UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
October 24, 2007

STURM, RUGER & COMPANY, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	**001-10435**	**06-0633559**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

ONE LACEY PLACE, SOUTHPORT, CONNECTICUT	**06890**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code **(203) 259-7843**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On October 24, 2007, the Company issued a press release to stockholders and other interested parties regarding financial results for the third quarter and nine months ended September 30, 2007. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Current Report on Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 8.01 Other Events

The Company is furnishing a letter made available to its shareholders on October 24, 2007 (the "Letter to Shareholders"). The text of the Letter to Shareholders is attached as Exhibit 99.2 to this Current Report on Form 8-K and shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. This disclosure of the Letter to Shareholders on this Current Report on Form 8-K will not be deemed an admission as to the materiality of any information in the Report that is required to be disclosed by Regulation FD.

The Company does not have, and expressly disclaims, any obligation to release publicly any updates or any changes in the Letter to Shareholders or its expectations or any change in events, conditions, or circumstances on which any forward-looking statement is based.

The Letter to Shareholders is available on the Company's website at www.ruger.com. The Company reserves the right to discontinue that availability at any time.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press release of Sturm, Ruger & Company, Inc., dated October 24, 2007, reporting the financial results for the third quarter and nine months ended September 30, 2007.
99.2	Letter to Shareholders made available to shareholders on October 24, 2007.

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, hereunto duly authorized.

STURM, RUGER & COMPANY, INC.

By: /S/ THOMAS A. DINEEN__________
Name: Thomas A. Dineen
Title: Principal Financial Officer,
Vice President, Treasurer and
Chief Financial Officer

Dated: October 24, 2007

EXHIBIT 99.1

STURM, RUGER & CO., INC.

SOUTHPORT, CONNECTICUT 06890 U.S.A.

FOR IMMEDIATE RELEASE

STURM, RUGER & COMPANY, INC. REPORTS THIRD QUARTER 2007 RESULTS AND FILES QUARTERLY REPORT ON FORM 10-Q

SOUTHPORT, CONNECTICUT, October 24, 2007 - Sturm, Ruger & Company, Inc. (NYSE-RGR) today filed its Quarterly Report on Form 10-Q for the third quarter of 2007 and a letter to Ruger shareholders on Form 8-K, which have been posted and are available on the SEC website at www.sec.gov and the Ruger website at www.ruger.com/corporate/. The financial statements included in this Quarterly Report on Form 10-Q are attached to this press release. However, investors are urged to read the complete Form 10-Q and the letter to Ruger shareholders to ensure that they have adequate information to make informed investment judgments.

About Sturm, Ruger

Sturm, Ruger was founded in 1949. The Company's business segments are engaged in the manufacture of the world famous ***RUGER***® brand of sporting and law enforcement firearms and steel investment castings. Plants are located in Newport, New Hampshire and Prescott, Arizona. Corporate headquarters is located in Southport, Connecticut.

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, the impact of future firearms control and environmental legislation, and accounting estimates, 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.

STURM, RUGER & COMPANY, INC.

Condensed Balance Sheets (Unaudited)
(Dollars in thousands, except share data)

	September 30, 2007	December 31, 2006
Assets		
Current Assets		
Cash and cash equivalents	$ 2,706	$ 7,316
Short-term investments	60,857	22,026
Trade receivables, net	15,066	18,007
Gross inventories	60,469	87,477
Less LIFO reserve	(45,106)	(57,555)
Less excess and obsolescence reserve	(3,882)	(5,516)
Net inventories	11,481	24,406
Deferred income taxes	5,903	8,347
Prepaid expenses and other current assets	1,666	1,683
Total current assets	97,679	81,785
Property, plant and equipment	125,266	128,042
Less allowances for depreciation	(103,248)	(105,081)
Net property, plant and equipment	22,018	22,961
Deferred income taxes	1,369	3,630
Other assets	4,101	8,690
Total Assets	$125,167	$117,066

	September 30, 2007	December 31, 2006
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	$4,912	$ 6,342
Product liability	1,249	904
Employee compensation and benefits	4,847	6,416
Workers' compensation	6,000	6,547
Income taxes payable	858	1,054
Total current liabilities	17,866	21,263
Accrued pension liability	5,798	7,640
Product liability accrual	774	837
Contingent liabilities – Note 8	--	--
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 22,798,732 and 22,638,700	22,799	22,639
Additional paid-in capital	1,626	2,615
Retained earnings	87,079	74,505
Accumulated other comprehensive loss	(10,775)	(12,433)
Total Stockholders' Equity	100,729	87,326
Total Liabilities and Stockholders' Equity	$125,167	$117,066

STURM, RUGER & COMPANY, INC.

Condensed Statements of Operations (Unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net firearms sales	$29,298	$34,378	$112,535	$104,425
Net castings sales	2,565	7,234	9,892	19,890
Total net sales	31,863	41,612	122,427	124,315
Cost of products sold	26,268	35,413	88,140	99,588
Gross profit	5,595	6,199	34,287	24,727
Expenses:				
Selling	3,853	3,275	10,747	11,110
General and administrative	2,675	2,587	10,510	9,206
Pension plan curtailment charge	1,143	-	1,143	-
Impairment of assets	489	-	489	-
	8,160	5,862	22,889	20,316
Operating profit (loss)	(2,565)	337	11,398	4,411
Gain on sale of non-manufacturing assets (Notes 9 and 11)	-	-	7,085	-
Other income-net	823	1,261	1,798	1,974
Total other income	823	1,261	8,883	1,974
Income (loss) before income taxes	(1,742)	1,598	20,281	6,385
Income taxes (benefit)	(1,125)	641	7,707	2,560
Net income (loss)	($617)	$ 957	$ 12,574	$ 3,825
Earnings (loss) per share				
Basic	($0.03)	$0.04	$0.55	$0.14
Diluted	($0.03)	$0.04	$0.55	$0.14
Average shares outstanding				
Basic	22,759	26,679	22,686	26,832
Diluted	22,759	26,684	23,030	26,835

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STURM, RUGER & COMPANY, INC.

Condensed Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30, 2007	2006
Operating Activities		
Net income	$12,574	$3,825
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	3,126	3,515
Slow moving inventory valuation adjustment	(1,590)	-
Asset impairment charge	489	-
Pension plan curtailment charge	1,143	-
Stock option expense	297	64
Gain on sale of assets	(7,141)	(998)
Deferred income taxes	4,705	111
Changes in operating assets and liabilities:		
Trade receivables	2,941	(5,966)
Inventories	14,515	8,146
Trade accounts payable and other liabilities	(3,546)	1,089
Product liability	282	(339)
Prepaid expenses and other assets	(1,665)	1,959
Income taxes	(196)	(5)
Cash provided by operating activities	25,934	11,401
Investing Activities		
Property, plant and equipment additions	(3,128)	(2,417)
Proceeds from the sale of assets	12,542	1,829
Purchases of short-term investments	(49,832)	(87,064)
Proceeds from maturities of short-term investments	11,000	104,017
Cash provided by (used for) investing activities	(29,418)	16,365
Financing Activities		
Payments of employee withholding tax for cashless exercise of stock options	(1,126)	-
Repurchase and retirement of common stock	-	(25,205)
Cash (used for) financing activities	(1,126)	(25,205)
Increase (decrease) in cash and cash equivalents	(4,610)	2,561
Cash and cash equivalents at beginning of period	7,316	4,057
Cash and cash equivalents at end of period	$ 2,706	$ 6,618

EXHIBIT 99.2

To the Shareholders of Sturm, Ruger & Co., Inc.,

The third quarter of 2007 was a major disappointment, especially following the strong first and second quarters in 2007. My goal in writing this letter is to put the third quarter results into context, explaining the breadth of the ongoing transformation of Ruger, and to give you the information you need to better estimate Ruger’s intrinsic value.

I am optimistic that Ruger can grow and prosper, but the transformation will take time and progress will not always be smooth. Sometimes it will follow the old adage, “two steps forward and one step back.”

One Year Ago

With the clarity of hindsight, Ruger of one year ago could be described as facing a number of challenges in manufacturing, including excess inventory, congested factories, batch processing, and an annual order system that complicated production planning. Manufacturing involved a lot of custom gunsmithing on a mass scale. On the marketing side, Ruger had aging product lines, had reduced engineering and marketing staffs, and did not participate in some of the fastest growing market segments (more later).

The Transformation Plan (what we set out to do)

Our transformation plan included eight major components, which we spoke about in detail during the annual meeting and which are listed in the Annual Meeting Presentation on our website. Altogether, they are intended to change our culture and the way we do business, and we refer to them internally as the Ruger Business System. The key elements are modernizing our manufacturing through adoption of all of the key principles employed by Toyota, creating a strong new product development process, and instilling urgency behind new product introductions. We expect this transformation to take at least three more years, and very likely as many as five years. And it will not always go smoothly or show constant improvement in our operating results, as evidenced by the results for the first three quarters of this year. However, we expect the end result to be very favorable.

Product Manufacturing

The first major step in transformation of our manufacturing was a deliberate, severe reduction in inventory and elimination of the practices that produced it. We reduced inventory by $28.3 million in the second half of 2006 and $26.6 million in the first half of 2007.

Inventory masks problems in the production process. By reducing inventory, challenges from poor machinery and tool reliability, manufacturing issues, long machine changeover times, and vendor supply issues are all brought to the forefront. Because there is not spare inventory to draw upon, these challenges need to be addressed in real time, with a focus on permanent corrective actions that address the root cause problems. That is a very painful process in the short term, fraught with line stoppages and operating within a firefighting environment. It requires expanded engineering resources and training for front line supervisors and perseverance in the face of sometimes seemingly insurmountable obstacles.

Companies who try this sometimes lose faith and give up. The ultimate rewards though, for companies who see it through to completion, are a much better, more robust manufacturing process and a reduction in working capital that frees up cash.

We concluded during the third quarter that we had reduced component part inventories too deeply across too many product lines simultaneously, which was a principal cause of our reduced production volume during the quarter. We have consequently slowed our rapid, wide spread draw down of inventory and increased the foundry output to replenish component part shortages. Inventory was relatively unchanged during the third quarter of 2007, declining only $0.4 million. We expect inventory to continue to decline in the aggregate, but at a slower pace than in the past year; the remaining excess inventory is largely in component parts for slower moving products or in raw material. The large excess of components in faster moving products and finished goods from one year ago has now been largely consumed.

The next major steps in the manufacturing transformation include setting up manufacturing cells, which convert materials into finished goods or key subassemblies in one area and which emphasize flow production rather than batch production, and implementing pull systems. Cell manufacturing and pull systems are a major departure from the old-style, batch process centers. Currently we have the initial cells in place for approximately one half of our manufacturing and assembly processes.

Product Demand

Ruger has a very strong brand reputation for rugged, reliable firearms products priced at a good value to consumers. For decades, Ruger introduced innovative designs on a regular basis, stimulating consumer demand. That strength has waned in the past few years with the passing of Bill Ruger, Sr. and a weakening of the product development resources at Ruger. Now, some of Ruger's older product lines are less innovative than recent offerings from competitors. Moreover, Ruger does not participate in some of the fastest growing segments of the consumer firearms market.

We strongly believe that innovative new products, introduced on a regular basis, are key to generating demand and higher gross margins. Consequently, we have made a concerted effort in the past year to hire new personnel to augment and rebuild our engineering and marketing staff. We have initiated a formal product planning process and we are soliciting and utilizing the "voice of the customer" to help us determine key features on new products. We are training our product development teams to use a formal tollgate process to develop new products, and we are emphasizing design for manufacturability and reducing time to market.

Ruger has not participated in some of the fastest growing segments of the consumer firearms market. These segments, which include AR-15 style rifles, compact carry pistols and revolvers, and striker-fired, auto-loading pistols, have recently been the engines of growth in the consumer firearms market. Several of our top distributors have experienced growth rates in one or more of these categories in excess of 40% for the first nine months of the year. We plan to develop products for several of these markets. We recently had a very successful launch of our new striker-fired, auto-loading pistol, the Ruger SR9.

All of the major consumer firearms manufacturers have a history of building prototypes of new products, announcing them to great fanfare and publicity, and then struggling to bring them into production over the next year or two. Ruger is no exception to that poor legacy. With our SR9 launch however, we listened to feedback from firearms retailers around the country who complained bitterly that the industry's traditional product launch sequence wasted consumer excitement and squandered goodwill. So we took an entirely different approach to launching the new Ruger SR9. With the SR9 launch, we shipped more than 2,000 units to retailers prior to announcing the product. We further took advantage of the internet to publicize the exciting new features of the SR9 and drive consumer traffic into the retailers. The launch was a success and there is significant demand for this new product.

Other Transformation Steps

We are taking steps to monetize the under-utilized assets on our balance sheet. To date we have sold under-utilized real property assets, foundry equipment, titanium raw material, and artwork, and have generated approximately $19 million in pre-tax cash flow. Inventory has been reduced by approximately $55 million in the last 15 months, and we expect further long-term reduction, albeit at a much slower pace. Finished goods and work-in-process components are turning in excess of three times per year for current catalog SKUs. There are, however, considerable amounts of raw material, principally steel and wood, still to be consumed prior to achieving even modest inventory turns for those materials. There are also excess amounts of work-in-process components for certain slow-moving SKUs, but we believe we are adequately reserved for those amounts.

We are very sensitive to the large amount of cash on our balance sheet, much of which has been generated in the past 15 months. Our intention, as stated at the most recent Annual Meeting, is to look for opportunities to add shareholder value, or to return the cash we have generated to our shareholders. Possibilities for adding shareholder value include acquisitions, share repurchases, a special one-time dividend, and regular quarterly dividends. We have recently hired an executive experienced in acquisitions to lead our effort in identifying potential acquisition opportunities. Although only onboard for a short time, he has had a favorable reception from other companies in the consumer firearms and accessories industry and has made initial visits to a number of companies. If we are successful in finding reasonably priced acquisition opportunities that we believe will strengthen Ruger and add shareholder value, we will pursue them.

As stated previously, our Board of Directors has authorized us to purchase Ruger shares on the open market, spending up to $20 million, if we believe it would significantly enhance shareholder value. We have not purchased any Ruger shares since September of 2006, when we bought back substantially all of the Ruger family-owned shares at $5.90 per share.

As stated at our most recent Annual Meeting, we intend to defer authorization of a regular dividend until we are confident that our transformation of Ruger is far enough along to produce regular quarterly operating earnings. Our Board of Directors considers the issue every quarter, but our third quarter results show that we are not there yet. Additionally, we might consider a special, one-time dividend in the future, but only if we believe that other opportunities to enhance shareholder value are unlikely to materialize within a reasonable time.

Our employees are a critical part of the transformation of Ruger. We have added new employees and skills in key areas, and shifted the management style from top-down to one that more fully engages all levels in decision-making and responsibility for performance. We have changed our internal measurements and our compensation systems to emphasize performance. Additionally, we have shifted our retirement benefits from defined-benefit plans to defined-contribution plans. This was done to offer the more modern benefits available with 401(k) plans as well as to avoid the long-term legacy cost overhang to Ruger typically inherent in defined-benefit pension plans.

Investor Communications

Late in 2006, we discontinued the narrative portion of our quarterly financial press release. We felt that the transformation of Ruger, as described in this letter, raised issues that were too complex to be addressed in a brief press release and were better addressed in the detail of quarterly SEC filings.

Please read our quarterly filings, especially the section titled, "Management's Discussion & Analysis of Financial Condition and Results of Operation" (the "MD&A"). We have included more value-relevant information in it to improve transparency and tried to enhance its readability. Our quarterly SEC filings are available on the internet at www.sec.gov and www.ruger.com/corporate/. If you would like to receive notice of our SEC filings and other press releases by email, you may sign up for this service at www.ruger.com/corporate/.

Because of the complexity of issues during the transformation of Ruger – and associated complex accounting transactions – we have developed additional formats for internal analysis of our business. One of these formats attempts to determine a "performance gross margin." Performance gross margin, as we define it, is a measure of gross margin before taking into account the impact of LIFO and overhead rate adjustments to inventory, and before product liability expenses. We disclose this format in the MD&A section of our quarterly filings. Our purpose in looking at performance gross margin is to better evaluate factory performance over a short reporting period, such as a month or quarter, and not have large adjustments to inventory value or product liability expense obfuscate the underlying factory performance.

2007	**Q3**		**Q2**		**Q1**	
Net sales	$31,863	100%	$42,107	100%	$48,456	100%
Total cost of products sold, before LIFO and overhead rate adjustments to inventory and product liability	(25,462)	-80%	(31,479)	-75%	(35,560)	-73%
Performance gross margin	**6,401**	**20%**	**10,628**	**25%**	**12,896**	**27%**
LIFO income (expense)	237	1%	6,144	15%	4,423	9%
Overhead rate adjustment to inventory	(760)	-2%	(2,827)	-7%	(1,400)	-3%
Product liability	(283)	-1%	(817)	-2%	(355)	-1%
Gross margin	$5,595	18%	$13,128	31%	$15,564	32%

* Performance Gross Margin is a measure of gross margin before taking into account the impact of LIFO and overhead rate adjustments to inventory, and before product liability expenses.

Another internal reporting format, intended to help us analyze comparative, underlying operating performance in consecutive quarters is the following:

2007	**Q3**	**Q2**	**Q1**
Units ordered	80,927	115,312	175,729
Production in units	100,781	131,999	127,237
Shipments in units	98,590	129,649	141,736
Daily shipments	1,700	2,058	2,250
Reported operating income	$(2,565)	$6,048	$7,915
Adjustments to analyze underlying performance			
LIFO	(237)	(6,144)	(4,423)
O/H rate	760	2,827	1,400
Severances	132	190	1,038
E&O reserve	(122)	(443)	(1,025)
Pension curtailment	1,143	-	-
Asset impairment	489	-	-
Recorded product liability	283	817	355
Total adjustments	2,448	(2,753)	(2,655)
Underlying performance comparison	$(117)	$3,295	$5,260

As a result of reviewing the data in this format, we have estimated that our break-even volume is approximately 1,700 to 1,800 firearms per day. Amounts above our break-even volume contribute approximately $1 million of pre-tax operating profit per quarter for each additional 100 firearms per day for the full quarter. I emphasize “approximately,” because this measure is very mix dependent and the mix does change to some degree each quarter for a variety of reasons. Our efforts to transform Ruger are intended, over the long term, to reduce our break-even level and to increase demand for our products. Additional unit data, including inventory data, are available in the MD&A section of the quarterly SEC filings.

Finally, we believe that a relevant factor in determining the intrinsic value of Ruger is the amount of cash Ruger generates. Key cash flow data is presented in the Statements of Cash Flow included in our quarterly SEC filings. We also use the following internal reporting format to provide a historical baseline for estimating Ruger’s cash flow prospects. This format separates cash flows from operations, other income, capital expenditures and balance sheet changes.

Cash from 2007 Operations	Q3	Q2	Q1
Operating profit as reported	$(2,565)	$6,048	$7,915
Less non-cash (income) expense:			
Depreciation	1,018	1,017	1,091
LIFO (income) expense	(237)	(6,144)	(4,423)
O/H rate change (income) expense	760	2,827	1,400
E&O (accrual) reversal	(122)	(443)	(1,025)
Pension curtailment	1,143	-	-
Asset impairment	489	-	-
Pre-tax cash from operating profit	**486**	**3,305**	**4,958**
Pre-tax cash from other income			
Cash proceeds from sale of non-manufacturing assets	57	5,106	7,379
Interest income	772	746	448
Other income	51	(111)	(108)
Pre-tax cash from other income	**880**	**5,741**	**7,719**
Income Taxes	**1,124**	**(3,435)**	**(5,396)**
Cash used for capital expenditures	**(1,824)**	**(564)**	**(740)**
Cash from balance sheet changes			
(Increase) decrease in accounts receivable	(1,607)	3,712	836
(Increase) decrease in inventory (net of adjustments listed above)	(311)	6,853	13,791
(Increase) decrease in prepaids and other assets	(2,305)	558	321
(Increase) decrease in deferred income taxes	2,825	972	908
Increase (decrease) in payables and other liabilities	(1,647)	(518)	(1,381)
Increase (decrease) in product liability	(90)	523	(151)
Increase (decrease) in income taxes	(3,412)	(642)	3,858
Tax withholdings on exercise of stock options	(1,126)	-	-
Cash generated from balance sheet	**(7,673)**	**11,458**	**18,182**
Net cash generated for shareholders	**$(7,007)**	**$16,505**	**$24,723**

Pre-tax cash from operating profit: this a measure of the cash generated from operating profit after adjustment for significant non-cash income or expense items such as depreciation, LIFO and overhead rate adjustments to inventory, and product liability accruals. Certain of these non-cash income or expense items are large compared to the results of the underlying operations and separating them out makes it easier to understand the historical cash generation of the underlying operations. The reduction of cash operating profit in the third quarter is directly attributable to our reduced operating performance during the period.

Pre-tax cash from other income: this is primarily from the sale of non-manufacturing assets and interest income. The cash from the sale of non-manufacturing assets is almost entirely comprised of the proceeds from the sale of unutilized real estate in New Hampshire and Arizona. While there are still two Ruger-owned real estate properties in Connecticut for sale, they are not as valuable as the properties already sold and it may be some time before they sell due to the weakening real estate market.

Cash used for capital expenditures: this is a measure of the investments that we are making in our own operations, primarily to purchase tooling for new products and to upgrade our manufacturing equipment. Because of our stronger emphasis on new product development at Ruger, there will likely be greater investment in tooling and equipment in future years.

Cash from balance sheet changes: this reflects the cash generated or consumed by changes in the assets and liabilities of Ruger. The significant reduction in inventory is principally responsible for the cash generated by balance sheet changes in the first half of 2007. Cash generation from inventory reduction is not expected to be as significant in future years as it was in the first half of 2007.

Summary

Demand rate: Short term demand at Ruger has been affected by a variety of reasons (discussed in the MD&A section of our quarterly filings), but the major long-term demand issues are having sufficient new products and participation in growing market segments rather than shrinking market segments. We are investing more in new product development and we are planning to target the growing market segments. We have just launched a major new platform product into one of the growth segments, our new Ruger SR9. You can learn more about it at www.ruger.com/SR9/.

Production rate: I believe that we took component inventory down too fast as a part of going lean and realized late that it was uncovering too many production, design-for-manufacturability, and vendor problems simultaneously. It hurt production more than we anticipated, and we are having trouble getting it back up fast enough to increase our production rates.

I see strong opportunities ahead of us for Ruger to grow and prosper. Ruger has a popular brand, a strong balance sheet, hard-working, dedicated employees, a strong Board of Directors, and a clear plan to transform the business. We have made significant progress to date. The transformation of Ruger will take several years and the road will not always be smooth, but we anticipate the effort will deliver enhanced shareholder value.

Michael O. Fifer
Chief Executive Officer

October 24, 2007

Certain information relating to projection of the Company's future results is forward-looking and involves risks, uncertainties and assumptions that could cause actual future results to materially differ from the forward-looking information. A discussion of some of the factors that individually or in the aggregate we believe could make our actual future results differ materially from such projections can be found under Item 1A Risk Factors in our Annual Report on Form 10-K filed with the SEC on March 5, 2007. Our quarterly SEC filings are available on the internet at www.sec.gov and www.ruger.com/corporate/.