

and Davidson's, one of the nation's largest firearms distributors, will collectively contribute \$25 to the NRA Foundation's William B. Ruger Endowment to help fund firearms safety and education programs, wildlife habitat conservation studies, and other worthwhile programs to help secure the legacy of our shooting traditions.

Although quarterly castings sales decreased by 21%, our investment castings segment's margins continue to outperform the prior year. While these results are indicative of our successful cost reduction efforts, we are aware that returning this segment to profitability is important to the long-term growth of the Company.

The Company's success in the courtroom continues. On August 7, 2003, the Michigan Court of Appeals unanimously reversed the trial court's decision in cases brought by Detroit and Wayne County, Michigan denying defendant's motion for summary disposition. No appeal was filed. On October 20th, a lawsuit brought by the city of St. Louis, Missouri was dismissed by the St. Louis County Circuit Court, and on October 21st the New York State Court of Appeals denied the New York State attorney general's petition for leave to appeal the Intermediate Appellate Court's June 24th dismissal of his lawsuit against firearms manufacturers. On October 27, 2003, the NAACP announced that it was withdrawing its appeal of the dismissal of its case.

These decisions are the latest in a series of dismissals of lawsuits by certain municipalities against the legitimate firearms industry based on various allegations, including claims of negligence, nuisance, unjust enrichment, product liability, or subsequent criminal misuses of lawfully purchased, non-defective firearms. The trend of both trial and appellate courts to reject such misguided lawsuits seems unmistakable. The firearms industry has been singled out for elimination by certain advocacy groups using taxpayers' money to fund politically-driven lawsuits, and we have been fighting back. The only certain remedy for this misuse of the legal system is the prompt passage of S. 659, federal legislation pending in the United States Senate which would prevent imposition of liability against manufacturers of lawfully sold, non-defective products based upon their subsequent criminal misuse. S.659 enjoys widespread support, is in accord with the great number of court rulings on these cases, passed the House of Representatives by over a 2-to-1 margin, and is sponsored by a bipartisan majority of the Senate.

We are also gratified that the latest "Injury Facts" published by the National Safety Council affirms the ongoing decline of all firearms misuse. Since 1993, firearms homicides are down 41%, firearms suicides are down 12%, and fatal firearms accidents are down 49%. This dramatic and beneficial national trend mirrors our own accident claim history, down from 69 pending product liability cases in 1979, to just 4 such cases pending today.

In light of the Company's continued liquidity and strong balance sheet, at their October 23rd meeting the Board

approved a quarterly dividend of \$0.20 per share payable on December 15, 2003 to stockholders of record on December 1, 2003. The positive financial results of this quarter illustrate once again the importance of our ongoing firearms product innovation, and our recent legal victories affirm our abiding belief that the law and the facts are on our side. We are committed to continue the progressive traditions that our founder William B. Ruger engrained in the very fabric of our Company.

William B. Ruger, Jr.
Chairman and Chief Executive Officer
October 31, 2003

The Company may, from time to time, make forward-looking statements and projections concerning future expectations. Such statements are based on current expectations and are subject to certain qualifying risks and uncertainties, such as market demand, sales levels of firearms, anticipated castings sales and earnings, the need for external financing for operations or capital expenditures, the results of pending litigation against the Company including lawsuits filed by mayors, attorneys general and other governmental entities and membership organizations, and the impact of future firearms control and environmental legislation, any one or more of which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date such forward-looking statements are made or to reflect the occurrence of subsequent unanticipated events.

Arms Makers
for Responsible Citizens[®]



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Sturm, Ruger & Company, Inc. Third Quarter Report 2003



TO OUR STOCKHOLDERS:

Sturm, Ruger & Company, Inc. financial results for the third quarter 2003 were net sales of \$36.8 million, compared to \$38.0 million in the third quarter 2002. Net income increased to \$3.9 million or \$0.14 per share, versus \$1.4 million or \$0.05 per share in the third quarter 2002. For the nine months ended September 30, 2003, net sales were \$109.8 million and net income was \$9.4 million, or \$0.35 per share. For the corresponding period in 2002, net sales were \$126.3 million and net income was \$8.8 million, or \$0.33 per share.

The third quarter 2003 results included a pretax gain of \$5.9 million, or \$0.13 per share after-tax from the sale of certain non-manufacturing real estate in Arizona, known as the Single Six Ranch and owned by the Company since 1986. The sale of the ranch better positions us to focus more closely on our core operations while providing working capital for investment in strategic growth opportunities in the future.

After four consecutive quarters of general industry-wide firearms sales contraction, third quarter 2003 shipments stabilized, due in large part to the popularity of the newly-offered Ruger New Model Single Six revolver in .17 HMR caliber, the Ruger stainless steel New Bearcat, and the Ruger M77 Mark II bolt-action rifles chambered for the new .300 WSM caliber in both blued and stainless steel models. These widely-anticipated new products are now being shipped.

In addition, shipments of the MK-4NRA, a very special and unique .22 caliber pistol commemorating founder William B. Ruger, which commenced in July, remained strong throughout the quarter and are expected to continue into 2004. For each such special pistol sold, the Company

Sturm, Ruger & Company, Inc.

Condensed Consolidated Statements of Income

(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30				Nine Months Ended September 30			
	2003	%	2002	%	2003	%	2002	%
Firearms sales	\$32,237	87.6	\$32,210	84.7	\$95,876	87.4	\$108,366	85.8
Castings sales	4,583	12.4	5,830	15.3	13,877	12.6	17,898	14.2
Net sales	36,820	100.0	38,040	100.0	109,753	100.0	126,264	100.0
Cost of products sold	31,102	84.5	31,115	81.8	85,091	77.5	97,114	76.9
Gross profit	5,718	15.5	6,925	18.2	24,662	22.5	29,150	23.1
Expenses:								
Selling	3,987	10.8	3,696	9.7	11,197	10.2	11,111	8.8
General and administrative	1,465	3.9	1,504	4.0	4,532	4.1	4,720	3.7
	5,452	14.7	5,200	13.7	15,729	14.3	15,831	12.5
Operating income	266	0.8	1,725	4.5	8,933	8.2	13,319	10.6
Gain on sale of real estate	5,922	16.1	—	—	5,922	5.4	—	—
Other income – net	243	0.6	545	1.5	861	0.7	1,367	1.1
Total other income	6,165	16.7	545	1.5	6,783	6.1	1,367	1.1
Income before income taxes	6,431	17.5	2,270	6.0	15,716	14.3	14,686	11.7
Income taxes	2,579	7.0	910	2.4	6,302	5.7	5,889	4.7
Net income	\$3,852	10.5	\$1,360	3.6	\$9,414	8.6	\$8,797	7.0
Earnings per share								
Basic	\$0.14		\$0.05		\$0.35		\$0.33	
Diluted	\$0.14		\$0.05		\$0.35		\$0.33	
Cash dividends per share	\$0.20		\$0.20		\$0.60		\$0.60	
Average shares outstanding								
Basic	26,911		26,911		26,911		26,911	
Diluted	26,928		27,093		26,914		27,062	

Sturm, Ruger & Company, Inc.

Condensed Consolidated Balance Sheet

(unaudited)
(in thousands)

	September 30 2003
Assets	
Cash and cash equivalents	\$2,550
Short-term investments	52,328
Trade receivables, net	14,387
Inventories	50,475
Deferred income taxes	6,683
Prepaid expenses and other current assets	4,067
Total current assets	130,490
Property, plant and equipment	156,654
Less depreciation	(128,970)
	27,684
Deferred income taxes	8,675
Other assets	9,353
Total	\$176,202
Liabilities and Stockholders' Equity	
Trade accounts payable and accrued expenses	\$4,806
Product liability	4,000
Employee compensation	7,509
Workers' compensation	4,807
Income taxes	906
Total current liabilities	22,028
Accrued pension liability	5,078
Deferred income taxes	7,857
Product liability accrual	4,606
Stockholders' equity	136,633
Total	\$176,202