

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 9, 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 fourth quarter and full year periods ended December 31, 2005. Operating income for the quarter was \$0.1 million on revenues of \$17.8 million. 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.

99.1 Press Release dated February 9, 2006.

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 9, 2006

/s/Robert W. Fishback
By:-----
Robert W. Fishback
Vice President of Finance & CFO

INDEX TO EXHIBITS

(99) Additional Exhibits

99.1 Press Release dated February 9, 2006.

Ultralife Batteries Reports Fourth Quarter Results

NEWARK, N.Y.--(BUSINESS WIRE)--Feb. 9, 2006--Ultralife Batteries, Inc. (NASDAQ: ULBI) reported results for the fourth quarter and full year periods ended December 31, 2005. Operating income for the quarter was \$0.1 million on revenues of \$17.8 million. In comparison, the company reported an operating loss of \$3.4 million on revenue of \$18.4 million for the same period last year. The operating loss in the prior year included a non-cash impairment charge of \$1.8 million related to polymer rechargeable production equipment.

The fourth quarter revenue reflects an increase in sales of high-rate battery products offset by lower shipments of BA-5390 batteries to the U.S. military, as anticipated. Revenues associated with technology contracts declined \$0.8 million due to the timing of development activity with various contracts. As a percentage of revenues, gross margins were 21% compared to 11% in the same quarter last year, mainly as a result of improved manufacturing efficiencies in the U.K operation. Operating expenses were \$3.5 million compared with \$3.7 million last year, excluding the \$1.8 million impairment charge last year. Income taxes in the fourth quarter of 2005 amounted to a benefit of \$0.2 million. The net loss for the fourth quarter of 2005 was \$40,000, or less than \$.01 per share, compared with net income of \$18.1 million, or \$1.20 per diluted share, for the same period a year ago. The results in the fourth quarter of 2004 reflected a \$21.1 million, or \$1.41 per diluted share, income tax benefit related to the recognition of a deferred tax asset associated with the company's U.S. net operating loss carryforwards.

For the twelve-month period ended December 31, 2005, revenues totaled \$70.5 million compared with \$98.2 million reported for 2004. A decline in shipments of BA-5390 batteries to the U.S. military was partially offset by higher commercial revenues and other military-related sales. The company reported an operating loss of \$2.9 million for full year of 2005 compared to operating income of \$5.1 million last year, reflecting lower gross margins associated with lower volumes. The net loss for 2005 was \$4.3 million, or \$.30 per share, compared to net income of \$22.3 million, or \$1.48 per diluted share, for 2004, including the \$21.1 million impact from the recognition of the income tax benefit.

"During 2005, Ultralife made great strides in building its non-9-volt commercial business with revenues increasing by approximately 40% on the strength of groundbreaking automotive telematics contracts in addition to design wins in other target markets where our power solutions add value to device applications, notably search and rescue. We also succeeded in trimming our cost structure in the second half of the year, as planned, realigning our business model to be breakeven at the operating earnings line on \$18 million in quarterly revenue," said John D. Kavazanjian, president and chief executive officer.

"Looking ahead, we are optimistic about the prospects for continued growth of our commercial business. Our goals include adding new automotive telematics contracts and continuing to convert design wins into production contracts. As previously announced, adding Able New Energy Co. Ltd. to the Ultralife family will also open up significant new avenues for our commercial business while creating opportunities to reduce costs even further by employing sourcing alternatives in China," concluded Kavazanjian. "On the military side, indications are favorable for renewed order flow from the U.S. Military and we are ready to deliver with the qualified BA-5390A and BA-5347 batteries. Over the course of 2006, we plan to complete the qualification of the other batteries under the Next Gen II, Phase IV award both in the U.S. and the U.K. while actively promoting the migration from our competitors' sulfur dioxide chemistry to Ultralife's manganese dioxide batteries. In summary, we are in an excellent position competitively with an expanding set of target market opportunities supported by an increasing array of power solutions and improving operational efficiency."

Outlook

Management expects revenues in the first quarter of 2006 to be approximately \$21 million, including the restart of shipments of BA-5390 batteries to the U.S. military. Management projects operating income will be in the range of \$750,000 in the first quarter, excluding any impact from the expensing of stock options pursuant to the adoption of FAS 123R. The company projects its first quarter non-cash expense related to stock options will be approximately

\$250,000.

For the full year, the company anticipates quarterly growth resulting in revenue of at least \$90 million. Growth above \$90 million will 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 February 9, 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 #6857549, during the period starting at 1:00 p.m. ET February 9 and ending at 1:00 p.m. ET February 16, 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		Twelve-Month Periods Ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Revenues:				
Non-rechargeable products	\$15,204	\$14,913	\$58,509	\$87,899
Rechargeable products	2,391	2,418	10,067	8,071
Technology contracts	248	1,031	1,925	2,212
Total revenues	17,843	18,362	70,501	98,182
Cost of products sold:				
Non-rechargeable products	11,781	13,017	47,626	67,408
Rechargeable products	2,021	2,413	8,751	8,653
Technology contracts	371	886	1,866	1,819

Total cost of products sold	14,173	16,316	58,243	77,880
Gross margin	3,670	2,046	12,258	20,302
Operating expenses:				
Research and development	877	878	3,751	2,633
Selling, general, and administrative	2,664	2,789	11,409	10,771
Impairment of long lived assets	-	1,803	-	1,803
Total operating expenses	3,541	5,470	15,160	15,207
Operating income /(loss)	129	(3,424)	(2,902)	5,095
Other income (expense):				
Interest income	23	49	185	116
Interest expense	(228)	(189)	(821)	(598)
Gain on fires	-	214	-	214
Write-off of UTI investment and note receivable	-	-	-	(3,951)
Miscellaneous	(115)	320	(318)	352
(Loss)/income before income taxes	(191)	(3,030)	(3,856)	1,228
Income tax provision-current	-	54	3	32
Income tax (benefit)/provision-deferred	(151)	(21,136)	486	(21,136)
Total income taxes	(151)	(21,082)	489	(21,104)
Net (loss)/income	\$(40)	\$18,052	\$(4,345)	\$22,332
(Loss)/earnings per share - basic	\$(0.00)	\$1.26	\$(0.30)	\$1.59
(Loss)/earnings per share - diluted	\$(0.00)	\$1.20	\$(0.30)	\$1.48
Weighted average shares outstanding - basic	14,727	14,288	14,551	14,087
Weighted average shares outstanding - diluted	14,727	15,000	14,551	15,074

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

ASSETS	December 31, 2005	December 31, 2004
Current assets:		
Cash and investments	\$ 3,214	\$11,529
Trade accounts receivable, net	10,965	8,585
Inventories	19,446	13,938
Prepaid expenses and other current assets	5,768	6,131
Total current assets	39,393	40,183
Property and equipment	19,931	20,202
Other assets	22,363	20,749
Total Assets	\$81,687	\$81,134

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 7,715	\$ 2,390
Accounts payable	5,218	3,545
Other current liabilities	5,481	3,603
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Total current liabilities	18,414	9,538
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Long-term liabilities:		
Long-term debt and capital lease obligations	25	7,215
Other long-term liabilities	1,141	756
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Total long-term liabilities	1,166	7,971
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Shareholders' equity:		
Common stock, par value \$0.10 per share	1,547	1,502
Capital in excess of par value	130,530	127,299
Accumulated other comprehensive income	(1,054)	(605)
Accumulated deficit	(66,538)	(62,193)
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	64,485	66,003
Less --Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	62,107	63,625
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Total Liabilities and Shareholders' Equity	\$81,687	\$81,134
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