SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2000

or

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from

________________ to ________________

Commission file number 0-20852

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

Delaware	16-1387013
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(315) 332-7100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $.10 par value - 11,173,466 shares outstanding as of January 31, 2001.

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

ASSETS	December 31, 2000 (Unaudited)	June 30, 2000
Current assets:		
Cash and cash equivalents	$ 1,370	$ 5,712
Available-for-sale securities	9,616	12,927
Trade accounts receivable (less allowance for doubtful accounts of $262 at December 31, 2000 and $268 at June 30, 2000)	3,378	3,456
Inventories	5,438	5,682
Prepaid expenses and other current assets	1,509	1,176
Total current assets	21,311	28,953
Property, plant and equipment	33,840	32,785
Other assets:		
Investment in affiliates	749	2,339
Technology license agreements (net of accumulated amortization of $1,119 at December 31, 2000 and $1,068 at June 30, 2000)	332	383
	1,081	2,722
Total Assets	$ 56,232	$ 64,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 1,154	$ 1,087
Accounts payable	3,299	2,886
Other current liabilities	2,592	2,443
Total current liabilities	7,045	6,416
Long-term liabilities:		
Long-term debt and capital lease obligations	3,120	3,567
Shareholders' equity:		
Preferred stock, par value $0.10 per share, authorized 1,000,000 shares; none outstanding	--	--
Common stock, par value $0.10 per share, authorized 40,000,000 shares as of December 31, 2000 and 20,000,000 shares as of June 30, 2000; issued - 11,487,786 at December 31, 2000 and 11,410,286 at June 30, 2000)	1,149	1,141
Capital in excess of par value	99,388	98,790
Accumulated other comprehensive loss	(864)	(689)
Accumulated deficit	(53,303)	(44,462)
	46,370	54,780
Less -- Treasury stock, at cost -- 27,250 shares	303	303
Total shareholders' equity	46,067	54,477
Total Liabilities and Shareholders' Equity	$ 56,232	$ 64,460

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

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

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999	Six Months Ended December 31, 2000	Six Months Ended December 31, 1999
Revenues	$ 5,290	$ 6,677	$ 12,141	$ 12,902
Cost of products sold	6,989	6,375	14,292	12,181
Gross margin	(1,699)	302	(2,151)	721
Operating expenses:				
Research and development	948	1,066	1,508	2,158
Selling, general, and administrative	2,060	2,269	3,856	3,760
Total operating expenses	3,008	3,335	5,364	5,918
Operating loss	(4,707)	(3,033)	(7,515)	(5,197)
Other income (expense):				
Interest income, net	155	160	249	465
Equity loss in affiliate	(1,258)	(55)	(1,590)	(183)
Miscellaneous	73	(61)	15	--
Loss before income taxes	(5,737)	(2,989)	(8,841)	(4,915)
Income taxes	--	--	--	--
Net loss	$ (5,737)	$ (2,989)	$ (8,841)	$ (4,915)
Net loss per common share	$ (0.51)	$ (0.28)	$ (0.80)	$ (0.45)
Weighted average shares outstanding	11,151	10,861	11,113	10,808

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

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

	Six Months Ended December 31, 2000	Six Months Ended December 31, 1999
OPERATING ACTIVITIES		
Net loss	$ (8,841)	$ (4,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,912	1,036
Equity loss in affiliate	1,590	182
Changes in operating assets and liabilities:		
Accounts receivable	78	478
Inventories	244	(1,735)
Prepaid expenses and other current assets	(333)	403
Accounts payable and other current liabilities	562	(162)
Net cash used in operating activities	(4,788)	(4,713)
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,916)	(1,700)
Investment in affiliates	--	(3,238)
Purchase of securities	(21,048)	(23,141)
Sales of securities	14,128	13,896
Maturities of securities	10,230	16,731
Net cash provided by investing activities	394	2,548
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	606	3,238
Proceeds from issuance of debt	--	423
Principal payments on long-term debt and capital lease obligations	(380)	(38)
Net cash provided by financing activities	226	3,623
Effect of exchange rate changes on cash	(174)	(21)
(Decrease) Increase in cash and cash equivalents	(4,342)	1,437
Cash and cash equivalents at beginning of period	5,712	776
Cash and cash equivalents at end of period	$ 1,370	$ 2,213
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrealized gain on securities	$ 1	$ 354
Interest paid	$ 69	$ 16

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

(Dollar Amounts in Thousands - Except Per Share Amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements contained in the registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2000.

2. NET LOSS PER SHARE

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Common stock options have not been included as their inclusion would be antidilutive; as a result, basic earnings per share is the same as diluted earnings per share.

3. COMPREHENSIVE INCOME (LOSS)

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

	Three months ended December 31,		Six months ended December 31,	
	2000	1999	2000	1999
Net loss	$(5,737)	$(2,989)	$(8,841)	$(4,915)
Unrealized (loss) gain on securities	(1)	828	1	354
Foreign currency translation adjustments	(221)	(28)	(176)	(21)
Total comprehensive loss	$(5,959)	$(2,189)	$(9,016)	$(4,582)

4. INVENTORIES

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

	December 31, 2000	June 30, 2000
Raw materials	$2,685	$3,032
Work in process	1,325	1,427
Finished goods	1,715	1,622
	5,725	6,081
Less: Reserve for obsolescence	287	399
	$5,438	$5,682

5. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2000	June 30, 2000
Land	$ 123	$ 123
Buildings and Leasehold Improvements	1,202	1,202
Machinery and Equipment	35,649	18,638
Furniture and Fixtures	196	196
Computer Hardware and Software	1,083	1,041
Construction in Progress	5,014	19,149
	43,265	40,349
Less: Accumulated Depreciation	9,425	7,564
	$33,840	$32,785

6. COMMITMENTS AND CONTINGENCIES

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

In May 1997, William Boyd, the principal of Aerospace Energy Systems, Inc., and Leland J. Coleman commenced an action against the Company and Loeb Partners Corporation ("Loeb"), an investment firm, in the U.S. District Court for the Southern District Court of New York alleging that they had entered into a contract with Loeb to arrange for the acquisition of Dowty Group, PLC and that the Company tortiously interfered with their contract and business opportunity. The Company maintained that the claim against it, for $25 million, was without merit. After a jury trial in December of 1999, the case was dismissed. Plaintiffs appealed, and on October 19, 2000 the United States Court of Appeals for the Second Circuit affirmed the dismissal. The time to appeal expired January 17, 2001. Accordingly, the judgment of dismissal is final and the Company will incur no liability in this action.

In August 1998, the Company, its Directors, and certain underwriters were named as defendants in a complaint filed in the United States District Court for the District of New Jersey by certain shareholders, purportedly on behalf of a class of shareholders, alleging that the defendants, during the period April 30, 1998 through June 12, 1998, violated various provisions of the federal securities laws in connection with an offering of 2,500,000 shares of the Company's Common Stock. The complaint alleged that the Company's offering documents were materially incomplete, and as a result misleading, and that the purported class members purchased the Company's Common Stock at artificially inflated prices and were damaged thereby. Upon a motion made on behalf of the Company, the Court dismissed the shareholder action, without prejudice, allowing the complaint to be refiled. The shareholder action was subsequently refiled, asserting substantially the same claims as in the prior pleading. Earlier this year, the Company again moved to dismiss the complaint. By Opinion and Order dated September 28, 2000, the Court dismissed the action, this time with prejudice, thereby barring plaintiffs from any further amendments to their complaint and directing that the case be closed. Plaintiffs have filed a Notice of Appeal to the Third Circuit Court of Appeals, and the parties will be submitting their respective pleadings. The Company believes that the litigation is without merit and will continue to defend it vigorously. The amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

7. BUSINESS SEGMENT INFORMATION

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

Three Months Ended December 31, 2000

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 4,667	$ 44	$ 579	$ --	$ 5,290
Segment contribution	6	(2,680)	56	(2,089)	(4,707)
Interest income, net				155	155
Equity loss in affiliate				(1,258)	(1,258)
Miscellaneous				73	73
Income taxes				--	--
Net loss					$ (5,737)
Total assets	$ 17,884	$ 22,504	$ 288	$ 15,556	$ 56,232

Three Months Ended December 31, 1999

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 5,913	$ --	$ 764	$ --	$ 6,677
Segment contribution	191	(1,059)	104	(2,269)	(3,033)
Interest income, net				160	160
Equity loss in affiliate				(55)	(55)
Miscellaneous				(61)	(61)
Income taxes				--	--
Net loss					$ (2,989)
Total assets	$ 17,238	$ 20,591	$ 572	$ 26,898	$ 65,299

Six Months Ended December 31, 2000

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 10,909	$ 164	$ 1,068	$ --	$ 12,141
Segment contribution	17	(3,766)	90	(3,856)	(7,515)
Interest income				249	249
Equity loss in affiliate				(1,590)	(1,590)
Miscellaneous				15	15
Income taxes				--	--
Net loss					$ (8,841)
Total assets	$ 17,884	$ 22,504	$ 288	$ 15,556	$ 56,232

Six Months Ended December 31, 1999

	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 11,545	$ 2	$ 1,355	$ --	$ 12,902
Segment contribution	479	(2,077)	161	(3,760)	(5,197)
Interest income				465	465
Equity loss in affiliate				(183)	(183)
Miscellaneous				--	--
Income taxes				--	--
Net loss					$ (4,915)
Total assets	$ 17,238	$ 20,591	$ 572	$ 26,898	$ 65,299

8. NEW ACCOUNTING PRONOUNCEMENTS

As of July 1, 1999, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities", which established accounting and reporting requirements for derivative instruments and hedging activities. The Company, on occasion, has used derivative financial instruments for purposes other than trading and does so to reduce its exposure to fluctuations in foreign currency exchange rates. As of December 31, 2000, the Company did not have any outstanding derivative financial instruments.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. In June 2000, the SEC issued SAB 101B which delays the implementation date of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The Company implemented SAB 101; the effect of the implementation has not had any impact on the financial position and results of operations.

In March 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation", which provides guidance for issues that have arisen in applying Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees". This Interpretation, which became effective July 1, 2000, applies prospectively to new awards, exchanges or awards in a business combination, modifications to outstanding awards, and changes in grantee status that occur on or after July 1, 2000, except for the provisions related to repricings and the definition of an employee which apply to awards issued after December 31, 1998. As of December 31, 2000, Interpretation No. 44 has not had any impact on the Company's financial position and results of operations.

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

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This report contains certain forward-looking statements and information that are based on the beliefs of management as well as assumptions made by and information currently available to management. The statements contained in this report relating to matters that are not historical facts are forward-looking statements that involve risks and uncertainties, including, but not limited to, future demand for the Company's products and services, the successful commercialization of the Company's advanced rechargeable batteries, general economic conditions, government and environmental regulation, competition and customer strategies, technological innovations in the primary and rechargeable battery industries, changes in the Company's business strategy or development plans, capital deployment, business disruptions, including those caused by fire, raw materials supplies, environmental regulations, and other risks and uncertainties, certain of which are beyond the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those described herein as anticipated, believed, estimated or expected.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying consolidated financial statements and notes thereto contained herein and the Company's consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K as of and for the year ended June 30, 2000.

Results of Operations

Three months ended December 31, 2000 and 1999

Consolidated revenues were $5,290,000 for the second quarter of fiscal 2001, a decrease of $1,387,000, or 21%, over the comparable quarter in fiscal 2000. Primary battery sales decreased $1,246,000, or 21%, from $5,913,000 last year to $4,667,000 this year. The decrease in primary battery sales was due to an anticipated decrease in 9-volt and BA-5372 battery shipments. The decline in 9-volt shipments resulted from lower demand from 10-year smoke detector customers who had overstocked their distribution channels. The decrease in BA-5372 battery shipments was the result of lower production requirements under a contract from the U.S. Army in contrast to higher order volume under this contract for the same period last year. Additionally, sales for the U.K. battery pack assembly operation declined approximately $350,000 due to a delay of the re-award of a U.K. military contract. These decreases were offset in part by a slight increase in high rate battery shipments and polymer rechargeable battery sales. Technology contract revenues declined $185,000, or 24%, from $764,000 to $579,000 due to the winding down of certain non-renewable government contracts and the timing of expenditures.

Cost of products sold amounted to $6,989,000 for the three-month period ended December 31, 2000, an increase of $614,000, or 10% over the same three month period a year ago. The gross margin on total revenues for the quarter was a loss of $1,699,000, or 32%, compared to $302,000, or a 5% gross profit in the prior year. The decline in gross margins is largely related to the launch of production of polymer rechargeable batteries in June 2000, which resulted in initial expenditures necessary to start production of the polymer cells, including approximately $400,000 in depreciation for the quarter. Prior to commencing production of polymer cells, certain of these costs, including engineering, were charged to research and development. Additionally, during the second quarter of fiscal 2001, the Company adjusted the sales price of its polymer rechargeable battery designed for the Nokia cellular phone aftermarket to better reflect market conditions. As a result, a charge of approximately $400,000 was recorded to reduce the market value of the inventory. Also impacting margins for the quarter were fewer shipments of primary batteries. However, gross margins on 9-volt batteries improved from a loss of 1% in the first quarter of fiscal 2001 to a 4% gross profit in the second quarter of fiscal 2001. This improvement is directly related to the implementation of lean manufacturing principles, improvements made in process manufacturing, and an increased focus on quality. Gross margin on technology contracts for this period decreased from 10% to 8% in fiscal 2001 when compared to fiscal 2000 due to the winding down of certain non-renewable government contracts and the timing of expenditures.

Operating expenses were $3,008,000 for the three months ended December 31, 2000, a decrease of $327,000, or 10%, from $3,335,000 in the prior year. Of the Company's operating expenses, research and development expenses decreased $118,000, or 11%, to $948,000 for the second quarter of fiscal 2001. The decline in research and development expenses was primarily due to the launch of polymer rechargeable batteries at the end of fiscal 2000. Certain costs previously charged to research and development are now included in cost of products sold as polymer rechargeable batteries are in production. Additionally, selling, general, and administrative expenses declined $209,000 or 9%. This decrease was mainly due to reduced spending on travel and consulting expenses.

Equity loss in affiliate was $1,258,000 for the second quarter of fiscal 2001 compared to $55,000 for the comparable period in fiscal 2000. The $1,203,000 increase in the loss was mainly due to a stock distribution to Ultralife Taiwan, Inc. (UTI) employees in November 2000. Accordingly, UTI recorded compensation expense of nearly $2.5 million, and the Company recognized approximately $900,000 equity loss for the transaction. In addition, employees, directors and supervisors of UTI were given the opportunity to purchase UTI shares at a specified price. As a result of the stock issuances, the Company's interest in UTI declined to 41%. The change in net interest income during this period was not significant.

Net losses were $5,737,000, or $0.51 per share, for the second three months of fiscal 2001 compared to $2,989,000, or $0.28 per share, for the same quarter last year primarily as a result of the reasons described above.

Six months ended December 31, 2000 and 1999

Consolidated revenues were $12,141,000 for the first six months of fiscal 2001, a decrease of $761,000, or 6%, over the comparable six months in fiscal 2000. Primary battery sales decreased $636,000, or 6%, from $11,545,000 last year to $10,909,000 this year. The decrease in primary battery sales was primarily due to lower shipments of 9-volt and BA-5372 batteries. The decline in 9-volt shipments resulted from lower demand from 10-year smoke detector customers who had overstocked their distribution channels. The decrease in BA-5372 battery shipments was the result of lower production requirements under a contract from the U.S. Army in contrast to higher order volume under this contract for the same period last year. Polymer rechargeable revenues for the six month period were $164,000, a $162,000 increase over the prior year's comparable period due to the commercial launch of the product in June 2000. Technology contract revenues declined $287,000 or 21%, from $1,355,000 to $1,068,000 reflecting the change in the contract mix and the timing of expenditures.

Cost of products sold amounted to $14,292,000 for the six month period ended December 31, 2000, an increase of $2,111,000, or 17% over the same six month period a year ago. The gross margin on total revenues for the six months ended December 31, 2000, was a loss of $2,151,000, or 18%, down from the $721,000, or 6% gross profit reported for the first six months in the prior year. The decline in gross margins is largely due to the launch of production of polymer rechargeable batteries in June 2000, which resulted in initial expenditures necessary to start production of the polymer cells, including approximately $800,000 in depreciation for the six month period. Prior to commencing production of polymer cells, certain of these costs, including engineering, were charged to research and development. Additionally, during the second quarter of fiscal 2001, the Company adjusted the sales price of its polymer rechargeable battery designed for the Nokia cellular phone aftermarket to better reflect market conditions. As a result, a charge of approximately $400,000 was recorded to reduce the market value of the inventory. Gross margin on primary batteries for the six month period ended December 31 declined from 5% in the prior year to less than 1% in the current fiscal year. This decline is largely due to higher material costs and the decrease in sales for its 9-volt battery. Gross profit on technology contracts decreased $110,000 in fiscal 2001 when compared to fiscal 2000, reflecting a decline in gross margins from 14% in the first half of fiscal 2000 to 8% in the first half of fiscal 2001. The decline in technology contract gross margins is due the winding down of certain non-renewable government contracts and the timing of expenditures.

Operating expenses were $5,364,000 for the six months ended December 31, 2000, a decrease of $554,000, or 9%, from $5,918,000 in the same six months in the prior year. Of the Company's operating expenses, research and development expenses decreased $650,000, or 30%, to $1,508,000 for the first six months of fiscal 2001. The decline in research and development expenses was primarily due to the commercial launch of polymer rechargeable batteries at the end of fiscal 2000. The costs previously in research and development are included in cost of products sold as polymer rechargeable batteries are in production. That decrease was partially offset by an increase of $96,000, or 3%, in selling, general, and administrative expenses, to $3,856,000 in the first six months of fiscal 2001. This increase in SG&A expenses was mainly due to increased spending on advertising for the polymer rechargeable batteries.

Net interest income decreased $216,000, or 46%, from $465,000 in the first six months of fiscal 2000 to $249,000 in the first six months of fiscal 2001. The reduction in interest income is principally the result of lower average cash balances and higher interest expense related to outstanding debt.

Losses associated with the Company's equity ownership interest in its Taiwan venture (UTI) amounted to $1,590,000 for the first six months of fiscal 2001. The $1,407,000 increase in the loss was mainly due to a stock distribution to Ultralife Taiwan, Inc. (UTI) employees in November 2000. Accordingly, UTI recorded compensation expense of nearly $2.5 million, and the Company recognized approximately $900,000 equity loss for the transaction. In addition, employees, directors and supervisors were given the opportunity to purchase UTI shares at a specified price. As a result of the stock issuances, the Company's interest in UTI declined to 41%.

Net losses were $8,841,000, or $0.80 per share, for the first six months of fiscal 2001 compared to $4,915,000, or $0.45 per share, for the same period last year.

Liquidity and Capital Resources

At December 31, 2000, cash and cash equivalents and available for sale securities totaled $10,986,000. The Company used $4,788,000 of cash in operating activities during the first six months of fiscal 2001. This usage of cash related primarily to the net loss reported for the period net of depreciation and equity losses in affiliates, offset in part by an increase in accounts payable. Additionally, the Company spent $2,916,000 for capital additions for production equipment and facilities improvements during the first six months of fiscal 2001.

At December 31, 2000, the Company had long-term debt outstanding including capital lease obligations of $3,120,000 primarily relating to the financing arrangement entered into by the Company at the end of fiscal 2000 described below.

In June 2000, the Company entered into a $20 million secured credit facility with a lending institution. The financing agreement consists of an initial $12 million term loan component (of which $3,733,000 was outstanding at December 31, 2000) and a revolving credit facility component for an initial $8 million, based on eligible net accounts receivable (as defined) and eligible net inventory (as defined). There was no balance outstanding on the revolving credit facility component as of December 31, 2000. While the amount available under the term loan component amortizes over time, the amount of the revolving credit facility component increases by an equal and offsetting amount. Principal and interest are paid monthly on outstanding amounts borrowed. The loans bear interest at the prime rate or other LIBOR-based rate options at the discretion of the Company. The Company also pays a facility fee on the unused portion of the commitment. The loan is secured by substantially all of the Company's assets.

Additionally, the Company is precluded from paying dividends under the terms of the agreement. On December 22, 2000, the Company and its commercial lender agreed to revise downward the adjusted net worth covenant under the Company's credit facility to better reflect the Company's equity position. The revised covenant requires the Company to maintain adjusted net worth (as defined) of at least $40,000,000. As of December 31, 2000, the Company was in compliance with all covenants.

The Company's capital resource commitments as of December 31, 2000 consisted principally of capital equipment commitments of approximately $1,539,000. The Company believes its current financial position and cash flows from operations will be adequate to support its financial requirements throughout the next 12 months.

Outlook

At the present time, the Company expects that consolidated revenues for the third fiscal quarter will be relatively consistent with the second quarter. In the fourth quarter, some revenue growth is anticipated as new business, mainly in military, is realized. Sales of 9-volt batteries in the third quarter are expected to be consistent with this quarter. Long-term growth for this product line has some dependence related to the passage of fire safety legislation, which the Company vigorously supports, in key states. There is some indication that this could start to happen in this calendar year. Gross margins in the third quarter for the 9-volt product line are expected to continue to improve by approximately $200,000 to $300,000 over the second quarter due to continued improvements in the manufacturing process. The recently announced contract to manufacture BA-5368 batteries for the US Armed Forces is expected to generate approximately $300,000 of additional revenues in the third fiscal quarter as production begins. These revenues are expected to continue to increase further in the fourth quarter. Revenues from the high rate and battery pack operations in the UK are expected to be constant in the third quarter compared with the second quarter. However, the Company expects to finalize a few key contracts within the next few months that are likely to boost these sales in the fourth quarter. Finally, the near-term outlook for rechargeable sales is fairly conservative. The Company is continuing to market the cellular phone aftermarket product by adjusting prices and expanding into new channels. The majority of the selling efforts at this time, however, are centered on OEM business opportunities. The Company is not projecting significant revenues in this area in the next couple of quarters because of the inherent product introduction cycles for this business.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

In May 1997, William Boyd, the principal of Aerospace Energy Systems, Inc., and Leland J. Coleman commenced an action against the Company and Loeb Partners Corporation ("Loeb"), an investment firm, in the U.S. District Court for the Southern District Court of New York alleging that they had entered into a contract with Loeb to arrange for the acquisition of Dowty Group, PLC and that the Company tortiously interfered with their contract and business opportunity. The Company maintained that the claim against it, for $25 million, was without merit. After a jury trial in December of 1999, the case was dismissed. Plaintiffs appealed, and on October 19, 2000 the United States Court of Appeals for the Second Circuit affirmed the dismissal. The time to appeal expired January 17, 2001. Accordingly, the judgment of dismissal is final and the Company will incur no liability in this action.

In August 1998, the Company, its Directors, and certain underwriters were named as defendants in a complaint filed in the United States District Court for the District of New Jersey by certain shareholders, purportedly on behalf of a class of shareholders, alleging that the defendants, during the period April 30, 1998 through June 12, 1998, violated various provisions of the federal securities laws in connection with an offering of 2,500,000 shares of the Company's Common Stock. The complaint alleged that the Company's offering documents were materially incomplete, and as a result misleading, and that the purported class members purchased the Company's Common Stock at artificially inflated prices and were damaged thereby. Upon a motion made on behalf of the Company, the Court dismissed the shareholder action, without prejudice, allowing the complaint to be refiled. The shareholder action was subsequently refiled, asserting substantially the same claims as in the prior pleading. Earlier this year, the Company again moved to dismiss the complaint. By Opinion and Order dated September 28, 2000, the Court dismissed the action, this time with prejudice, thereby barring plaintiffs from any further amendments to their complaint and directing that the case be closed. Plaintiffs have filed a Notice of Appeal to the Third Circuit Court of Appeals, and the parties will be submitting their respective pleadings. The Company believes that the litigation is without merit and will continue to defend it vigorously. The amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

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

(a) On December 5, 2000, an Annual Meeting of Shareholders of the Company was held.

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

DIRECTOR	FOR	AGAINST	ABSTAIN
Joseph C. Abeles	9,752,706	697,599	0
Joseph N. Barrella	9,754,006	696,299	0
Patricia C. Barron	9,753,906	696,399	0
Richard A. Hansen	8,307,406	2,142,899	0
John D. Kavazanjian	9,754,606	695,699	0
Arthur M. Lieberman	9,754,606	695,699	0
Carl H. Rosner	9,571,081	879,224	0
Ranjit Singh	9,754,606	695,699	0

(c) At the Annual Meeting, the Shareholders of the Company voted on an Amendment to the Company's Certificate of Incorporation to increase the amount of common shares from 20,000,000 to 40,000,000. The amendment was adopted with the following votes:

IN FAVOR	AGAINST	ABSTAIN
10,208,637	181,098	60,620

(d) Also at the Annual Meeting, the Shareholders of the Company voted in favor of the adoption of the Company's 2000 Stock Option Plan with the following votes:

IN FAVOR	AGAINST	ABSTAIN
8,214,523	2,193,394	42,388

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Amendment of Certificate of Incorporation of Ultralife Batteries, Inc.

10.1 Second Amendment to Financing Agreements

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ULTRALIFE BATTERIES, INC.
(Registrant)

Date: February 13, 2001 By: /s/ John D. Kavazanjian

John D. Kavazanjian
President and Chief Executive Officer

Date: February 13, 2001 By: /s/ Robert W. Fishback

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

Exhibit 3.1

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
ULTRALIFE BATTERIES, INC.

The undersigned, Peter F. Comerford, being the Assistant Secretary of ULTRALIFE BATTERIES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is ULTRALIFE BATTERIES, INC. (the "Corporation"), The Corporation was originally incorporated under the name Ultralife Technologies, Inc., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 14, 1990 and amended on April 3, 1991, May 1, 1991, January 23, 1992, January 2, 1996 and July 21, 1999.

2. The Corporation's Certificate of Incorporation is hereby amended by striking out the first sentence of ARTICLE FOURTH and replacing it with the following new first sentence of ARTICLE FOURTH:

   Capitalization. The total number of shares of stock that the Corporation shall have authority to issue is 40 million shares of Common Stock, par value $.10 per share (the "Common Stock") and 1 million shares of Preferred Stock, par value $.10 per share (the "Preferred Stock").

3. This Amendment of the Certificate of Incorporation was duly adopted by the Board of Directors of this Corporation at a meeting held on September 15, 2000, at which the Board directed that this proposed amendment be submitted to the Common Stockholders of this Corporation for their approval and adoption at the Annual Meeting of Stockholders to be held on December 5, 2000.

3. At the Annual Meeting of the Corporation's Stockholders duly called and held on December 5, 2000, this proposed amendment was duly approved and adopted by a majority vote of all outstanding shares of this Corporation's Common Stock entitled to vote thereon.

4. This Certificate of Amendment of Certificate of Incorporation was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Corporation has caused this Amendment of Certificate of Incorporation to be duly executed on this 21st day of December, 2000.

ULTRALIFE BATTERIES, INC.

BY: /s/ PETER F. COMERFORD

PETER F. COMERFORD, ASSISTANT SECRETARY

Exhibit 10.1

December 15,2000

Ultralife Batteries, Inc.
2000 Technology Parkway
Newark, NY 14513

Ultralife Batteries (UK) Ltd.
18 Nuffield Way
Abingdon, Oxfordshire, OX 14
1TG England

Re: Second Amendment to Financing Agreements ("Amendment")

Gentlemen:

Reference is made to the Loan and Security Agreement dated June 15, 2000, between you and the undersigned (the "Loan Agreement"). All capitalized terms not otherwise defined herein shall have the meanings given such terms in the Loan Agreement.

Borrowers have requested that Lender agree to certain modifications to the Loan Agreement. Subject to the terms and conditions hereof, the Lender agrees with the Borrowers as follows:

(1) Section 9.15 of the Loan Agreement is deleted and replaced with the following:

> "9.15 Adjusted Net Worth. Borrowers shall, at all times, maintain an Adjusted Net Worth of not less than $40,000,000.00."

(2) In connection with the execution and delivery of this Amendment, Borrowers shall pay to Lender a fee of $7,500.00, which fee shall be fully earned and non-refundable on the date hereof.

(3) In connection with the execution and delivery of this Amendment, the Borrowers shall furnish to the Lender certified copies of all requisite corporate action and proceedings of the Borrowers in connection with this Amendment.

(4) Each Borrower confirms and agrees that (a) all representations and warranties contained in the Loan Agreement and in the other Financing Agreements are on the date hereof true and correct in all material respects (except for changes that have occurred as permitted by the covenants in Section 9 of the Loan Agreement), and (b) it is unconditionally liable for the punctual and full payment of all Obligations, including, without limitation, all charges, fees, expenses and costs (including attorneys' fees and expenses) under the Financing Agreements, and that Borrowers

have no defenses, counterclaims or setoffs with respect to full, complete and timely payment of all Obligations.

(5) Borrowers hereby agree to pay to Lender all reasonable attorney's fees and costs which have been incurred or may in the future be incurred by Lender in connection with the negotiation and preparation of this Amendment and any other documents and agreements prepared in connection with this Amendment. The undersigned confirm that the Financing Agreements remain in full force and effect without amendment or modification of any kind, except for the amendments explicitly set forth herein. The undersigned further confirm that after giving effect to this Amendment, no Event of Default or events which with notice or the passage of time or both would constitute an Event of Default have occurred and are continuing. Except as explicitly provided herein, the execution and delivery of this Amendment by Lender shall not be construed as a waiver by Lender of any Event of Default under the Financing Agreements. This Amendment shall be deemed to be a Financing Agreement and, together with the other Financing Agreements, constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior dealings, correspondence, conversations or communications between the parties with respect to the subject matter hereof.

[Remainder of Page Left Intentionally Blank]

If you accept and agree to the foregoing please sign and return the enclosed copy of this letter. Thank you.

Very truly yours,

CONGRESS FINANCIAL CORPORATION
(NEW ENGLAND)

By: /s/ Brian Essex

Name: Brian Essex
Title: Assistant Vice President

AGREED:

ULTRALIFE BATTERIES, INC.

By: /s/ Robert W. Fishback

Name: Robert W. Fishback
Title: VP-Finance & CFO

ULTRALIFE BATTERIES (UK) Ltd.

By: /s/ J. Barrella

Name: J. Barrella
Title: Director