UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 0-20852

ULTRALIFE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation of organization)	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:)

None
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.10 par value per share (Title of each class)	ULBI (Trading Symbol)	NASDAQ (Name of each exchange on which registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No☒

As of July 25, 2022, the registrant had 16,132,868 shares of common stock outstanding.

ULTRALIFE CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands except share amounts)
(Unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 5,114	$ 8,413
Trade accounts receivable, net of allowance for doubtful accounts of $316 and $346, respectively	22,349	20,232
Inventories, net	39,201	33,189
Prepaid expenses and other current assets	5,161	4,690
Total current assets	71,825	66,524
Property, plant and equipment, net	22,338	23,205
Goodwill	37,502	38,068
Other intangible assets, net	16,566	17,390
Deferred income taxes, net	11,731	11,472
Other noncurrent assets	2,261	2,879
Total assets	$ 162,223	$ 159,538
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,441	$ 9,823
Current portion of long-term debt	2,000	2,000
Accrued compensation and related benefits	1,924	1,842
Accrued expenses and other current liabilities	4,811	5,259
Total current liabilities	22,176	18,924
Long-term debt	19,566	18,857
Deferred income taxes	2,086	2,254
Other noncurrent liabilities	1,328	1,760
Total liabilities	45,156	41,795
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock – par value $.10 per share; authorized 1,000,000 shares; none issued	-	-
Common stock – par value $.10 per share; authorized 40,000,000 shares; issued – 20,567,460 shares at June 30, 2022 and 20,522,427 shares at December 31, 2021; outstanding – 16,132,868 shares at June 30, 2022 and 16,089,832 shares at December 31, 2021	2,057	2,052
Capital in excess of par value	186,999	186,518
Accumulated deficit	(47,488)	(47,832)
Accumulated other comprehensive loss	(3,151)	(1,653)
Treasury stock - at cost; 4,434,592 shares at June 30, 2022 and 4,432,595 shares at December 31, 2021	(21,480)	(21,469)
Total Ultralife Corporation equity	116,937	117,616
Non-controlling interest	130	127
Total stockholders' equity	117,067	117,743
Total liabilities and stockholders' equity	$ 162,223	$ 159,538

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME
(In thousands except per share amounts)
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues	$ 32,126	$ 26,770	$ 62,499	$ 52,743
Cost of products sold	24,480	19,503	47,895	38,498
Gross profit	7,646	7,267	14,604	14,245
Operating expenses:				
Research and development	1,672	1,853	3,529	3,500
Selling, general and administrative	5,181	4,323	10,577	8,702
Total operating expenses	6,853	6,176	14,106	12,202
Operating income	793	1,091	498	2,043
Other expense (income):				
Interest and financing expense	177	55	311	111
Miscellaneous	(62)	(34)	(79)	(34)
Total other expense	115	21	232	77
Income before income tax provision	678	1,070	266	1,966
Income tax provision (benefit)	170	248	(81)	465
Net income	508	822	347	1,501
Net (loss) income attributable to non-controlling interest	(4)	11	3	19
Net income attributable to Ultralife Corporation	512	811	344	1,482
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(1,262)	93	(1,498)	196
Comprehensive (loss) income attributable to Ultralife Corporation	$ (750)	$ 904	$ (1,154)	$ 1,678
Net income per share attributable to Ultralife common stockholders – basic	$ .03	$ .05	$. 02	$ .09
Net income per share attributable to Ultralife common stockholders – diluted	$ .03	$ .05	$. 02	$ .09
Weighted average shares outstanding – basic	16,129	16,019	16,116	15,997
Potential common shares	20	241	25	197
Weighted average shares outstanding - diluted	16,149	16,260	16,141	16,194

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six-month period ended	
	June 30, 2022	June 30, 2021
OPERATING ACTIVITIES:		
Net income	$ 347	$ 1,501
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	1,635	1,460
Amortization of intangible assets	651	310
Amortization of financing fees	17	52
Stock-based compensation	373	370
Deferred income taxes	(375)	345
Changes in operating assets and liabilities:		
Accounts receivable	(2,385)	2,390
Inventories	(6,606)	864
Prepaid expenses and other assets	104	2,536
Accounts payable and other liabilities	2,839	(2,873)
Net cash (used in) provided by operating activities	(3,400)	6,955
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(585)	(1,225)
Net cash used in investing activities	(585)	(1,225)
FINANCING ACTIVITIES:		
Borrowings on revolving credit facility	1,550	-
Payments on term loan facility	(833)	(789)
Proceeds from exercise of stock options	113	314
Payment of debt issuance costs	(25)	-
Tax withholdings on stock-based awards	(11)	(67)
Net cash provided by (used in) financing activities	794	(542)
Effect of exchange rate changes on cash	(108)	(13)
(DECREASE) INCREASE IN CASH	(3,299)	5,175
Cash, Beginning of period	8,413	10,653
Cash, End of period	$ 5,114	$ 15,828

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands except share amounts)
(Unaudited)

	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Non-Controlling Interest	Total
	Number of Shares	Amount						
Balance – December 31, 2020	20,373,519	$ 2,037	$ 185,464	$ (1,782)	$ (47,598)	$ (21,321)	$ 123	$ 116,923
Net income					1,482		19	1,501
Stock option exercises	88,656	9	305			(52)		262
Stock-based compensation – stock options			337					337
Stock-based compensation – restricted stock			33					33
Vesting of restricted stock	12,501	1	(1)			(15)		(15)
Foreign currency translation adjustments				196				196
Balance – June 30, 2021	20,474,676	$ 2,047	$ 186,138	$ (1,586)	$ (46,116)	$ (21,388)	$ 142	$ 119,237
Balance – December 31, 2021	20,522,427	$ 2,052	$ 186,518	$ (1,653)	$ (47,832)	$ (21,469)	$ 127	$ 117,743
Net income					344		3	347
Stock option exercises	38,369	4	109			(7)		106
Stock-based compensation – stock options			362					362
Stock-based compensation – restricted stock			11					11
Vesting of restricted stock	6,664	1	(1)			(4)		(4)
Foreign currency translation adjustments				(1,498)				(1,498)
Balance – June 30, 2022	20,567,460	$ 2,057	$ 186,999	$ (3,151)	$ (47,488)	$ (21,480)	$ 130	$ 117,067
Balance – March 31, 2021	20,416,511	$ 2,042	$ 185,674	$ (1,679)	$ (46,927)	$ (21,380)	$ 131	$ 117,861
Net income					811		11	822
Stock option exercises	51,497	5	278					283
Stock-based compensation – stock options			174					174
Stock-based compensation – restricted stock			12					12
Vesting of restricted stock	6,668					(8)		(8)
Foreign currency translation adjustments				93				93
Balance – June 30, 2021	20,474,676	$ 2,047	$ 186,138	$ (1,586)	$ (46,116)	$ (21,388)	$ 142	$ 119,237
Balance – March 31, 2022	20,560,796	$ 2,056	$ 186,816	$ (1,889)	$ (48,000)	$ (21,476)	$ 134	$ 117,641
Net income					512		(4)	508
Stock option exercises	-	-	-			-		-
Stock-based compensation – stock options			181					181
Stock-based compensation – restricted stock			3					3
Vesting of restricted stock	6,664	1	(1)			(4)		(4)
Foreign currency translation adjustments				(1,262)				(1,262)
Balance – June 30, 2022	20,567,460	$ 2,057	$ 186,999	$ (3,151)	$ (47,488)	$ (21,480)	$ 130	$ 117,067

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Ultralife Corporation and its subsidiaries (the "Company" or "Ultralife") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Rule 8-03 of Regulation S-X. Accordingly, they do not include all the information and notes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements and related notes thereto contained in our Form 10-K for the year ended December 31, 2021.

The December 31, 2021 consolidated balance sheet information referenced herein was derived from audited financial statements but does not include all disclosures required by GAAP.

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation.

Recent Accounting Guidance Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments", which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The Company is currently assessing the impact that adopting this new accounting standard will have on our consolidated financial statements.

2. ACQUISITION

On December 13, 2021, the Company acquired all the outstanding shares of Excell (as defined below) for an aggregate net purchase price of $23,519 in cash.

On December 13, 2021, 1336889 B.C. Unlimited Liability Company, a British Columbia unlimited liability company and wholly-owned subsidiary of Ultralife Canada Holding Corp., a Delaware corporation ("UCHC") and wholly-owned subsidiary of Ultralife Excell Holding Corp., a Delaware corporation ("UEHC") and wholly-owned subsidiary of Ultralife Corporation, completed the acquisition of all issued and outstanding shares of Excell Battery Canada Inc., a British Columbia corporation ("Excell Canada") (the "Excell Canada Acquisition"), and, concurrently, 1336902 B.C. Unlimited Liability Company, a British Columbia unlimited liability company and wholly-owned subsidiary of UCHC, completed the acquisition of all issued and outstanding shares of 656700 B.C. LTD, a British Columbia corporation and sole owner of all issued and outstanding shares of Excell Battery Corporation USA, a Texas corporation ("Excell USA", and together with Excell Canada, "Excell Battery Group" or "Excell") (the "Excell USA Acquisition", and together with the Excell Canada Acquisition, the "Excell Acquisition").

Based in Canada with U.S. operations, Excell is a leading independent designer and manufacturer of high-performance smart battery systems, battery packs and monitoring systems to customer specifications. Excell serves a variety of industrial markets including downhole drilling, OEM industrial and medical devices, automated meter reading, ruggedized computers, and mining, marine and other mission critical applications which demand uncompromised safety, service, reliability and quality.

The Excell Canada Acquisition was completed pursuant to a Share Purchase Agreement dated December 13, 2021 (the “Excell Canada Acquisition Agreement”) by and among 1336889 B.C. Unlimited Liability Company, Mark Kroeker, Randolph Peters, Brian Larsen, M. & W. Holdings Ltd., Karen Kroeker, Heather Peterson, Michael Kroeker, Nicholas Kroeker, Brentley Peters, Craig Peters, Kurtis Peters, Heather Larsen, Ian Kane, Carol Peters, and 0835205 B.C. LTD (the “Excell Canada Sellers”), Mark Kroeker in his capacity as the Excell Canada Sellers’ Representative, and Excell Canada. The Excell USA Acquisition was completed pursuant to a Share Purchase Agreement dated December 13, 2021 (the “Excell USA Acquisition Agreement”, and together with the Excell Canada Acquisition Agreement, the “Excell Acquisition Agreements”) by and among 1336902 B.C. Unlimited Liability Company, M. & W. Holdings Ltd., Ian Kane, Sanford Capital Ltd., Arcee Enterprises Inc., and 0835205 B.C. Ltd. (the “Excell USA Sellers”, and together with the Excell Canada Sellers, the “Sellers”), Mark Kroeker in his capacity as the Excell USA Sellers’ Representative, and 656700 B.C. LTD. The Excell Acquisition Agreements contain customary terms and conditions including representations, warranties and indemnification provisions. A portion of the consideration paid to the Sellers is being held in escrow for indemnification purposes for a period of twelve months from the closing date.

The Excell Acquisition was funded by the Company through a combination of cash on hand and borrowings under the Amended Credit Facilities (Note 3).

The Excell Acquisition was accounted for in accordance with the accounting treatment of a business combination pursuant to FASB ASC Topic 805, Business Combinations (“ASC 805”). Accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values on the acquisition date. The excess of the purchase price over the estimated fair value of the separately identifiable assets acquired and liabilities assumed was allocated to goodwill. Management is responsible for determining the acquisition date fair value of the assets acquired and liabilities assumed, which requires the use of various assumptions and judgments that are inherently subjective. The purchase price allocation presented below reflects all known information about the fair value of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation is subject to change should additional information existing as of the acquisition date about the fair value of the assets acquired and liabilities assumed becomes known. The final purchase price allocation may reflect material changes in the valuation of assets acquired and liabilities assumed, including but not limited to intangible assets, fixed assets, deferred taxes, and residual goodwill.

Cash	$	736
Accounts receivable		3,570
Inventories		3,622
Prepaid expenses and other current assets		785
Property, plant and equipment		429
Goodwill		10,989
Other intangible assets		8,870
Other noncurrent assets		991
Accounts payable		(1,450)
Accrued compensation and related benefits		(540)
Accrued expenses and other current liabilities		(720)
Deferred tax liability, net		(2,223)
Other noncurrent liabilities		(803)
Net assets acquired	$	24,256

The purchase price allocation was adjusted during the six-month period ended June 30, 2022 to reflect a change in the estimated fair value of certain other intangible assets acquired. The measurement period adjustment resulted in a $40 increase in other intangible assets acquired, a $10 increase in deferred tax liabilities and a $30 decrease to goodwill. The adjusted purchase price allocation is reflected in the consolidated balance sheet as of June 30, 2022.

The goodwill included in the Company’s purchase price allocation presented above represents the value of Excell’s assembled and trained workforce, the incremental value that Excell engineering and technology will bring to the Company and the revenue growth which is expected to occur over time which is attributable to increased market penetration from future new products and customers. The goodwill acquired in connection with the acquisition is not deductible for income tax purposes.

Other intangible assets were valued using the income approach which requires a forecast of all expected future cash flows and the use of certain assumptions and estimates. The following table summarizes the estimated fair value and annual amortization for each of the identifiable intangible assets acquired.

	Estimated Fair Value	Amortization Period (Years)	Annual Amortization Year 1	Year 2	Year 3	Year 4	Year 5
Customer relationships	$ 4,100	15	$ 273	$ 273	$ 273	$ 273	$ 273
Trade name	3,150	Indefinite	-	-	-	-	-
Customer contracts	1,140	15	76	76	76	76	76
Backlog	360	1	360	-	-	-	-
Technology	120	7	17	17	17	17	17
Total	$ 8,870		$ 726	$ 366	$ 366	$ 366	$ 366

We acquired right-of-use assets and assumed lease liabilities of $960 for Excell's operating facilities. Right-of-use assets are classified as other noncurrent assets, and current and long-term lease liabilities are classified as accrued expenses and other current liabilities and other noncurrent liabilities, respectively, on the Company's consolidated balance sheet.

The operating results and cash flows of Excell are reflected in the Company's consolidated financial statements from the date of acquisition. Excell is included in the Battery & Energy Products segment.

For the three months ended June 30, 2022, Excell contributed revenue of $6,591 and net income of $320, inclusive of amortization expense of $182 on acquired identifiable intangible assets. For the six months ended June 30, 2022, Excell contributed revenue of $13,027 and net income of $714, inclusive of amortization expense of $364 on acquired identifiable intangible assets and $55 in cost of products sold attributable to the fair market value step-up of acquired inventory sold during the period.

3. DEBT

On December 13, 2021, Ultralife, Southwest Electronic Energy Corporation, a Texas corporation ("SWE"), CLB, INC., a Texas corporation and wholly owned subsidiary of SWE ("CLB"), UEHC, UCHC and Excell USA, as borrowers, entered into the Second Amendment Agreement with KeyBank National Association ("KeyBank" or the "Bank"), as lender and administrative agent, to amend the Credit and Security Agreement dated May 31, 2017 as amended by the First Amendment Agreement by and among Ultralife, SWE, CLB and KeyBank dated May 1, 2019 (the "Credit Agreement", and together with the Second Amendment Agreement, the "Amended Credit Agreement").

The Amended Credit Agreement, among other things, provides for a 5-year, $10,000 senior secured term loan (the "Term Loan Facility") and extends the term of the $30,000 senior secured revolving credit facility (the "Revolving Credit Facility", and together with the Term Loan Facility, the "Amended Credit Facilities") through May 30, 2025. Up to six months prior to May 30, 2025, the Revolving Credit Facility may be increased to $50,000 with the Bank's concurrence.

As of June 30, 2022, the Company had $9,167 outstanding principal on the Term Loan Facility, $2,000 of which is included in current portion of long-term debt on the consolidated balance sheet, and $12,530 outstanding on the Revolving Credit Facility. As of June 30, 2022, total unamortized debt issuance costs of $131, including placement, renewal and legal fees associated with the Amended Credit Agreement, are classified as a reduction of long-term debt on the balance sheet. Debt issuance costs are amortized to interest expense over the term of the Amended Credit Facilities.

The remaining availability under the Revolving Credit Facility is subject to certain borrowing base limits based on trade receivables and inventories.

The Company is required to repay the borrowings under the Term Loan Facility in equal consecutive monthly payments commencing on February 1, 2022, in arrears, together with applicable interest. All unpaid principal and accrued and unpaid interest with respect to the Term Loan Facility is due and payable in full on January 1, 2027. All unpaid principal and accrued and unpaid interest with respect to the Revolving Credit Facility is due and payable in full on May 30, 2025. The Company may voluntarily prepay principal amounts outstanding at any time subject to certain restrictions.

In addition to the customary affirmative and negative covenants, the Company must maintain a consolidated senior leverage ratio, as defined in the Amended Credit Agreement, of equal to or less than 3.5 to 1.0 for the fiscal quarters ending December 31, 2022 and March 31, 2023, and equal to or less than 3.0 to 1.0 for the fiscal quarters ending June 30, 2023 and thereafter.

Borrowings under the Amended Credit Facilities are secured by substantially all the assets of the Company and its subsidiaries.

Interest will accrue on outstanding indebtedness under the Amended Credit Facilities at the Base Rate or the Overnight LIBOR Rate, as selected by the Company, plus the applicable margin. The Base Rate is the higher of (a) the Prime Rate, (b) the Federal Funds Effective Rate plus 50 basis points, and (c) the Overnight LIBOR Rate plus one hundred basis points. The applicable margin ranges from zero to negative 50 basis points for the Base Rate and from 185 to 215 basis points for the Overnight LIBOR Rate and are determined based on the Company's senior leverage ratio. The Second Amendment Agreement includes standard market provisions permitting the Bank to transition from LIBOR to a SOFR based rate, in its discretion

The Company must pay a fee of 0.15% to 0.25% based on the average daily unused availability under the Revolving Credit Facility.

Payments must be made by the Company to the extent borrowings exceed the maximum amount then permitted to be drawn on the Amended Credit Facilities and from the proceeds of certain transactions. Upon the occurrence of an event of default, the outstanding obligations may be accelerated, and the Bank will have other customary remedies including resort to the security interest the Company provided to the Bank.

4. EARNINGS PER SHARE

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) attributable to Ultralife by the weighted average shares outstanding during the period. Diluted EPS includes the dilutive effect of securities, if any, and is calculated using the treasury stock method. For the three-month period ended June 30, 2022, 135,163 stock options and 5,000 restricted stock awards were included in the calculation of diluted EPS as such securities are dilutive. Inclusion of these securities resulted in 20,352 additional shares in the calculation of fully diluted earnings per share. For the comparable three-month period ended June 30, 2021, 906,404 stock options and 14,164 restricted stock awards were included in the calculation of diluted EPS resulting in 240,259 additional shares in the calculation of fully diluted earnings per share. For the six-month periods ended June 30, 2022 and June 30, 2021, 135,163 and 659,488 stock options and 5,000 and 14,164 restricted stock awards, respectively, were included in the calculation of diluted EPS as such securities are dilutive. Inclusion of these securities resulted in 24,751 and 197,848 additional shares, respectively, in the calculation of fully diluted EPS. There were 1,073,077 and 414,916 outstanding stock options for the three and six-month periods ended June 30, 2022 and June 30, 2021, respectively, which were not included in EPS as the effect would be anti-dilutive.

5. SUPPLEMENTAL BALANCE SHEET INFORMATION

Fair Value Measurements and Disclosures

The fair value of financial instruments approximated their carrying values at June 30, 2022 and December 31, 2021. The fair value of cash, accounts receivable, accounts payable, accrued liabilities, and the current portion of long-term debt approximates carrying value due to the short-term nature of these instruments.

Cash

The composition of the Company's cash was as follows:

	June 30, 2022	December 31, 2021
Cash	$ 5,037	$ 8,329
Restricted cash	77	84
Total	$ 5,114	$ 8,413

As of June 30, 2022 and December 31, 2021, restricted cash included $77 and $84, respectively, of euro-denominated deposits withheld by the Dutch tax authorities and third-party VAT representatives in connection with a previously utilized logistics arrangement in the Netherlands. Restricted cash is included as a component of the cash balance for purposes of the consolidated statements of cash flows.

Inventories, Net

Inventories are stated at the lower of cost or net realizable value, net of obsolescence reserves, with cost determined under the first-in, first-out (FIFO) method. The composition of inventories, net was:

	June 30, 2022	December 31, 2021
Raw materials	$ 26,209	$ 21,660
Work in process	3,526	4,227
Finished goods	9,466	7,302
Total	$ 39,201	$ 33,189

Property, Plant and Equipment, Net

Major classes of property, plant and equipment consisted of the following:

	June 30, 2022	December 31, 2021
Land	$ 1,273	$ 1,273
Buildings and leasehold improvements	15,522	15,442
Machinery and equipment	63,930	63,780
Furniture and fixtures	2,756	2,588
Computer hardware and software	7,583	7,579
Construction in process	824	761
	91,888	91,423
Less: Accumulated depreciation	(69,550)	(68,218)
Property, plant and equipment, net	$ 22,338	$ 23,205

Depreciation expense for property, plant and equipment was as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Depreciation expense	$ 819	$ 730	$ 1,635	$ 1,460

Goodwill

The following table summarizes the goodwill activity by segment for the six-month period ended June 30, 2022.

	Battery & Energy Products	Communications Systems	Total
Balance – December 31, 2021	$ 26,575	$ 11,493	$ 38,068
Measurement period adjustment (1)	(30)	-	(30)
Effect of foreign currency translation	(536)	-	(536)
Balance – June 30, 2022	$ 26,009	$ 11,493	$ 37,502

(1) Change for measurement period adjustment related to Excell Acquisition (Note 2).

Other Intangible Assets, Net

The composition of other intangible assets was:

	at June 30, 2022		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 12,978	$ 5,689	$ 7,289
Patents and technology	5,560	5,117	443
Trade names	4,631	468	4,163
Trademarks	3,407	-	3,407
Other	1,500	236	1,264
Total other intangible assets	$ 28,076	$ 11,510	$ 16,566

	at December 31, 2021		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 13,214	$ 5,484	$ 7,730
Patents and technology	5,667	5,126	541
Trade names	4,670	436	4,234
Trademarks	3,413	-	3,413
Other	1,490	18	1,472
Total other intangible assets	$ 28,454	$ 11,064	$ 17,390

The change in the cost of total intangible assets from December 31, 2021 to June 30, 2022 is a result of measurement period adjustments for the Excell Acquisition (Note 2) and the effect of foreign currency translations.

Amortization expense for other intangible assets was as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Amortization included in:				
Research and development	$ 25	$ 33	$ 51	$ 66
Selling, general and administrative	298	123	600	244
Total amortization expense	$ 323	$ 156	651	$ 310

6. *STOCK-BASED COMPENSATION*

We recorded non-cash stock compensation expense in each period as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Stock options	$ 181	$ 174	$ 362	$ 337
Restricted stock grants	3	12	11	33
Total	$ 184	$ 186	$ 373	$ 370

We have stock options outstanding from various stock-based employee compensation plans for which we record compensation cost relating to share-based payment transactions in our financial statements. As of June 30, 2022, there was $516 of total unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted average period of 1.0 years.

The following table summarizes stock option activity for the six-month period ended June 30, 2022:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2022	1,306,824	$ 6.87		
Granted	5,000	4.68		
Exercised	(58,750)	3.81		
Forfeited or expired	(44,834)	6.76		
Outstanding at June 30, 2022	1,208,240	$ 7.01	4.07	$ 33
Vested and expected to vest at June 30, 2022	1,103,948	$ 7.01	3.93	$ 33
Exercisable at June 30, 2022	717,956	$ 7.06	2.93	$ 33

Cash received from stock option exercises under our stock-based compensation plans for the three-month periods ended June 30, 2022 and June 30, 2021 was $0 and $283, respectively.

Outstanding restricted shares vest in equal annual installments over three (3) years. There were 5,000 unvested restricted shares outstanding as of June 30, 2022. Unrecognized compensation cost related to these restricted shares was $6 at June 30, 2022, which is expected to be recognized over a weighted average period of 1.3 years.

7. *INCOME TAXES*

Our effective tax rate for the six-month periods ended June 30, 2022 and June 30, 2021 was (30.5%) and 23.7%, respectively. The period-over-period change was primarily attributable to the geographic mix of our operating results and the larger impact of permanent and discrete adjustments on a smaller amount of pretax income.

As of December 31, 2021, we have domestic net operating loss (“NOL”) carryforwards of $44,716, which expire 2022 thru 2037, and domestic tax credits of $2,239, which expire 2028 thru 2039, available to reduce future taxable income. As of June 30, 2022, management has concluded it is more likely than not that these domestic NOL and credit carryforwards will be fully utilized.

As of June 30, 2022, for certain past operations in the U.K., we continue to report a valuation allowance for NOL carryforwards of approximately $11,000, nearly all of which can be carried forward indefinitely. Utilization of the net operating losses may be limited due to the change in the past U.K. operation and cannot currently be used to reduce taxable income at our other U.K. subsidiary, Accutronics Ltd. There are no other deferred tax assets related to the past U.K. operations.

As of June 30, 2022, we have not recognized a valuation allowance against our other foreign deferred tax assets, as realization is considered to be more likely than not.

As of June 30, 2022, the Company maintains its assertion that all foreign earnings will be indefinitely reinvested in those operations, other than earnings generated in the U.K.

There were no unrecognized tax benefits related to uncertain tax positions at June 30, 2022 and December 31, 2021.

As a result of our operations, we file income tax returns in various jurisdictions including U.S. federal, U.S. state and foreign jurisdictions. We are routinely subject to examination by taxing authorities in these various jurisdictions. In August 2020, the Internal Revenue Service (“IRS”) completed its examination of the Company’s federal tax returns for 2016-2018 with no material adjustments identified. Our U.S. tax matters for 2019-2021 remain subject to IRS examination. Our U.S. tax matters for 2002, 2005-2007 and 2011-2015 also remain subject to IRS examination due to the remaining availability of NOL carryforwards generated in those years. Our U.S. tax matters for 2002, 2005-2007 and 2011-2021 remain subject to examination by various state and local tax jurisdictions. Our tax matters for the years 2011 through 2021 remain subject to examination by the respective foreign tax jurisdiction authorities.

8. *OPERATING LEASES*

The Company has operating leases predominantly for operating facilities. As of June 30, 2022, the remaining lease terms on our operating leases range from approximately one (1) year to ten (10) years. Lease terms include renewal options reasonably certain of exercise. There is no transfer of title or option to purchase the leased assets upon expiration. There are no residual value guarantees or material restrictive covenants.

The components of lease expense for the current and prior-year comparative periods were as follows:

	Three months ended		Six months ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Operating lease cost	$ 226	$ 189	$ 458	$ 376
Variable lease cost	23	13	47	32
Total lease cost	$ 249	$ 202	$ 505	$ 408

Supplemental cash flow information related to leases was as follows:

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 449	$ 365

Supplemental consolidated balance sheet information related to leases was as follows:

	Balance sheet classification	June 30, 2022	December 31, 2021
Assets:			
Operating lease right-of-use asset	Other noncurrent assets	$ 2,131	$ 2,581
Liabilities:			
Current operating lease liability	Accrued expenses and other current liabilities	$ 859	$ 867
Operating lease liability, net of current portion	Other noncurrent liabilities	1,312	1,743
Total operating lease liability		$ 2,171	$ 2,610
Weighted-average remaining lease term (years)		4.3	4.5
Weighted-average discount rate		4.5%	4.5%

Future minimum lease payments as of June 30, 2022 are as follows:

Maturity of operating lease liabilities	
2022	$ 440
2023	871
2024	449
2025	136
2026	137
2027	137
Thereafter	281
Total lease payments	2,451
Less: Imputed interest	(280)
Present value of remaining lease payments	$ 2,171

9. *COMMITMENTS AND CONTINGENCIES*

Purchase Commitments

As of June 30, 2022, we have made commitments to purchase approximately $697 of production machinery and equipment.

Product Warranties

We estimate future warranty costs to be incurred for product failure rates, material usage and service costs in the development of our warranty obligations. Estimated future costs are based on actual past experience and are generally estimated as a percentage of sales over the warranty period. Changes in our product warranty liability during the first six months of 2022 and 2021 were as follows:

	Six-month period ended June 30,	
	2022	**2021**
Accrued warranty obligations – beginning	$ 133	$ 149
Accruals for warranties issued	25	121
Settlements made	(26)	(108)
Accrued warranty obligations – ending	$ 132	$ 162

Contingencies and Legal Matters

We are subject to legal proceedings and claims that arise from time to time in the normal course of business. We believe that the final disposition of any such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows. However, recognizing that legal matters are subject to inherent uncertainties, there exists the possibility that ultimate resolution of these matters could have a material adverse impact on the Company's financial position, results of operations or cash flows. We are not aware of any such situations at this time.

10. *REVENUE RECOGNITION*

Revenues are generated from the sale of products. Performance obligations are met and revenue is recognized upon transfer of control to the customer, which is generally upon shipment. When contract terms require transfer of control upon delivery at a customer's location, revenue is recognized on the date of delivery. For products shipped under vendor managed inventory arrangements, revenue is recognized and billed when the product is consumed by the customer, at which point control has transferred and there are no further obligations by the Company. Revenue is measured as the amount of consideration we expect to receive in exchange for shipped product. Sales, value-added and other taxes billed and collected from customers are excluded from revenue. Customers, including distributors, do not have a general right of return.

Revenues recognized from prior period performance obligations for the six-month periods ended June 30, 2022 and 2021 were not material.

Deferred revenue, unbilled revenue and deferred contract costs recorded on our consolidated balance sheets as of June 30, 2022 and December 31, 2021 were not material. As of June 30, 2022 and December 31, 2021, the Company had no unsatisfied performance obligations for contracts with an original expected duration of greater than one (1) year. Pursuant to Topic 606, we have applied the practical expedient with respect to disclosure of the deferral and future expected timing of revenue recognition for transaction price allocated to remaining performance obligations.

11. BUSINESS SEGMENT INFORMATION

We report our results in two (2) operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes: Lithium 9-volt, cylindrical and various other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes: RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance.

Three-month period ended June 30, 2022:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 30,140	$ 1,986	$ -	$ 32,126
Segment contribution	7,151	495	(6,853)	793
Other expense			(115)	(115)
Income tax provision			(170)	(170)
Non-controlling interest			4	4
Net income attributable to Ultralife				$ 512

Three-month period ended June 30, 2021:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 22,875	$ 3,895	$ -	$ 26,770
Segment contribution	6,016	1,251	(6,176)	1,091
Other expense			(21)	(21)
Income tax provision			(248)	(248)
Non-controlling interest			(11)	(11)
Net income attributable to Ultralife				$ 811

Six-month period ended June 30, 2022:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 59,290	$ 3,209	$ -	$ 62,499
Segment contribution	13,872	732	(14,106)	498
Other expense			(232)	(232)
Income tax benefit			81	81
Non-controlling interest			(3)	(3)
Net income attributable to Ultralife				$ 344

Six-month period ended June 30, 2021:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 44,986	$ 7,757	$ -	$ 52,743
Segment contribution	11,452	2,793	(12,202)	2,043
Other expense			(77)	(77)
Income tax provision			(465)	(465)
Non-controlling interest			(19)	(19)
Net income attributable to Ultralife				$ 1,482

The following tables disaggregate our business segment revenues by major source and geography.

Commercial and Government/Defense Revenue Information:

Three-month period ended June 30, 2022:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 30,140	$ 24,682	$ 5,458
Communications Systems	1,986	-	1,986
Total	$ 32,126	$ 24,682	$ 7,444
		77%	23%

Three-month period ended June 30, 2021:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 22,875	$ 16,011	$ 6,864
Communications Systems	3,895	-	3,895
Total	$ 26,770	$ 16,011	$ 10,759
		60%	40%

Six-month period ended June 30, 2022:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 59,290	$ 47,276	$ 12,014
Communications Systems	3,209	-	3,209
Total	$ 62,499	$ 47,276	$ 15,223
		76%	24%

Six-month period ended June 30, 2021:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 44,986	$ 30,356	$ 14,630
Communications Systems	7,757	-	7,757
Total	$ 52,743	$ 30,356	$ 22,387
		58%	42%

U.S. and Non-U.S. Revenue Information[1]:

Three-month period ended June 30, 2022:

	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 30,140	$ 13,330	$ 16,810
Communications Systems	1,986	1,910	76
Total	$ 32,126	$ 15,240	$ 16,886
		47%	53%

Three-month period ended June 30, 2021:

	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 22,875	$ 11,813	$ 11,062
Communications Systems	3,895	1,953	1,942
Total	$ 26,770	$ 13,766	$ 13,004
		51%	49%

Six-month period ended June 30, 2022:

	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 59,290	$ 27,870	$ 31,420
Communications Systems	3,209	3,062	147
Total	$ 62,499	$ 30,932	$ 31,567
		49%	51%

Six-month period ended June 30, 2021:

	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 44,986	$ 24,403	$ 20,583
Communications Systems	7,757	3,421	4,336
Total	$ 52,743	$ 27,824	$ 24,919
		53%	47%

[1] Sales classified to U.S. include shipments to U.S.-based prime contractors which in some cases may serve non-U.S. projects.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This report contains certain forward-looking statements and information that are based on the beliefs of management as well as assumptions made by and information currently available to management. The statements contained in this report relating to matters that are not historical facts are forward-looking statements that involve risks and uncertainties, including, but not limited to, the continued impact of COVID-19 and the related supply chain disruptions on our business, operating results and financial condition; our reliance on certain key customers; reduced U.S. and foreign military spending including the uncertainty associated with government budget approvals; our efforts to develop new commercial applications for our products; fluctuations in the price of oil and the resulting impact on the demand for downhole drilling; the unique risks associated with our China operations; potential disruptions in our supply of raw materials and components; our ability to retain top management and key personnel; possible breaches in information systems security and other disruptions in our information technology systems; our resources being overwhelmed by our growth; possible future declines in demand for the products that use our batteries or communications systems; potential costs attributable to the warranties we supply with our products and services; safety risks, including the risk of fire; variability in our quarterly and annual results and the price of our common stock; our entrance into new end-markets which could lead to additional financial exposure; our inability to comply with changes to the regulations for the shipment of our products; our customers' demand falling short of volume expectations in our supply agreements; our exposure to foreign currency fluctuations; negative publicity concerning Lithium-ion batteries; possible impairments of our goodwill and other intangible assets; our ability to utilize our net operating loss carryforwards; the risk that we are unable to protect our proprietary and intellectual property; rules and procedures regarding contracting with the U.S. and foreign governments; exposure to possible violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or other anti-corruption laws; known and unknown environmental matters; possible audits of our contracts by the U.S. and foreign governments and their respective defense agencies; our ability to comply with government regulations regarding the use of "conflict minerals"; technological innovations in the non-rechargeable and rechargeable battery industries; and other risks and uncertainties, certain of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those forward-looking statements described herein. When used in this report, the words "anticipate," "believe," "estimate," "expect," "seek," "project," "intend," "plan," "may," "will," "should," or words of similar import are intended to identify forward-looking statements. For further discussion of certain of the matters described above and other risks and uncertainties, see Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this quarterly report, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Undue reliance should not be placed on our forward-looking statements. Except as required by law, we disclaim any obligation to update any risk factors or to publicly announce the results of any revisions to any of the forward-looking statements contained in this Form 10-Q or our Annual Report on Form 10-K for the year ended December 31, 2021 to reflect new information or risks, future events or other developments.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 of this Form 10-Q, and the consolidated financial statements and notes thereto and risk factors in our Annual Report on Form 10-K for the year ended December 31, 2021.

The financial information in this MD&A is presented in thousands of dollars, except for share and per share amounts, unless otherwise specified.

General

We offer products and services ranging from power solutions to communications and electronics systems to customers across the globe in the government, defense and commercial sectors. With an emphasis on strong engineering and a collaborative approach to problem solving, we design and manufacture power and communications systems including: rechargeable and non-rechargeable batteries, charging systems, communications and electronics systems and accessories, and custom engineered systems related to those product lines. We continually evaluate ways to grow, including the design, development and sale of new products, expansion of our sales force to penetrate new markets and territories, as well as seeking opportunities to expand through acquisitions.

We sell our products worldwide through a variety of trade channels, including original equipment manufacturers (“OEMs”), industrial and defense supply distributors, and directly to U.S. and foreign defense departments. We enjoy strong name recognition in our markets under our Ultralife® Batteries, Lithium Power®, McDowell Research®, AMTI™, ABLE™, ACCUTRONICS™, ACCUPRO™, ENTELLION™, SWE Southwest Electronic Energy Group™, SWE DRILL-DATA™, SWE SEASAFE™, Excell Battery Group and Criterion Gauge brands. We have sales, operations and product development facilities in North America, Europe and Asia.

We report our results in two operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes: Lithium 9-volt, cylindrical, thin cell and other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes: RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance. As such, we report segment performance at the gross profit level and operating expenses as Corporate charges. See Note 11 to the consolidated financial statements of this Form 10-Q for further information.

Our website address is www.ultralifecorporation.com. We make available free of charge via a hyperlink on our website (see Investor Relations link on the website) our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports and statements as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). We will provide copies of these reports upon written request to the attention of Philip A. Fain, CFO, Treasurer and Secretary, Ultralife Corporation, 2000 Technology Parkway, Newark, New York, 14513. Our filings with the SEC are also available through the SEC website at www.sec.gov or at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330.

COVID-19

The COVID-19 pandemic has created significant economic disruption and uncertainty around the world. The Company continues to closely monitor the developments surrounding COVID-19 and take actions to mitigate the business risks involved. During this challenging time, we remain focused on ensuring the health and safety of our employees by implementing the protocols established by public health officials and on meeting the demand of our customers. While we have maintained normal business operations at all our facilities with the exception of the well-publicized shutdowns in China which impacted our Shenzhen facility in the first quarter of 2022, the COVID-19 related supply chain disruptions including increased lead times on key components experienced within our business and by our customers, impacted our work schedules and timing of shipments. The continuing impact of these conditions on our business is uncertain and will depend on many evolving factors which we continue to monitor but cannot predict, including the duration and scope of the pandemic and its variants, the resulting actions taken by governments, businesses and individuals, and the flow-through impact on operations and supply chains. Potential effects of COVID-19 that may continue to adversely impact our future business include limited availability and/or increased cost of raw materials and components used in our products, reduced demand and/or pricing for our products, inability of our customers to pay for our products or remain solvent, and reduced availability of our workforce. Prolonged adverse effects of COVID-19 on our business could result in the impairment of long-lived assets including goodwill and other intangible assets. Further, we cannot predict all possible adverse effects the COVID-19 pandemic may cause. Consequently, there may be adverse effects in addition to those described above. We will continue to closely monitor the developments surrounding COVID-19 and take actions when possible to mitigate the business risks involved and the potential effects of COVID-19 on our business.

Overview

Consolidated revenues of $32,126 for the three-month period ended June 30, 2022, increased by $5,356 or 20.0%, over $26,770 for the three-month period ended June 30, 2021, reflecting the revenues of Excell Battery Group ("Excell") acquired on December 13, 2021, and increased sales in our medical, industrial, and oil & gas battery markets, partially offset by lower revenues for government/defense which continued to be impacted by supply chain challenges. Excluding Excell, commercial revenues of $18,090 for the quarter-ended June 30, 2022 increased $2,079 or 13.0% over the year-earlier period, and government/defense revenues of $7,444 decreased $3,315 or 30.8% from the 2021 period.

Gross profit was $7,646, or 23.8% of revenue, for the three-month period ended June 30, 2022, compared to $7,267, or 27.1% of revenue, for the same quarter a year ago. The 330-basis point decline primarily reflects the lower sales volume for Communications Systems resulting in lower factory throughput and incremental costs in 2022 associated with supply chain disruptions, including rapid increases in the cost of some key components in advance of price realization from customers, and the transition of new products to higher volume production.

Operating expenses increased to $6,853 for the three-month period ended June 30, 2022, compared to $6,176 for the three-month period ended June 30, 2021. The increase of $677 or 11.0% was primarily attributable to our acquisition of Excell which contributed operating expenses of $1,086. Excluding Excell, operating expenses decreased by $409 or 6.6% reflecting the timing of new product development spending, including those costs associated with test materials dedicated to the May 2021 indefinite-delivery/indefinite-quantity contract from the U.S. Army for purchases of Conformal Wear Batteries not to exceed $168,000 during the three-year base award period with the potential for up to an additional $350,000 should the six one-year options be exercised, and strict control over all discretionary spending. Operating expenses as a percentage of sales decreased 180 basis points from 23.1% for the second quarter of 2021 to 21.3% for the current quarter.

Operating income for the three-month period ended June 30, 2022 was $793, or 2.5% of revenues, compared to $1,091, or 4.1% of revenues, for the year-earlier period. The decrease in operating income primarily resulted from lower sales for our Communications Systems segment and a reduction in gross margin due to supply chain disruptions, including rapid increases in the cost of some key components in advance of price realization from customers, partially offset by the operating income generated by Excell and lower operating expenses across our businesses excluding Excell.

Net income attributable to Ultralife was $512, or $0.03 per share – basic and diluted, for the three-month period ended June 30, 2022, compared to net income attributable to Ultralife of $811, or $0.05 per share – basic and diluted, for the three-month period ended June 30, 2021.

Adjusted EBITDA, defined as net income attributable to Ultralife before net interest expense, provision for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expenses/income that we do not consider reflective of our ongoing operations, amounted to $2,185, or 6.8% of revenues, for the second quarter of 2022, compared to $2,186, or 8.2% of revenues, for the second quarter of 2021. See the section "Adjusted EBITDA" beginning on Page 25 for a reconciliation of Adjusted EBITDA to net income attributable to Ultralife.

While we anticipate continuing to contend with inflationary cost pressures and manufacturing inefficiencies associated with supply chain disruptions in the second half of the year, we remain steadfast in our commitment to advancing our new product development initiatives, transitioning new products to production, and generating profitable growth for the year.

Results of Operations

Three-Month Periods Ended June 30, 2022 and June 30, 2021

Revenues. Consolidated revenues for the three-month period ended June 30, 2022 were $32,126, an increase of $5,356, or 20.0%, over $26,770 for the three-month period ended June 30, 2021. Overall, commercial sales increased 54.2% while government/defense sales decreased 30.8% from the 2021 period. Revenues for the 2022 period include Excell which was acquired by the Company on December 13, 2021.

Battery & Energy Products revenues increased $7,265, or 31.8%, from $22,875 for the three-month period ended June 30, 2021 to $30,140 for the three-month period ended June 30, 2022. The increase was attributable to the $6,592 revenue contribution from the acquisition of Excell, and a 13.0% increase in commercial sales excluding Excell, partially offset by a 20.5% reduction in government/defense sales. Net organic sales for this segment increased 3.0%. The increase in commercial sales, excluding Excell, was driven by a 16.3% increase in medical battery sales due to the high demand for our batteries used in ventilators, respirators, infusion pumps and other medical devices, a 14.6% increase in industrial market sales including our new Thionyl Chloride and thin cell battery cells, and a 6.9% increase in oil & gas market sales reflecting the recent rebound in the energy sector. The decline in government/defense sales was primarily due to supply chain disruptions experienced by us and our customers which pushed out sales to future periods.

Communications Systems revenues decreased $1,909, or 49.0%, from $3,895 for the three-month period ended June 30, 2021 to $1,986 for the three-month period ended June 30, 2022. This decrease is primarily attributable to supply chain disruptions including extended lead times for components and the push out of certain orders by our customers which delayed approximately $4,100 of sales to future periods and the placement and fulfillment of an order from an international defense contractor in the first quarter of 2021 which is not expected to reoccur until the second half of 2022.

Cost of Products Sold / Gross Profit. Cost of products sold totaled $24,480 for the quarter ended June 30, 2022, an increase of $4,977, or 25.5%, from the $19,503 reported for the same three-month period a year ago. Consolidated cost of products sold as a percentage of total revenue increased from 72.9% for the three-month period ended June 30, 2021 to 76.2% for the three-month period ended June 30, 2022. Correspondingly, consolidated gross margin decreased from 27.1% for the three-month period ended June 30, 2021, to 23.8% for the three-month period ended June 30, 2022, primarily reflecting lower factory volume for our Communications Systems segment, incremental costs in 2022 associated with supply chain disruptions, including rapid increases in the cost of some key components in advance of price realization from customers, and the transition of new products to higher volume production.

For our Battery & Energy Products segment, gross profit for the second quarter of 2022 was $7,151, an increase of $1,135 or 18.9% over gross profit of $6,016 for the second quarter of 2021. Battery & Energy Products' gross margin of 23.7% decreased by 260 basis points from the 26.3% gross margin for the year-earlier period, reflecting sales mix, higher materials and logistics costs on incoming materials in advance of price realization from customers, and incremental costs associated with the transition of new products to higher volume production.

For our Communications Systems segment, gross profit for the second quarter of 2022 was $495 or 24.9% of revenues, compared to gross profit of $1,251 or 32.1% of revenues, for the second quarter of 2021. The decline was primarily due to lower factory volume resulting in the under-absorption of factory costs and unfavorable sales mix.

Operating Expenses. Operating expenses for the three-month period ended June 30, 2022 were $6,853, an increase of $677 or 11.0% from the $6,176 for the three-month period ended June 30, 2021. The increase is primarily attributable to the acquisition of Excell, which contributed operating expenses of $1,086 in the second quarter, including $182 of intangible asset amortization. Excluding Excell, operating expenses decreased $409 or 6.6% due to the timing of new product development spending, including those costs associated with test materials dedicated to the May 2021 indefinite-delivery/indefinite-quantity contract from the U.S. Army for purchases of Conformal Wear Batteries not to exceed $168,000 during the three-year base award period with the potential for up to an additional $350,000 should the six one-year options be exercised. Both periods reflected continued tight control over discretionary spending.

Overall, operating expenses as a percentage of revenues were 21.3% for the quarter ended June 30, 2022 compared to 23.1% for the quarter ended June 30, 2021. Amortization expense associated with intangible assets related to our acquisitions was $323 for the second quarter of 2022 ($298 in selling, general and administrative expenses and $25 in research and development costs), compared with $156 for the second quarter of 2021 ($123 in selling, general, and administrative expenses and $33 in research and development costs). Research and development costs were $1,672 for the three-month period ended June 30, 2022, a decrease of $181 or 9.7%, from $1,853 for the three-months ended June 30, 2021. The decrease is largely attributable to the timing of the purchase of test materials to support new product development in our Battery & Energy Products business, including those resources and materials dedicated to our Conformal Wearable Battery contract. Selling, general, and administrative expenses increased $858 or 19.8%, to $5,181 for the second quarter of 2022 from $4,323 for the second quarter of 2021. The increase is attributable to the December 2021 acquisition of Excell which contributed $1,000 of selling, general and administrative expenses, including intangible asset amortization of $182, for the second quarter of 2022.

Other Expense. Other expense totaled $115 for the three-month period ended June 30, 2022 compared to $21 for the three-month period ended June 30, 2021. Interest and financing expense increased $122, or 221.8%, from $55 for the second quarter of 2021 to $177 for the second quarter of 2022. The increase is due to the financing of the Excell Acquisition. Miscellaneous income amounted to $62 for the second quarter of 2022 compared with $34 for the second quarter of 2021, primarily representing foreign currency exchange gains and losses on U.S.-denominated transactions and balances of our non-U.S. businesses.

Income Taxes. For the three-month period ended June 30, 2022, Ultralife recognized an income tax provision of $170, comprised of a $143 current provision for taxes expected to be paid on income primarily from our non-U.S. operations, and a $27 deferred provision, compared to a tax provision of $248 for the three-month period ended June 30, 2021, comprised of a current provision of $71 and a deferred provision of $177. Our effective tax rate was 25.1% for the second quarter of 2022 as compared to 23.2% for the second quarter of 2021, primarily attributable to the geographic mix of our operating results, including income generated in Canada by Excell for the current year. See Note 7 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for further information.

Net Income Attributable to Ultralife. Net income attributable to Ultralife was $512, or $0.03 per share – basic and diluted, for the three-month period ended June 30, 2022, compared to net income of $811, or $0.05 per share – basic and diluted, for the three-month period ended June 30, 2021. Weighted average shares outstanding used to compute diluted earnings per share decreased from 16,259,584 for the second quarter of 2021 to 16,149,278 for the second quarter of 2022. The decrease is attributable to stock option exercises since the second quarter of 2021 offset by a decrease in the average stock price used to compute diluted shares from $8.66 for the second quarter of 2021 to $4.93 for the second quarter of 2022. Accordingly diluted shares of 240,259 were added to basic weighted average shares in 2021 compared to 20,352 in 2022.

Six-Month Periods Ended June 30, 2022 and June 30, 2021

Revenues. Consolidated revenues for the six-month period ended June 30, 2022 were $62,499, an increase of $9,756, or 18.5%, over $52,743 for the six-month period ended June 30, 2021. Overall, commercial sales increased 55.7% while government/defense sales decreased 32.0% from the 2021 period. Revenues for the 2022 period include Excell which was acquired by the Company on December 13, 2021.

Battery & Energy Products revenues increased $14,304, or 31.8%, from $44,986 for the six-month period ended June 30, 2021 to $59,290 for the six-month period ended June 30, 2022. The increase was attributable to the $13,028 revenue contribution from the acquisition of Excell, and a 12.8% increase in commercial sales excluding Excell, partially offset by a 17.9% reduction in government/defense sales. The increase in commercial sales, excluding Excell, was driven by a 13.8% increase in industrial market sales including our new Thionyl Chloride and thin cell battery cells, a 12.8% increase in oil & gas market sales reflecting the recent rebound in the energy sector, and a 12.7% increase in medical battery sales due to the high demand for our batteries used in ventilators, respirators, infusion pumps and other medical devices. The decline in government/defense sales was primarily due to supply chain disruptions experienced internally and by our customers which pushed out sales to future periods.

Communications Systems revenues decreased $4,548, or 58.6%, from $7,757 for the six-month period ended June 30, 2021 to $3,209 for the six-month period ended June 30, 2022. This decrease is primarily attributable to supply chain disruptions including extended lead times for components and the push out of certain orders by our customers to future periods and the placement and fulfillment of an order from an international defense contractor in the first quarter of 2021 which is not expected to reoccur until the second half of 2022.

Cost of Products Sold / Gross Profit. Cost of products sold totaled $47,895 for the six-month period ended June 30, 2022, an increase of $9,397, or 24.4%, from the $38,498 reported for the same six-month period a year ago. Consolidated cost of products sold as a percentage of total revenue increased from 73.0% for the six-month period ended June 30, 2021 to 76.6% for the six-month period ended June 30, 2022. Correspondingly, consolidated gross margin decreased from 27.0% for the six-month period ended June 30, 2021, to 23.4% for the six-month period ended June 30, 2022, primarily reflecting lower factory volume for our Communications Systems segment, incremental costs in 2022 associated with supply chain disruptions, including rapid increases in the cost of some key components in advance of price realization from customers, and the transition of new products to higher volume production.

For our Battery & Energy Products segment, gross profit for the first six months of 2022 was $13,872, an increase of $2,420 or 21.1% over gross profit of $11,452 for the comparable 2021 period. Battery & Energy Products' gross margin of 23.4% decreased by 210 basis points from the 25.5% gross margin for the year-earlier period, reflecting sales mix, higher materials and logistics costs on incoming materials in advance of price realization from customers, and incremental costs associated with the transition of new products to higher volume production.

For our Communications Systems segment, gross profit for the first six months of 2022 was $732 or 22.8% of revenues, compared to gross profit of $2,793 or 36.0% of revenues, for the comparable 2021 period. The decline was primarily due to lower factory volume resulting in the under-absorption of factory costs and unfavorable sales mix.

Operating Expenses. Operating expenses for the six-month period ended June 30, 2022 were $14,106, an increase of $1,904 or 15.6% from the $12,202 for the six-month period ended June 30, 2021. The increase is primarily attributable to the acquisition of Excell, which contributed operating expenses of $2,143 for the first six months of 2022, including $364 of intangible asset amortization and one-time acquisition costs of $70. Excluding Excell, operating expenses decreased $239 or 2.0% due to the timing of new product development spending, including those costs associated with test materials dedicated to the May 2021 indefinite-delivery/indefinite-quantity contract from the U.S. Army for purchases of Conformal Wear Batteries not to exceed $168,000 during the three-year base award period with the potential for up to an additional $350,000 should the six one-year options be exercised. Both periods reflected continued tight control over discretionary spending.

Overall, operating expenses as a percentage of revenues were 22.6% for the six-month period ended June 30, 2022 compared to 23.1% for the six-month period ended June 30, 2021. Amortization expense associated with intangible assets related to our acquisitions was $651 for the first six months of 2022 ($600 in selling, general and administrative expenses and $51 in research and development costs), compared with $310 for the first six months of 2021 ($244 in selling, general, and administrative expenses and $66 in research and development costs). Research and development costs were $3,529 for the six-month period ended June 30, 2022, an increase of $29 or 0.8%, from $3,500 for the six-months ended June 30, 2021. The increase is largely attributable to our acquisition of Excell and the timing of the purchase of test materials to support new product development in our Battery & Energy Products business, including those resources and materials dedicated to our Conformal Wearable Battery contract. Selling, general, and administrative expenses increased $1,875 or 21.5%, to $10,577 for the first six months of 2022 from $8,702 for the comparable 2021 period. The increase is attributable to the December 2021 acquisition of Excell which contributed $1,985 of selling, general and administrative expenses, including intangible asset amortization of $363, for the 2022 period.

Other Expense. Other expense totaled $232 for the six-month period ended June 30, 2022 compared to $77 for the six-month period ended June 30, 2021. Interest and financing expense increased $200, or 180.2%, from $111 for the first six months of 2021 to $311 for the first six months of 2022. The increase is due to the financing of the Excell Acquisition. Miscellaneous income amounted to $79 for the first six months of 2022 compared with $34 for the 2021 period, primarily representing foreign currency exchange gains and losses on U.S.-denominated transactions and balances of our non-U.S. businesses.

Income Taxes. For the six-month period ended June 30, 2022, Ultralife recognized an income tax benefit of $81, comprised of a $294 current provision for taxes expected to be paid on income primarily from our non-U.S. operations, and a $375 deferred benefit, compared to a tax provision of $465 for the prior year same period, comprised of a current provision of $120 and a deferred provision of $345. Our effective tax rate was (30.5%) for the first half of 2022 as compared to 23.7% for the first half of 2021, primarily attributable to the geographic mix of our operating results, including income generated in Canada by Excell for the current year. See Note 7 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for further information.

Net Income Attributable to Ultralife. Net income attributable to Ultralife was $344, or $0.02 per share – basic and diluted, for the six-month period ended June 30, 2022, compared to $1,482, or $0.09 per share – basic and diluted, for the six-month period ended June 30, 2021. Weighted average shares outstanding used to compute diluted earnings per share decreased from 16,194,377 for the 2021 period to 16,141,083 for 2022. The decrease is attributable to stock option exercises since the second quarter of 2021 offset by a decrease in the average stock price used to compute diluted shares from $7.89 for the first six months of 2021 to $5.11 for the first six months of 2022. Accordingly diluted shares of 197,848 were added to basic weighted average shares in 2021 compared to 24,751 in 2022.

Adjusted EBITDA

In evaluating our business, we consider and use Adjusted EBITDA, a non-GAAP financial measure, as a supplemental measure of our operating performance. We define Adjusted EBITDA as net income (loss) attributable to Ultralife before interest expense, provision (benefit) for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expense/income that we do not consider reflective of our ongoing continuing operations. We also use Adjusted EBITDA as a supplemental measure to review and assess our operating performance and to enhance comparability between periods. We believe the use of Adjusted EBITDA facilitates investors' understanding of operating performance from period to period by backing out potential differences caused by variations in such items as capital structures (affecting relative interest expense and stock-based compensation expense), the amortization of intangible assets acquired through our business acquisitions (affecting relative amortization expense and provision (benefit) for income taxes), the age and book value of facilities and equipment (affecting relative depreciation expense) and one-time charges/benefits relating to income taxes. We also present Adjusted EBITDA from operations because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. We reconcile Adjusted EBITDA to net income (loss) attributable to Ultralife, the most comparable financial measure under GAAP.

We use Adjusted EBITDA in our decision-making processes relating to the operation of our business together with GAAP financial measures such as operating income (loss). We believe that Adjusted EBITDA permits a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while isolating the effects of depreciation and amortization, which may vary from period to period without any correlation to underlying operating performance, and of stock-based compensation, which is a non-cash expense that varies widely among companies. We believe that by presenting Adjusted EBITDA, we assist investors in gaining a better understanding of our business on a going forward basis. We provide information relating to our Adjusted EBITDA so that securities analysts, investors and other interested parties have the same data that we employ in assessing our overall operations. We believe that trends in our Adjusted EBITDA are a valuable indicator of our operating performance on a consolidated basis and of our ability to produce operating cash flows to fund working capital needs, to service debt obligations and to fund capital expenditures.

The term Adjusted EBITDA is not defined under GAAP, and is not a measure of operating income (loss), operating performance or liquidity presented in accordance with GAAP. Our Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) attributable to Ultralife or other consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include, but are not limited to, the following:

- Adjusted EBITDA does not reflect (1) our cash expenditures or future requirements for capital expenditures or contractual commitments; (2) changes in, or cash requirements for, our working capital needs; (3) the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; (4) income taxes or the cash requirements for any tax payments; and (5) all of the costs associated with operating our business;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and Adjusted EBITDA from continuing operations does not reflect any cash requirements for such replacements;

- While stock-based compensation is a component of cost of products sold and operating expenses, the impact on our consolidated financial statements compared to other companies can vary significantly due to such factors as assumed life of the stock-based awards and assumed volatility of our common stock; and

- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only on a supplemental basis. Neither current nor potential investors in our securities should rely on Adjusted EBITDA as a substitute for any GAAP measures and we encourage investors to review the following reconciliation of Adjusted EBITDA to net income (loss) attributable to Ultralife.

Adjusted EBITDA is calculated as follows for the periods presented:

	Three-Month Period Ended		Six-Month Period Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income attributable to Ultralife Corporation	$ 512	$ 811	$ 344	$ 1,482
Add:				
Interest expense	177	55	311	111
Income tax provision	170	248	(81)	465
Depreciation expense	819	730	1,635	1,460
Amortization expense	323	156	651	310
Stock-based compensation expense	184	186	373	370
Non-cash purchase accounting adjustments	-	-	55	-
Adjusted EBITDA	$ 2,185	$ 2,186	$ 3,288	$ 4,198

Liquidity and Capital Resources

As of June 30, 2022, cash on hand totaled $5,114 (including restricted cash of $77), a decrease of $3,299 as compared to $8,413 as of December 31, 2021, primarily attributable to the procurement of inventory to enhance our ability to service orders requested by customers to ship in 2022 amidst challenging supply chain conditions.

During the six-month period ended June 30, 2022, cash used in operations was $3,400, as compared to $6,955 generated from operations for the six-month period ended June 30, 2021. For the 2022 period, we used cash of $6,606 to procure inventory to proactively manage our supply chain, reduce lead times and the impact of potential cost increases on components and raw materials, and enhance our position to service customer orders. The increase in inventory and the timing of sales, collections and disbursements resulted in net cash of $6,048 used for working capital, which was partially offset by net income of $347 and non-cash expenses totaling $2,301 for depreciation, amortization, stock-based compensation, and deferred taxes.

Cash used in investing activities for the six months ended June 30, 2022 was $585 for capital expenditures, reflecting investments in equipment for new products transitioning to high-volume manufacturing.

Cash provided by financing activities for the six months ended June 30, 2022 was $794, consisting of draws from our credit facility for the purchase of certain critical raw materials requiring cash-in-advance payment terms by the vendors, plus $102 in net proceeds on stock-based awards, partially offset by $833 of principle payments on our term loan.

We continue to have significant U.S. net operating loss carryforwards available to utilize as an offset to future taxable income. See Note 7 to the consolidated financial statements of this Form 10-Q for additional information.

Going forward, we expect positive operating cash flow and the availability under our Revolving Credit Facility will be sufficient to meet our general funding requirements for the foreseeable future.

To provide flexibility in accessing the capital market, the Company filed a shelf registration statement on Form S-3 on March 30, 2021, which was declared effective by the SEC on April 2, 2021. Under this registration statement, upon the filing of an appropriate supplemental prospectus, we may offer and sell certain of our securities from time to time in one (1) or more offerings, at our discretion, of up to an aggregate offering price of $100 million. We intend to use the net proceeds resulting from any sales of our securities for general corporate purposes which may include, but are not limited to, potential acquisitions of complementary businesses or technologies, strategic capital expenditures to expand and protect our competitive position, and investments in the development of transformational, competitively-differentiated products for attractive growth markets.

Commitments

As of June 30, 2022, the Company had $12,530 outstanding borrowings on the Revolving Credit Facility and $9,167 on the Term Loan Facility. The Company was in full compliance with all covenants under the Credit Facilities as of June 30, 2022.

As of June 30, 2022, we had made commitments to purchase approximately $697 of production machinery and equipment.

Critical Accounting Policies

Management exercises judgment in making important decisions pertaining to choosing and applying accounting policies and methodologies in many areas. Not only are these decisions necessary to comply with GAAP, but they also reflect management's view of the most appropriate manner in which to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 ("Summary of Operations and Significant Accounting Policies") to the consolidated financial statements in our 2021 Annual Report on Form 10-K should be reviewed for a greater understanding of how our financial performance is recorded and reported.

During the first six months of 2022, there were no significant changes in the manner in which our significant accounting policies were applied or in which related assumptions and estimates were developed.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer and Treasurer (Principal Financial Officer) have evaluated our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, our President and Chief Executive Officer and Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) that occurred during the fiscal quarter covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Index	Exhibit Description	Incorporated by Reference from
31.1	Rule 13a-14(a) / 15d-14(a) CEO Certifications	Filed herewith
31.2	Rule 13a-14(a) / 15d-14(a) CFO Certifications	Filed herewith
32	Section 1350 Certifications	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, (ii) Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2022 and 2021, (iii) Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021, (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2022 and 2021, and (v) Notes to Consolidated Financial Statements.

SIGNATURES

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 thereunto duly authorized.

ULTRALIFE CORPORATION
(Registrant)

Date: July 28, 2022	By: /s/ Michael D. Popielec Michael D. Popielec President and Chief Executive Officer (Principal Executive Officer)
Date: July 28, 2022	By: /s/ Philip A. Fain Philip A. Fain Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

I, Michael D. Popielec, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

By: /s/ Michael D. Popielec
Michael D. Popielec
President and Chief Executive Officer

Exhibit 31.2

I, Philip A. Fain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

By: /s/ Philip A. Fain
Philip A. Fain
Chief Financial Officer and Treasurer

Exhibit 32

Section 1350 Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), Michael D. Popielec and Philip A. Fain, the President and Chief Executive Officer and Chief Financial Officer and Treasurer, respectively, of Ultralife Corporation, certify that (i) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ultralife Corporation.

A signed original of this written statement required by Section 906 has been provided to Ultralife Corporation and will be retained by Ultralife Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 28, 2022

By: /s/ Michael D. Popielec
Michael D. Popielec
President and Chief Executive Officer

Date: July 28, 2022

By: /s/ Philip A. Fain
Philip A. Fain
Chief Financial Officer and Treasurer