SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 1999

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 of incorporation or organization)	(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)

(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..X... 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 - 10,864,476 shares outstanding as of January 31, 2000.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

ULTRALIFE BATTERIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Amounts)

ASSETS	December 31, 1999 (Unaudited)	June 30, 1999
Current assets:		
Cash and cash equivalents	$ 2,213	$ 776
Available-for-sale securities	15,650	22,780
Trade accounts receivable (less allowance for doubtful accounts of $446 at December 31, 1999 and $429 at June 30, 1999)	3,076	3,554
Inventories	6,753	5,018
Prepaid expenses and other current assets	1,709	2,112
Total current assets	29,401	34,240
Property and equipment:		
Machinery and equipment	34,332	32,662
Leasehold improvements	4,771	4,741
	39,103	37,403
Less - Accumulated depreciation and amortization	6,612	5,626
	32,491	31,777
Other assets and deferred charges:		
Investment in affiliates	2,974	--
Technology license agreements and other (net of accumulated amortization of $1,018 at December 31, 1999 and $968 at June 30, 1999, respectively)	433	403
	3,407	403
Total Assets	$ 65,299	$ 66,420

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1999 (Unaudited)	June 30, 1999
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 218	$ 107
Accounts payable	2,965	3,847
Accrued compensation	485	653
Other current liabilities	2,086	1,198
Total current liabilities	5,754	5,805
Long-term liabilities:		
Long-term debt and capital lease obligations	489	215
Total long-term liabilities	489	215
Commitments and contingencies (Note 5)		
Stockholders' equity :		
Preferred stock, par value $0.10 per share, authorized 1,000,000 shares- none outstanding	--	--
Common stock, par value $0.10 per share, authorized - 20,000,000 shares; issued - 11,212,386 at December 31, 1999 and 10,512,386 at June 30, 1999	1,121	1,051
Capital in excess of par value	96,773	93,605
Accumulated other comprehensive income	600	267
Accumulated deficit	(39,135)	(34,220)
	59,359	60,703
Less -- Treasury stock, at cost -- 27,250 shares	(303)	(303)
Total stockholders' equity	59,056	60,400
Total Liabilities and Stockholders' Equity	$ 65,299	$ 66,420

The accompanying notes are an integral part of the financial statements.

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

	Three Months Ended December 31, 1999	Three Months Ended December 31, 1998	Six Months Ended December 31, 1999	Six Months Ended December 31, 1998
Revenues	$ 6,677	$ 5,160	$ 12,902	$ 9,382
Cost of products sold	6,375	4,503	12,181	8,437
Gross profit	302	657	721	945
Operating and other expenses:				
Research and development	1,066	1,600	2,158	3,428
Selling, general, and administrative	2,269	1,348	3,760	2,648
Gain on fires	--	(949)	--	(1,417)
Total operating and other expenses	3,335	1,999	5,918	4,659
Other income (expense):				
Interest income	160	361	465	810
Miscellaneous	(116)	(24)	(183)	(31)
Loss before income taxes	(2,989)	(1,005)	(4,915)	(2,935)
Income taxes	--	--	--	--
Net loss	(2,989)	(1,005)	(4,915)	(2,935)
Comprehensive income (loss)	800	(608)	333	(1,098)
Net comprehensive loss	$ (2,189)	$ (1,613)	$ (4,582)	$ (4,033)
Net loss per common share	$ (0.28)	$ (0.10)	$ (0.45)	$ (0.28)
Weighted average shares outstanding	10,861	10,485	10,808	10,485

The accompanying notes are an integral part of the financial statements.

ULTRALIFE BATTERIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended December 31, 1999	1998
OPERATING ACTIVITIES		
Net loss	$ (4,915)	$ (2,935)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,036	1,119
Equity in loss of Taiwan venture	182	--
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	478	(15)
Increase in inventories	(1,735)	(224)
Decrease (increase) in prepaid expenses and other current assets	403	(301)
Decrease in accounts payable and other current liabilities	(162)	(1,189)
Net cash used in operating activities	(4,713)	(3,545)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,700)	(2,148)
Investment in affiliates	(3,238)	--
Purchase of securities	(23,141)	(52,126)
Sales of securities	13,896	43,576
Maturities of securities	16,731	15,884
Net cash provided by investing activities	2,548	5,186
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	3,238	--
Proceeds from issuance of debt	423	--
Principal payments under capital lease obligations	(38)	--
Net cash provided by financing activities	3,623	--
Effect of exchange rate changes on cash	(21)	(98)
Increase in cash and cash equivalents	1,437	1,543
Cash and cash equivalents at beginning of period	776	872
Cash and cash equivalents at end of period	$ 2,213	$ 2,415
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrealized (loss) gain on securities	$ 354	$ (1,000)

The accompanying notes are an integral part of the financial statements.

ULTRALIFE BATTERIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the financial position at December 31, 1999 and the results of operations and cash flows for the three and six month periods ended December 31, 1999 and 1998. The results for the three and six months ended December 31, 1999 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, 1999, filed on Form 10-K on September 28, 1999.

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. INVENTORIES

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

	(Dollars in thousands)	
	December 31, 1999	June 30, 1999
Raw materials	$3,051	$2,984
Work in process	2,894	2,080
Finished products	1,173	249
	7,118	5,313
Less: Reserve for obsolescence	365	295
	$6,753	$5,018

4. TAIWAN VENTURE

In December 1998, the Company announced the formation of a venture with PGT Energy Corporation (PGT), together with a group of investors, to produce Ultralife's rechargeable polymer batteries in Taiwan. In consideration of its ownership interest in the venture, Ultralife contributed to Ultralife Taiwan, Inc. (UTI), its proprietary technology and, in July 1999, issued 700,000 shares of Ultralife common stock. Ultralife holds half the seats on UTI's board of directors. PGT and the group of investors has funded UTI with $21,250,000 in cash and hold the remaining seats on the UTI board.

5. COMMITMENTS AND CONTINGENCIES

In 1997, a company filed a claim against the Company seeking amounts related to commissions and breach of good faith and fair dealings. Following a Federal Court mediation in November 1999, this matter was settled.

In 1997, an individual filed suit claiming the Company interfered with his opportunity to purchase Dowty Group, PLC (now the Company's U.K. subsidiary). The claim amounted to $25,000,000. After a Federal Court jury trial in December 1999, the lawsuit was dismissed. Plaintiff subsequently filed an appeal. The Company continues to maintain that this claim is without merit and will vigorously defend the appeal. While the Company believes it will be successful on appeal, an unfavorable outcome of this suit may have a material adverse impact on the Company's financial position and results of operations.

In August 1998, certain shareholders commenced a putative class action lawsuit against the Company, its Directors, certain of its officers, and certain underwriters seeking unspecified damages arising out of alleged violations of the federal securities laws in connection with the Company's May 1998 public offering of 2.5 million shares of common stock. The complaint, which was amended during 1998 before defendants were required to respond, alleged that the Company's registration statement and prospectus issued in connection with the offering contained false statements or omitted allegedly material information and therefore were misleading. The plaintiffs claimed that they, and other shareholders whom they seek to represent, purchased the Company's stock at allegedly inflated prices and were injured thereby. In response to defendants' motions to dismiss, on September 28, 1999 the Court dismissed, without prejudice, plaintiffs' Amended Complaint for failure to state a claim and for failing to plead fraud with particularity, and granted plaintiffs leave to replead their complaint within a time specified by the Court.

On November 8, 1999, plaintiffs filed a Second Amended Class Action Complaint, naming the same defendants and asserting similar claims as those set forth in plaintiffs' prior Amended Complaint. The Company has moved to dismiss the second Amended Complaint, and that motion presently is pending.

The Company continues to believe that the litigation is without merit and intends to continue to vigorously defend this action. To date, no discovery has been conducted, and the amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

In conjunction with the Company's purchase/lease agreement of its Newark, New York facility in 1998, the Company entered into a payment-in-lieu of tax agreement which provides the Company with certain real estate tax concessions upon certain conditions. In connection with this agreement, the Company received an environmental assessment which revealed contaminated soil. The assessment indicated potential actions that the Company may be required to undertake upon notification by the environmental authorities. The assessment also proposed that a second assessment be completed and provided an estimate of total potential costs to remediate the soil of $230,000. However, there can be no assurance that this will be the maximum cost. The Company entered into an agreement whereby a third party has agreed to reimburse the Company for fifty percent of the costs associated with this matter. The matter is in its preliminary stages and the total costs of remediation cannot be estimated at this time. The ultimate resolution of this matter may have a significant adverse impact on the results of operations in the period in which it is resolved.

6. CAPITAL LEASE OBLIGATIONS

A capital lease obligation of $647,000 was incurred in fiscal 1998 when the Company entered into a capital lease for land and buildings. An initial payment of $400,000 was paid at the time of the lease inception, resulting in a balance of $247,000 to be paid over 10 years. At December 31, 1999, the outstanding principal balance on the lease was $180,000.

In November 1999, the Company entered into a $423,000 capital lease for certain computer-related hardware and software. The lease is payable in equal monthly installments over a three-year period. At December 31, 1999, the outstanding principal balance on the lease was $413,000.

7. BUSINESS SEGMENT INFORMATION

The Company reports its results in four operating segments: Primary Batteries, Rechargeable Batteries, Technology Contracts and Corporate. The Primary Batteries segment includes 9-volt batteries, cylindrical batteries and various specialty batteries. The Rechargeable Batteries segment consists of the Company's efforts to produce rechargeable batteries. The Technology Contracts segment includes revenues and related costs associated with various government and military development contracts. The Corporate segment consists of all other items that do not specifically relate to the three other segments and are not considered in the performance of the other segments.

(Dollars in Thousands)

Three Months Ended December 31, 1999	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 5,913	$ 0	$764	$ --	$ 6,677
Segment contribution	191	(1,114)	104	(2,269)	(3,088)
Interest income	--	--	--	160	160
Miscellaneous	--	--	--	(61)	(61)
Income taxes	--	--	--	--	--
Net loss					$(2,989)
Total assets	$17,238	$20,591	$572	$26,898	$65,299

Three Months Ended December 31, 1998	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 4,692	$ 33	$ 435	$ --	$ 5,160
Segment contribution	1,471	(1,598)	133	(1,348)	(1,342)
Interest income	--	--	--	361	361
Miscellaneous	--	--	--	(24)	(24)
Income taxes	--	--	--	--	--
Net loss					$(1,005)
Total assets	$13,621	$20,074	$1,005	$35,855	$70,555

(Dollars in Thousands)

Six Months Ended December 31, 1999	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$11,545	$ 2	$1,355	$ --	$12,902
Segment contribution	479	(2,259)	161	(3,760)	(5,379)
Interest income	--	--	--	465	465
Miscellaneous	--	--	--	(1)	(1)
Income taxes	--	--	--	--	--
Net loss					$(4,915)
Total assets	$17,238	$20,591	$ 572	$26,898	$65,299

Six Months Ended December 31, 1998

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 8,449	$ 33	$ 900	$ --	$ 9,382
Segment contribution	2,148	(3,426)	212	(2,648)	(3,714)
Interest income	--	--	--	810	810
Miscellaneous	--	--	--	(31)	(31)
Income taxes	--	--	--	--	--
Net loss					$(2,935)
Total assets	$13,621	$20,074	$1,005	$ 35,855	$70,555

8. NEW ACCOUNTING PRONOUNCEMENTS

As of July 1, 1999, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities", which established accounting and reporting requirements for derivative instruments and hedging activities. The Company, on occasion, has used derivative financial instruments for purposes other than trading and does so to reduce its exposure to fluctuations in foreign currency exchange rates. As of December 31, 1999, the Company did not have any outstanding derivative financial instruments.

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

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, future demand for the Company's products and services, the successful commercialization of the Company's advanced rechargeable batteries, general economic conditions, government and environmental regulation, competition and customer strategies, technological innovations in the primary and rechargeable battery industries, changes in the Company's business strategy or development plans, capital deployment, business disruptions, raw materials supplies, and other risks and uncertainties, certain of which are beyond the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those described herein as anticipated, believed, estimated or expected.

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, 1999.

Results of Operations

Three months ended December 31, 1999 and 1998

Consolidated revenues reached a new all-time quarterly record of $6,677,000 for the second quarter of fiscal 2000, an increase of $1,517,000, or 29%, over the comparable quarter in fiscal 1999. Primary battery sales increased $1,221,000, or 26%, from $4,692,000 last year to $5,913,000 this year. The increase in primary battery sales was primarily due to shipments of BA-5372 batteries under the Company's contract with the U.S. Army and, to a lesser extent, rising sales of 9-volt and high rate batteries. Technology contract revenues rose $329,000, or 76%, from $435,000 to $764,000 reflecting the Company's work on the Advanced Technology Program (ATP) with the U.S. Department of Commerce which commenced in April 1999.

Cost of products sold amounted to $6,375,000 for the three months ended December 31, 1999, an increase of $1,872,000, or 42% over the same three month period a year ago. The gross margin on total revenues for the quarter was 5%, a decline from the reported 13% gross margin in the same quarter last year. However, last year's cost of products sold included $705,000 of proceeds from business interruption insurance which offset unabsorbed overhead expenses at the Company's U.K. facility that resulted from a fire in December 1996. This fire suspended production of high rate batteries in the U.K. for a period of 15 months. Excluding the impact of these insurance proceeds, the gross margin in the second quarter of fiscal 1999 was a negative 1%. Normalizing for the impact of the fire insurance proceeds, the gross margins in primary batteries improved from a negative 4% in the second quarter of fiscal 1999 to a positive 3% in the second quarter of fiscal 2000, largely attributable to the BA-5372 battery program and higher production volumes in 9-volt and high rate batteries. While sales and production rates of high rate batteries produced in the U.K. are increasing, they are not yet at a level to fully absorb all current overhead expenses. The Company anticipates that sales orders and production volumes will increase sufficiently in fiscal 2000 to be able to fully absorb factory overheads in the U.K.; however, there can be no assurance that such volumes will be achieved. Gross profit on technology contracts decreased $29,000 in fiscal 2000 when compared to fiscal 1999, reflecting a decline in gross margins from 31% in the second quarter 1999 to 14% in the second quarter 2000. This decline in technology contract gross margins is due to lower margins reflected in contracts in the U.K.

Operating and other expenses were $3,335,000 for the three months ended December 31, 1999, an increase of $1,336,000 from $1,999,000 in the prior year. Included in operating and other expenses last year was a gain on fires of $949,000, which related to fire insurance proceeds from the Company's fire in the U.K. The claim was settled during fiscal 1999 and no gains were recognized in fiscal 2000. Excluding the impact of this non-recurring item, operating and other expenses increased $387,000, or 13%. Of the Company's operating and other expenses, selling, general and administration expenses increased $921,000, or 68%, to $2,269,000 for the second quarter of fiscal 2000 compared to the same quarter last year. This increase in SG&A expenses was mainly due to certain one-time costs relating mostly to legal fees and settlement costs associated with the satisfactory conclusion of several legal matters, as well as higher consulting and information technology expenses and an increased allocation of support departments in the U.K. operating facility. The SG&A increase was partially offset by a decrease of $534,000, or 33%, in research and development expenses, to $1,066,000 in the second three months of fiscal 2000. The decline in research and development expenses was primarily due to a shift in resources to the U.S. Department of Commerce ATP program and a narrower focus on key rechargeable development programs.

Interest income decreased $201,000, or 56%, from $361,000 in the second quarter of fiscal 1999 to $160,000 in the second quarter of fiscal 2000. The reduction in interest income is principally the result of lower average cash balances.

Net losses were $2,989,000, or $0.28 per share, for the second three months of fiscal 2000 compared to $1,005,000, or $0.10 per share, for the same quarter last year. Excluding the impact from the $1,654,000 of insurance proceeds in the second quarter of fiscal 1999, net losses were $2,659,000, or $0.25 per share.

Six months ended December 31, 1999 and 1998

Consolidated revenues were $12,902,000 for the first six months of fiscal 2000, an increase of $3,520,000, or 38%, over the comparable six months in fiscal 1999. Primary battery sales increased $3,096,000, or 37%, from $8,449,000 last year to $11,545,000 this year. The increase in primary battery sales was primarily due to increased shipments of 9-volt lithium batteries, shipments of BA-5372 batteries under the Company's contract with the U.S. Army and, to a lesser extent, greater sales of high rate batteries. Technology contract revenues rose $455,000 or 51%, from $900,000 to $1,355,000 reflecting the Company's work on the U.S. Department of Commerce's ATP program, which commenced in April 1999.

Cost of products sold amounted to $12,181,000 for the six month period ended December 31, 1999, an increase of $3,744,000, or 44% over the same six month period a year ago. The gross margin on total revenues for the six months ended December 31, 1999, was 6%, down from the 10% gross margin reported for the first six months in the prior year. Last year's cost of products sold for primary batteries, however, included $1,211,000 of proceeds from business interruption insurance which offset unabsorbed overhead expenses at the Company's U.K. facility that resulted from a fire in December 1996. Normalizing for the impact of the fire insurance proceeds, consolidated gross margins improved from a negative 3% in the first six months of fiscal 1999 to a positive 6% in the first six months of fiscal 2000, primarily as a result of higher production volumes of 9-volt batteries, BA-5372 battery production not in last year, and increased sales of high rate batteries. Gross profit on technology contracts decreased $51,000 in fiscal 2000 when compared to fiscal 1999, reflecting a decline in gross margins from 24% in the first half of fiscal 1999 to 12% in the first half of fiscal

2000. The decline in technology contract gross margins is due to lower margins reflected in contracts in the U.K.

Operating and other expenses were $5,918,000 for the six months ended December 31, 1999, a decrease of $158,000, or 3%, from $6,076,000 in the same six months in the prior year excluding a gain on fires of $1,417,000 which related to fire insurance proceeds for the Company's fire in the U.K. Of the Company's operating and other expenses, research and development expenses decreased $1,270,000, or 37%, to $2,158,000 for the first six months of fiscal 2000. The decline in research and development expenses was primarily due to a shift in resources to the U.S. Department of Commerce's ATP program and a narrower focus on key rechargeable development programs. That decrease was partially offset by an increase of $1,112,000, or 42%, in selling, general, and administrative expenses, to $3,760,000 in the first six months of fiscal 2000. This increase in SG&A expenses was mainly due to certain one-time costs relating mostly to legal fees and settlement costs associated with the satisfactory conclusion of several legal matters, as well as higher information technology expenses and an increased allocation of support departments in the U.K. operating facility.

Interest income decreased $345,000, or 43%, from $810,000 in the first six months of fiscal 1999 to $465,000 in the first six months of fiscal 2000. The reduction in interest income is principally the result of lower average cash balances.

Losses associated with the Company's equity ownership interest in its Taiwan venture amounted to $182,000 for the first six months of fiscal 2000.

Net losses were $4,915,000, or $0.45 per share, for the first six months of fiscal 2000 compared to $2,935,000, or $0.28 per share, for the same period last year. Excluding the impact from the $2,628,000 of insurance proceeds in the first six months of fiscal 1999, net losses were $5,563,000, or $0.53 per share.

Liquidity and Capital Resources

At December 31, 1999, cash and cash equivalents and available for sale securities totaled $17,863,000. The Company used $4,713,000 of cash in operating activities during the first six months of fiscal 2000. This usage of cash related primarily to the net loss reported for the period and a net increase in working capital (mainly due to increased inventory levels), offset in part by depreciation and amortization expense. The Company spent $1,700,000 for capital additions for production equipment and facilities improvements during the six-month period ended December 31, 1999. In addition, in conjunction with the Taiwan venture agreement, the Company issued 700,000 shares of its common stock related to the Company's Taiwan venture, reflecting an investment of $3,238,000.

At December 31, 1999, the Company had long-term debt outstanding of $489,000 primarily relating to the capital lease obligations for the Company's Newark, New York offices and manufacturing facilities and various computer hardware and software. In November 1999, the Company entered into a capital lease for $423,000 related to computer hardware and software, whereby payments will be made monthly over a 3-year term. Ultralife UK maintains a line of credit in the amount of $330,000 for short-term working capital requirements. With planned sales growth, the Company is working to put in place a working capital line of credit of approximately $15,000,000 to $20,000,000. The Company expects to complete this financing during its third fiscal quarter ending March 31, 2000.

The Company's capital resource commitments as of December 31, 1999 consisted principally of capital equipment commitments of approximately $658,000. The Company believes its current financial position and cash flows from operations will be adequate to support its financial requirements throughout the next 12 months.

Year 2000 Disclosure

Prior to January 1, 2000, the Company took a number of steps in an effort to assess its readiness for Year 2000 issues, including reviewing all business systems, testing equipment, surveying key material suppliers, and completing the remediation plan. The "Year 2000" issue is the result of computer programs being written using only two digits as opposed to four to represent the applicable year. Computer programs that have time sensitive software may have recognized "00" as the year 1900 rather than the year 2000. This could have potentially resulted in a system failure or an error in calculation. This Year 2000 issue is believed to have affected all companies and organizations, including the Company.

During the early part of fiscal 1999, the Company's review and assessment determined that its U.S. accounting system was not Year 2000 compliant. As part of its ongoing project to improve the flow of management information and control of operations, the Company implemented and began using an enterprise-wide software system as of July 1, 1999. The total costs of this project, including hardware, software, consulting and implementation costs, amounted to approximately $450,000. Most of these costs were capitalized.

In addition to internal Year 2000 activities, the Company was in contact with its key suppliers and vendors to assess their state of readiness and compliance. The Company issued documentation to key vendors and suppliers and received assurances from these companies that all new equipment purchased was Year 2000 compliant, and that the supply of materials necessary to the continued smooth operation of the Company would not be materially affected by any Year 2000 issues.

Management is continuing to examine the Year 2000 issues as they potentially impact the Company. Since January 1, 2000, the Company has not experienced any interruptions in its business or operations. However, because all Year 2000 issues may not reveal themselves until later in 2000, no assurances can be given that the Company will not experience any interruptions in its business or operations due to Year 2000 issues.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In 1997, a company filed a claim against the Company seeking amounts related to commissions and breach of good faith and fair dealings. Following a Federal Court mediation in November 1999, this matter was settled.

In 1997, an individual filed suit claiming the Company interfered with his opportunity to purchase Dowty Group, PLC (now the Company's U.K. subsidiary). The claim amounted to $25,000,000. After a Federal Court jury trial in December 1999, the lawsuit was dismissed. Plaintiff subsequently filed an appeal. The Company continues to maintain that this claim is without merit and will vigorously defend the appeal. While the Company believes it will be successful on appeal, an unfavorable outcome of this suit may have a material adverse impact on the Company's financial position and results of operations.

In August 1998, certain shareholders commenced a putative class action lawsuit against the Company, its Directors, certain of its officers, and certain underwriters seeking unspecified damages arising out of alleged violations of the federal securities laws in connection with the Company's May 1998 public offering of 2.5 million shares of common stock. The complaint, which was amended during 1998 before defendants were required to respond, alleged that the Company's registration statement and prospectus issued in connection with the offering contained false statements or omitted allegedly material information and therefore were misleading. The plaintiffs claimed that they, and other shareholders whom they seek to represent, purchased the Company's stock at allegedly inflated prices and were injured thereby. In response to defendants' motions to dismiss, on September 28, 1999 the Court dismissed, without prejudice, plaintiffs' Amended Complaint for failure to state a claim and for failing to plead fraud with particularity, and granted plaintiffs leave to replead their complaint within a time specified by the Court.

On November 8, 1999, plaintiffs filed a Second Amended Class Action Complaint, naming the same defendants and asserting similar claims as those set forth in plaintiffs' prior Amended Complaint. The Company has moved to dismiss the second Amended Complaint, and that motion presently is pending.

The Company continues to believe that the litigation is without merit and intends to continue to vigorously defend this action. To date, no discovery has been conducted, and the amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

In conjunction with the Company's purchase/lease agreement of its Newark, New York facility in 1998, the Company entered into a payment-in-lieu of tax agreement which provides the Company with certain real estate tax concessions upon certain conditions. In connection with this agreement, the Company received an environmental assessment which revealed contaminated soil. The assessment indicated potential actions that the Company may be required to undertake upon notification by the environmental authorities. The assessment also proposed that a second assessment be completed and provided an estimate of total potential costs to remediate the soil of $230,000. However, there can be no assurance that this will be the maximum cost. The Company entered into an agreement whereby a third party has agreed to reimburse the Company for fifty percent of the costs associated with this matter. The matter is in its preliminary stages and the total costs of remediation cannot be estimated at this time. The ultimate resolution of this matter may have a significant adverse impact on the results of operations in the period in which it is resolved.

Item 4. Submission of Matters to a Vote of Security Holders

(a) On December 7, 1999, an Annual Meeting of Shareholders of the Company was held.

(b) At the Annual Meeting, the Shareholders of the Company elected to the Board of Directors all seven nominees for Director with the following votes:

DIRECTOR	FOR	AGAINST	ABSTAIN
Joseph C. Abeles	10,668,573	204,875	0
Joseph N. Barrella	10,669,198	204,250	0
Richard Hansen	10,669,198	204,250	0
Bruce Jagid	10,624,095	249,353	0
Arthur Lieberman	10,669,173	204,275	0
John Kavazanjian	10,669,198	204,250	0
Carl H. Rosner	10,660,195	213,253	0

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
None

(b) Reports on Form 8-K

On October 18, 1999, the Company filed a Form 8-K with the Securities and Exchange Commission indicating that on September 28, 1999, the United States District Court for the District of New Jersey dismissed a putative class action filed in August 1998 against the Company, certain of its officers and directors, and the underwriters of the Company's June 1998 public offering of securities. In its Order dated September 28, 1999, the Court granted the Company's motion to dismiss and dismissed plaintiffs' Amended Complaint without prejudice, and granted plaintiffs leave to amend their Amended Complaint within thirty days of the date of the Order.

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: February 11, 2000	By: /s/ John D. Kavazanjian John D. Kavazanjian President and Chief Executive Officer
Date: February 11, 2000	By: /s/ Robert W. Fishback Robert W. Fishback Vice President - Finance and Chief Financial Officer

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6-Mos
Jun-30-2000
Jul-1-1999
Dec-31-1999
2,213
15,650
3,522
446
6,753
29,401
39,103
6,612
65,299
5,754
0
0
0
1,121
57,935
65,299
12,902
12,902
12,181
12,181
5,918
17
22
(4,915)
0
(4,915)
0
0
0
(4,915)
(0.45)
(0.45)