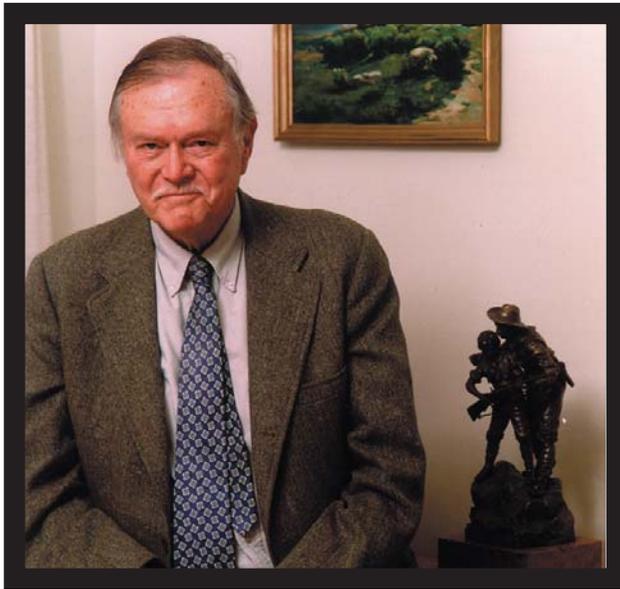




Sturm, Ruger & Company, Inc.  
Second Quarter Report 2002



**William B. Ruger**  
**1916-2002**

**TO OUR STOCKHOLDERS:**

It is our sad duty to report that William Batterman Ruger, founder and Chairman Emeritus of Sturm, Ruger & Company, Inc., died peacefully at home on Saturday, July 6, 2002, at age 86, after a period of failing health. As you know, Mr. Ruger worked diligently for more than fifty years to establish and lead this Company to become the largest firearms manufacturer in the United States.

Bill was widely recognized as one of America's greatest gun designers and a legend in American industry, and had a hand in the original design and time-honored styling of every firearm this Company has produced. He continued to work on new creations up until his death. Mr. Ruger steered our business from "it can't be done" remarks to a New York Stock Exchange corporation which has produced more than 20,000,000 firearms for hunting, target shooting, collecting, self-defense, law enforcement and government agencies. Under his leadership, the Company produced more types of sporting firearms than any other firearms firm in the world. His first firearm introduction in 1949, a stylish .22 caliber target pistol, was considered "the first gun" of many Americans, and is still one of the most popular target pistols in widespread use.

"Ruger was a true firearms genius who mastered the disciplines of inventing, designing, engineering, manufacturing and marketing better than anyone since Samuel Colt," said R. L. Wilson, firearms historian and Mr. Ruger's biographer.

"No one in the 20th century so clearly dominated the field, or was so skilled at articulating the unique appeal of quality firearms for legitimate uses."

Born June 21, 1916 in Brooklyn, New York, Mr. Ruger first developed his passion for guns when he received his own rifle from his father at age 12. As a student at the University of North Carolina, Chapel Hill, he converted an empty room into a machine shop and, in 1938, came up with initial designs for what eventually became a light machine gun for the Army – executing the drawings on his in-laws' dining room table. Ordnance officials liked the gun, and launched Ruger into becoming a full-time gun designer. He helped invent and patent dozens of models of sporting firearms during the last 53 years, which were instant and enduring successes. His advertising stressed mechanical innovation and safety.

When not involved with his firearms operations, Mr. Ruger indulged his life-long passions, including antique firearms, 19th Century Western American art, and his nationally noted antique car collection of more than 30 vehicles, including Bentleys, Rolls-Royces, Bugattis, Stutzes, and a 1913 Mercer Raceabout, among others. He commissioned the design and construction of a classically styled sports tourer automobile in 1970 called the Ruger Special, based on the design of the 1929 Bentley 4½ liter. Mr. Ruger also designed and commissioned a 92-foot yacht, the Titania. "It's a remarkable thing, forging a life from your true passion," Mr. Ruger said upon receiving the Man of the Year Award at the 1998 SHOT Show.

Mr. Ruger's philanthropy was especially evident through charities in communities where the Company's manufacturing plants are located, as well as the Buffalo Bill Historical Center in Cody, Wyoming, where he served as a member of the Board of Trustees for over 15 years.

"Our business is more than a business; it is like some sports – it has a heart. Guns aren't just something you make like tools or chairs or some other utility objects. Guns are valuable possessions and provoke all sorts of emotional responses in people. I've often said that if we like a product, our customers will like it, for many reasons, which sometimes cannot be adequately expressed," Mr. Ruger stated in Peterson's SHOT Business in January, 1998.

While Bill's inspirational leadership and guidance will be sincerely missed by all who were privileged to know and work for him, we will continue the traditions of excellence and hard work that he exemplified during his active life with the Company, and on which this Company was founded. The continued success of this Company, its products, and the preservation of the rights of law-abiding citizens to keep and bear arms will be his legacy.

Our second quarter 2002 financial results are enclosed.

STURM, RUGER & COMPANY, INC.  
July 19, 2002

*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.

Condensed Consolidated Statements of Income

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

	Three Months Ended June 30				Six Months Ended June 30			
	2002	%	2001	%	2002	%	2001	%
Firearms sales .....	\$33,427	84.0	\$29,543	78.4	\$76,156	86.3	\$65,380	80.2
Castings sales .....	6,357	16.0	8,125	21.6	12,068	13.7	16,152	19.8
Net sales.....	39,784	100.0	37,668	100.0	88,224	100.0	81,532	100.0
Cost of products sold.....	29,839	75.0	30,449	80.8	65,999	74.8	62,346	76.5
Gross profit.....	9,945	25.0	7,219	19.2	22,225	25.2	19,186	23.5
Expenses:								
Selling.....	3,883	9.7	3,439	9.2	7,415	8.4	7,705	9.5
General and administrative.....	1,503	3.8	1,706	4.5	3,216	3.7	3,675	4.5
	5,386	13.5	5,145	13.7	10,631	12.1	11,380	14.0
Operating income	4,559	11.5	2,074	5.5	11,594	13.1	7,806	9.5
Other income – net .....	403	1.0	895	2.4	822	0.9	1,962	2.4
Income before income taxes .....	4,962	12.5	2,969	7.9	12,416	14.0	9,768	11.9
Income taxes .....	2,057	5.2	1,164	3.1	4,979	5.6	3,829	4.6
Net income .....	<u>\$2,905</u>	<u>7.3</u>	<u>\$1,805</u>	<u>4.8</u>	<u>\$7,437</u>	<u>8.4</u>	<u>\$5,939</u>	<u>7.3</u>
Earnings per share								
Basic .....	\$0.11		\$0.07		\$0.28		\$0.22	
Diluted.....	\$0.11		\$0.07		\$0.27		\$0.22	
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.....	27,106		26,911		27,056		26,911	

Sturm, Ruger & Company, Inc.

Condensed Consolidated Balance Sheet

(unaudited)  
(in thousands)

	June 30 2002
<b>Assets</b>	
Cash and cash equivalents	\$4,565
Short-term investments	65,718
Trade receivables, net	12,253
Inventories	47,066
Deferred income taxes	7,287
Prepaid expenses and other assets	3,550
Total current assets	140,439
Property, plant and equipment	152,759
Less depreciation	(118,210)
	34,549
Deferred income taxes	2,976
Other assets	21,535
Total	<u>\$199,499</u>
<b>Liabilities and Stockholders' Equity</b>	
Trade accounts payable and accrued expenses	\$5,710
Product liability	4,000
Employee compensation	11,489
Workers' compensation	4,729
Income taxes	1,105
Total current liabilities	27,033
Deferred income taxes	4,677
Product liability accrual	6,758
Stockholders' equity	161,031
Total	<u>\$199,499</u>