

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 15, 2007

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 an operating loss of \$1.5 million on record quarterly revenues of \$30.1 million for the fourth quarter ended December 31, 2006. In comparison, the company reported an operating profit of \$0.1 million on revenues of \$17.8 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.

99.1 Press Release dated February 15, 2007.

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.

Dated: February 15, 2007

ULTRALIFE BATTERIES, INC.

By: /s/ Robert W. Fishback

Robert W. Fishback

Vice President of Finance and CFO

INDEX TO EXHIBITS

(99) Additional Exhibits

99.1 Press Release dated February 15, 2007.

Ultralife Batteries Reports Fourth Quarter Results

NEWARK, N.Y.--(BUSINESS WIRE)--Feb. 15, 2007--Ultralife Batteries, Inc. (NASDAQ: ULBI) reported an operating loss of \$1.5 million on record quarterly revenues of \$30.1 million for the fourth quarter ended December 31, 2006. In comparison, the company reported an operating profit of \$0.1 million on revenues of \$17.8 million for the same period last year.

Revenues in the fourth quarter of 2006 reflect growth in sales of rechargeable batteries and chargers, 9-volt batteries and automotive telematics products as well as the addition of McDowell Research and ABLE New Energy, which were acquired in 2006. As a percentage of revenues, gross margins for the fourth quarter of 2006 were 17% compared to 21% for the same period last year, due to higher than expected material costs at McDowell and certain manufacturing inefficiencies in 9-volt production. Operating expenses totaled \$6.6 million and included \$1.7 million of additional expenses from McDowell and ABLE, \$0.7 million of intangible asset amortization and \$0.5 million of stock-based compensation expense; excluding these items, operating expenses rose modestly over the \$3.5 million reported in the fourth quarter last year.

At the end of 2004, the company recorded a deferred tax asset associated with its U.S. net operating loss carryforwards as the company had begun to demonstrate a profitable track record. The company continually assesses the carrying value of this asset based on relevant accounting standards. The company's assessment in the fourth quarter of 2006 concluded by reestablishing full reserves against this deferred tax asset, generating a \$24.1 million non-cash charge to income taxes. As the company reestablishes a pattern of profitability, it will continue to reassess the reserves associated with this issue. As a result of the above, net loss for the fourth quarter of 2006 was \$26.0 million, or \$1.73 per common share, compared to a net loss of \$40,000, or \$0.00 per common share, for the fourth quarter of 2005.

For the full year ended December 31, 2006, revenues totaled \$93.5 million, a 33% increase over the \$70.5 million reported for 2005. The company reported an operating loss of \$3.0 million in 2006, including \$1.5 million in stock-based compensation expense and \$1.2 million of intangible amortization, compared to an operating loss of \$2.9 million in 2005. Net loss for 2006 was \$27.5 million, or \$1.84 per share, including the adjustment for the deferred tax asset, compared to a net loss for the same period last year of \$4.3 million, or \$0.30 per share.

Management cautions that the fourth quarter and full year results are subject to the completion of its year-end audit by the company's independent accounting firm. In particular, the final review related to McDowell's inventory valuation and associated cost of goods sold has not yet been completed. As a result, final financial statements reported in the Form 10-K for the year ended December 31, 2006 may differ from the results reported in this press release.

"During 2006, we accomplished a great deal while facing numerous challenges," said John D. Kavazanjian, Ultralife's president and chief executive officer. "Diversifying our market opportunities and reducing our dependence on orders from the U.S. Defense Department were strategic priorities for the company and we achieved these objectives by further building our commercial business, particularly in the area of automotive telematics, and by expanding our reach into different segments of the government/military market. As evidence of our success in diversifying revenues, sales of standard batteries under contract with the U.S. Defense Department for all of 2006 were approximately \$18 million, or 19% of total revenue, and only \$1.0 million in the fourth quarter, or 3% of total revenue. As a result of our key initiatives to solidify our business with military prime contractors, nurture relationships with automotive manufacturers and strengthen our global distribution network, we now possess a broader set of market opportunities and see greater demand for our power solutions than ever before.

"The challenges we faced in 2006 were principally related to the integration of McDowell Research and associated operational issues that arose in the second half of the year," continued Mr. Kavazanjian. "As stated in our fourth quarter pre-announcement, we are addressing the operational issues and are resolved to improve manufacturing efficiency and optimize McDowell's cost structure. The actions we took

in early January to address manufacturing issues at our Newark facility are proving to be effective and we are now operating at planned levels. In addition, we are working through McDowell's inventory that carries above-normal product costs and have made the necessary changes to lower future costs."

Concluded Mr. Kavazanjian, "Ultralife's mix of business today is very different than a year ago, combining a steady revenue base in our established commercial market segments and expanding activity with military prime contractors who value our engineering expertise and broad product offering, supplemented by design wins in target commercial markets and by U.S. military orders against existing contracts."

Outlook

Management is projecting revenue between \$28 million to \$30 million for its first quarter ending March 31, 2007, largely based on our current backlog of shipments in addition to our pipeline of orders. Based on this revenue estimate, management anticipates reporting an operating loss in the range of \$1 million up to breakeven, inclusive of approximately \$1.1 million of non-cash expenses related to stock-based compensation and intangible asset amortization.

About Ultralife Batteries, Inc.

Ultralife is a global provider of high-energy power solutions and communications accessories for diverse applications. The company develops, manufactures and markets a wide range of non-rechargeable and rechargeable batteries, charging systems and accessories including power supplies, amplifiers, amplified speakers, equipment mounts, case equipment and integrated communication systems for markets including military, industrial and consumer portable electronics. Through its portfolio of standard products and engineered solutions, Ultralife is at the forefront of providing the next generation of power systems and accessories. Commercial, 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, Australia and New Zealand, among others.

Ultralife's headquarters, principal manufacturing and research facilities are in Newark, New York, near Rochester. Ultralife's three other operating units are: Ultralife Batteries (UK) Ltd., in Abingdon, England; McDowell Research in Waco, Texas; and ABLE New Energy in Shenzhen, China. Detailed information on Ultralife is available at: 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 15, 2007 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 4704751, during the period starting at 1:00 p.m. ET February 15 and ending at 1:00 p.m. ET February 22, 2007.

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

	Three-Month Periods Ended		Twelve-Month Periods Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Revenues:				
Non-rechargeable products	\$ 16,678	\$ 15,204	\$ 67,779	\$ 58,509
Rechargeable products	9,069	2,391	17,745	10,067
Communications accessories	4,387	-	7,433	-
Technology contracts	(25)	248	589	1,925
Total revenues	30,109	17,843	93,546	70,501
Cost of products sold:				
Non-rechargeable products	14,100	11,781	55,921	47,626
Rechargeable products	7,129	2,021	13,923	8,751
Communications accessories	3,720	-	5,662	-
Technology contracts	45	371	597	1,866
Total cost of products sold	24,994	14,173	76,103	58,243
Gross margin	5,115	3,670	17,443	12,258
Operating expenses:				
Research and development	1,395	877	4,478	3,751
Selling, general, and administrative	4,542	2,664	14,723	11,409
Amortization of intangible assets	687	-	1,199	-
Total operating expenses	6,624	3,541	20,400	15,160
Operating income / (loss)	(1,509)	129	(2,957)	(2,902)
Other income (expense):				
Interest income	22	23	126	185
Interest expense	(561)	(228)	(1,424)	(821)
Gain on insurance settlement	-	-	191	-
Miscellaneous	125	(115)	311	(318)
Income / (loss) before income taxes	(1,923)	(191)	(3,753)	(3,856)
Income tax provision / (benefit) - current	(20)	-	-	3
Income tax provision / (benefit) - deferred	24,136	(151)	23,735	486
Total income taxes	24,116	(151)	23,735	489

Net Income/(Loss)	\$ (26,039)	\$ (40)	\$ (27,488)	\$ (4,345)
Earnings/(Loss) per share - basic	\$ (1.73)	\$ (0.00)	\$ (1.84)	\$ (0.30)
Earnings/(Loss) per share - diluted	\$ (1.73)	\$ (0.00)	\$ (1.84)	\$ (0.30)
Weighted average shares outstanding - basic	15,030	14,727	14,906	14,551
Weighted average shares outstanding - diluted	15,030	14,727	14,906	14,551

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

ASSETS	December 31, 2006	December 31, 2005
Current assets:		
Cash and investments	\$ 720	\$ 3,214
Trade accounts receivable, net	24,197	10,965
Inventories	27,360	19,446
Prepaid expenses and other current assets	3,669	5,737
Total current assets	55,946	39,362
Property and equipment	19,396	19,931
Other assets		
Deferred tax asset - non-current	-	21,221
Goodwill, intangible and other assets	22,416	243
Total Assets	\$ 97,758	\$ 80,757
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 12,246	\$ 7,715
Accounts payable	15,925	5,218
Other current liabilities	9,639	5,450
Total current liabilities	37,810	18,383
Long-term liabilities:		
Long-term debt and capital lease obligations	20,043	25
Other long-term liabilities	316	242
Total long-term liabilities	20,359	267
Shareholders' equity:		
Common stock, par value \$0.10 per share	1,585	1,547
Capital in excess of par value	134,729	130,530
Accumulated other comprehensive income	(321)	(1,054)
Accumulated deficit	(94,026)	(66,538)
Total Shareholders' Equity	41,967	64,485

Less -- Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	39,589	62,107
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Total Liabilities and Shareholders' Equity	\$ 97,758	\$ 80,757
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CONTACT: Ultralife Batteries, Inc.
 Robert W. Fishback, 315-332-7100
 rfishback@ulbi.com
 or
 Investor Relations:
 Lippert/Heilshorn & Associates, Inc.
 Jody Burfening, 212-838-3777
 jburfening@lhai.com