

and lever action rifles both experienced significant sales growth due to the continued popularity of the .17 HMR caliber models introduced last year. Demand also remains strong for our other new products, including the Ruger Target Grey All-Weather Over and Under Shotguns, stainless and blued Ruger Bearcats, Single Action Hunter revolvers, and the 50th Anniversary Ruger New Model Single Six. The Company recently announced a consumer-driven sales incentive program for its center-fire pistols purchased from May 1, 2003 through September 30, 2003, and is strengthening its engineering and design staff to increase the number of new product innovations and shorten their time to market.

Although first quarter 2003 castings sales decreased by 19% from the prior year, I am encouraged by the significant improvements in the profit margins of this segment from the first quarter of 2002. While we continue to evaluate areas of potential growth for castings, we will remain prudent in managing the costs of this segment.

The Company continues to experience success in the courtroom. On March 7, 2003, lawsuits filed by nine California cities and three counties against the Company and many other firearms manufacturers were dismissed, and on May 1, 2003, the city of Cincinnati, Ohio voluntarily withdrew its municipal lawsuit against the Company and many other members of the firearms industry. On May 14, 2003 a jury in Brooklyn, New York rejected claims brought by the NAACP that numerous firearms manufacturers and distributors, including the Company, had created a public nuisance through their marketing and distribution practices. While this decision was advisory and the matter remains pending before Judge Jack Weinstein of the Eastern District of New York for further rulings, the jury's decision reflects the absence of any factual basis for the claims which were made. These latest decisions affirm our belief that valuable resources should not be wasted fighting a misguided battle against the firearms industry. We are proud of our long-standing firearms safety programs and their part in the significant decline in accidental firearms fatalities, which shows that our voluntary efforts, together with the decades-long efforts of firearms and hunter safety organizations, can achieve dramatic improvements in safety awareness without bureaucratically-mandated programs.

On March 19, 2003, the Company achieved another milestone with the introduction of its new state-of-the-art website at www.ruger.com, which receives approximately 7,000 visits each day. The Company's loyal customers and investors who visit the site will benefit from the wealth of current Company, product and safety information available in a user-friendly format.

In light of the Company's continuing liquidity, at its May 6th meeting the Board approved a quarterly dividend of \$0.20 per share payable on June 15, 2003 to stockholders of record on June 1, 2003. Again, we thank our stockholders for their loyalty and support as we look forward to our future successes.

William B. Ruger, Jr.
Chairman and Chief Executive Officer
May 15, 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. First Quarter Report 2003



To Our Stockholders:

At its meeting on May 6, 2003, the Board of Directors named Stephen L. Sanetti Vice Chairman, President and Chief Operating Officer to replace Erle G. Blanchard, who retired from the Company on April 30, 2003. Steve has a long and honorable history with the Company, most recently as Vice Chairman, Senior Executive Vice President and General Counsel. In addition to his 23 years of service to the Company and the firearms industry in the legal arena, Steve is a lifelong firearms enthusiast, target shooter, gun collector and amateur gunsmith. His expertise and enthusiasm for our products will make him an ideal leader to continue the Company's legacy of innovation and success.

Our first quarter 2003 financial results were net sales of \$41.1 million and net income of \$4.5 million, or \$0.17 per share. Comparable amounts for the first quarter of 2002 were net sales of \$48.4 million and net income of \$4.5 million, or \$0.17 per share. It is noteworthy that both gross profit and net income profit percentages increased substantially on reduced sales for the Company.

Soft demand for firearms and the nation's weak economic conditions led to a 13% decrease in unit shipments for the quarter. However, our bolt action

Sturm, Ruger & Company, Inc.
Condensed Consolidated Statements of Income

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

	Three Months Ended March 31			
	2003	%	2002	%
Firearms sales	\$36,483	88.7	\$42,729	88.2
Castings sales	4,649	11.3	5,711	11.8
Net sales	41,132	100.0	48,440	100.0
Cost of products sold	28,695	69.8	36,160	74.6
Gross profit	12,437	30.2	12,280	25.4
Expenses:				
Selling	3,897	9.5	3,532	7.4
General and administrative.....	1,375	3.3	1,713	3.5
	5,272	12.8	5,245	10.9
Operating income.....	7,165	17.4	7,035	14.5
Other income – net	392	1.0	419	0.9
Income before income taxes	7,557	18.4	7,454	15.4
Income taxes	3,030	7.4	2,922	6.0
Net income.....	<u>\$4,527</u>	<u>11.0</u>	<u>\$4,532</u>	<u>9.4</u>
Earnings per share				
Basic	\$0.17		\$0.17	
Diluted.....	\$0.17		\$0.17	
Cash dividends per share	\$0.20		\$0.20	
Average shares outstanding				
Basic	26,911		26,911	
Diluted.....	26,911		26,997	

Sturm, Ruger & Company, Inc.
Condensed Consolidated Balance Sheet

(unaudited)
(in thousands)

	March 31 2003
Assets	
Cash and cash equivalents	\$3,061
Short-term investments	51,400
Trade receivables, net	14,302
Inventories	51,940
Deferred income taxes	7,046
Prepaid expenses and other current assets	1,361
Total current assets	<u>129,110</u>
Property, plant and equipment	155,098
Less depreciation	<u>(126,025)</u>
	29,073
Deferred income taxes	8,956
Other assets	14,612
Total	<u>\$181,751</u>
Liabilities and Stockholders' Equity	
Trade accounts payable and accrued expenses	\$5,388
Product liability	4,000
Employee compensation	6,954
Workers' compensation	4,801
Income taxes	858
Total current liabilities	<u>22,001</u>
Accrued pension liability	6,712
Deferred income taxes	5,886
Product liability accrual	4,642
Stockholders' equity	142,510
Total	<u>\$181,751</u>