

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):

October 28, 2004

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 14513

(Address of principal executive offices) (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 October 28, 2004, Ultralife Batteries, Inc. (the "Company") issued a press release regarding its results of operations and financial condition for the third quarter ended September 25, 2004. The Company's press release is attached as Exhibit 99.1 to this Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press Release dated October 28, 2004.

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: October 29, 2004

By: /s/ Robert W. Fishback

Robert W. Fishback
Vice President Finance & CFO

Index to Exhibits

(99) Additional Exhibits

99.1 Press Release dated October 28, 2004.

Ultralife Batteries, Inc. Reports Third Quarter Results

NEWARK, N.Y.--(BUSINESS WIRE)--Oct. 28, 2004--Ultralife Batteries, Inc. (NASDAQ: ULBI) today reported operating income of \$1.5 million on revenues of \$24.4 million for its third quarter ended September 25, 2004. Operating income and revenue increased 34% and 23%, respectively, over the same three-month period in 2003 when the company reported operating income of \$1.1 million on revenue of \$19.9 million.

Revenues for the third quarter of 2004 benefited from higher military orders for HiRate(R) batteries and a substantial increase in sales of rechargeable batteries to \$2.6 million from \$0.3 million in 2003.

As a percentage of revenues, gross margins were 20%, consistent with last year. Operating expenses increased \$0.6 million to \$3.3 million in the third quarter of 2004, reflecting the addition of selling, general and administrative resources to support the company's growth objectives. Operating expenses amounted to 14% of revenues, consistent with the same quarter in 2003.

Net income for the third quarter of 2004 was \$1.4 million, or \$0.09 per diluted share, compared with \$1.8 million, or \$0.12 per diluted share, in the comparable quarter in 2003 which included a \$0.8 million gain on the forgiveness of debt. During the quarter, the company significantly strengthened the balance sheet as a result of its credit facility refinancing. At the end of the quarter, cash stood at \$12.8 million and interest-bearing debt was \$10.3 million, resulting in a 19% debt/capital ratio.

For the nine months ended September 25, 2004, revenues reached \$79.8 million, a 44% increase over the \$55.4 million reported for the same period last year. Operating income for the year-to-date period more than doubled to \$8.5 million compared to \$3.7 million last year. Net income for first nine months of 2004 was \$4.3 million, or \$0.28 per diluted share, compared to \$4.2 million, or \$0.31 per diluted share, for 2003. Net income for 2004 included a \$4.0 million second quarter non-cash charge related to the company's investment in Ultralife Taiwan, Inc.

John Kavazanjian, president and chief executive officer, said, "Third quarter revenue and operating income came in slightly better than we anticipated last month when we announced our revised outlook for the second half of 2004. Since then, we have had several discussions with the military; unfortunately we do not have resolution yet on two outstanding issues, namely, a unit pricing adjustment on our current BA-5390 contract and additional BA-5390 orders. These discussions have, however, given us renewed confidence in the strength of our position with the military and reaffirmed our belief in the long-term growth potential the military business offers us."

Kavazanjian continued, "On the commercial side, we are seeing growing success, particularly in our rechargeable business. To support expanding and increasing opportunities in our target markets, including medical, automotive telematics, and portable electronics, we have added resources in the areas of selling, marketing and product development. Once we are designed into an application, we believe we will enjoy a critical advantage over competitors due to the multi-step, iterative design and qualification process involved in turning these opportunities into volume orders. Based on our growing pipeline of opportunities combined with our strong competitive position, we remain confident that we will be able to reach \$200 million in revenue within the next 3 to 5 years."

Outlook

Management reiterates its second half of 2004 outlook, as stated in its September 27th announcement, that operating income and revenue could be as low as \$0.4 million and \$42 million, respectively, assuming the company does not receive additional BA-5390 orders during the remainder of the year.

Based on its belief that the company will be awarded a portion of the Next Gen II Phase IV contract, and taking into account the uncertain timing of the award, management expects overall military sales will decline modestly in 2005. Management's assessment of the company's growth prospects in the commercial business remains unchanged, with commercial sales, including sales of rechargeable products, expected to increase throughout the year. As a result, management now anticipates 2005 revenue growth in the range of 10%-20% over 2004.

About Ultralife Batteries, Inc.

Ultralife is a leading developer, manufacturer, and marketer of

standard and customized lithium primary (non-rechargeable), lithium ion and lithium polymer rechargeable batteries. Ultralife's high-energy batteries use advanced lithium technology and are used in military, industrial and consumer portable electronic products. Through its range of standard products and ability to customize for a wide range of applications, Ultralife is able to provide the next generation of battery solutions. OEM, retail and government customers include Energizer, Kidde Safety, Philips Medical Systems, 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.

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.

Detailed information on Ultralife is available at the Company's web site, www.ultralifebatteries.com.

Conference Call Information

Investors are invited to listen to a live webcast of the conference call at 10:00 a.m. ET on October 28 at www.ultralifebatteries.com/invest.asp. To listen to the live call, please go to the web site at least fifteen 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 #992302, starting at 1:00 p.m. ET October 28 until 1:00 p.m. ET November 4.

Ultralife and HiRate are registered trademarks of Ultralife Batteries, Inc.

ULTRALIFE BATTERIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)
(unaudited)

	Three Month Period Ended		Nine Month Period Ended	
	Sept 25, 2004	Sept 27, 2003	Sept 25, 2004	Sept 27, 2003
Revenues:				
Battery sales	\$23,931	\$19,743	\$78,639	\$54,583
Technology contracts	462	131	1,181	829
Total revenues	24,393	19,874	79,820	55,412
Cost of products sold:				
Battery costs	19,178	15,936	60,631	43,200
Technology contracts	339	45	933	429
Total cost of products sold	19,517	15,981	61,564	43,629
Gross margin	4,876	3,893	18,256	11,783
Operating expenses:				
Research and development	692	652	1,755	1,883
Selling, general, and administrative	2,653	2,098	7,982	6,247
Total operating expenses	3,345	2,750	9,737	8,130
Operating income	1,531	1,143	8,519	3,653

Other income (expense):				
Interest, net	(154)	(143)	(342)	(380)
Gain from forgiveness of debt / grant	-	781	-	781
Write-off of UTI investment and note	-	-	(3,951)	-
Miscellaneous	(61)	(4)	32	183
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Income before income taxes	1,316	1,777	4,258	4,237
Income taxes	(101)	-	(22)	-
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Net income	\$1,417	\$1,777	\$4,280	\$4,237
	=====	=====	=====	=====
Earnings per share - basic	\$0.10	\$0.13	\$0.31	\$0.33
	=====	=====	=====	=====
Earnings per share - diluted	\$0.09	\$0.12	\$0.28	\$0.31
	=====	=====	=====	=====
Average shares outstanding - basic	14,238	13,229	14,026	13,004
	=====	=====	=====	=====
Average shares outstanding - diluted	15,121	14,361	15,104	13,701
	=====	=====	=====	=====

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

ASSETS	September 25, 2004	December 31, 2003
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Current assets:		
Cash and investments	\$12,801	\$880
Trade accounts receivable, net	12,060	17,803
Inventories	14,516	10,209
Prepaid expenses and other current assets	2,604	3,664
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Total current assets	41,981	32,556
Property and equipment	20,318	18,213
Other assets	347	1,583
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Total Assets	\$62,646	\$52,352
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$2,570	\$8,295
Accounts payable	5,599	6,385
Other current liabilities	3,763	3,174
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Total current liabilities	11,932	17,854
Long-term liabilities:		
Long-term debt and capital lease obligations	7,735	68
Long-term swap liability	152	-
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Total long-term liabilities	7,887	68
Shareholders' equity:		
Common stock, par value \$0.10 per share	1,501	1,430
Capital in excess of par value	124,807	120,626
Accumulated other comprehensive loss	(858)	(723)

Accumulated deficit	(80,245)	(84,525)
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	45,205	36,808
Less --Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	42,827	34,430
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Total Liabilities and Shareholders' Equity	\$62,646	\$52,352
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