

**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 29, 2008**

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

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation)

**001-10435**  
(Commission File Number)

**06-0633559**  
(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 29, 2008, the Company issued a press release to stockholders and other interested parties regarding financial results for the third quarter and nine months ended September 27, 2008. 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 29, 2008 (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](http://www.ruger.com). The Company reserves the right to discontinue that availability at any time.

On October 29, 2008, Sturm, Ruger & Company, Inc. issued a press release in which it announced that it has recently received a small number of reports from the field indicating that LCP pistols can discharge when dropped onto a hard surface with a round in the chamber. All LCP pistols bearing the prefix “370” (that is, serial number 370-xxxxx) may be affected. The retrofit involves installation of an upgraded hammer mechanism at no charge to the customer. A copy of the press release is set forth in the attached Exhibit 99.3.

## **Item 9.01 Financial Statements and Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release of Sturm, Ruger & Company, Inc., dated October 29, 2008, reporting the financial results for the third quarter and nine months ended September 27, 2008.
99.2	Letter to Shareholders made available to shareholders on October 29, 2008.

99.3 Press Release of Sturm, Ruger & Company, Inc. dated October 29, 2008 announcing that it has recently received a small number of reports from the field indicating that LCP pistols can discharge when dropped onto a hard surface with a round in the chamber. All LCP pistols bearing the prefix “370” (that is, serial number 370-xxxxx) may be affected. The retrofit involves installation of an upgraded hammer mechanism at no charge to the customer.

### **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 29, 2008



# **STURM, RUGER & CO., INC.**

**SOUTHPORT, CONNECTICUT 06890 U.S.A.**

FOR IMMEDIATE RELEASE

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

SOUTHPORT, CONNECTICUT, October 29, 2008--Sturm, Ruger & Company, Inc. (NYSE-RGR), today filed its Quarterly Report on Form 10-Q for the third quarter of 2008 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](http://www.sec.gov) and the Ruger website at [www.ruger.com/corporate/](http://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 shareholders to ensure that they have adequate information to make informed investment judgments.

For the third quarter of 2008, the Company reported net sales of \$41.8 million and earnings per share of \$0.02, compared with sales of \$31.9 million and a loss per share of \$(0.03) in the third quarter of 2007.

Chief Executive Officer, Michael O. Fifer made the following comments related to the third quarter of 2008:

- Our sales grew 31% from the third quarter of 2007 and 8% from the second quarter of 2008, primarily on the strength of new product shipments.
- At the end of the quarter, our cash, cash equivalents and short-term investments totaled \$22.6 million. Our pre-LIFO working capital of \$91.6 million, less the LIFO reserve of \$47.5 million, resulted in working capital of \$44.1 million and a current ratio of 2.8 to 1.
- To enhance and protect our strong liquidity in reaction to the recent turmoil in the financial markets, in late October we drew down \$1 million from our \$25 million credit facility to ensure our access to it, and moved approximately \$16 million from money market funds investing in Treasury Bills to direct investments in Treasury Bills.
- The Company has completed its share repurchase announced in April 2008. Under a 10b5-1 program that expired on October 17, the Company repurchased a total of 1.5 million shares of its common stock for \$9.9 million in the open market, representing 7.2% of the outstanding shares, at an average price per share of \$6.59. At the completion of this program and before drawing on the credit line, cash and equivalents were approximately \$20 million and there were 19.1 million shares outstanding.
- Recently, the Company received a small number of reports from the field that its LCP pistols can discharge if dropped onto a hard surface. Although no injuries were reported, the Company recalled all LCP pistols in October 2008 to offer free safety upgrades. The estimated cost of this retrofit program of approximately \$2.3 million was recorded in the third quarter of 2008 and had the impact of reducing earnings per share by \$0.07 in the quarter. This safety upgrade program is expected to be in effect for several years.

## About Sturm, Ruger

Sturm, Ruger was founded in 1949 and is one of the nation's leading manufacturers of high-quality firearms for the commercial sporting market. Sturm, Ruger is headquartered in Southport, CT, with manufacturing facilities located in Newport, NH and Prescott, AZ.

*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 27, 2008	December 31, 2007
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 2,580	\$ 5,106
Short-term investments	20,035	30,504
Trade receivables, net	19,504	15,636
Gross inventories	67,667	64,330
Less LIFO reserve	(47,454)	(46,890)
Less excess and obsolescence reserve	(3,383)	(4,143)
Net inventories	16,830	13,297
Deferred income taxes	5,829	5,878
Prepaid expenses and other current assets	3,830	3,091
Total current assets	68,608	73,512
Property, plant and equipment	125,407	126,496
Less allowances for depreciation	(100,467)	(104,418)
Net property, plant and equipment	24,940	22,078
Deferred income taxes	3,542	3,626
Other assets	2,921	2,666
<b>Total Assets</b>	<b>\$100,011</b>	<b>\$101,882</b>

STURM, RUGER & COMPANY, INC.

September 27, 2008

December 31, 2007

Liabilities and Stockholders' Equity

Current Liabilities

Trade accounts payable and accrued expenses	\$ 10,927	\$ 8,102
Product liability	1,034	1,208
Employee compensation and benefits	5,753	4,860
Workers' compensation	5,003	5,667
Income taxes payable	1,743	411
<b>Total current liabilities</b>	<b>24,460</b>	<b>20,248</b>

Accrued pension liability	2,721	4,840
Product liability accrual	637	725
Contingent liabilities	--	--

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; 22,798,732 issued and 19,458,943 and 20,571,817 outstanding	22,799	22,788
Additional paid-in capital	2,394	1,836
Retained earnings	87,741	84,834
Less: Treasury stock – 3,339,789 and 2,215,995 shares, at cost	(27,352)	(20,000)
Accumulated other comprehensive loss	(13,389)	(13,389)
<b>Total Stockholders' Equity</b>	<b>72,193</b>	<b>76,069</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$100,011</b>	<b>\$101,882</b>



STURM, RUGER & COMPANY, INC.

Condensed Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 27, 2008	September 30, 2007	September 27, 2008	September 30, 2007
Net firearms sales	\$40,318	\$29,298	\$117,186	\$112,535
Net castings sales	1,504	2,565	5,806	9,892
<b>Total net sales</b>	<b>41,822</b>	<b>31,863</b>	<b>122,992</b>	<b>122,427</b>
Cost of products sold	34,964	26,268	96,985	88,140
<b>Gross profit</b>	<b>6,858</b>	<b>5,595</b>	<b>26,007</b>	<b>34,287</b>
Expenses:				
Selling	3,864	3,853	12,350	10,747
General and administrative	2,615	2,675	9,524	10,510
Pension plan curtailment charge	-	1,143	-	1,143
Other operating expenses, net	-	489	-	489
<b>Total expenses</b>	<b>6,479</b>	<b>8,160</b>	<b>21,874</b>	<b>22,889</b>
<b>Operating income (loss)</b>	<b>379</b>	<b>(2,565)</b>	<b>4,133</b>	<b>11,398</b>
Other income:				
Gain on sale of real estate	-	-	-	7,085
Interest income	72	772	352	1,966
Other income (expense), net	150	51	204	(168)
<b>Total other income, net</b>	<b>222</b>	<b>823</b>	<b>556</b>	<b>8,883</b>
Income (loss) before income taxes	601	(1,742)	4,689	20,281
Income taxes (benefit)	229	(1,125)	1,782	7,707
<b>Net income (loss)</b>	<b>\$ 372</b>	<b>(\$ 617)</b>	<b>\$ 2,907</b>	<b>\$ 12,574</b>
Earnings (loss) per share				
Basic	<u>\$0.02</u>	<u>(\$0.03)</u>	<u>\$0.14</u>	<u>\$0.55</u>
Diluted	<u>\$0.02</u>	<u>(\$0.03)</u>	<u>\$0.14</u>	<u>\$0.55</u>
Average shares outstanding				
Basic	<u>20,047</u>	<u>22,759</u>	<u>20,398</u>	<u>22,686</u>
Diluted	<u>20,054</u>	<u>22,759</u>	<u>20,429</u>	<u>23,030</u>

STURM, RUGER & COMPANY, INC.

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

	Nine Months Ended	
	September 27, 2008	September 30, 2007
<b>Operating Activities</b>		
Net income	\$2,907	\$12,574
Adjustments to reconcile net income to cash (used for) provided by operating activities:		
Depreciation	3,518	3,126
Slow moving inventory valuation adjustment	280	(1,590)
Asset impairment charge	-	489
Pension plan curtailment charge	-	1,143
Stock option expense	419	297
Gain on sale of assets	(95)	(7,141)
Deferred income taxes	133	4,705
Changes in operating assets and liabilities:		
Trade receivables	(3,868)	2,941
Inventories	(3,813)	14,515
Trade accounts payable and accrued expenses	3,054	(3,546)
Product liability	(263)	282
Prepaid expenses, other assets and other liabilities	(2,963)	(1,665)
Income taxes	1,333	(196)
<b>Cash provided by operating activities</b>	<b>642</b>	<b>25,934</b>
<b>Investing Activities</b>		
Property, plant and equipment additions	(6,380)	(3,128)
Proceeds from the sale of assets	95	12,542
Purchases of short-term investments	(21,931)	(49,832)
Proceeds from maturities of short-term investments	32,400	11,000
<b>Cash provided by (used for) investing activities</b>	<b>4,184</b>	<b>(29,418)</b>
<b>Financing Activities</b>		
Payments of employee withholding tax for cashless exercise of stock options	-	(1,126)
Repurchase of common stock	(7,352)	-
<b>Cash (used for) financing activities</b>	<b>(7,352)</b>	<b>(1,126)</b>
Decrease in cash and cash equivalents	(2,526)	(4,610)
Cash and cash equivalents at beginning of period	5,106	7,316
<b>Cash and cash equivalents at end of period</b>	<b>\$2,580</b>	<b>\$ 2,706</b>



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

The third quarter of 2008 was a significant improvement over the third quarter of last year, but also saw a setback for our popular LCP pistol.

- Our sales grew 31% from the third quarter of 2007 and 8% from the second quarter of 2008, primarily on the strength of new product shipments.
- At the end of the quarter, our cash, cash equivalents and short-term investments totaled \$22.6 million. Our pre-LIFO working capital of \$91.6 million, less the LIFO reserve of \$47.5 million, resulted in working capital of \$44.1 million and a current ratio of 2.8 to 1.
- To enhance and protect our strong liquidity in reaction to the recent turmoil in the financial markets, in late October we drew down \$1 million from our \$25 million credit facility to ensure our access to it, and moved approximately \$16 million from money market funds investing in Treasury Bills to direct investments in Treasury Bills.
- The Company has completed its share repurchase announced in April 2008. Under a 10b5-1 program that expired on October 17, the Company repurchased a total of 1.5 million shares of its common stock for \$9.9 million in the open market, representing 7.2% of the outstanding shares, at an average price per share of \$6.59. At the completion of this program and before drawing on the credit line, cash and equivalents were approximately \$20 million and there were 19.1 million shares outstanding.
- Recently, the Company received a small number of reports from the field that its LCP pistols can discharge if dropped onto a hard surface. Although no injuries were reported, the Company initiated a recall of all LCP pistols in October 2008 to offer free safety upgrades. The estimated cost of this retrofit program of approximately \$2.3 million was recorded in the third quarter of 2008 and had the impact of reducing earnings per share by \$0.07 in the quarter. This safety upgrade program is expected to be in effect for several years.

My goal in writing this letter is to put the third quarter results into context, update you on the ongoing transformation of Ruger, and to give you the information you need to better estimate Ruger's intrinsic value.

In the letter I wrote to Shareholders last year, I commented: “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.” That is still true today.

## Two Steps Forward

**Product Demand:** One of the most important activities at Ruger is new product development – innovation is the surest path to improved demand and higher margins. Ruger has introduced two major new products in the last 12 months: the 9mm SR9 striker-fired, full-size pistol and the .380 LCP lightweight compact pistol. Both firearms took Ruger into new product categories where it had not previously participated and both have drawn considerable consumer interest. In addition to generating significant sales of their own, they have also raised consumer awareness of the Ruger brand and helped sales of other, more established Ruger products. In the third quarter of 2008, demand for all Ruger pistols – and many of the other products – was much higher than it was in the comparable period one year ago, and was higher without the benefit of sales promotions that were in effect one year ago. Higher pistol sales, good gross margins, and lower promotional expenses all contributed to the improvement in earnings.

**Manufacturing:** Transforming Ruger into a lean organization, as in the Toyota model of lean, is a second major focus at Ruger. We have made steady progress in the past year, and today many of the major-parts machining and final assembly areas are organized in single-piece flow cells. This has had tangible benefits of improved labor efficiency, faster throughput times, and reduced work-in-process inventory in those areas. Moreover, production rates, which started to increase late in 2007, continue to improve in 2008. In the third quarter of 2008, we produced 58% more units than we did in the third quarter of 2007.

The following chart illustrates the progress made in improving our labor-related expenses and our non-labor overhead expenses, both measured as percent of the sales value of firearms production (“SVP”) during each quarter. SVP is defined as units produced in the period multiplied by their standard unit sales price, and is used in this chart below instead of sales to eliminate the impact of differences in mix between production and sales and changes in inventory during the periods.

	<u>Q3</u> <u>2008</u>	<u>Q2</u> <u>2008</u>	<u>Q1</u> <u>2008</u>	<u>Q4</u> <u>2007</u>
(Labor expenses) / SVP	0.27	0.28	0.32	0.38
Non-labor overhead / SVP	0.13	0.16	0.13	0.22

We still have a long way to go with just the basics of establishing lean methodologies; the immediate focus going forward with lean is on establishing single-piece flow cells for our small-parts manufacturing and for the new products we are developing. In addition to setting up flow cells, the next phase of the lean transition includes the development of pull systems to link the assembly cells, component manufacturing cells, our foundry and our outside parts suppliers. Finally, a number of the older product lines, including double-action revolvers and No. 1 rifles for example, continue to have demand that exceeds our production capacity and we are working diligently to re-engineer those designs for improved manufacturability.

**Liquidity:** Liquidity is very important in today's uncertain economy and tight credit market. Ruger has a strong balance sheet, with approximately \$20 million in cash and equivalents. Additionally, our accounts receivable balance is more than 98% current, with tight terms and standby letters of credit in place from most of our customers. Finally, our current ratio at the end of the third quarter was 2.8 to 1 after netting out a LIFO reserve of \$47.5 million. Our current ratio on a FIFO inventory basis would be 4.8 to 1.

**Stock Repurchase:** During the past 12 months we have repurchased 3.7 million shares of the Company's common stock, representing 16.2% of the outstanding shares. The shares were purchased in the open market at an average price of \$8.06 per share, at a total cost of \$29.9 million. The repurchase was funded from cash held by the Company and no debt was incurred.

## **One Step Back**

The past 12 months have seen improvements at Ruger, but the overall progress has not come without some setbacks along the way.

**Product Recall:** Recently, the Company received five reports from the field that its LCP pistols can discharge if dropped onto a hard surface. Although no injuries were reported, we initiated the recall of approximately 67,000 LCP pistols in October 2008 to offer free safety upgrades to the hammer mechanism. Although the new mechanism has been designed and parts are in production, this is a setback because the recall may reduce the previously strong demand for LCP pistols. Additionally, the production rate of new LCP pistols will be reduced during the fourth quarter of 2008, while resources are dedicated to retrofitting the recalled firearms and additional capacity is brought online.

**Product Demand:** Demand has been strong for certain product categories, but not all. Products typically purchased with self-defense in mind have done well, whereas products more oriented towards hunting or recreational shooting have had weaker demand during 2008. Consumer preferences and demand shift for many reasons, including the economy and political climate, but the behavior reemphasizes the need for constant feedback from the consumer base and a quick-acting, responsive new product development process. To

strengthen our voice-of-the-customer feedback, we have added additional field sales people, who spend much of their time working with the retailer network promoting Ruger products to consumers. Additionally, we have made it very easy for consumers to give us feedback directly with our prominent “Tell the CEO” link on our website homepage. We have received thousands of recommendations and have been able to see patterns in the requests that now provide input to our product development process.

In spite of all of the focus and effort we put into new product development, we have missed our internal deadlines for completing certain key new product development projects during 2008, and these projects are ongoing as I write this. Some of the delay was caused by the recall of our new SR9 in April, and the intense engineering effort we poured into it over the next four months until we were able to resume production. The LCP recall is not expected to have as significant an adverse impact on engineering resources. A key part of the corrective action for our product introduction delays is training on and implementation of a more robust product development process, and we working hard to make that part of the new Ruger culture.

**Manufacturing:** After the second quarter of 2008, we reported that margins were adversely impacted during that quarter due to increases in non-personnel variable-overhead spending, especially maintenance and repairs, and consumable tools and supplies. We have implemented stronger controls and frequent reviews, and the result has been significant reduction in this type of spending during the third quarter of 2008.

Our foundry is running below optimum levels as we work down our inventory levels and, for at least the near term, will be a drag on our earnings. We are working hard to reduce our breakeven levels in the foundry and to implement lean processes to improve efficiency and throughput. I do not think there will be any quick fixes here, but there will be progress over time.

**Liquidity:** We made considerable progress in 2007 in monetizing under-utilized assets on our balance sheet, but still have two properties in Connecticut and one property in New Hampshire that are for sale. With the current tight credit market, I do not expect these commercial properties to sell any time soon.

## **Performance Metrics**

*Please read our quarterly filings, especially the section titled, “Management’s Discussion & Analysis of Financial Condition and Results of Operations” (the “MD&A”).* We have included more value-relevant information in it to improve transparency and have tried to enhance its readability. Our quarterly SEC filings, and last year’s third quarter Letter to Shareholders, are available on the internet at [www.sec.gov](http://www.sec.gov) and [www.ruger.com/corporate/](http://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/](http://www.ruger.com/corporate/). You may also submit questions

about our results at [www.ruger.com/corporate/](http://www.ruger.com/corporate/) and, if appropriate, your questions will be addressed by the Company in a manner compliant with regulation FD at the time of our next quarterly filing.

An example of the important value-relevant information in our quarterly filings is the following summary unit data for the trailing seven quarters:

	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>
Units Ordered	125,700	120,300	260,100	113,100	80,900	115,300	175,700
Units Produced	158,900	150,600	124,000	104,900	100,800	132,000	127,200
Units Shipped	146,000	136,700	135,700	111,900	98,600	129,600	141,700

Because of the complexity of issues during the transformation of Ruger – and the associated complex accounting transactions – we have developed additional formats for internal analysis of our business. One of these formats is intended to help us analyze comparative, under-lying operating performance in consecutive quarters:

	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>
Reported operating income	\$380	\$1,429	\$2,326	\$(2,387)	\$(2,566)	\$6,049	\$7,915
Adjustments to analyze underlying performance:							
LIFO	1,578	2,130	98	1,730	(238)	(6,143)	(4,423)
Overhead rate	47	(1,062)	(464)	(3,582)	760	2,826	1,400
Direct Labor rate	568	(1,879)	-	-	-	-	-
Severances	-	-	707	92	132	190	1,038
Excess & Obsolete Inventory reserve	32	666	(418)	261	(122)	(443)	(1,025)
Pension curtailment	-	-	-	-	1,143	-	-
Asset impairment	-	-	-	1,775	489	-	-
Product liability	129	177	189	231	282	817	356
Product recall	<u>2,268</u>	<u>-</u>	<u>1,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>4,622</u>	<u>32</u>	<u>1,320</u>	<u>507</u>	<u>2,446</u>	<u>(2,753)</u>	<u>(2,654)</u>
Underlying performance comparison	<u>\$5,002</u>	<u>\$1,461</u>	<u>\$3,646</u>	<u>\$(1,880)</u>	<u>\$(120)</u>	<u>\$3,296</u>	<u>\$5,261</u>

## Summary

**Product Demand:** In the last 12 months we have launched two new products into growing segments of the firearms market and have seen very favorable demand for them, as well as improved brand awareness for Ruger that has helped the demand for established products. These results have reemphasized what I said in last year's Letter to Shareholders: "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 remain committed to listening to our customers and placing an emphasis on new product development.

**Production:** We have made progress in the last 12 months in establishing single-piece flow cells and pull systems, and the results have been improvements in labor efficiency, overhead efficiency, and production capacity. We remain committed to continuing to implement lean methodologies throughout the Company.

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, perhaps especially so in the context of our uncertain economic times, but we anticipate the effort will deliver enhanced shareholder value.

Michael O. Fifer  
Chief Executive Officer

October 29, 2008

*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 in March, 2008. Our quarterly and annual SEC filings are available on the internet at [www.sec.gov](http://www.sec.gov) and [www.ruger.com/corporate/](http://www.ruger.com/corporate/).*





# STURM, RUGER & CO., INC.

SOUTHPORT, CONNECTICUT 06890 U.S.A.

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FOR IMMEDIATE RELEASE

## **RUGER® ISSUES PRODUCT SAFETY WARNING AND RECALL NOTICE OF LCP™ PISTOL**

Southport, CT October 29, 2008 – Sturm, Ruger & Company, Inc. (NYSE:RGR) announces that it has recently received a small number of reports from the field indicating that LCP pistols can discharge when dropped onto a hard surface with a round in the chamber. Although no injuries have been reported, we are firmly committed to safety and will retrofit all older LCP pistols (described below). The retrofit involves installation of an upgraded hammer mechanism at no charge to the customer.

As a responsible manufacturer, we want to make our customers aware of this FREE safety upgrade. All LCP pistols bearing the prefix “370” (that is, serial number 370-xxxxx) may be affected. LCP owners can sign up for the safety upgrade or obtain additional information by:

- Visiting our LCP recall website at [www.ruger.com/lcprecall](http://www.ruger.com/lcprecall)
- E-mail: [LCPrecall@ruget.com](mailto:LCPrecall@ruget.com)
- Fax: 928-541-8873
- Calling the LCP Recall hotline at 1-800-784-3701

The new parts are being built and we will retrofit LCP pistols on a first-come, first-served basis as soon as they are available. When Ruger is ready to retrofit a consumer’s pistol, Ruger will send a shipping label and package with instructions for the FREE return of the LCP pistol to our factory in Prescott, Arizona. Ruger will install the new hammer mechanism, plus some other functional upgrades that have been added since the LCP’s introduction, at no charge to the consumer and the pistol will be returned at Ruger expense. All owners will receive a FREE LCP magazine with the new finger grip extension as a “thank you” for their patience and cooperation.

We want to remind gun users that, for maximum safety when carrying any pistol with a loaded magazine in place, the chamber should be empty, and the slide should be closed. Any gun may fire if dropped or struck.

About Sturm, Ruger: Sturm, Ruger was founded in 1949 and is one of the nation's leading manufacturers of high-quality firearms for the commercial sporting market. Sturm, Ruger is headquartered in Southport, CT, with plants located in Newport, NH and Prescott, AZ.

Sturm, Ruger & Co., Inc.  
Arms Makers for Responsible Citizens