UNITED STATES
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 March 29, 2003

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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

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 - 12,852,869 shares of common stock outstanding, net of 727,250 treasury shares, as of April 30, 2003.

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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	March 29, 2003 (unaudited)	December 31, 2002
Current assets:		
Cash and cash equivalents	$ 394	$ 1,322
Available-for-sale securities	2	2
Restricted cash	50	50
Trade accounts receivable (less allowance for doubtful accounts of $292 at March 29, 2003 and $297 at December 31, 2002)	9,696	6,200
Inventories	5,744	5,813
Prepaid expenses and other current assets	851	968
Total current assets	16,737	14,355
Property, plant and equipment	15,897	15,336
Other assets:		
Investment in UTI	1,550	1,550
Technology license agreements (net of accumulated amortization of $1,343 at March 29, 2003 and $1,318 at December 31, 2002	108	133
	1,658	1,683
Total Assets	$ 34,292	$ 31,374
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 1,439	$ 816
Accounts payable	5,922	4,283
Other current liabilities	2,386	2,045
Total current liabilities	9,747	7,144
Long-term liabilities:		
Debt and capital lease obligations	1,154	1,354
Grant	750	633
	1,904	1,987
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 - 13,580,119 at March 29, 2003 and 13,579,519 at December 31, 2002	1,358	1,358
Capital in excess of par value	115,279	115,251
Accumulated other comprehensive loss	(957)	(1,016)
Accumulated deficit	(90,661)	(90,972)
	25,019	24,621
Less -- Treasury stock, at cost -- 727,250 shares	2,378	2,378
Total shareholders' equity	22,641	22,243
Total Liabilities and Shareholders' Equity	$ 34,292	$ 31,374

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 March 29, 2003	Three Months Ended March 31, 2002
Revenues	$15,428	$ 8,862
Cost of products sold	12,269	7,940
Gross margin	3,159	922
Operating expenses:		
Research and development	585	1,038
Selling, general, and administrative	1,962	1,981
Total operating expenses	2,547	3,019
Operating income (loss)	612	(2,097)
Other income (expense):		
Interest income	1	3
Interest expense	(92)	(101)
Equity loss in UTI	--	(501)
Miscellaneous	(210)	(97)
Income (loss) before income taxes	311	(2,793)
Income taxes	--	--
Net income (loss)	$ 311	$(2,793)
Earnings (loss) per share - basic	$ 0.02	$ (0.23)
Earnings (loss) per share - diluted	$ 0.02	$ (0.23)
Weighted average shares outstanding - basic	12,852	12,319
Weighted average shares outstanding - diluted	12,938	12,319

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)

	Three Months Ended March 29, 2003	Three Months Ended March 31, 2002
OPERATING ACTIVITIES		
Net income (loss)	$ 311	$(2,793)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	737	1,032
Foreign exchange loss	194	42
Equity loss in UTI	--	501
Non-cash stock-based compensation	26	--
Changes in operating assets and liabilities:		
Accounts receivable	(3,496)	(1,729)
Inventories	69	772
Prepaid expenses and other current assets	117	405
Accounts payable and other current liabilities	1,980	(736)
Net cash used in operating activities	(62)	(2,506)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,359)	(177)
Proceeds from sale leaseback	--	451
Purchase of securities	--	666
Sales of securities	--	1,399
Net cash provided by investing activities	(1,359)	2,339
FINANCING ACTIVITIES		
Change in revolving credit facility	123	--
Proceeds from issuance of common stock	2	--
Proceeds from issuance of debt	500	--
Principal payments on long-term debt and capital lease obligations	(200)	(256)
Proceeds from grant	117	--
Net cash provided by (used in) financing activities	542	(256)
Effect of exchange rate changes on cash	(49)	61
Decrease in cash and cash equivalents	(928)	(362)
Cash and cash equivalents at beginning of period	1,322	706
Cash and cash equivalents at end of period	$ 394	$ 344
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 68	$ 77

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

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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 Transition Report on Form 10-K for the six-month period ended December 31, 2002.

As of July 1, 2002, the Company changed its monthly closing schedule, moving to a weekly-based cycle as opposed to a calendar month - based cycle. While the actual dates for the quarter-ends will change slightly each year, the Company believes that there will not be any material differences when making quarterly comparisons.

Effective December 31, 2002, the Company changed its fiscal year-end from June 30 to December 31.

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

2. EARNINGS (LOSS) PER SHARE

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by dividing net income, adjusted for interest on convertible securities, by potentially dilutive common shares, which include stock options, warrants and convertible securities.

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The impact of conversion of dilutive securities, such as stock options and warrants, are not considered where a net loss is reported as the inclusion of such securities would be anti-dilutive. As a result, basic loss per share is the same as diluted loss per share.

The computation of basis and diluted earnings per share is summarized as follows:

	Three Months Ended March 29, 2003	Three Months Ended March 31, 2002
Net Income (a)	$ 311	($ 2,793)
Effect of Dilutive Securities:		
Stock Options / Warrants	--	--
Convertible Note	3	--
Net Income - Adjusted (b)	$ 314	($ 2,793)
Average Shares Outstanding - Basic (c)	12,852	12,319
Effect of Dilutive Securities:		
Stock Options / Warrants	23	--
Convertible Note	63	--
Average Shares Outstanding - Diluted (d)	12,938	12,319
EPS - Basic (a/c)	$0.02	($0.23)
EPS - Diluted (b/d)	$0.02	($0.23)

The Company also had the equivalent of 1,841 and 2,235 options and warrants outstanding for the three-month periods ended as of March 29, 2003 and March 31, 2002, respectively, which were not included in the computation of diluted EPS because these securities would have been anti-dilutive for the periods presented.

3. STOCK-BASED COMPENSATION

The Company has various stock-based employee compensation plans. The Company applies Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations which require compensation costs to be recognized based on the difference, if any, between the quoted market price of the stock on the grant date and the exercise price. As all options granted to employees under such plans had an exercise price at least equal to the market value of the underlying common stock on the date of grant, and given the fixed nature of the equity instruments, no stock-based employee compensation cost is reflected in net income (loss). The effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of SFAS No. 123" (as discussed below in Note 9 - Recent Accounting Pronouncements), to stock-based employee compensation is as follows:

	Three Months Ended	
	March 29, 2003	March 31, 2002
Net income (loss), as reported	$311	($2,793)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	--	--
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(226)	(297)
Pro forma net income (loss)	$85	($3,090)
Earnings (loss) per share:		
Basic - as reported	$0.02	($0.23)
Basic - pro forma	$0.01	($0.25)
Diluted - as reported	$0.02	($0.23)
Diluted - pro forma	$0.01	($0.25)

4. COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended	
	March 29, 2003	March 31, 2002
Net income (loss)	$311	$(2,793)
Foreign currency translation adjustments	59	(22)
Total comprehensive income (loss)	$370	$(2,815)

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 29, 2003	December 31, 2002
Raw materials	$3,218	$3,259
Work in process	1,598	1,882
Finished goods	1,686	1,207
	6,502	6,348
Less: Reserve for obsolescence	758	535
	$5,744	$5,813

6. PROPERTY, PLANT AND EQUIPMENT

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

	March 29, 2003	December 31, 2002
Land	$ 123	$ 123
Buildings and leasehold improvements	1,619	1,619
Machinery and equipment	28,702	28,772
Furniture and fixtures	318	319
Computer hardware and software	1,400	1,405
Construction in progress	1,567	291
	33,729	32,529
Less: Accumulated depreciation	17,832	17,193
	$15,897	$15,336

7. DEBT

In November 2001, the Company received approval for a $750 grant/loan from a federally sponsored small cities program. The grant/loan will assist in funding current capital expansion plans that the Company expects will lead to job creation. The Company will be reimbursed for approved capital as it incurs the cost. In August 2002, the $750 small cities grant/loan documentation was finalized and the Company was reimbursed approximately $400 for costs it had incurred to date for equipment purchases applicable under this grant/loan. As of March 29, 2003, all $750 had been advanced to the Company. During the March 2003 quarter, $117 under this grant/loan was reimbursed as the Company incurred additional expenses and submitted requests for reimbursement. Certain employment levels are required to be met and maintained for a period of three years. If the Company does not meet its employment quota, the grant will be converted to a loan that will be repaid over a five-year period. The Company has initially recorded the proceeds from this grant/loan as a long-term liability, and will only amortize these proceeds into income as the certainty of meeting the employment criteria becomes definitive.

On March 4, 2003, the Company completed a short-term financing to help it meet certain working capital needs as the Company was growing rapidly. The three-month, $500 note, which accrues interest at 7.5% per annum, can be converted into 125,000 shares of common stock at $4.00 per share, at the option of the note holder. If the Company were to default on this obligation, the note would instead convert into 250,000 shares of common stock at $2.00 per share. If the note holder elects not to convert the note into shares of common stock, the Company is obligated to issue warrants to purchase 25,000 shares of common stock at $4.00 per share in addition to making the cash payment of principal plus accrued interest.

On March 25, 2003, the Company's primary lending bank agreed to amend the Company's credit facility. Among other things, this amendment included an extension of the credit agreement through June 30, 2004, a release of accounts receivable at the Company's U.K. subsidiary in order to allow that subsidiary to obtain its own revolving credit facility with a U.K. bank, and a formula adjustment in the borrowing base that enhanced the eligible receivables related to the U.S. military in recognition of the increasing business with the U.S. Army. As a result of the extension of this credit facility, the Company has classified the portion of this debt that is due and payable beyond one year as a long-term liability on the March 29, 2003 and the December 31, 2002 Consolidated Balance Sheets.

8. COMMITMENTS AND CONTINGENCIES

As of March 29, 2003, the Company had $50 in restricted cash in support of a corporate credit card account.

In March 1998, the Company received a $500 grant from the Empire State Development Corporation to fund certain equipment purchases. The grant was contingent upon the Company achieving and maintaining minimum employment levels for a period of five years. If annual levels of employment were not maintained, a portion of the grant might have become repayable. Through the first four years of the grant period, the Company met the requirements. The Company believes that it has also met the requirements in the fifth and final year, and it has recognized this portion of the grant into income. However, there is some uncertainty with the interpretation of the grant agreement, and it is possible that the Company may be required to repay $100 of the grant. The Company believes that the likelihood of a repayment is remote, and it is discussing its position with the Empire State Development Corporation accordingly. At March 29, 2003, there is no balance pertaining to this grant on the balance sheet.

The Company estimates future costs associated with expected product failure rates, material usage and service costs in the development of its warranty obligations. Warranty reserves are based on historical experience of warranty claims and generally will be estimated as a percentage of sales over the warranty period. In the event the actual results of these items differ from the estimates, an adjustment to the warranty obligation would be recorded. Changes in the Company's product warranty liability during the first three months of 2003 were as follows:

Balance at December 31, 2002	$236
Accruals for warranties issued	25
Changes in accruals related to pre-existing warranties	--
Settlements made	(29)
Balance at March 29, 2003	$232

The Company is subject to legal proceedings and claims which 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. Plaintiffs' counsel has accepted the terms of the proposed settlement, amounting to $175 for the Company, 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 for 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, a consulting firm performed a Phase I and II Environmental Site Assessment which revealed the existence of contaminated soil and ground water around one of the buildings. The Company retained an engineering firm which estimated that the cost of remediation should be in the range of $230. This cost, however, is merely an estimate and the cost may in fact be much higher. In February, 1998, the Company entered into an agreement with a third party which provides that the Company and this third party will retain an environmental consulting firm to conduct a supplemental Phase II investigation to verify the existence of the contaminants and further delineate the nature of the environmental concern. The third party agreed to reimburse the Company for fifty percent (50%) of the cost of correcting the environmental concern on the Newark property. The Company has fully reserved for its portion of the estimated liability. Test sampling was completed in the spring of 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 work plan to NYSDEC, which was approved in April 2002. The Company has sought proposals from engineering firms to complete the remedial work contained in the work plan, but 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. Because this is a voluntary remediation, there is no requirement for the Company to complete the project within any specific time frame. 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. Furthermore, the Company may face claims resulting in substantial liability which could have a material adverse effect on the Company's business, financial condition and the results of operations in the period in which such claims are resolved.

A retail end-user of a product manufactured by one of Ultralife's customers (the "Customer"), has made a claim against the Customer wherein it is asserted that the Customer's product, which is powered by an Ultralife battery, does not operate according to the Customer's product specification. No claim has been filed against Ultralife. However, in the interest of fostering good customer relations, in September 2002, Ultralife has agreed to lend technical support to the Customer in defense of its claim. Additionally, Ultralife will honor its warranty by replacing any batteries that may be determined to be defective. In the event a claim is filed against Ultralife and it is ultimately determined that Ultralife's product was defective, replacement of batteries to this Customer or end-user may have a material adverse effect on the Company's financial position and results of operations.

9. 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, cylindrical and various other non-rechargeable specialty batteries. The Rechargeable Batteries segment includes the Company's lithium polymer and lithium ion 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.

Effective January 1, 2003, the Company revised its definition of segment contribution for each of its segments to be defined as gross margin (excluding the Corporate segment). Previously, segment contribution included applicable research and development costs. The Corporate segment now includes all of the Company's operating expenses, including research and development costs. This change in presentation was made to be consistent with the manner in which the Company's management views its results from operations. Certain amounts in the prior year's segment information have been reclassified to conform to the current year presentation.

Three Months Ended March 29, 2003

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$14,632	$ 380	$416	$ --	$15,428
Segment contribution	3,165	(208)	202	(2,547)	612
Interest expense, net				(91)	(91)
Equity loss in UTI				--	--
Miscellaneous				(210)	(210)
Income taxes				--	--
Net income (loss)					$ 311
Total assets	$26,102	$3,220	$207	$ 4,763	$34,292

Three Months Ended March 31, 2002

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 8,741	$ 86	$ 35	$ --	$ 8,862
Segment contribution	1,441	(521)	2	(3,019)	(2,097)
Interest expense, net				(98)	(98)
Equity loss in UTI				(501)	(501)
Miscellaneous				(97)	(97)
Income taxes				--	--
Net income (loss)					$(2,793)
Total assets	$20,976	$19,031	$309	$ 7,556	$47,872

10. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Others Indebtedness." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others." The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The only material guarantees that the Company has in accordance with FASB Interpretation No. 45 are product warranties. All such guarantees have been appropriately recorded in the financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 does not permit the use of the original SFAS No. 123 prospective method of transition for changes to the fair value based method made in fiscal years after December 15, 2003. The Company currently applies the intrinsic value method and has no plans to convert to the fair value method.

In December 2002, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities." This Interpretation requires companies to reevaluate their accounting for certain investments in "variable interest entities." A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. Variable interest entities are to be consolidated if the Company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The disclosure requirements of this Interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements of this Interpretation are effective for all periods beginning after June 15, 2003. The Company has no investments in variable interest entities.

11. SUBSEQUENT EVENTS

On April 29, 2003, Ultralife Batteries (UK) Ltd., the Company's wholly-owned U.K. subsidiary, completed an agreement for a revolving credit facility with a commercial bank in the U.K. Any borrowings against this credit facility are collateralized with that company's outstanding accounts receivable balances. The maximum credit available to that company under the facility is approximately $700. This credit facility provides the Company's U.K. operation with additional financing flexibility for its working capital needs.

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, 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 fires, 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 Transition Report on Form 10-K as of and for the six-month period ended December 31, 2002.

General

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

Effective December 31, 2002, the Company changed its fiscal year-end from June 30 to December 31.

For several years, the Company had incurred net operating losses primarily as a result of funding research and development activities and, to a lesser extent, incurring manufacturing and selling, general and administrative costs. During the twelve month period ended June 30, 2002, the Company realigned its resources to bring costs more in line with revenues, moving the Company closer to achieving operating cash breakeven and profitability. In addition, the Company refined its rechargeable strategy to allow it to be more effective in the marketplace. As a result of the Company's focus on its key financial goals, the Company successfully achieved operating profitability for the first time in its history in the quarter ended March 29, 2003.

The Company reports its results in four operating segments: Primary Batteries, Rechargeable Batteries, Technology Contracts and Corporate. The Primary Batteries segment includes 9-volt, cylindrical and various other non-rechargeable specialty batteries. The Rechargeable Batteries segment includes the Company's lithium polymer and lithium ion 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 29, 2003 and March 31, 2002

Revenues. Consolidated revenues reached a quarterly record of $15,428,000 for the three-month period ended March 29, 2003, an increase of $6,566,000, or 74%, from the $8,862,000 reported in the same quarter in the prior year. Primary battery sales increased $5,890,000, or 67%, from $8,742,000 last year to $14,632,000 this year, mainly as a result of strong shipments of HiRate(R) battery products, including sales of UBI5390's used mainly in various communications and weapons applications in the military. Additionally, sales of 9-volt batteries set a quarterly revenue record, partially attributable to a significant order from the U.K. Ministry of Defence. Rechargeable revenues rose $294,000 to $380,000 as deliveries were made on a special order consisting of lithium ion products. Technology Contract revenues increased $381,000 to $416,000 in the first quarter of 2003 as certain milestones were met on a development contract with the U.S. Army.

Cost of Products Sold. Cost of products sold totaled $12,269,000 for the quarter ended March 29, 2003, an increase of $4,329,000, or 55% over the same three-month period a year ago. The gross margin on consolidated revenues for the quarter was $3,159,000, or 20% of revenues, an improvement of $2,237,000 over the $922,000 in the same quarter in the prior year. Gross margins in the Company's primary battery operations improved $1,724,000, from $1,441,000 in 2002 to $3,165,000 in 2003. As a percentage of revenues, primary battery margins amounted to 22% in the first quarter of 2003 compared with 16% in 2002. This improvement resulted mainly from higher sales and production volumes that spread manufacturing overhead costs over a broader base, as well as improvements in manufacturing efficiencies. In the Company's rechargeable operations, the gross margin loss amounted to $208,000 in the first three months of 2003 compared with $521,000 in the same period in 2002. This improvement in the rechargeable area was the result of higher sales volumes and the favorable impact from cost savings initiatives that were implemented during the first quarter in 2002, as well as lower depreciation charges. Gross margins in the Technology Contract segment increased from $2,000 in 2002 to $202,000 in 2003 as a result of higher sales.

During the first quarter of 2003, the Company's production volumes increased significantly in order to keep pace with product demand. As a result, the Company increased its direct labor force by more than 140 people, or approximately 65%. Certain inefficiencies in the production operation that resulted from the rapid manufacturing ramp-up, including the need to work significant amounts of overtime to meet customer delivery requirements, are expected to improve as the direct labor force stabilizes. In addition, the Company expects to realize further direct material cost reductions over the levels achieved in the first quarter as production volumes increase.

Operating Expenses. Operating expenses for the three months ended March 29, 2003 totaled $2,547,000, a decrease of $472,000, or 16%, compared to $3,019,000 in the prior year. This decrease was primarily attributable to lower research and development costs, which declined $453,000, as the development efforts for rechargeable products were diminished and depreciation expenses declined. While selling, general and administrative expenses were relatively consistent between the two periods, these costs as a percentage of sales improved significantly, from 22% in the March 2002 quarter to 13% in the March 2003 quarter.

Other Income (Expense). Interest expense, net, for the first three months of 2003 was consistent with the comparable period in 2002. Equity loss in Ultralife Taiwan, Inc., (UTI) was $501,000 in the first quarter of 2002 compared with zero in the first quarter of 2003. This change resulted mainly from an October 2002 change in the method of accounting for the Company's investment in UTI, from the equity method of accounting to the cost method of accounting. In October 2002, the Company sold a portion of its equity investment in UTI, reducing its ownership interest from approximately 30% to approximately 10.6%. Miscellaneous expense rose from $97,000 in 2002 to $210,000 in 2003. This change related primarily to higher losses on foreign currency transactions, mainly due to changes between the British pounds sterling and the U.S. dollar. More specifically, the Company has had intercompany transactions over the years with its wholly-owned U.K. subsidiary, Ultralife Batteries (UK) Ltd., that have resulted in a net payable balance to the U.S. parent company, and which are denominated in U.S. dollars. While there was no cash impact to the Company as a result of the translation of these intercompany balances during the periods presented, foreign currency transaction losses were recognized as the British pounds sterling weakened against the U.S. dollar during each of the three-month periods ended March 29, 2003 and March 31, 2002.

Net Income. Net income and basic earnings per share were $311,000 and $0.02, respectively, for the three months ended March 29, 2003, compared to a net loss and basic loss per share of $2,793,000 and $0.23, respectively, for the same quarter last year, primarily as a result of the reasons described above. Average common shares outstanding increased mainly due to the Company's private equity offering in April 2002, offset in part by the reacquisition of shares from UTI that resulted from the Company's sale of a portion of its interest in UTI in October 2002.

Liquidity and Capital Resources

As of March 29, 2003, cash equivalents and available for sale securities totaled $396,000, excluding restricted cash of $50,000. During the three months ended March 29, 2003, the Company used $62,000 of cash in operating activities as compared to $2,506,000 for the three months ended March 31, 2002. During the first quarter of 2003, the Company's net income plus depreciation and amortization were offset by an increase in working capital usage, particularly an increase in accounts receivable related to the significant rise in sales during the quarter. In the three months ended March 29, 2003, the Company used $1,359,000 to purchase plant, property and equipment, a marked increase from the prior year's capital expenditures, mainly as a result of the need to increase production capacity for cylindrical cells in the U.S. facility as demand from military customers grew significantly. During the quarter ended March 29, 2003, the Company generated funds from financing activities as it issued a $500,000 90-day convertible note which matures on June 4, 2003, and received the final payment of $117,000 on a $750,000 government grant/loan. In addition, the Company had accessed $123,000 of its revolving credit facility as of March 29, 2003 to finance working capital needs.

Months cost of sales in inventory at March 29, 2003 was 0.8 months as compared to 1.9 months at December 31, 2002. This metric is indicative of the rapid turnaround of product to the military and the high volume of sales during the quarter, as well as the Company's continuing focus to improve purchasing procedures and inventory controls. The Company's Days Sales Outstanding (DSOs) was an average of 51 days for the first quarter of 2003, compared with an average of 63 days for the same three-month period in 2002. This improvement in DSOs mainly reflects the timing of shipments toward the latter part of the quarter and the favorable impact from the timely payments made by the U.S. military.

At March 29, 2003, the Company had a capital lease obligation outstanding of $103,000 for the Company's Newark, New York offices and manufacturing facilities.

As of March 29, 2003, the Company had open capital commitments to purchase approximately $710,000 of production machinery and equipment.

On March 25, 2003, the Company's primary lending bank and the Company agreed to amend the Company's $15,000,000 credit facility. Among other things, the amendment extended the maturity date to June 30, 2004, allowed for the collateral release of accounts receivable related to the Company's subsidiary in the U.K. affording it the ability to enter into a separate revolving credit facility, and also revised certain limitations on customer concentration to account for the increased sales activity with the U.S. military. The Company has classified the portion of this debt that is due and payable beyond one year as a long-term liability on the March 29, 2003 and December 31, 2002 Consolidated Balance Sheets. As of March 29, 2003, the Company had $1,867,000 outstanding under the term loan component of its $15,000,000 credit facility, and had $123,000 of borrowings outstanding under the revolver component of the credit facility. The Company's additional borrowing capacity under the revolver component of the credit facility as of March 29, 2003 was approximately $3,500,000, net of outstanding letters of credit of $3,800,000. At March 29, 2003, the Company's net worth was $22,641,000, compared to the debt covenant requiring a minimum net worth of approximately $19,200,000.

In November 2001, the Company received approval for a $750,000 grant/loan from a federally sponsored small cities program. The grant/loan will assist in funding current capital expansion plans that the Company expects will lead to job creation. The Company will be reimbursed for approved capital as it incurs the cost. In August 2002, the $750,000 small cities grant/loan documentation was finalized and the Company was reimbursed approximately $400,000 for costs it had incurred to date for equipment purchases applicable under this grant/loan. As of March 29, 2003, all $750,000 had been advanced to the Company. During the March 2003 quarter, $117,000 under this grant/loan was reimbursed as the Company incurred additional expenses and submitted requests for reimbursement. Certain employment levels are required to be met and maintained for a period of three years. If the Company does not meet its employment quota, the grant will be converted to a loan that will be repaid over a five-year period. The Company has initially recorded the proceeds from this grant/loan as a long-term liability, and will only amortize these proceeds into income as the certainty of meeting the employment criteria become definitive.

On March 4, 2003, the Company completed a short-term financing to help it meet certain working capital needs as the Company was growing rapidly. The three-month, $500,000 note, which accrues interest at 7.5% per annum, can be converted into 125,000 shares of common stock at $4.00 per share, at the option of the note holder. If the Company were to default on this obligation, the note would instead convert into 250,000 shares of common stock at $2.00 per share. If the note holder elects not to convert the note into shares of common stock, the Company is obligated to issue warrants to purchase 25,000 shares of common stock at $4.00 per share in addition to making the cash payment of principal plus accrued interest.

The Company is optimistic about its future prospects and growth potential. However, the recent rapid growth of the business has created a near-term need for certain machinery, equipment and working capital in order to increase capacity and build product to meet demand. The Company continues to explore other sources of capital, including utilizing its unleveraged assets as collateral for additional borrowing capacity, issuing debt and raising equity through a private or public offering. Although it is evaluating these alternatives, the Company believes it has the ability over the next 12 months to finance its operations primarily through internally generated funds, or through the use of additional financing that currently is available to the Company.

As described in Part II, Item 1, "Legal Proceedings", the Company is involved in certain environmental matters with respect to its facility in Newark, New York. Although the Company has reserved for expenses related to this, there can be no assurance that this will be the maximum amount. 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.

The Company typically offers warranties against any defects due to product malfunction or workmanship for a period up to one year from the date of purchase. The Company also offers a 10-year warranty on its 9-volt batteries that are used in ionization-type smoke detector applications. The Company provides for a reserve for this potential warranty expense, which is based on an analysis of historical warranty issues. There is no assurance that future warranty claims will be consistent with past history, and in the event the Company's experiences a significant increase in warranty claims, there is no assurance that the Company's reserves are sufficient. This could have a material adverse effect on the Company's business, financial condition and results of operations.

Outlook

The Company expects revenues in its second quarter of calendar 2003 to reach approximately $18,000,000, an increase of 17% from the first quarter. At this time, the third and fourth quarters of the year are expected to be in the same range as the second quarter, or approximately $18,000,000 per quarter. Demand for the UBI5390 battery remains very strong, and the Company is responding as quickly as possible to the orders on hand. The Company believes that the order activity from the military will continue to be strong throughout at least the remainder of 2003. In addition to the strong demand from the military, orders from commercial customers for 9-volts and other batteries remain strong. Sampling activity for various rechargeable products continues to be very high, although the Company is conservatively projecting comparable revenues in this part of the business for the second quarter.

Looking ahead for the full calendar year of 2003, the Company remains optimistic about its sales prospects and the status of the manufacturing operations. At this time, the Company is now projecting revenues to reach at least $65,000,000 (up from the previous guidance of at least $50,000,000), nearly double the $33,039,000 reported for the comparable 12 months in the period ended December 31, 2002. The Company is raising its outlook due to the strong order activity it has experienced recently, and its current view for near-term orders.

The Company has a fairly substantial fixed cost infrastructure to support its overall operations. Increasing volumes of sales and production will generate favorable returns to scale in the range of 30% to 50%. Conversely, decreasing volumes will result in the opposite effect. During the past 18 months, the Company was able to significantly reduce costs through various cost savings actions, moving it to cash generation and profitability. As the Company continues to grow and leverage this infrastructure, it believes that sustainable profitability can be achieved. The Company believes that consistent, quarterly revenues in the range of $11,000,000 to $12,000,000, depending on mix, is the operating income breakeven point for profitability.

The Company continues to monitor its operating costs very tightly. Over the remainder of the calendar year, the Company is projecting operating expenses to be in line with or modestly higher than the first quarter of 2003.

The Company expects that basic earnings per common share in the June 2003 quarter will be in the range of $0.11 to $0.15, based on the Company's projected increase in revenues. This compares to a net loss per share of $1.28 in the June 2002 quarter. For the full year of 2003, the Company is projecting that basic earnings per common share will be in the range of $0.35 to $0.45, based on a continuing strong demand for the Company's products, compared with a loss of $1.75 for the full calendar year of 2002. The losses per share for the June quarter and full year of 2002 include a charge of $1.11 and $1.12 per share, respectively, related to the impairment of certain fixed assets reflected in the June quarter.

In order to meet the significant demand from the military, the Company expects to continue to make prudent investments in capital equipment that have a very short payback. At this time, the Company believes that expenditures for capital projects during 2003 will be in the range of $3,000,000 to $4,000,000, depending on the level of orders received in the near future and any expedited delivery requirements of such orders. The Company carefully evaluates such projects and will only make capital investments when necessary and when there is typically a favorable payback period.

While the Company's volume grows, it expects that working capital needs related to increasing sales volumes and inventory levels will be able to be financed by its revolving credit facility. The

Company continually explores its financing alternatives, including utilizing its unleveraged assets as collateral for additional borrowing capacity, refinancing current debt or issuing new debt, and raising equity through a private or public offering. Although it is evaluating these alternatives, the Company believes it has the ability over the next 12 months to finance its operations primarily through internally generated funds, or through the use of additional financing that currently is available to the Company. While the Company is confident that it will be successful in continuing to arrange adequate financing to support its growth, there can be no assurance that the Company will be able to do so. Therefore, this could have a material adverse effect on the Company's business, financial position and results of operations.

New Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Others Indebtedness." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others." The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The only material guarantees that the Company has in accordance with FASB Interpretation No. 45 are product warranties. All such guarantees have been appropriately recorded in the financial statements.

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 does not permit the use of the original SFAS No. 123 prospective method of transition for changes to the fair value based method made in fiscal years after December 15, 2003. The Company currently applies the intrinsic value method and has no plans to convert to the fair value method.

In December 2002, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities." This Interpretation requires companies to reevaluate their accounting for certain investments in "variable interest entities." A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. Variable interest entities are to be consolidated if the Company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The disclosure requirements of this Interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements of this Interpretation are effective for all periods beginning after June 15, 2003. The Company has no investments in variable interest entities.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company is exposed to various market risks in the normal course of business, primarily interest rate risk and changes in market value of its investments and believes its exposure to these risks is minimal. The Company's investments are made in accordance with the Company's investment policy and primarily consist of commercial paper and U.S. corporate bonds. The Company does not currently invest in derivative financial instruments.

Item 4. Controls and Procedures

Within the 90 days prior to the date of this Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the company's management, including the Company's president and chief executive officer, along with the Company's vice president - finance and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act 13a-14. Based upon that evaluation, the Company's president and chief executive officer, along with the Company's vice president - finance and chief financial officer, concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information related to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to legal proceedings and claims which 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. Plaintiffs' counsel has accepted the terms of the proposed settlement, amounting to $175,000 for the Company, 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 for its share of the settlement costs and associated expenses.

In the event settlement is not approved by the Court and by the class, 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, a consulting firm performed a Phase I and II Environmental Site Assessment which revealed the existence of contaminated soil and ground water around one of the buildings. The Company retained an engineering firm which estimated that the cost of remediation should be in the range of $230,000. This cost, however, is merely an estimate and the cost may in fact be much higher. In February, 1998, the Company entered into an agreement with a third party which provides that the Company and this third party will retain an environmental consulting firm to conduct a supplemental Phase II investigation to verify the existence of the contaminants and further delineate the nature of the environmental concern. The third party agreed to reimburse the Company for fifty percent (50%) of the cost of correcting the environmental concern on the Newark property. The Company has fully reserved for its portion of the estimated liability. Test sampling was completed in the spring of 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 work plan to NYSDEC, which was approved in April 2002. The Company has sought proposals from engineering firms to complete the remedial work contained in the work plan, but 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. Because this is a voluntary remediation, there is no requirement for the Company to complete the project within any specific time frame. 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. Furthermore, the Company may face claims resulting in substantial liability which could have a material adverse effect on the Company's business, financial condition and the results of operations in the period in which such claims are resolved.

A retail end-user of a product manufactured by one of Ultralife's customers (the "Customer"), has made a claim against the Customer wherein it is asserted that the Customer's product, which is powered by an Ultralife battery, does not operate according to the Customer's product specification. No claim has been filed against Ultralife. However, in the interest of fostering good customer relations, in September 2002, Ultralife has agreed to lend technical support to the Customer in defense of its claim. Additionally, Ultralife will honor its warranty by replacing any batteries that may be determined to be defective. In the event a claim is filed against Ultralife and it is ultimately determined that Ultralife's product was defective, replacement of batteries to this Customer or end-user may have a material adverse effect on the Company's financial position and results of operations.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99 CEO & CFO Certifications

(b) Reports on Form 8-K

None

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: May 13, 2003	By: /s/ John D. Kavazanjian John D. Kavazanjian President and Chief Executive Officer
Date: May 13, 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 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;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 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 10-Q 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;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Robert W. Fishback

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

Certification pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, John D. Kavazanjian, President and Chief Executive Officer of Ultralife Batteries, Inc., hereby certify that (i) the Quarterly Report on Form 10-Q for the period ended March 29, 2003 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 fairly presents, in all material respects, the financial conditions and results of operations of Ultralife Batteries, Inc. for the period presented therein.

A signed original of this written statement required by Section 906 has been provided to Ultralife Batteries, Inc. and will be retained by the Company and furnished to the Securities and Exchange Commission on request.

Dated: May 13, 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
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 for the period ended March 29, 2003 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 fairly presents, in all material respects, the financial conditions and results of operations of Ultralife Batteries, Inc. for the period presented therein.

A signed original of this written statement required by Section 906 has been provided to Ultralife Batteries, Inc. and will be retained by the Company and furnished to the Securities and Exchange Commission on request.

Dated: May 13, 2003 /s/ Robert W. Fishback

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