

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):

May 4, 2006

ULTRALIFE BATTERIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

0-20852

16-1387013

(Commission File Number)

(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.

Ultralife Batteries, Inc. (the "Company") reported results for the first quarter ended April 1, 2006. Operating income for the quarter was \$0.2 million on revenues of \$18.3 million. Included in operating income was stock-based compensation expense of approximately \$0.3 million. In comparison, the Company reported an operating loss of \$1.7 million on revenue of \$15.4 million for the same period last year. The Company's press release is attached as Exhibit 99.1 to this Form 8-K. The information set forth in this Form 8-K and the attached exhibit is being furnished to and not filed with the Securities and Exchange Commission and shall not be deemed to be incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent specifically provided in any such filing.

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.

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: May 4, 2006

By: /s/Robert W. Fishback

Robert W. Fishback
Vice President of Finance & CFO

Ultralife Batteries Reports First Quarter Results;
Operating Income Increases \$2.0 Million on \$3.0 Million Revenue Gain

NEWARK, N.Y.--(BUSINESS WIRE)--May 4, 2006--Ultralife Batteries, Inc. (NASDAQ:ULBI) reported results for the first quarter ended April 1, 2006. Operating income for the quarter was \$0.2 million on revenues of \$18.3 million. Included in operating income was stock-based compensation expense of approximately \$0.3 million. In comparison, the company reported an operating loss of \$1.7 million on revenue of \$15.4 million for the same period last year.

Revenues for the quarter rose \$3.0 million over last year, mainly reflecting higher sales of batteries to commercial customers, particularly in the automotive telematics market, and modestly higher sales of a variety of batteries to military customers. As a percentage of revenues, gross margins amounted to 22% compared with 13% in the same quarter last year, as sales volumes grew and manufacturing efficiencies improved. Operating expenses were \$3.7 million, consistent with the comparable period a year ago. Net income for the first quarter of 2006 was \$0.1 million, or \$0.01 per diluted common share, compared to a net loss of \$1.6 million, or an \$0.11 loss per diluted common share, for the first quarter of 2005.

"Consistent with our preliminary assessment of the first quarter results, constraints on BA-5390 shipments to the U.S. military impinged on revenue growth for the quarter; however, the manufacturing efficiency improvements and cost controls we implemented in the latter half of 2005 produced positive operating income," said John D. Kavazanjian, president and chief executive officer. "Since the quarter close, we are preparing to accelerate shipments against existing orders for the BA-5390A, the only qualified battery with a state-of-charge indicator (SOC) currently in production, in response to a request from the Department of Defense, which intends to begin fielding them as soon as practicable. This request reinforces our belief that demand for the BA-5390A is strong and will escalate as the U.S. military continues to convert to lithium-manganese dioxide technology over the course of the year, resulting in further market share gains for Ultralife.

"As we enter the second half of the year, we are well positioned to leverage our cost infrastructure as revenues grow. Growth in commercial markets is helping us lessen our dependence on BA-5390 battery sales and our prospects for continued growth from a broadening customer base in our target markets remain strong."

Outlook

Management expects revenues in the second quarter of 2006 to be approximately \$20 million, with upside dependent in part upon additional military orders. Management anticipates operating income will be in the range of \$0.5 million in the second quarter, including \$0.3 million of non-cash stock-based compensation expense.

For the full year of 2006, the company reiterates its outlook for at least \$90 million, with significant growth in the second half of the year related to growth in military sales, particularly BA-5390s. Growth above \$90 million will continue to depend on a number of factors, including the pace at which the military transitions to manganese dioxide technology, and further expansion in commercial markets.

About Ultralife Batteries, Inc.

Ultralife is a global provider of high-energy power systems 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 portfolio of standard products and engineered solutions, Ultralife is at the forefront of providing the next generation of power systems. Industrial, retail and government customers include General Dynamics, Philips Medical Systems, General Motors, Energizer, Kidde Safety, Lowe's, Radio Shack and the national defense agencies of the United States, United Kingdom, Germany and Australia, among others.

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

This press release may contain 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: worsening global economic conditions, 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.

Conference Call Information

Investors are invited to listen to a live webcast of the conference call at 10:00 a.m. ET on May 4, 2006 at <http://investor.ultralifebatteries.com>. 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 #8704306, during the period starting at 1:00 p.m. ET May 4 and ending at 1:00 p.m. ET May 11, 2006.

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

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

	Three-Month Periods Ended	
	April 1, 2006	April 2, 2005
	----	----
Revenues:		
Non-rechargeable products	\$ 15,645	\$ 12,808
Rechargeable products	2,565	2,128
Technology contracts	109	427
	-----	-----
Total revenues	18,319	15,363
Cost of products sold:		
Non-rechargeable products	12,323	10,868
Rechargeable products	1,869	2,077
Technology contracts	157	395
	-----	-----
Total cost of products sold	14,349	13,340
	-----	-----
Gross margin	3,970	2,023
Operating expenses:		
Research and development	960	846
Selling, general, and administrative	2,782	2,901
	-----	-----
Total operating expenses	3,742	3,747
	-----	-----
Operating income /(loss)	228	(1,724)
Other income (expense):		
Interest income	45	60
Interest expense	(205)	(193)
Gain on insurance settlement	148	-
Miscellaneous	8	(3)
	-----	-----
Income/(loss) before income taxes	224	(1,860)
	-----	-----
Income tax provision/(benefit)-current	4	(17)
Income tax provision/(benefit)-deferred	80	(293)
	-----	-----
Total income taxes	84	(310)
	-----	-----
Net Income/(Loss)	\$ 140	\$ (1,550)
	=====	=====

Earnings/(Loss) per share - basic	\$ 0.01	\$ (0.11)
	=====	=====
Earnings/(Loss) per share - diluted	\$ 0.01	\$ (0.11)
	=====	=====
Weighted average shares outstanding - basic	14,756	14,376
	=====	=====
Weighted average shares outstanding - diluted	15,122	14,376
	=====	=====

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

	April 1, 2006	December 31, 2005
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ASSETS		
Current assets:		
Cash and investments	\$ 3,491	\$ 3,214
Trade accounts receivable, net	12,869	10,965
Inventories	18,868	19,446
Prepaid expenses and other current assets	4,189	5,737
	-----	-----
Total current assets	39,417	39,362
Property and equipment	19,602	19,931
Other assets	21,412	21,464
	-----	-----
Total Assets	\$ 80,431	\$ 80,757
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 7,184	\$ 7,715
Accounts payable	5,336	5,218
Other current liabilities	4,765	5,450
	-----	-----
Total current liabilities	17,285	18,383
	-----	-----
Long-term liabilities:		
Long-term debt and capital lease obligations	25	25
Other long-term liabilities	282	242
	-----	-----
Total long-term liabilities	307	267
	-----	-----
Shareholders' equity:		
Common stock, par value \$0.10 per share	1,551	1,547
Capital in excess of par value	131,045	130,530
Accumulated other comprehensive income	(981)	(1,054)
Accumulated deficit	(66,398)	(66,538)
	-----	-----
	65,217	64,485
Less --Treasury stock, at cost	2,378	2,378
	-----	-----
Total shareholders' equity	62,839	62,107
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 80,431	\$ 80,757
	=====	=====

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