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R F INDUSTRIES LTD  
Form 10QSB  
September 10, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB

Quarterly Report Under Section 13 or 15 (d) of  
Securities Exchange Act of 1934

for Quarter ended July 31, 2003  
Commission File Number 0-13301

RF INDUSTRIES, LTD.

(Exact name of registrant as specified in its charter)

Nevada 88-0168936

(State of Incorporation) (I.R.S. Employer Identification No.)

7610 Miramar Road., Bldg. 6000, San Diego, California 92126-4202

(Address of principal executive offices) (Zip Code)

(858) 549-6340 FAX (858) 549-6345

(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Check whether the issuer (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

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State the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of July 31, 2003, the registrant had 2,679,468 shares of Common Stock, \$.01 par value, issued.

Transitional small business disclosure format

Yes      No X

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Part I. FINANCIAL INFORMATION

Item 1: Financial Statements

RF INDUSTRIES, LTD. AND SUBSIDIARY

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CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31 2003	October 31 2002
	----- (Unaudited)	-----
ASSETS		
-----		
CURRENT ASSETS		
Cash and cash equivalents .....	\$ 2,486,207	\$ 3,939,299
Trade accounts receivable, net of allowance for doubtful accounts of \$106,993 and \$84,806 .....	1,137,525	1,146,439
Notes receivable .....	12,000	12,000
Inventories .....	3,701,879	4,143,617
Other current assets .....	236,013	169,396
Deferred tax assets .....	162,600	162,600
	-----	-----
TOTAL CURRENT ASSETS .....	7,736,224	9,573,351
	-----	-----
PROPERTY AND EQUIPMENT		
Equipment and tooling .....	1,121,093	1,082,813
Furniture and office equipment .....	251,514	251,514
	-----	-----
Less accumulated depreciation .....	1,372,607	1,334,327
	1,019,775	899,504
	-----	-----
Total .....	352,832	434,823
Notes receivable from related parties .....	48,900	56,505
Note receivable from stockholder .....	70,000	70,000
Other assets .....	14,171	11,471
	-----	-----
TOTAL ASSETS	\$ 8,222,127	\$10,146,150
	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

July 31 2003	October 31 2002
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LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited)	
-----		
CURRENT LIABILITIES		
Accounts payable .....	\$ 189,028	\$ 70,806
Notes payable .....	0	44,582
Accrued expenses .....	233,227	327,271
	-----	-----
Total current liabilities .....	422,255	442,659
Deferred tax liabilities .....	107,800	107,800
	-----	-----
TOTAL LIABILITIES .....	530,055	550,459
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - authorized 10,000,000 shares of \$.01 par value; 2,679,468 and 3,441,054 shares issued .....	26,794	34,410
Additional paid-in capital .....	2,401,334	4,695,147
Retained earnings .....	5,332,650	4,923,060
Receivables from sales of stock .....	(15)	(1,715)
Treasury stock, at cost - 21,900 and 31,700 shares .....	(68,691)	(55,211)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY .....	7,692,072	9,595,691
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$ 8,222,127	\$ 10,146,150
	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

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Item 1: Financial Statements (continued)

RF INDUSTRIES, LTD. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF  
INCOME AND COMPREHENSIVE INCOME

	Three Months Ended July 31		Nine Months Ended July 31	
	-----		-----	
	(Unaudited)		(Unaudited)	
	2003	2002	2003	2002
	-----	-----	-----	-----
INCOME:				

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Net sales .....	\$ 2,337,410	\$ 2,161,127	\$ 6,830,310	\$ 6,437,033
Cost of sales .....	1,151,146	1,186,038	3,414,791	3,292,714
	-----	-----	-----	-----
Gross profit .....	1,186,264	975,089	3,415,519	3,144,319
	-----	-----	-----	-----
Operating expenses:				
Engineering .....	178,933	169,784	565,231	476,011
Selling and general .....	684,425	760,430	2,183,275	2,266,041
	-----	-----	-----	-----
Totals .....	863,358	930,214	2,748,506	2,742,052
	-----	-----	-----	-----
Operating income .....	322,906	44,875	667,013	402,267
	-----	-----	-----	-----
Other income (expenses):				
Realized loss on sales of				
investments .....	0	(8,192)	0	(8,192)
Commissions .....	0	14,886	0	23,101
Interest .....	1,122	17,175	17,227	57,178
	-----	-----	-----	-----
Totals .....	1,122	23,869	17,227	72,087
	-----	-----	-----	-----
Income before provision				
for income tax .....	324,028	68,744	684,240	474,354
Provision for income tax .....	125,750	28,000	274,650	190,000
	-----	-----	-----	-----
Net income .....	\$ 198,278	\$ 40,744	\$ 409,590	\$ 284,354
	=====	=====	=====	=====
Basic earnings per share .....	\$ 0.07	\$ 0.01	\$ 0.13	\$ 0.08
	=====	=====	=====	=====
Diluted earnings per share .....	\$ 0.06	\$ 0.01	\$ 0.11	\$ 0.07
	=====	=====	=====	=====
Basic weighted average				
shares outstanding .....	2,768,571	3,409,354	3,185,864	3,409,354
	=====	=====	=====	=====
Diluted weighted average				
shares outstanding .....	3,326,677	3,738,371	3,580,094	3,814,647
	=====	=====	=====	=====
COMPREHENSIVE INCOME				
Net income .....	\$ 198,278	\$ 40,744	\$ 409,590	\$ 284,354
Unrealized gain (loss) on available-				
for-sale securities, net of deferred				
tax .....	0	(723)	0	7,986
	-----	-----	-----	-----
Total comprehensive income	\$ 198,278	\$ 40,021	\$ 409,590	\$ 292,340
	=====	=====	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements.

Item 1: Financial Statements (continued)

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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended July 31	
	(Unaudited)	
	2003	2002
	-----	-----
Net income .....	\$ 409,590	\$ 284,354
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts .....	36,000	70,000
Depreciation and amortization .....	120,270	123,090
Amortization of unearned compensation .....		23,490
Realized loss on available-for-sale securities .....		8,192
Changes in operating assets and liabilities:		
Trade accounts receivable .....	(27,086)	78,397
Inventories .....	441,738	439,495
Other assets .....	(61,712)	(67,754)
Accounts payable .....	118,222	(14,966)
Accrued expenses .....	(94,044)	(12,292)
Net cash provided by operating activities .....	942,978	932,006
INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale securities .....		1,780,659
Investments in securities .....		(30,910)
Capital expenditures .....	(38,279)	(23,980)
Repayments of related party notes .....	1,700	
Net cash provided by (used in) investing activities .....	(36,579)	1,725,769
FINANCING ACTIVITIES		
Payments on loans payable .....	(44,582)	(47,500)
Proceeds from exercise of stock options .....	38,840	0
Repurchase of Company stock .....	(2,353,749)	0
Net cash used in financing activities .....	(2,359,491)	(47,500)
Net increase (decrease) in cash and cash equivalents	(1,453,092)	2,610,275
Cash and cash equivalents at the beginning of the period .....	3,939,299	915,538
Cash and cash equivalents at the end of the period .....	\$ 2,486,207	\$ 3,525,813
	=====	=====

See Notes to Condensed Consolidated Unaudited Financial Statements

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Note 1 - Unaudited interim financial statements:

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended July 31, 2003 are not necessarily indicative of the results that may be expected for the year ending October 31, 2003. The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended October 31, 2002.

Note 2 - Components of inventory

	July 31 2003	October 31 2002
	-----	-----
	(Unaudited)	
Raw material and supplies .....	\$ 639,853	\$ 655,746
Finished goods .....	3,062,026	3,487,871
	-----	-----
Totals .....	\$ 3,701,879	\$ 4,143,617
	=====	=====

Note 3 - Earnings per share:

As further explained in Note 1 of the notes to the audited financial statements of the Company, included in Form 10-KSB for the fiscal year ended October 31, 2002, basic earnings per share is computed by dividing net earnings by the weighted average number of common stock outstanding during the period. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock increased by the effects of assuming that other potentially dilutive securities (such as stock options) outstanding during the period had been exercised and the treasury stock method had been applied.

The following table summarizes the computation of basic and diluted weighted average shares:

	Three Months Ended July 31		Nine Months End July 31	
	2003	2002	2003	2002
	-----	-----	-----	-----
Weighted average shares outstanding for basic net earnings per share .....	2,768,571	3,409,354	3,185,864	3,409,
Add effects of potentially dilutive securities- assumed exercise of stock options .....	558,106	329,017	394,230	405,
	-----	-----	-----	-----

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Weighted average shares for diluted net earnings per share .....	3,326,677	3,738,371	3,580,094	3,814,000
	=====	=====	=====	=====

### Note 4 - Segment Information

The Company's segments are described in Note 6 of the notes to the audited financial statements of the Company included in Form 10-KSB for the fiscal year ended October 31, 2002.

The Company had reported segment information in its previous filings for the operations associated with its Connector, Neulink and Bioconnect business units in the same format as reviewed by the Company's management. The sales, operating income and assets of the Bioconnect segment no longer meet the thresholds that require separate disclosures and the product line of Bioconnect is comparable with the Connector business unit. Accordingly, the Company discontinued reporting segment information on the Bioconnect segment separately and included this information in the Connector business unit in the third quarter for the year ending October 31, 2003. The comparable segment information for the third quarter year ending October 31, 2002 has been restated to conform with the 2003 presentation.

Substantially all of the Company's operations are conducted in the United States; however, the Company derives a portion of its revenue from export sales.

Net sales and income (loss) before provision for income taxes for the three months ended July 31, 2003 and 2002 follows:

	Connector -----	Neulink -----	Common/ Corporate -----	Total -----
2003				
-----				
Net sales .....	\$2,129,464	\$ 207,946		\$2,337,410
Income (loss) before provision for income taxes .....	404,531	(81,625)	1,122	324,028
Depreciation and amortization .....	37,066	2,072		39,138
Total assets .....	7,596,044	626,083		8,222,127
Additions to property and equipment .....	1,101			1,101

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	Connector -----	Neulink -----	Common/ Corporate -----	Total -----
2002				
-----				
Net sales .....	\$ 2,055,210	\$ 105,917		\$ 2,161,127

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Income (loss) before provision for income taxes .....	115,155	(63,586)	\$ 17,175	68,744
Depreciation and amortization .....	45,216	(4,847)		40,369
Total assets .....	8,836,762	1,089,256		9,926,018
Additions to property and equipment .....	6,389			6,389

Net sales and income (loss) before provision for income taxes for the nine months ended July 31, 2003 and 2002 follows:

	Connector	Neulink	Common/ Corporate	Total
	-----	-----	-----	-----
2003				
-----				
Net sales .....	\$5,916,038	\$ 914,272		\$6,830,310
Income (loss) before provision for income taxes .....	787,657	(120,644)	17,227	684,240
Depreciation and amortization .....	109,020	11,250		120,270
Total assets .....	7,596,044	626,083		8,222,127
Additions to property and equipment .....	38,279			38,279
2002				
-----				
Net sales .....	\$ 5,778,270	\$ 658,763		\$ 6,437,033
Income (loss) before provision for income taxes .....	436,968	(19,792)	\$ 57,178	474,354
Depreciation and amortization .....	107,200	15,890		123,090
Total assets .....	8,836,762	1,089,256		9,926,018
Additions to property and equipment .....	23,980			23,980

Note 5- Stock Option Plan

A description of the Company's 2000 Stock Option Plan and other information related to stock options are included in Note 8 in its Annual Report on Form



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10-KSB for the year ended October 31, 2002.

The Company continues to measure compensation cost related to stock options issued to employees using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting For Stock Issued to Employees. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Principles No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation. Accordingly, no earned or unearned compensation cost was recognized in the accompanying condensed consolidated financial statements for the stock options granted by the Company to its employees since all of those options have been granted at exercise prices that equaled or exceeded the market value at the date of grant. The Company's historical net income and earnings per common share and pro forma net income and earnings per share assuming compensation cost had been determined based on the fair value at the grant date for all awards by the Company consistent with the provisions of SFAS 123 are set forth below:

	Three Months Ended		Nine Months Ended	
	July 31		July 31	
	2003	2002	2003	2002
Net income - as reported .....	\$ 198,278	\$ 40,744	\$ 409,590	\$ 284,354
Deduct total stock-based employee compensation expense determined under fair value-based method for all awards .....	(20,000)	(20,000)	(60,000)	(60,000)
Net income - pro forma .....	\$ 178,278	\$ 20,744	\$ 349,590	\$ 224,354
Basic earnings per share - as reported ...	\$ 0.07	\$ 0.01	\$ 0.13	\$ 0.08
Basic earnings per share - pro forma .....	\$ 0.06	\$ 0.01	\$ 0.11	\$ 0.07
Diluted earnings per share - as reported..	\$ 0.06	\$ 0.01	\$ 0.11	\$ 0.07
Diluted earnings per share - pro forma ...	\$ 0.05	\$ 0.01	\$ 0.10	\$ 0.06

### Note 6 - Equity transactions

On May 22, 2003, the Company announced the repurchase, for \$3.00 per share, in a single private transaction, of a 752,167 share block of its common stock. These shares were retired and represent 22% of the total shares outstanding immediately prior to the purchase and were owned by a single, unaffiliated stockholder. During the quarter ending July 31, 2003, the Company issued 34,381 shares of common stock upon the exercise of employee stock options having a weighted average exercise price of \$1.13. In addition, on July 31, 2003, the Company retired 43,800 shares of its common stock, which were previously held in treasury.

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Item 2: Management's discussion and analysis of financial condition and results of operations

This report contains forward-looking statements. These statements relate to future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "except," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company, nor any other person, assumes responsibility for the accuracy and completeness of the forward-looking statements. The Company is under no obligation to update any of the forward-looking statements after the filing of this Quarterly Report on Form 10-QSB to conform such statements to actual results or to changes in its expectations.

The following discussion should be read in conjunction with the Company's financial statements and the related notes and other financial information appearing elsewhere in this Form 10-QSB. Readers are also urged to carefully review and consider the various disclosures made by the Company which attempt to advise interested parties of the factors which affect the Company's business, including without limitation the disclosures made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "Risk Factors," and the audited financial statements and related notes included in the Company's Annual Report filed on Form 10-KSB for the year ended October 31, 2002 and other reports and filings made with the Securities and Exchange Commission.

### CRITICAL ACCOUNTING POLICIES

The consolidated financial statements of RF Industries and Subsidiary are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires our management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of financial statements.

#### Revenue recognition:

The Company recognizes revenue from the sale of products at the time of shipment of the product. In addition, the Company has a strategic alliance with a supplier where the Company recognizes commission income when payment is received.

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#### Allowance for doubtful accounts:

The Company maintains an allowance for doubtful accounts based on historical collections of accounts receivable. The Company monitors its accounts receivable

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balances on a continual basis. If the financial condition of customers deteriorates, additional allowances may be required.

### Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable, or deductible amounts in future periods based on enacted laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

### Inventory valuation:

Inventories are valued at the weighted average cost value. Certain items in the inventory may be considered obsolete or excess and, as such, the Company may establish an allowance to reduce the carrying value of these items to their net realizable value. Based on estimates, assumptions and judgments made from the information available at the time, the Company determines the amounts of these allowances. If these estimates and related assumptions are incorrect or the market changes, we may be required to record additional reserves, which may decrease future earnings.

### LIQUIDITY AND CAPITAL RESOURCES

Management believes that existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for at least twelve months. The Company does not, however, currently have any commercial banking arrangements providing for loans, credit facilities or similar matters should the Company need to obtain additional capital. Management believes that its existing assets and the cash expected to be generated from operations will be sufficient during the current fiscal year are based on the following:

- o As of July 31, 2003, the amount of cash and cash equivalents was equal to \$ 2,486,000 in the aggregate.
- o As of July 31, 2003, the Company had \$ 7,736,000 in current assets, and only \$ 422,000 of current liabilities.
- o As of July 31, 2003, the Company had no outstanding indebtedness (other than accounts payable and accrued expenses).

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In May 2003, the Company used \$2,256,501 of its cash to repurchase and retire 752,167 of its then outstanding shares of common stock. Notwithstanding the foregoing repurchase, following the repurchase the Company still had over \$2,000,000 of cash and cash equivalents, working capital of approximately \$7,000,000, and a current ratio of approximately 18 to 1. The 752,167 shares that the Company repurchased have been retired and, as permitted by Nevada law, have been restored to the status of authorized and unissued shares available for future issuance.

The Company does not believe it will need material additional capital equipment

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in the next twelve months. In the past, the Company has financed some of its property and equipment requirements through capital leases. No additional capital equipment purchases have been currently identified that would require significant additional leasing or capital obligations during the next twelve months. Management also believes that based on the Company's current financial condition, the absence of outstanding bank debt and recent operating results, the Company would be able to obtain bank loans to finance its expansion, if necessary, although there can be no assurance any bank loan would be obtainable, or if obtained, would be on favorable terms or conditions.

As of July 31, 2003, the Company had a total of \$ 2,486,000 of cash and cash equivalents compared to a total of \$ 3,939,000 of cash and cash equivalents on October 31, 2002. The decrease in liquid assets is the result of the \$2,256,500 repurchase of 752,167 shares of outstanding stock in May 2003, which \$2,256,500 decrease in cash was partially offset by the \$198,000 of net income generated by the Company during the most recent fiscal quarter.

Net cash used in investing activities was \$ 36,579 for the nine months ended July 31, 2003, and was attributable to \$ 38,279 in capital expenditures and \$1,700 representing repayments of notes.

Net cash used in financing activities was \$2,359,491 for the nine months ended July 31, 2003, and was attributable to \$2,353,749 used to purchase stock, \$44,582 payments on loans payable and \$38,840 representing proceeds from exercise of stock options. For the nine months ended July 31, 2003, the Company had repurchased additional shares of its common stock, and retired 43,800 of those shares.

As a result of the foregoing factors, the Company used \$1,453,092 in net cash during the past nine months.

### RESULTS OF OPERATIONS

Three Months 2003 vs. Three Months 2002

Net sales, in the current fiscal quarter ended July 31, 2003, increased 8.2%, or \$176,300, to \$2,337,400 from \$2,161,100 in the third fiscal quarter last year, due to increased sales at both of the Company's two divisions.

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Net sales at the RF Connector division, which now includes the Bioconnect product line, increased 3.6%, to \$2,129,500 compared to \$2,055,200 for the same quarter last year, due to an increase in sales of higher margin Connector products in the third quarter. The increase in sales of RF Connector products reflects a general increase in demand for wireless connectors and cable products, primarily for Wi-Fi network applications. The Company believes this increase is due, in part, to a revival in some sectors of the telecommunication industries and the continuing increase in the demand for wireless products.

Net sales at the RF Neulink division increased during this year's third quarter by 96.9% to \$207,900 compared to \$105,600 in the third quarter last year. The increase in sales is primarily the result of an increase in the number of 2.4 GHz transceivers sold.

Cost of sales decreased 2.9% or \$34,900, to \$1,151,100 from \$1,186,000 in the same quarter last year. The decrease is primarily due to decreased costs, and increased efficiencies that have been realized since the Company closed Bioconnect operations, at the Lake Elsinore plant, in January of 2003. Overall

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gross margins, as a percentage of sales, increased 5.7% compared to the third quarter of last year primarily related to the improvement in Connector's product mix during the quarter.

Engineering expenses increased 5.4%, or \$9,100, to \$178,900 from \$169,800 in the third quarter last year. Engineering expenses increased primarily as a result of the additional expenses incurred to develop a new high-speed wireless radio modem to upgrade and replace Neulink's existing RF9600 transceiver product line.

Selling and general expenses decreased 10% or \$76,000, to \$684,400 from \$760,400 in the same quarter last year. Selling and general expenses were lower in the third quarter this year due primarily to decreased salary expenses and facility leasing costs since closing the Bioconnect plant.

Net interest income decreased to \$1,100 from \$17,100 in the third quarter last year due to reduced investments in mutual funds.

Nine Months 2003 vs. Nine Months 2002

Net sales increased 6.1, or \$393,300, to \$6,830,300 from \$6,437,000 for the nine month period of 2002, primarily due to increased sales at the both divisions.

Net sales at the RF Connector division, which now includes the Bioconnect product line, increased 2.4%, to \$5,916,000 compared to \$5,778,300 for the same nine months last year, due to a general increase in the demand for cable assemblies.

Net sales at the RF Neulink division increased by 38.8% to \$914,300 compared to \$658,800 in the third quarter last year. The increase in sales can be attributed to expanded sales of Neulink wireless transceivers.

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Cost of sales increased 3.7% or \$122,100, to \$3,414,800 from \$3,292,700 in the nine month period last year. The increase is primarily due to increased freight costs, duty and sales year to date. Overall gross margins, as a percentage of sales, increased 1.2% compared to the last year primarily because of the Neulink and Connector product mix during the nine months.

Engineering expenses increased 18.7% or \$89,200, to \$565,200 from \$476,000 in the first nine months last year. Engineering expenses increased primarily as a result of the additional expenses incurred by Neulink to develop a new high-speed wireless radio modem.

Selling and general expenses decreased 3.7% or \$82,700, to \$2,183,300 from \$2,266,000 in the same nine months last year. Selling and general expenses were higher in the nine month period last year due to catalog expenses and expenses at the Bioconnect Lake Elsinore facility.

Net interest income decreased to \$17,200 from \$57,200 in the first nine months last year due to lower interest rates and reduced investments in mutual funds since July of 2002.

MATERIAL CHANGES IN FINANCIAL CONDITION:

Cash and cash equivalents decreased by \$1,453,092 to \$2,486,207 at July 31, 2003 compared to \$3,939,299 at October 31, 2002. The decrease is due primarily to the

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repurchase of 752,167 shares of common stock in May 2003 for \$2,265,500 in cash.

Trade accounts receivable at July 31, 2003 decreased 0.8%, or \$8,900 to \$1,137,500 compared to the October 31, 2002 balance of \$1,146,400. The decrease is due primarily to timing of collections and the Company's increased efforts to reduce its outstanding accounts receivable.

Inventories at July 31, 2003 decreased 10.7%, or \$441,700, to \$3,701,900, compared to \$4,143,600 on October 31, 2002. As part of its business strategy, and because of its off-shore manufacturing arrangements, the Company normally maintains a high level of inventory. For the past year, the Company's improved inventory management has enabled it to steadily reduce inventory levels. Based on the recent increases in customer demand, the Company does not expect that it will achieve further inventory reductions.

Other current assets, including prepaid expenses and deposits, increased \$66,600 to \$236,000, from \$169,400 on October 31, 2002. This increase is a seasonal factor associated with annual invoices for prepaid cargo insurance, prepaid property and liability insurance, audit fees, computer maintenance agreements and other miscellaneous expenses.

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### Item 3. Controls and Procedures.

Based on an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, the principal executive officer and the principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company's periodic SEC filings. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of our most recent evaluation.

## PART II. OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits:

31.1: Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2: Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1: Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \*

32.2: Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \*

\* Pursuant to Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report of Form

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10-QSB and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

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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.

RF INDUSTRIES, LTD.

Dated: September 10, 2003

By: /s/ Howard F. Hill  
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Howard F. Hill, President  
Chief Executive Officer

Dated: September 10, 2003

By: /s/ Terrie A. Gross  
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Terrie A. Gross  
Chief Financial Officer

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