

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

FORM 8-K

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

Date of Report (Date of earliest event reported):

July 29, 2004

ULTRALIFE BATTERIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

0-20852

(Commission File Number)

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)

Item 7. Financial Statements, Pro Forma Financials and Exhibits.

(a) Financial Statements of Business Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits.

99.1 Press Release dated July 29, 2004.

Item 12. Results of Operations and Financial Condition.

Ultralife Batteries, Inc. today reported operating income of \$3.6 million on revenues of \$28.4 million for its second quarter ended June 26, 2004. Operating income and revenue increased 91% and 41%, respectively, over the same three-month period in 2003 when the company reported operating income of \$1.9 million on revenue of \$20.1 million. Refer to the attached Exhibit 99.1 for the entire text of the release, which Exhibit is being furnished and not filed, and which shall not be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except as expressly set forth by specific reference in any such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ULTRALIFE BATTERIES, INC.

Dated: July 29, 2004

By: /s/ Robert W. Fishback

Robert W. Fishback
Vice President of Finance &
Chief Financial Officer

Index to Exhibits

(99) Additional Exhibits

99.1 Press Release dated July 29, 2004.

Ultralife Batteries, Inc. Reports Second Quarter Results;
Operating Income Improves 91% to \$3.6 Million on Revenue Growth
of 41% over Last Year's Second Quarter

NEWARK, N.Y.--(BUSINESS WIRE)--July 29, 2004--Ultralife Batteries, Inc. (NASDAQ: ULBI) today reported operating income of \$3.6 million on revenues of \$28.4 million for its second quarter ended June 26, 2004. Operating income and revenue increased 91% and 41%, respectively, over the same three-month period in 2003 when the company reported operating income of \$1.9 million on revenue of \$20.1 million.

Gross margin improved \$2.3 million, or 49%, from a year ago. As a percentage of revenues, gross margins were 25% compared with 24% last year reflecting higher sales and production volumes and gains in manufacturing efficiencies. Operating expenses amounted to \$3.4 million for the quarter, or 12% of revenues, compared with \$2.8 million, or 14% of revenues, reported last year. The \$0.6 million increase in operating expenses is attributable to planned resource additions in product development and sales, marketing and administrative functions that are necessary for the company to execute on its target growth opportunities.

In the second quarter, the company recorded a \$4.0 million non-cash, non-operating charge related to the company's ownership interest in Ultralife Taiwan, Inc. (UTI) that consisted of a write-off of the company's entire \$2.4 million note from UTI and the book value of its \$1.6 million equity investment in UTI. Ultralife decided to record this charge due to recent events that have caused increasing uncertainty over UTI's near-term financial viability. Including this charge, the company reported a net loss for the second quarter of \$0.4 million, or \$0.03 per share. For the second quarter of 2003, the company reported net income of \$2.1 million, or \$0.16 per diluted share.

John Kavazanjian, president and chief executive officer, said, "Ultralife has organized its operations to deliver incremental profitability on higher volumes, and this quarter was no exception as evidenced by the year-over-year gross margin and operating margin gains we reported. Shipments of primary batteries to the military remained strong this quarter, and our rechargeable business continued to develop, reaching \$1.7 million in revenue, an encouraging trend. Absent the one-time, non-cash UTI charge, we turned in another quarter of double-digit earnings growth.

"UTI remains a valuable partner and an important part of our rechargeable strategy. We are working with the company to help it through its financial difficulties in an effort to ensure a satisfactory outcome for all parties involved. We do not believe the write-off poses a risk to our current operations or future growth prospects because UTI continues to manufacture product for us and we have taken steps to establish alternate sources of supply."

Kavazanjian added, "On our last two earnings conference calls, we had indicated that there was the possibility of military demand leveling in the second half of the year. Now, as we look ahead to the remainder of 2004, this possibility still applies and, as a result, we are maintaining a conservative stance on our outlook for the year. We continue to make progress on our strategy of diversifying into commercial markets where our lithium-manganese dioxide and rechargeable lithium ion batteries bring value to applications. We are driving design activity and adding sales and marketing resources to support market adoption. We remain focused on realizing opportunities in our target commercial markets while continuing to build share of the military market in order to achieve an annual revenue growth rate of 20% to 30% over the next three to five years, heading toward revenue of \$200 million."

Outlook

Management re-affirms its guidance for fiscal year 2004 revenue of approximately \$106 million and operating income of approximately \$12.5 million, with results likely to be evenly divided between the third and fourth quarters. Consistent with its outlook at the beginning of fiscal 2004, management anticipates a modest flattening of order flow from the military in the second half of the year compared to the first half. Management cautions that uncertainties exist arising from the pending October transfer of procurement authority from the U.S. Army Communications and Electronics Command (CECOM) to the Defense Logistics Agency and the outcome of the Next Gen II Phase IV award.

About Ultralife Batteries, Inc.

Ultralife is a leading developer, manufacturer, and marketer of standard and customized lithium primary (non-rechargeable), lithium

ion and lithium polymer rechargeable batteries. Ultralife's high-energy batteries use advanced lithium technology and are used in military, industrial and consumer portable electronic products. Through its range of standard products and ability to customize for a wide range of applications, Ultralife is able to provide the next generation of battery solutions. OEM, retail and government customers include Energizer, Kidde Safety, Philips Medical Systems, Radio Shack and the national defense agencies of the United States and United Kingdom, among others.

Ultralife's headquarters, principal manufacturing and research facilities are in Newark, New York, near Rochester. Ultralife (UK) Ltd., a second manufacturing and research facility, is located in Abingdon, U.K. Both facilities are ISO-9001 certified.

This press release contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The potential risks and uncertainties that could cause actual results to differ materially include: loss of business with the U.S. government, worsening global economic conditions, world events, increased competitive environment and pricing pressures, disruptions related to restructuring actions and delays. Further information on these factors and other factors that could affect Ultralife's financial results is included in Ultralife's Securities and Exchange Commission (SEC) filings, including the latest Annual Report on Form 10-K.

Detailed information on Ultralife is available at the Company's web site, www.ultralifebatteries.com.

Conference Call Information

Investors are invited to listen to a live webcast of the conference call at 10:00 a.m. ET on July 29 at www.ultralifebatteries.com/invest.asp. To listen to the live call, please go to the web site at least fifteen minutes early to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay of the webcast will be available shortly after the call at the same location for 90 days. Investors may also listen to a telephone replay of the conference call by dialing 800-428-6051, Reservation #364937, starting at 12:00 p.m. ET July 29 until 12:00 p.m. ET August 5.

Ultralife and HiRate are registered trademarks of Ultralife Batteries, Inc.

ULTRALIFE BATTERIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)
(unaudited)

	Three Month Period Ended		Six Month Period Ended	
	June 26, 2004	June 28, 2003	June 26, 2004	June 28, 2003
Revenues:				
Battery sales	\$ 28,012	\$ 19,828	\$ 54,708	\$ 34,840
Technology contracts	427	282	719	698
Total revenues	28,439	20,110	55,427	35,538
Cost of products sold:				
Battery costs	21,046	15,209	41,453	27,264
Technology contracts	345	170	594	384
Total cost of products sold	21,391	15,379	42,047	27,648
Gross margin	7,048	4,731	13,380	7,890
Operating expenses:				
Research and development	560	646	1,063	1,231
Selling, general, and administrative	2,858	2,187	5,329	4,149
Total operating expenses	3,418	2,833	6,392	5,380

Operating income	3,630	1,898	6,988	2,510
Other income (expense):				
Interest, net	(83)	(146)	(188)	(237)
Write-off of UTI investment and note	(3,951)	-	(3,951)	-
Miscellaneous	32	397	93	187
(Loss) income before income taxes	(372)	2,149	2,942	2,460
Income taxes	-	-	79	-
Net (loss) income	\$ (372)	\$ 2,149	\$ 2,863	\$ 2,460
(Loss) earnings per share - basic	\$ (0.03)	\$ 0.17	\$ 0.21	\$ 0.19
(Loss) earnings per share - diluted	\$ (0.03)	\$ 0.16	\$ 0.19	\$ 0.19
Average shares outstanding - basic	14,115	12,927	13,930	12,895
Average shares outstanding - diluted	14,115	13,651	15,109	13,266

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

ASSETS	June 26, 2004	December 31, 2003
Current assets:		
Cash and investments	\$ 992	\$ 880
Trade accounts receivable, net	20,205	17,803
Inventories	16,131	10,209
Prepaid expenses and other current assets	1,662	3,664
Total current assets	38,990	32,556
Property and equipment	19,169	18,213
Other assets	-	1,583
Total Assets	\$ 58,159	\$ 52,352
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 5,439	\$ 8,295
Accounts payable	7,720	6,385
Other current liabilities	3,841	3,174
Total current liabilities	17,000	17,854
Long-term debt and capital lease obligations	68	68
Shareholders' equity:		
Common stock, par value \$0.10 per share	1,493	1,430
Capital in excess of par value	124,276	120,626
Accumulated other comprehensive loss	(638)	(723)
Accumulated deficit	(81,662)	(84,525)

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	43,469	36,808
Less -- Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	41,091	34,430
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Total Liabilities and Shareholders' Equity	\$ 58,159	\$ 52,352
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CONTACT: Company
 Ultralife Batteries, Inc.
 Robert W. Fishback, 315-332-7100
 rfishback@ulbi.com
 or
 Investor
 Lippert/Heilshorn & Associates, Inc.
 Jody Burfening, 212-838-3777
 jburfening@lhai.com
 or
 Media
 Lippert/Heilshorn & Associates, Inc.
 Chenoa Taitt, 212-201-6635
 ctaitt@lhai.com