

Ultralife Corporation

Investor Presentation



Michael D. Popielec
PRESIDENT & CEO

Philip A. Fain
CFO & TREASURER

Updated August 3, 2017

IMPORTANT REMINDER – FORWARD LOOKING STATEMENTS

- This presentation may contain forward-looking statements based on current expectations that involve a number of risks and uncertainties.
- The Company cautions investors not to place undue reliance on forward-looking statements, which reflect the Company's analysis only as of today's date.
- The Company undertakes no obligation to publicly update forward looking statements to reflect subsequent events or circumstances.
- Further information on these factors and other factors that could affect the Company's financial results is included in the Company's Securities & Exchange Commission (SEC) filings, including the latest Annual Report on Form 10K.

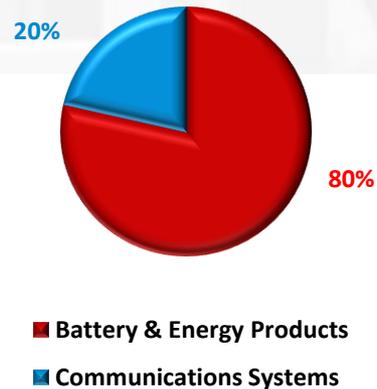
BUSINESS OVERVIEW

An Industry Leader in Providing Power Solutions and Communications Systems Worldwide To Customers for Mission Critical Applications

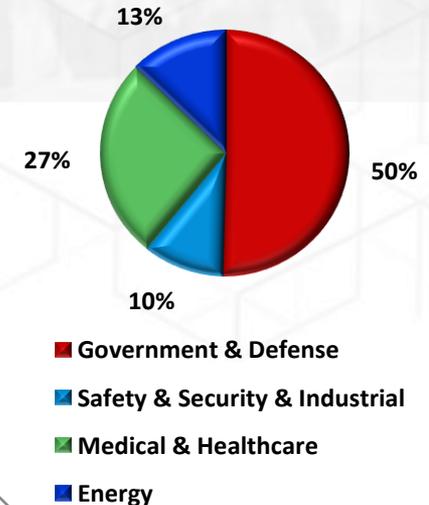
History & Background

- Founded in 1991
- Headquarters - Newark, NY
- Employees – 625
- NASDAQ - ULBI
- Business Segments:
 - Battery & Energy Products
 - Communications Systems
- Q2 2017 TTM Revenues: \$83.2M
- Q2 2017 TTM Op Profit: \$5.9M
- EPS TTM: \$.36
- EBITDA TTM: \$9.3M
- EBITDA Margin TTM: 11.3%

Revenue Mix TTM by Business Segment



Revenues TTM by Market Segment



TTM Information Thru Q2 2017

INVESTMENT HIGHLIGHTS

RE-POSITIONED BUSINESS; PURSUING APPEALING LONG-TERM GLOBAL GROWTH OPPORTUNITIES

- Restored Profitability and Cash Flow Generation; Strengthened Balance Sheet & Capital Structure
- Product Portfolio of Innovative Integrated Solutions Ground in Military Heritage
- Durable Relationships with Commercial OEMs, Defense Primes and Special Forces Community

EXECUTION OF GROWTH STRATEGY & INVESTMENTS ARE YIELDING FAVORABLE RETURNS

- Expanding Geographic and Market Reach; Commercial Diversification; Introducing New Products
- Converting Sizeable Large Order Pipeline
- Supplementing Organic Growth with Selective/Accretive M&A and Strategic Cap-Ex

PROVEN HIGHLY LEVERAGABLE/SCALABLE BUSINESS MODEL WITH STRONG GROSS MARGINS

- 2016 Sales Growth of 8%, Operating Profit Growth of 13%, EPS Growth of 28%

EFFICIENT CASH CONVERSION PROVIDING AMPLE LIQUIDITY TO FUND GROWTH

- Operational Cash Flow Conversion Exceeds 200%; Domestic NOL's of \$71 Million

SIGNIFICANT BOARD AND MANAGEMENT OWNERSHIP

SOLID FOUNDATION FOR BUILDING SHAREHOLDER VALUE

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LOCATIONS



ULTRALIFE®

**HEADQUARTERS &
BATTERY & ENERGY PRODUCTS**

Newark, New York
280,000 Sq. Ft.
ISO 9001; 14001 & 13485 Certified
165 Employees

accutronics
AN ULTRALIFE COMPANY

Staffordshire, UK
25,000 Sq. Ft.
ISO 9001 & 13485 Certified
60 Employees



ULTRALIFE®
INDIA JOINT VENTURE

Bangalore, India
10 Employees

ULTRALIFE®
COMMUNICATIONS SYSTEMS

Virginia Beach, VA
35,000 Sq. Ft.
ISO 9001 Certified
25 Employees



ABLE®
AN ULTRALIFE COMPANY

Shenzhen, China
100,000 Sq. Ft.
ISO 9001; 14001 & 13485 Certified
375 Employees

**STRATEGIC LOCATIONS IN AMERICAS, EUROPE & ASIA
IDEALLY POSITIONED TO SERVICE GLOBAL CUSTOMERS**

ULTRALIFE®
BATTERY AND ENERGY PRODUCTS

MARKET SEGMENTS SERVED



GOVERNMENT & DEFENSE – 50% of 2016 Revenues

Applications Include - Soldier Worn Power for Communications, Centralized Power & Distribution, Portable & Vehicle Based Chargers, Emergency Rescue Power, RF Amplifiers, Integrated Communications Systems and Accessories



MEDICAL & HEALTHCARE – 27% of 2016 Revenues

Applications Include – Power for Medical Carts, Portable Ventilators, Delivery Pumps & Devices, AED's, EEG/ECG Monitors, Ultrasound & CPAP/BIPAP, Remote Patient Monitoring, Surgical Drills & Tools, Digital X-Ray Imaging, Blood Analyzers



ENERGY – 13% of 2016 Revenues

Applications Include – Power for Stand-By Power, Remote Locations, First Responders/Disaster Relief, Energy Storage, Forward Operating Bases, Military Telecom, Construction Sites, Marine



SAFETY, SECURITY & INDUSTRIAL – 10% of 2016 Revenues

Applications Include – Power for Smoke/Carbon Monoxide Detectors, Smart Metering, Intrusion Detection Systems, Toll Pass & Telemetry, Asset Tracking/RFID, Emergency Lighting and Beacons, Wireless Motion Detectors, Internet of Things

**DIVERSE GLOBAL END MARKETS DEMANDING ADVANCED,
HIGHEST QUALITY POWER AND COMMUNICATIONS SOLUTIONS**

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PRODUCT PORTFOLIO - BATTERY & ENERGY PRODUCTS

Government & Defense

Ultralife's batteries, chargers & accessories are specifically designed to remain reliable under the toughest conditions and built to withstand the harsh environments often found in military combat



RECHARGEABLE BATTERIES

2590's, Conformal UBBL35, Land Warrior

CHARGERS

2-Bay, Desktop, 12-Bay

Safety, Security & Industrial

Over 25 years of proven performance under pressure in the most critical situations and hazardous conditions



9 VOLT

Over 100 Million Units Sold Worldwide



CYLINDRICAL CELLS



THINCELL

Over 20 UL Certified ThinCell Models Available Off-The-Shelf

Ultralife Manufactures both Lithium Manganese & Lithium Thionyl Chloride Chemistries

Energy

Energy solutions that provide reliable fuel savings and emissions reduction for a variety of applications



MULTI-KILOWATT MODULES



LEAD ACID REPLACEMENT

6V & 12V Models Available



ACCUTRONICS

Intelligent Power Vault

Medical

Ultralife's medical batteries & power systems provide maximum safety and reliability in critical, life-saving situations



MEDICAL CART POWER SOLUTIONS



CUSTOM MEDICAL BATTERIES



ACCUTRONICS

CMX Series Batteries (Multiple IEC62133 Certified Versions Available Off-The-Shelf)

GROWING PORTFOLIO OFFERING COMPLEX LITHIUM POWER SOLUTIONS TO EXPANDING GLOBAL CUSTOMER BASE

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PRODUCT PORTFOLIO – COMMUNICATION SYSTEMS

20 & 50/75 Watt Amplifiers

Ultralife delivers man-portable and vehicle amplifiers supporting all modern & legacy waveforms in multiple variants for specific mission sets



A-320V3 /V3A

30-512 MHz Amplifier
(Supports ANW2™, SRW, and Legacy Waveforms)



A-7500

75-Watt Multimode Amplifier
(Supports ASCM, ANW2™, SRW, and Legacy Waveforms)

Integrated Systems

Ultralife offers integrated systems to support a wide range of Handheld and Manpack radios



MRC-VIPER

AN/PRC-154 Adapter



LPAS-320U

Lightweight Portable Amplification System



MC4

Mobile C4I System



A-320HVA

Handheld Vehicle Adapter



MRC-UVA

Universal Vehicle Adapter

Power Supplies & Accessories

Ultralife offers a power supply & accessory for nearly every transceiver in use today by DoD



MRC-93

Lithium-Ion



MRC-UPU0006

AN/PRC-117G



MRC-185

ROVER III & IV



A-301-150

Satellite Radio Combiner



MRC-67A

Amplified Speaker

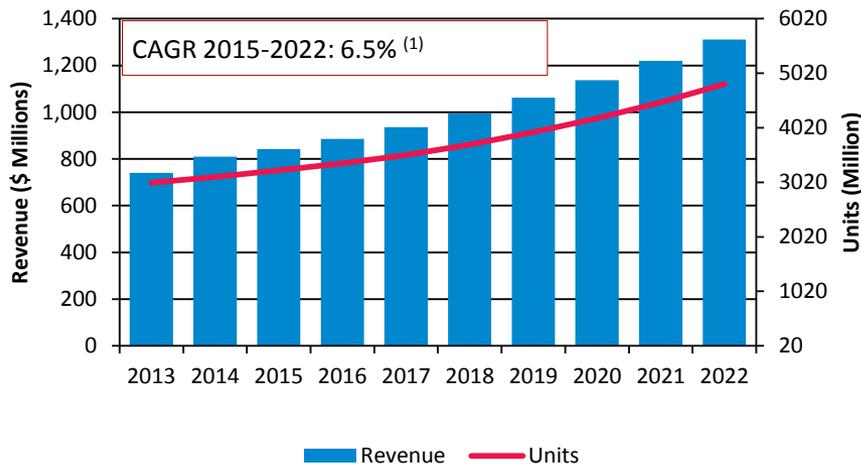
GLOBAL PORTFOLIO OFFERING RADIO AGNOSTIC ADVANCED RF AND INTEGRATED SYSTEMS SOLUTIONS VITAL TO DEFENSE OF US AND ALLIES

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INDUSTRY GROWTH TRENDS - LITHIUM BATTERIES

Lithium Manganese Dioxide Segment: Unit Shipment and Revenue Forecast, Global, 2013-2022

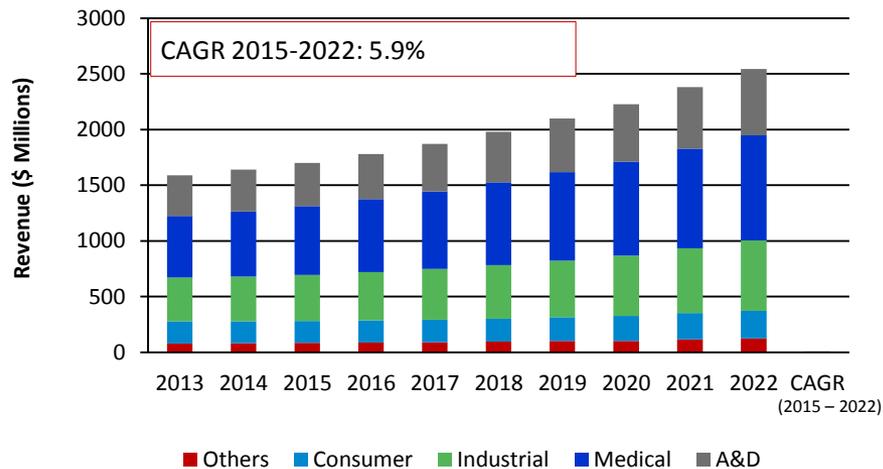
Key Takeaway: The cost-effective battery chemistry is suitable for all applications areas and has the highest adaption rate among the primary lithium batteries globally.



(1), Unit Shipment CAGR, 2015-2022 = 5.8%

Total Primary Lithium Battery Market: Revenue Forecast by End Users, Global, 2013-2022

Key Takeaway: Medical and A&D applications drive demand followed by Industrial Equipment. The migration to rechargeable lithium-ion is a steady process, which will have long-term impact.



Note: All figures are rounded. The base year is 2015. Source: Frost & Sullivan

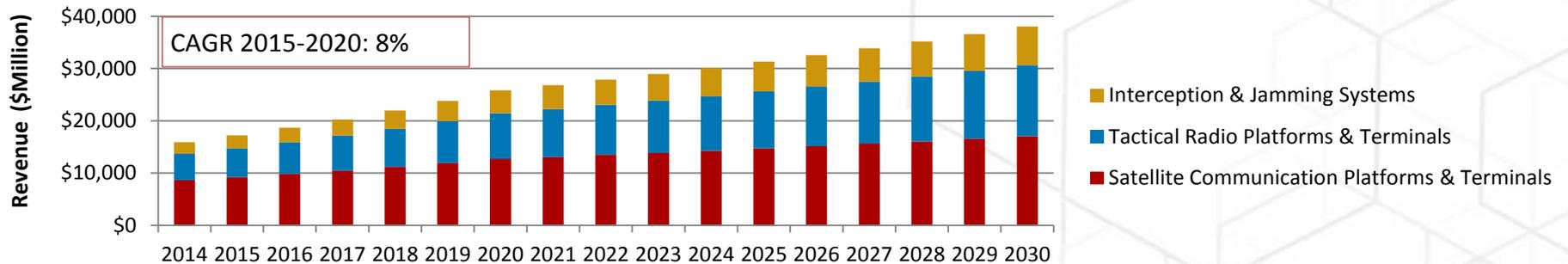
**APPEALING LONG-TERM INDUSTRY GROWTH PROJECTIONS
ACROSS DIVERSE MARKETS**



INDUSTRY GROWTH TRENDS – COMMUNICATIONS SYSTEMS

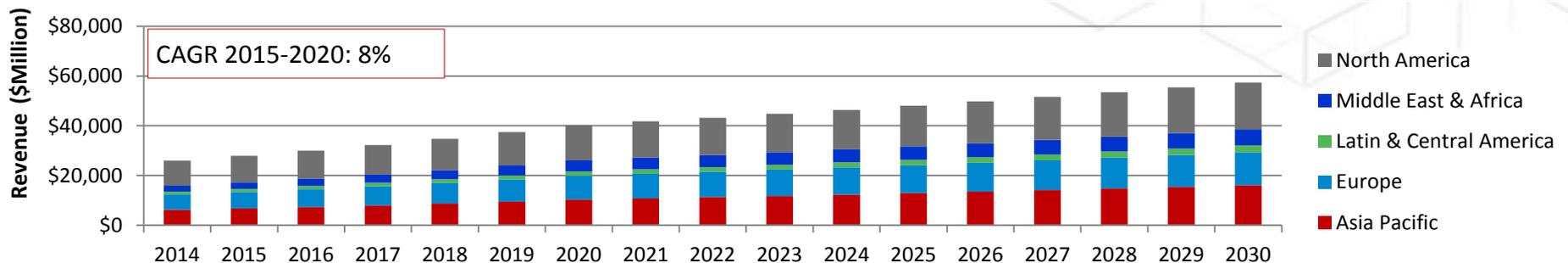
Global Military Communications Revenue by Primary Submarkets: 2015-2030

With a global revenue value of over \$25B predicted in 2020, these primary military communications sectors form one of the fastest growth markets in the defense industry value chain



Global Military Communications Revenue by Region: 2015-2030

CAGR: 2015 – 2020 – 8%; United States will maintain it's position as largest market with the Middle East & Asia Pacific Regions expected to witness higher growth rates than the rest of the world

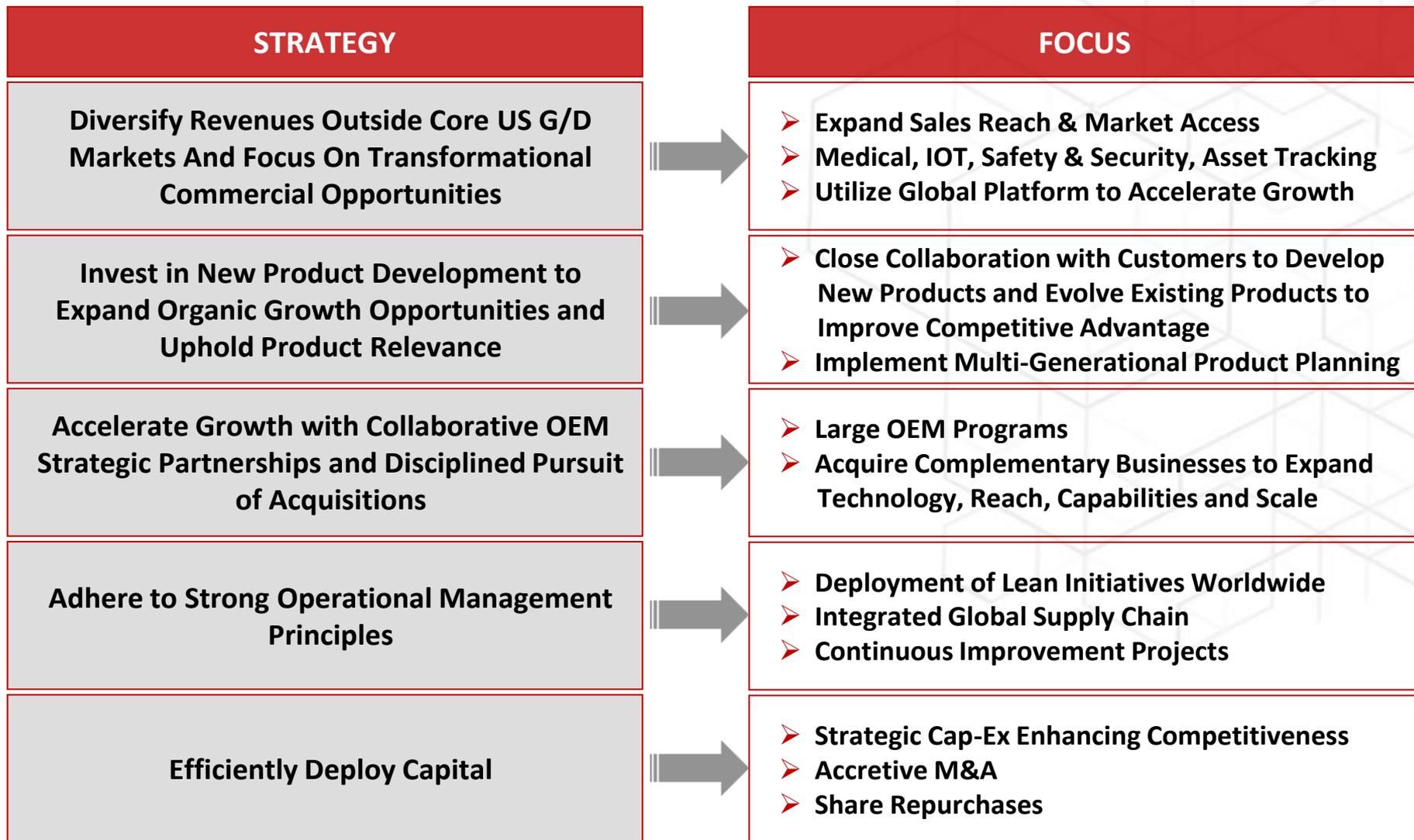


Source: SNS Research

**APPEALING LONG-TERM INDUSTRY GROWTH PROJECTIONS
ACROSS DIVERSE MARKETS**



BUSINESS STRATEGY

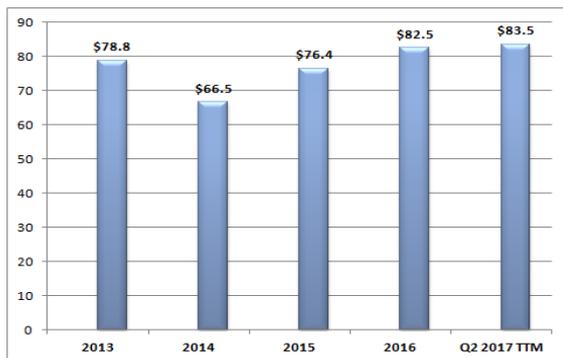


GROWTH STRATEGY COMBINED WITH HIGHLY LEVERAGED BUSINESS MODEL TO GENERATE PROFITABLE EARNINGS

INCOME STATEMENT IMPROVEMENTS

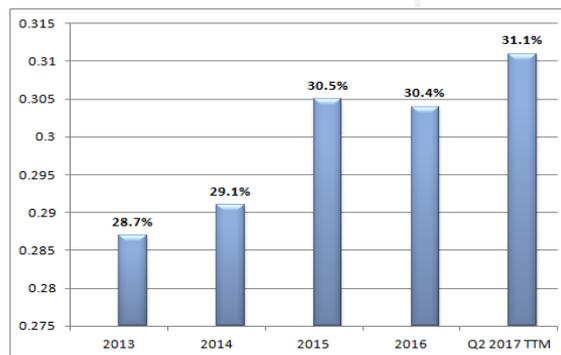
REVENUE (\$/Millions)

2016 Sales Growth of 8%



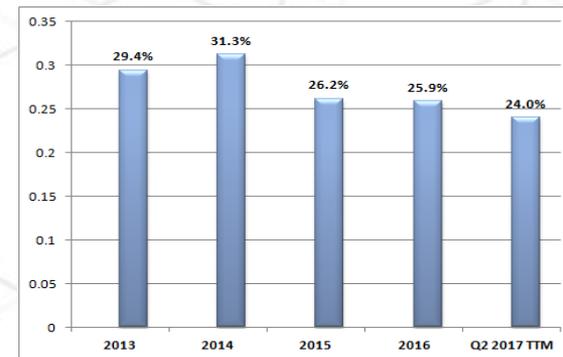
GROSS MARGIN (Percent)

Value Proposition Validation



OPERATING EXPENSES (Percent to Sales)

Continued Base Cost Productivity Trend



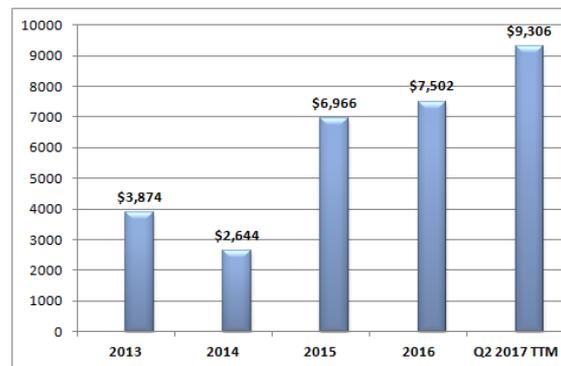
OPERATING PROFIT (\$/000s)

2016 Operating Profit Improved 13%



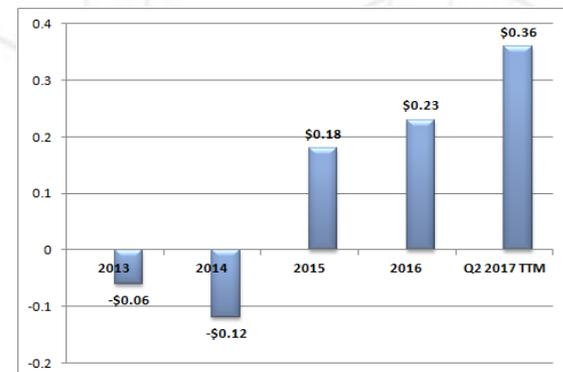
ADJUSTED EBITDA - TTM (\$/000s)

EBITDA Provides Funding for Growth



EARNINGS PER SHARE - TTM (\$/Share)

2016 EPS Improved 28%



SOLID START IN 2017; BUSINESS MODEL LEVERAGE DEMONSTRATED

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WORKING CAPITAL IMPROVEMENTS

(\$ Million)	2013	2014	2015	2016	Q2 2017
Working Capital	\$46.6	\$45.6	\$41.1	\$38.1	\$42.8
Current Ratio	4.9	5.1	4.8	4.4	4.6
Working Capital to Assets	52%	52%	50%	45%	47%
Cash	\$16.5	\$17.9	\$14.5	\$10.7	\$15.0
Debt	\$0	\$0	\$0	\$0	\$0
Inventory	\$26.1	\$26.1	\$23.8	\$23.5	\$24.5
Cash Provided by EBITDA	\$3.9	\$2.6	\$7.0	\$7.5	4.6*

* First Half 2017

Solid Liquidity and Cash Generation to Fund Future Revenue Growth and Strategic Capital Expenditures

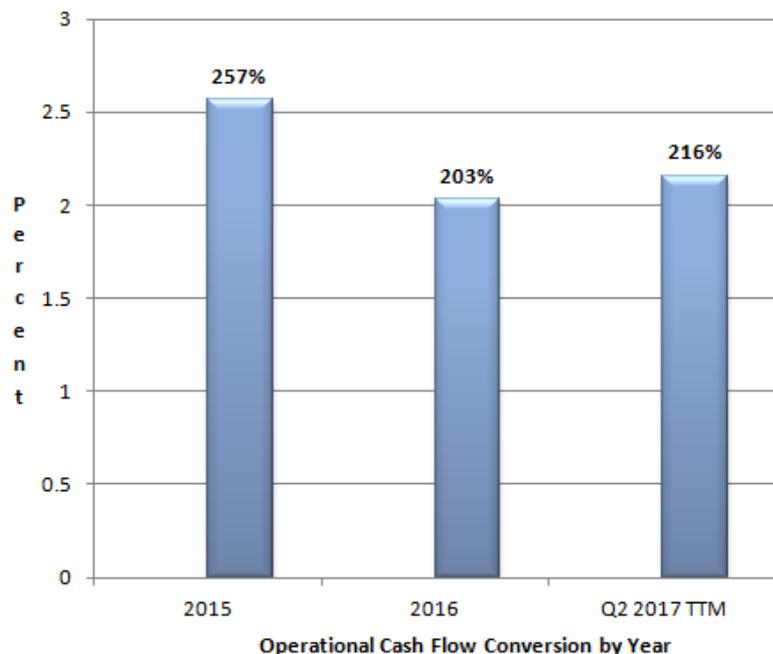
- (1) Cash Replenishment to \$15.0M in 2016 – Q2 2017 through Operating Performance and Effective Working Capital Management
- (2) New Cash-Flow Revolver with Key Bank Providing \$30M Revolver with \$20M Accordion (May 31, 2017)
- (3) Acquisition of Accutronics in 2016 Funded Through Cash-On-Hand - \$11.2M
- (4) Share Repurchase Program (2.6M Shares Representing 15% Shares O/S) Funded in 2014 – 2016 Through Cash-On-Hand - \$10.6M

STRONG FINANCIAL POSITION PROVIDES FINANCIAL FLEXIBILITY

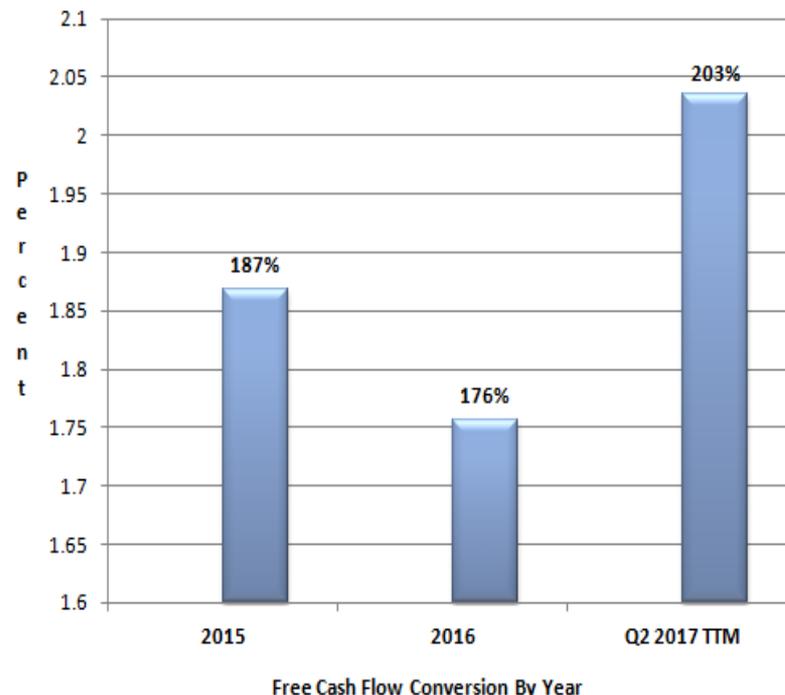


COMPELLING CASH CONVERSION

Operational Cash Flow Conversion (Operating Cash Flow/Operating Profit)



Free Cash Flow Conversion (FCF/After Tax Net Earnings)



Solid Cash Conversion Driven by Operational Performance (EBITDA) and Working Capital Management

- (1) 2015 – Cash Flow Conversion Primarily Reflects EBITDA of \$6.8M and Inventory Reduction of \$2.1M
- (2) 2016 – Cash Conversion Primarily Reflects EBITDA of \$7.5M and Timely Monetization of Accutronics Liquid Assets
- (3) 2017 TTM – Cash Conversion Primarily Reflects TTM EBITDA of \$9.3M and Working Capital Management

2017 GROWTH INITIATIVES

LAUNCH OF KEY NEW PRODUCTS

- Transformational Opportunities - Portable Medical, "IoT" & Asset Tracking Applications
- Advanced RF & Integrated Communications Systems Solutions Vital to Our Defense

GROW MEDICAL THROUGH "2-WAY SALES SYNERGIES" WITH ACCUTRONICS

- Utilize Global Footprint and Proven Reliability to Increase Activity with Medical OEM's

SECURE FOLLOW-ON ORDERS TO VIPER PROGRAM AND PURSUE OTHER LARGE PROGRAM WINS

- Increased Program Opportunities Via Strong Relationships with Major Defense OEM's

GLOBALIZE SALES, NEW PRODUCT DEVELOPMENT AND SOURCING CAPABILITIES

- Capitalize on Worldwide Synergies Between US, UK and China

BROADEN DIGITAL MARKETING INCLUDING NEW WEBSITE

- Increase Reach with Penetration of New Markets and Geographies thru Social Media

CEO DIRECT CUSTOMER & SALES FORCE EXECUTION PLAN

- Continue to Build Long-Term Relationships at the Highest Levels



DISCIPLINED EXECUTION - PERFORMANCE CULTURE, CLEAR STRATEGIES & PRIORITIES, LINE OF SIGHT LEADERSHIP, ACCOUNTABILITY

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VISION REALIZATION: 2017 - ONWARD

VISION

Through 2-3x GDP Organic Growth and M&A
Provide Scale for Operating Leverage &
Profitability Improvement

Capitalize on New Revenue Streams to Fully
Offset G&D Lumpiness and Sustain Growth

Continue Capture of Communications
Systems Major Project Program Wins

Organic Growth Supplemented by Accretive
Acquisitions

Capital Structure, Operating Cash Generation
& Working Capital Management to Fund
Organic Growth and Ongoing M&A

REALIZATION

**Aspire For Double Digit Revenue Growth and
Operating Margin Rate**

- 3X Op Profit Growth on 19% Increase in Core Product Sales for 1st Half 2017

**New Products, Customers, Markets, Geographies,
Commercial \geq 50%**

- Medical Composition 27% in 2016
- Strategic Automation Cap-Ex for “Internet of Things”

**Strategic Collaboration with OEM Primes to
Harvest Perpetual Opportunity Pipeline**

- Began with VIPER Wins Shipped in 2016 (\$10.4M)

**Quickly Gain Scale, Market Access, Technology,
New Products, Skilled Resources**

- Began with Accutronics Acquisition in 2016

**Efficient Cash Stewardship with ROI Focus on All
Spending**

- Replenishment of Cash to \$15.0M thru Q2 2017
- New \$30M Cash-Flow Revolver with Key Bank

**OVERARCHING GOALS – 10%+ OPERATING MARGINS;
DOUBLE DIGIT REVENUE GROWTH; 2X TO 3X STOCK PRICE**

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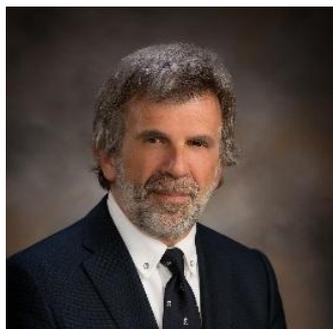
EXECUTIVE ENTERPRISE EXPERTISE



MICHAEL D. POIELEC

Chief Executive Officer & Director

- Appointed Ultralife President & CEO in December 2010
- General Electric Executive and Company Officer – Americas, Asia, Europe; Public Company Group President for Portfolio of Manufacturing Companies; Chief Operating Officer for Office Automation Distributor
- Extensive In-Country Global P&L, Revenue Growth and Manufacturing Experience
- Customer Collaboration Focused New Product Development, Analysis & Market Positioning
- Broad Scale Lean Sigma Process Implementation
- Creates and Engages Multi-Functional Management Teams Within a Disciplined Operating Cadence



PHILIP A. FAIN

Chief Financial Officer & Treasurer

- Appointed Ultralife CFO & Treasurer in November 2009
- Vast Financial Experience in Restructuring and Building Profitable Global Companies through Organic Growth and M&A
- Strong Operational and Business Development Focus - VP of Finance – Ray Ban Sunoptics for Luxottica SpA, and Senior VP of Finance – Global Eyewear for Bausch & Lomb. Led Process to Acquire Some of the World’s Most Sought After Sunglass Companies and Brands
- Extensive Global Corporate Finance Background
- CPA – Arthur Andersen Audit & Consulting Services

EXPERIENCED, DEDICATED EXECUTIVE LEADERSHIP – TURNAROUNDS,
ORGANIC GROWTH, ACQUISITIONS & INTEGRATIONS, SHAREHOLDER VALUE





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