SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 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 - 11,046,376 shares outstanding as of April 30, 2000.

ULTRALIFE BATTERIES, INC.
INDEX

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

ULTRALIFE BATTERIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

ASSETS	March 31, 2000 (unaudited)	June 30, 1999
Current assets:		
Cash and cash equivalents	$ 985	$ 776
Available-for-sale securities	17,791	22,780
Trade accounts receivable (less allowance for doubtful accounts of $257 at March 31, 2000 and $429 at June 30, 1999)	2,845	3,554
Inventories	5,722	5,018
Prepaid expenses and other current assets	1,143	2,112
Total current assets	28,486	34,240
Property and equipment:		
Machinery and equipment	34,756	32,662
Leasehold improvements	4,756	4,741
	39,512	37,403
Less - Accumulated depreciation and amortization	7,109	5,626
	32,403	31,777
Other assets and deferred charges:		
Investment in affiliates	2,640	(80)
Technology licensee agreements (net of accumulated amortization of $1,043 at March 31, 2000 and $968 at June 30, 1999, respectively)	408	483
	3,048	403
Total Assets	$ 63,937	$ 66,420
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of LTD and capital lease obligations	$ 221	$ 107
Accounts payable	2,441	3,847
Accrued compensation	211	653
Other current liabilities	1,684	1,198
Total current liabilities	4,557	5,805
Long - term liabilities:		
LT debt and capital lease obligations	455	215
Total long - term liabilities	455	215
Commitments and contingencies (Note 5)		
Stockholders' equity :		
Common stock, par value $0.10 per share, authorized 20,000,000 shares; issued - 11,395,286 at March 31, 2000 and 10,512,386 at June 30, 1999	1,139	1,051
Capital in excess of par value	98,692	93,605
Accumulated other comprehensive income	(263)	267
Accumulated deficit	(40,340)	(34,220)
	59,228	60,703
Less --Treasury stock, at cost -- 27,250 shares	303	303
Total stockholders' equity	58,925	60,400
Total Liabilities and Stockholders' Equity	$ 63,937	$ 66,420

The accompanying notes are an integral part of the financial statements.

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

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999	Nine Months Ended March 31, 2000	Nine Months Ended March 31, 1999
Revenues:				
Battery sales	$ 5,423	$ 5,425	$ 16,970	$ 13,907
Technology contracts	776	169	2,131	1,069
Total revenues	6,199	5,594	19,101	14,976
Cost of products sold:				
Battery costs	6,497	4,839	17,484	12,588
Technology contracts	707	129	1,901	817
Total cost of products sold	7,204	4,968	19,385	13,405
Gross profit	(1,005)	626	(284)	1,571
Operating and other expenses:				
Research and development	1,384	1,360	3,542	4,788
Selling, general, and administrative	1,871	1,665	5,631	4,313
Gain on fires	--	--	--	(1,417)
Total operating and other expenses	3,255	3,025	9,173	7,684
Other income (expense):				
Interest income	194	342	659	1,152
Gain on investment and other income	2,861	4	2,678	(27)
Loss before income taxes	(1,205)	(2,053)	(6,120)	(4,988)
Income taxes	--	--	--	--
Net loss	$ (1,205)	$ (2,053)	$ (6,120)	$ (4,988)
Comprehensive (loss) income	(863)	490	(530)	(608)
Net comprehensive loss	$ (2,068)	$ (1,563)	$ (6,650)	$ (5,596)
Net loss per common share	$ (0.11)	$ (0.20)	$ (0.56)	$ (0.48)
Weighted average shares outstanding	10,953	10,485	10,861	10,485

The accompanying notes are an integral part of the financial statements.

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

	Nine Months Ended March 31, 2000	1999
OPERATING ACTIVITIES		
Net loss	$ (6,120)	$ (4,988)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,558	1,662
Gain on sale of securities	(3,147)	--
Equity in loss of Taiwan venture	518	--
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	709	(364)
Increase in inventories	(704)	(348)
Decrease (increase) in prepaid expenses and other current assets	969	(273)
Decrease in accounts payable and other current liabilities	(1,362)	(1,467)
Net cash used in operating activities	(7,579)	(5,778)
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,109)	(2,496)
Investment in affiliates	(3,238)	--
Purchase of securities	(53,051)	(85,886)
Sales of securities	32,714	68,722
Maturities of securities	28,095	26,077
Net cash provided by investing activities	2,411	6,417
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	5,175	--
Proceeds from issuance of debt	423	--
Principal payments under capital lease obligations	(69)	(40)
Net cash provided by (used in) financing activities	5,529	(40)
Effect of exchange rate changes on cash	(152)	(355)
Increase in cash and cash equivalents	209	244
Cash and cash equivalents at beginning of period	776	872
Cash and cash equivalents at end of period	$ 985	$ 1,116
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrealized gain (loss) on securities	$ 378	$ (252)

The accompanying notes are an integral part of the financial statements.

1. BASIS OF PRESENTATION

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are of a normal recurring nature, necessary to present fairly the financial position at March 31, 2000 and the results of operations and cash flows for the three and nine month periods ended March 31, 2000 and 1999. The results for the three and nine months ended March 31, 2000 are not necessarily indicative of the results to be expected for the entire year. The financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's financial statements for the year ended June 30, 1999, filed on Form 10-K on September 28, 1999.

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 since their inclusion would be antidilutive.

3. 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:

	(Dollars in thousands) March 31, 2000	June 30, 1999
Raw materials	$3,297	$2,984
Work in process	1,406	2,080
Finished products	1,474	249
	6,177	5,313
Less: Reserve for obsolescence	455	295
	$5,722	$5,018

4. TAIWAN VENTURE

In December 1998, the Company announced the formation of a venture with PGT Energy Corporation (PGT) and a group of investors to produce Ultralife's rechargeable polymer batteries in Taiwan. In consideration of its ownership interest in the venture, the Company contributed to Ultralife Taiwan, Inc. (UTI) certain of its proprietary technology and, in July 1999, 700,000 shares of Ultralife common stock. PGT and the group of investors funded UTI with $21,250,000 in cash, for the remaining ownership. This investment is recorded using the equity method of accounting.

5. COMMITMENTS AND CONTINGENCIES

In 1997, a company filed a claim against the Company seeking amounts related to commissions and breach of good faith and fair dealings. Following a Federal Court mediation in November 1999, this matter was settled.

In 1997, an individual filed suit claiming the Company interfered with his opportunity to purchase Dowty Group, PLC (now the Company's U.K. subsidiary). The claim amounted to

$25,000,000. After a Federal Court jury trial in December 1999, the lawsuit was dismissed. Plaintiff subsequently filed an appeal. The Company continues to maintain that this claim is without merit and will vigorously defend the appeal. While the Company believes it will be successful on appeal, an unfavorable outcome of this suit may have a material adverse impact on the Company's financial position and results of operations.

In August 1998, certain shareholders commenced a putative class action lawsuit against the Company, its Directors, certain of its officers, and certain underwriters seeking unspecified damages arising out of alleged violations of the federal securities laws in connection with the Company's May 1998 public offering of 2.5 million shares of common stock. The complaint, which was amended during 1998 before defendants were required to respond, alleged that the Company's registration statement and prospectus issued in connection with the offering contained false statements or omitted allegedly material information and therefore were misleading. The plaintiffs claimed that they, and other shareholders whom they seek to represent, purchased the Company's stock at allegedly inflated prices and were injured thereby. In response to defendants' motions to dismiss, on September 28, 1999 the Court dismissed, without prejudice, plaintiffs' Amended Complaint for failure to state a claim and for failing to plead fraud with particularity, and granted plaintiffs leave to replead their complaint within a time specified by the Court.

On November 8, 1999, plaintiffs filed a Second Amended Class Action Complaint, naming the same defendants and asserting similar claims as those set forth in plaintiffs' prior Amended Complaint. The Company has moved to dismiss the second Amended Complaint, and that motion presently is pending.

The Company continues to believe that the litigation is without merit and intends to continue to vigorously defend this action. To date, no discovery has been conducted, and the amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

In conjunction with the Company's purchase/lease agreement of its Newark, New York facility in 1998, the Company entered into a payment-in-lieu of tax agreement which provides the Company with certain real estate tax concessions upon certain conditions. In connection with this agreement, the Company received an environmental assessment which revealed contaminated soil. The assessment indicated potential actions that the Company may be required to undertake upon notification by the environmental authorities. The assessment also proposed that a second assessment be completed and provided an estimate of total potential costs to remediate the soil of $230,000. However, there can be no assurance that this will be the maximum cost. The Company entered into an agreement whereby a third party has agreed to reimburse the Company for fifty percent of the costs associated with this matter. The matter is in its preliminary stages and the total costs of remediation cannot be estimated at this time. The ultimate resolution of this matter may have a significant adverse impact on the results of operations in the period in which it is resolved.

6. CAPITAL LEASE OBLIGATIONS

A capital lease obligation of $647,000 was incurred in fiscal 1998 when the Company entered into a capital lease for land and buildings. An initial payment of $400,000 was paid at the time of the lease inception, resulting in a balance of $247,000 to be paid over 10 years. As of March 31, 2000 and June 30, 1999, the outstanding principal balances on the lease were approximately $180,000 and $207,000, respectively.

In November 1999, the Company entered into a $423,000 capital lease for certain computer-related hardware and software. The lease is payable in equal monthly installments over a three-year period. At March 31, 2000, the outstanding principal balance on the lease was approximately $381,000.

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 efforts to produce 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.

(Dollars in Thousands)

Three Months Ended March 31, 2000	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 5,400	$ 23	$ 776	$ --	$ 6,199
Segment contribution	(993)	(1,656)	70	(2,015)	(4,594)
Interest income	--	--	--	194	194
Miscellaneous	--	--	--	3,195	3,195
Income taxes	--	--	--	--	--
Net loss					$ (1,205)
Total assets	$ 14,626	$ 21,236	$ 774	$ 27,301	$ 63,937

Three Months Ended March 31, 1999	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 5,425	$ --	$ 169	$ --	$ 5,594
Segment contribution	251	(1,095)	42	(1,597)	(2,399)
Interest income	--	--	--	342	342
Miscellaneous	--	--	--	4	4
Income taxes	--	--	--	--	--
Net loss					$ (2,053)
Total assets	$ 16,494	$ 20,618	$ 756	$ 30,857	$ 68,725

Nine Months Ended March 31, 2000	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 16,945	$ 25	$ 2,131	$ --	$ 19,101
Segment contribution	(514)	(3,916)	231	(5,775)	(9,974)
Interest income	--	--	--	657	659
Miscellaneous	--	--	--	3,195	3,195
Income taxes	--	--	--	--	--
Net loss					$ (6,120)
Total assets	$ 14,626	$ 21,236	$ 774	$ 27,301	$ 63,937

Nine Months Ended March 31, 1999	Primary Batteries	Rechargeable Batteries	Technology Contracts	Corporate	Total
Revenues	$ 13,874	$ 33	$ 1,069	$ --	$ 14,976
Segment contribution	2,399	(4,521)	254	(4,245)	(6,113)
Interest income	--	--	--	1,152	1,152
Miscellaneous	--	--	--	(27)	(27)
Income taxes	--	--	--	--	--
Net loss					$ (4,988)
Total assets	$ 16,494	$ 20,618	$ 756	$ 30,857	$ 68,725

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 March 31, 2000, the Company did not have any outstanding derivative financial instruments.

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, raw materials supplies, 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 condensed 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, 1999.

Results of Operations

Three months ended March 31, 2000 and 1999

Consolidated revenues rose to $6,199,000 for the third quarter of fiscal 2000, an increase of $605,000, or 11%, over the comparable quarter in fiscal 1999. Technology contract sales increased $607,000, from $169,000 last year to $776,000 this year. The increase was primarily due to the Company's work on the Advanced Technology Program (ATP) with the U.S. Department of Commerce which commenced in April 1999. Primary battery sales for the quarter were constant year over year. Higher shipments of BA-5372 batteries under a contract with the U.S. Army were offset by a decline in 9-volt sales that related to inventory volume corrections at key customers.

Cost of products sold amounted to $7,204,000 for the three months ended March 31, 2000, an increase of $2,236,000, or 45%, over the same three month period a year ago. The gross margin on total revenues for the quarter was negative 16%, a decline from the reported 11% gross margin in the same quarter last year. However, last year's cost of products sold included $280,000 of proceeds from business interruption insurance which offset unabsorbed overhead expenses at the Company's U.K. facility that resulted from a fire in December 1996. This fire suspended production of high rate batteries in the U.K. for a period of 15 months. Additionally, the current year's fiscal third quarter included approximately $1,000,000 of write-offs for excess and obsolete inventory as a result of the implementation of lean manufacturing processes and other process improvements. Excluding the impact of these non-recurring items, the gross margins were 0% and 6% in the third fiscal quarters of 2000 and 1999, respectively. This margin decline was the result of higher material costs from a change in product mix and lower overhead absorption due to lower production volumes.

Operating and other expenses were $3,255,000 for the three months ended March 31, 2000, an increase of $230,000, or 8%, from the prior year. The Company's selling, general and administration expenses increased $206,000, or 12%, to $1,871,000 for the third quarter of fiscal 2000 compared to the same quarter last year. This increase in SG&A expenses was mainly due to higher legal fees and consulting expenses.

Interest income decreased $148,000, or 43%, from $342,000 in the third quarter of fiscal 1999 to $194,000 in the third quarter of fiscal 2000. The reduction in interest income is principally the result of lower average cash balances. Included in other income of the current period is approximately $3.1 million in realized gains from the sale of investment securities. There was no similar sale of securities in the third quarter of the previous year.

Net losses were $1,205,000, or $0.11 per share, for the third quarter of fiscal 2000 compared to $2,053,000, or $0.20 per share, for the same quarter last year. Excluding the impact from the non-recurring items in fiscal 2000 (inventory write downs and the gain on the sale of investment securities) and in fiscal 1999 (insurance proceeds), net losses were $3,352,000, or $0.31 per share, in 2000 and $2,333,000, or $0.22 per share in 1999.

Nine months ended March 31, 2000 and 1999

Consolidated revenues were $19,101,000 for the first nine months of fiscal 2000, an increase of $4,125,000, or 28%, over the comparable nine months in fiscal 1999. Primary battery sales increased $3,063,000, or 22%, from $13,907,000 last year to $16,970,000 this year. The increase in primary battery sales was primarily due to increased shipments of 9-volt lithium batteries, shipments of BA-5372 batteries under the Company's contract with the U.S. Army and, to a lesser extent, greater sales of high rate batteries. Technology contract revenues rose $1,062,000 or 99%, from $1,069,000 to $2,131,000 reflecting the Company's work on the U.S. Department of Commerce's ATP program, which commenced in April 1999.

Cost of products sold amounted to $19,385,000 for the nine month period ended March 31, 2000, an increase of $5,980,000, or 45%, over the same nine month period a year ago. The gross margin on total revenues for the nine months ended March 31, 2000, was negative 1%, down from the 10% gross margin reported for the first nine months in the prior year. Last year's cost of products sold for primary batteries, however, included $1,491,000 of proceeds from business interruption insurance which offset unabsorbed overhead expenses at the Company's U.K. facility that resulted from a fire in December 1996. Additionally, the current year's fiscal third quarter included approximately $1,000,000 of write-offs for excess and obsolete inventory as a result of the implementation of lean manufacturing processes and other process improvements. Excluding the impact of these non-recurring items, the gross margins were 4% and 1% in the nine-month period of fiscal 2000 and 1999, respectively. Gross profit on technology contracts decreased $22,000 in fiscal 2000 when compared to fiscal 1999, reflecting a decline in gross margins from 24% in the first nine months of fiscal 1999 to 11% in the first nine months of fiscal 2000. The decline in technology contract gross margins is due to lower margins reflected in contracts in the U.K.

Operating and other expenses were $9,173,000 for the nine months ended March 31, 2000, an increase of $72,000, or 1%, from $9,101,000 in the same nine months in the prior year excluding a gain of $1,417,000 which related to business interruption insurance proceeds for the Company's fire in the U.K. Of the Company's operating and other expenses, research and development expenses decreased $1,246,000, or 26%, to $3,542,000 for the first nine months of fiscal 2000. The decline in research and development expenses was primarily due to a shift in resources to the U.S. Department of Commerce's ATP program and a narrower focus on key rechargeable development programs. That decrease was partially offset by an increase of $1,318,000, or 31%, in selling, general, and administrative expenses, to $5,631,000 in the first nine months of fiscal 2000. This increase in SG&A expenses was mainly due to certain one-time costs relating mostly to legal fees and settlement costs associated with the satisfactory conclusion of several legal matters, as well as higher information technology expenses, higher consulting fees, and an increased allocation of support departments in the U.K. operating facility.

Interest income decreased $493,000, or 43%, from $1,152,000 in the first nine months of fiscal 1999 to $659,000 in the first nine months of fiscal 2000. The reduction in interest income is principally the result of lower average cash balances. Included in other income of the current period is approximately $3.1 million in realized gains from the sale of investment securities. There was no similar sale of securities in the comparable period of the previous year.

Losses associated with the Company's equity ownership interest in its Taiwan venture amounted to $517,000 for the first nine months of fiscal 2000.

Net losses were $6,120,000, or $0.56 per share, for the first nine months of fiscal 2000 compared to $4,988,000, or $0.48 per share, for the same period last year. Excluding the impact from the non-recurring items in fiscal 2000 (inventory write downs and the gain on the sale of investment securities) and in fiscal 1999 (insurance proceeds), net losses were $8,267,000, or $0.76 per share, in 2000 and $7,896,000, or $0.75 per share, in 1999.

Liquidity and Capital Resources

At March 31, 2000, cash and cash equivalents and available for sale securities totaled $18,776,000. The Company used $7,579,000 of cash in operating activities during the first nine months of fiscal 2000. This usage of cash related primarily to the net loss reported for the period and a net increase in working capital (mainly due to increased inventory levels), offset in part by depreciation and amortization expense and decreases in current liabilities. The Company spent $2,109,000 for capital additions for production equipment and facilities improvements during the nine-month period ended March 31, 2000. In addition, in conjunction with the Taiwan venture agreement, the Company issued 700,000 shares of its common stock related to the Company's Taiwan venture, reflecting an investment of $3,238,000.

At March 31, 2000, the Company had long-term debt outstanding of $455,000 primarily relating to the capital lease obligations for the Company's Newark, New York offices and manufacturing facilities and various computer hardware and software. In November 1999, the Company entered into a capital lease for $423,000 related to computer hardware and software, whereby payments will be made monthly over a 3-year term. Ultralife UK maintains a line of credit in the amount of $330,000 for short-term working capital requirements. With planned sales growth, the Company is working to put in place a credit facility for approximately $15,000,000 to $20,000,000. The Company expects to complete this financing during its fiscal year ending June 30, 2000.

The Company's capital resource commitments as of March 31, 2000 consisted principally of capital equipment commitments of approximately $1,900,000. 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.

Year 2000 Disclosure

The year 2000 issue was the result of computer hardware and software systems and other equipment with embedded chips or processors that used only two digits rather than four to represent the year. Time-sensitive software could have recognized a date using "00" as the year 1900 rather than 2000. These systems could have failed to operate or could have been unable to process data accurately as a result of this flaw. The year 2000 issue could have arisen at any point in the supply chain, manufacturing process, distribution channels or information systems of the Company and its subsidiary and third parties with which it does business.

The Company assembled a task force and developed a formal plan to ensure that all of its significant date-sensitive computer software and hardware systems and other equipment utilized in its various manufacturing, distribution and administration activities would be Year 2000 compliant and operational on a timely basis. The plan also included an assessment process to determine that the Company's significant customers and suppliers would also be Year 2000 compliant.

The Company utilized both internal and external resources to achieve Year 2000 preparedness. The total cost to the Company and its subsidiary for Year 2000 preparedness was approximately $450,000. The Company and its subsidiary encountered no difficulties associated with the Year 2000 issue and did not have to activate any of their Year 2000 contingency plans. The Company does not anticipate any substantive problems related to this issue going forward.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In 1997, a company filed a claim against the Company seeking amounts related to commissions and breach of good faith and fair dealings. Following a Federal Court mediation in November 1999, this matter was settled.

In 1997, an individual filed suit claiming the Company interfered with his opportunity to purchase Dowty Group, PLC (now the Company's U.K. subsidiary). The claim amounted to $25,000,000. After a Federal Court jury trial in December 1999, the lawsuit was dismissed. Plaintiff subsequently filed an appeal. The Company continues to maintain that this claim is without merit and will vigorously defend the appeal. While the Company believes it will be successful on appeal, an unfavorable outcome of this suit may have a material adverse impact on the Company's financial position and results of operations.

In August 1998, certain shareholders commenced a putative class action lawsuit against the Company, its Directors, certain of its officers, and certain underwriters seeking unspecified damages arising out of alleged violations of the federal securities laws in connection with the Company's May 1998 public offering of 2.5 million shares of common stock. The complaint, which was amended during 1998 before defendants were required to respond, alleged that the Company's registration statement and prospectus issued in connection with the offering contained false statements or omitted allegedly material information and therefore were misleading. The plaintiffs claimed that they, and other shareholders whom they seek to represent, purchased the Company's stock at allegedly inflated prices and were injured thereby. In response to defendants' motions to dismiss, on September 28, 1999 the Court dismissed, without prejudice, plaintiffs' Amended Complaint for failure to state a claim and for failing to plead fraud with particularity, and granted plaintiffs leave to replead their complaint within a time specified by the Court.

On November 8, 1999, plaintiffs filed a Second Amended Class Action Complaint, naming the same defendants and asserting similar claims as those set forth in plaintiffs' prior Amended Complaint. The Company has moved to dismiss the second Amended Complaint, and that motion presently is pending.

The Company continues to believe that the litigation is without merit and intends to continue to vigorously defend this action. To date, no discovery has been conducted, and the amount of alleged damages, if any, cannot be quantified, nor can the outcome of this litigation be predicted. Accordingly, management cannot determine whether the ultimate resolution of this litigation could have a material adverse effect on the Company's financial position and results of operations.

In conjunction with the Company's purchase/lease agreement of its Newark, New York facility in 1998, the Company entered into a payment-in-lieu of tax agreement which provides the Company with certain real estate tax concessions upon certain conditions. In connection with this agreement, the Company received an environmental assessment which revealed contaminated soil. The assessment indicated potential actions that the Company may be required to undertake upon notification by the environmental authorities. The assessment also proposed that a second assessment be completed and provided an estimate of total potential costs to remediate the soil of $230,000. However, there can be no assurance that this will be the maximum cost. The Company entered into an agreement whereby a third party has agreed to reimburse the Company for fifty percent of the costs associated with this matter. The matter is in its preliminary stages and the total costs of remediation cannot be estimated at this time. The ultimate resolution of this matter may have a significant adverse impact on the results of operations in the period in which it is resolved.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

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

ULTRALIFE BATTERIES, INC.
(Registrant)

Date: May 12, 2000 By: /s/ John D. Kavazanjian
John D. Kavazanjian
President and Chief Executive Officer

Date: May 12, 2000 By: /s/ Robert W. Fishback
Robert W. Fishback
Vice President - Finance and Chief Financial Officer

5

9-Mos
JUN-30-2000
JUL-01-1999
MAR-31-2000
985
17,791
3,102
257
5,722
28,486
39,512
7,109
63,937
4,557
0
0
0
1,139
98,692
63,937
19,101
19,101
19,385
19,385
9,173
(172)
33
(6,120)
0
(6,120)
0
0
0
(6,120)
(0.56)
(0.56)