



Sturm, Ruger & Company, Inc. First Quarter Report 2004



TO OUR STOCKHOLDERS:

Our first quarter 2004 financial results were net sales of \$40.2 million and net income of \$3.9 million, or \$0.14 per share. Comparable amounts for the first quarter of 2003 were net sales of \$41.1 million and net income of \$4.5 million, or \$0.17 per share.

While firearm shipments were consistent with the prior year, the commencement of shipments of many of our highly-demanded new models during the latter portion of the first quarter is quite encouraging. Among these new models, all chambered for the new .204 Ruger cartridge, the highest velocity centerfire cartridge in commercial use, were the Ruger Number 1 Standard Rifle, the Ruger Number 1 Stainless Varminter Rifle, the Ruger All-Weather Ultra-Light M77 Mark II Rifle, and the Ruger Target Grey Model M77 Mark II Target Rifle, which recently won the Shooting Industry Academy of Excellence Rifle of the Year award. The new Ruger 10/22 Rifle, the first major restyling of the Ruger 10/22 in forty years, also debuted in the first quarter, as did shipments of our much-anticipated Ruger Gold Label side-by-side Double Shotgun.

The Company remains dedicated to firearms innovation. Indeed, at the recent NRA Show in Pittsburgh, we introduced

three new Mark III rimfire pistols, featuring the Ruger Mark III Standard Model, a redesigned Mark III 22/45 pistol, and a .17 Mach 2 rimfire pistol, all of which were met with tremendous enthusiasm. Additional new firearm models are also scheduled for introduction later in 2004, which will be our strongest year of new product introductions in quite some time.

Although our first quarter 2004 castings sales decreased 12% from the prior year, we remain firmly committed to this technology, as our castings expertise is instrumental to our ability to continue to meet the steady demand for new firearms products.

The Company continues to experience success in the courtroom, and in recognition of our efforts, Company President Stephen L. Sanetti was awarded the 2004 Shooting Industry Award by the Shooting Industry Academy of Excellence. Although the fight is not yet over, we are winning the battle against those who want to hold this lawful industry responsible for the illegal acts of violent criminals. Newark, New Jersey's municipal lawsuit was dismissed on March 10, 2004, and on April 29, 2004, the District of Columbia Court of Appeals sustained the trial court's dismissal of negligent distribution and public nuisance claims brought by the City of Washington, D.C. against the Company and other members of the firearms industry. In a related case, it permitted nine individual plaintiffs to proceed against firearms manufacturers for alleged violations of the "Assault Weapon Manufacturing Strict Liability Act of 1990". We believe that while the court reached the correct decision on the city's attempt to assert the now largely-discredited legal theories of public nuisance and negligent distribution, the D.C. act upon which the remaining individual cases are based is flawed. Whether by further appeal or discovery of the facts of these remaining individuals' cases, the manufacturers should ultimately prevail. While we are pleased to obtain yet more dismissals of these baseless and costly municipal lawsuits, the only genuine resolution will be the enactment of federal preemptive legislation to prevent the filing of such lawsuits arising out of the criminal misuse of lawfully sold, non-defective products. Clearly, such legislation has widespread bipartisan support, and likely would have passed the U.S. Senate recently but for being loaded down with amendments that had nothing to do with its merits. We trust that, at the appropriate time, similar Federal legislation will be reconsidered.

March 19, 2004 marked the first anniversary of the Company's state-of-the-art website, www.ruger.com, which has met with an overwhelming response, attracting 3 million visitors in its first year. Up-to-the-minute information about the Company, our products, firearms accessories, safety offerings and financial statements await site visitors.

Despite the current global political turbulence, shifting operations and jobs offshore seems to be the norm for many U.S. companies. Rest assured that Sturm, Ruger believes in its American workforce, and we remain confident in the

ingenuity and pride of American craftsmanship that has made this Company the largest U.S. firearms manufacturer.

As seen by the strength of the Company's accompanying balance sheet, we remain financially solid and debt free, with over \$51 million in cash and short-term investments. In light of our continuing liquidity, at its May 4th meeting the Board approved a quarterly dividend of \$0.20 per share payable on June 15, 2004 to stockholders of record on June 1, 2004. Again, we thank our stockholders, customers and employees for their continued loyalty and support.

William B. Ruger, Jr.
Chairman and Chief Executive Officer
May 5, 2004

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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Condensed Consolidated Statements of Income

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended			
	March 31		March 31	
	2004	%	2003	%
Firearms sales	\$36,138	89.8	\$36,483	88.7
Castings sales	4,099	10.2	4,649	11.3
Net sales	40,237	100.0	41,132	100.0
Cost of products sold	28,026	69.7	28,695	69.8
Gross profit	12,211	30.3	12,437	30.2
Expenses:				
Selling	4,150	10.2	3,897	9.5
General and administrative	1,676	4.2	1,375	3.3
	5,826	14.4	5,272	12.8
Operating income	6,385	15.9	7,165	17.4
Other income – net	90	0.2	392	1.0
Income before income taxes	6,475	16.1	7,557	18.4
Income taxes	2,596	6.5	3,030	7.4
Net income	\$3,879	9.6	\$4,527	11.0
Earnings per share				
Basic	\$0.14		\$0.17	
Diluted	\$0.14		\$0.17	
Cash dividends per share	\$0.20		\$0.20	
Average shares outstanding				
Basic	26,911		26,911	
Diluted	27,008		26,911	

Sturm, Ruger & Company, Inc.

Condensed Consolidated Balance Sheet

(unaudited)

(in thousands)

	March 31
	2004
Assets	
Cash and cash equivalents	\$2,861
Short-term investments	48,091
Trade receivables, net	16,851
Inventories	48,533
Deferred income taxes	7,523
Prepaid expenses and other current assets	1,624
Total current assets	125,483
Property, plant and equipment	156,839
Less depreciation	(129,940)
	26,899
Deferred income taxes	7,907
Other assets	9,989
Total	\$170,278
Liabilities and Stockholders' Equity	
Trade accounts payable and accrued expenses	\$5,004
Product liability	4,000
Employee compensation	6,601
Workers' compensation	6,007
Income taxes	2,386
Total current liabilities	23,998
Accrued pension liability	4,738
Deferred income taxes	7,645
Product liability accrual	1,760
Stockholders' equity	132,137
Total	\$170,278