

Sturm, Ruger & Company, Inc.

Second Quarter Report 2005



TO OUR STOCKHOLDERS:

In the second quarter of 2005, net sales were \$34.4 million, compared to \$32.7 million in the second quarter of 2004, producing break-even results for the second quarter of 2005, as compared to a net loss of \$0.5 million or \$0.02 per share in the second quarter of 2004. For the six months ended June 30, 2005, net sales were \$78.7 million and net income was \$3.7 million, or \$0.14 per share. For the corresponding period in 2004, net sales were \$73.0 million and net income was \$3.4 million, or \$0.13 per share.

Firearm unit shipments in the second quarter increased 11% from the prior year due to strong demand and shipments of the new family of Ruger Mark III .22 caliber pistols, the Ruger P345 centerfire pistols, and Ruger 10/22 rifles. Shipments of our 10/22 rifles were enhanced by a dealer-driven rebate program in effect in May and June. Also in high demand are the new family of Ruger Vaqueros, the 50th Anniversary Ruger Blackhawk, the new family of Ruger Ranch Rifles and the Ruger Super Redhawk Alaskan. Though production engineering shortcomings have significantly curtailed shipments of these new products up until late summer, these problems have now largely been rectified, and we look forward to significantly

increased new revolver and rifle shipments in the latter half of the year.

Our castings business continues to improve. We are pleased with the 18% increase in sales in the first half of the year and substantial improvement in this segment's operations from 2004.

On the legal front, we are gratified that the United States Senate has passed the "Protection of Lawful Commerce in Arms Act" by a 2-to-1 majority, which reaffirms 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. Court after court has affirmed our strong belief that the law should not be used by advocacy groups to allow legislation from the bench, particularly in such heavily regulated areas as firearms sales, ownership and use. Our industry has successfully withstood this heavy onslaught by trial lawyers, gun control extremists, and opportunistic politicians who would impose absolute liability on us for acts which we could not possibly control in order to run us out of business and deprive law-abiding consumers of their constitutional right to bear arms. We urge the House to pass, and President Bush to sign, this important legislation immediately.

On April 21, 2005, the District of Columbia Court of Appeals issued an en banc opinion unanimously affirming dismissal of all the District's common law claims, including "negligence" and "public nuisance", against all defendants in the Washington, D.C. municipal lawsuit against the Company and other members of the firearms industry. However, the court let stand individual claims of criminal assaults with "Assault Weapons" or "Machine Guns" under the District of Columbia's Strict Liability Act. At this time, the Company does not believe that any of its firearms are implicated, but the language of this statute is imprecise and could easily be misread to encompass many conventional types of firearms. This situation is perhaps the best example of why the "Protection of Lawful Commerce in Arms Act" described above should be the law of the land.

Violent crime is at a twenty-year low, and firearms accidents are again at an all-time low, due in part to many voluntary efforts of Sturm, Ruger and the responsible firearms industry. Also at an all-time low of one is the number of our pending traditional product liability lawsuits.

We are delighted to welcome Rear Admiral Joseph C. Strasser and Mr. John A. Cosentino, Jr. as Directors of the Company, having been elected by the Board of Directors at their July 26th meeting. RADM Strasser is the Executive Director of the Naval War College Foundation, the former President of the Naval War College, the former Dean of Pennsylvania State University's Commonwealth College, and the former Campus Executive Officer of Penn State, DuBois. He was also the Executive Assistant to the Chairman of the Joint Chiefs of Staff, the Executive Assistant to the Commander in Chief of the U.S. Pacific Command, and a

Staff Officer to the Chief of Naval Operations. Mr. Cosentino is a partner of the Ironwood Manufacturing Fund, LP and Chairman of the Board of Simonds International, the former Group Executive of the Danaher Corporation, the former Vice President of Operations for the Stanley Works, and the former President, North American Operations of United Technologies Corporation's Otis Elevator division. Messrs. Strasser and Cosentino bring valuable and diverse business experience to the Board, and their appointment will complement the already exceptional leadership skills of our Board as it guides the Company's future endeavors.

The Company remains financially solid and debt-free, with over \$33 million in cash and short-term investments as of June 30th. In light of this strong balance sheet, the Board of Directors, at its July 26th meeting, approved a quarterly dividend of \$0.10 per share payable on September 15, 2005 to stockholders of record on September 1, 2005. We again thank our customers and stockholders for their steadfast loyalty and support, which we will endeavor to continue to deserve.

William B. Ruger, Jr.
Chairman and Chief Executive Officer
August 12, 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 June 30				Six Months Ended June 30			
	2005	%	2004	%	2005	%	2004	%
Firearms sales	\$28,720	83.5	\$27,598	84.4	\$67,820	86.2	\$63,736	87.4
Castings sales	5,675	16.5	5,115	15.6	10,835	13.8	9,214	12.6
Net sales	34,395	100.0	32,713	100.0	78,655	100.0	72,950	100.0
Cost of products sold	28,750	83.6	27,951	85.4	61,162	77.8	55,977	76.7
Gross profit	5,645	16.4	4,762	14.6	17,493	22.2	16,973	23.3
Expenses:								
Selling	4,149	12.1	3,865	11.8	8,210	10.4	8,015	11.0
General and administrative	1,634	4.7	1,660	5.1	3,262	4.1	3,336	4.6
	5,783	16.8	5,525	16.9	11,472	14.5	11,351	15.6
Operating income (loss)	(138)	(0.4)	(763)	(2.3)	6,021	7.7	5,622	7.7
Other income (loss) – net	135	0.4	(7)	(0.0)	121	0.1	83	0.1
Income (loss) before income taxes	(3)	0.0	(770)	(2.3)	6,142	7.8	5,705	7.8
Income taxes	(1)	(0.0)	(309)	(0.9)	2,463	3.1	2,288	3.1
Net income (loss)	(\$2)	0.0	(\$461)	(1.4)	\$3,679	4.7	\$3,417	4.7
Earnings per share								
Basic	\$0.00		(\$0.02)		\$0.14		\$0.13	
Diluted	\$0.00		(\$0.02)		\$0.14		\$0.13	
Cash dividends per share	\$0.10		\$0.20		\$0.20		\$0.40	
Average shares outstanding								
Basic	26,911		26,911		26,911		26,911	
Diluted	26,911		26,911		26,911		26,983	

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

	June 30 2005
Assets	
Cash and cash equivalents	\$4,161
Short-term investments	28,905
Trade receivables, net	14,257
Inventories	51,571
Deferred income taxes	6,984
Prepaid expenses and other assets	2,687
Total current assets	108,565
Property, plant and equipment	161,036
Less depreciation	(134,617)
	26,419
Deferred income taxes	833
Other assets	8,679
Total	\$144,496
Liabilities and Stockholders' Equity	
Trade accounts payable and accrued expenses	\$4,108
Product liability	1,302
Employee compensation	6,519
Workers' compensation	5,653
Income taxes	935
Total current liabilities	18,517
Accrued pension liability	6,422
Product liability accrual	1,092
Stockholders' equity	118,465
Total	\$144,496