

worthwhile programs to help secure the legacy of our shooting traditions. Shipments of this unique pistol commenced in July and have been met with great enthusiasm. They are expected to continue at least for the remainder of the year.

The continuing cost reduction efforts of management yielded improved results from the investment castings business segment, despite a sales decrease of 27% from the prior year. We remain committed in our pursuit of new castings business opportunities and believe that these efforts can benefit the Company for years to come.

The Company added to its string of legal victories during the second quarter. 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 15, an advisory jury in Brooklyn 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, and on July 21, Judge Jack B. Weinstein entered an order of dismissal of all counts in this case, stating that the NAACP failed to prove specific harm to that organization. On June 25, the Appellate Division of the New York Supreme Court affirmed the complete dismissal of all claims made by New York State Attorney General Elliott Spitzer against the Company and other members of the firearms industry, stating that to hold otherwise would open the floodgates of litigation against manufacturers of all sorts of lawful products. These common sense decisions and legally correct findings echo what has been held by court after court around the nation. Due process demands that such lawsuits remain against the industry and the Company should also be dismissed or withdrawn, and the public officials responsible for these lawsuits should immediately stop wasting taxpayer money in their pursuit of political gains. Indeed, Congress seems poised to pass legislation which would prevent imposition of liability against manufacturers of lawfully sold, non-defective products based upon their subsequent criminal misuse.

We are gratified that, due in large part to the many safety programs we and others in the industry have voluntarily undertaken, firearms accidents have declined to record lows and now comprise less than 1% of all accidental fatalities annually. Accidental injury claims involving the Company's products have declined at an even greater rate, and only four such open lawsuits exist.

Our newly-designed website at [www.ruger.com](http://www.ruger.com) has met with enthusiastic response from our customers and investors, receiving over 900,000 visits since its launch on March 19th. It is gratifying that customer interest in our products remains strong despite decreased quarterly sales, which reflect a temporary condition of economic contraction. When this pent-up demand for our products translates into orders, we will be ready.

While the Company's earnings have not supported the \$0.20 dividend in the past several quarters, in light of the Company's current liquidity, at their July 24th meeting the Board approved a quarterly dividend of \$0.20 per share payable on September 15, 2003 to stockholders of record on September 1, 2003. It was felt that the positive message this sends to our customers, stockholders and employees reflects our strong confidence in Sturm, Ruger & Company, Inc.

William B. Ruger, Jr.  
Chairman and Chief Executive Officer  
July 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<sup>®</sup>



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## Sturm, Ruger & Company, Inc. Second Quarter Report 2003



### TO OUR STOCKHOLDERS:

Our financial results for the second quarter 2003 were net sales of \$31.8 million and net income of \$1.0 million, or \$0.04 per share. Comparable amounts for the second quarter of 2002 were net sales of \$39.8 million and net income of \$2.9 million, or \$0.11 per share. For the six months ended June 30, 2003, net sales were \$72.9 million and net income was \$5.6 million, or \$0.21 per share. For the corresponding period in 2002, net sales were \$88.2 million and net income was \$7.4 million, or \$0.28 per share.

Current economic and firearms market conditions and the delayed introduction of certain new firearms models resulted in a 17% decrease in shipments for the quarter. We believe that shipments of several new firearms product offerings in the latter half of 2003, including the eagerly-anticipated Ruger Gold Label Side-by-Side Shotgun, the Ruger New Model Single-Six revolver in the extremely popular .17 HMR caliber, and the Ruger stainless steel New Bearcat will help reinvigorate our firearm product line.

Demand is tremendous for the newly-introduced MK-4NRA, a special edition Ruger Mark II .22 caliber pistol which salutes our late founder William B. Ruger and commemorates the William B. Ruger Endowment to the NRA Foundation. For each such special edition pistol sold, the Company 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

**Sturm, Ruger & Company, Inc.**

**Condensed Consolidated Statements of Income**

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

	Three Months Ended June 30				Six Months Ended June 30			
	2003	%	2002	%	2003	%	2002	%
Firearms sales	\$27,156	85.4	\$33,427	84.0	\$63,639	87.3	\$76,156	86.3
Castings sales	4,645	14.6	6,357	16.0	9,294	12.7	12,068	13.7
Net sales	31,801	100.0	39,784	100.0	72,933	100.0	88,224	100.0
Cost of products sold	25,294	79.5	29,839	75.0	53,989	74.0	65,999	74.8
Gross profit	6,507	20.5	9,945	25.0	18,944	26.0	22,225	25.2
Expenses:								
Selling	3,313	10.4	3,883	9.7	7,210	9.9	7,415	8.4
General and administrative	1,692	5.4	1,503	3.8	3,067	4.2	3,216	3.7
	5,005	15.8	5,386	13.5	10,277	14.1	10,631	12.1
Operating income	1,502	4.7	4,559	11.5	8,667	11.9	11,594	13.1
Other income – net	226	0.7	403	1.0	618	0.8	822	0.9
Income before income taxes	1,728	5.4	4,962	12.5	9,285	12.7	12,416	14.0
Income taxes	693	2.1	2,057	5.2	3,723	5.1	4,979	5.6
Net income	\$1,035	3.3	\$2,905	7.3	\$5,562	7.6	\$7,437	8.4
Earnings per share								
Basic	\$0.04		\$0.11		\$0.21		\$0.28	
Diluted	\$0.04		\$0.11		\$0.21		\$0.27	
Cash dividends per share	\$0.20		\$0.20		\$0.40		\$0.40	
Average shares outstanding								
Basic	26,911		26,911		26,911		26,911	
Diluted	26,911		27,106		26,911		27,056	

**Sturm, Ruger & Company, Inc.**

**Condensed Consolidated Balance Sheet**

(unaudited)  
(in thousands)

	June 30 2003
<b>Assets</b>	
Cash and cash equivalents	\$2,726
Short-term investments	45,430
Trade receivables, net	13,305
Inventories	55,589
Deferred income taxes	7,436
Prepaid expenses and other current assets	2,849
Total current assets	127,335
Property, plant and equipment	156,098
Less depreciation	(127,507)
	28,591
Deferred income taxes	8,837
Other assets	14,266
Total	\$179,029
<b>Liabilities and Stockholders' Equity</b>	
Trade accounts payable and accrued expenses	\$5,486
Product liability	4,000
Employee compensation	7,797
Workers' compensation	4,805
Income taxes	810
Total current liabilities	22,898
Accrued pension liability	5,765
Deferred income taxes	7,857
Product liability accrual	4,346
Stockholders' equity	138,163
Total	\$179,029