

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):

February 5, 2004

ULTRALIFE BATTERIES, INC.  
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(Exact name of registrant as specified in its charter)

Delaware  
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(State or other jurisdiction of incorporation or organization)

0-20852  
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(Commission File Number)

16-1387013  
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(I.R.S. Employer Identification No.)

2000 Technology Parkway, Newark, New York 14513  
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(Address of principal executive offices) (Zip Code)

(315) 332-7100  
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(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 February 5, 2004

Item 12. Results of Operations and Financial Condition.

On February 5, 2004, Ultralife Batteries, Inc. announced its financial results for the quarter and year ended December 31, 2003. 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: February 5, 2004

By: /s/ Robert W. Fishback  
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Robert W. Fishback  
Vice President of Finance &



Index to Exhibits

(99) Additional Exhibits

99.1 Press Release dated February 5, 2004

Ultralife Batteries, Inc. Reports Fourth Quarter

Results - Operating Income Amounts to \$2.3 Million on Record  
Revenues of \$24.0 Million; Full Year 2003 Revenues Reach \$79.5 Million

NEWARK, N.Y.--(BUSINESS WIRE)--Feb. 5, 2004--Ultralife Batteries, Inc. (NASDAQ: ULBI) today reported operating income of \$2.3 million on record quarterly revenues of \$24.0 million for its fourth quarter ended December 31, 2003. Net income was \$2.2 million, or \$0.15 per diluted share. For the comparable period last year, the Company reported an operating loss of \$1.7 million and a net loss of \$0.4 million, or \$0.03 per share.

Revenues for the fourth quarter nearly tripled to \$24.0 million compared to \$8.8 million in the same quarter last year on the strength of orders for HiRate(R) batteries, mainly the BA-5390 batteries used by military organizations in a variety of communications and weapons systems. Gross margin rose to \$5.3 million, or 22% of revenues, compared with \$0.8 million, or 9% of revenues, in the same period last year reflecting sales and production volume increases and improved manufacturing efficiencies. Operating expenses were \$3.0 million, an increase of \$0.5 million over last year due to increased selling and administrative costs associated with managing a growing business.

Full year 2003 financial highlights include:

- Revenues reached \$79.5 million, up 140% over 2002
- Gross margin increased nearly six-fold to \$17.1 million from \$2.9 million in 2002
- As a percent of revenues, gross margin expanded from 9% to 22%
- Operating income was \$6.0 million, or 7.5% of revenues, compared to an operating loss of \$21.8 million, including a \$14.3 million impairment charge, in 2002
- Net income amounted to \$6.4 million, or \$0.46 per diluted share, versus a net loss of \$22.4 million, or \$1.75 per share, in 2002

"We hit the ground running at the beginning of 2003, breaking through to profitability in the first quarter, and have not slowed down," said John Kavazanjian, president and chief executive officer. "This year's outstanding performance is a clear affirmation of the strategy Ultralife put in place four years ago: improve manufacturing processes and asset management; target promising markets that are advantaged by our lithium technology - military, medical devices, automotive telematics, safety and security, and search and rescue; and, organize manufacturing operations to enable cost-efficient customization. To date, our dramatic success with the military market has enabled us to build volumes and establish a platform for growth into our targeted commercial sectors."

Added Kavazanjian, "We are especially proud of having delivered four consecutive quarters of explosive revenue growth, operating profit, net income and positive operating cash flow in 2003. A combination of escalating demand from the military for portable electronic equipment, market share gains in the military market, expanding OEM relationships and orders for emerging commercial applications drove revenue growth. In addition, we demonstrated the returns to scale of the business model, achieving gross margin and operating margin expansion."

#### Outlook

For the first quarter ending March 27, 2004, management projects operating income will reach approximately \$3.0 million on revenues of approximately \$26.0 million. This compares to operating income of \$0.6 million on revenues of \$15.4 million in the comparable quarter in 2003. In addition, based on current order flow, the company anticipates sequential revenue growth for the second quarter. As a result, management now expects full year operating income of approximately \$12 million on total revenues of approximately \$104 million. This compares to the previous guidance for 2004 of \$11 million in operating income on \$100 million in sales.

Kavazanjian concluded, "At Ultralife we have set our sights on moving toward \$200 million in revenue over the next few years as we firmly establish our position as the leading supplier of power solutions for diverse applications that need high-energy density, reliable, non-rechargeable and rechargeable power sources, leveraging our expertise in lithium chemistries. By continuing to exploit

opportunities in our target markets and gain manufacturing efficiencies, we intend to move toward a 15% operating margin within the next couple years."

#### 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: 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](http://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 February 5 at [www.ultralifebatteries.com/invest.asp](http://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 #331113, starting at 12:00 p.m. ET February 5 until 12:00 p.m. ET February 12.

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

	Three Month Period Ended		Twelve Month Period Ended	
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
Revenues:				
Battery sales	\$24,015	\$8,659	\$78,598	\$32,703
Technology contracts	23	93	852	336
Total revenues	24,038	8,752	79,450	33,039
Cost of products sold:				
Battery costs	18,720	7,965	61,920	29,895
Technology contracts	5	24	434	245
Total cost of products sold	18,725	7,989	62,354	30,140
Gross margin	5,313	763	17,096	2,899
Operating expenses:				
Research and development	622	629	2,505	3,243
Selling, general, and administrative	2,363	1,872	8,610	7,177

Impairment of long-lived assets	-	-	-	14,318
Total operating expenses	2,985	2,501	11,115	24,738
Operating income (loss)	2,328	(1,738)	5,981	(21,839)
Other income (expense):				
Interest, net	(140)	(69)	(520)	(352)
Equity loss in UTI	-	(314)	-	(2,452)
Gain on sale of UTI Stock	-	1,459	-	1,459
Gain from forgiveness of debt / grant	-	-	781	-
Miscellaneous	128	287	311	773
Income (loss) before income taxes	2,316	(375)	6,553	(22,411)
Income taxes	106	-	106	-
Net income (loss)	\$2,210	\$(375)	\$6,447	\$(22,411)
Earnings (loss) per share - basic	\$0.16	\$(0.03)	\$0.49	\$(1.75)
Earnings (loss) per share - diluted	\$0.15	\$(0.03)	\$0.46	\$(1.75)
Average shares outstanding - basic	13,501	12,825	13,132	12,786
Average shares outstanding - diluted	14,537	12,825	13,917	12,786

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

ASSETS	December 31, 2003	December 31, 2002
Current assets:		
Cash and investments	\$882	\$1,374
Trade accounts receivable, net	17,803	6,200
Inventories	10,209	5,813
Prepaid expenses and other current assets	3,662	968
Total current assets	32,556	14,355
Property and equipment	18,213	15,336
Other assets	1,583	1,683
Total Assets	\$52,352	\$31,374

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Short-term debt and current portion of long-term debt	\$8,295	\$816
Accounts payable	6,385	4,283
Other current liabilities	3,174	2,045
Total current liabilities	17,854	7,144
Long-term debt and capital lease obligations	68	1,987
Shareholders' equity:		

Common stock, par value \$0.10 per share	1,430	1,358
Capital in excess of par value	120,626	115,251
Accumulated other comprehensive loss	(723)	(1,016)
Accumulated deficit	(84,525)	(90,972)
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	36,808	24,621
Less --Treasury stock, at cost	2,378	2,378
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Total shareholders' equity	34,430	22,243
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Total Liabilities and Shareholders' Equity	\$52,352	\$31,374
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