

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):

February 10, 2005

ULTRALIFE BATTERIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

0-20852

(Commission File Number)

16-1387013

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

2000 Technology Parkway, Newark, New York

(Address of principal executive offices)

14513

(Zip Code)

(315) 332-7100

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On February 10, 2005, Ultralife Batteries, Inc. (the "Company") reported results for the fourth quarter and full year periods ended December 31, 2004. The Company's press release is attached as Exhibit 99.1. The information set forth in this Report on Form 8-K, including the attached exhibit, is being furnished and not filed pursuant to Item 2.02.

Item 9.01. Financial Statements, Pro Forma Financials and Exhibits.

(a) Financial Statements of Business Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits.

99.1 Press Release dated February 10, 2005

SIGNATURE

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

ULTRALIFE BATTERIES, INC.

Dated: February 10, 2005

By: /s/ Robert W. Fishback

Vice President of Finance & CFO

INDEX TO EXHIBITS

(99) Additional Exhibits

99.1 Press Release dated February 10, 2005.

Ultralife Batteries, Inc. Reports Fourth Quarter Results

NEWARK, N.Y.--(BUSINESS WIRE)--Feb. 10, 2005--Ultralife Batteries, Inc. (NASDAQ:ULBI) today reported results for the fourth quarter and full year periods ended December 31, 2004. Revenues for the quarter were \$18.4 million compared to \$24.0 million for the prior year quarter. As a percentage of revenues, gross margins were 11% compared to 22% in the same quarter last year due mainly to reduced production volumes.

During the fourth quarter of 2004, the company recorded a non-cash impairment charge of \$1.8 million related to polymer rechargeable production equipment, owned and leased, that it no longer expects to utilize. Excluding this charge, operating expenses were \$3.7 million, a \$0.7 million increase over last year's fourth quarter, attributable to a greater focus on the development of new products and additional selling, general and administrative resources needed to support the company's growth objectives. Operating loss for the quarter, which includes the \$1.8 million impairment charge, was \$3.4 million versus operating income of \$2.3 million for the same period last year.

Given its move to profitability over the past two years, the company recorded a deferred tax asset at the end of 2004 associated with its U.S. net operating loss carryforwards due to the belief that the company has a reasonable probability of utilizing these benefits to offset future taxable income. As a result, the company recorded an income tax benefit during the fourth quarter of \$21.1 million, which had a nominal impact on cash flows.

Net income for the fourth quarter of 2004 was \$18.1 million, or \$1.20 per diluted share. This compares with net income of \$2.2 million, or \$0.15 per diluted share, in the similar quarter in 2003.

For the full year ended December 31, 2004, revenues reached \$98.2 million, a 24% increase over the \$79.5 million reported in 2003. The year-over-year improvement was driven by an increase in military sales, primarily higher shipments of BA-5390s, as well as a five-fold increase in rechargeable revenues that reached \$8.1 million. Operating income for 2004 amounted to \$5.1 million, including the \$1.8 million impairment charge taken in the fourth quarter. Net income for the twelve-month period of 2004 was \$22.3 million, or \$1.48 per diluted share, and included a \$4.0 million second quarter non-cash charge related to the company's investment in Ultralife Taiwan, Inc., as well as a \$21.1 million income tax benefit related to the recognition of a deferred tax asset. In 2003, the company reported operating income of \$6.0 million and net income of \$6.4 million, or \$0.46 per diluted share.

"Fourth quarter results were close to our expectations. We are particularly pleased with the progress of our rechargeable business which performed especially well, breaking even on a gross margin basis in the quarter and for the year producing revenue in excess of our \$7 million goal," said John Kavazanjian, president and chief executive officer.

"Demand from the military for high-performance batteries in the field and for training remains quite high, particularly for our BA-5390 batteries, and we remain confident that this will continue to be a strong business for Ultralife in 2005," Kavazanjian added. "In addition, 2005 is shaping up to be the year in which we gain meaningful traction in a number of our target commercial markets as design application opportunities move into volume production and as we advance the development work underway by our engineered services group. Our unique offering in automotive telematics in particular looks very promising especially given the rate of adoption of telematics as an automotive safety system. We are also accelerating our pace of new product development, stepping up our efforts to capitalize on opportunities for engineered solutions, and continuing to broaden our product offering with an emphasis on charging systems and accessories. All of these growth initiatives further capitalize on Ultralife's leading energy technology, unique breadth of power solutions and process-engineering expertise, and keep us on track to achieve our goal of becoming a \$200 million revenue company in the next few years."

Outlook

For the first quarter ending April 2, 2005, management currently projects revenues of at least \$18.0 million and an operating loss of approximately \$0.8 million, assuming that the company is awarded an urgent buy order for BA-5390 batteries with the U.S. military.

For the full year of 2005, management continues to expect revenue growth of 10% to 20% over 2004. This growth is expected to result from continued success in growing commercial business, in key target markets such as medical and automotive telematics. This revenue growth

target also assumes sizeable order activity from the U.S. military, in conjunction with the award of the Next Gen II Phase IV contract (as well as a favorable resolution of the recent protest of that contract in a timely fashion) and other anticipated contract activity. Order activity and shipments are expected to increase throughout the year, as commercial orders take hold and the military business stabilizes. Operating income in 2005 is expected to show steady growth throughout the year, returning to profitability in the second quarter and moving toward the company's near-term operating margin target of 15% by year-end. Management's operating income guidance excludes any potential impact from expensing stock options, which if the current accounting standards remain unchanged, the company would be required to recognize beginning no later than the third quarter of 2005. Management expects that its overall effective income tax rate will be in the range of 40% of pre-tax earnings during 2005, although actual cash payments for income taxes are expected to be nominal as the company utilizes its net operating loss carryforwards to offset taxable income.

About Ultralife Batteries, Inc.

Ultralife is a global provider of power solutions for diverse applications. The company develops, manufactures and markets a wide range of non-rechargeable and rechargeable batteries, charging systems and accessories for use in military, industrial and consumer portable electronic products. Through its range of standard products and engineered solutions, Ultralife is able to provide the next generation of power systems. Industrial, retail and government customers include General Dynamics, Philips Medical Systems, Energizer, Kidde Safety, Lowe's, Radio Shack and the national defense agencies of the United States and United Kingdom, among others.

Ultralife's headquarters, principal manufacturing and research facilities are in Newark, New York, near Rochester. Ultralife (UK) Ltd., a second manufacturing facility, is located in Abingdon, U.K. Both facilities are ISO-9001 certified. Detailed information on Ultralife is available at the Company's web site, www.ultralifebatteries.com.

This press release contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The potential risks and uncertainties that could cause actual results to differ materially include: loss of business with the U.S. government, worsening global economic conditions, world events, increased competitive environment and pricing pressures, disruptions related to restructuring actions and delays. Further information on these factors and other factors that could affect Ultralife's financial results is included in Ultralife's Securities and Exchange Commission (SEC) filings, including the latest Annual Report on Form 10-K.

In conjunction with the requirement to comply with Section 404 of the Sarbanes-Oxley Act of 2002, the company and its independent accountants are working to complete the testing and evaluation of the effectiveness of the company's internal control over financial reporting. While the company is committed to addressing any and all control deficiencies that have been identified, sufficient information has not yet been compiled to conclude whether these deficiencies may constitute either significant deficiencies or material weaknesses. In connection with the filing of its Annual Report on Form 10-K for the year ended December 31, 2004 and the requirements of Section 404, management and the independent accountants will issue separate reports on the effectiveness of the company's internal control over financial reporting.

Conference Call Information

Investors are invited to listen to a live webcast of the conference call at 10:00 a.m. ET on February 10 at www.ultralifebatteries.com/invest.asp. To listen to the live call, please go to the Web site at least 15 minutes early to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay of the webcast will be available shortly after the call at the same location for 90 days. Investors may also listen to a telephone replay of the conference call by dialing 888-203-1112, Reservation #2329384, starting at 1:00 p.m. ET February 10 until 1:00 p.m. ET February 17.

Ultralife(R) is a registered trademark of Ultralife Batteries, Inc.

(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Revenues:				
Non-rechargeable products	\$14,913	\$23,418	\$87,899	\$77,070
Rechargeable products	2,418	597	8,071	1,528
Technology contracts	1,031	23	2,212	852
Total revenues	18,362	24,038	98,182	79,450
Cost of products sold:				
Non-rechargeable products	13,017	17,817	67,408	59,171
Rechargeable products	2,413	903	8,653	2,749
Technology contracts	886	5	1,819	434
Total cost of products sold	16,316	18,725	77,880	62,354
Gross margin	2,046	5,313	20,302	17,096
Operating and other expenses:				
Research and development	878	622	2,633	2,505
Selling, general, and administrative	2,789	2,363	10,771	8,610
Impairment of long lived assets	1,803	-	1,803	-
Total operating expenses	5,470	2,985	15,207	11,115
Operating (loss)/income	(3,424)	2,328	5,095	5,981
Other income (expense):				
Interest income	49	17	116	23
Interest expense	(189)	(157)	(598)	(543)
Gain on fires	214	-	214	-
Gain from forgiveness of debt/grant	-	-	-	781
Write-off of UTI investment and note receivable	-	-	(3,951)	-
Miscellaneous	320	128	352	311
(Loss)/income before income taxes	(3,030)	2,316	1,228	6,553
Income tax provision-current	54	106	32	106
Income tax (benefit)/provision-deferred	(21,136)	-	(21,136)	-
Total income taxes	(21,082)	106	(21,104)	106
Net income	\$18,052	\$2,210	\$22,332	\$6,447
Earnings per share -basic	\$1.26	\$0.16	\$1.59	\$0.49
Earnings per share -diluted	\$1.20	\$0.15	\$1.48	\$0.46
Weighted average shares outstanding - basic	14,288	13,501	14,087	13,132
Weighted average shares outstanding - diluted	15,000	14,537	15,074	13,917

ULTRALIFE BATTERIES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Amounts)
(unaudited)

	December 31, 2004	December 31, 2003

ASSETS	-----	-----
Current assets:		
Cash and investments	\$ 11,529	\$ 880
Trade accounts receivable, net	8,585	17,803
Inventories	13,938	10,209
Prepaid expenses and other current assets	4,437	3,438
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Total current assets	38,489	32,330
Property and equipment	20,202	18,213
Other assets	23,549	1,809
	-----	-----
Total Assets	\$ 82,240	\$ 52,352
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 2,390	\$ 8,295
Accounts payable	3,545	6,385
Other current liabilities	3,603	3,174
	-----	-----
Total current liabilities	9,538	17,854
Long-term liabilities:		
Long-term debt and capital lease obligations	7,215	68
Other long-term liabilities	756	-
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Total long-term liabilities	7,971	68
Shareholders' equity:		
Common stock, par value \$0.10 per share	1,502	1,430
Capital in excess of par value	128,405	120,626
Accumulated other comprehensive income	(605)	(723)
Accumulated deficit	(62,193)	(84,525)
	-----	-----
Total shareholders' equity	67,109	36,808
Less --Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	64,731	34,430
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Total Liabilities and Shareholders' Equity	\$ 82,240	\$ 52,352
	=====	=====

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