

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2003  
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 0-4776

STURM, RUGER & COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

06-0633559

(I.R.S. employer  
identification no.)

Lacey Place, Southport, Connecticut

(Address of principal executive offices)

06890

(Zip code)

(203) 259-7843

(Registrant's telephone number, including area code)

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 requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the issuer's common stock as of October 15, 2003: Common Stock, \$1 par value - 26,910,720.

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PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STURM, RUGER & COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	September 30, 2003 <u>(Unaudited)</u>	December 31, 2002 <u>(Note)</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 2,550	\$ 3,598
Short-term investments	52,328	49,776
Trade receivables, less allowances for doubtful accounts (\$441 and \$449) and discounts (\$247 and \$783)	14,387	14,026
Inventories:		
Finished products	16,801	16,999
Materials and products in process	<u>33,674</u>	<u>34,629</u>
	50,475	51,628
Deferred income taxes	6,683	6,985
Prepaid expenses and other current assets	<u>4,067</u>	<u>4,536</u>
Total current assets	130,490	130,549
Property, plant and equipment	156,654	153,732
Less allowances for depreciation	<u>(128,970)</u>	<u>(124,538)</u>
	27,684	29,194
Deferred income taxes	8,675	9,594
Other assets	<u>9,353</u>	<u>14,621</u>
	<u>\$176,202</u>	<u>\$183,958</u>

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)  
STURM, RUGER & COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except per share data)

	September 30, 2003 <u>(Unaudited)</u>	December 31, 2002 <u>(Note)</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Trade accounts payable and accrued expenses	\$ 4,806	\$ 5,080
Product liability	4,000	4,000
Employee compensation	7,509	7,324
Workers' compensation	4,807	4,765
Dividends payable	--	5,382
Income taxes	906	882
Total current liabilities	<u>22,028</u>	<u>27,433</u>
Accrued pension liability	5,078	6,423
Deferred income taxes	7,857	5,886
Product liability accrual	4,606	6,233
Contingent liabilities --Note 7	--	--
Stockholders' Equity		
Common Stock, non-voting, par value \$1:		
Authorized shares 50,000; none issued	--	--
Common Stock, par value \$1:		
Authorized shares - 40,000,000		
Issued and outstanding - 26,910,720	26,911	26,911
Additional paid-in capital	2,508	2,508
Retained earnings	115,299	116,649
Accumulated other comprehensive income	(8,085)	(8,085)
	<u>136,633</u>	<u>137,983</u>
	<u>\$176,202</u>	<u>\$183,958</u>

Note:

The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Firearms sales	\$32,237	\$32,210	\$ 95,876	\$108,366
Castings sales	<u>4,583</u>	<u>5,830</u>	<u>13,877</u>	<u>17,898</u>
Net sales	36,820	38,040	109,753	126,264
Cost of products sold	<u>31,102</u>	<u>31,115</u>	<u>85,091</u>	<u>97,114</u>
Gross profit	5,718	6,925	24,662	29,150
Expenses:				
Selling	3,987	3,696	11,197	11,111
General and administrative	<u>1,465</u>	<u>1,504</u>	<u>4,532</u>	<u>4,720</u>
	<u>5,452</u>	<u>5,200</u>	<u>15,729</u>	<u>15,831</u>
Operating income	266	1,725	8,933	13,319
Gain on sale of real estate	5,922	--	5,922	--
Other income – net	<u>243</u>	<u>545</u>	<u>861</u>	<u>1,367</u>
Total other income	<u>6,165</u>	<u>545</u>	<u>6,783</u>	<u>1,367</u>
Income before income taxes	6,431	2,270	15,716	14,686
Income taxes	<u>2,579</u>	<u>910</u>	<u>6,302</u>	<u>5,889</u>
Net income	<u>\$ 3,852</u>	<u>\$ 1,360</u>	<u>\$ 9,414</u>	<u>\$ 8,797</u>
Earnings per share				
Basic	<u>\$0.14</u>	<u>\$0.05</u>	<u>\$0.35</u>	<u>\$0.33</u>
Diluted	<u>\$0.14</u>	<u>\$0.05</u>	<u>\$0.35</u>	<u>\$0.33</u>
Cash dividends per share	<u>\$0.20</u>	<u>\$0.20</u>	<u>\$0.60</u>	<u>\$0.60</u>
Average shares outstanding				
Basic	<u>26,911</u>	<u>26,911</u>	<u>26,911</u>	<u>26,911</u>
Diluted	<u>26,928</u>	<u>27,093</u>	<u>26,914</u>	<u>27,062</u>

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(Dollars in thousands)

	Nine Months Ended September 30,	
	2003	2002
Cash Provided By Operating Activities	\$9,759	\$12,560
Investing Activities		
Property, plant and equipment additions	(2,982)	(1,850)
Purchases of short-term investments	(112,540)	(112,060)
Proceeds from maturities of short-term investments	109,988	117,302
Proceeds from sale of real estate	10,873	--
Cash provided by investing activities	<u>5,339</u>	<u>3,392</u>
Financing Activities		
Dividends paid	(16,146)	(16,146)
Cash used in financing activities	<u>(16,146)</u>	<u>(16,146)</u>
Decrease in cash and cash equivalents	(1,048)	(194)
Cash and cash equivalents at beginning of period	<u>3,598</u>	<u>3,838</u>
Cash and cash equivalents at end of period	<u>\$ 2,550</u>	<u>\$ 3,644</u>

See notes to condensed consolidated financial statements.

## STURM, RUGER & COMPANY, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2003

#### NOTE 1—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the results of the interim periods. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year ending December 31, 2003. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our Annual Report on Form 10-K for the year ended December 31, 2002.

#### NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

**Organization:** Sturm, Ruger & Company, Inc. ("Company") is principally engaged in the design, manufacture, and sale of firearms and investment castings. The Company's design and manufacturing operations are located in the United States. Substantially all sales are domestic. The Company's firearms are sold through a select number of independent wholesale distributors to the sporting and law enforcement markets. Investment castings are sold either directly to or through manufacturers' representatives to companies in a wide variety of industries.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Principles of Consolidation:** The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year balances have been reclassified to conform with the current year's presentation.

**Stock Incentive and Bonus Plans:** The Company accounts for employee stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." Had compensation expense for the Plans been determined in accordance with SFAS No. 123 (using the Black-Scholes option-pricing model), the Company's net income and earnings per share would have been reduced to the following pro forma amounts (in thousands, except per share data):

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2003	2002	2003	2002
<b>Net Income:</b>				
As reported	\$ 3,852	\$ 1,360	\$ 9,414	\$ 8,797
Add: Recognized stock-based employee compensation, net of tax	--	--	--	10
Deduct: Employee compensation expense determined under fair value method, net of tax	(97)	(97)	(290)	(290)
Pro forma	\$ 3,755	\$ 1,263	\$ 9,124	\$ 8,517
<b>Basic Earnings per Share:</b>				
As reported	\$0.14	\$0.05	\$0.35	\$0.33
Pro forma	\$0.14	\$0.05	\$0.34	\$0.32
<b>Diluted Earnings per Share:</b>				
As reported	\$0.14	\$0.05	\$0.35	\$0.33
Pro forma	\$0.14	\$0.05	\$0.34	\$0.32

NOTE 3—INVENTORIES

Inventories are valued using the last-in, first-out (LIFO) method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs existing at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many forces beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

NOTE 4—INCOME TAXES

The Company's effective tax rate differs from the statutory tax rate principally as a result of state income taxes. Total income tax payments during the nine months ended September 30, 2003 and 2002 were \$2.8 million and \$5.1 million, respectively.

NOTE 5—BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the impact of options outstanding using the treasury stock method, when applicable. This resulted in diluted weighted-average shares outstanding for the three and nine months ended September 30, 2003 and 2002 of 26,928,000 and 26,914,000, and 27,093,000 and 27,062,000, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

### NOTE 6—COMPREHENSIVE INCOME

As there were no non-owner changes in equity during the first nine months of 2003 and 2002, total comprehensive income equals net income for the three months ended September 30, 2003 and 2002 of \$3.9 million and \$1.4 million, respectively, and for the nine months ended September 30, 2003 and 2002 of \$9.4 million and \$8.8 million, respectively.

### NOTE 7—CONTINGENT LIABILITIES

As of September 30, 2003, the Company is a defendant in approximately 24 lawsuits involving its products and is aware of certain other such claims. These lawsuits and claims fall into two categories:

- (i) those that claim damages from the Company related to allegedly defective product design which stem from a specific incident. These lawsuits and claims are based principally on the theory of “strict liability” but also may be based on negligence, breach of warranty, and other legal theories, and
- (ii) those brought by cities, municipalities, counties, associations, individuals and one state Attorney General against firearms manufacturers, distributors and dealers seeking to recover damages allegedly arising out of the misuse of firearms by third parties in the commission of homicides, suicides and other shootings involving juveniles and adults. The complaints by municipalities seek damages, among other things, for the costs of medical care, police and emergency services, public health services, and the maintenance of courts, prisons, and other services. In certain instances, the plaintiffs seek to recover for decreases in property values and loss of business within the city due to criminal violence. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing and distribution practices of the various defendants. These suits allege, among other claims, strict liability or negligence in the design of products, public nuisance, negligent entrustment, negligent distribution, deceptive or fraudulent advertising, violation of consumer protection statutes and conspiracy or concert of action theories. Most of these cases do not allege a specific injury to a specific individual as a result of the misuse or use of any of the Company’s products.

Management believes that, in every case, the allegations are unfounded, and that the shootings and any results therefrom were due to negligence or misuse of the firearms by third-parties or the claimant, and that there should be no recovery against the Company. Defenses further exist to the suits brought by cities, municipalities, counties, and the Attorney General based, among other reasons, on established state law precluding recovery by municipalities for essential government services, the remoteness of the claims, the types of damages sought to be recovered, and limitations on the extraterritorial authority which may be exerted by a city, municipality, county or state under state and federal law, including State and Federal Constitutions.

The only case against the Company alleging liability for criminal shootings by third-parties to ever be permitted to go before a constitutional jury, *Hamilton, et. al. v. Accu-tek, et. al.*, resulted in a defense verdict in favor of the Company on February 11, 1999. In that case, numerous firearms manufacturers and distributors had been sued, alleging damages as a result of alleged negligent sales practices and “industry-wide” liability. The Company and its marketing and distribution practices were exonerated from any claims of negligence in each of the seven cases decided by the jury. The Court upheld the verdict of the jury and dismissed each case as to the Company in its later opinion. The three defendants found liable filed a notice of appeal from the Court’s

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

decision. On August 16, 2000, the U.S. 2<sup>nd</sup> Circuit Court of Appeals certified certain questions to the Appellate Division of the New York State Supreme Court for resolution. On April 26, 2001, the Appellate Division of the New York State Supreme Court responded to the U.S. 2<sup>nd</sup> Circuit Court of Appeals' certified questions. The questions involved whether firearms manufacturers have a legal duty to prevent criminal misuses of their lawfully-sold products and whether any liability of the firearms manufacturers should be apportioned by a market share theory. The New York State Appellate Division answered both questions in the negative. On August 30, 2001, the United States Court of Appeals for the 2<sup>nd</sup> Circuit vacated and remanded the case with instructions for the trial court to enter a final judgment of dismissal. The trial court finally dismissed the case on its merits on September 17, 2001.

Of the lawsuits brought by municipalities or a state Attorney General, fifteen have been dismissed. Twelve of those cases are concluded: Atlanta – dismissal by intermediate Appellate Court, no further appeal; Bridgeport – dismissal affirmed by Connecticut Supreme Court; County of Camden – dismissal affirmed by U.S. Third Circuit Court of Appeals; Miami – dismissal affirmed by intermediate appellate court, Florida Supreme Court declined review; New Orleans – dismissed by Louisiana Supreme Court, United States Supreme Court declined review; Philadelphia – U.S. Third Circuit Court of Appeals affirmed dismissal, no further appeal; Wilmington – dismissed by trial court, no appeal; Boston – voluntary dismissal with prejudice by the City at the close of fact discovery; Cincinnati – voluntarily withdrawn after a unanimous vote of the city council; Detroit – dismissed by Michigan Court of Appeals, no appeal; and Wayne County – dismissed by Michigan Court of Appeals, no appeal; New York State – dismissed by New York Court of Appeals, no further appeal.

The Indiana Court of Appeals affirmed the dismissal of the Gary case by the trial court and a decision by the Indiana Supreme Court is pending. Washington, D.C. is on appeal from its complete dismissal. On March 7, 2003, the consolidated California Cities case involving nine cities and three counties was dismissed as to all manufacturer defendants, and plaintiffs appealed on June 9, 2003. The Chicago dismissal was reversed in part on appeal, and an appeal to the Illinois Supreme Court is pending. Camden City was dismissed on July 7, 2003 due to the bankruptcy of one of the parties; no further action has been taken by the city. On October 15, 2003, the Circuit Court of the County of St. Louis dismissed the St. Louis case. It is presently unknown if plaintiffs will appeal.

Cleveland and New York City are stayed. On March 11, 2003, the intermediate New Jersey Court of Appeals in the Newark lawsuit affirmed the decision of the trial court permitting certain claims to proceed into pretrial discovery. Newark and Jersey City are proceeding with pretrial discovery. In the NAACP case, on May 14, 2003, an advisory jury returned a verdict rejecting the NAACP's claims. On July 21, 2003, Judge Jack B. Weinstein entered an order dismissing the NAACP lawsuit, but this order contained lengthy dicta which defendants believe are contrary to law and fact. Appeals by both sides were filed, but on October 27, 2003 the NAACP announced that it was withdrawing its appeal.

Legislation has been passed in approximately 31 states precluding suits of the type brought by the municipalities mentioned above, and similar federal legislation has been introduced in the U.S. Congress. It passed the House by a 2-to-1 bipartisan majority and has over 55 co-sponsors in the Senate.

Punitive damages, as well as compensatory damages, are demanded in many of the lawsuits and claims. Aggregate claimed amounts presently exceed product liability accruals and applicable insurance coverage. For claims made after July 10, 1994, compensatory and punitive damage insurance coverage is provided, in states where permitted, coverage is provided for losses exceeding \$2.0 million per claim, or an aggregate maximum loss of \$6.0 million. For claims made after July 10, 1997, coverage is provided for annual losses exceeding \$2.0 million per claim, or an aggregate maximum loss of \$5.5 million annually. For claims made after July 10,

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

2000, coverage is provided for annual losses exceeding \$5 million per claim, or an aggregate maximum loss of \$10 million annually, except for certain new claims which might be brought by governments or municipalities after July 10, 2000, which are excluded from coverage.

On March 17, 2000, Smith & Wesson announced that it had reached a settlement to conclude some of the municipal lawsuits with various governmental entities. On March 30, 2000, the Office of the Connecticut Attorney General began an investigation of certain alleged "anticompetitive practices in the firearms industry." On April 17, 2000, the State of Maryland's Attorney General also made similar inquiries as to the Company. On August 9, 2000, the U.S. Federal Trade Commission also filed such a civil investigative demand regarding the Smith & Wesson settlement. During April 2002, after the city of Boston voluntarily withdrew its case with prejudice as to all remaining defendants, Boston moved jointly with Smith & Wesson to dissolve their consent decree settlement, which motion the court accepted. The Company has not engaged in any improper conduct and has cooperated with these investigations. The U.S. Federal Trade Commission announced that it was terminating this investigation without further action on August 22, 2003.

Provision is made for product liability claims based upon many factors related to the severity of the alleged injury and potential liability exposure, based upon prior claim experience. Because our experience in defending these lawsuits and claims is that unfavorable outcomes are typically not probable or estimable, only in rare cases is an accrual established for such costs. In most cases, an accrual is established only for estimated legal defense costs. Product liability accruals are periodically reviewed to reflect then-current estimates of possible liabilities and expenses incurred to date and reasonably anticipated in the future. Threatened product liability claims are reflected in our product liability accrual on the same basis as actual claims; *i.e.*, an accrual is made for reasonably anticipated possible liability and claims-handling expenses on an ongoing basis.

A range of reasonably possible loss relating to unfavorable outcomes cannot be made. However, in the product liability cases in which a dollar amount of damages is claimed, the amount of damages claimed, which totaled \$437 million at September 30, 2003, is set forth as an indication of possible maximum liability that the Company might be required to incur in these cases (regardless of the likelihood or reasonable probability of any or all of this amount being awarded to claimants) as a result of adverse judgments that are sustained on appeal.

Product liability claim payments are made when appropriate if, as, and when claimants and the Company reach agreement upon an amount to finally resolve all claims. Legal costs are paid as the lawsuits and claims develop, the timing of which may vary greatly from case to case. A time schedule cannot be determined in advance with any reliability concerning when payments will be made in any given case.

The Company management monitors the status of known claims and the product liability accrual, which includes amounts for asserted and unasserted claims. While it is not possible to forecast the outcome of litigation or the timing of costs, in the opinion of management, after consultation with independent and corporate counsel, it is not probable and is unlikely that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but may have a material impact on the Company's financial results for a particular period.

The Company has reported all cases instituted against it through June 30, 2003 and the results of those cases, where terminated, to the Securities and Exchange Commission on its previous Form 10-K and 10-Q reports, to which reference is hereby made.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

NOTE 8—RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2003 and 2002, the Company paid Newport Mills, of which William B. Ruger, Jr., Chairman and Chief Executive Officer of the Company, is the sole proprietor, \$60,750 and \$182,250, and \$81,000 and \$182,250, respectively, for storage rental and office space. On July 17, 2003, the Company sold two automobiles to William B. Ruger, Jr. for \$60,000.

NOTE 9—OPERATING SEGMENT INFORMATION

The Company has two reportable segments: firearms and investment castings. The firearms segment manufactures and sells rifles, pistols, revolvers, and shotguns principally to a select number of independent wholesale distributors primarily located in the United States. The investment castings segment consists of two operating divisions which manufacture and sell titanium and steel investment castings. Selected operating segment financial information follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2003	2002	2003	2002
Net Sales				
Firearms	\$32,237	\$32,210	\$95,876	\$108,366
Castings				
Unaffiliated	4,583	5,830	13,877	17,898
Intersegment	2,754	3,968	12,368	13,268
	7,337	9,798	26,245	31,166
Eliminations	(2,754)	(3,968)	(12,368)	(13,268)
	\$36,820	\$38,040	\$109,753	\$126,264
Income/(loss) before income taxes				
Firearms	\$ 916	\$3,856	\$11,228	\$19,921
Castings	(633)	(2,059)	(2,107)	(6,400)
Corporate	6,148	473	6,595	1,165
	\$6,431	\$2,270	\$15,716	\$14,686
			September 30, 2003	December 31, 2002
Identifiable Assets				
Firearms			\$ 78,058	\$ 79,301
Castings			19,025	19,394
Corporate			79,119	85,263
			\$176,202	\$183,958

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Results of Operations

The Company achieved consolidated net sales of \$36.8 million and \$109.8 million for the three and nine months ended September 30, 2003, respectively. This represents a decrease of 3.2% from third quarter sales in 2002 of \$38.0 million and a decrease of 13.1% from net sales of \$126.3 million for the nine months ended September 30, 2002.

Firearms segment net sales of \$32.2 million in the third quarter of 2003 were consistent with the third quarter of 2002. For the nine months ended September 30, 2003, firearms segment net sales decreased by \$12.5 million or 11.5% to \$95.9 million compared to the corresponding 2002 period. Firearms unit shipments were consistent for the three month period and decreased 10.2% for the nine month period ended September 30, 2003 from the comparable 2002 periods. For the quarter, shipments of rifles and shotguns declined, while shipments of revolvers and pistols improved. Revolver shipments benefited from the popularity of the new Single Six revolver in the .17 HMR caliber which was introduced in 2003. Pistol shipments reflected strong demand for the recently-introduced MK-4NRA, a .22 caliber pistol commemorating William B. Ruger, the Company's founder. The decrease for the nine month period ended September 30, 2003 reflected decreased demand for pistols, rifles, revolvers and shotguns. In 2003, the Company instituted a sales incentive program for its distributors which allows them to earn rebates of up to 1.5% if certain annual overall sales targets are achieved. This program replaces a similar sales incentive program in 2002. From May 1, 2003 to September 30, 2003, the Company offered a consumer-driven sales incentive program for certain centerfire pistols. From August 1, 2002 through November 30, 2002, the Company conducted a similar consumer-driven sales incentive program for certain hunting rifles and revolvers.

Casting segment net sales decreased by \$1.2 million or 21.4% to \$4.6 million in the three months ended September 30, 2003 from \$5.8 million in the third quarter of 2002. For the nine months ended September 30, 2003, casting segment net sales decreased \$4.0 million or 22.5% to \$13.9 million. The reduction in casting segment sales in 2003 is primarily due to an apparent weakened demand for titanium castings. Shipments of titanium golf clubheads to Karsten Manufacturing Corporation decreased \$6.0 million for the nine months ended September 30, 2003 compared to the corresponding period in 2002. There are no future shipments expected to Karsten Manufacturing Corporation in 2003. The Company anticipates that total casting segment sales in 2003 may be below the level achieved in 2002. The Company continues to actively pursue other casting business opportunities.

Consolidated cost of products sold for the third quarter of 2003 and for the third quarter of 2002 was \$31.1 million each, respectively. For the nine months ended September 30, 2003, consolidated cost of products sold was \$85.1 million compared to \$97.1 million in the corresponding 2002 period, representing a decrease of 13.1% for the nine month period. The decrease was primarily attributable to decreased net sales in both firearms and castings and to reduced production costs in the castings segment, and are partially offset by increases in product liability costs and a charge related to certain obsolete firearms inventory during the third quarter.

For the third quarter of 2003, gross profit as a percent of net sales decreased to 15.5% from 18.2% in the third quarter of 2002. Gross profit as a percentage of net sales decreased to 22.5% for the nine month period ended September 30, 2003 from 23.1% for the nine month period ended September 30, 2002. The decrease in margin in the quarter ended September 30, 2003 was primarily caused by an unfavorable adjustment in the firearms segment for a charge related to certain obsolete firearms inventory and increased product liability costs, offset by improved margins in the castings segment compared to the corresponding 2002 period. The decrease in margin for the nine month period ended September 30, 2003 is primarily attributable to decreased firearm sales, increased product liability costs and a charge related to certain obsolete firearms inventory.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--CONTINUED

Selling, general and administrative expenses increased \$0.3 million to \$5.5 million for the quarter ended September 30, 2003 compared with the prior year period principally reflecting royalties to the NRA Foundation for shipments of the MK4-NRA commemorative pistol, as well as increased national advertising expenditures. Selling, general and administrative expenses of \$15.7 million for the nine months ended September 30, 2003 were consistent with the corresponding 2002 period.

Total other income increased by \$5.6 million and \$5.4 million in the quarter and nine months ended September 30, 2003, respectively, compared to the corresponding 2002 periods. Included in total other income for the third quarter and nine months ended September 30, 2003 is the pretax gain of \$5.9 million from the sale of certain non-manufacturing real estate in Arizona, known as the Single Six Ranch. Conversely, the decrease in other income-net for the quarter and nine months ended September 30, 2003 compared to the corresponding 2002 periods is primarily attributable to decreased earnings on short-term investments as a result of declining interest rates and reduced principal.

The effective income tax rate was 40.1% in both the third quarter and nine months ended September 30, 2003 and September 30, 2002, respectively.

As a result of the foregoing factors, consolidated net income for the three and nine months ended September 30, 2003 increased to \$3.9 million and to \$9.4 million, respectively, from \$1.4 million and \$8.8 million for the three and nine months ended September 30, 2002, respectively.

### Financial Condition

At September 30, 2003, the Company had cash, cash equivalents and short-term investments of \$54.9 million, working capital of \$108.5 million and a current ratio of 5.9 to 1.

Cash provided by operating activities was \$9.8 million and \$12.6 million for the nine months ended September 30, 2003 and 2002, respectively. The increase in cash provided by investing activities in 2003 is principally a result of the sale of certain non-manufacturing real estate in Arizona, known as the Single Six Ranch.

The Company follows an industry-wide practice of offering a "dating plan" to its firearms customers on selected products, which allows the purchasing distributor to buy the products commencing in December, the start of the Company's marketing year, and pay for them on extended terms. Discounts are offered for early payment. The dating plan provides a revolving payment plan under which payments for all shipments made during the period December through February must be made by April 30. Generally, shipments made in subsequent months must be paid within approximately 90 days. Dating plan receivable balances were \$4.8 million at September 30, 2003 compared to \$9.3 million at September 30, 2002. The consumer-driven sales incentive program offered from August 2002 through November 2002 included certain hunting rifles eligible for dating discounts. The Company has reserved the right to discontinue the dating plan at any time and has been able to finance this dating plan from internally generated funds provided by operating activities.

Capital expenditures during the nine months ended September 30, 2003 totaled \$3.0 million. For the past two years capital expenditures averaged approximately \$0.8 million per quarter. In 2003, the Company expects to spend approximately \$5.0 million on capital expenditures to upgrade and modernize manufacturing equipment

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—CONTINUED

primarily at the Newport Firearms, Ruger Investment Casting, and Pine Tree Castings Divisions. The Company finances, and intends to continue to finance, all of these activities with funds provided by operations.

For the nine months ended September 30, 2003 dividends paid totaled \$16.1 million. This amount reflects the regular quarterly dividend of \$.20 per share paid in March, June and September 2003. On October 23, 2003, the Company declared a regular quarterly dividend of \$.20 per share payable on December 15, 2003. Future dividends depend on many factors, including internal estimates of future performance and the Company's need for funds.

In conjunction with the sale of its Uni-Cast division in June 2000, the Company extended credit to the purchaser in the form of a note and a line of credit, both of which are collateralized by certain of the assets of Uni-Cast. In 2002, the Company established an additional collateralized line of credit for the purchaser and, as of September 30, 2003, the total amount due from the purchaser was \$2.0 million. The Company purchases aluminum castings used in the manufacture of certain models of pistols exclusively from Uni-Cast.

Historically, the Company has not required external financing. Based on its cash flow and unencumbered assets, the Company believes it has the ability to raise substantial amounts of short-term or long-term debt. The Company does not anticipate any need for external financing through 2003.

The sale, purchase, ownership, and use of firearms are subject to thousands of federal, state and local governmental regulations. The basic federal laws are the National Firearms Act, the Federal Firearms Act, and the Gun Control Act of 1968. These laws generally prohibit the private ownership of fully automatic weapons and place certain restrictions on the interstate sale of firearms unless certain licenses are obtained. The Company does not manufacture fully automatic weapons, other than for the law enforcement market, and holds all necessary licenses under these federal laws. From time to time, congressional committees review proposed bills relating to the regulation of firearms. These proposed bills generally seek either to restrict or ban the sale and, in some cases, the ownership of various types of firearms. Several states currently have laws in effect similar to the aforementioned legislation.

Until November 30, 1998, the "Brady Law" mandated a nationwide five-day waiting period and background check prior to the purchase of a handgun. As of November 30, 1998, the National Instant Check System, which applies to both handguns and long guns, replaced the five-day waiting period. The Company believes that the "Brady Law" has not had a significant effect on the Company's sales of firearms, nor does it anticipate any impact on sales in the future. The "Crime Bill" took effect on September 13, 1994, but none of the Company's products were banned as so-called "assault weapons." To the contrary, all the Company's then-manufactured commercially-sold long guns were exempted by name as "legitimate sporting firearms." The Company remains strongly opposed to laws which would restrict the rights of law-abiding citizens to lawfully acquire firearms. The Company believes that the lawful private ownership of firearms is guaranteed by the Second Amendment to the United States Constitution and that the widespread private ownership of firearms in the United States will continue. However, there can be no assurance that the regulation of firearms will not become more restrictive in the future and that any such restriction would not have a material adverse effect on the business of the Company.

The Company is a defendant in numerous lawsuits involving its products and is aware of certain other such claims. The Company has expended significant amounts of financial resources and management time in connection

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--CONTINUED

with product liability litigation. Management believes that, in every case, the allegations are unfounded, and that the shootings and any results therefrom were due to negligence or misuse of the firearms by third-parties or the claimant, and that there should be no recovery against the Company. Defenses further exist to the suits brought by cities, municipalities, counties, and a state attorney general based, among other reasons, on established state law precluding recovery by municipalities for essential government services, the remoteness of the claims, the types of damages sought to be recovered, and limitations on the extraterritorial authority which may be exerted by a city, municipality, county or state under state and federal law, including State and Federal Constitutions.

The only case against the Company alleging liability for criminal shootings by third-parties to ever be permitted to go before a constitutional jury, Hamilton, et. al. v. Accu-tek, et. al., resulted in a defense verdict in favor of the Company on February 11, 1999. In that case, numerous firearms manufacturers and distributors had been sued, alleging damages as a result of alleged negligent sales practices and "industry-wide" liability. The Company and its marketing and distribution practices were exonerated from any claims of negligence in each of the seven cases decided by the jury. The Court upheld the verdict of the jury and dismissed each case as to the Company in its later opinion. The three defendants found liable filed a notice of appeal from the Court's decision. On August 16, 2000, the U.S. 2<sup>nd</sup> Circuit Court of Appeals certified certain questions to the Appellate Division of the New York State Supreme Court for resolution. On April 26, 2001, the Appellate Division of the New York State Supreme Court responded to the U.S. 2<sup>nd</sup> Circuit Court of Appeals' certified questions. The questions involved whether firearms manufacturers have a legal duty to prevent criminal misuses of their lawfully-sold products and whether any liability of the firearms manufacturers should be apportioned by a market share theory. The New York State Appellate Division answered both questions in the negative. On August 30, 2001, the United States Court of Appeals for the 2<sup>nd</sup> Circuit vacated and remanded the case with instructions for the trial court to enter a final judgment of dismissal. The trial court finally dismissed the case on its merits on September 17, 2001.

Of the lawsuits brought by municipalities or a state Attorney General, fifteen have been dismissed. Twelve of those cases are concluded: Atlanta – dismissal by intermediate Appellate Court, no further appeal; Bridgeport – dismissal affirmed by Connecticut Supreme Court; County of Camden – dismissal affirmed by U.S. Third Circuit Court of Appeals; Miami – dismissal affirmed by intermediate appellate court, Florida Supreme Court declined review; New Orleans – dismissed by Louisiana Supreme Court, United States Supreme Court declined review; Philadelphia – U.S. Third Circuit Court of Appeals affirmed dismissal, no further appeal; Wilmington – dismissed by trial court, no appeal; Boston – voluntary dismissal with prejudice by the City at the close of fact discovery; Cincinnati – voluntarily withdrawn after a unanimous vote of the city council; Detroit – dismissed by Michigan Court of Appeals, no appeal; and Wayne County – dismissed by Michigan Court of Appeals, no appeal; New York State – dismissed by New York Court of Appeals, no further appeal.

The Indiana Court of Appeals affirmed the dismissal of the Gary case by the trial court and a decision by the Indiana Supreme Court is pending. Washington, D.C. is on appeal from its complete dismissal. On March 7, 2003, the consolidated California Cities case involving nine cities and three counties was dismissed as to all manufacturer defendants, and plaintiffs appealed on June 9, 2003. The Chicago dismissal was reversed in part on appeal, and an appeal to the Illinois Supreme Court is pending. Camden City was dismissed on July 7, 2003 due to the bankruptcy of one of the parties; no further action has been taken by the city. On October 15, 2003, the Circuit Court of the County of St. Louis dismissed the St. Louis case. It is presently unknown if plaintiffs will appeal.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--CONTINUED

Cleveland and New York City are stayed. On March 11, 2003, the intermediate New Jersey Court of Appeals in the Newark lawsuit affirmed the decision of the trial court permitting certain claims to proceed into pretrial discovery. Newark and Jersey City are proceeding with pretrial discovery. In the NAACP case, on May 14, 2003, an advisory jury returned a verdict rejecting the NAACP's claims. On July 21, 2003, Judge Jack B. Weinstein entered an order dismissing the NAACP lawsuit, but this order contained lengthy dicta which defendants believe are contrary to law and fact. Appeals by both sides were filed, but on October 27, 2003 the NAACP announced that it was withdrawing its appeal.

Legislation has been passed in approximately 31 states precluding suits of the type brought by the municipalities mentioned above, and similar federal legislation has been introduced in the U.S. Congress. It passed the House by a 2-to-1 bipartisan majority and has over 55 co-sponsors in the Senate.

The Company's management reviews every lawsuit and claim at the outset and is in contact with independent and corporate counsel on an ongoing basis. The provision for product liability claims is based upon many factors, which vary for each case. These factors include the type of claim, nature and extent of injuries, historical settlement ranges, jurisdiction where filed, and advice of counsel. An accrual is established for each lawsuit and claim, when appropriate, based on the nature of each such lawsuit or claim.

Amounts are charged to product liability expense in the period in which the Company becomes aware that a claim or, in some instances a threat of claim, has been made when potential losses or costs of defense can be reasonably estimated. Such amounts are determined based on the Company's experience in defending similar claims. Occasionally, charges are made for claims made in prior periods because the cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, exceed amounts already provided. Likewise credits may be taken if cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, are less than amounts previously provided.

While it is not possible to forecast the outcome of litigation or the timing of costs, in the opinion of management, after consultation with independent and corporate counsel, it is not probable and is unlikely that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but may have a material impact on the Company's financial results for a particular period.

In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to waste disposal, air emissions and water discharges into the environment. The Company believes that it is generally in compliance with applicable environmental regulations and the outcome of such proceedings and orders will not have a material adverse effect on its business.

The valuation of the future defined benefit pension obligations at December 31, 2002 indicated that these plans were underfunded. While this estimation has no bearing on the actual funded status of the pension plans, it resulted in the recognition of other comprehensive loss of \$7.9 million in 2002.

The Company expects to realize its deferred tax assets through tax deductions against future taxable income or carry back against taxes previously paid.

Inflation's effect on the Company's operations is most immediately felt in cost of products sold because the Company values inventory on the LIFO basis. Generally under this method, the cost of products sold reported in the financial statements approximates current costs, and thus, reduces distortion in reported income which would

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--CONTINUED

result from the slower recognition of increased costs when other methods are used. The use of historical cost depreciation has a beneficial effect on cost of products sold. The Company has been affected by inflation in line with the general economy.

### Recent Accounting Standards

Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," requires the recognition of an asset and a liability equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists.

Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," requires a guarantor to recognize a liability with respect to a non-contingent obligation to stand ready to perform under the guarantee even if the probability of future payments under the conditions of a guarantee is remote, for periods beginning after December 15, 2002, and requires certain related disclosures as of December 31, 2002.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to when management is committed to an exit plan.

The Company adopted these statements effective January 1, 2003. The adoption of these statements did not have a material impact on the Company's financial statements.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," introduces a new consolidation model with respect to variable interest entities. The new model requires that the determination of control should be based on the potential variability in gains and losses of the variable interest entity being evaluated. The Company adopted this statement effective July 1, 2003. The adoption of this statement did not have a material impact on the Company's financial statements.

### Forward-Looking Statements and Projections

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, a state attorney 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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in prevailing market interest rates affecting the return on its investments but does not consider this interest rate market risk exposure to be material to its financial condition or results of operations. The Company invests primarily in United States Treasury instruments with short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Under its current policies, the Company does not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage its exposure to changes in interest rates or commodity prices.

### ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Treasurer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Treasurer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in ensuring that material information related to the Company is made known to the Chief Executive Officer and Treasurer and Chief Financial Officer by others within the Company during the period in which this report was being prepared. During the third quarter of 2003, there were no changes in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The nature of the legal proceedings against the Company is discussed at Note 7 to this Form 10-Q report, which is incorporated herein by reference.

The Company has reported all cases instituted against it through June 30, 2003, and the results of those cases, where terminated, to the Securities and Exchange Commission on its previous Form 10-K and 10-Q reports, to which reference is hereby made.

No cases were formally instituted against the Company during the three months ended September 30, 2003, which involved significant demands for compensatory and/or punitive damages and in which the Company has been served with process.

During the three months ending September 30, 2003, no previously reported cases were settled.

On July 21, 2003, Judge Jack B. Weinstein entered an order dismissing the previously reported NAACP (NY) lawsuit. Judge Weinstein stated that plaintiffs failed to prove specific harm to their organization, and that required dismissal of the case. His opinion of dismissal contained lengthy dicta which defendants believe are contrary to law and fact. Appeals by both sides were filed, but on October 27, 2003, the NAACP announced that it was withdrawing its appeal.

On August 7, 2003, the Michigan Court of Appeals unanimously reversed the trial court's decision in both the Detroit (MI) and Wayne County (MI) lawsuits and dismissed these cases. The trial court had denied the defendants'

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS - CONTINUED

motion for summary disposition based on Michigan law, which prohibits cities from bringing civil actions against manufacturers of firearms or ammunition unless the product is defective, or its sale breaches a warranty or contract with a city. The trial court found the statute to be invalid, but the appellate court found it to be both constitutional and controlling. Plaintiffs did not appeal.

On August 22, 2003, the Federal Trade Commission closed its two-year investigation of a number of members of the firearms industry without action. The stated purpose of the investigation was to determine whether any members of the firearms industry violated Section 5 of the FTC Act by illegally conspiring to boycott Smith & Wesson after that company concluded an agreement with the Clinton Administration in March, 2000.

On September 30, 2003, in the previously reported Lawn (Canada) lawsuit, an order of dismissal was entered, dismissing the Company from the original claim by the plaintiffs and a cross-claim that was filed by the ammunition manufacturer.

On October 6, 2003, the jury in the previously reported Whaley (AK) case returned with a unanimous defense verdict. The case involved a claimed accidental discharge of a Ruger M77 rifle. It is unknown at this time if plaintiffs will appeal this verdict.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

31.1 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) The Company filed the following reports on Form 8-K during the three months ended September 30, 2003:

On July 18, 2003, the Company filed a Current Report on Form 8-K regarding an update to stockholders and other interested parties on financial results for the second quarter and six months ended June 30, 2003.

STURM, RUGER & COMPANY, INC.

FORM 10-Q FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

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.

STURM, RUGER & COMPANY, INC.

Date: October 31 , 2003

S/THOMAS A. DINEEN

Thomas A. Dineen  
Principal Financial Officer,  
Treasurer and Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William B. Ruger, Jr., Chief Executive Officer of Sturm, Ruger & Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sturm, Ruger & Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a). Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b). Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c). Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a). All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b). Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

S/WILLIAM B. RUGER, JR.  
William B. Ruger, Jr.  
Chief Executive Officer

See also the certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, which are also attached to this report as Exhibits 32.1 and 32.2.

CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas A. Dineen, Treasurer and Chief Financial Officer of Sturm, Ruger & Company, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sturm, Ruger & Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a). Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b). Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c). Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a). All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b). Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2003

S/THOMAS A. DINEEN  
Thomas A. Dineen  
Treasurer and Chief Financial Officer

See also the certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, which are also attached to this report as Exhibits 32.1 and 32.2.

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sturm, Ruger & Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William B. Ruger, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

S/WILLIAM B. RUGER, JR.  
William B. Ruger, Jr.  
Chief Executive Officer

October 31, 2003

The signed original of this written statement required by Section 906 has been provided to Sturm, Ruger & Company, Inc. and will be retained by Sturm, Ruger & Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sturm, Ruger & Company, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Dineen, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

S/THOMAS A. DINEEN  
Thomas A. Dineen  
Treasurer and Chief Financial Officer

October 31, 2003

The signed original of this written statement required by Section 906 has been provided to Sturm, Ruger & Company, Inc. and will be retained by Sturm, Ruger & Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.