respect to the demised premises, whether or not arising out of Tenant's page 3 use or manner of use thereof, (including Tenant's permitted use) or, with respect to the building if arising out of Tenant's use or manner of use of the premises or the building (including the use permitted under the lease). Nothing herein shall require Tenant to make structural repairs or alterations unless Tenant has, by it manner of use of the demised premises or method of operation therein, violated any such laws, ordinances orders, rules, regulations or requirements with respect thereto, Tenant may, after securing Owner to Owner's satisfaction against all damages, interest, penalties, and expenses, including, but not limited to reasonable attorney's fees, by cash deposit or by surety bond in an amount and in a company satisfactory to Owner, contest and appeal any such laws, ordinances, orders , rules, regulations or requirements provided same be done with all reasonable promptness and provided such appeal shall not subject Owner to prosecution for a criminal offense or constitute a default under any lease or mortgage under which Owner may be obligated, or cause the demised premises or any part thereof to be condemned or vacated. Tenant shall mot do or permit any act or thing to be done in or to the demised premises which is contrary to law, or which will invalidate or be in conflict with public liability, fire or other policies of insurance at any time carried by or for the benefit of Owner with the respect to the demised premises form a part, or which shall or might subject Owner to any liability or responsibility to any person or for property damage,

Tenant shall not keep anything in the demised premises except as now or hereafter permitted by the Fire Department Board of Fire Underwriters, Fire Insurance Rating Organization or other authority having jurisdiction , and then only in such manner and such quantity so as not to increase the rate for fire insurance applicable to the building, nor use the premises in a manner which will increase the insurance rate for the building or any property located therein over that in effect prior to the commencement of Tenant's occupancy. Tenant shall pay all costs, expenses, fines, penalties, or damages, which shall pay all costs, expenses, fines, penalties, or damages, which may be imposed upon Owner by reason of Tenant's failure to comply with the provisions of this article and if by reason of such failure the fire insurance rate shall at the beginning if this lease or at any time thereafter be higher than it otherwise would be, then Tenant shall reimburse Owner, as additional rent hereunder, for that portion of all fire insurance premiums thereafter paid by Owner which shall have been charged because of such failure by Tenant. In any action or proceeding wherein Owner and Tenant are parties, a schedule or "make up " of rate for the building or demised premises issued by the New York Fire Insurance Exchange, or other body making fire insurance rates applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates then applicable to said premises shall be conclusive evidence of the facts therein stated and of the several items and charges in the fire insurance rates them applicable to said premises. Tenant shall not place a load upon any floor of the demised premises exceeding the floor load per square floor area which it was designed to carry and

which is allowed by law. Owner reserves the right to prescribe the weight and position of all safes, business machines and mechanical equipment. Such installation shall be placed and maintained by Tenant, at Tenant's expense, in settings sufficient, in Owner's judgment, to absorb and prevent vibration, noise and annoyance.

Subordination:

7. This lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect such leases or the real property of which demised premises are a part and to all renewals, modifications, consolidations, replacements and extensions of any such underlying leases and mortgages. This clause shall be self-operative and no further instrument of subordination. Tenant shall execute promptly any certificate that Owner may request.

Property Loss, Damage, Reimbursement, Indemnity:

8. Owner or its agents shall not be liable for any damage to property of Tenant or of others entrusted to employees of the building, nor for loss of or damage to any property of Tenant by theft or otherwise, nor for any injury or damage to persons or property resulting from any cause whatsoever nature, unless caused by or due to the negligence of Owner, its agents, servants or employees. Owner or its agents will not be liable for any such damage caused by other tenants or persons in, upon or about said building or caused by operations in construction of any private, public or quasi-public work. If at any time any windows of the demised premises are temporarily closed, darkened or bricked up (or permanently closed, darkened or bricked up of required by law) for any reason whatsoever including, but not limited to Owner's own act, Owner shall not be liable for any damage Tenant may sustain thereby and Tenant shall not be entitled to any compensation therefore nor abatement of diminution of rent nor shall the same release Tenant from its obligation hereunder constitute an eviction. Tenant shall indemnify and save harmless Owner against and from all liabilities, obligations, damages, penalties, claims, costs and expenses for which Owner shall not be reimbursed by insurance, including reasonable attorneys fees, paid, suffered or incurred as a result of any breach by Tenant, Tenant's agents, contractors, employees, invitees, or licensees, of any covenant or condition of this lease, or the carelessness, negligence or improper conduct of the Tenant, Tenant's agents, contractors, employees, licensees, Tenants liability under this lease extends to the acts and omissions of any sub tenant and any agent , contractor, employee, invitee or licensee of any sub-tenant. In any case any action or proceeding is brought against Owner by reason of any such claim, Tenant, upon written notice from Owner, will at Tenant's expense, resist or defend such action or proceeding by counsel approved by Owner in writing, such approval not to be unreasonably withheld.

Destruction Fire and Other Casualty:

9 (a) If the demised premises or any part thereof shall be damaged by fire if other casualty, Tenant shall give immediate notice thereof to Owner and this lease shall continue in full force and effect except as hereinafter set forth.

(b) If the demised premises are partially damaged or rendered partially unusable by fire or other casualty, the damages thereto shall be repaired by and at the expense of Owner and the rent, until such repair shall be substantially completed, shall be apportioned from the day following the casualty according to the part of the premises which is useable.

(c) If the demised premises are totally damaged or rendered wholly unusable by fire or other casualty, then the rent shall be proportionately paid up to the time of the casualty and thenceforth

shall cease until the date when the premises shall have been repaired and restored by Owner, subject to Owner's right to elect not to restore the same as hereinafter provided.

(d) If the demised premises are rendered wholly unusable or (whether or not the demised premises are damaged in whole or in part) if the building shall be so damaged that Owner shall decide to demolish it or to rebuild it, then, in any of such events, Owner may elect to terminate this lease by written notice to Tenant, given within 90 days after such fire or casualty, specifying a date for the expiration of the lease, which date shall not be more than 60 days after the giving of such notice, and upon the date specified in such notice the term of this lease shall expire as fully and completely as if such date were the date set forth above for the termination of this lease and Tenant shall forthwith quit, surrender and vacate the premises without prejudice however, to Landlord's rights and remedies against Tenant under the lease provisions in effect prior to such termination, and any rent owing shall be paid up to such date and any payments of rent made by Tenant which were on account of any period subsequent to such date shall be returned to Tenant. Unless Owner shall serve a termination notice as provided for herein, Owner shall make the repairs and restorations under the conditions of (b) and (c) hereof, with all reasonable expedition, subject delays due to adjustment of insurance claims, labor troubles and causes beyond Owner's control. After any such casualty, Tenant shall cooperate with Owner's restoration by removing from the premises as promptly as reasonably possible, all of Tenant's salvageable inventory and movable equipment, furniture, and other property. Tenant's liability for rent shall resume five (5) days after written notice from Owner that the premises are substantially ready for Tenant's occupancy.

(e) Nothing contained hereinabove shall relieve Tenant from liability that may exist as a result of damage from fire or other casualty. Notwithstanding the foregoing, each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting form fire or other casualty, and to the extent that such insurance is in force and collectible and to the extent permitted by law, Owner and Tenant each hereby releases and waives all right of recovery against the other or any one claiming through or under each of them by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if both releasors insurance policies contain a clause providing that such a release or waiver shall not invalidate the insurance. If, and to the extent, that such waiver can be obtained only by the payment of additional premiums, then the party benefiting from the waiver shall pay such premium within ten days after written demand or shall be deemed to have agreed that the party obtaining insurance coverage shall be free of any further obligation under the provisions hereof with respect to waiver of subrogation. Tenant acknowledges that Owner will not carry insurance on Tenant's furniture and / or furnishings or any fixtures or equipment, improvements or appurtenances removable by Tenant and agrees that Owner will not be obligated to repair any damage thereto or replace the same.

(f) Tenant hereby waives the provisions of Section 227 of the Real Property Law and agrees that the provisions of this article shall govern and control in lieu thereof.

Eminent Domain:

10. If the whole or any part of the demised premises shall be acquired or condemned by Eminent Domain for any public or quasi public use or purpose, then and in that event, the term of this lease shall cease and terminate from the date of title vesting in such proceeding and Tenant shall have no claim for the value of any unexpired term of said lease and assigns to Owner, Tenant's entire interest in any such award.

Assignment, Mortgage, Etc.:

11. Tenant, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, expressly covenants that it shall not assign, mortgage or encumber this agreement, nor underlet, or suffer or permit the demised premises or any part thereof to be used by others, without the prior written consent of Owner in each instance. Transfer of the majority of the stock of a corporate Tenant shall be deemed an assignment. If this lease be assigned, or if the demised premises or any part thereof by underlet or occupied by anybody other than Tenant, Owner may, after default by Tenant, collect rent from the assignee, under-tenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, underletting, occupancy or collection, under-tenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. The consent by Owner to an assignment or underletting shall not in any wise be construed to relieve Tenant from obtaining the express consent in

writing of Owner to any further assignment or underletting.

Electric Current:

12. Rates and conditions in respect to submetering or rent inclusion, as the case may be, to be added in RIDER attached hereto. Tenant covenants and agrees that at all times its use of electric current shall not exceed the capacity of existing feeders to the building or the risers or wiring installation and Tenant may not use any electrical equipment which, in Owner's opinion, reasonably exercised, will overload such installations or interfere with the use thereof by other tenants of the building. The change at any time of the character of electric service shall in no wise make Owner liable or responsible to Tenant, for any loss, damages or expenses which Tenant may sustain.

Access to Premises:

13. Owner or Owner's agents shall have the right (but shall not be obligated) to enter the demised premises in any emergency at any time, and, at other reasonable times, to examine the same and to make such repairs, replacements and improvements as owner may deem necessary and reasonably desirable to the demised premises or to any other portion of the building or which Owner may elect to perform. Tenant shall permit Owner to use and maintain and replace pipes and conduits in therein provided they are concealed within the walls, floor, or ceiling. Owner may, during the progress of any work in the demised premises, take all necessary materials and equipment into said premises without the same constituting an eviction nor shall the Tenant be entitled to any abatement of rent while such work is in progress nor to any damages by reason of loss or interruption of business or otherwise. Throughout the term hereof Owner shall have the right to enter the demised premises at reasonable hours for the purpose of showing the same to prospective purchasers or mortgagees of the building, and during the last six months of the term for the purpose of showing the same to prospective tenants. If Tenant is not present to open and permit any entry into the premises, Owner or Owner's agents may enter the same whenever such entry may be necessary or permissible by master key or forcibly and provided reasonable care is exercised to safeguard Tenant's property, such entry shall not render Owner or its agents liable therefore, nor in any event shall the obligations of Tenant hereunder be affected. If during the last month of the term Tenant shall have removed all or substantially all of Tenant's property therefrom Owner may immediately enter, alter, renovate or redecorate the demised premises without limitation or abatement of rent, or incurring liability to Tenant for any compensation and such act shall have no effect on this lease or Tenant's obligations hereunder.

Vault, Vault Space, Area:

14. No vaults, vault space or area, whether or not enclosed or covered, not within the property line of the building is leased hereunder, anything contained in or indicated on any sketch, blue print or plan, or anything contained elsewhere in this lease to the contrary notwithstanding. Owner makes no representation as to the location of the property line of the building. All vaults and vault space and all such areas not within the property line of the building, which Tenant may be permitted to use and / or occupy, is to be used and / or occupied under a revocable license, and if any such license be revoked or if the amount of such space or area be diminished or required by any federal, state or municipal authority or public utility, Owner shall not be subject to any liability nor shall Tenant be entitled to any compensation or diminution or abatement of rent, nor shall such revocation, diminution or requisition be deemed constructive or actual eviction. Any tax, fee or charge of municipal authorities for such vault or area shall be paid by Tenant.

Occupancy:

15. Tenant will not at any time use or occupy the demised premises in violation of the certificate of occupancy issued for the building of which the demised premises are a part. Tenant has inspected the premises and accepts them as is, subject to the riders annexed hereto with respect to Owner's work, if any. In any event, Owner makes no representation as to the condition of the premises and Tenant agrees to accept the same subject to violations, whether or not of record.

Bankruptcy:

16. (a) Anything elsewhere in this lease to the contrary notwithstanding, this lease may be cancelled by Owner by the sending of a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant as the debtor; or (2) the making by Tenant of an assignment or any other arrangement for the benefit of creditors under any sate statute. Neither Tenant nor any person claiming through or under Tenant, or by reason of any statute or order of court, shall thereafter be entitled to possession of the premises demised but shall forthwith quit and surrender the premises. If this lease shall be assigned in accordance with its terms, the provisions of this Article 16 shall be applicable only to the party then owning Tenant's interest

in this lease.

(b) It is stipulated and agreed that in the event of the termination of this lease pursuant to (a) hereof, Owner shall forthwith, notwithstanding any other provisions of this lease to the contrary, be entitled to recover from Tenant as and for liquidated damages an amount equal to the difference between the rent reserved hereunder for the unexpired portion of the term demised and the fair and reasonable rental value of the demised premises for the same period, In the computation of such damages the difference between any installment of rent becoming due hereunder after the date of termination and the fair and reasonable rental value of the demised premises for the period for which such installment was payable shall be discounted to the date of termination at the rate of four percent (4%) per annum. If such premises or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Owner to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount or the difference referred to above.

Default:

17. (1) If Tenant defaults in fulfilling any of the covenants of this lease other than the covenants for the payment of rent or additional rent; or if the demised premises become vacant or deserted; or if any execution or attachment shall be issued against Tenant or any of Tenant's property whereupon the demised premises shall be taken or occupied by someone other than Tenant; or if this lease be rejected under S 235 of Title 11 of the U.S. Code (bankruptcy code); or if Tenant shall fail to move into or take possession of the premises within fifteen (15) days after the commencement of the term of this lease, then, in any one or more of such events, upon Owner serving a written five (5) days notice upon Tenant specifying the nature of said default and upon the expiration of said five (5) days, if Tenant shall have failed to comply with or remedy such default, or if the said default or omission complained of shall be of a nature that the same cannot be completely cured or remedied within said five (5) day period, and if Tenant shall not have diligently commenced curing such default within such five (5) day period, and shall not thereafter with reasonable diligence and in good faith, proceed to remedy or cure such default, then Owner may serve a written three (3) days' notice of cancellation of this lease upon Tenant, and upon the expiration of said three (3) days this lease and the term thereunder shall end and expire as fully and completely as if the expiration of such three (3) day period were the day herein definitely fixed for the end and expiration of this lease and the term thereof and Tenant shall then quit and surrender the demised premises to Owner but Tenant shall remain liable as hereinafter provided.

(2) If the notice provided for in (1) hereof shall have been given, and the term shall expire as aforesaid; or if Tenant shall make default in the payment of the rent reserved herein or any item of additional rent herein mentioned or any part of either or in making any other payment herein required; then and in any of such events Owner may without notice, re-enter the demised premises either by force or otherwise, and dispossess Tenant by summary proceedings or otherwise, and the legal representative of Tenant of Tenant or other occupant of demises premises and remove their effects and hold the premises as if this lease had not been made, and Tenant hereby waives the service of notice of intention to re-enter or to institute legal proceedings to that end. If Tenant shall make default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease, Owner may cancel and terminate such renewal or extension agreement by written notice.

Remedies of Owner and Waiver of Redemption:

18. In case of any such default, re-entry, expiration and / or dispossess by summary proceedings or otherwise, (a) the rent shall become due thereupon and be paid up to the time of such re-entry, dispossess and / or expiration, (b) Owner may re-let the premises or any part or parts thereof, either in the name of Owner or otherwise, for a term or terms, which may at Owner's option be less than or exceed the period which would otherwise have constituted the balance of the term of this lease and may grant concessions or free rent or charge a higher rental than that in this lease, and / or (c) Tenant or the legal representatives of the Tenant shall also pay Owner as liquidated damages for the failure of Tenant to observe and perform said Tenant's covenants herein contained, any deficiency between the rent hereby reserved and / or covenanted to be paid and the net amount, if any, of the rents collected on account of the lease or leases of the demised premises for each month of the period which would otherwise have constituted the balance of the term of this lease. The failure of Owner to re-let the premises or any part or parts thereof shall not release or affect Tenant's liability for damages. In computing such liquidated damages there shall be added to the said deficiency such expenses as Owner may incur in connection

with re-letting. Any such liquidated damages shall be paid in monthly installments by Tenant on the rent day specified in this lease and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the rights of Owner to col-

lect the deficiency for any subsequent month by a similar proceeding. Owner, in putting the demised premises, and the making of such alterations, repairs, replacements and / or decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Owner shall in no event be liable in any way whatsoever for failure to re-let the demised premises, or in the event that the demised premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rents collected over the sums payable by Tenant to Owner hereunder. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Owner shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this lease of any particular remedy, shall not preclude Owner from any other remedy, in law or in equity. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Owner obtaining possession of demised premises, by reason of the violation by Tenant of any of the covenants and conditions of this lease, or otherwise.

Fees and Expenses:

19. If Tenant shall default in the observance or performance of any term or covenant on Tenant's part to be observed or performed under or by virtue of any of the terms or provisions in any article of this lease, then, unless otherwise provided elsewhere in this lease, Owner may immediately or at any time thereafter and without notice perform the obligation of Tenant thereunder. If Owner, in connection with the foregoing or in connection with any default by Tenant in the covenant to pay rent hereunder, makes any expenditures or incurs any obligations for the payment of money, including but not limited to attorney's fees, in instituting, prosecuting or defending any action or proceeding, then Tenant will reimburse Owner for such sums so paid or obligations incurred with interest and costs. The foregoing expenses incurred by reason of Tenant's default shall be deemed to be additional rent hereunder and shall be paid by Tenant to Owner within five (5) days of rendition of any bill or statement to Tenant therefore. If Tenant's lease term shall have expired at the time of making of such expenditures or incurring of such obligations, such sums shall be recoverable by Owner as damages.

Building Alterations & Management:

20. Owner shall have the right at any time without the same constituting an eviction and without incurring liability to Tenant therefore to change the arrangement and / or location of public entrances, passageways, doors, doorways, corridors, elevators, stairs, toilets or other public parts of the building and to change the name, number or designation by which the building may be known. There shall be no allowance to Tenant for diminution of rental value and no liability on the part of Owner by reason of inconvenience, annoyance or injury to business arising from Owner or other Tenants making any repairs in the building or any such alterations, additions and improvements. Furthermore, Tenant shall not have any claim against Owner by reason of Owner's imposition of such controls of the manner of access to the building by Tenant's social or business visitors as the Owner may deem necessary for the security of the building and its occupants.

No Representation by Owner:

21. Neither Owner nor Owner's agents have made any representations or promises with respect to the physical condition of the building, the land upon which it is erected or the demised premises, the rents, leases, expenses of operation or any other matter or thing affecting or related to the premises except as herein expressly set forth and no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this lease, Tenant has

inspected the building and the demised premises and is thoroughly acquainted with their condition and agrees to take the same "as is" and acknowledges that the taking of possession of the demised premises by Tenant shall be conclusive evidence that the said premises and the building of which the same form a part were in good and satisfactory condition at the time such possession was so taken, except as to latent defects. All understandings and agreements heretofore made between the parties hereto are merged in this contract, which alone fully and completely expresses the agreement between Owner and Tenant and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part, unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

End of Term:

22. Upon the expiration or other termination of the term of this lease, Tenant shall quit and surrender to Owner the demised premises, broom clean, in good order and condition, ordinary wear and damages which Tenant is not required to repair as provided elsewhere in this lease excepted, and Tenant shall remove all its property. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of this lease, If the last day of the term of this Lease or any renewal thereof, falls on Sunday, this lease shall expire at noon on the preceding Saturday unless it be a legal holiday in which case it shall expire at noon on the preceding business day.

Quiet Enjoyment:

23. Owner covenants and agrees with Tenant that upon Tenant paying the rent and additional rent and observing and performing all the terms, covenants and conditions, on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the premises hereby demised, subject, nevertheless, to the terms and conditions of this lease including, but not limited to, Article 31 hereof and to the ground leases, underlying leases and mortgages hereinbefore mentioned.

Failure to Give Possession:

24. If Owner is unable to give possession of the demised premises on the date of the commencement of the term hereof, because of the holding-over or retention of possession of any tenant, undertenant or occupants or if the demised premises are located in a building being constructed, because such building has not been sufficiently completed to make the premises ready for occupancy or because of the fact that a certificate of occupancy has not been procured or for any other reason, Owner shall not be subject to any liability for failure to give possession on said date and the validity of the lease shall not be impaired under such circumstances, nor shall the same be construed in any wise to extend the term of this lease, but the rent payable hereunder shall be abated (provided Tenant is not responsible for Owner's inability to obtain possession) until after Owner shall have given Tenant written notice that the premises are substantially ready for Tenant's occupancy. If permission is given to Tenant to enter into the possession of the demised premises or to occupy premises other than the demised premises prior to the date specified as the commencement of the term of this lease, Tenant covenants and agrees that such occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this lease, except as to the covenant to pay rent. The provisions of this article are intended to constitute "an express provision to the contrary" within the meaning of Section 223-a of the New York Real Property Law.

No Waiver:

25. The failure of Owner to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this lease or of any of the Rules or Regulations, set forth or hereafter adopted by Owner, shall not prevent a subsequent act which would have originally constituted a violation from having all the force and effect of an original violation. The receipt by owner of rent with knowledge of the breach and no provision of this lease shall be deemed to have been waived by Owner unless such waiver be in writing signed by Owner. No payment by Tenant or receipt by Owner of a lesser amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such rent or pursue any other remedy in this lease provided. No act or thing done by Owner or Owner's agents during the term hereby demised shall be deemed an acceptance of a surrender of said premises, and no agreement to accept such surrender shall be valid unless in writing signed by Owner. No employee or Owner or Owner's agent shall have any power to accept the keys of said premises prior to the termination of the lease and the delivery of keys to any such agent or employee shall not operate as a termination of the lease or a surrender of the premises.

Waiver of Trial by Jury:

26. It is mutually agreed by and between Owner and Tenant that the respective parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except for personal injury or property damage) on any matters whatsoever arising out of or in any way connected with this lease, the relationship of Owner and Tenant, Tenant's use of or occupancy of said premises, and any emergency statutory or any other statutory remedy. It is further mutually agreed that in the event Owner commences any summary proceeding for possession of the premises, Tenant will not interpose any counterclaim of whatever nature or description in any such proceeding including a counterclaim under Article 4.

Inability to Perform:

27. This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no wise be affected, impaired or excused because Owner is unable to fulfill any of its obligations under this lease or to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make, or is delayed in making any repair, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Owner is prevented or delayed from so doing by reason of strike or labor troubles or any cause whatsoever including, but not limited to, government preemption in connection with a National Emergency or by reason of any rule, order or regulation of any department or subdivision thereof of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.

Bills and notices:

28. Except as otherwise in this lease provided, a bill, statement, notice or communication which Owner may desire or be required to give to Tenant, shall be deemed sufficiently given or rendered if, in writing, delivered to Tenant personally or sent by registered or certified mail addressed to Tenant at the building of which the demises premises form a part or at the last known residence address or business address of Tenant or left at any of the aforesaid premises addressed to Tenant, and the time of the rendition of such bill or statement and of the giving of such notice or communication shall be

deemed to be the time when the same is delivered to Tenant, mailed, or left at the premises as herein provided. Any notice by Tenant to Owner must be served by registered or certified mail addressed to Owner at the address first hereinabove given or at such other address as Owner shall designate by written notice.

Services Provided by Owners:

29. As long as Tenant is not in default under any of the covenants of this lease, Owner shall provide: (a) necessary elevator facilities on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m. and have one elevator subject to call at all other times; (b) heat to the demised premises when and as required by law, on business days from 8 a.m. to 6 p.m. and on Saturdays from 8 a.m. to 1 p.m.; (c) water for ordinary lavatory purposes, but if Tenant uses or consumes water for any other purposes or in unusual quantities (of which fact Owner shall be the sole judge), Owner may install a water meter at Tenant's expense which Tenant shall thereafter maintain at Tenant's expense in good working order and repair to register such water consumption and Tenant shall pay for water consumed as shown on said meter as additional rent as and when bills are rendered; (d) cleaning service for the demised premised premises on business days at Owner's expense provided that the same are kept in order by Tenant. If, however, said premises are to be kept clean by Tenant, it shall be done at Tenant's sole expense, in a manner satisfactory to Owner and no one other than persons approved by Owner shall be permitted to enter said premises or the building of which they are a part for such purpose, Tenant shall pay Owner the cost of removal of any of Tenant's refuse and rubbish from the building; (e) if the demised premises are serviced by Owner's air conditioning / cooling and ventilation system, air conditioning / cooling will be furnished to tenant from May 15/th/ through September 30/th/ on business days (Mondays through Fridays, holidays excepted) from 8:00 a.m. to 6:00 p.m., and ventilation will be furnished on business days during the aforesaid hours except when air conditioning / cooling or ventilation for more extended hours or on Saturdays, Sundays or on holidays, as defined under Owner's contract with Operating Engineers Local 94-94A, Owner will furnish the same at Tenant's expense. RIDER to be added in respect to rates and conditions for such additional service; (f) Owner reserves the right to stop services of the heating, elevators, plumbing, air-conditioning, power systems or cleaning or other services, if any, when necessary by reason of accident or for repairs, alteration, replacements or improvements necessary or desirable in the judgment of Owner for as long as may be reasonably required by reason thereof. If the building of which the demised premises are a part supplies manually operated elevator service, Owner at any time may substitute automatic control elevator service and upon ten days' written notice to Tenant, proceed with alterations necessary therefore without in any wise affecting this lease or the obligation of Tenant hereunder. The same shall be done with a minimum of inconvenience to Tenant and Owner shall pursue the alteration with due diligence.

Captions:

30. The Captions are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this lease nor the intent of any provisions thereof.

Definitions:

31. The term "offices", wherever used in this lease, shall not be construed to mean premises used as a store or stores, for the sale or display, at anytime, of goods, wares or merchandise, of any kind, or as a restaurant, shop, booth,

bootblack or other stand, barber shop, or for other similar purposes or for manufacturing. The term "Owner" means a landlord or lessor, and as used in this lease means only the owner, or the mortgagee in possession, for the time being of the land and building (or the

owner of a lease of the building or of the land and building) of which the demised premises form a part, so that in the event of any sale or sales of said land and building or of said lease, or in the event of a lease of said building, or of the land and building, the said Owner shall be and hereby is entirely freed and relieved of all covenants and obligations of Owner hereunder, and it shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and the purchaser, at any such, or the said lessee of the building, or of the land and building, that the purchaser or the lessee of the building has assumed and agreed t carry out any and all covenants and obligations of Owner, hereunder. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning. The term "business days" as used in this lease shall exclude Saturdays (except such portion thereof as is covered by specific hours in Article 29 hereof), Sundays and all days observed by the State or Federal Government as legal holidays and those designated as holidays by the applicable building service union employees service contract or by the applicable Operating Engineers contract with respect to HVAC service.

Adjacent Excavation-Shoring:

32. If and excavation shall be made upon land adjacent to the demised premises, or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the demised premises for the purpose of doing such work as said person shall deem necessary to preserve the wall or the building of which demised premises form a part from injury or damage and to support the same by proper foundations without any claim for damages or indemnity against Owner, or diminution or abatement of rent.

Rules and Regulations:

33. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully, and comply strictly with, the Rules and Regulations and such other and further reasonable Rules and Regulations and such other and further reasonable Rules and Regulations as Owner or Owner's agents may from tome to time adopt. Notice of any additional rules or regulations shall be given in such manner as Owner may elect. In case Tenant disputes the reasonableness of any additional Rule or Regulation hereafter made or adopted by Owner or Owner's agents, the parties hereto agree to submit the question of the reasonableness of such Rule or Regulation for decision to the New York office of the American Arbitration Association, whose determination shall be final and conclusive upon the parties hereto. The right to dispute the reasonableness of any additional Rule or Regulation upon Tenant's part shall be deemed waived unless the same shall be asserted by service of a notice, in writing upon Owner within ten (10) days after the giving of notice thereof. Nothing in this lease contained shall be construed to impose upon Owner any duty or obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease, as against any other tenant and Owner shall not be liable to Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees.

Security:

34. Tenant has deposited with Owner the sum of $_____ as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this lease; it is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease; it is agreed that in the event Tenant defaults in respect of any of the terms, provisions and conditions of this lease, including, but not limited to, the payment of rent and additional rent, Owner may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any rent and additional rent or any other sum as to which Tenant is in default or for any

sum which Owner may expend or may be required to expend by reason of Tenant's default in respect of any of the terms, covenants and conditions of this lease, including but not limited to, any damages or deficiency in the re-letting of the premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Owner. In the event that Tenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this lease, the security shall be returned to Tenant after the date fixed as the end of the Lease and after delivery of entire possession of the demised premises to Owner. In the event of a sale of the land and building or leasing of the building, of which the demised premises form a part, Owner shall have the right to transfer the security to the vendee or lessee and Owner shall thereupon be released by Tenant from all liability for the return of such security; and Tenant agrees to look to the new Owner solely for the return of said security,

and it is agreed that the provisions hereof shall apply to every transfer or assignment made of the security to a new Owner. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Owner nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

Estoppel Certificate:

35. Tenant, at any time, and from time to time, upon at least 10 days' prior notice by Owner, shall execute, acknowledge and deliver to Owner, and / or to any other person, firm or corporation specified by Owner, a statement certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the dates to which the rent and additional rent have been paid, and stating whether or not there exists any default by Owner under this Lease, and, if so specifying each such default.

Successors and Assigns:

36. The covenants, conditions and agreements contained in this lease shall bind and inure to the benefit of Owner and Tenant and their respective heirs, distributes, executors, administrators, successors, and except as otherwise provided in this lease, their assigns.

IN WITNESS WHEREOF, Owner and Tenant have respectively signed and sealed this lease as of the day and year first above written.

RENAISSANCE 632 BROADWAY LLC.

Witness for Owner:

/s/

_____

By: Kenneth Fishel, Member

ELECTRIC FUEL CORPORATION

Witness for Tenant:

/s/ /s/ /s/

- ----------

IMPORTANT - PLEASE READ

RULES AND REGULATIONS ATTACHED TO AND MADE A PART OF THIS LEASE IN ACCORDANCE WITH ARTICLE 33

1. The sidewalks, entrances, driveways, passages, courts, elevators, vestibules, stairways, corridors or halls shall not be obstructed or encumbered by any Tenant or used for any purpose other than for ingress or egress from the demised premises and for delivery of merchandise and equipment in a prompt and efficient manner using elevators and passageways designated for such delivery by Owner. There shall not be used in any space, or in the public hall of the building, either by any Tenant or by jobbers or others in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and sideguards. If said premises are situated on the ground floor of the building, Tenant thereof shall further, at Tenant's expense, keep the sidewalk and curd in front of said premises clean and fee from ice, snow, dirt and rubbish.

2. The water and wash closets and plumbing fixtures shall not be used for any purposes other than those for which they were designed or constructed and no sweepings, rubbish, rags, acids or other substances shall be deposited therein, and the expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose clerks, agents, employees or visitors, shall have caused it.

3. No carpet, rug or other article shall be hung or shaken out of any window of the building; and no Tenant shall sweep or throw or permit to swept or thrown from the demised premises any dirt or other substances into any of the corridors or halls, elevators, or out of the doors or windows or stairways of the building and Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the demised premises, or permit or suffer the demised premises to be occupied or used in a manner offensive or objectionable to Owner or other occupants of the building by reason of noise, odors, and/or vibrations, or interfere in any way with other Tenants or those having business therein, nor shall any animals or birds by kept in or about the building. Smoking or carrying lighted cigars or cigarettes in the elevators of this building is prohibited.

4. No awnings or other projections shall be attached to the outside walls of the building without the written consent of the owner.

5. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any Tenant on any part of the outside of the demised premises or the building or on the inside of the demised premises if the same is visible from the outside of the premises without the prior written consent of Owner, except that the name of Tenant may appear on the entrance door of the premises. In the event of the violation of the foregoing by any Tenant, Owner may remove same without any liability, and may charge the expense incurred by such removal to Tenant or Tenants violating this rule. Interior signs on doors and directory tablet shall be inscribed, painted or affixed for each Tenant by Owner at the expense of such Tenant, and shall be of a size, color and style acceptable to Owner.

6. No Tenant shall mark, paint, drill into, or in any way deface any part of the demised premises or the building of which they form a part. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of Owner, and as Owner may direct. No Tenant shall lay linoleum, or other similar floor covering, so that the same shall come in direct contact with the floor of the demised premises, and, if linoleum or other similar floor covering is desired to be used an inter-

lining of the builder's deadening felt shall be first affixed to the floor, by a paste or other material, soluble in water, the use of cement or other similar adhesive material being expressly prohibited.

7. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by any Tenant, nor shall any changes be made in existing locks or mechanism thereof. Each Tenant must, upon the termination of his Tenancy, restore to Owner all keys of stores, offices and toilet rooms, either furnished to otherwise procured by, such Tenant, and in the event of the loss of any keys, so furnished, such Tenant shall pay to Owner the cost thereof.

8. Freight, furniture, business equipment, merchandise and bulky matter of any description shall be delivered to and removed from the premises only on the freight elevators and through the service entrances and corridors, and only during hours and in a manner approved by the Owner. Owner reserves the right to inspect all freight to be brought in to the building and to exclude from the building all freight which violated any of the Rules and Regulations of the lease or which these Rules and Regulations are a part.

9. Canvassing, soliciting and peddling in the building is prohibited and each Tenant shall cooperate to prevent the same.

10. Owner reserves the right to exclude from the building between the hours of 6 P.M. and 8 A.M. and at all hour on Sundays, and legal holidays all persons who do not present a pass to the building signed by Owner. Owner will furnish passes to persons for whom any Tenant requests same in writing. Each Tenant shall be responsible for all persons for whom he requests such pass and shall be liable to Owner for all acts of such persons.

11. Owner shall have the right to prohibit any advertising by any Tenant which in Owner's opinion, tends to impair the reputation of the building or its desirability as a building for offices, and upon written notice from Owner, Tenant shall refrain from or discontinue such advertising.

12. Tenant shall not bring or permit to be brought or kept in or on the demised premises, any inflammable, combustible or explosive fluid, material, chemical or substance, or cause or permit any odors to permeate in or emanate from the demised premises.

13. If the building contains central air conditioning and ventilation, Tenant agrees to keep all windows closed at all times and to abide by all rules and regulations issued by the Owner with respect to such services. If Tenant requires air conditioning or ventilation after the usual hours, Tenant shall give notice in writing to the building superintendent prior to 3:00 P.M. in the case of services required on week days, and prior to 3:00 P.M. on the day prior in the case of after hours service required on weekends or on holidays.

14. Tenant shall not move any safe, heavy machinery, heavy equipment, bulky matter, or fixtures into or out of the building without Owner's prior written consent. If such safe, machinery, equipment, bulky matter or fixtures requires special handling, all work in connection therewith shall comply with the Administrative Code of the City of New York and all other laws and regulations applicable thereto and shall be done during such hours as Owner may designate.

RIDER TO LEASE BETWEEN
RENAISSANCE 632 BROADWAY LLC
AND
ELECTRIC FUEL CORPORATION

DATED: December 5, 2000

36. The annual base rent during the term of the Lease Said sprinkler and water charge may be raised in shall be as set forth in the following table. In the event-the rate at which Landlord is charged addition, the tenant shall pay a monthly sprinkler for sprinkler and/or water service is raised. charge of $30.00 and a monthly water and sewer Any such raise shall be equal to the same charge of $70.00. percentage as Landlord's rate is raised. Landlord shall provide, at Tenant's request, evidence of such increased changes. The first month's rent, the first month's sprinkler charge and the security shall be paid on the signing of this Lease. Landlord represents that the demised premises are serviced by an operating sprinkler system.

Period	Monthly Installment	Annual Base Rent
12/01/00 - 11/30/2001	$12,840.00	$154,080.00
12/01/01 - 11/30/2002	$13,225.20	$158,702.40
12/01/02 - 11/30/2003	$13,621.96	$163,463.47
12/01/03 - 11/30/2004	$14,030.61	$168,367.37
12/01/04 - 11/30/2005	$14,451.53	$173,418.39

37. The Landlord agrees that the Tenant may occupy the demised premises free of base rent from the commencement date December 1, 2000 through December 31, 2000. The within rent concession shall apply to base rent, and shall include the sprinkler, water and sewer for a total of $12,940.00. Moreover, the concessions granted pursuant to this paragraph are intended to be amortized over the term of this Lease, notwithstanding the fact that they are realized by the Tenant at the inception of this Lease. In the event this Lease is terminated or possession surrendered before the expiration date as a result of Tenant's default hereunder, the full concession shall become immediately due and payable and a debt to be charged against the Tenant as additional rent or otherwise, along with any unamortized brokerage commission which has been paid by Landlord.

Therefore, at the date of execution of this Lease, the Tenant shall pay to Landlord, and Landlord acknowledges receipt of the following:

January 1, 2001 Rent.....	$12,840.00
January 1, 2001 Water and Sewer.....	$ 70.00
January 1, 2001 Sprinkler.....	$ 30.00
Proportionate share BID.....	$ 201.50
Security Deposit (last 4 months charges)..	$58,206.12
Total upon signing of Lease.....	$71,347.62

The security deposit will be held in an interest-bearing "lease security" account in HSBC Bank USA. Interest is to be paid annually to Tenant on or about March 30 of each year, less a one (1%) percent administrative fee to be retained by Landlord. Landlord reserves the right to change the bank in which the deposit is mentioned and shall notify Tenant of any such change. Landlord shall

not be required to obtain an interest rate above that normally given by the bank for ordinary lease security accounts.

Rent: Method of Payment: The rent is due, in the Landlord's office, on the First (1st) day of each and every month. On the First (1st) day of each month (or, if that is a non-business day, on the first business day thereafter), a messenger from the Landlord will pick up the rent from the Tenant's premises. Rent shall be paid in U.S. currency in good funds in cash or check drawn on a bank with an office in New York City.

Rent: Late Payment: Rent not received by the Landlord by 3:00 p.m. on the Seventh (7th) calendar day of each month shall be deemed in default. In addition, in the event the full rent is not received by the owner by the Seventh (7th) calendar day of each month, the Tenant shall pay a late charge equal to four (4%) percent of the outstanding balance of unpaid rent and/or additional rent due pursuant to this Lease.

In the event any check given by Tenant to Landlord is dishonored by Tenant's bank, for any reason, Tenant shall forthwith deliver a certified or bank check to Landlord in the amount of the dishonored check together with any applicable late payment charge, plus a charge of Twenty-five Dollars ($25), upon receipt of which Landlord will return the dishonored check to Tenant.

The charges herein set forth shall be deemed reimbursement to Landlord for expenses incurred and lost income which may result from such late payments and not as a penalty. The charges herein shall be in addition to and not in lieu of any other rights of Landlord granted by this Lease or by law.

38. (a) For the purpose of this Paragraph, it is agreed that the area occupied by Tenant under this Lease represents 3.35% percent of the total rentable area of the building, of which the demised premises are a part (hereinafter referred to as the building); that the "lease year" shall mean the twelve (12) month period commencing with the first day of the term and each twelve (12) month period thereafter; that the "Base" tax year for determining the increase in taxes and vault charges, shall be the tax year 2000/2001, the "Base" year for determining all charges in subparagraph (b) below shall be Calendar year 2000.

(b) In addition to all other rent charges payable by Tenant under this Lease, Tenant agrees to pay 3.35% percent of the amount of any increase in Landlord's expense on the building for real estate taxes, common vault charges and fuel charges imposed on the building (including the land thereunder) in any subsequent year over the amount of the fuel costs and taxes, common vault charges paid or required to be paid by Landlord for the Base tax year, by reason of any increase in the assessed valuation or an increase in the tax rate, or both, or by the levy, assessment or imposition of any new or additional real estate tax or assessment on the building and/or appurtenances (including the land thereunder) to the extent that same shall be in lieu of or in addition to any of aforesaid taxes or assessments upon or against said building and/or appurtenances (including the land thereunder) or by any increase in the vault charges. The Tenant agrees to pay the amount of any such increase within twenty (20) days following receipt of Landlord's bill for same. If any such increase shall be applicable to less than a full lease year, the increase shall be pro-rated. Landlord shall, at the time it sends Tenant a bill for the aforesaid tax increase, enclose a copy of the most recent fuel bill and the most recent tax and related bills from the City of New York and indicate how Landlord computes Tenant's share of any tax increase.

(c) In addition to the above, Tenant shall be responsible for Tenant's proportionate share 3.35% of any Business Improvement District Charge (B.I.D.) or tax imposed upon the building.

(d) In no event shall the annual rent stated in this Lease (exclusive of additional rent under this article) be reduced for any year below the amount specified therefor in paragraph 36 for such year.

39. If electric current is supplied by Landlord and is submetered to the Tenant who shall purchase same from Landlord or Landlord's agent at the same base rate which Landlord pays to Consolidated Edison Company (Rate #4) plus Twenty-five Percent (25%).

Landlord shall not be liable to Tenant for any loss or damage or expense which Tenant may sustain or incur if either the quantity or character of electric service is changed or is no longer available or suitable for Tenant's requirements as a result of causes beyond Landlord's reasonable control. Any riser or risers to supply Tenant's electrical requirements, upon written request of Tenant, and written approval of Landlord may be installed by Tenant, at the sole cost and expense of Tenant, if, in Landlord's sole reasonable judgment, the same are necessary and will not cause permanent damage or injury to the building or demised premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations, repairs or expense or interfere with or disturb other tenants or occupants. In addition to the installation of such riser or risers, Tenant will also at the sole cost and expense of Tenant, install all other equipment proper and necessary in connection therewith subject to the aforesaid terms and conditions. Tenant covenants and agrees that at all times its use of electrical current shall never exceed the capacity of existing feeders to the building or the risers or wiring installations.

Bills shall be rendered at such times as Landlord may elect. In the event that such bills are not paid within five (5) business days after they are rendered, Landlord may, after five (5) business days written notice to Tenant in accordance with paragraph 59, discontinue the service of electric current to the demised premises. Since Landlord is liable to Con Edison for payment of the bills even in the event Tenant defaults, Landlord's election to employ this remedy shall not be considered a breach of agreement and shall not entitle Tenant to any offset of rent.

Landlord may also discontinue the service of electric current to the demised premises without cause upon thirty (30) days written notice to Tenant, however, in such event, Landlord will continue to supply electric service until Tenant has had a reasonable time to obtain same directly from the Utility. In the event of discontinuance of electric service by the Landlord, as hereinabove provided, Landlord shall have the option to install a meter at its sole cost and expense and other appropriate wiring to insure that Tenant's electrical service is not interrupted. In such event Tenant shall not be released from any liability under this Lease. Such discontinuance shall not be deemed to be a

lessening of services within the meaning of any law, rule, or regulation now or hereafter enacted, promulgated or issued. In the event of such discontinuance, Tenant shall arrange to receive such service directly from said public utility corporation.

If any tax is imposed upon Landlord's receipt from the sale or resale of electrical energy or gas or telephone service to the Tenant by any Federal, State or Municipal Authority, Tenant covenants and agrees that, where permitted by law, Tenant's pro rata share of such taxes shall be passed on to, and included in the bill of, and paid by, Tenant to Landlord.

40. It is understood and agreed that this Lease may not be assigned nor may the demised premises be sub-leased without the Landlord's written consent. Furthermore, it is understood and agreed that, unless Tenant is a publicly-traded company, in the event Tenant sells, assigns, or transfers any ownership of any shares of its stock to any person or entity without the prior written consent of Landlord, whose consent shall not be unreasonably withheld and/or delayed, same shall be deemed an unauthorized assignment. However, it is understood and agreed that in the event Landlord consents to any such assignment, sublet or transfer same shall not diminish Tenant's obligation to perform all the terms, warranties, and covenants. Such assignment shall not relieve tenant of its obligations or duties hereunder.

Notwithstanding the above, at Landlord's option, where Tenant proposes to Sublet or Assign all of the Demised Premises, Landlord may elect to terminate this Lease in lieu of giving consent, whereupon all obligations of the parties shall terminate on all respects. Landlord, if it so elects, shall exercise this option within Twenty-One (21) days of receipt of a written request for permission to Sublet or Assign from the Tenant received in accordance with Paragraph 59 of this Lease. Tenant has no reciprocal option to Terminate. Upon such Termination, the provisions of this lease applicable to the end of the term shall be accelerated to the date the Tenant proposed such Sublet or Assignment were to be effective. In the event Landlord makes such election, Tenant shall remain fully responsible for all terms of this Lease until the accelerated Termination thereof. Tenant shall further be responsible for all unamortized brokerage commissions and rent concessions as per paragraph 37 in the event of any accelerated termination of this Lease pursuant to this paragraph.

In the event Tenant does sell, assign or transfer this Lease or sublet any part of the demised premises with Landlord's consent as hereinbefore provided for a sum in excess of the base rent as herein provided Landlord shall be entitled to receive one-half (1/2) of any such excess base rent, net of any expense which Tenant may incur in renting same, including, without limitation, brokerage commissions, legal fees and the cost of Tenant's leasehold improvements. Such excess shall be determined by dividing the rent (base and additional) paid by Tenant by the number of square feet of the demised premises in order to determine a rent per square foot. If the rent per square foot pursuant to the sublease or lease assignment exceeds the rent per square foot pursuant to this Lease less the aforementioned expenses, Landlord shall be entitled to one-half (1/2) of such excess.

In the event of an assignment to a subsidiary, parent, partner, affiliated company or other alter-ego of Tenant, Tenant shall remain liable for the performances of all obligations pursuant to this Lease. Any such assignment shall be permitted without Landlord's consent, except Landlord must be notified in advance of such assignment and such assignment shall not relieve either the Tenant or any Guarantor from its obligations hereunder.

Any other assignment must be done in strict compliance with this paragraph.

Under no circumstances shall the rent be below that which is reserved by this Lease.

41. Tenant shall, at its sole cost and expense, provide and keep in full force and effect for the benefit of Landlord and Tenant, a liability insurance policy (naming Landlord as additional insured) in the amount of One Million ($1,000,000) Dollars for any one loss - Said policy shall be in standard form written by good and solvent insurance companies reasonably satisfied to Landlord, protecting Landlord and Tenant against any and all liabilities due to or occasioned by negligence, occurrence, accident, or disaster on or about the demised premises.

42. All certificates of insurance shall be delivered to and left in the possession of Landlord prior to the commencement of this lease or the commencement of any work performed in or on the demised premises whichever date shall be earlier. Such insurance shall be reasonably satisfactory to Landlord and shall contain a clause requiring notification in writing by Certified Mail, Return Receipt Requested, on ten (10) business days notice to Landlord in the event of cancellation thereof for any reason whatsoever.

Said policies of insurance shall contain a provision waiving rights of subrogation as against Landlord.

43. It is understood that in the event an insurance company providing Landlord with insurance for the building in which the demised premises constitutes a part shall at any time after the commencement of this lease increase the annual premium for the amount of coverage then in place because of Tenant's manner of use of the demised premises, other then for office space, Tenant shall pay to Landlord as "Additional Rent", collectible in the same manner and method as Rent is collected hereunder, One Hundred (100%) Percent of such increase, due and payable on the first day of the first month subsequent to Landlord's notification to Tenant that Landlord has received notification of such increase. This paragraph shall not apply to changes in insurance rates due to the premises being occupied rather than vacant, but refers to any increases due to Tenant's activities or use of the premises.

44. Intentionally Omitted.

45. The Landlord will provide steam heat to the premises between October 15 and May 15 and from 7:00 a.m. to 6:00 p.m., Monday through Friday, when the outside temperature falls below 55F. On Saturday, Sunday, legal Holidays, and between the hours of 5:00 p.m. to 7:00 a.m., the Landlord will provide heat only if the outside temperature falls below 40F. In the event of a mechanical breakdown of the heating equipment, the owner shall not be responsible for any loss of income or damages sustained by the Tenant. The owner agrees to make prompt repairs to the heating equipment, provided same is within the owner's reasonable control.

The Tenant may install a supplementary heating system, which is capable of heating the entire demised premises when steam heat is not provided by the owner. The Tenant's use of the supplementary heat shall be at the sole option, control, and expense of the Tenant. The heating system shall be installed and operated in accordance with any and all governmental laws and regulations pertaining thereto. In the event the Tenant desires to use gas for said supplementary heating system, the Tenant will first obtain a "blue card" and Con Edison gas meter through the services of a licensed plumber.

In no respect is Landlord required to maintain the premises at a specified temperature and the Tenant agrees to accept such heat as is normally supplied in office buildings.

In no event shall the Landlord's failure to provide heat due to technical problems be a cause for offset, diminution or suspension of Tenant's rental obligations. In no respect is Landlord required to maintain the premises at a specified temperature.

46. In order to properly service and maintain the sprinkler system for the entire building, the Landlord must gain access to certain sprinkler valves within Tenant's premises. The Tenant shall permit reasonable access by Landlord's agents or employees to the valves during normal business

hours. Tenant agrees that nothing may be attached to or hung from any sprinkler pipes. Tenant expressly grants Landlord an easement to permit access as set forth above.

47. No services shall be provided by Landlord on legal holidays including, but not necessary limited to, New Years Day, Presidents Day, Thanksgiving, Labor Day, Columbus Day, Election Day, Independence Day, Memorial Day, Martin Luther King's Birthday and Christmas Day. Notwithstanding above tenant may use the premises and passenger elevator.

48. It is understood and agreed that any an all supplies, materials, services equipment, and labor required for any work performed by Tenant or performed by Landlord on Tenant's behalf to the demised premises shall be supplied by Tenant at Tenant's sole cost and expense, unless specifically excepted herein. Furthermore, it is understood and agreed that Tenant shall make no demands upon Landlord for the provision of any supplies, materials, services, equipment, or labor, nor shall Tenant request from Landlord any form of compensation for Tenant's expenditures, unless specifically provided for herein.

49. It is understood and agreed that any and all work done by Tenant to the demised premises shall be in accordance with all laws, regulations, and ordinances of all governmental or municipal agencies having jurisdiction therein.

50. Tenant, and it assigns, shall indemnify and hold Landlord harmless from and against all liabilities, obligations, damages, penalties, claims, costs, and expenses, including reasonable attorneys' fees paid, suffered, or incurred arising out of or from any occurrence, accident, or disaster in the demised premises, or in and about or adjacent to the exterior of the building in which the demised premises constitutes a part, causing injury or damage to any person, entity, or property, due to, any neglectful act or neglect of Tenant, its agents, servants, employees, customers, or visitors to comply with and

perform each and every requirement and provision of this lease on its part to be performed or due or claimed to be due to any use made by Tenant of the demised premises. The foregoing indemnity shall not apply to the extent that Landlord shall be determined to be contributorily negligent in respect of any occurrence, accident or disaster in or about the demised premises.

51. Tenant agrees to use its best efforts to maintain the demised premises free of any violations that may be imposed by the Department of Buildings and/or any other governmental or municipal agency having jurisdiction over the demised premises, arising out of Tenant's manner of use of the demised premises hereunder which affect Landlord's building.

52. It is understood and agreed that Tenant will only use the demised premises for General Office use and for no other purpose. Tenant acknowledges that any breach of the foregoing provision will cause Landlord substantial and irreparable harm and damage. In addition to all other remedies available to Landlord, it is understood and agreed that this Lease and the term hereof shall end, expire, and terminate in the event such breach is not cured within ten (10) business days after notice by Landlord to Tenant to cure said breach as served pursuant to paragraph 59 hereof. In the event such notice is given, Tenant hereby agrees to vacate and surrender the demised premises to Landlord forthwith. If tenant fails to do so landlord may seek an eviction by summary proceeding.

53. It is understood and agreed that in the event Tenant shall "Hold Over" and fail to deliver the demised premises to Landlord vacant and in "Broom Clean" condition at the expiration of this Lease, at the expiration of any extensions of this Lease, or at any time Landlord shall gain legal possession of the demised premises by reason of Court Order, Tenant's default, or for any other rea-

son whatsoever, such "Holding Over" shall not be deemed to extend the term or to renew this Lease, but such "Holding Over" thereafter shall continue upon the covenants and conditions herein set forth except that the charge for the use and occupancy of such "Holding Over" for each calendar month or part thereof (even if such part shall be a small fraction of a calendar month) shall be at the rate of 2 times the aggregate rent and additional rent payable hereunder during the last month of Tenant's legal occupancy, which total sum Tenant agrees to pay Landlord promptly upon demand, in full, without set-off or deduction. In the event Tenant shall fail to pay Landlord such charge for "Holding Over" promptly upon Landlord's demand, as provided for hereinabove, it is understood and agreed that Landlord shall be entitled to interest calculated at a daily periodic rate of .0411, an annual percentage rate of Fifteen (15%) percent. Neither the billing nor the collection of use and occupancy charges in the above amount shall be deemed a waiver of any right of Landlord to collect damages for Tenant's failure to vacate the demised premises after the expiration or sooner termination of this Lease. The foregoing shall survive the term of this Lease and any renewals or extensions thereof.

54. It is understood and agreed that the demised premises is used commercially and any refuse or garbage generated from such commercial establishment will not be removed by the New York City Department of Sanitation. Therefore, Tenant understands and agrees that Tenant shall, at its own sole cost and expense, hire a licensed garbage removal service to remove Tenant's garbage from the demised premises.

55. It is understood and agreed that Tenant, at Tenant's sole cost and expense, shall provide Landlord with complete access as is reasonable to the demised premises and every part within the demised premises, provided that Tenant shall receive reasonable advance notice thereof and that Landlord and its agents and employees and all such persons shall use their best efforts not to unreasonably interfere with the conduct of Tenant's business and Tenant's occupancy of the demised premises. Tenant's failure to comply with this provision shall be deemed a substantial breach of this Lease and sufficient grounds for the summary termination of this Lease. Landlord agrees that except in the event of an emergency requiring immediate entry, it will give Tenant reasonable notice if Landlord desires to inspect or otherwise gain access to the demised premises, provided that Tenant shall receive reasonable advance notice thereof and that Landlord and its agents and employees and all such persons shall use their best efforts not to unreasonably interfere with the conduct of Tenant's business and Tenant's occupancy of the demised premises.

Furthermore, in the event Tenant shall fail to provide Landlord with access as provided for hereinabove and in the event Landlord, in its sole and reasonable discretion, shall deem it necessary to enter the demised premises forcibly for any reason whatsoever, Landlord may forcibly enter the demised premises without any liability to Tenant in the event of any emergency and Landlord shall repair any damage caused by such forcible entry with whatever workmen and with whatever materials and in whatever manner Landlord, in its reasonable discretion, may deem advisable provided such repairs are done in a workmen like manner. Landlord shall use reasonable efforts not to damage the demised premises and the property of Tenant located therein provided that Tenant shall receive reasonable advance notice thereof and that Landlord and its agents

and employees and all such persons shall use their best efforts not to unreasonably interfere with the conduct of Tenant's business and Tenant's occupancy of the demised premises.

56. Tenant has inspected the premises and it is understood and agreed that except as otherwise provided in this Lease, Tenant will accept the said premises under this Lease, "AS IS" vacant and broom clean, in their present state and condition, and Landlord will have no obligations to

undertake any alterations, decoration, installments, additions, improvements, or repairs except as herein contained in or to the demised premises during the term of this Lease.

Notwithstanding the above Landlord agrees to do the following work:

a) Space is accepted "as is".

Tenant's work:

a) Tenant is not under any obligation to do any interior improvements, however, if it does desire to do interior improvements or renovations. Tenant agrees to submit a plan to Landlord for Landlord's prior approval. Plans must be filed with the NYC Dept. of Buildings prior to commencement of construction, in accordance with the Tenant's obligation under this Lease.

b) Tenant assumes all responsibility for maintenance and repair of the interior modular furniture system which is currently in the premises. During the term hereof, and any extension of the term or any period of holding over Tenant shall be responsible to take good care of the system, which shall remain the property of the Landlord and shall be delivered, at the end of the term, in good condition, reasonable wear and tear excepted. Tenant takes possession of the system in its "as is" condition and Landlord is not required to make any changes, repairs or improvements thereto.

c) Tenant is responsible for maintaining an annual service contract with a reputable HVAC company for the air conditioner.

All work to be done in accordance with New York City Building Regulations and Code.

Landlord represents that it has no knowledge of any pending violations or hazardous wastes at the premises.

57. Tenant hereby expressly grants to Landlord an easement and shall permit Landlord to erect, use, maintain and repair pipes, ducts, cables, conduits, plumbing, vents and wires in, to and through the premises as and to the extent that Landlord may now or hereafter deem to be necessary or appropriate for the proper operation and maintenance of the building in which the demised premises are located or to the extent necessary to accommodate the requirements of other Tenants in the building. All such work shall be done, so far as practicable, in such manner as to avoid unreasonable interference with Tenant's use of the premises. Landlord shall grant Tenant access to the plumbing and electrical systems in the building to the extent that it can so as to allow the hookup of the Tenant's plumbing and electrical installations.

58. The parties represent that no broker was instrumental in consummating this Lease except for Norman Bobrow & Co. Inc., and Tarter/Stats Realty. Landlord and Tenant each agree to indemnify and to hold the other harmless against any claims for brokerage commissions arising out of any conversations or negotiations had by the indemnifying party with any broker regarding these premises. This indemnity shall include any claim and any of the indemnified party's expenses arising out of such claims, including, but not limited to, attorneys' fees.

59. Notwithstanding any provision to the contrary, all notices required to be sent under this lease shall be sent by Certified Mail, Return Receipt Requested. If to the Tenant, the notice shall be addressed to the Tenant at the demised premises with a copy by fax only or overnight carrier to Yakov Har-oz, Adv., General Counsel, Electric Fuel Corporation, Western Industrial Park, P.O. Box

641, Beit Shemesh, Israel, Fax #011-972-2-9906688. If to the Landlord, the notice shall be addressed to the Landlord at 627 Broadway, New York, New York with a copy to Richard J. Pilson, Esq., c/o Berliner & Pilson, Esqs., 3 New York Plaza, 18th Floor, New York, New York 10004, Fax no. (212) 425-6444. Either the Landlord or the Tenant may designate another address for notices by sending the other party a notice of same. All notices shall be effective as of the date mailed, if mailed from a Post Office with proof of mailing.

60. In the event of any conflict between the provisions of this rider and the printed "Boilerplate" Lease, the provisions of this rider shall prevail.

61. The failure of any party to insist upon the strict performance of a party to exercise any right, option or remedy hereby reserved shall not be construed as a waiver for the future of any such provision, right, option or remedy or as a waiver of a subsequent breach hereof. The consent or approval by the Landlord of any act by Tenant requiring the Landlord's consent or approval shall not be construed to waiver or render unnecessary the requirement for the Landlord's consent or approval of any subsequent similar act by the Tenant. The receipt and acceptance by the Landlord of rent or other payments, charges or sums with knowledge of a breach of any provision of this Lease Agreement shall not be deemed a waiver of such breach. No provision of this Lease Agreement shall be deemed to have been waived unless such waiver shall be in writing signed by the party to be charged. No payment by the Tenant or receipt by the Landlord of a lesser amount than the rents, charges and other sums hereby reserved shall be deemed to be other than on account of the earliest rents, additional rents due hereunder, charges and other sums then unpaid, nor shall any endorsement or statement on any check or any letter accompanying any check or payment by Tenant be deemed an accord and satisfaction, and such rents, charges and other sums shall remain due and Landlord may pursue any other remedy in this Lease Agreement provided or by law permitted, and no waiver by Landlord in favor of any other Tenant or occupant shall constitute a waiver in favor of the Tenant herein. No agreement to accept a surrender of all or any part of demised premises or this Lease Agreement shall be valid unless in writing and signed by the Landlord and the Tenant. No delivery of keys shall operate as a termination of this Lease Agreement or a surrender of the demised premises.

62. Tenant agrees not to use or permit the demised premises to be used for parties of any kind, except office parties, nor to permit the maintenance of any pets or permit the demised premises to be used as residential space or living quarters.

63. Tenant may install only such locks on the demised premises as are approved by law, rule or ordinance for premises of the type designated in the use clause of this lease and further agrees to see to it that all fire exits remain unobstructed at all times. Tenant further agrees to enforce all laws, rules or ordinances regulating permitted smoking areas in the demised premises. Tenant shall be responsible for installation and the cost and expense of all locks and security devices (i.e. alarms, etc.), and the maintenance thereof. Landlord is not responsible for any damage or loss to tenant by theft, vandalism, etc. Tenant shall further be responsible to lock the elevator security doors on the Third Floor and the elevator key switch in the lobby whenever it is the last tenant to leave the floor at the end of the day.

Tenant shall provide adequate fire extinguishers which shall be regularly inspected at its sole cost and expense.

64. Landlord shall provide, at no cost to Tenant, two (2) keys to the passenger elevator. Additional elevator keys are available, but there shall be a fifteen ($15) dollar deposit for each extra

key. In addition, Landlord shall give Tenant two (2) listings on the building directory without charge. Up to two (2) additional listings may be had at Twenty-Five ($25) Dollars per line.

65. Landlord and Tenant agree to give up the right to a trial by jury in any court action, proceeding or counterclaim on any matters concerning this Lease, the relationship of Tenant and Landlord or Tenant's use or occupancy of the demised premises.

66. Tenant shall and hereby does waive its right and agrees not to interpose any counterclaim or set off, of whatever nature or description, in any proceeding or action that may be instituted by Landlord against Tenant to recover rent, additional rent, other charges, possession, or for damages, or in connection with any matters or claims whatsoever arising out of or in any way connected with this Lease, or any renewal, extension, holdover, or modification thereof, or the relationship of Landlord and Tenant, or Tenant's use of occupancy of said premises. This clause, as well as the "waiver of jury trial" provision of this Lease, shall survive the expiration, early termination, or cancellation of this Lease or the term thereof. Nothing herein contained, however, shall be construed as a waiver of Tenant's right to commence a separate action on a bona fide claim against Landlord.

67. Notwithstanding anything to the contrary in this lease it is agreed that any demand for rent may be made orally and no written notice of any kind shall be necessary as a condition precedent to commencement of a non-payment petition:

68. In any action or proceeding brought by Landlord for non-payment of rent, additional rent and/or holdover, Landlord shall if it is the prevailing party either by court decision or settlement, be entitled to recover the reasonable legal fees incurred in the prosecution or defense of such action or proceeding.

69. Tenant waives his right to bring any declaratory judgment or action with respect to any provision of this Lease or with respect to any notice sent pursuant to the provisions of this Lease, and expressly agrees not to seek any injunctive relief which would stay, extend or toll any of the time limitations of or provisions of this Lease, or any notice sent pursuant thereto. Any breach of this paragraph shall constitute a breach of a substantial obligation of this tenancy and shall be grounds for immediate termination of this Lease.

In the event Landlord shall default in any obligations of this Lease, the Tenant's right of action under the terms of this Lease shall be limited to an action for specific performance and Landlord shall not be liable to Tenant for any damages arising from said breach.

RENAISSANCE 632 BROADWAY LLC,

Landlord,

By: /s/ Kenneth Fishel 12/5/2000

Kenneth Fishel, Managing Member

ELECTRIC FUEL CORPORATION,
Tenant,

By: /s/ Yehuda Harats /s/ Robert S. Ehrlich

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-81044, 333-19753 and 333-74197) (pertaining to the 1991 Employee Option Plan, 1993 Employee Option Plan, 1998 Employee Option Plan and 1995 Non-Employee Option Plan) and Form S-3 (Nos. 333-95361, 333-45818, 333-33986, and 333-49628) of our report dated January 18, 2001 with respect to the consolidated financial statements of Electric Fuel Corporation for the two years ended December 31, 2000 included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Kost Forer & Gabbay

Kost Forer & Gabbay
A Member of Ernst & Young International

Tel-Aviv, Israel
March 27, 2001

Exhibit 23.2

Consent of Independent Auditors

We hereby consent to the incorporation by reference in Electric Fuel Corporation's Registration Statements on Form S-8 (Nos. 33-81044, 333-19753 and 333-74197) and Form S-3 (Nos. 333-95361, 333-45818, 333-33986, and 333-49628) of our report dated February 26, 1999 relating to the financial statements for the three year period ended December 31, 1998, which report appears in the December 31, 1998 Annual Report on Form 10-K of Electric Fuel Corporation, and to the reference to us under the heading "Experts" in the Prospectuses included in Registration Statement Nos. 33-81044, 333-19753, 333-74197, 333-95361, 333-45818, 333-33986, and 333-49628.

/s/ Kesselman & Kesselman

Kesselman & Kesselman
Certified Public Accountants (Israel)

Jerusalem, Israel
March 22, 2001

IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Report and presented elsewhere by management from time to time.

We have had a history of losses and may incur future losses.

We were incorporated in 1990 and began our operations in 1991. We have funded our operations principally from funds raised in each of the initial public offering of our common stock in February 1994, the offering of our common stock in February 1996, a private placement of our common stock in October 1996, and recent private placements of our common stock in December 1999, January 2000, May 2000 and November 2000; funds from licensing arrangements; research contracts and supply contracts; funds received under research and development grants from the Government of Israel; and sales of Instant Power batteries, Instant Power chargers, and lifejacket lights. We incurred significant operating losses for the years ended December 31, 1996, 1997, 1998, 1999 and 2000, and expect to continue to incur significant operating losses in 2001. These losses may increase as we expand our research and development activities and establish production facilities, and these losses may fluctuate from quarter to quarter. There can be no assurance that we will ever achieve profitability or that our business will continue to exist.

We need significant amounts of capital to operate and grow our business.

We require substantial funds to conduct the necessary research, development and testing of our products; to establish commercial scale manufacturing facilities; and to market our products. In order to satisfy existing orders of batteries in commercial quantities, we need to implement our automated production line and, in the future, may need to upgrade or expand our automated production line to satisfy future orders. We plan to expand both sales and production activities, which will require additional funding. We continue to seek additional funding, including through the issuance of equity or debt securities. However, there can be no assurance that we will obtain any such additional financing in a timely manner and on acceptable terms. If additional funds are raised by issuing equity securities, stockholders may incur further dilution. If additional funding is not secured, we will have to modify, reduce, defer or eliminate parts of our anticipated future commitments and/or programs.

We cannot assure you of market acceptance of our products.

In 2000, we began commercial deliveries of our cell phone battery and charger products. However, our battery and charger for cell phones have not yet been widely accepted by the consumer products market for this application. Furthermore, while we have developed batteries and chargers for several models of cell phones and PDAs, we do not have such products for many models. We cannot assure you that the Electric Fuel cell phone battery or charger will be competitive either in terms of price or performance or that we will be able to sell our cell phone batteries or chargers in commercial quantities. While we have successfully marketed our products to retailers such as Wal-Mart, certain of our customers have indicated to us in response to slower than anticipated initial sales results that we would benefit from educating consumers as to the advantages of disposable batteries and chargers for cellphones and PDAs.

Other than our cell phone battery and charger and a signal light powered by water-activated batteries for use in life jackets and other rescue apparatus, we currently have no commercial products available for sale. While we expect to increase production of our cell phone batteries and chargers to commercial levels in 2001, significant resources will be required to develop our capacity to produce cell phone batteries and chargers on a commercial scale. Additional development will also be neces-

sary in order to commercialize our technology and each of the components of the Electric Fuel System for electric vehicles and defense products. We cannot assure you that we will be able to successfully develop, engineer or commercialize our products, technology or system components, or that we will be able to develop products for commercial sale or that, if developed, they can be produced in commercial quantities or at acceptable costs or be successfully marketed. The likelihood of our future success must be considered in light of the risks, expenses, difficulties and delays frequently encountered in connection with the operation and development of a relatively early stage business and with development activities generally.

We believe that public pressure and government initiatives are important factors in creating an electric vehicle market. However, there can be no assurance that there will be sufficient public pressure or that further legislation or other governmental initiatives will be enacted, or that current

legislation will not be repealed, amended, or have its implementation delayed. In addition, we are subject to the risk that even if an electric fuel vehicle market develops, a different form of zero emission or low emission vehicle will dominate the market. In addition, we cannot assure you that other solutions to the problem of containing emissions created by internal combustion engines will not be invented, developed and produced. Any other solution could achieve greater market acceptance than electric vehicles. The failure of a significant market for electric vehicles to develop would have a material adverse effect on our ability to commercialize this aspect of our technology. Even if a significant market for electric vehicles develops, there can be no assurance that our technology will be commercially competitive within that market.

We will need to develop the experience to manufacture our products in commercial quantities and at competitive prices.

We currently have limited experience in manufacturing in commercial quantities and have, to date, produced only limited quantities of components of the batteries for electric vehicles. In order for us to be successful in the commercial market, our products must be manufactured to meet high quality standards in commercial quantities at competitive prices. The development of the necessary manufacturing technology and processes will require extensive lead times and the commitment of significant amounts of financial and engineering resources, which may not be available to us. We cannot assure you that we will successfully develop this technology or these processes. Moreover, we cannot assure you that we will be able to successfully implement the quality control measures necessary for commercial manufacturing.

The price of our common stock is volatile.

The market price of our common stock has been volatile in the past and may change rapidly in the future. The following factors, among others, may cause significant volatility in our stock price:

. Announcements by us, our competitors or our customers;

. The introduction of new or enhanced products and services by us or our competitors;

. Changes in the perceived ability to commercialize our technology compared to that of our competitors;

. Rumors relating to our competitors or us;

. Actual or anticipated fluctuations in our operating results; and

. General market or economic conditions.

Our field of business is highly competitive.

The competition to develop consumer batteries, defense and safety products and electric vehicle battery systems, and to obtain funding for the development of these products is, and is expected to remain, intense. Our technology competes with other battery technologies, as well as other zinc-air technologies. The competition consists of development stage companies, major international companies and consortia of such companies, including battery manufacturers, automobile manufacturers, energy production and transportation companies, consumer goods companies and defense contractors, many of which have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours.

Various battery technologies are being considered for use in electric vehicles, consumer batteries and defense and safety products by other manufacturers and developers, including the following: lead-acid, nickel-cadmium, nickel-iron, nickel-zinc, nickel-metal hydride, sodium-sulfur, sodium-nickel chloride, zinc-bromine, lithium-ion, lithium-polymer, lithium-iron sulfide, primary lithium, rechargeable alkaline and zinc-air. Additionally, some manufacturers of primary alkaline batteries offer alkaline battery packs for cell phone users.

Some of the components of our technology and our products pose potential safety risks which could create potential liability exposure for us.

Some of the components of our technology contain elements that are known to pose potential safety risks. Also, because electric vehicle batteries contain large amounts of electrical energy, they may cause injuries if not handled properly. In addition to these risks, and although we incorporate safety procedures in our research, development and manufacturing processes, there can be no assurance that accidents in our facilities will not occur. Any accident, whether occasioned by the use of all or any part of our products or technology or by our manufacturing operations, could adversely affect commercial acceptance of our products and could result in significant production delays or claims for damages resulting from injuries. Any of these occurrences would materially

adversely affect our operations and financial condition.

Failure to receive required permits from or to comply with the various regulatory regimes we are subject to could adversely affect our business.

Regulations in Europe, Israel, the United States and other countries impose various controls and requirements relating to various components of our technology. While we believe that our current and contemplated operations conform to those regulations we cannot assure you that we will not be found to be in non-compliance. We have applied for, and received, the necessary permits under the Israel Dangerous Substances Law, 5753-1993, required for the use of potassium hydroxide and zinc metal. However, there can be no assurance that changes in regulations will not impose costly compliance requirements on us or otherwise subject us to future liabilities.

Our business is dependent on patents and proprietary rights that may be difficult to protect and could affect our ability to compete effectively.

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technology and manufacturing processes through a combination of patent and trade secret protection, non-disclosure agreements and licensing arrangements. We hold patents, or patent applications, covering elements of our technology in the United States and in Europe. In addition, we have

patent applications pending in the United States and in foreign countries, including the European Community, Israel and Japan. We intend to continue to file patent applications covering important features of our technology. We cannot assure you, however, that patents will issue from any of these pending applications or, if patents issue, that the claims allowed will be sufficiently broad to protect our technology. In addition, we cannot assure you that any of our patents will not be challenged or invalidated or that any of our issued patents will afford protection against a competitor.

Litigation, or participation in administrative proceedings, may be necessary to protect our patent position. This type of litigation can be costly and time consuming, and this could harm us even if we were to be successful in the litigation. The invalidation of patents owned by or licensed to us could have a material adverse effect on our business. In addition, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States. Therefore, there can be no assurance that foreign patent applications related to patents issued in the United States will be granted. Furthermore, even if these patent applications are granted, some foreign countries provide significantly less patent protection than the United States. In the absence of patent protection, and despite our reliance upon our proprietary confidential information, our competitors may be able to use innovations similar to those used by us to design and manufacture products directly competitive with our products. In addition, no assurance can be given that others will not obtain patents that we will need to license or design around. To the extent any of our products are covered by third-party patents, we could require a license under such patents to develop and market our patents.

Despite our efforts to safeguard and maintain our proprietary rights, we may not be successful in doing so. In addition, competition is intense, and there can be no assurance that our competitors will not independently develop or patent technologies that are substantially equivalent or superior to our technology. Moreover, in the event of patent litigation, we cannot assure you that a court would determine that we were the first creator of inventions covered by our issued patents or pending patent applications or that we were the first to file patent applications for those inventions. If existing or future third-party patents containing broad claims were upheld by the courts or if we were found to infringe third party patents, we may not be able to obtain the required licenses from the holders of such patents on acceptable terms, if at all. Failure to obtain these licenses could cause delays in the introduction of our products or necessitate costly attempts to design around such patents, or could foreclose the development, manufacture or sale of our products. We could also incur substantial costs in defending ourselves in patent infringement suits brought by others and in prosecuting patent infringement suits against infringers.

We also rely on trade secrets and proprietary know-how that we seek to protect, in part, through non-disclosure and confidentiality agreements with our customers, employees, consultants, strategic partners and potential strategic partners. We cannot assure you that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently developed by competitors.

We are dependent on key personnel and our business would suffer if we fail to retain them.

We are highly dependent on certain members of our management and engineering staff, and the loss of the services of one or more of these persons

could adversely affect us. We are especially dependent on the services of our President and Chief Executive Officer, Yehuda Harats, and our Chairman of the Board of Directors and Chief Financial Officer, Robert S. Ehrlich. The loss of either of these persons could have a material adverse effect on us. We are party to employment agreements

with Messrs. Harats and Ehrlich, each of which agreements expires in 2002, with an option on our part to extend to 2003. We do not have key-man life insurance.

We are subject to significant influence by some stockholders that may have the effect of delaying or preventing a change in control.

As of February 28, 2001, our directors, executive officers and principal stockholders and their affiliates collectively owned approximately 35% of the outstanding shares of our common stock. As a result, these stockholders are able to exercise significant influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or prevent a change in control.

If we are unable to manage our growth, our operating results will be impaired.

We are currently experiencing a period of development activity which could place a significant strain on our personnel and resources. Our activity has resulted in increased levels of responsibility for both existing and new management personnel. Many of our management personnel have had limited or no experience in managing growing companies. We have sought to manage our current and anticipated growth through the recruitment of additional management and technical personnel and the implementation of internal systems and controls. However, our failure to manage growth effectively could adversely affect our results of operations.

We may be subject to increased United States taxation.

We believe that EFC and EFL will be treated as personal holding companies for purposes of the personal holding company (PHC) rules of the Internal Revenue Code of 1986. Under the PHC rules, a PHC is subject to a special 39.6% tax on its "undistributed PHC income", in addition to regular income tax. We believe that EFC and EFL have not had any material undistributed PHC income. However, no assurance can be given that EFC and EFL will not have undistributed PHC income in the future.

Approximately 25.8% of the stock of EFL was owned (directly or indirectly by application of certain attribution rules) as of February 28, 2001 by two United States citizens. If 50% of our shares is ever acquired or deemed to be acquired by five or fewer individuals (including, if applicable, those individuals who currently own an aggregate of 25.8% of our shares) 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 we could be subject to additional U.S. taxes (including PHC tax) on any "undistributed FPHC income" of EFL. We believe that EFL has not had any material undistributed FPHC income. However, no assurance can be given that EFL will not become a FPHC and have undistributed FPHC income in the future.

A significant portion of our operations takes place in Israel.

The offices and facilities of our principal subsidiary are located in Israel. Although we expect that most of our sales will be made to customers outside Israel, we are nonetheless directly affected by economic, political and military conditions in that country. Accordingly, any major hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could have a material adverse effect on our operations. Since the establishment of the State of Israel in 1948, a state of hostility has existed, varying in degree and intensity, between Israel and the Arab countries. Historically, Arab states have boycotted any direct trade with Israel and to varying

degrees have imposed a secondary boycott on any company carrying on trade with or doing business in Israel. Although in October 1994, the states comprising the Gulf Cooperation Council (Saudi Arabia, the United Arab Emirates, Kuwait, Dubai, Bahrain and Oman) announced that they would no longer adhere to the secondary boycott against Israel, and Israel has entered into certain agreements with Egypt, Jordan, the Palestine Liberation Organization and the Palestinian Authority, no prediction can be made as to whether a full resolution of these problems will be achieved or as to the nature of any such resolution.

Many of our employees are currently obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called for active military duty at any time. No assessment can be made of the full impact of such

requirements on us in the future, particularly if emergency circumstances occur, and no prediction can be made as to the effect on the Company of any expansion of these obligations.

Any failure to obtain the tax benefits from the State of Israel that we expect to receive could negatively impact our plans and prospects.

We benefit from various Israeli government programs, grants and tax benefits, particularly as a result of the "approved enterprise" status of a substantial portion of our existing facilities and the receipt of grants from the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade. To be eligible for some of these programs, grants and tax benefits, we must continue to meet certain conditions, including producing in Israel and making specified investments in fixed assets. If we fail to meet such conditions in the future, we could be required to refund grants already received, adjusted for inflation and interest. From time to time, the government of Israel has discussed reducing or eliminating the benefits available under approved enterprise programs. We cannot assure you that these programs and tax benefits will be continued in the future at their current levels or at all. The Government of Israel has announced that programs receiving approved enterprise status in 1996 and thereafter will be entitled to a lower level of government grants than was previously available. The termination or reduction of certain programs and tax benefits (particularly benefits available to us as a result of the approved enterprise status of a substantial portion of our existing facilities and approved programs and as a recipient of grants from the office of the Chief Scientist) could have a material adverse effect on our business, results of operations and financial condition. In addition, our Israeli subsidiary has granted a floating charge over all of its assets as a security to the State of Israel to secure its obligations under the approved enterprise programs.

Exchange rate fluctuations between the dollar and the NIS may negatively affect our earnings.

Although a substantial majority of our revenues and a substantial portion of our expenses are denominated in U.S. dollars, a significant portion of our costs, including personnel and facilities-related expenses, is incurred in New Israeli Shekels (NIS). Inflation in Israel will have the effect of increasing the dollar cost of our operations in Israel, unless it is offset on a timely basis by a devaluation of the NIS relative to the dollar.