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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

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 CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**16-1387013**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
2000 Technology Parkway Newark, New York 14513	**(315) 332-7100**
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.10 par value per share	**ULBI**	**NASDAQ**
(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No☒

As of July 22, 2024, the registrant had 16,623,347 shares of common stock outstanding.

ULTRALIFE CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands except share amounts)
(Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	$ 6,690	$ 10,278
Trade accounts receivable, net of allowance for expected credit losses of $296 and $300, respectively	31,055	31,761
Inventories, net	41,392	42,215
Prepaid expenses and other current assets	4,650	5,949
Total current assets	83,787	90,203
Property, plant and equipment, net	20,281	21,117
Goodwill	37,510	37,571
Other intangible assets, net	14,646	15,107
Deferred income taxes, net	9,088	10,567
Other noncurrent assets	4,505	3,711
Total assets	$ 169,817	$ 178,276
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,691	$ 11,336
Current portion of long-term debt	2,000	2,000
Accrued compensation and related benefits	2,312	3,115
Accrued expenses and other current liabilities	6,570	7,279
Total current liabilities	20,573	23,730
Long-term debt, net	9,978	23,624
Deferred income taxes	1,642	1,714
Other noncurrent liabilities	4,279	3,781
Total liabilities	36,472	52,849
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock – par value $.10 per share; authorized 1,000,000 shares; none issued	-	-
Common stock – par value $.10 per share; authorized 40,000,000 shares; issued – 21,059,461 shares at June 30, 2024 and 20,783,607 shares at December 31, 2023; outstanding – 16,623,347 shares at June 30, 2024 and 16,347,493 shares at December 31, 2023	2,106	2,078
Capital in excess of par value	191,388	189,160
Accumulated deficit	(34,894)	(40,754)
Accumulated other comprehensive loss	(3,895)	(3,660)
Treasury stock - at cost; 4,436,114 shares at June 30, 2024 and 4,436,114 shares at December 31, 2023	(21,492)	(21,492)
Total Ultralife Corporation equity	133,213	125,332
Non-controlling interest	132	95
Total stockholders' equity	133,345	125,427
Total liabilities and stockholders' equity	$ 169,817	$ 178,276

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands except per share amounts)
(Unaudited)

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues	$ 42,983	$ 42,692	$ 84,910	$ 74,608
Cost of products sold	31,420	32,104	61,877	56,584
Gross profit	11,563	10,588	23,033	18,024
Operating expenses:				
Research and development	1,997	1,778	3,753	3,810
Selling, general and administrative	5,649	5,145	11,300	10,523
Total operating expenses	7,646	6,923	15,053	14,333
Operating income	3,917	3,665	7,980	3,691
Other (expense) income:				
Interest and financing expense	(418)	(440)	(938)	(864)
Miscellaneous income	347	1,498	411	1,428
Total other (expense) income	(71)	1,058	(527)	564
Income before income taxes	3,846	4,723	7,453	4,255
Income tax provision	853	1,375	1,556	1,242
Net income	2,993	3,348	5,897	3,013
Net income attributable to non-controlling interest	24	8	37	19
Net income attributable to Ultralife Corporation	2,969	3,340	5,860	2,994
Other comprehensive loss:				
Foreign currency translation adjustments	(3)	(293)	(235)	(96)
Comprehensive income attributable to Ultralife Corporation	$ 2,966	$ 3,047	$ 5,625	$ 2,898
Net income per share attributable to Ultralife common stockholders – basic	$ .18	$ .21	$ .36	$ .19
Net income per share attributable to Ultralife common stockholders – diluted	$ .18	$ .21	$ .35	$ .19
Weighted average shares outstanding – basic	16,568	16,141	16,482	16,138
Potential common shares	257	3	179	3
Weighted average shares outstanding - diluted	16,825	16,144	16,661	16,141

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six-month period ended	
	June 30, 2024	**June 30, 2023**
OPERATING ACTIVITIES:		
Net income	$ 5,897	$ 3,013
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,529	1,522
Amortization of intangible assets	455	436
Amortization of financing fees	32	32
Stock-based compensation	320	293
Deferred income taxes	1,394	888
Changes in operating assets and liabilities:		
Accounts receivable	654	(803)
Inventories	717	(4,882)
Prepaid expenses and other assets	404	(526)
Accounts payable and other liabilities	(2,558)	413
Net cash provided by operating activities	8,844	386
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(732)	(1,013)
Net cash used in investing activities	(732)	(1,013)
FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility	(12,679)	4,300
Payments on term loan facility	(1,000)	(1,000)
Proceeds from exercise of stock options	1,936	62
Net cash (used in) provided by financing activities	(11,743)	3,362
Effect of exchange rate changes on cash	43	(165)
(DECREASE) INCREASE IN CASH	(3,588)	2,570
Cash, Beginning of period	10,278	5,713
Cash, End of period	$ 6,690	$ 8,283

The accompanying notes are an integral part of these consolidated financial statements.

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands except share amounts) (Unaudited)

	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Non-Controlling Interest	Total
	Number of Shares	Amount						
Balance – December 31, 2022	20,570,710	$ 2,057	$ 187,405	$ (3,750)	$ (47,951)	$ (21,484)	$ 126	$ 116,403
Net income					2,994		19	3,013
Stock option exercises	15,335	2	60			-		62
Stock-based compensation – stock options			291					291
Stock-based compensation - restricted stock			2					2
Foreign currency translation adjustments				(96)				(96)
Balance – June 30, 2023	20,586,045	$ 2,059	$ 187,758	$ (3,846)	$ (44,957)	$ (21,484)	$ 145	$ 119,675
Balance – December 31, 2023	20,783,607	$ 2,078	$ 189,160	$ (3,660)	$ (40,754)	$ (21,492)	$ 95	$ 125,427
Net income					5,860		37	5,897
Stock option exercises	275,854	28	1,908			-		1,936
Stock-based compensation – stock options			308					308
Stock-based compensation -restricted stock			12					12
Foreign currency translation adjustments				(235)				(235)
Balance – June 30, 2024	21,059,461	$ 2,106	$ 191,388	$ (3,895)	$ (34,894)	$ (21,492)	$ 132	$ 133,345
Balance – March 31, 2023	20,570,710	$ 2,057	$ 187,544	$ (3,553)	$ (48,297)	$ (21,484)	$ 137	$ 116,404
Net income					3,340		8	3,348
Stock option exercises	15,335	2	60			-		62
Stock-based compensation – stock options			153					153
Stock-based compensation -restricted stock			1					1
Foreign currency translation adjustments				(293)				(293)
Balance – June 30, 2023	20,586,045	$ 2,059	$ 187,758	$ (3,846)	$ (44,957)	$ (21,484)	$ 145	$ 119,675
Balance – March 31, 2024	20,887,446	$ 2,089	$ 189,995	$ (3,892)	$ (37,863)	$ (21,492)	$ 108	$ 128,945
Net income					2,969		24	2,993
Stock option exercises	172,015	17	1,234			-		1,251
Stock-based compensation – stock options			152					152
Stock-based compensation -restricted stock			7					7
Foreign currency translation adjustments				(3)				(3)
Balance – June 30, 2024	21,059,461	$ 2,106	$ 191,388	$ (3,895)	$ (34,894)	$ (21,492)	$ 132	$ 133,345

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Ultralife Corporation and its subsidiaries (the "Company" or "Ultralife") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Rule 8-03 of Regulation S-X. Accordingly, they do not include all the information and notes 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 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 and related notes thereto contained in our Form 10-K for the year ended December 31, 2023.

The December 31, 2023 consolidated balance sheet information referenced herein was derived from audited financial statements but does not include all disclosures required by GAAP.

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation.

Recent Accounting Guidance Not Yet Adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the potential effect that the updated standard will have on our financial statement disclosures.

2. DEBT

On December 13, 2021, Ultralife, Southwest Electronic Energy Corporation, a Texas corporation and wholly owned subsidiary of Ultralife ("SWE"), CLB, INC., a Texas corporation and wholly owned subsidiary of SWE ("CLB"), Ultralife Excell Holding Corp., a Delaware corporation and wholly owned subsidiary of Ultralife ("UEHC"), Ultralife Canada Holding Corp., a Delaware corporation and wholly owned subsidiary of UEHC ("UCHC"), and Excell Battery Corporation USA, a Texas corporation and wholly owned subsidiary of UEHC ("Excell USA"), as borrowers, entered into the Second Amendment Agreement with KeyBank National Association ("KeyBank" or the "Bank"), as lender and administrative agent, to amend the Credit and Security Agreement dated May 31, 2017 as amended by the First Amendment Agreement by and among Ultralife, SWE, CLB and KeyBank dated May 1, 2019 (the "Credit Agreement"). On November 28, 2022, Ultralife, SWE, CLB, UEHC, UCHC, Excell USA, and Excell Battery Canada ULC, a British Columbia unlimited liability corporation and wholly owned subsidiary of UCHC ("Excell Canada"), entered into that certain Third Amendment Agreement with KeyBank, to further amend the Credit Agreement to, among other things, facilitate the joinder of Excell Canada as a guarantor under the Credit Agreement and to replace the LIBOR benchmark thereunder with the Secured Overnight Financing Rate or "SOFR" (the "Third Amendment Agreement"). On June 30, 2024, Ultralife, SWE, CLB, UEHC, Excell USA and Excell Canada entered into that certain Fourth Amendment Agreement with KeyBank to extend the period under which loans may be requested by the Company under the Credit Agreement to May 30, 2028, to increase the "Applicable Margin" used in the calculation of the rate at which interest accrues on outstanding indebtedness under the Credit Agreement and to increase the fee payable on the average daily unused availability under the $30,000 senior secured revolving credit facility (the "Revolving Credit Facility") which is made available to the Company under the Credit Agreement (the "Fourth Amendment Agreement", and together with the Third Amendment Agreement, the Second Amendment Agreement and the Credit Agreement, the "Amended Credit Agreement").

The Amended Credit Agreement, among other things, provides for a 5-year, $10,000 senior secured term loan (the "Term Loan Facility") and extends the term of the Revolving Credit Facility through May 30, 2028. Up to six months prior to May 30, 2028, the Revolving Credit Facility may be increased to $50,000 with the Bank's concurrence.

As of June 30, 2024, the Company had $5,167 outstanding principal on the Term Loan Facility, $2,000 of which is included in current portion of long-term debt on the balance sheet, and $6,902 outstanding on the Revolving Credit Facility. As of June 30, 2024, total unamortized debt issuance costs of $91, including placement, renewal and legal fees associated with the Amended Credit Agreement, are classified as a reduction of long-term debt on the balance sheet. Debt issuance costs are amortized to interest expense over the term of the Amended Credit Facilities.

The remaining availability under the Revolving Credit Facility is subject to certain borrowing base limits based on trade receivables and inventories.

The Company is required to repay the borrowings under the Term Loan Facility in equal consecutive monthly payments commencing on February 1, 2022, in arrears, together with applicable interest. All unpaid principal and accrued and unpaid interest with respect to the Term Loan Facility is due and payable in full on January 1, 2027. All unpaid principal and accrued and unpaid interest with respect to the Revolving Credit Facility is due and payable in full on May 30, 2028. The Company may voluntarily prepay principal amounts outstanding at any time subject to certain restrictions.

In addition to the customary affirmative and negative covenants, the Company must maintain a consolidated senior leverage ratio, as defined in the Amended Credit Agreement, of equal to or less than 3.5 to 1.0 for the fiscal quarters ending December 31, 2022 and March 31, 2023, and equal to or less than 3.0 to 1.0 for the fiscal quarters ending June 30, 2023 and thereafter. The Company was in full compliance with its covenants under the Amended Credit Agreement as of June 30, 2024.

Borrowings under the Amended Credit Facilities are secured by substantially all the assets of the Company and its subsidiaries.

Under the Amended Credit Agreement, interest accrues on outstanding indebtedness under the Amended Credit Facilities at the Daily Simple SOFR Rate, plus an index spread adjustment of 0.10%, plus the applicable margin. Upon the effectiveness of the Fourth Amendment Agreement, the applicable margin ranges from 210 to 240 basis points and is determined based on the Company's senior leverage ratio.

In addition, the Company must pay a fee of 0.20% to 0.30% based on the average daily unused availability under the Revolving Credit Facility.

Payments must be made by the Company to the extent borrowings exceed the maximum amount then permitted to be drawn on the Amended Credit Facilities and from the proceeds of certain transactions. Upon the occurrence of an event of default, the outstanding obligations may be accelerated, and the Bank will have other customary remedies including resort to the security interest the Company provided to the Bank.

Future minimum principal repayment obligations on our Amended Credit Facilities as of June 30, 2024 are as follows:

2024	$	1,000
2025		2,000
2026		2,000
2027		167
2028		6,902
Total	$	12,069

3. *EARNINGS PER SHARE*

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) attributable to Ultralife by the weighted average shares outstanding during the period. Diluted EPS includes the dilutive effect of securities, if any, and is calculated using the treasury stock method.

For the three-month period ended June 30, 2024, there were 873,898 outstanding stock options and 5,229 unvested restricted stock awards included in the calculation of diluted weighted average shares outstanding, as such securities were dilutive, resulting in 257,068 potential common shares included in the calculation of diluted EPS. For the comparable three-month period ended June 30, 2023, 4,166 outstanding stock options and 2,500 unvested restricted stock awards were included in the calculation of diluted weighted average shares outstanding, as such securities were dilutive, resulting in 2,334 potential common shares included in the calculation of diluted EPS. For the three-month period ended June 30, 2023, there were 1,289,862 outstanding stock options not included in the calculation of diluted weighted average shares outstanding as the effect would be anti-dilutive.

For the six-month period ended June 30, 2024, there were 795,898 outstanding stock options and 5,229 unvested restricted stock awards included in the calculation of diluted weighted average shares outstanding, resulting in 179,112 potential common shares included in the calculation of diluted EPS. For the comparable six-month period ended June 30, 2023, there were no outstanding stock options and 2,500 unvested restricted stock awards included in the calculation of diluted weighted average shares outstanding, resulting in 2,157 potential common shares included in the calculation of diluted EPS. There were 78,000 and 1,294,028 outstanding stock options for the six-month periods ended June 30, 2024 and 2023, respectively, not included in the calculation of diluted weighted average shares outstanding as the effect would be anti-dilutive.

4. *SUPPLEMENTAL BALANCE SHEET INFORMATION*

Fair Value Measurements and Disclosures

The fair value of financial instruments approximated their carrying values at June 30, 2024 and December 31, 2023. The fair value of cash, accounts receivable, accounts payable, accrued liabilities, and the current portion of long-term debt approximates carrying value due to the short-term nature of these instruments.

Cash

The composition of the Company's cash was as follows:

	June 30, 2024	December 31, 2023
Cash	$ 6,690	$ 10,196
Restricted cash	-	82
Total	$ 6,690	$ 10,278

As December 31, 2023, restricted cash of $82 represented euro-denominated deposits withheld by the Dutch tax authorities and third-party VAT representatives in connection with a previously utilized logistics arrangement in the Netherlands. During the period ended June 30, 2024, the deposits were returned to the Company and no longer restricted. As of June 30, 2024, there was no cash classified as restricted cash. Restricted cash as of December 31, 2023 is included as a component of the cash balance for purposes of the consolidated statements of cash flows.

Inventories, Net

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

	June 30, 2024	December 31, 2023
Raw materials	$ 29,848	$ 29,098
Work in process	3,185	3,187
Finished goods	8,359	9,930
Total	$ 41,392	$ 42,215

Property, Plant and Equipment, Net

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

	June 30, 2024	December 31, 2023
Land	$ 1,273	$ 1,273
Buildings and leasehold improvements	16,064	15,998
Machinery and equipment	57,494	57,584
Furniture and fixtures	2,809	2,845
Computer hardware and software	7,816	7,868
Construction in process	1,846	2,033
	87,302	87,601
Less: Accumulated depreciation	(67,021)	(66,484)
Property, plant and equipment, net	$ 20,281	$ 21,117

Depreciation expense for property, plant and equipment was as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Depreciation expense	$ 789	$ 760	$ 1,529	$ 1,522

Goodwill

The following table summarizes the goodwill activity by segment for the six-month period ended June 30, 2024.

	Battery & Energy Products	Communications Systems	Total
Balance – December 31, 2023	$ 26,078	$ 11,493	$ 37,571
Effect of foreign currency translation	(61)	-	(61)
Balance – June 30, 2024	$ 26,017	$ 11,493	$ 37,510

Other Intangible Assets, Net

The composition of other intangible assets was:

	at June 30, 2024		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 13,087	$ 6,956	$ 6,131
Patents and technology	5,603	5,378	225
Trade names	4,647	703	3,944
Trademarks	3,399	-	3,399
Other	1,500	553	947
Total other intangible assets	$ 28,236	$ 13,590	$ 14,646

	at December 31, 2023		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 13,092	$ 6,656	$ 6,436
Patents and technology	5,606	5,322	284
Trade names	4,647	647	4,000
Trademarks	3,402	-	3,402
Other	1,500	515	985
Total other intangible assets	$ 28,247	$ 13,140	$ 15,107

The change in the cost of total intangible assets from December 31, 2023 to June 30, 2024 is the effect of foreign currency translations.

Amortization expense for other intangible assets was as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Amortization included in:				
Selling, general and administrative	$ 202	$ 203	$ 405	$ 388
Research and development	25	24	50	48
Total amortization expense	$ 227	$ 227	$ 455	$ 436

5. *STOCK-BASED COMPENSATION*

We recorded non-cash stock compensation expense in each period as follows:

	Three-month period ended		Six-month period ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Stock options	$ 152	$ 153	$ 308	$ 291
Restricted stock	7	1	12	2
Total	$ 159	$ 154	$ 320	$ 293

We have stock options outstanding from various stock-based employee compensation plans for which we record compensation cost relating to share-based payment transactions in our financial statements. As of June 30, 2024, there was $545 of total unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted average period of 1.0 years.

The following table summarizes stock option activity for the six-month period ended June 30, 2024:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2024	1,250,595	$ 7.10		
Granted	3,460	6.84		
Exercised	(288,675)	7.10		
Forfeited or expired	(91,482)	$ 8.79		
Outstanding at June 30, 2024	873,898	$ 6.92	4.34	$ 3,231
Vested and expected to vest at June 30, 2024	775,281	$ 7.00	4.18	$ 2,805
Exercisable at June 30, 2024	417,867	$ 7.56	2.87	$ 1,277

Cash received from stock option exercises under our stock-based compensation plans for the three-month periods ended June 30, 2024 and June 30, 2023 was $1,251 and $62, respectively. Cash received from stock option exercises under our stock-based compensation plans for the six-month periods ended June 30, 2024 and June 30, 2023 was $1,936 and $62, respectively.

Restricted stock awards vest in equal annual installments over three (3) years. Unrecognized compensation cost related to unvested restricted shares at June 30, 2024 and June 30, 2023, respectively, was $25 and $1.

6. *INCOME TAXES*

Our effective tax rate for the six-month periods ended June 30, 2024 and June 30, 2023 was 20.9% and 29.2%, respectively. The period-over-period change was primarily attributable to the geographic mix of our operating results and the larger impact of discrete adjustments for stock option exercises in the current year.

As of December 31, 2023, we have domestic net operating loss (“NOL”) carryforwards of $27,200, which expire 2031 through 2035, and domestic tax credits of $2,900, which expire 2028 through 2043, available to reduce future taxable income. As of June 30, 2024, management has concluded it is more likely than not that these domestic NOL and credit carryforwards will be fully utilized.

As of June 30, 2024, for certain past operations in the U.K., we continue to report a valuation allowance for NOL carryforwards of approximately $9,800, nearly all of which can be carried forward indefinitely. Utilization of the net operating losses may be limited due to the change in the past U.K. operation and cannot currently be used to reduce taxable income at our other U.K. subsidiary, Accutronics Ltd. There are no other deferred tax assets related to the past U.K. operations.

As of June 30, 2024, we have not recognized a valuation allowance against our other foreign deferred tax assets, as realization is considered to be more likely than not.

As of June 30, 2024, the Company maintains its assertion that all foreign earnings will be indefinitely reinvested in those operations, other than earnings generated in the U.K.

There were no unrecognized tax benefits related to uncertain tax positions at June 30, 2024 and December 31, 2023.

As a result of our operations, we file income tax returns in various jurisdictions including U.S. federal, U.S. state and foreign jurisdictions. We are routinely subject to examination by taxing authorities in these various jurisdictions. Our U.S. tax matters for 2020 thru 2022 remain subject to IRS examination. Our U.S. tax matters for 2001-2002, 2005-2007, 2009, and 2011-2015 also remain subject to IRS examination due to the remaining availability of net operating loss carryforwards generated in those years. Our U.S. tax matters for 2013 thru 2022 remain subject to examination by various state and local tax jurisdictions. Our tax matters for the years 2013 thru 2022 remain subject to examination by the respective foreign tax jurisdiction authorities.

7. *OPERATING LEASES*

The Company has operating leases predominantly for operating facilities. As of June 30, 2024, the remaining lease terms on our operating leases range from approximately less than one (1) year to seven (7) years. Lease terms include renewal options reasonably certain of exercise. There is no transfer of title or option to purchase the leased assets upon expiration. There are no residual value guarantees or material restrictive covenants.

The components of lease expense for the current and prior-year comparative periods were as follows:

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Operating lease cost	$ 268	$ 239	$ 530	$ 480
Variable lease cost	24	29	52	57
Total lease cost	$ 292	$ 268	$ 582	$ 537

Supplemental cash flow information related to leases was as follows:

	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 568	$ 494
Right-of-use assets obtained in exchange for lease liabilities:	$ 1,391	$ 310

Supplemental consolidated balance sheet information related to leases was as follows:

	Balance sheet classification	June 30, 2024	December 31, 2023
Assets:			
Operating lease right-of-use asset	Other noncurrent assets	$ 4,325	$ 3,589
Liabilities:			
Current operating lease liability	Accrued expenses and other current liabilities	$ 1,017	$ 894
Operating lease liability, net of current portion	Other noncurrent liabilities	3,285	2,644
Total operating lease liability		$ 4,302	$ 3,538
Weighted-average remaining lease term (years)		5.1	5.3
Weighted-average discount rate		6.8%	4.5%

Future minimum lease payments as of June 30, 2024 are as follows:

Maturity of operating lease liabilities	
2024	$ 539
2025	1,016
2026	942
2027	969
2028	977
Thereafter	624
Total lease payments	5,067
Less: Imputed interest	(765)
Present value of remaining lease payments	$ 4,302

8. *COMMITMENTS AND CONTINGENCIES*

Purchase Commitments

As of June 30, 2024, we have made commitments to purchase approximately $779 of production machinery and equipment.

Product Warranties

We estimate future warranty costs to be incurred for product failure rates, material usage and service costs in the development of our warranty obligations. Estimated future costs are based on actual past experience and are generally estimated as a percentage of sales over the warranty period. Changes in our product warranty liability during the first six months of 2024 and 2023 were as follows:

	Six-month period ended June 30,	
	2024	**2023**
Accrued warranty obligations – beginning	$ 547	$ 323
Accruals for warranties issued	389	172
Settlements made	(147)	(62)
Accrued warranty obligations – ending	$ 789	$ 433

Contingencies and Legal Matters

We are subject to legal proceedings and claims that arise from time to time in the normal course of business. We believe that the final disposition of any such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows. However, recognizing that legal matters are subject to inherent uncertainties, there exists the possibility that ultimate resolution of these matters could have a material adverse impact on the Company's financial position, results of operations or cash flows. We are not aware of any such situations at this time.

9. *REVENUE RECOGNITION*

Revenues are generated from the sale of products. Performance obligations are met and revenue is recognized upon transfer of control to the customer, which is generally upon shipment. When contract terms require transfer of control upon delivery at a customer's location, revenue is recognized on the date of delivery. For products shipped under vendor-managed inventory arrangements, revenue is recognized and billed when the product is consumed by the customer, at which point control has transferred and there are no further obligations by the Company. Revenue is measured as the amount of consideration we expect to receive in exchange for shipped product. Sales, value-added and other taxes billed and collected from customers are excluded from revenue. Customers, including distributors, do not have a general right of return.

Separately priced extended warranty contracts are offered on certain Communications Systems products for a duration of up to eight (8) years. Extended warranties are treated as separate performance obligations and recognized to revenue evenly over the term of the respective contract. Revenue not yet recognized on extended warranty contracts is recorded as deferred revenue on the consolidated balance sheet. For the three-month and six-month periods ended June 30, 2024, revenue recognized on extended warranties was $71 and $143, respectively.

As of June 30, 2024, there was deferred revenue on extended warranty contracts of $1,264, comprised of $287 expected to be recognized as revenue within one (1) year and classified as accrued expenses and other current liabilities on our consolidated balance sheet, and $977 expected to be recognized as revenue over the remaining duration of the respective contracts and classified as other noncurrent liabilities on our consolidated balance sheet.

As of December 31, 2023, there was deferred revenue on extended warranty contracts of $1,407, comprised of $287 expected to be recognized as revenue within one (1) year and classified as accrued expenses and other current liabilities on our consolidated balance sheet, and $1,120 expected to be recognized as revenue evenly over the remaining duration of the respective contracts and classified as other noncurrent liabilities on our consolidated balance sheet.

As of June 30, 2024 and December 31, 2023, the Company had no other unsatisfied performance obligations for contracts with an original expected duration of greater than one year. Pursuant to Topic 606, we have applied the practical expedient with respect to disclosure of the deferral and future expected timing of revenue recognition for transaction price allocated to remaining performance obligations.

10. BUSINESS SEGMENT INFORMATION

We report our results in two operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes Lithium 9-volt, cylindrical and various other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance.

Three-month period ended June 30, 2024:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 36,683	$ 6,300	$ -	$ 42,983
Segment contribution	9,953	1,610	(7,646)	3,917
Other expense			(71)	(71)
Income tax provision			(853)	(853)
Non-controlling interest			(24)	(24)
Net income attributable to Ultralife				$ 2,969

Three-month period ended June 30, 2023:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 33,861	$ 8,831	$ -	$ 42,692
Segment contribution	7,543	3,045	(6,923)	3,665
Other income			1,058	1,058
Income tax provision			(1,375)	(1,375)
Non-controlling interest			(8)	(8)
Net income attributable to Ultralife				$ 3,340

Six-month period ended June 30, 2024:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 71,672	$ 13,238	$ -	$ 84,910
Segment contribution	18,939	4,094	(15,053)	7,980
Other expense			(527)	(527)
Income tax provision			(1,556)	(1,556)
Non-controlling interest			(37)	(37)
Net income attributable to Ultralife				$ 5,860

Six-month period ended June 30, 2023:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 62,331	$ 12,277	$ -	$ 74,608
Segment contribution	14,055	3,969	(14,333)	3,691
Other income			564	564
Income tax provision			(1,242)	(1,242)
Non-controlling interest			(19)	(19)
Net income attributable to Ultralife				$ 2,994

The following tables disaggregate our business segment revenues by major source and geography.

<u>Commercial and Government/Defense Revenue Information:</u>

Three-month period ended June 30, 2024:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 36,683	$ 27,664	$ 9,019
Communications Systems	6,300	-	6,300
Total	$ 42,983	$ 27,664	$ 15,319
		64%	36%

Three-month period ended June 30, 2023:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 33,861	$ 26,950	$ 6,911
Communications Systems	8,831	-	8,831
Total	$ 42,692	$ 26,950	$ 15,742
		63%	37%

Six-month period ended June 30, 2024:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 71,672	$ 51,804	$ 19,868
Communications Systems	13,238	-	13,238
Total	$ 84,910	$ 51,804	$ 33,106
		61%	39%

Six-month period ended June 30, 2023:

	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 62,331	$ 49,169	$ 13,162
Communications Systems	12,277	-	12,277
Total	$ 74,608	$ 49,169	$ 25,439
		66%	34%

U.S. and Non-U.S. Revenue Information[1]:

Three-month period ended June 30, 2024:

		Total Revenue		United States		Non-United States
Battery & Energy Products	$	36,683	$	19,412	$	17,271
Communications Systems		6,300		3,987		2,313
Total	$	42,983	$	23,399	$	19,584
				54%		46%

Three-month period ended June 30, 2023:

		Total Revenue		United States		Non-United States
Battery & Energy Products	$	33,861	$	17,394	$	16,467
Communications Systems		8,831		3,945		4,886
Total	$	42,692	$	21,339	$	21,353
				50%		50%

Six-month period ended June 30, 2024:

		Total Revenue		United States		Non-United States
Battery & Energy Products	$	71,672	$	39,015	$	32,657
Communications Systems		13,238		8,845		4,393
Total	$	84,910	$	47,860	$	37,050
				56%		44%

Six-month period ended June 30, 2023:

		Total Revenue		United States		Non-United States
Battery & Energy Products	$	62,331	$	31,162	$	31,169
Communications Systems		12,277		6,822		5,455
Total	$	74,608	$	37,984	$	36,624
				51%		49%

[1] Sales classified to U.S. include shipments to U.S.-based prime contractors which in some cases may serve non-U.S. projects.

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

Forward-Looking Statements

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, changes in economic conditions including inflation and supply chain disruptions affecting our business, revenues and earnings adversely; our reliance on certain key customers; reductions or delays in U.S. and foreign military spending; our efforts to develop new products or new commercial applications for our products; potential disruptions in our supply of raw materials and components; breaches in information systems security and other disruptions in our information technology systems; our ability to recruit and retain top management and key personnel; our resources being overwhelmed by our growth; the continued impact of COVID-19, or other pandemics that may arise, causing delays in the manufacture and delivery of our mission critical products to end customers; the unique risks associated with our China operations; fluctuations in the price of oil and the resulting impact on the demand for downhole drilling; possible future declines in demand for the products that use our batteries or communications systems; variability in our quarterly and annual results and the price of our common stock; safety risks, including the risk of fire; rising interest rates increasing the cost of our variable borrowings; purchases by our customers of product quantities not meeting the volume expectations in our supply agreements; potential costs attributable to the warranties we supply with our products and services; our inability to comply with changes to the regulations for the shipment of our products; our entrance into new end-markets which could lead to additional financial exposure; negative publicity concerning Lithium-ion batteries; our ability to utilize our net operating loss carryforwards; our exposure to foreign currency fluctuations; possible impairments of our goodwill and other intangible assets; the risk that we are unable to protect our proprietary and intellectual property; rules and procedures regarding contracting with the U.S. and foreign governments; exposure to possible violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or other anti-corruption laws; known and unknown environmental matters; possible audits of our contracts by the U.S. and foreign governments and their respective defense agencies; our ability to comply with government regulations regarding the use of "conflict minerals"; and other risks and uncertainties, certain of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those forward-looking statements described herein. When used in this report, the words "anticipate," "believe," "estimate," "expect," "seek," "project," "intend," "plan," "may," "will," "should," "foresee," "could," "likely," or words of similar import are intended to identify forward-looking statements. For further discussion of certain of the matters described above and other risks and uncertainties, see Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and developments in the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Undue reliance should not be placed on our forward-looking statements. Except as required by law, we disclaim any obligation to update any risk factors or to publicly announce the results of any revisions to any of the forward-looking statements to reflect new information or risks, future events or other developments.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 of this Form 10-Q, and the consolidated financial statements and notes thereto and risk factors in our Annual Report on Form 10-K for the year ended December 31, 2023.

The financial information in this MD&A is presented in thousands of dollars, except for share and per share amounts, unless otherwise specified.

General

We offer products and services ranging from power solutions to communications and electronics systems to customers across the globe in the government, defense and commercial sectors. With an emphasis on strong engineering and a collaborative approach to problem solving, we design and manufacture power and communications systems including rechargeable and non-rechargeable batteries, charging systems, communications and electronics systems and accessories, and custom engineered systems related to those product lines. We continually evaluate ways to grow, including the design, development and sale of new products, expansion of our sales force to penetrate new markets and territories, as well as seeking opportunities to expand through acquisitions.

We sell our products worldwide through a variety of trade channels, including original equipment manufacturers ("OEMs"), industrial and defense supply distributors, and directly to U.S. and foreign defense departments. We enjoy strong name recognition in our markets under our Ultralife®, Ultralife HiRate®, Ultralife Thin Cell®, Ultralife Batteries Inc.®, Lithium Power®, McDowell Research®, AMTI™, ABLE™, ACCUTRONICS™, ACCUPRO™, ENTELLION™, SWE Southwest Electronic Energy Group™, SWE SEASAFE™, Excell Battery Group™ and Criterion Gauge™ brands, among others. We have sales, operations and product development facilities in North America, Europe and Asia.

We report our results in two operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes Lithium 9-volt, cylindrical, thin cell and other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance. As such, we report segment performance at the gross profit level and operating expenses as Corporate charges. (See Note 10 in the notes to consolidated financial statements in Item 1 of Part 1 of this Form 10-Q.)

Our website address is www.ultralifecorporation.com. We make available free of charge via a hyperlink on our website (see Investor Relations link on the website) our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports and statements as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). We will provide copies of these reports upon written request to the attention of Philip A. Fain, CFO, Treasurer and Secretary, Ultralife Corporation, 2000 Technology Parkway, Newark, New York, 14513. Our filings with the SEC are also available through the SEC website at www.sec.gov or at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330.

Overview

Consolidated revenues of $42,983 for the three-month period ended June 30, 2024, increased by $291 or 0.7%, over $42,692 for the three-month period ended June 30, 2023. Sales for our Battery & Energy Products segment increased 8.3% from $33,861 in the second quarter of 2023 to $36,683 for the second quarter of 2024, and sales for our Communications Systems segment decreased 28.6% from $8,831 to $6,300.

Gross profit was $11,563, or 26.9% of revenue, for the three-month period ended June 30, 2024, compared to $10,588, or 24.8% of revenue, for the same quarter a year ago. The 210-basis point improvement primarily resulted from higher factory volume and efficiencies resulting from our concerted effort to level-load production more evenly across the 2024 quarter, as well as improved price realization for our Battery & Energy Products segment, partially offset by a less favorable product sales mix for our Communications Systems business.

Operating expenses increased to $7,646 for the three-month period ended June 30, 2024, compared to $6,923 for the three-month period ended June 30, 2023. The increase of $723 or 10.4% was primarily attributable to investments in new product development, the addition of experienced sales resources and higher executive variable compensation costs accrued in the second quarter of 2024. Operating expenses represented 17.8% of revenues compared to 16.2% of revenues for the year-earlier period.

Operating income for the three-month period ended June 30, 2024 was $3,917, or 9.1% of revenues, compared to $3,665, or 8.6% of revenues, for the year-earlier period. The increase in operating income primarily resulted from the 210-basis point improvement in gross margin.

Other income for the second quarter of 2024 includes a preliminary payment of $235 from our insurance carrier pertaining to the ransomware cyberattack experienced by the Company in the first quarter of 2023. Other income for the second quarter of 2023 includes $1,544 attributable to an Employee Retention Credit ("ERC") of under Section 2301 of the Coronavirus Aid, Relief and Economic Security Act which was filed with the Internal Revenue Service during that period.

Net income attributable to Ultralife Corporation was $2,969 or $0.18 per diluted share on a GAAP basis, compared to net income of $3,340 or 0.21 per diluted share for the second quarter of 2023. Adjusted EPS was $0.22 on a diluted basis for the second quarter of 2024, compared to $0.29 for the 2023 period. Adjusted EPS excludes the provision for deferred taxes of $744 which primarily represents non-cash charges for U.S. taxes which we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. Recognition of the ERC in the second quarter of 2023 increased GAAP and Adjusted EPS by $0.07 and $0.10, respectively for that period. See the section "Adjusted EPS" on Page 24 for a reconciliation of adjusted EPS to EPS.

Adjusted EBITDA, defined as net income (loss) attributable to Ultralife Corporation before net interest expense, provision (benefit) for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expenses/income that we do not consider reflective of our ongoing operations, amounted to $5,415, or 12.6% of revenues, for the second quarter of 2024, compared to $6,296 including $1,544 for the ERC, or 14.7% of revenues, for the second quarter of 2023. See the section "Adjusted EBITDA" beginning on page 22 for a reconciliation of adjusted EBITDA to net income (loss) attributable to Ultralife Corporation.

Our main priorities continue to be gross margin increases through focused initiatives on material deflation, lean productivity, and scrap reduction for both businesses, and growing our opportunity funnels and customer wins to continue fueling our growth. We remain optimistic that we are well positioned to sustain profitable growth, generate incremental cash flow to further reduce our debt, and invest in strategic capital expenditures and accretive acquisitions.

Results of Operations

Three-Month Periods Ended June 30, 2024 and June 30, 2023

Revenues. Consolidated revenues for the three-month period ended June 30, 2024 were $42,983, an increase of $291, or 0.7%, over 42,692 for the three-month period ended June 30, 2023. Overall, commercial sales increased 2.6% and government/defense sales decreased 2.7%.

Battery & Energy Products revenues increased $2,822, or 8.3%, from $33,861 for the three-month period ended June 30, 2023 to $36,683 for the three-month period ended June 30, 2024, the highest revenue quarter for the segment in the Company's history. The revenue growth was primarily attributable to an increase in government/defense sales of 30.5% reflecting strong demand from our U.S.-based global prime, and an increase in commercial sales of 2.6% reflecting medical market sales growth of 20.1%, partially offset by a 10.9% decline in oil & gas market sales.

Communications Systems sales decreased $2,531, or 28.7%, from $8,831 for the three-month period ended June 30, 2023 to $6,300 for the three-month period ended June 30, 2024. The decrease was primarily attributable to shipments in the 2023 period of vehicle-amplifier adaptor orders to a global defense contractor for the U.S. Army and of integrated systems of amplifiers and radio vehicle mounts to a major international defense contractor for an ongoing allied country government/defense modernization program which had been delayed from earlier periods due to supply chain disruptions.

Cost of Products Sold / Gross Profit. Cost of products sold totaled $31,420 for the quarter ended June 30, 2024, a decrease of $684, or 2.1%, from the $32,104 reported for the three-month period ended June 30, 2023. Consolidated cost of products sold as a percentage of total revenue decreased from 75.2% for the three-month period ended June 30, 2023 to 73.1% for the three-month period ended June 30, 2024. Correspondingly, consolidated gross margin increased from 24.8% for the three-month period ended June 30, 2023, to 26.9% for the three-month period ended June 30, 2024, primarily reflecting higher factory volume and efficiencies resulting from our concerted effort to level-load production more evenly across the 2024 quarter, as well as improved price realization for our Battery & Energy Products segment, partially offset by a less favorable product sales mix for our Communications Systems business.

For our Battery & Energy Products segment, gross profit for the second quarter of 2024 was $9,953, an increase of $2,410 or 32.0% from gross profit of $7,543 for the second quarter of 2024. Battery & Energy Products' gross margin of 27.1% increased by 480-basis points from the 22.3% gross margin for the year-earlier period, primarily due to higher cost absorption and more efficiencies resulting from a concerted effort to level-load production more evenly across the 2024 quarter, as well as improved price realization. The 2023 period was impacted by lingering inefficiencies resulting from the January 2023 cyberattack, disposition of certain non-conforming materials and higher material and logistics costs.

For our Communications Systems segment, gross profit for the second quarter of 2024 was $1,610 or 25.6% of revenues, compared to gross profit of $3,045 or 34.5% of revenues for the second quarter of 2023. The decrease in gross margin was primarily due to a more favorable product sales mix in the year-earlier period.

Operating Expenses. Operating expenses for the three-month period ended June 30, 2024 were $7,646, an increase of $723, or 10.4%, from the $6,923 for the three-month period ended June 30, 2023. The increase was primarily attributable to investments in new product development, the addition of experienced sales resources and higher executive variable compensation costs accrued in the second quarter of 2024.

Overall, operating expenses were 17.8% of revenue for the quarter ended June 30, 2024 compared to 16.2% of revenue for the quarter ended June 30, 2023. Amortization expense associated with intangible assets related to our acquisitions was $227 for the second quarter of 2024 ($202 in selling, general and administrative expenses and $25 in research and development costs), identical to the $227 for the second quarter of 2023 ($203 in selling, general, and administrative expenses and $24 in research and development costs). Research and development costs were $1,997 for the three-month period ended June 30, 2024, an increase of $219 or 12.3%, from $1,778 for the three-month period ended June 30, 2023. The increase is largely attributable to the timing of new product development in both of our businesses as we aggressively pursue both government/defense major programs and commercial opportunities. Selling, general, and administrative expenses were $5,649 for the three-month period ended June 30, 2024, an increase of $504 or 9.8% from $5,145 for the second quarter of 2023. The period over period increase was primarily attributable to higher executive variable compensation costs accrued in the second quarter of 2024 as well as the addition of experienced sales resources.

Other (Expense) Income. Other (expense) income totaled $(71) for the three-month period ended June 30, 2024 compared to $1,058 for the three-month period ended June 30, 2023. Other income for the second quarter of 2024 includes a preliminary payment of $235 from our insurance carrier pertaining to the ransomware cyberattack experienced by the Company in the first quarter of 2023. Other income for the second quarter of 2023 includes $1,544 attributable to an Employee Retention Credit ("ERC") claimed by the Company under Section 2301 of the Coronavirus Aid, Relief and Economic Security Act. Interest and financing expense decreased $22, or 5.1%, from ($440) for the second quarter of 2023 to ($418) for the comparable period in 2024. The decrease is due to the paydown of debt in the second quarter of 2024. Excluding the $235 gain on insurance proceeds, miscellaneous income was $112 for the second quarter of 2024 and excluding the $1,544 gain for the ERC, miscellaneous income (expense) amounted to ($46) for the second quarter of 2023, primarily attributable to foreign exchange gains and loss due to fluctuations in foreign currency exchange rates.

Income Taxes. For the three-month period ended June 30, 2024, Ultralife recognized an income tax provision of $853, comprised of a current provision of $109 expected to be paid on income primarily in foreign jurisdictions and a deferred tax provision of $744 which primarily represents non-cash charges for U.S. taxes which we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. This compares to a tax provision of $1,375 comprised of a current provision of $97 and deferred expense of $1,278 for the three-month period ended June 30, 2023. Our effective tax rate was 22.2% for the second quarter of 2024 as compared to 29.1% for the second quarter of 2023, primarily attributable to the geographic mix of our operating results and the larger impact of discrete adjustments for employee stock option exercises in the current year. See Note 6 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for additional information regarding our income taxes.

Net Income Attributable to Ultralife. Net income attributable to Ultralife was $2,969 or $0.18 per share – basic and diluted on a GAAP basis for the three-month period ended June 30, 2024 compared to $3,340, or $0.21 per share – basic and diluted for the three-month period ended June 30, 2023. Adjusted EPS was $0.22 on a diluted basis for the second quarter of 2024, compared to $0.29 for the second quarter of 2023. Adjusted EPS excludes the provision for deferred taxes of $744 and $1,278 for the 2024 and 2023 periods, respectively, which primarily represent non-cash charges for U.S. taxes which we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. Recognition of the ERC in the second quarter of 2023 increased GAAP and Adjusted EPS by $0.07 and $0.10, respectively for that period. See the section "Adjusted EPS" on Page 24 for a reconciliation of adjusted EPS to EPS.

Weighted average shares outstanding used to compute diluted earnings per share decreased from 16,143,686 for the second quarter of 2023 to 16,825,321 for the second quarter of 2024. The increase is attributable to stock option exercises since the second quarter of 2023 and an increase in the average stock price used to compute diluted shares from $4.52 for the second quarter of 2023 to $10.65 for the second quarter of 2024. Accordingly, dilutive shares of 2,334 were added to basic weighted average shares for the 2023 period compared to 257,068 for the 2024 period.

Six-Month Periods Ended June 30, 2024 and June 30, 2023

Revenues. Consolidated revenues for the six-month period ended June 30, 2024 were $84,910, an increase of $10,302, or 13.8%, over $74,608 for the six-month period ended June 30, 2023. Overall, government/defense sales increased $7,667 or 30.1% and commercial sales increased $2,635 or 5.4%. On January 25, 2023, the Company experienced a ransomware cyberattack which impacted our ability to process orders, ship products, provide services to our customers and effectively manage our sales and operating planning process over a several week period for our Newark, NY location and an even longer period for our Virginia Beach, VA location. A large portion of our time during the quarter was devoted to data restoration, systems security augmentation, and regulatory reporting of the cyberattack, all of which were successfully accomplished with no ransom paid. Management continues to work on its cybersecurity insurance claim covering the cost of engaging external cybersecurity experts and the business interruption impact.

Battery & Energy Products revenues increased $9,341, or 15.0%, from $62,331 for the six-month period ended June 30, 2023 to $71,672 for the six-month period ended June 30, 2024. The increase was attributable to a $6,706 or 50.9% increase in government/defense sales and a $2,635 or 5.4% increase in commercial sales. The increase in government/defense sales primarily reflects continued strong demand from our largest U.S.-based global prime. The growth in commercial sales was driven by a $5,266 or 33.3% increase in medical sales due to continuing surging demand for our core medical battery products from global medical device OEM's and a $96 or 0.8% increase in industrial sales, partially offset by a decrease of $2,727 or 12.4% in oil & gas sales due primarily to general economic conditions.

Communications Systems revenues increased $961 or 7.8%, from $12,277 for the six-month period ended June 30, 2023 to $13,238 for the six-month period ended June 30, 2024. This increase was primarily attributable to shipments of EL8000 server cases to a large multinational information technology company, integrated systems of amplifiers and radio vehicle mounts to a major international defense contractor under an ongoing allied country government/defense modernization program, and power systems to a U.S.-based global prime.

Operating Expenses. Operating expenses for the six-month period ended June 30, 2024 were $15,053, an increase of $720 or 5.0% from the $14,333 for the six-month period ended June 30, 2023. The increase is primarily attributable to commissions on higher sales, greater participation in trade shows and higher executive variable compensation costs accrued in the first half of 2024. Both periods reflected continued tight control over discretionary spending.

Overall, operating expenses as a percentage of revenues were 17.7% for the six-month period ended June 30, 2024 compared to 19.2% for the six-month period ended June 30, 2023. Amortization expense associated with intangible assets related to our acquisitions was $455 for the first six months of 2023 ($405 in selling, general and administrative expenses and $50 in research and development costs), compared with $436 for the first six months of 2023 ($388 in selling, general, and administrative expenses and $48 in research and development costs). Research and development costs were $3,753 for the six-month period ended June 30, 2024, a decrease of $57 or 1.5%, from $3,810 for the six-months ended June 30, 2023. Selling, general, and administrative expenses increased $777, or 7.4%, from $10,523 for the first six months of 2023 to $11,300 for the first six months of 2024. The increase primarily resulted from commissions on higher sales, greater participation in trade shows and higher executive variable compensation costs accrued in the first half of 2024.

Other (Expense) Income. Other (expense) income totaled ($527) for the six-month period ended June 30, 2024 compared to $564 for the six-month period ended June 30, 2023. Other income (expense) for the 2024 period includes a preliminary payment of $235 from our insurance carrier pertaining to the cyberattack experienced by the Company in the first quarter of 2023, and other income for the 2023 period includes $1,544 attributable to an ERC claimed by the Company under Section 2301 of the Coronavirus Aid, Relief and Economic Security Act. Interest and financing expense increased $74, or 8.6%, from ($864) for the first six months of 2023 to ($938) for the comparable period in 2024. The increase is primarily due to rising interest rates which was partially offset by reductions of debt primarily during May and June of 2024. Excluding the $235 gain on insurance proceeds in 2024, miscellaneous income (expense) was $176, and excluding the $1,544 ERC gain in the 2023 period, miscellaneous income (expense) amounted to ($116), primarily attributable to foreign exchange gains and loss due to fluctuations in foreign currency exchange rates.

Income Taxes. The income tax provision for the 2024 six-month period was $1,556 compared to $1,242 for the 2023 six-month period. Our effective tax rate decreased to 20.9% from 29.2% for the 2023 period, primarily due to the geographic mix of our operating results and the larger impact of discrete adjustments for employee stock option exercises in the current period. The income tax provision for the first six months of 2024 is comprised of a $162 current provision for taxes expected to be paid on income primarily in foreign jurisdictions, representing a cash-based effective tax rate of 2.0%, and a $1,394 deferred tax provision which primarily represents non-cash charges for U.S. taxes which we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. For the comparable 2023 period, the income tax provision was comprised of a $354 current provision for taxes expected to be paid on income primarily in foreign jurisdictions, representing a cash-based effective tax rate of 8.3%, and an $888 deferred tax provision which primarily represents non-cash charges for U.S. taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. The period over period change in the cash-based effective tax rate is primarily attributable to the geographic mix of our operating results. See Note 6 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for additional information regarding our income taxes.

Net Income Attributable to Ultralife. Net income attributable to Ultralife was $5,860, or $0.36 per share – basic $0.35 per share - diluted on a GAAP basis for the six-month period ended June 30, 2024, compared to $2,994, or $0.19 per share – basic and diluted, for the six-month period ended June 30, 2023. Adjusted EPS was $0.44 on a diluted basis for the 2024 period, compared to $0.24, for the 2023 period. Adjusted EPS excludes the provision for deferred taxes of $1,394 and $888 for the 2024 and 2023 periods, respectively, which primarily represents non-cash charges for U.S. taxes which we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. See the section “Adjusted EPS” on Page 24 for a reconciliation of adjusted EPS to EPS.

Weighted average shares outstanding used to compute diluted earnings per share increased from 16,140,528 for the first six-months of 2023 to 16,661,175 for the first six-months of 2024. The increase is attributable to stock option exercises since the second quarter of 2023 and an increase in the average stock price used to compute diluted shares from $4.25 for the six-month period ended June 30, 2023 to $9.41 for the six-month period ended June 30, 2024. Accordingly diluted shares of 179,112 were added to basic weighted average shares in 2024 compared to 2,157 in 2023.

Adjusted EBITDA

In evaluating our business, we consider and use adjusted EBITDA, a non-GAAP financial measure, as a supplemental measure of our operating performance. We define adjusted EBITDA as net income (loss) attributable to Ultralife before interest expense, provision (benefit) for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expense/income that we do not consider reflective of our ongoing continuing operations. We also use adjusted EBITDA as a supplemental measure to review and assess our operating performance and to enhance comparability between periods. We believe the use of adjusted EBITDA facilitates investors’ understanding of operating performance from period to period by backing out potential differences caused by variations in such items as capital structures (affecting relative interest expense and stock-based compensation expense), the amortization of intangible assets acquired through our business acquisitions (affecting relative amortization expense and provision (benefit) for income taxes), the age and book value of facilities and equipment (affecting relative depreciation expense) and one-time charges/benefits relating to income taxes. We also present adjusted EBITDA from operations because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. We reconcile adjusted EBITDA to net income (loss) attributable to Ultralife, the most comparable financial measure under GAAP.

We use adjusted EBITDA in our decision-making processes relating to the operation of our business together with GAAP financial measures such as operating income (loss). We believe that adjusted EBITDA permits a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while eliminating the effects of depreciation and amortization, which may vary from period to period without any correlation to underlying operating performance, and of stock-based compensation, which is a non-cash expense that varies widely among companies. We believe that by presenting adjusted EBITDA, we assist investors in gaining a better understanding of our business on a going forward basis. We provide information relating to our adjusted EBITDA so that securities analysts, investors and other interested parties have the same data that we employ in assessing our overall operations. We believe that trends in our adjusted EBITDA are a valuable indicator of our operating performance on a consolidated basis and of our ability to produce operating cash flows to fund working capital needs, to service debt obligations and to fund capital expenditures.

The term adjusted EBITDA is not defined under GAAP and is not a measure of operating income (loss), operating performance or liquidity presented in accordance with GAAP. Our adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) attributable to Ultralife or other consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include, but are not limited to, the following:

- Adjusted EBITDA does not reflect (1) our cash expenditures or future requirements for capital expenditures or contractual commitments; (2) changes in, or cash requirements for, our working capital needs; (3) the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; (4) income taxes or the cash requirements for any tax payments; and (5) all of the costs associated with operating our business;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA from continuing operations does not reflect any cash requirements for such replacements;

- While stock-based compensation is a component of cost of products sold and operating expenses, the impact on our consolidated financial statements compared to other companies can vary significantly due to such factors as assumed life of the stock-based awards and assumed volatility of our common stock; and

- Other companies may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using adjusted EBITDA only on a supplemental basis. Neither current nor potential investors in our securities should rely on adjusted EBITDA as a substitute for any GAAP measures and we encourage investors to review the following reconciliation of adjusted EBITDA to net income attributable to Ultralife Corporation.

Adjusted EBITDA is calculated as follows for the periods presented:

	Three-Month Period Ended		**Six-Month Period Ended**	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Net income attributable to Ultralife Corporation	$ 2,969	$ 3,340	$ 5,860	$ 2,994
Add:				
Interest expense	418	440	938	864
Income tax provision	853	1,375	1,556	1,242
Depreciation expense	789	760	1,529	1,522
Amortization expense	227	227	455	436
Stock-based compensation expense	159	154	320	293
Cybersecurity insurance policy deductible	-	-	-	100
Adjusted EBITDA	$ 5,415	$ 6,296	$ 10,658	$ 7,451

Adjusted Earnings Per Share

In evaluating our business, we consider and use adjusted EPS, a non-GAAP financial measure, as a supplemental measure of our business performance. We define adjusted EPS as net income attributable to Ultralife Corporation excluding the provision (benefit) for deferred income taxes divided by our weighted average shares outstanding on both a basic and diluted basis. We believe that this information is useful in providing period-to-period comparisons of our results by reflecting the portion of our tax provision that will be predominantly offset by our U.S. net operating loss carryforwards and other tax credits for the foreseeable future. We reconcile adjusted EPS to EPS, the most comparable financial measure under GAAP. Neither current nor potential investors in our securities should rely on adjusted EPS as a substitute for any GAAP measures and we encourage investors to review the following reconciliation of adjusted EPS to EPS and net income attributable to Ultralife Corporation.

Adjusted EPS is calculated as follows for the periods presented:

	Three-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Amount	Per Basic Share	Per Diluted Share	Amount	Per Basic Share	Per Diluted Share
Net income attributable to Ultralife Corporation	$ 2,969	$ .18	$ .18	$ 3,340	$ .21	$ .21
Deferred tax provision	744	.04	.04	1,278	.08	.08
Adjusted net income	$ 3,713	$ .22	$ .22	$ 4,618	$ .29	$ .29
Weighted Average Shares Outstanding		16,568	16,825		16,141	16,144

	Six-Month Period Ended					
	June 30, 2024			June 30, 2023		
	Amount	Per Basic Share	Per Diluted Share	Amount	Per Basic Share	Per Diluted Share
Net income attributable to Ultralife Corporation	$ 5,860	$ .36	$ .35	$ 2,994	$ .19	$ .19
Deferred tax provision	1,394	.08	.09	888	.05	.05
Adjusted net income	$ 7,254	$ .44	$ .44	$ 3,882	$ .24	$ .24
Weighted Average Shares Outstanding		16,482	16,661		16,138	16,141

Liquidity and Capital Resources

As of June 30, 2024, cash totaled $6,690, as compared to $10,278 at December 31, 2023. The decrease reflects a $13,679 reduction in our outstanding debt, largely offset by strong income and cash generation during the period.

For the six-month period ended June 30, 2024, cash generated from operations was $8,844, as compared to $386 generated for the six-month period ended June 30, 2023. For the 2024 period, cash generated from operations was comprised of net income of $5,897 plus non-cash items totaling $3,730 for depreciation, amortization, stock-based compensation, and deferred taxes, partially offset by $783 attributable to working capital.

Cash used in investing activities for the six months ended June 30, 2023 was $732 for capital expenditures, primarily reflecting investments in equipment for new products transitioning to higher-volume manufacturing.

Cash used in financing activities for the six months ended June 30, 2024 was $11,743, representing a $13,679 reduction in our outstanding debt, partially offset by $1,936 in cash generated from employee stock option exercise proceeds during the period.

We continue to have significant U.S. net operating loss carryforwards available to utilize as an offset to future taxable income. See Note 6 to the consolidated financial statements of this Form 10-Q for additional information.

Going forward, we expect positive operating cash flow and the availability under our Revolving Credit Facility will be sufficient to meet our general funding requirements for the foreseeable future.

To provide flexibility in accessing the capital markets, on March 30, 2021, the Company filed a shelf registration statement on Form S-3 (File No. 333-254846) (the “Prior Registration Statement”) registering securities in an aggregate amount of $100,000,000. None of the $100,000,000 of registered securities were sold under the Prior Registration Statement (the “Unsold Securities”). Under the rules of the Securities and Exchange Commission (the “SEC”) the Prior Registration Statement was set to expire on April 2, 2024. Therefore, on March 29, 2024, the Company filed a new shelf registration statement on Form S-3 (File No. 333-278360) (the “New Registration Statement”) to replace the Prior Registration Statement. The New Registration Statement includes all $100,000,000 of the Unsold Securities registered on the Prior Registration Statement. During the grace period afforded by Rule 415(a)(5) under the Securities Act of 1933, as amended (the “Securities Act”), we may offer and sell the Unsold Securities under the Prior Registration Statement until the SEC declares the New Registration Statement effective. Pursuant to Rule 415(a)(6) under the Securities Act, the offering of the Unsold Securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of the New Registration Statement. Upon the filing of an appropriate prospectus supplement or supplements under either the Prior Registration Statement, or upon its effectiveness the New Registration Statement, we may offer and sell our securities from time to time in one or more offerings, at our discretion. We intend to use the net proceeds resulting from any sales of these securities for general corporate purposes which may include, but are not limited to, potential acquisitions of complementary businesses or technologies, strategic capital expenditures to expand and protect our competitive position, and investments in the development of transformational, competitively differentiated products for attractive growth markets.

Commitments

As of June 30, 2024, the Company had $6,902 outstanding borrowings on the Revolving Credit Facility and $5,167 on the Term Loan Facility. The Company was in full compliance with all covenants under the Credit Facilities as of June 30, 2024.

As of June 30, 2024, we had made commitments to purchase approximately $779 of production machinery and equipment.

Critical Accounting Policies

Management exercises judgment in making important decisions pertaining to choosing and applying accounting policies and methodologies in many areas. Not only are these decisions necessary to comply with GAAP, but they also reflect management's view of the most appropriate manner in which to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 to the consolidated financial statements in our 2023 Annual Report on Form 10-K should be reviewed for a greater understanding of how our financial performance is recorded and reported.

During the first six months of 2024, there were no significant changes in the manner in which our significant accounting policies were applied or in which related assumptions and estimates were developed.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer and Treasurer (Principal Financial Officer) have evaluated our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, our President and Chief Executive Officer and Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) that occurred during the fiscal quarter covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Index	Exhibit Description	Incorporated by Reference from
10.1	Fourth Amendment Agreement, dated June 30, 2024, by and among Ultralife Corporation, Southwest Electronic Energy Corporation, CLB, Inc., Ultralife Excell Holding Corp., Ultralife Canada Holding Corp., Excell Battery Corporation USA, Excell Battery Canada ULC and KeyBank National Association	Filed herewith
31.1	Rule 13a-14(a) / 15d-14(a) CEO Certifications	Filed herewith
31.2	Rule 13a-14(a) / 15d-14(a) CFO Certifications	Filed herewith
32	Section 1350 Certifications	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023, (ii) Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2024 and 2023, (iii) Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023, (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2024 and 2023, and (v) Notes to Consolidated Financial Statements.

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 CORPORATION
(Registrant)

Date: July 25, 2024

By: /s/ Michael E. Manna
Michael E. Manna
President and Chief Executive Officer
(Principal Executive Officer)

Date: July 25, 2024

By: /s/ Philip A. Fain
Philip A. Fain
Chief Financial Officer and Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

FOURTH AMENDMENT AGREEMENT

This Fourth Amendment Agreement (this "Agreement") is made and entered into as of this [___] day of June, 2024, by and among ULTRALIFE CORPORATION, a Delaware corporation ("Ultralife"), SOUTHWEST ELECTRONIC ENERGY CORPORATION, a Texas corporation ("Southwest"), CLB, INC., a Texas corporation ("CLB"), ULTRALIFE EXCELL HOLDING CORP., a Delaware corporation ("UEHC"), ULTRALIFE CANADA HOLDING CORP., a Delaware corporation ("UCHC"), EXCELL BATTERY CORPORATION USA, a Texas corporation ("Excell USA", and together with Ultralife, Southwest, CLB, UEHC and UCHC, collectively, the "Borrowers", and each individually a "Borrower"), EXCELL BATTERY CANADA ULC, a British Columbia unlimited liability company ("Excell Canada"), the lending institutions currently a party to the Credit Agreement (as hereinafter defined) (each, a "Lender" and collectively, the "Lenders"), and KEYBANK NATIONAL ASSOCIATION ("KeyBank", and in its capacity as agent for the Lenders under the Credit Agreement, "Agent").

WHEREAS, Lenders, Agent and Borrowers are parties to a certain Credit and Security Agreement dated as of May 31, 2017 (as amended by that certain First Amendment Agreement dated as of May 1, 2019, that certain Second Amendment Agreement dated as of December 13, 2021, and that certain Third Amendment Agreement dated as of November 28, 2022, and as it may from time to time be further amended, restated or otherwise modified or supplemented from time to time, the "Credit Agreement").

WHEREAS, Lenders, Agent and Borrowers desire to amend the Credit Agreement by modifying certain provisions thereof.

WHEREAS, unless defined herein, each term used herein shall be defined in accordance with the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein and for other valuable consideration Lenders, Agent, and Credit Parties agree as follows:

1. Article I of the Credit Agreement is hereby amended to delete the definitions of "Applicable Margin", "Commitment Period" and "Derived Adjusted Daily Simple SOFR Rate" therefrom in their entirety and to insert in place thereof the following:

"Applicable Margin" shall mean:

(a) for the period from the Fourth Amendment Closing Date until the Pricing Change Date (as hereinafter defined) related to the fiscal quarter ending June 30, 2024, (i) 210 basis points for Revolving Loans which are SOFR Loans, (ii) 185 basis points for Term Loans B which are SOFR Loans, and (iii) 20 basis points for the Unused Fee; and

(b) commencing on the Pricing Change Date related to the fiscal quarter ending June 30, 2024, the number of basis points (depending upon whether Loans are Revolving Loans which are SOFR Loans, Term Loans B which are SOFR Loans, or the Unused Fee) set forth in the following matrix, based upon the result of the computation of the Consolidated Senior Leverage Ratio as set forth in the Compliance Certificate for such fiscal period, shall be used to establish the number of basis points that will go into effect on such Pricing Change Date and thereafter, as set forth in each successive Compliance Certificate, as provided below:

Consolidated Senior Leverage Ratio	Applicable Basis Points for Revolving Loans which are SOFR Loans	Applicable Basis Points for Term Loans B which are SOFR Loans	Applicable Basis Points for Unused Fee
Less than 1.50 to 1.00	210	185	20
Greater than or equal to 1.50 to 1.00 but less than 2.50 to 1.00	225	200	25
Greater than or equal to 2.50 to 1.00	240	215	30

Changes to the Applicable Margin (including the first change) shall be effective on the first Business Day of each month following the date upon which the Agent should have received, pursuant to Section 5.3(d) hereof, the Compliance Certificate for the most recently ended fiscal quarter (each a “Pricing Change Date”). The above matrix does not modify or waive, in any respect, the requirements of Section 5.7 hereof, the rights of the Agent and the Lenders to charge the Default Rate, or the rights and remedies of the Agent and the Lenders pursuant to Articles VIII and IX hereof. Notwithstanding anything herein to the contrary, (i) during any period when Borrowers shall have failed to timely deliver the Consolidated financial statements pursuant to Section 5.3(b) hereof or the Compliance Certificate related thereto pursuant to Section 5.3(d) hereof, until such time as the appropriate Consolidated financial statements and Compliance Certificate are delivered, the Applicable Margin shall be the highest rate per annum indicated in the above pricing grid, regardless of the Consolidated Senior Leverage Ratio at such time, and (ii) in the event that any financial information or certification provided to the Agent in the Compliance Certificate is shown to be inaccurate (regardless of whether this Agreement or the Commitment is in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an “Applicable Margin Period”) than the Applicable Margin applied for such Applicable Margin Period, then (A) the Borrowers shall immediately deliver to the Agent a corrected Compliance Certificate for such Applicable Margin Period, (B) the Applicable Margin shall be determined based on such corrected Compliance Certificate to the extent such change would have resulted in a higher rate during such period, and (C) the Borrowers shall immediately pay to the Agent the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Margin Period.

“Commitment Period” shall mean the period from the Closing Date until May 30, 2028, or such earlier date on which the Commitment shall have been terminated pursuant to Article IX hereof.

"Derived Adjusted Daily Simple SOFR Rate" shall mean a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) for Revolving Loans which are SOFR Loans or Term Loans B which are SOFR loans (as the case may be) *plus* the Adjusted Daily Simple SOFR rate.

2. Article I of the Credit Agreement is hereby amended to insert the following new definition thereto in the appropriate alphabetical order:

"Fourth Amendment Closing Date" shall mean June [___], 2024.

3. Section 2.1A2(iii) of the Credit Agreement is hereby amended to delete each reference to "Applicable Margin for SOFR Loans" contained therein and insert in place thereof "Applicable Margin for Revolving Loans which are SOFR Loans".

4. As a condition precedent to the effectiveness of this Agreement:

(a) Borrowers shall have delivered to Agent a disbursement direction letter (the "Disbursement Direction Letter"), in form and substance satisfactory to Agent;

(b) Agent shall have received a good standing certificate (or equivalent) available in the jurisdiction of incorporation, formation or organization for each Credit Party from the appropriate governmental officer in such jurisdiction dated not more than 15 days prior to the date hereof;

(c) Agent shall have received for each Credit Party (i) the results of lien searches in such jurisdictions reasonably satisfactory to Agent; and (ii) termination statements and payoff letters reflecting termination of all financing statements and Liens (other than Permitted Liens) previously filed by any party having a security interest in any part of the Collateral or any other property securing the Secured Debt;

(d) Agent shall have received in form and substance satisfactory to Agent, one or more insurance certificates and copies of Credit Parties' casualty insurance policies, together with loss payable endorsements reasonably satisfactory to Agent naming Agent as Lender loss payee, and copies of Credit Parties' liability insurance policies, together with endorsements naming Agent as a co-insured;

(e) Borrowers shall have paid to Agent for the pro rata benefit of the Lenders a revolver renewal fee in the amount of $45,000; and

(f) Borrowers shall have paid all reasonable and documented out of pocket legal fees and expenses of Agent incurred in connection with this Agreement.

5. Each Credit Party hereby represents and warrants to Agent and the Lenders that as of the date hereof: (a) such Credit Party has the legal power and authority to execute and deliver this Agreement, the Disbursement Direction Letter, and each other document, agreement, writing or instrument executed in connection with this Agreement (collectively, the "Amendment Documents") executed by such Credit Party in connection with this Agreement; (b) the officers (or other authorized Persons) of such Credit Party executing the Amendment Documents have been duly authorized to execute and deliver the same and bind such Credit Party with respect to the provisions thereof; (c) the execution and delivery by such Credit Party of the Amendment Documents to which it is a party and the performance and observance by such Loan Party of the provisions thereof do not violate or conflict with the Organizational Documents of such Credit Party or any law applicable to such Credit Party or result in a breach of any provision of or constitute a default under any other material agreement, instrument or document binding upon or enforceable against such Loan Party; (d) after giving effect to this Agreement, no Default or Event of Default exists under the Loan Documents, nor will any occur upon giving effect to the execution and delivery of the Amendment Documents or by the performance or observance of any provision thereof; (e) such Credit Party does not have any claim or offset against, or defense or counterclaim to, any of such Credit Party's obligations or liabilities under the Credit Agreement or the other Loan Documents; (f) the representations and warranties set forth in Article VII of the Credit Agreement are true and correct in all material respects (without duplication of materiality qualifiers) on and as of the date hereof, except to the extent such representation or warranty relates to an earlier specified date, in which case such representation and warranty is reaffirmed true and correct in all material respects as of such date; and (g) the Amendment Documents to which such Credit Party is a party constitute a valid and binding obligation of such Credit Party in every respect, enforceable in accordance with their respective terms, except as such enforceability may be limited by any Debtor Relief Laws.

6. In consideration of this Agreement, each Credit Party hereby waives and releases Agent and the Lenders and their respective affiliates, officers, directors, equity holders, agents, attorneys, employees and representatives from any and all such claims, offsets, defenses and counterclaims of which such Credit Party is aware or unaware in connection with the Credit Agreement to the extent arising on or prior to the date hereof, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

7. Each reference that is made in the Credit Agreement or any other writing shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby. Each Amendment Document is a Loan Document as defined in the Credit Agreement.

8. Each Credit Party hereby reaffirms its obligations, as applicable, under the Credit Agreement and all other Loan Documents to which such Credit Party is a party, as any of them may from time to time be amended, restated or otherwise modified (the "Reaffirmed Documents"). Each Credit Party agrees (i) that each Reaffirmed Document shall remain in full force and effect following the execution and delivery of this Agreement and any other Amendment Document, and (ii) that all references in any of the Reaffirmed Documents to the "Credit Agreement" or "Loan Agreement" shall be deemed to refer to the Credit Agreement, as amended by this Agreement or as it may be further amended, restated or otherwise modified from time to time.

9. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts and may be delivered by facsimile or pdf electronic transmission, each of which when so executed and delivered shall be deemed to be an original and effective as a manually signed counterpart and all of which when taken together shall constitute but one and the same agreement.

10. The rights and obligations of all parties hereto shall be governed by the laws of the State of New York, without regard to principles of conflicts of laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

11. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the duly authorized officers of the parties to this Agreement have executed this Agreement as of the date first written above.

BORROWERS:

ULTRALIFE CORPORATION

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President and Chief Executive Officer

SOUTHWEST ELECTRONIC ENERGY CORPORATION

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President

CLB, INC.

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President

ULTRALIFE EXCELL HOLDING CORP.

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President

ULTRALIFE CANADA HOLDING CORP.

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President

EXCELL BATTERY CORPORATION USA

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President

OTHER CREDIT PARTIES:

EXCELL BATTERY CANADA ULC

By: /s/ Michael E. Manna
Name: Michael E. Manna
Title: President and Chief Executive Officer

AGENT AND THE LENDERS:

KEYBANK NATIONAL ASSOCIATION,
as Agent and as a Lender

By: /s/ Peter F. Leonard
Name: Peter F. Leonard
Title: Senior Vice President

[Continuation of Signature Page to Fourth Amendment Agreement – Key/Ultralife]

Exhibit 31.1

I, Michael E. Manna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024

By: /s/ Michael E. Manna
Michael E. Manna
President and Chief Executive Officer

Exhibit 31.2

I, Philip A. Fain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2024

By: /s/ Philip A. Fain
Philip A. Fain
Chief Financial Officer and Treasurer

Exhibit 32

Section 1350 Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), Michael E. Manna and Philip A. Fain, the President and Chief Executive Officer and Chief Financial Officer and Treasurer, respectively, of Ultralife Corporation, certify that (i) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ultralife Corporation.

A signed original of this written statement required by Section 906 has been provided to Ultralife Corporation and will be retained by Ultralife Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 25, 2024

By: /s/ Michael E. Manna
Michael E. Manna
President and Chief Executive Officer

Date: July 25, 2024

By: /s/ Philip A. Fain
Philip A. Fain
Chief Financial Officer and Treasurer