

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

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 BATTERIES, INC.

(Exact name of registrant as specified in its charter)

Delaware 16-1387013
(State or other jurisdiction (I.R.S. employer Identification No.)
incorporation or organization)

1350 Route 88 South, Newark, New York 14513
(Address of principal executive offices)
(Zip Code)

(315)-332-7100
(Registrant's telephone number, including area code)

(Former name, former address and former
fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common stock, \$.10 par value - 7,979,586 shares outstanding as of October 31,
1997.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

ULTRALIFE BATTERIES, INC.
CONDENSED BALANCE SHEETS
As of September 30, 1997

	(Unaudited) Sept. 30, 1997	June 30, 1997
	-----	-----
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,029,074	\$ 2,310,725
Available-for-sale securities	18,476,972	19,847,201
Accounts Receivables	3,665,332	2,715,728
Inventory	4,638,017	5,302,752
Prepaid Expenses	959,853	1,661,655
	-----	-----
Total Current Assets	29,769,248	31,838,061
Net Plant & Equipment	20,248,026	18,873,695
Purchase Technology	658,347	683,347
	-----	-----
Total Assets	\$ 50,675,621	\$ 51,395,103
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 2,077,286	\$ 2,659,547
Customer Advances	1,270,666	1,636,433
Other Liabilities	1,583,244	336,242
	-----	-----
Total Current Liabilities	4,931,196	4,632,222
Shareholders' Equity		
Capital Stock - Par Value	796,935	795,360
Additional Paid In Capital	64,959,864	64,785,814
Unrealized Gain on Investments	1,520,156	1,311,343
Accumulated deficit	(21,321,449)	(20,115,175)
Foreign Currency Translation Adjustment	94,421	291,041
	-----	-----
Total Shareholders' Equity	46,049,927	47,068,383
Less: Treasury Stock, at Cost	(305,502)	(305,502)
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 50,675,621	\$ 51,395,103
	=====	=====

ULTRALIFE BATTERIES, INC.
CONDENSED STATEMENTS OF OPERATIONS
First Quarter, Fiscal 1998
(Unaudited)

	Three Months Ended Sept. 30,	
	1997-Actual	1996-Actual
Revenues:		
Battery sales	\$ 3,693,067	\$ 3,619,676
Technology contracts	1,183,450	352,050
Total revenue	4,876,517	3,971,726
Cost of Products Sold:		
Battery costs	3,181,630	3,301,163
Technology contracts	800,427	196,710
Total cost of products sold	3,982,057	3,497,873
Gross Profit	894,460	473,853
Research & Development	1,151,909	818,075
Selling & Administrative	1,188,993	1,270,248
Total Operating Expenses	2,340,902	2,088,323
Operating Loss	(1,446,442)	(1,164,470)
Interest Income	253,162	302,995
Miscellaneous	(12,994)	--
Net Loss	\$(1,206,274)	\$(1,311,475)
Loss Per Share	\$ (0.15)	\$ (0.17)
Average Shares Outstanding	7,949,727	7,924,840

ULTRALIFE BATTERIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
First Quarter, Fiscal 1998
(Unaudited)

	Three Months Ended Sept. 30,	
	1997-Actual	1996-Actual
OPERATING ACTIVITIES		
Net loss	\$ (1,206,274)	\$ (1,311,475)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	214,434	380,319
Foreign currency loss	--	(3,115)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(949,604)	(395,110)
Decrease (increase) in inventories	664,735	(459,920)
Decrease in prepaid expenses and other current assets	701,802	17,332
Increase (decrease) in accounts payable and other current liabilities	298,974	(479,369)
	(275,933)	(2,251,338)
Net cash used in operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,563,765)	(1,307,445)
Purchase of securities	(15,946,736)	(16,941,122)
Sales of securities	768,497	5,722,824
Maturities of securities	16,757,281	16,693,917
	15,277	4,168,174
Net cash provided by (used in) investing activities		
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	175,625	26,500
Purchase (sale of) treasury stock	--	--
	175,625	26,500
Net cash provided by financing activities		
Effect of exchange rate changes on cash	(196,620)	--
Increase (Decrease) in cash and cash equivalents	(281,651)	1,943,336
Cash and cash equivalents at beginning of period	2,310,725	1,212,743
Cash and cash equivalents at end of period	\$ 2,029,074	\$ 3,156,079

ULTRALIFE BATTERIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the financial position at September 30, 1997 and the results of operations and cash flows for the three month periods ended September 30, 1997 and 1996. The results for the three months ended September 30, 1997 are not necessarily indicative of the results to be expected for the entire year. The Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's financial statements for the year ended June 30, 1997, filed on Form 10-K on October 14, 1997.

2. NET LOSS PER SHARE

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period; common stock options have not been included since their inclusion would be antidilutive.

3. NEW ACCOUNTING PRONOUNCEMENTS

The Company accounts for net income per common and common equivalent share in accordance with the provisions of Accounting Principles Board Opinion No. 15 (APB No. 15). In February 1997, Statement of Financial Accounting Standards No. 128 (SFAS No. 128), "Earnings Per Share" was issued. SFAS No. 128 replaces primary Earnings Per Share (EPS) with basic EPS. Basic EPS is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. No dilution for common share equivalents is included. Fully diluted EPS, now called diluted EPS, is still required. The company is required to adopt SFAS No. 128 retroactively for periods ending after December 15, 1997. On a pro forma basis, basic EPS and diluted EPS for the first quarters ended September 30, 1997 and September 30, 1996 were \$(0.15), and \$(0.17), respectively, the same as reported EPS.

The discussion and analysis below, and throughout this report, contains forward-looking statements within the meaning of Section 27A of the Securities and Exchange Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. Actual results could differ materially from those projected or suggested in the forward-looking statements.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying condensed consolidated financial statements and notes thereto contained herein and the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K as of and for the year ended June 30, 1997.

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

Results of Operations

Three months ended September 30, 1997 and 1996

Consolidated revenues of Ultralife Batteries, Inc. (the "Company") for the three months ended September 30, 1997 were \$4,876,500 compared to \$3,971,700 reported for the same period of the prior year. The increased revenue in the amount of \$904,800 or 23% reflects increase sales of both batteries and Technology Contracts. Sales of U.S. manufactured primary batteries increased \$595,500, or 26%. This increase was mostly offset by lower sales from the Company's UK subsidiary, which has only recently resumed limited production of high rate batteries following the December, 1996 fire.

Technology contract revenues were \$1,183,450, a gain of more than 200%, primarily as a result of the Company's contracts with Mitsubishi Electric Corporation to develop and produce advanced solid state rechargeable batteries for a new generation of notebook computers.

Consolidated gross margin was 18% of revenue compared to 12% for the same period for fiscal 1997. Cost reduction programs combined with increasing volumes and favorable mix have contributed to improved margins.

Total operating expenses of \$2,340,900 for the first quarter of the current year reflect an increase of \$252,600, or 12% compared to \$2,088,300 for the same period of the prior year. Research and development expenses increased \$333,800, or 41%. Expenditures directly related to the commercialization of the Company's rechargeable batteries continue to focus on production processes and the performance of the batteries. Selling and administration expenses decreased \$81,200 or 6% reflecting the favorable impact of expense control programs.

Interest income decreased to \$253,200 for the first quarter of fiscal 1998 from \$303,000 for the first three months of the prior year. This is the result of a lower average balance invested as the Company has used its cash and investments to fund the operations and capital equipment additions for high volume production of Rechargeable Batteries.

Net losses in the amount of \$1,206,300 or \$0.15 per share were reported for the first quarter fiscal 1998 compared to a net loss of \$1,311,500 or \$0.17 per share reported for the same period last year. The improvement reflects both increasing sales volumes and improving profit margins, partially offset by higher Research and Development expenses.

Liquidity and Capital Resources

As of September 30, 1997, cash, cash equivalents and available for sale investments totaled \$20,500,000. The Company used \$275,900 of cash from operations during the first three months of fiscal 1998. This is the net result of net losses for the period and increased accounts receivable largely offset by reductions in inventories and prepaid expenses and increased accounts payable. Additionally, the Company spent \$1,563,800 of cash to purchase machinery and equipment primarily for the expansion of facilities to produce rechargeable batteries. The balance of equipment to complete the initial phase of the Company's capital expansion program for rechargeable batteries is expected to be received in the second fiscal quarter. Accordingly, cash requirements for capital additions in the next quarter are likely to reach \$3,500,000.

The Company does not currently have any long-term debt. Also, it does not have any current financing arrangements or loan facilities in place or available to it. The company's current financial position is adequate to support its financial requirements through fiscal 1998.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None filed during the quarter ended September 30, 1997.

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 BATTERIES, INC.
(Registrant)

Date: November 14, 1997

By:/s/ Bruce Jagid

Bruce Jagid
Chief Executive Officer

Date: November 14, 1997

By:/s/ Frederick F. Drulard

Frederick F. Drulard
Vice President & Chief Financial Officer

3-MOS

	JUN-30-1998	
	SEP-30-1997	
		2,029,074
		18,476,972
		3,927,659
		262,327
		4,638,017
	29,769,248	
		23,047,632
		2,799,606
		50,675,621
4,931,196		
		0
	0	
		0
		796,935
		45,252,992
50,675,621		
		4,876,517
	4,876,517	
		3,982,057
		3,982,057
		2,340,902
		(12,994)
		253,162
		(1,206,274)
		0
(1,206,274)		
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		0
		0
		(1,206,274)
		(0.15)
		(0.15)