

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

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

For the quarterly period ended March 31, 2002

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.)
of incorporation or organization)

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 - 13,120,289 shares outstanding
as of April 30, 2002.

1

Introductory Note:

This Amendment No. 1 to Form 10-Q/A for Ultralife Batteries, Inc. for the period ended March 31, 2002, dated as of April 11, 2003, is being filed to restate the financial statements and associated disclosures related to the manner in which the Company had previously accounted for its equity investment in Ultralife Taiwan, Inc. (UTI). The Items from the original Form 10-Q filing that have been impacted are being filed in their entirety with this Amendment and are summarized in the following Table of Contents. (Refer to Note 2 to the consolidated financial statements included in Item 1 herein.)

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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	(unaudited) March 31, 2002 ----- (As Restated; See Note 2)	June 30, 2001 -----
Current assets:		
Cash and cash equivalents	\$ 344	\$ 494
Available-for-sale securities	2	2,573
Restricted cash	201	540
Trade accounts receivable (less allowance for doubtful accounts of \$287 at March 31, 2002 and \$262 at June 30, 2001)	6,155	3,379
Inventories	4,687	5,289
Prepaid expenses and other current assets	726	1,648
	-----	-----
Total current assets	12,115	13,923
	-----	-----
Property, plant and equipment	30,613	32,997
Other assets:		
Investment in UTI	4,936	--
Technology license agreements (net of accumulated amortization of \$1,243 at March 31, 2002 and \$1,168 at June 30, 2001)	208	283
	-----	-----
	5,144	283
	-----	-----
Total Assets	\$47,872	\$47,203
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 917	\$ 1,065
Accounts payable	3,445	3,755
Other current liabilities	1,950	2,282
	-----	-----
Total current liabilities	6,312	7,102
Long-term liabilities:		
Long-term debt and capital lease obligations	1,984	2,648
Shareholders' 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 40,000,000 shares issued - 12,578,186 at March 31, 2002 and 11,488,186 at June 30, 2001)	1,258	1,149
Capital in excess of par value	110,833	99,389
Accumulated other comprehensive loss	(858)	(1,058)
Accumulated deficit	(71,354)	(61,724)
	-----	-----
	39,879	37,756
	-----	-----
Less -- Treasury stock, at cost -- 27,250 shares	303	303
	-----	-----
Total shareholders' equity	39,576	37,453
	-----	-----
Total Liabilities and Shareholders' Equity	\$47,872	\$47,203
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Three Months Ended 2002 ---- (As Restated; See Note 2)	March 31, 2001 ----	Nine Months Ended 2002 ---- (As Restated; See Note 2)	March 31, 2001 ----
Revenues	\$ 8,862	\$ 5,817	\$ 23,937	\$ 17,958
Cost of products sold	7,940	6,548	23,675	20,840
Gross margin	----- 922	----- (731)	----- 262	----- (2,882)
Operating expenses:				
Research and development	1,038	799	3,192	2,307
Selling, general, and administrative	1,981	1,979	6,194	5,835
Total operating expenses	----- 3,019	----- 2,778	----- 9,386	----- 8,142
Operating loss	(2,097)	(3,509)	(9,124)	(11,024)
Other income (expense):				
Interest income	3	126	88	628
Interest expense	(101)	(134)	(276)	(387)
Equity loss in UTI	(501)	(340)	(276)	(1,930)
Miscellaneous	(97)	(64)	(42)	(49)
Loss before income taxes	----- (2,793)	----- (3,921)	----- (9,630)	----- (12,762)
Income taxes	----- --	----- --	----- --	----- --
Net loss	\$ (2,793) =====	\$ (3,921) =====	\$ (9,630) =====	\$ (12,762) =====
Net loss per share, basic and diluted	\$ (0.23) =====	\$ (0.35) =====	\$ (0.79) =====	\$ (1.15) =====
Weighted average shares outstanding, basic and diluted	12,319 =====	11,173 =====	12,193 =====	11,131 =====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Nine Months Ended March 31, 2002 ----	2001 ----
	(As Restated; See Note 2)	
OPERATING ACTIVITIES		
Net loss	\$(9,630)	\$(12,762)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,208	2,794
Equity loss in UTI	276	1,930
Changes in operating assets and liabilities:		
Accounts receivable	(2,776)	1
Inventories	602	85
Prepaid expenses and other current assets	922	(503)
Accounts payable and other current liabilities	(642)	193
	-----	-----
Net cash used in operating activities	(8,040)	(8,262)
	-----	-----
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,715)	(2,934)
Proceeds from sale leaseback	995	--
Purchase of securities	(8,424)	(24,671)
Sales of securities	11,334	19,652
Maturities of securities	--	12,695
	-----	-----
Net cash provided by investing activities	2,190	4,742
	-----	-----
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	6,341	606
Principal payments on long-term debt and capital lease obligations	(812)	(836)
	-----	-----
Net cash provided by (used in) financing activities	5,529	(230)
	-----	-----
Effect of exchange rate changes on cash	171	(129)
	-----	-----
Decrease in cash and cash equivalents	(150)	(3,879)
Cash and cash equivalents at beginning of period	494	5,712
	-----	-----
Cash and cash equivalents at end of period	\$ 344	\$ 1,833
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrealized gain on securities	\$ -	\$ 1
	=====	=====
Interest paid	\$ 185	\$ 357
	=====	=====

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ULTRALIFE BATTERIES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar Amounts in Thousands - Except Share and Per Share Amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes 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 condensed 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 contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

2. RESTATEMENT OF PRIOR PERIOD FINANCIAL RESULTS

In assessing the partial unwind of the Company's investment in Ultralife Taiwan, Inc. (UTI) on October 23, 2002, the Company determined that it had incorrectly accounted for certain activities with regard to its equity investment in UTI. Specifically, the Company should have adjusted its proportionate share of the UTI net losses to reflect the Company's carrying value of its UTI investment, and the Company should have recorded certain increases to its investment in UTI arising from change in interest transactions at the UTI level occurring in November 2000, August 2001, and July 2002. The impact of not accounting for the negative basis difference was that the Company's reported equity losses were overstated for the Company's fiscal years ended June 30, 2002, 2001 and 2000. The primary impact of the Company not recognizing the UTI change in interest transactions was that the Company's UTI investment and additional paid-in capital captions were understated, primarily in fiscal year 2002. Further, the Company's equity losses for fiscal year 2002, even with the beneficial amortization effect noted above, were understated, as the additional basis created by the change in interest accounting that should have taken place would have created additional basis sufficient to absorb additional equity losses which had not been recognized previously (as the Company's equity investment had been reduced to zero).

The Company has determined that the impacts relating to fiscal years 2001 and 2000 were not material and therefore these previously issued financial statements have not been restated. The financial statements for the three and nine months ended March 31, 2002, have been restated as follows:

Financial Statement Caption	Three months ended March 31, 2002		Nine months ended March 31, 2002	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Equity loss in UTI	\$ --	\$ (501)	\$ --	\$ (276)
Net loss	\$ (2,292)	\$ (2,793)	\$ (9,354)	\$ (9,630)
Investment in UTI	\$ --	\$ 4,936	\$ --	\$ 4,936
Total assets	\$ 42,936	\$47,872	\$42,936	\$47,872
Total shareholders' equity	\$ 34,640	\$39,576	\$34,640	\$39,576
Net loss per share	\$ (0.19)	\$ (0.23)	\$ (0.77)	\$ (0.79)

3. 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 and warrants have not been included as their inclusion would be anti-dilutive. As a result, basic earnings per share is the same as diluted earnings per share.

4. COMPREHENSIVE INCOME (LOSS)

The components of the Company's total comprehensive loss were:

(As Restated; See Note 2)	Three months ended		Nine months ended	
	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Net loss	\$(2,793)	\$(3,921)	\$(9,630)	\$(12,762)
Unrealized (loss) gain on securities	--	--	--	1
Foreign currency translation adjustments	(22)	(271)	200	(447)
Total comprehensive loss	<u>\$(2,815)</u>	<u>\$(4,192)</u>	<u>\$(9,430)</u>	<u>\$(13,208)</u>

5. 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:

	March 31, 2002	June 30, 2001
Raw materials	\$2,652	\$2,595
Work in process	1,610	1,233
Finished goods	771	1,872
	5,033	5,700
Less: Reserve for obsolescence	346	411
	<u>\$4,687</u>	<u>\$5,289</u>

6. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2002	June 30, 2001
Land	\$ 123	\$ 123
Buildings and Leasehold Improvements	1,608	1,608
Machinery and Equipment	38,287	37,891
Furniture and Fixtures	308	291
Computer Hardware and Software	1,390	1,375
Construction in Progress	3,305	2,984
	45,021	44,272
Less: Accumulated Depreciation	14,408	11,275
	<u>\$30,613</u>	<u>\$32,997</u>

7. COMMITMENTS AND CONTINGENCIES

As of March 31, 2002, the Company had \$201 in restricted cash with a certain lending institution primarily for letters of credit supporting leases for a building and some computer equipment. The funds that had previously been restricted by the Company's primary lending institution at December 31, 2001 were no longer restricted at March 31, 2002 because the amount of eligible assets applicable to the borrowing base exceeded borrowings against the revolver loan.

The Company is subject to legal proceedings and claims that arise in the normal course of business. The Company believes that the final disposition of such matters will not have a material adverse effect on the financial position or results of operations of the Company.

In August 1998, the Company, its Directors, and certain underwriters were named as defendants in a complaint filed in the United States District Court for the District of New Jersey by certain shareholders, purportedly on behalf of a class of shareholders, alleging that the defendants, during the period April 30, 1998 through June 12, 1998, violated various provisions of the federal securities laws in connection with an offering of 2,500,000 shares of the Company's Common Stock. The complaint alleged that the Company's offering documents were materially incomplete, and as a result misleading, and that the purported class members purchased the Company's Common Stock at artificially inflated prices and were damaged thereby. Upon a motion made on behalf of the Company, the Court dismissed the shareholder action, without prejudice, allowing the complaint to be refiled. The shareholder action was subsequently refiled, asserting substantially the same claims as in the prior pleading. The Company again moved to dismiss the complaint. By Opinion and Order dated September 28, 2000, the Court dismissed the action, this time with prejudice, thereby barring plaintiffs from any further amendments to their complaint and directing that the case be closed. Plaintiffs filed a Notice of Appeal to the Third Circuit Court of Appeals and the parties submitted their briefs. Subsequently, the parties notified the Court of Appeals that they had reached an agreement in principle to resolve the outstanding appeal and settle the case upon terms and conditions which require submission to the District Court for approval. Upon application of the parties and in order to facilitate the parties' pursuit of settlement, the Court of Appeals issued an Order dated May 18, 2001 adjourning oral argument on the appeal and remanding the case to the District Court for further proceedings in connection with the proposed settlement.

Subsequent to the parties entering into the settlement agreement, the Company's insurance carrier commenced liquidation proceedings. The insurance carrier informed the Company that in light of the liquidation proceedings, it would no longer fund the settlement. In addition, the value of the insurance policy is in serious doubt. In April 2002, the Company and the insurance carrier for the underwriters offered to proceed with the settlement. Plaintiff's counsel has accepted the terms of the proposed settlement and the matter must now be approved by the Court and by the shareholders comprising the class. Based on the terms of the proposed settlement, the Company has established reserves against a significant portion of its share of the settlement costs and associated expenses.

In the event settlement is not reached, the Company will continue to defend the case vigorously. 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 of its Newark, New York facility in 1998, the Company entered into a payment-in-lieu of tax agreement which provides the Company with real estate tax concessions upon meeting 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. 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. Test sampling occurred in the fourth quarter of fiscal 2001 and the engineering report was submitted to the New York State Department of Environmental Conservation (NYSDEC) for review. NYSDEC reviewed the report and in January 2002 recommended additional testing. The Company responded by submitting a proposed work plan to NYSDEC, which was approved by NYSDEC in April 2002. The Company is now soliciting proposals from engineering firms to complete remedial work contained in the work plan, and it is unknown at this time whether the final cost to remediate will be in the range of the original estimate, given the passage of 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.

8. 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 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.

Three Months Ended March 31, 2002

(As Restated; See Note 2)	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	\$ 8,741	\$ 86	\$ 35	\$ --	\$ 8,862
Segment contribution	954	(1,072)	2	(1,981)	(2,097)
Interest, net				(98)	(98)
Equity loss in UTI				(501)	(501)
Miscellaneous expense				(97)	(97)
Income taxes				--	--
Net loss					\$(2,793)
Total assets	\$20,976	\$19,031	\$309	\$7,556	\$47,872

Three Months Ended March 31, 2001

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	\$ 5,401	\$ 78	\$338	\$ --	\$ 5,817
Segment contribution	272	(1,835)	33	(1,979)	(3,509)
Interest income, net				(8)	(8)
Equity loss in UTI				(340)	(340)
Miscellaneous				(64)	(64)
Income taxes				--	--
Net loss					\$(3,921)
Total assets	\$18,120	\$21,674	\$301	\$11,120	\$51,215

Nine Months Ended March 31, 2002

(As Restated; See Note 2)	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	\$23,035	\$ 374	\$528	\$ --	\$23,937
Segment contribution	2,393	(5,376)	53	(6,194)	(9,124)
Interest, net				(188)	(188)
Equity loss in UTI				(276)	(276)
Miscellaneous				(42)	(42)
Income taxes				--	--
Net loss					----- \$(9,630)
Total assets	\$20,976	\$19,031	\$309	\$7,556	\$47,872

Nine Months Ended March 31, 2001

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	\$16,310	\$ 242	\$1,406	\$ --	\$ 17,958
Segment contribution	72	(5,384)	123	(5,835)	(11,024)
Interest income				241	241
Equity loss in UTI				(1,930)	(1,930)
Miscellaneous				(49)	(49)
Income taxes				--	--
Net loss					----- \$(12,762)
Total assets	\$18,120	\$21,674	\$ 301	\$11,120	\$51,215

9. OTHER MATTERS

On July 20, 2001, the Company completed a \$6,800 private placement of 1,090,000 shares of its common stock at \$6.25 per share. In conjunction with the offering, warrants to acquire up to 109,000 shares of common stock were granted. The exercise price of the warrants is \$6.25 per share and the warrants have a five-year term.

In October 2001, the Company was informed by its primary lending institution that its borrowing availability under its \$20,000 credit facility had been effectively reduced to zero as a result of a recent appraisal of its fixed assets. In February 2002, the Company and its primary lending institution amended the credit facility. The amended facility was reduced to \$15,000 mainly due to the reduction in the valuation of fixed assets that limited the borrowing capacity under the term loan component, as well as to minimize the cost of unused line fees. The term loan component was revised to an initial \$2,733 based on the valuation of the Company's fixed assets (of which \$2,681 was outstanding on the term loan at March 31, 2002). The revolving credit facility component comprises the remainder of the total potential borrowing capacity. Certain definitions were revised which increased the Company's available borrowing base. In addition, the minimum net worth covenant was reduced to \$33,500. While these changes to the credit facility improve the Company's overall financial flexibility, the Company's future liquidity depends on the Company's ability to successfully generate positive cash flow from operations and achieve adequate operational savings. The Company is also exploring opportunities for new or additional equity or debt financing. (See Note 10 for additional information.) Notwithstanding the foregoing, there can be no assurance that the Company will have sufficient cash flows to meet its working capital and capital expenditure requirements.

In October and November 2001, the Company realigned its resources to address the changing market conditions and to better meet customer demand in areas of the business that are growing. The

realignment did not significantly change any of the Company's existing operations nor were any product lines discontinued. A majority of employees affected by this realignment were re-deployed from the Rechargeable segment and support functions into open direct labor positions in the Primary segment, due to the significantly growing demand for primary batteries from the military. Less than 7% of the Company's total employees were terminated. The realignment did not result in any significant severance costs. The Company expects to realize cost savings from the measures being taken of approximately \$1,500 per quarter. These quarterly savings are comprised of approximately \$1,100 of reduced labor costs, approximately \$200 of reduced material usage, and approximately \$200 of lower administrative expenses. The Company realized the full value of the realignment in the third fiscal quarter.

Also in February 2002, in its ongoing effort to improve liquidity to bring costs more in line, the Company took further actions to reduce costs. The cost reductions included employee terminations and salary reductions, discontinuance of certain employee benefits and other cost saving initiatives in general and administrative areas. Approximately 15% of the Company's total employees were terminated during this time. As part of these actions, the Company temporarily suspended the Company's match on the 401k plan. The Company anticipates approximately \$800 in reduced expenses per quarter because of this action. Approximately two-thirds of the savings will reduce cost of products sold and one-third will reduce general and administrative costs. The Company realized approximately half of the savings in the third fiscal quarter and will realize the remaining cost savings in the fourth fiscal quarter. Severance costs associated with this action were incurred in the third fiscal quarter and were not material. The actions taken in February and the prior actions taken by the Company as outlined above will aggregate to an anticipated cost savings of approximately \$2,300 per quarter.

The Company has maintained a lease line of credit with a third party leasing agency. Under this arrangement, the Company has various options to acquire manufacturing equipment, including sales / leaseback transactions and operating leases. In October 2001, the Company expanded its leasing arrangement with a third party leasing agency. The revision increased the amount of the lease line from \$2,000 to \$4,000. The increase in the line is being used to fund capital expansion plans for manufacturing equipment that will allow increased capacity within the Company's Primary business unit. In conjunction with this lease, the Company has a letter of credit of \$3,800 outstanding. At March 31, 2002, approximately \$250 remained outstanding under the lease line of credit. Once the lease line has been fully utilized, which is expected to be by June 2002, the Company's quarterly lease payment will approximate \$226.

In November 2001, the Company received approval for two grants from New York State and a federally sponsored small cities program in the aggregate amount of \$1,050. The grants will assist in funding current capital expansion plans that the Company expects will lead to job creation. In most cases, the Company will be reimbursed for approved capital as it incurs the cost; in other cases, the Company will be reimbursed after the full completion of the particular project. At March 31, 2002, in connection with these grants, approximately \$57 had been submitted for reimbursement and is awaiting final review and approval. Funding under these grants is subject to the Company's ability to go forward with these projects. Additionally, the Company is obligated under the terms of the grants to achieve a certain level of new jobs over the next five years. If the Company does not meet its employment quota, it may adversely affect reimbursement requests or the Company could be required to pay back a portion of the amount of the grant, depending on the lapsed time.

10. NEW ACCOUNTING PRONOUNCEMENT

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of

Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that Opinion). The Company is required to adopt SFAS No. 144 for fiscal years beginning after July 1, 2002. The Company is currently assessing the financial impact of SFAS No. 144 on its financial statements.

11. SUBSEQUENT EVENT

On April 23, 2002, the Company closed on a \$3,000 private placement consisting of common equity and a \$600 convertible note. Initially, 801,333 shares were issued. The note, which was issued to one of the Company's directors, will convert automatically into an additional 200,000 shares if the Company's shareholders vote to approve the conversion of the note into common shares at the Company's Annual Meeting in December 2002. If shareholder approval is not obtained, the Company is obligated to repay the note on December 31, 2002, with accrued interest at 10% per year. All shares will be issued at \$3.00 per share.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in whole dollars)

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, world events, 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, including those caused by fire, raw materials supplies, environmental regulations, 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 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, 2001.

General
- - - - -

Ultralife Batteries, Inc. develops, manufactures and markets a wide range of customized and standard lithium primary, lithium-ion and polymer rechargeable batteries for use in a wide array of applications. The Company believes that its proprietary technologies allow the Company to offer batteries that are ultra-thin, lightweight and generally achieve longer operating time than many competing batteries currently available. The Company manufactures a family of lithium/manganese dioxide primary (non-rechargeable) batteries for military, industrial and consumer applications which it believes is one of the most comprehensive lines of primary batteries commercially available. In addition, the Company manufactures and markets lithium polymer and lithium-ion rechargeable batteries for use in portable electronic applications.

The Company has incurred net operating losses primarily as a result of funding research and development activities and, to a lesser extent, manufacturing and general and administrative costs. To date, the Company has devoted a substantial portion of its resources to the research and development of its products and technology, particularly its proprietary polymer rechargeable technology. The Company's results of operations may vary significantly from quarter to quarter depending upon the number of orders received and the pace of the Company's research and development activities. Currently, the Company does not experience significant seasonal trends in primary battery revenues and does not have enough sales history on the rechargeable batteries to determine if there is seasonality.

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 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.

Results of Operations

Three months ended March 31, 2002 and 2001

Consolidated revenues were \$8,862,000 for the three month period ended March 31, 2002, an all-time quarterly record. This sales amount reflected an increase of \$3,045,000, or 52%, from \$5,817,000 in the same quarter in fiscal 2001. Primary battery sales increased \$3,340,000, or 62%, from \$5,401,000 last year to \$8,741,000 this year. Growth was seen in substantially all of Primary battery products, including strong demand for 9-volt batteries, and continuing growth of cylindrical battery products, including the BA-5368 and BA-5372 batteries, as well as new products, such as pouch cells and D-cells. These increases were offset in part by a decline in Technology Contract revenues. As expected, Technology Contract revenues declined \$303,000, from \$338,000 to \$35,000 due to the scheduled reduction of certain non-renewable government contracts.

Cost of products sold amounted to \$7,940,000 for the three-month period ended March 31, 2002, an increase of \$1,392,000, or 21% over the same three month period a year ago. The gross margin on consolidated revenues for the quarter was a positive 10%, compared to a loss of 13% in the prior year. The gross margin for this fiscal year's third quarter represented the first positive margin in nine quarters, resulting from the manufacturing improvements made by the Company. Primary gross margins increased \$1,051,000 over the prior year from a 7% gross margin in fiscal 2001 to a 16% gross margin in fiscal 2002. This improvement in margins is primarily the result of increased sales and improvements in manufacturing efficiencies, resulting from the implementation of lean manufacturing practices. Cost of products sold in the Rechargeable segment decreased \$625,000 over last year mainly due to cost savings initiatives that were enacted during the past six months. The Rechargeable gross margin improved from a loss of \$1,154,000 last year to a loss of \$521,000 this year. While the Company has taken significant steps to narrow its focus for polymer production in the Rechargeable area, the Company has enhanced its capability to source rechargeable sales opportunities with product it can purchase from other manufacturers, namely the Company's venture in Taiwan, Ultralife Taiwan, Inc., as well as others. The Company continues to believe that there are significant opportunities for growth in the Rechargeable area.

Operating and other expenses were \$3,019,000 for the three months ended March 31, 2002 compared to \$2,778,000 in the prior year, an increase of \$241,000, or 9%. The increase is mainly due to higher research and development costs that resulted from the development of new Primary battery products.

Interest income decreased \$123,000, or 98%, from \$126,000 in the third quarter of fiscal 2001 to \$3,000 in the third quarter of fiscal 2002. The reduction in interest income is principally the result of lower average cash balances and lower interest rates. Interest expense declined \$33,000 due to lower average balances outstanding on the credit facility and lower borrowing rates. Equity loss in affiliate (as restated, refer to Note 2 to the consolidated financial statements in Item 1 herein) increased \$161,000 from a loss of \$340,000 for the quarter ended March 31, 2001 to a loss of \$501,000 for the quarter ended March 31, 2002. Additionally, the Company's ownership in UTI was reduced to 33% as a result of additional capital raised by UTI in November 2000 and August 2001 for its ongoing expansion. Miscellaneous income (expense) relates primarily to foreign currency transaction gains and losses for the period reported.

Net losses were \$2,793,000, or \$0.23 per share, for the third quarter of fiscal 2002 compared to \$3,921,000, or \$0.35 per share, for the same quarter last year primarily as a result of the reasons described above.

Nine months ended March 31, 2002 and 2001

Consolidated revenues reached a new nine-month record of \$23,937,000 for the first three quarters of fiscal 2002, an increase of \$5,979,000, or 33%, over the comparable period in fiscal 2001. Primary

battery sales increased \$6,725,000, or 41%, from \$16,310,000 last year to \$23,035,000 this year. In fiscal 2001, the Company began production and shipments of the BA-5368 battery used by the military in survival radios for pilots, and this new small cylindrical battery resulted in approximately \$3,300,000 in incremental sales in the first nine months of fiscal 2002. Sales of 9-volt and BA-5372 batteries also rose. Shipments of HiRate and assembled batteries continued the strong growth trend in the UK as a result of an increase in demand from the UK military. Partially offsetting these increases was a decline in Technology Contract revenues. As expected, Technology Contract revenues declined \$878,000, from \$1,406,000 to \$528,000 due to the scheduled reduction of certain non-renewable government contracts.

Cost of products sold amounted to \$23,675,000 for the nine-month period ended March 31, 2002, an increase of \$2,835,000, or 14% over the same nine month period a year ago. The gross margin on total revenues for the nine-month period of fiscal 2002 was a positive 1%, compared to a loss of 16% in the prior year. The improvement in gross margins was affected mainly by two factors. First, Primary gross margins increased \$2,952,000 over the prior year from a 2% gross margin in fiscal 2001 to a 15% gross margin in fiscal 2002. This improvement in margins is principally the result of increased sales and enhancements in the manufacturing process due to the implementation of lean manufacturing practices, which in some instances have resulted in reductions in the workforce. To date, lean manufacturing practices in the Primary battery segment have resulted in quicker manufacturing throughput times, greater operating efficiencies and a reduction of inventory. Second, Rechargeable gross margins improved \$262,000 over the prior year due largely to cost savings actions taken over the last six months, involving a realignment of resources and a more narrowed focus in the Rechargeable business unit. In the second quarter of fiscal 2001, due to the heavy competition, the Company shifted its focus to design and manufacture lightweight custom sized batteries for OEMs rather than focus on the broad retail cell phone market. The manufacture of cell phone batteries was an important milestone for the Company as it demonstrated the Company's ability to mass produce polymer rechargeable batteries. While the Company continues to actively design and develop polymer rechargeable batteries, it has broadened its supply source to include other lithium rechargeable cells made by other battery manufacturers, including the Company's affiliate in Taiwan, Ultralife Taiwan, Inc. Additionally, in the second and third quarters of fiscal 2002, the Company reduced costs and reallocated resources to better align itself with the demand in the marketplace. The Company has experienced significant demand from the military for its primary battery products and as a result shifted significant resources to be able to produce levels necessary to meet the demand. This has resulted in lower costs charged to the Rechargeable business unit.

Operating and other expenses were \$9,386,000 for the nine months ended March 31, 2002, compared with \$8,142,000 in the prior year, an increase of \$1,244,000, or 15%. Of the Company's operating and other expenses, research and development expenses increased \$885,000, or 38%, to \$3,192,000 for the first three quarters of fiscal 2002. The increase in research and development expenses was due to increased development effort for samples and new product designs of polymer rechargeable batteries in fiscal 2002. In addition, R&D costs rose due to increases in Primary battery development activity for new military batteries as prototypes were built for qualification with the US Army. Selling, general and administrative costs increased \$359,000 or 6% over the prior year period. This increase was mainly due to higher selling and marketing expenses overseas as the Company enhanced its market coverage, as well as severance costs pertaining to an executive employment agreement incurred in conjunction with the Company's resource realignment that was enacted in the second fiscal quarter.

Interest income decreased \$540,000, or 86%, from \$628,000 in the first three quarters of fiscal 2001 to \$88,000 in the first three quarters of fiscal 2002. The reduction in interest income is principally the result of lower average cash balances and the lower interest rates. Interest expense declined \$111,000 due to lower average balances outstanding on the credit facility and lower borrowing rates. Equity loss in affiliate (as restated, refer to Note 2 to the consolidated financial statements in Item 1 herein) decreased \$1,654,000 for its equity interest in Ultralife Taiwan, Inc. (UTI) from a loss of \$1,930,000 for the first three quarters of fiscal 2001 to a loss of \$276,000 for the first three quarters of fiscal 2002. The fiscal 2002 results included a \$1,096,000 favorable adjustment recorded in July 2001 to correct cumulative net

gains pertaining to the manner in which the Company accounted for this equity investment in fiscal 2001 and fiscal 2000. The Company determined that this cumulative adjustment was not significant enough to warrant a restatement for those periods. Additionally, the Company's ownership in UTI was reduced to 33% as a result of additional capital raised by UTI in November 2000 and August 2001 for its ongoing expansion. As a result of these "change in interest" transactions, the Company's share of UTI's underlying net assets actually increased, creating gains on the transactions that were recorded as adjustments in additional paid in capital on the balance sheet. These increases in additional paid in capital amounted to \$5,212,000 in the nine months ended March 31, 2002. (The Company was precluded from recognizing gains from these "change in interest" transactions in its consolidated statement of income because UTI was a development stage company.) Miscellaneous income (expense) relates primarily to foreign currency transaction gains and losses for the period reported.

Net losses were \$9,630,000, or \$0.79 per share, for the first nine months of fiscal 2002 compared to \$12,762,000, or \$1.15 per share, for the same quarter last year primarily as a result of the reasons described above.

Liquidity and Capital Resources

At March 31, 2002, cash and cash equivalents and available for sale securities totaled \$547,000. Of this amount, \$201,000 was restricted at March 31, 2002 to support certain outstanding letters of credit. The Company used \$8,040,000 of cash in operating activities during the first nine months of fiscal 2002. This use of cash related primarily to the net loss reported for the period and an increase in accounts receivable, offset in part by depreciation and decreases in other current assets. More specifically, receivables increased \$2,776,000 from June 30, 2001 to March 31, 2002. This increase resulted from a significant increase in revenues in the third quarter of fiscal 2002 as compared with the fourth quarter of fiscal 2001. The Company does not anticipate any significant recoverability issues with these outstanding receivables. The Company spent \$1,715,000 for capital expenditures for production equipment and facilities improvements during the first three quarters 2002. Of this amount \$995,000, was received as proceeds in sales-leaseback transactions and incorporated under the Company's \$4,000,000 lease line. As of April 30, 2002, the remaining \$250,000 available under the lease line of credit has been committed for the acquisition of certain equipment.

At March 31, 2002, the Company had long-term debt outstanding including capital lease obligations of \$1,984,000 primarily relating to the financing arrangement entered into by the Company at the end of fiscal 2000, described below.

In June 2000, the Company entered into a \$20,000,000 secured credit facility with a lending institution. The financing agreement consisted of an initial \$12,000,000 term loan component based on the valuation of the Company's fixed assets and a revolving credit facility component for an initial \$8,000,000, based on eligible net accounts receivable (as defined) and eligible net inventory (as defined). While the amount available under the term loan component amortizes over time, the amount of the revolving credit facility component increases by an equal and offsetting amount. Principal and interest are paid monthly on outstanding amounts borrowed. The loans bear interest at the prime rate or other LIBOR-based rate options at the discretion of the Company. The Company also pays a facility fee on the unused portion of the commitment. The loan is secured by substantially all of the Company's assets and the Company is precluded from paying dividends under the terms of the agreement.

In October 2001, the Company was informed by its primary lending institution that its borrowing availability under the \$20,000,000 credit facility had been effectively reduced to zero as the result of a recent appraisal of its fixed assets. The appraisal resulted in a significant decrease in the valuation of the Company's machinery and equipment which was based on an "orderly liquidation valuation" methodology used by the appraiser.

In February 2002, the Company and its primary lending institution amended the credit facility. The amended facility was reduced to \$15,000,000 based on a realistic assessment of the Company's potential borrowing capacity and to minimize the cost of unused line fees. The term loan component was revised to an initial \$2,733,333 based on the valuation of the Company's fixed assets (of which \$2,681,000 was outstanding on the term loan at March 31, 2002). The revolving credit facility component comprises the remainder of the total potential borrowing capacity. Certain definitions were revised which increased the Company's available borrowing base. In addition, the minimum net worth covenant was reduced to \$33,500,000. At March 31, 2002, the total amount available under the revolver component was approximately \$700,000, net of \$3,800,000 of outstanding letters of credit.

On July 20, 2001, the Company completed a \$6,800,000 private placement of 1,090,000 shares of its common stock at \$6.25 per share. In conjunction with the offering, warrants to acquire up to 109,000 shares of common stock were granted. The exercise price of the warrants is \$6.25 per share and the warrants have a five-year term.

The Company has maintained a lease line of credit with a third party leasing agency. Under this arrangement, the Company has various options to acquire manufacturing equipment, including sales / leaseback transactions and operating leases. In October 2001, the Company expanded its leasing arrangement with a third party leasing agency. The revision increased the amount of the lease line from \$2,000,000 to \$4,000,000. The increase in the line is being used to fund capital expansion plans for manufacturing equipment that will allow increased capacity within the Company's Primary business unit. In conjunction with this lease, the Company has a letter of credit of \$3,800,000 outstanding. At March 31, 2002, approximately \$250,000 remained outstanding under the lease line of credit. Once the lease line has been fully utilized, which is expected to be by June 2002, the Company's quarterly lease payment will approximate \$226,000.

On April 23, 2002, the Company closed on a \$3,000,000 private placement consisting of common equity and a \$600,000 convertible note. Initially, 801,333 shares were issued. The note, which was issued to one of the Company's directors, will convert automatically into an additional 200,000 shares if the Company's shareholders vote to approve the conversion of the note into common shares at the Company's Annual Meeting in December 2002. If shareholder approval is not obtained, the Company is obligated to repay the note on December 31, 2002, with accrued interest at 10% per year. All shares will be issued at \$3.00 per share.

The Company's capital resource commitments as of March 31, 2002 consisted principally of capital equipment commitments of approximately \$520,000.

The Company periodically reviews the carrying amount of its long-lived assets for impairment. In particular, the recent activity surrounding the Company's Rechargeable business unit has caused the Company to review the carrying value of the long-lived assets associated with this business. At this time, the Company believes that the future cash flows from this business will exceed the carrying value of the assets. Therefore, no impairment has been reflected. The Company will continue to closely monitor and reevaluate the realizability of these assets each quarter. In the event that the Company is required to record an impairment charge in the future, it could have a material adverse effect on the Company's financial position and results of operations.

As previously noted, the Company's primary lending institution had significantly reduced the total amount of the credit facility available. Although the Company significantly improved its present liquidity position with the private placement offering that raised \$3,000,000 in April 2002, the Company's future liquidity depends on the Company's ability to successfully generate positive cash flow from operations and achieve adequate operational savings. Notwithstanding the foregoing, there can be no assurance that the Company will have sufficient cash flows to meet its working capital and capital expenditure requirements. See additional comments on the Company's recent cost reduction actions in "Outlook".

Outlook

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The Company expects revenues in its fourth quarter of fiscal 2002 to be relatively consistent with the results in the third quarter, i.e. in the range of approximately \$8,500,000 to \$9,000,000. At this time, 9-volt orders are continuing their strong trend. Sales of new military battery offerings are expected to increase substantially, such as the BA-5390 battery used as the main communications battery by military forces, providing for an improving mix of higher margin products. Offsetting these improvements, however, is a delay in certain military battery awards, which will have some impact on BA-5368 battery sales. The Company is projecting modest revenues for its Rechargeable business in the fourth fiscal quarter, but it believes that there are still significant upside opportunities in this area. For the year, the Company expects to conclude its year ended June 30, 2002 with approximately a 35% growth in revenues over the prior fiscal year.

While the Company made very significant strides toward meeting its goal of operating cash breakeven in the March 2002 quarter, it fell short of its goal by approximately \$1,000,000. There were a few primary reasons for this shortfall. First, the cost savings actions taken during the March quarter did not provide a full quarter's worth of benefit. Second, the Company made a conscious decision to continue to invest in its Primary R&D efforts to develop new products that are key to its near-term growth prospects. And lastly, the Company continued to improve the balance in its production schedule to keep inventory levels as low as possible, reducing inventories during the quarter by approximately \$800,000 which resulted in lower absorption of overheads than expected.

The Company believes that ongoing quarterly revenues of approximately \$9,000,000 to \$9,500,000 will be the point where the Company reaches its key financial target of operating cash breakeven. Depending on the mix of products sold, and the sustaining benefits from the cost savings actions that were taken over the past two quarters, the Company believes that it may be able to reach this milestone in the June 2002 quarter.

In October and November 2001, and in February 2002, the Company took various cost savings actions and realigned its resources to address changing market conditions and to better meet customer demand in areas of the business that are growing. While the actions have significantly reduced the production workforce in the polymer Rechargeable business unit, no product lines have been discontinued. In fact, the Company has broadened its product offerings by increasing its sales focus and production capabilities to assemble rechargeable battery packs from the purchase of cells from other sources, including its affiliate, Ultralife Taiwan, Inc. The terms of the transactions with our affiliate are arms-length. In total, approximately 20% of the Company's total employees as of September 30, 2001 were terminated. The resource realignment did not result in significant severance costs. The Company expects to realize cost savings from the measures being taken of approximately \$2,300,000 per quarter. Approximately two-thirds of the savings will reduce cost of products sold and one-third will reduce operating expenses. These quarterly savings are comprised of approximately \$1,800,000 of reduced labor costs, approximately \$200,000 of reduced material usage, and approximately \$300,000 of lower administrative expenses. The Company anticipates the full amount of these actions to be realized in the June 2002 quarter.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99 CEO & CFO Certifications

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: April 11, 2003

By: /s/ John D. Kavazanjian

John D. Kavazanjian
President and Chief
Executive Officer

Date: April 11, 2003

By: /s/ Robert W. Fishback

Robert W. Fishback
Vice President - Finance and
Chief Financial Officer

I, John D. Kavazanjian, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Ultralife Batteries, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: April 11, 2003

/s/ John D. Kavazanjian

John D. Kavazanjian
President and Chief Executive Officer

I, Robert W. Fishback, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Ultralife Batteries, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: April 11, 2003

/s/ Robert W. Fishback

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

Certification pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, John D. Kavazanjian, President and Chief Executive Officer of Ultralife Batteries, Inc., hereby certify that (i) the Quarterly Report on Form 10-Q/A for the period ended March 31, 2002 attached hereto fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the attached Form 10-Q/A fairly presents, in all material respects, the financial conditions and results of operations of Ultralife Batteries, Inc. for the period presented therein.

Dated: April 11, 2003

/s/ John D. Kavazanjian

John D. Kavazanjian
President and Chief Executive Officer

Certification pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Robert W. Fishback, Vice President of Finance and Chief Financial Officer of Ultralife Batteries, Inc., hereby certify that (i) the Quarterly Report on Form 10-Q/A for the period ended March 31, 2002 attached hereto fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the attached Form 10-Q/A fairly presents, in all material respects, the financial conditions and results of operations of Ultralife Batteries, Inc. for the period presented therein.

Dated: April 11, 2003

/s/ Robert W. Fishback

Robert W. Fishback
Vice President - Finance and Chief
Financial Officer