

Sturm, Ruger & Company, Inc.

Third Quarter Report 2005



TO OUR STOCKHOLDERS:

Sturm, Ruger & Company, Inc. financial results for the third quarter 2005 were net sales of \$35.1 million, compared to \$35.4 million in the third quarter 2004. The Company reported a net loss for the quarter ended September 30, 2005 of \$1.0 million or \$0.04 per share compared to a break-even result in the comparable quarter of 2004. For the nine months ended September 30, 2005, net sales were \$113.7 million and net income was \$2.7 million, or \$0.10 per share. For the corresponding period in 2004, net sales were \$108.3 million and net income was \$3.4 million, or \$0.13 per share.

While firearms sales were essentially flat for the quarter, they remain 4% ahead of last year for the nine months ended September 30, 2005 due largely to the continued popularity of the new family of Ruger Mark III pistols and the Ruger P345 centerfire pistols. Also in high demand are the family of Ruger new Vaqueros, the 50th Anniversary Ruger Blackhawk, the new family of Ruger Ranch Rifles and the Ruger Super Redhawk Alaskan. I am pleased to report that as a result of much hard work, shipments of our new revolver and rifle models improved during the latter portion of the third quarter. Nevertheless, in

order to better satisfy the demand for these new models, further improvements to our production processes continue, and remain the top priority in our firearms divisions.

During the quarter, the Company also introduced the Ruger 10/22 Compact Model, a new version of the world's most popular .22 autoloading rifle featuring a 16 1/8" barrel, a correctly proportioned wood stock having a 12 3/4" length of pull and rifle-type buttplate, and advanced fiber optic adjustable sights. Public acceptance of this short, fast-handling, easy to carry rifle has been remarkable. This latest addition to the Ruger line of quality firearms is now in regular production, and demand for it is strong.

I am also pleased to report that year-to-date casting sales remain 9% ahead of last year, and operating results for this business segment are improved. We are determined to succeed in this market.

The Company continues to prevail on the legal front. On September 26, 2005, the lawsuit filed by the City of Cleveland against the Company and other members of the firearms industry was dismissed by the United States District Court, Northern District of Ohio, Eastern division. In addition to the dismissal of this lawsuit, we are again encouraged by the continuing decline in firearms accidents and related injuries to 100-year record low levels. The number of "conventional" product liability lawsuits against the Company also remains at an historic low.

Further, both the United States Senate and House of Representatives passed "The Protection of Lawful Commerce in Arms Act" on bipartisan votes, and President Bush signed this important legislation into law on October 26, 2005. This action reaffirmed the basic principle that manufacturers of lawfully sold, non-defective products should not be held liable in the event of subsequent criminal misuse of these products, over which manufacturers have no control. The first municipal lawsuit against the American firearms industry was filed almost seven years ago by the City of New Orleans, and over thirty cities and counties subsequently instituted similar litigation. Most of these cases have been dismissed by trial or appellate courts, but only at great expense to both taxpayers and the firearms industry. Motions to dismiss the few remaining cases will be filed shortly, based on this new law of the land, which now prohibits filing, and indeed requires dismissal of, such lawsuits.

We regret that our long-time friend and Director Townsend Hornor passed away on September 11, 2005, following a brief but courageous battle with cancer. Townie worked diligently over the 33 years of his association with the Company in our best interests and to our great benefit, and will be greatly missed by those privileged to know and work with him. Following his death, the Board of Directors voted at its October 20, 2005 meeting to reduce the number of Directors from eight to seven.

At September 30, 2005, we remain debt free, with \$21.7 million in cash and short-term investments. However, because the Company's present earnings do not support the dividend, on October 20, 2005, the Board of Directors, exercising fiscal prudence and conservatism in monitoring the financial status of the Company and the best use of its current assets, temporarily suspended the regular quarterly dividend. The understanding of our loyal stockholders as we strive to maximize our operating efficiencies and shareholder value during this challenging time is greatly appreciated, and we are confident that we will succeed in meeting these necessary goals.

William B. Ruger, Jr.
Chairman and Chief Executive Officer
November 8, 2005

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 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 Statements of Income
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30				Nine Months Ended September 30			
	2005	%	2004	%	2005	%	2004	%
Firearms sales	\$29,006	82.7	\$29,063	82.1	\$96,826	85.1	\$92,798	85.7
Castings sales	6,084	17.3	6,317	17.9	16,918	14.9	15,531	14.3
Net sales	35,090	100.0	35,380	100.0	113,744	100.0	108,329	100.0
Cost of products sold	30,190	86.0	30,382	85.9	91,351	80.3	86,358	79.7
Gross profit	4,900	14.0	4,998	14.1	22,393	19.7	21,971	20.3
Expenses:								
Selling	4,841	13.8	4,504	12.7	13,051	11.5	12,519	11.6
General and administrative	1,729	4.9	1,410	4.0	4,991	4.4	4,747	4.4
	6,570	18.7	5,914	16.7	18,042	15.9	17,266	16.0
Operating income (loss)	(1,670)	(4.7)	(916)	(2.6)	4,351	3.8	4,705	4.3
Gain on sale of real estate	0	0.0	874	2.5	0	0.0	874	0.8
Other income – net	35	0.1	9	0.0	156	0.1	92	0.1
Total other income	35	0.1	883	2.5	156	0.1	966	0.9
Income(loss) before income taxes	(1,635)	(4.6)	(33)	(0.1)	4,507	3.9	5,671	5.2
Income taxes (benefit)	(656)	(1.9)	(13)	0.0	1,807	1.6	2,274	2.1
Net income (loss)	(\$979)	(2.7)	(\$20)	(0.1)	\$2,700	2.3	\$3,397	3.1
Earnings per share								
Basic	(\$0.04)		\$0.00		\$0.10		\$0.13	
Diluted	(\$0.04)		\$0.00		\$0.10		\$0.13	
Cash dividends per share	\$0.10		\$0.10		\$0.30		\$0.50	
Average shares outstanding								
Basic	26,911		26,911		26,911		26,911	
Diluted	26,911		26,911		26,911		26,940	

Sturm, Ruger & Company, Inc.
Condensed Balance Sheet
(unaudited)
(in thousands)

	September 30 2005
Assets	
Cash and cash equivalents	\$3,295
Short-term investments	18,447
Trade receivables, net	19,600
Inventories	52,749
Deferred income taxes	6,179
Prepaid expenses and other assets	5,306
Total current assets	105,576
Property, plant and equipment	162,119
Less depreciation	(136,041)
	26,078
Deferred income taxes	833
Other assets	8,788
Total	\$141,275
Liabilities and Stockholders' Equity	
Trade accounts payable and accrued expenses	\$4,594
Product liability	1,584
Employee compensation	6,402
Workers' compensation	5,433
Income taxes	910
Total current liabilities	18,923
Accrued pension liability	6,465
Product liability accrual	1,092
Stockholders' equity	114,795
Total	\$141,275