STURM RUGER & CO INC
Form 10-K
February 24, 2016

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTION 13 OR 15(d) THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

Ö **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-4776

STURM, RUGER & COMPANY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-0633559**

(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

Lacey Place, Southport, Connecticut 06890

(Address of Principal Executive Offices) (Zip Code)

(203) 259-7843

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **YES Ö NO ___**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **YES ___ NO Ö**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **YES Ö** NO ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K **[Ö].**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. Large accelerated filer **[Ö]** Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ].

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).**YES___ NO Ö_**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES Ö_ NO ___

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2015:

Common Stock, $1 par value - $1,076,441,000

The number of shares outstanding of the registrant's common stock as of February 22, 2016:

Common Stock, $1 par value –18,946,000 shares

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the registrant’s Proxy Statement relating to the 2015 Annual Meeting of Stockholders to be held May 3, 2016 are incorporated by reference into Part III (Items 10 through 14) of this Report.

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EXPLANATORY NOTE:

In this Annual Report on Form 10-K, Sturm, Ruger & Company, Inc. and Subsidiary (the "Company") makes 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, 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. Words such as "expect," "believe," "anticipate," "intend," "estimate," "will," "should," "could" and other wor terms of similar meaning, typically identify such forward-looking statements. 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.

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PART I

ITEM 1—BUSINESS

Company Overview

Sturm, Ruger & Company, Inc. and Subsidiary (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of the Company's sales for the year ended December 31, 2015 were from the firearms segment, with approximately 1% from the castings segment. Export sales represent approximately 4% of firearms sales. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic.

The Company has been in business since 1949 and was incorporated in its present form under the laws of Delaware in 1969. The Company primarily offers products in three industry product categories – rifles, pistols, and revolvers. The Company's firearms are sold through independent wholesale distributors, principally to the commercial sporting market.

The Company manufactures and sells investment castings made from steel alloys and metal injection molding ("MIM") parts for internal use in the firearms segment and has minimal sales to outside customers. The castings and MIM parts sold to outside customers, either directly or through manufacturers' representatives, represented approximately 1% of the Company's total sales for the year ended December 31, 2015.

For the years ended December 31, 2015, 2014, and 2013, net sales attributable to the Company's firearms operations were approximately $544.9 million, $542.3 million and $678.6 million, or virtually all of the total net sales in each year. The balance of the Company's net sales for the aforementioned periods was attributable to its castings operations.

Firearms Products

The Company presently manufactures firearm products, under the "Ruger" name and trademark, in the following industry categories:

Rifles	Revolvers
·Single-shot	·Single-action

· Autoloading · Double-action
· Bolt-action
· Modern sporting

Pistols
· Rimfire autoloading
· Centerfire autoloading

Most firearms are available in several models based upon caliber, finish, barrel length, and other features.

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Rifles

A rifle is a long gun with spiral grooves cut into the interior of the barrel to give the bullet a stabilizing spin after it leaves the barrel. Sales of rifles by the Company accounted for approximately $208.5 million, $203.9 million, and $217.6 million of total net sales for the years 2015, 2014, and 2013, respectively.

Pistols

A pistol is a handgun in which the ammunition chamber is an integral part of the barrel and which typically is fed ammunition from a magazine contained in the grip. Net sales of pistols by the Company accounted for approximately $192.2 million, $198.2 million, and $293.5 million of revenues for the years 2015, 2014, and 2013, respectively.

Revolvers

A revolver is a handgun that has a cylinder that holds the ammunition in a series of chambers which are successively aligned with the barrel of the gun during each firing cycle. There are two general types of revolvers, single-action and double-action. To fire a single-action revolver, the hammer is pulled back to cock the gun and align the cylinder before the trigger is pulled. To fire a double-action revolver, a single trigger pull advances the cylinder and cocks and releases the hammer. Net sales of revolvers by the Company accounted for approximately $113.3 million, $112.8 million, and $108.2 million of revenues for the years 2015, 2014, and 2013, respectively.

Accessories

The Company also manufactures and sells accessories and replacement parts for its firearms. These sales accounted for approximately $30.3 million, $23.9 million, and $59.3 million of total net sales for the years 2015, 2014, and 2013, respectively.

Castings Products

Net sales attributable to the Company’s casting operations (excluding intercompany transactions) accounted for approximately $6.2 million, $2.2 million, and $9.7 million, for 2015, 2014, and 2013, respectively. These sales represented approximately 1% of total net sales in each of these years.

Manufacturing

Firearms

The Company produces one model of pistol, all of its revolvers and most of its rifles at the Newport, New Hampshire facility. Most of the Company’s pistols are produced at the Prescott, Arizona facility. Some rifle models and one pistol model are produced at the Mayodan, North Carolina facility, which began operations in the latter months of 2013.

Many of the basic metal component parts of the firearms manufactured by the Company are produced by the Company's castings segment through processes known as precision investment casting. The Company also uses many MIM parts in its firearms. See "Manufacturing-Castings" below for a description of these processes. The Company believes that investment castings and MIM parts provide greater design flexibility and result in component parts which are generally close to their ultimate shape and, therefore, require less machining than processes requiring

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machining a solid billet of metal to obtain a part. Through the use of investment castings and MIM parts, the Company endeavors to produce durable and less costly component parts for its firearms.

All assembly, inspection, and testing of firearms manufactured by the Company are performed at the Company's manufacturing facilities. Every firearm, including every chamber of every revolver manufactured by the Company, is test-fired prior to shipment.

Investment Castings and Metal Injected Moldings

To produce a product by the investment casting method, a wax model of the part is created and coated (“invested”) with several layers of ceramic material. The shell is then heated to melt the interior wax, which is poured off, leaving a hollow mold. To cast the desired part, molten metal is poured into the mold and allowed to cool and solidify. The mold is then broken off to reveal a near net shape cast metal part.

Metal injection molding is a metalworking process by which finely-powdered metal is mixed with a measured amount of binder material to comprise a feedstock capable of being handled by plastic processing equipment through a process known as injection mold forming. The molding process allows complex parts to be shaped in a single operation and in high volume.

Marketing and Distribution

Firearms

The Company's firearms are primarily marketed through a network of federally licensed, independent wholesale distributors who purchase the products directly from the Company. They resell to federally licensed, independent retail firearms dealers who in turn resell to legally authorized end users. All retail purchasers are subject to a point-of-sale background check by law enforcement. These end users include sportsmen, hunters, people interested in self-defense, law enforcement and other governmental organizations, and gun collectors. Each distributor carries the entire line of firearms manufactured by the Company for the commercial market. Currently, 20 distributors service the domestic commercial market, with an additional 24 distributors servicing the domestic law enforcement market and two distributors servicing the Canadian market.

In 2015, the Company’s largest customers and the percent of total sales they represented were as follows: Davidson’s-18%; Lipsey’s-17%; Sports South-13%, and Jerry’s/Ellett Brothers-11%.

In 2014, the Company’s largest customers and the percent of total sales they represented were as follows: Davidson’s-19%; Lipsey’s-13%; Sports South-13%, and Jerry’s/Ellett Brothers-12%.

In 2013, the Company’s largest customers and the percent of total sales they represented were as follows: Davidson’s-16%; Jerry’s/Ellett Brothers-14%; Lipsey’s-14%; and Sports South-11%.

The Company employs 15 employees who service these distributors and call on retailers and law enforcement agencies. Because the ultimate demand for the Company's firearms comes from end users rather than from the independent wholesale distributors, the Company believes that the

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loss of any distributor would not have a material, long-term adverse effect on the Company, but may have a material adverse effect on the Company's financial results for a particular period. The Company considers its relationships with its distributors to be satisfactory.

The Company also exports its firearms through a network of selected commercial distributors and directly to certain foreign customers, consisting primarily of law enforcement agencies and foreign governments. Foreign sales were less than 5% of the Company's consolidated net sales for each of the past three fiscal years.

The Company does not consider its overall firearms business to be predictably seasonal; however, orders of many models of firearms from the distributors tend to be stronger in the first quarter of the year and weaker in the third quarter of the year. This is due in part to the timing of the distributor show season, which occurs during the first quarter.

Castings

The castings segment provides castings and MIM parts for the Company's firearms segment. In addition, the castings segment produces some products for a number of customers in a variety of industries.

Competition

Firearms

Competition in the firearms industry is intense and comes from both foreign and domestic manufacturers. While some of these competitors concentrate on a single industry product category such as rifles or pistols, several competitors manufacture products in all four industry categories (rifles, shotguns, pistols, and revolvers). Some of these competitors are subsidiaries of larger corporations than the Company with substantially greater financial resources than the Company, which could affect the Company's ability to compete. The principal methods of competition in the industry are product innovation, quality, availability, and price. The Company believes that it can compete effectively with all of its present competitors.

Castings

There are a large number of investment castings and MIM manufacturers, both domestic and foreign, with which the Company competes. Competition varies based on the type of investment castings products and the end use of the product (commercial, sporting goods, or military). Companies offering alternative methods of manufacturing such as wire electric discharge machining (EDM) and advancements in computer numeric controlled (CNC) machining also compete with the Company's castings segment. Many of these competitors are larger corporations than the Company with substantially greater financial resources than the Company, which could affect the Company's ability to compete

with these competitors. The principal methods of competition in the industry are quality, price, and production lead time.

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Employees

As of February 1, 2016, the Company employed approximately 1,920 full-time employees of which approximately 27% had at least ten years of service with the Company. The Company uses temporary employees to supplement its workforce. As of February 1, 2016, there were approximately 260 temporary employees.

None of the Company's employees are subject to a collective bargaining agreement.

Research and Development

In 2015, 2014, and 2013, the Company spent approximately $8.5 million, $10.0 million, and $6.2 million, respectively, on research and development activities relating to new products and the improvement of existing products. As of February 1, 2016, the Company had approximately 115 employees whose primary responsibilities were research and development activities.

Patents and Trademarks

The Company owns various United States and foreign patents and trademarks which have been secured over a period of years and which expire at various times. It is the policy of the Company to apply for patents and trademarks whenever new products or processes deemed commercially valuable are developed or marketed by the Company. However, none of these patents and trademarks are considered to be fundamental to any important product or manufacturing process of the Company and, although the Company deems its patents and trademarks to be of value, it does not consider its business materially dependent on patent or trademark protection.

Environmental Matters

The Company is committed to achieving high standards of environmental quality and product safety, and strives to provide a safe and healthy workplace for its employees and others in the communities in which it operates. The Company has programs in place that monitor compliance with various environmental regulations. However, in the normal course of its manufacturing operations the Company is subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges into the environment. These regulations are integrated into the Company’s manufacturing, assembly, and testing processes. The Company believes that it is generally in compliance with applicable environmental regulations and that the outcome of any environmental

proceedings and orders will not have a material adverse effect on the financial position of the Company, but could have a material adverse effect on the financial results for a particular period.

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Executive Officers of the Company

Set forth below are the names, ages, and positions of the executive officers of the Company. Officers serve at the discretion of the Board of Directors of the Company.

Name	Age	Position With Company
Michael O. Fifer	58	Chief Executive Officer
Christopher J. Killoy	57	President and Chief Operating Officer
Thomas A. Dineen	47	Vice President, Treasurer and Chief Financial Officer
Mark T. Lang	59	Group Vice President
Thomas P. Sullivan	55	Vice President of Newport Operations
Kevin B. Reid, Sr.	55	Vice President, General Counsel and Corporate Secretary
Steven M. Maynard	61	Vice President of Lean Business Development
Shawn C. Leska	44	Vice President, Sales

Michael O. Fifer joined the Company as Chief Executive Officer on September 25, 2006, and was named to the Board of Directors on October 19, 2006. Mr. Fifer also served as President from April 23, 2008 to December 31, 2013.

Christopher J. Killoy became President and Chief Operating Officer on January 1, 2014. Previously he served as Vice President of Sales and Marketing since November 27, 2006. Mr. Killoy originally joined the Company in 2003 as Executive Director of Sales and Marketing, and subsequently served as Vice President of Sales and Marketing from November 1, 2004 to January 25, 2005.

Thomas A. Dineen became Vice President on May 24, 2006. Previously he served as Treasurer and Chief Financial Officer since May 6, 2003 and had been Assistant Controller since 2001. Prior to that, Mr. Dineen had served as Manager, Corporate Accounting since 1997.

Mark T. Lang joined the Company as Group Vice President on February 18, 2008. Mr. Lang is responsible for management of the Prescott Firearms Division, the MIM subsidiary, and the Company’s acquisition efforts. Prior to

joining the Company, Mr. Lang was President of the Custom Products Business at Mueller Industries, Inc. Prior to joining Mueller, Mr. Lang was the Vice President of Operations for the Automotive Division of Thomas and Betts, Inc.

Thomas P. Sullivan joined the Company as Vice President of Newport Operations for the Newport, New Hampshire Firearms and Pine Tree Castings divisions on August 14, 2006. Mr. Sullivan is also responsible for the Mayodan, North Carolina Firearms Division.

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Kevin B. Reid, Sr. became Vice President and General Counsel on April 23, 2008. Previously he served as the Company's Director of Marketing from June 4, 2007. Mr. Reid joined the Company in July 2001 as an Assistant General Counsel.

Steven M. Maynard joined the Company as Vice President of Lean Business Development on April 24, 2007. Prior to joining the Company, Mr. Maynard served as Vice President of Engineering and CIO at the Wiremold Company.

Shawn C. Leska became Vice President, Sales on November 6, 2015. Mr. Leska joined the Company in 1989, and has served in a variety of positions in the sales department. Most recently, Mr. Leska served as Director of Sales since 2011.

Where You Can Find More Information

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and accordingly, files its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K, and other information with the Securities and Exchange Commission (the "SEC"). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. As an electronic filer, the Company's public filings are maintained on the SEC's Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is http://www.sec.gov.

The Company makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act accessible free of charge through the Company's Internet site after the Company has electronically filed such material with, or furnished it to, the SEC. The address of that website is http://www.ruger.com. However, such reports may not be accessible through the Company's website as promptly as they are accessible on the SEC's website.

Additionally, the Company's corporate governance materials, including its Corporate Governance Guidelines, the charters of the Audit, Compensation, and Nominating and Corporate Governance committees, and the Code of Business Conduct and Ethics may also be found under the "Stockholder Relations" subsection of the "Corporate" section of the Company's Internet site at http://www.ruger.com/corporate. A copy of the foregoing corporate governance materials is available upon written request to the Corporate Secretary at Sturm, Ruger & Company, Inc., Lacey Place, Southport, Connecticut 06890.

ITEM 1A—RISK FACTORS

The Company's operations could be affected by various risks, many of which are beyond its control. Based on current information, the Company believes that the following identifies the

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most significant risk factors that could adversely affect its business. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

In evaluating the Company's business, the following risk factors, as well as other information in this report, should be carefully considered.

Changes in government policies and firearms legislation could adversely affect the Company's financial results.

The sale, purchase, ownership, and use of firearms are subject to thousands of federal, state and local governmental regulations. The basic federal laws are the National Firearms Act, the Federal Firearms Act, and the Gun Control Act of 1968. These laws generally prohibit the private ownership of fully automatic weapons and place certain restrictions on the interstate sale of firearms unless certain licenses are obtained. The Company does not manufacture fully automatic weapons and holds all necessary licenses under these federal laws. Several states currently have laws in effect similar to the aforementioned legislation.

Until November 30, 1998, the "Brady Law" mandated a nationwide five-day waiting period and background check prior to the purchase of a handgun. As of November 30, 1998, the National Instant Criminal Background Check System, which applies to both handguns and long guns, replaced the five-day waiting period. The Company believes that the "Brady Law" and the National Instant Criminal Background Check System have not had a significant effect on the Company's sales of firearms, nor does the Company anticipate any significant impact on sales in the future. On September 13, 1994, the "Violent Crime Control and Law Enforcement Act" banned so-called "assault weapons." All the Company's then-manufactured commercially-sold long guns were exempted by name as "legitimate sporting firearms." This ban expired by operation of law on September 13, 2004. The Company remains strongly opposed to laws which would restrict the rights of law-abiding citizens to lawfully acquire firearms.

In 2005, Congress enacted the Protection of Lawful Commerce in Arms Act ("PLCAA"). The PLCAA was enacted to address abuses by cities and agenda-driven individuals who wrongly sought to make firearms manufacturers liable for legally manufactured and lawfully sold products if those products were later used in criminal acts. The Company believes the PLCAA merely codifies common sense and long standing tort principles. If the PLCAA is repealed or efforts to circumvent it are successful and lawsuits similar to those filed by cities and agenda-driven individuals in the late 1990s and early 2000s are allowed to proceed, it could have a material adverse impact on the Company.

Currently, federal and several states' legislatures are considering additional legislation relating to the regulation of firearms. These proposed bills are extremely varied, but many seek either to restrict or ban the sale and, in some cases, the ownership of various types of firearms. Other legislation seeks to require new technologies, such as microstamping and so-called "smart gun" technology, that are not proven, reliable or feasible. Such legislation became effective in California in 2013, and has limited our ability to sell certain products in California. If similar legislation is enacted in other states, it could effectively ban or severely limit the sale of affected firearms. There also are legislative proposals to limit magazine capacity.

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The Company believes that the lawful private ownership of firearms is guaranteed by the Second Amendment to the United States Constitution and that the widespread private ownership of firearms in the United States will continue. However, there can be no assurance that the regulation of firearms will not become more restrictive in the future and that any such restriction would not have a material adverse effect on the business of the Company.

The Company's results of operations could be further adversely affected if legislation with diverse requirements is enacted.

With literally thousands of laws being proposed at the federal, state and local levels, if even a small percentage of these laws are enacted and they are incongruent, the Company could find it difficult, expensive or even practically impossible to comply with them, impeding new product development and distribution of existing products.

The Company's results of operations could be adversely affected by litigation.

The Company faces risks arising from various asserted and unasserted litigation matters. These matters include, but are not limited to, assertions of allegedly defective product design or manufacture, alleged failure to warn, purported class actions against firearms manufacturers, generally seeking relief such as medical expense reimbursement, property damages, and punitive damages arising from accidents involving firearms or the criminal misuse of firearms, and those lawsuits filed on behalf of municipalities alleging harm to the general public. Various factors or developments can lead to changes in current estimates of liabilities such as final adverse judgment, significant settlement or changes in applicable law. A future adverse outcome in any one or more of these matters could have a material adverse effect on the Company's financial results. See Note 16 to the financial statements which are included in this Annual Report on Form 10-K.

The Company's results of operations could be adversely affected by a decrease in demand for Company products.

If demand for the Company's products decreases significantly, the Company would be unable to efficiently utilize its capacity, and profitability would suffer. Decreased demand could result from a macroeconomic downturn, or could be specific to the firearms industry. If the decrease in demand occurs abruptly, the adverse impact would be even greater.

The Company must comply with various laws and regulations pertaining to workplace safety and environment, environmental matters, and firearms manufacture.

In the normal course of its manufacturing operations, the Company is subject to numerous federal, state and local laws and governmental regulations, and governmental proceedings and orders. These laws and regulations pertain to matters like workplace safety and environment, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. Noncompliance with any one or more of these laws and regulations could have a material adverse impact on the Company.

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Business disruptions at one of the Company's manufacturing facilities could adversely affect the Company's financial results.

The Newport, New Hampshire, Prescott, Arizona and Mayodan, North Carolina facilities are critical to the Company's success. These facilities house the Company's principal production, research, development, engineering, design, and shipping operations. Any event that causes a disruption of the operation of any of these facilities for even a relatively short period of time could have a material adverse effect on the Company's ability to produce and ship products and to provide service to its customers.

Price increases for raw materials could adversely affect the Company's financial results.

Third parties supply the Company with various raw materials for its firearms and castings, such as fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. There is a limited supply of these materials in the marketplace at any given time, which can cause the purchase prices to vary based upon numerous market factors. The Company believes that it has adequate quantities of raw materials in inventory or on order to provide ample time to locate and obtain additional items at then-current market cost without interruption of its manufacturing operations. However, if market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials can not be obtained, the Company's manufacturing processes could be interrupted and the Company's financial condition or results of operations could be materially adversely affected.

Retention of key management is critical to the success of the Company.

We rely on the management and leadership skills of our senior management team. Our senior executives are not bound by employment agreements. The loss of the services of one or more of our senior executives or other key personnel could have a significant adverse impact on our business.

The Affordable Care Act could have a material adverse impact on the Company.

Certain provisions of the federal healthcare legislation, in particular the "unlimited lifetime benefit" which eliminated the practice of capping the amount of medical benefits available to an individual, could have a material adverse effect on the Company's financial position. The Company self-insures the cost of the medical benefits for its employees up to an annual and lifetime maximum per individual. It supplements this self-insurance with "stop loss" insurance for costs incurred above these maximum thresholds. In the past, the medical benefit costs for several Company employees each year have exceeded this maximum, in some cases significantly. It is the Company's expectation that if it is forced to provide an "unlimited lifetime benefit" its medical costs would likely increase significantly, which would have a material adverse effect on its financial condition.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

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ITEM 2—PROPERTIES

The Company's manufacturing operations are carried out at four facilities. The following table sets forth certain information regarding each of these facilities:

	Approximate Aggregate Usable Square Feet	Status	Segment
Newport, New Hampshire	350,000	Owned	Firearms/Castings
Prescott, Arizona	230,000	Leased	Firearms
Mayodan, North Carolina	220,000	Owned	Firearms
Earth City, Missouri	35,000	Leased	Castings

Each firearms facility contains enclosed ranges for testing firearms. The lease of the Prescott facility provides for rental payments, which are approximately equivalent to estimated rates for real property taxes.

The Company has three other facilities that were not used in its manufacturing operations in 2015:

	Approximate Aggregate Usable Square Feet	Status	Segment
Southport, Connecticut	25,000	Owned	Corporate
Newport, New Hampshire (Dorr Woolen Building)	45,000	Owned	Firearms
Enfield, Connecticut	10,000	Leased	Firearms

There are no mortgages or any other major encumbrance on any of the real estate owned by the Company.

The Company’s principal executive offices are located in Southport, Connecticut.

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ITEM 3—LEGAL PROCEEDINGS

The nature of the legal proceedings against the Company is discussed at Note 16 to the financial statements, which are included in this Annual Report on Form 10-K.

The Company has reported all cases instituted against it through September 26, 2015, and the results of those cases, where terminated, to the SEC on its previous Form 10-Q and 10-K reports, to which reference is hereby made.

During the three months ending December 31, 2015, one case was formally instituted against the Company, captioned *Davies Innovation v. Sturm, Ruger & Company, Inc.* pending in United States District Court for the Southern District of Texas.

During the three months ending December 31, 2015, no cases previously reported were settled or dismissed.

ITEM 4—MINE SAFETY DISCLOSURES – NOT APPLICABLE

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PART II

ITEM 5—MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is traded on the New York Stock Exchange under the symbol “RGR.” At February 11, 2016, the Company had 1,703 stockholders of record.

The following table sets forth, for the periods indicated, the high and low sales prices for the Company’s common stock as reported on the New York Stock Exchange and dividends paid on the Company’s common stock.

	High	Low	Dividends Per Share
2014:			
First Quarter	$85.93	$59.26	$ 0.54
Second Quarter	69.19	57.71	0.49
Third Quarter	60.59	45.76	0.45
Fourth Quarter	52.41	33.60	0.14
2015:			
First Quarter	$56.13	$33.89	$ 0.17
Second Quarter	58.77	47.38	0.32
Third Quarter	66.11	54.84	0.36
Fourth Quarter	61.39	48.10	0.25

Issuer Repurchase of Equity Securities

In the fourth quarter of 2015, the Company did not repurchase any shares of its common stock.

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Comparison of Five-Year Cumulative Total Return*

Sturm, Ruger & Co., Inc., Standard & Poor's 500, Recreation and Russell 2000 Index

(Performance Results Through 12/31/15)

Assumes $100 invested at the close of trading 12/10 in Sturm, Ruger & Company, Inc., common stock, Standard and Poor's 500, Recreation and Russell 2000 Index.

* Cumulative total return assumes reinvestment of dividends.

Source: Value Line Publishing LLC

Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

	2010	2011	2012	2013	2014	2015
Sturm, Ruger & Co., Inc.	$100.00	$222.54	$310.46	$518.31	$252.72	$443.72
Standard & Poor's 500	$100.00	$100.00	$113.40	$146.97	$163.71	$162.52
Recreation	$100.00	$92.16	$123.70	$170.27	$194.06	$220.20
Russell 2000 Index	$100.00	$94.55	$108.38	$148.49	$153.73	$144.95

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information regarding compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2015:

Equity Compensation Plan Information

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights** **(a)**	**Weighted-average exercise price of outstanding options, warrants and rights** **(b)** *	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** **(c)**
Equity compensation plans approved by security holders			
2007 Stock Incentive Plan	**746,946**	**$8.95 per share**	**- 543,000**
Equity compensation plans not approved by security holders			
None.			
Total	**746,946**	**$8.95 per share**	**543,000**

* Restricted stock units are settled in shares of common stock on a one-for-one basis. Accordingly, such units have been excluded for purposes of computing the weighted-average exercise price.

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ITEM 6—SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)

December 31,	2015	2014	2013	2012	2011
Net firearms sales	$544,850	$542,267	$678,552	$484,933	$324,200
Net castings sales	6,244	2,207	9,724	6,891	4,616
Total net sales	551,094	544,474	688,276	491,824	328,816
Cost of products sold	378,934	375,300	429,671	312,871	217,058
Gross profit	172,160	169,174	258,605	178,953	111,758
Income before income taxes	96,100	57,240	175,232	112,109	63,516
Income taxes	33,974	18,612	63,960	41,480	23,501
Net income	62,126	38,628	111,272	70,629	40,015
Basic earnings per share	3.32	1.99	5.76	3.69	2.12
Diluted earnings per share	3.21	1.95	5.58	3.60	2.09
Cash dividends per share	$1.10	$1.62	$2.12	$5.80	$0.43

December 31,	2015	2014	2013	2012	2011
Working capital	$107,279	$57,792	$69,460	$37,430	$96,646
Total assets	315,883	254,382	277,118	174,486	206,510
Total stockholders' equity	227,738	185,462	179,086	95,032	137,391
Book value per share	$12.17	$9.90	$9.26	$4.93	$7.20
Return on stockholders' equity	30.1%	21.2%	81.2%	60.8%	32.0%
Current ratio	2.3 to 1	2.0 to 1	1.8 to 1	1.6 to 1	3.0 to 1
Common shares outstanding	18,713,400	18,737,000	19,348,000	19,263,000	19,083,100
Number of stockholders of record	1,702	1,726	1,718	1,771	1,860
Number of employees	1,920	1,847	1,862	1,441	1,224
Number of temporary employees	205	220	530	570	300

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ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

Sturm, Ruger & Company, Inc. (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales are from firearms. Export sales represent approximately 4% of total sales. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic. The Company's firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market.

The Company also manufactures investment castings made from steel alloys and metal injection molding ("MIM") parts for internal use in its firearms and for sale to unaffiliated, third-party customers. Approximately 1% of sales are from the castings segment.

Orders of many models of firearms from the independent distributors tend to be stronger in the first quarter of the year and weaker in the third quarter of the year. This is due in part to the timing of the distributor show season, which occurs during the first quarter.

Results of Operations - 2015

Product Demand

After a year of declining demand in 2014, demand rebounded in 2015 to slightly higher levels and followed typical historical seasonal patterns.

The estimated sell-through of the Company's products from the independent distributors to retailers increased 7% in 2015 from 2014. For the same period, the National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation ("NSSF")) increased 9%.

New products represented $115.4 million or 21% of firearms sales in 2015, compared to $89.4 million or 16% of firearms sales in 2014. New product sales include only major new products that were introduced in the past two years.

Estimated sell-through from distributors to retailers and total adjusted NICS background checks:

	2015	2014	2013
Estimated Units Sold from Distributors to Retailers (1)	1,793,800	1,669,700	2,091,500
Total Adjusted NICS Background Checks (2)	14,244,200	13,090,400	14,796,900

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(1) The estimates for each period were calculated by taking the beginning inventory at the distributors, plus shipments from the Company to distributors during the period, less the ending inventory at distributors. These estimates are only a proxy for actual market demand as they:

- Rely on data provided by independent distributors that are not verified by the Company,
- Do not consider potential timing issues within the distribution channel, including goods-in-transit, and
- Do not consider fluctuations in inventory at retail.

(2) NICS background checks are performed when the ownership of most firearms, either new or used, is transferred by a Federal Firearms Licensee. NICS background checks are also performed for permit applications, permit renewals, and other administrative reasons.

The adjusted NICS data presented above was derived by the NSSF by subtracting NICS checks that are not directly related to the sale of a firearm, including checks used for concealed carry ("CCW") permit application checks as well as checks on active CCW permit databases.

Orders Received and Ending Backlog

The Company uses the estimated unit sell-through of our products from the independent distributors to retailers, along with inventory levels at the independent distributors and at the Company, as the key metrics for planning production levels.

Net Orders Received in 2015 increased 62% from 2014. Our ending order backlog of 430,300 units at December 31, 2015 decreased 221,100 units from backlog of 651,400 units at December 31, 2014.

The units ordered, value of orders received and ending backlog, net of Federal Excise Tax, for the trailing three years are as follows (dollars in millions, except average sales price):

	2015	2014	2013
Orders Received	$463.2	$286.8	$636.0
Average Sales Price of Orders Received	$303	$311	$283
Ending Backlog	$137.8	$204.2	$440.6
Average Sales Price of Ending Backlog	$320	$313	$290

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Production

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the independent distributors and at the Company, semi-monthly to plan production levels and manage increases in inventory. These reviews resulted in decreased total unit production of 8% in 2015 compared to 2014.

Annual Summary Unit Data

Firearms unit data for orders, production, shipments and backorders follows:

	2015	2014	2013
Units Ordered	1,517,000	921,900	2,251,000
Units Produced	1,721,300	1,867,800	2,249,500
Units Shipped	1,738,100	1,791,300	2,237,400
Average Sales Price	313	$303	$303
Units on Backorder	430,300	651,400	1,520,800

Inventories

The Company’s finished goods inventory decreased by 16,800 units during 2015.

Distributor inventories of the Company’s products decreased by 55,700 units during 2015 and approximate a reasonable level to support rapid fulfillment of retailer demand. However, there is still insufficient inventory of certain models that are experiencing strong demand.

Inventory data follows:

	December 31,		
	2015	2014	2013
Units – Company Inventory	87,400	104,200	27,700
Units – Distributor Inventory (3)	271,000	326,700	205,100
Total inventory (4)	358,400	430,900	232,800

(3) Distributor ending inventory as provided by the independent distributors of the Company's products. These numbers do not include goods-in-transit inventory that has been shipped from the Company but not yet received by the distributors.

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(4) This total does not include inventory at retailers. The Company does not have access to data on retailer inventories.

Year ended December 31, 2015, as compared to year ended December 31, 2014:

Net Sales

Consolidated net sales were $551.1 million in 2015. This represents an increase of $6.6 million or 1.2% from 2014 consolidated net sales of $544.5 million.

Firearms segment net sales were $544.9 million in 2015. This represents an increase of $2.6 million or 0.5% from 2014 firearms net sales of $542.3 million. Firearms unit shipments decreased 3.0% in 2015.

Casting segment net sales were $6.2 million in 2015. This represents an increase of $4.0 million or 183% from 2014 casting sales of $2.2 million.

Cost of Products Sold and Gross Profit

Consolidated cost of products sold was $378.9 million in 2015. This represents an increase of $3.6 million or 1.0% from 2014 consolidated cost of products sold of $375.3 million.

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The gross margin was 31.2% in 2015. This represents a slight increase from 31.1% in 2014 as illustrated below:

(in thousands)

Year Ended December 31,	2015		2014	
Net sales	$551,094	100.0%	$544,474	100.0%
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability	375,267	68.1 %	378,207	69.5 %
LIFO expense	1,458	0.3 %	2,062	0.4 %
Overhead rate adjustments to inventory	1,150	0.2 %	(5,320)	(1.0)%
Labor rate adjustments to inventory	139	—	(424)	(0.1)%
Product liability	920	0.2 %	775	0.1 %
Total cost of products sold	378,934	68.8 %	375,300	68.9 %
Gross profit	$172,160	31.2 %	$169,174	31.1 %

Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability- In 2015, cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability decreased 1.4% as a percentage of sales compared to 2014. This increased profitability is attributable to improved productivity, partially offset by a less favorable shift in product mix.

LIFO- Gross inventories decreased by $7.7 million in 2015 and increased $24.8 million in 2014. In 2015 and 2014, the Company recognized LIFO expense of $1.5 million and $2.1 million, respectively, which increased cost of products sold.

Overhead Rate Change- The net impact on inventory in 2015 from the change in the overhead rates used to absorb overhead expenses into inventory was a decrease of $1.2 million, reflecting increased overhead efficiency. This decrease in inventory value resulted in a corresponding increase to cost of products sold in 2015. In 2014, the change in inventory value resulting from the change in the overhead rate used to absorb overhead expenses into inventory was an increase of $5.3 million, reflecting decreased overhead efficiency. This increase in inventory value resulted in a corresponding decrease to cost of products sold.

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Labor Rate Adjustments- In 2015, the change in inventory value resulting from the change in the labor rates used to absorb labor expenses into inventory was a decrease of $0.1 million, reflecting increased labor efficiency. This decrease in inventory value resulted in a corresponding increase to cost of products sold. The net impact in 2014 from the change in the labor rates used to absorb labor expenses into inventory was an increase to inventory of $0.4 million, reflecting decreased labor efficiency. This increase in inventory value resulted in a corresponding decrease to cost of products sold.

Product Liability- This expense includes the cost of outside legal fees, insurance, and other expenses incurred in the management and defense of product liability matters. These costs totaled $0.9 million and $0.8 million in 2015 and 2014, respectively. See Note 16 in the notes to the financial statements “Contingent Liabilities” for further discussion of the Company’s product liability.

Gross Profit- Gross profit was $172.2 million or 31.2% of sales in 2015. This is an increase of $3.0 million from 2014 gross profit of $169.2 million or 31.1% of sales in 2014.

Selling, General and Administrative

Selling, general and administrative expenses were $77.7 million in 2015, an increase of $4.4 million from $73.4 million in 2014, and an increase from 13.5% of sales in 2014 to 14.1% of sales in 2015. The increase in selling, general and administrative expenses is primarily attributable to increased promotional selling expenses, including a new, summer round of promotions, the “2 Million Gun Challenge to Benefit the NRA” which was not in effect in 2014, and the cost of protecting distributor inventory related to the price reduction in the Ruger LCP.

Defined Benefit Pension Plans Settlement Charge

The Company fully funded and terminated its hourly and salaried defined-benefit pension plans in accordance with Internal Revenue Service and Pension Benefit Guaranty Corporation requirements in 2014. The settlement and termination of the frozen pension plans resulted in a cash payment of $7.5 million and an income statement expense of $40.9 million in 2014.

Other Operating Income, net

Other operating income, net consists of the following (in thousands):

	2015	2014
Gain on sale of operating assets	$113	$1
Frozen defined-benefit pension plan income	—	1,611
Total other operating income, net	$113	$1,612

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Operating Income

Operating income was $94.5 million or 17.2% of sales in 2015. This is an increase of $38.2 million from 2014 operating income of $56.3 million or 10.4% of sales.

Royalty Income

Royalty income was increased to $1.1 million in 2015 from $0.5 million in 2014.

Interest Income

Interest income was negligible in 2015 and 2014.

Interest Expense

Interest expense was negligible in 2015 and 2014.

Other Income (Expense), Net

Other income (expense), net was income of $0.6 million in 2015, unchanged from income of $0.6 million in 2014.

Income Taxes and Net Income

The effective income tax rate was 35.4% in 2015 and 32.5% in 2014. The increase in the effective tax rate is primarily attributable to a decrease in the domestic production activities deduction in 2015 compared to 2014.

As a result of the foregoing factors, consolidated net income was $62.1 million in 2015. This represents an increase of $23.5 million from 2014 consolidated net income of $38.6 million.

Non-GAAP Financial Measure

In an effort to provide investors with additional information regarding its results, the Company refers to various United States generally accepted accounting principles ("GAAP") financial measures and one non-GAAP financial measure, EBITDA, which management believes provides useful information to investors. This non-GAAP measure may not be comparable to similarly titled measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measure should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that EBITDA is useful to understanding its operating results and the ongoing performance of its underlying business, as EBITDA provides information on the Company's ability to meet its capital expenditure and working capital requirements, and is also an indicator of profitability. The Company believes that this reporting provides better transparency and comparability to its operating results. The Company uses both GAAP and non-GAAP financial measures to evaluate the Company's financial performance.

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Non-GAAP Reconciliation – EBITDA

EBITDA

(Unaudited, dollars in thousands)

Year ended December 31,	2015	2014
Net income	$62,126	$38,628
Income tax expense	33,974	18,612
Depreciation and amortization expense	36,235	36,706
Interest expense	156	152
Interest income	(5)	(2)
Pension plan termination expense, net of cash payment	—	32,218
EBITDA	$132,486	$126,314

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates this by adding the amount of interest expense, income tax expense and depreciation and amortization expenses that have been deducted from net income back into net income, and subtracting the amount of interest income that was included in net income from net income to arrive at EBITDA. The Company's EBITDA calculation also excludes any one-time non-cash, non-operating expense, such as the pension plan termination expense in 2014.

Quarterly Data

To supplement the summary annual unit data and discussion above, the same data for the last eight quarters follows:

	2015			
	Q4	Q3	Q2	Q1
Units Ordered	696,400	207,500	262,400	350,700
Units Produced	425,400	439,900	487,000	369,000
Units Shipped	478,400	394,700	442,900	422,100
Estimated Units Sold from Distributors to Retailers	552,700	374,900	379,400	486,800
Total Adjusted NICS Background Checks	4,880,000	3,050,000	2,793,000	3,521,000

Average Unit Sales Price	$336	$302	$314	$321
Units on Backorder	430,300	212,300	399,500	580,000
Units – Company Inventory	87,400	140,400	95,200	51,100
Units – Distributor Inventory (5)	271,000	345,300	325,500	262,000

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	2014 Q4	Q3	Q2	Q1
Units Ordered	225,800	155,900	145,200	395,000
Units Produced	360,900	356,400	552,200	598,300
Units Shipped	399,100	317,100	513,700	561,400
Estimated Units Sold from Distributors to Retailers	422,500	292,900	388,900	565,400
Total Adjusted NICS Background Checks	4,129,000	2,830,000	2,672,000	3,459,000
Average Unit Sales Price	$306	$310	$298	$301
Units on Backorder	651,400	824,700	985,900	1,354,400
Units – Company Inventory	104,200	142,400	103,100	64,600
Units – Distributor Inventory (5)	326,700	350,100	325,900	201,100

(5) Distributor ending inventory as provided by the independent distributors of the Company's products.

(in millions except average sales price, net of Federal Excise Tax)

	2015 Q4	Q3	Q2	Q1
Orders Received	$203.4	$73.1	$71.9	$114.8
Average Sales Price of Orders Received	$292	$352	$274	$327
Ending Backlog	$137.8	$80.5	$123.8	$185.1
Average Sales Price of Ending Backlog	$320	$379	$310	$319

	2014 Q4	Q3	Q2	Q1
Orders Received	$74.7	$50.1	$42.2	$119.8
Average Sales Price of Orders Received	$331	$321	$291	$303
Ending Backlog	$204.2	$242.9	$289.1	$396.5

Average Sales Price of Ending Backlog	$313	$295	$293	$293

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Fourth Quarter Gross Profit Analysis

The gross margin for the fourth quarter of 2015 and 2014 was 31.7% and 27.7%, respectively. Details of the gross margin are illustrated below:

(in thousands)

Three Months Ended December 31,	2015		2014	
Net sales	$152,397	100.0%	$122,605	100.0%
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability	106,161	69.6 %	90,180	73.5 %
LIFO (income) expense	(247)	(0.2)%	900	0.7 %
Overhead rate adjustments to inventory	(1,802)	(1.2)%	(2,510)	(2.0)%
Labor rate adjustments to inventory	(207)	(0.1)%	(183)	(0.1)%
Product liability	248	0.2 %	258	0.2 %
Total cost of products sold	104,153	68.3 %	88,645	72.3 %
Gross profit	$48,244	31.7 %	$33,960	27.7 %

Note: For a discussion of the captions in the above table, please see the “Cost of Products Sold and Gross Profit” discussion above.

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Results of Operations - 2014

Year ended December 31, 2014, as compared to year ended December 31, 2013:

Annual Summary Unit Data

Firearms unit data for orders, production, shipments and ending inventory, and castings setups (a measure of foundry production) are as follows:

	2014	2013	2012
Units Ordered	921,900	2,251,000	2,879,200
Units Produced	1,867,800	2,249,500	1,695,900
Units Shipped	1,791,300	2,237,400	1,696,400
Average Sales Price	$303	$303	$286
Units on Backorder	651,400	1,520,800	1,507,200
Units – Company Inventory	104,200	27,700	15,600
Units – Distributor Inventory (1)	326,700	205,100	59,200
Castings Setups	201,592	273,597	257,312

Orders Received and Ending Backlog

(in millions except average sales price, net of Federal Excise Tax):

	2014	2013	2012
Orders Received	$286.8	$636.0	$796.7

Average Sales Price of Orders Received (2)	$311	$283	$277
Ending Backlog (2)	$204.2	$440.6	$427.1
Average Sales Price of Ending Backlog (2)	$313	$290	$283

(1) Distributor ending inventory as provided by the independent distributors of the Company's products.

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(2) Average sales price for orders received and ending backlog is net of Federal Excise Tax of 10% for handguns and 11% for long guns.

Product Demand

The strong demand experienced in 2013 remained through the first quarter of 2014 and much of the second quarter. This continued strong demand was due to:

- new shooters joining the ranks of gun owners,
- the Company's introduction of many innovative new products in the past few years, and
- increased manufacturing capacity and greater product availability for certain products in strong demand.

During the latter half of 2014, demand for the Company's products declined significantly due to:

- the reduction in overall consumer demand,
- high inventory levels at retail, which encouraged retailers to buy fewer firearms than they were selling, in an effort to reduce their inventories and generate cash,
- aggressive price discounting by many of our competitors, and
- the lack of significant new product introductions from the Company,

Demand for higher-margin firearms accessories, especially magazines, which was very strong in 2013, softened in the first half of 2014 and then decreased significantly in the latter half of 2014.

New product introductions in 2014 included the AR-556 modern sporting rifle and the LC9s pistol. New products represented $89.4 million or 16% of firearms sales in 2014, compared to $195.8 million or 29% of firearms sales in 2013. New product sales include only major new products that were introduced in the past two years.

The estimated sell-through of the Company's products from the independent distributors to retailers decreased 20% in 2014. For the same period, the National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation) decreased 12%.

Estimated sell-through from distributors to retailers and total adjusted NICS background checks follow:

	2014	2013	2012
Estimated Units Sold from Distributors to Retailers (1)	1,669,700	2,091,500	1,772,800
Total Adjusted NICS Background Checks (2)	13,090,400	14,796,900	13,780,000

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(1) The estimates for each period were calculated by taking the beginning inventory at the distributors, plus shipments from the Company to distributors during the period, less the ending inventory at distributors. These estimates are only a proxy for actual market demand as they:

- Rely on data provided by independent distributors that are not verified by the Company,
- Do not consider potential timing issues within the distribution channel, including goods-in-transit, and
- Do not consider fluctuations in inventory at retail.

(2) While NICS background checks are not a precise measure of retail activity, they are commonly used as a proxy for retail demand. NICS background checks are performed when the ownership of most firearms, either new or used, is transferred by a Federal Firearms Licensee. NICS background checks are also performed for permit applications, permit renewals, and other administrative reasons.

The adjusted NICS data presented above was derived by the National Shooting Sports Foundation (“NSSF”) by subtracting out NICS checks that are not directly related to the sale of a firearm, including checks used for concealed carry (“CCW”) permit application checks as well as checks on active CCW permit databases. While not a direct correlation to firearms sales, the NSSF-adjusted NICS data provides a more accurate picture of current market conditions than raw NICS data.

Production

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the independent distributors and at the Company, semi-monthly in an effort to plan production levels and mitigate increases in inventory. These reviews resulted in decreased total unit production of 17% in 2014 compared to 2013.

As estimated sell-through decreased, the Company managed its labor force by limiting the hiring of new employees, reducing overtime hours, and allowing attrition to reduce its total employee base. The Company’s compensation structure includes a significant performance-based incentive compensation component which allows for a more rapid reduction in labor cost. For reference, in 2014 performance-based incentive compensation comprised at least 15% of individual employee compensation, down from 25% in 2013.

Capital expenditures have been curtailed by the cancellation or delay of purchase orders. In addition, due to the decline in demand in certain mature product lines, some manufacturing equipment from the production cells for those products was redeployed to production cells being developed for new products or to replace older equipment in other production cells.

In 2013, the Company revised its estimate of the useful life of machinery and equipment from 10 years to 7 years. This change, which became effective December 31, 2013, resulted in increased

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depreciation expense of $7 million in 2014. The Company estimates that this change will increase depreciation expense for the machinery and equipment on hand at December 31, 2013 by approximately $3 million and $1 million in 2015 and 2016, respectively.

Inventories

The Company’s finished goods inventory increased by 76,500 units during 2014. This is the first significant replenishment of finished goods inventory in several years.

Distributor inventories of the Company’s products increased by 121,600 units during 2014 and approximate a reasonable level to support rapid fulfillment of retailer demand.

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the distributors and at the Company semi-monthly in an effort to plan production levels and mitigate undesired increases in inventory. These reviews resulted in decreased total unit production of 17% in 2014.

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Quarterly Summary Unit Data

To supplement the summary annual unit data and discussion above, the same data for the last eight quarters follows:

	2014 Q4	Q3	Q2	Q1
Units Ordered	225,800	155,900	145,200	395,000
Units Produced	360,900	356,400	552,200	598,300
Units Shipped	399,100	317,100	513,700	561,400
Estimated Units Sold from Distributors to Retailers	422,500	292,900	388,900	565,400
Total Adjusted NICS Background Checks	4,129,000	2,830,000	2,672,000	3,459,000
Average Unit Sales Price	$306	$310	$298	$301
Units on Backorder	651,400	824,700	985,900	1,354,400
Units – Company Inventory	104,200	142,400	103,100	64,600
Units – Distributor Inventory (5)	326,700	350,100	325,900	201,100

	2013 Q4	Q3	Q2	Q1
Units Ordered	249,700	390,400	525,600	1,085,300
Units Produced	615,800	554,700	575,400	503,600
Units Shipped	604,900	553,000	577,200	502,300
Estimated Units Sold from Distributors to Retailers	495,300	521,700	560,200	514,200
Total Adjusted NICS Background Checks	3,932,000	2,907,000	3,032,000	4,926,000

Average Unit Sales Price	$299	$309	$306	$305
Units on Backorder	1,520,800	1,876,000	2,038,600	2,090,200
Units – Company Inventory	27,700	16,800	15,100	16,900
Units – Distributor Inventory (5)	205,100	95,500	64,200	47,300

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(5) Distributor ending inventory as provided by the independent distributors of the Company's products.

(in millions except average sales price, net of Federal Excise Tax)

	2014 Q4	Q3	Q2	Q1
Orders Received	$74.7	$50.1	$42.2	$119.8
Average Sales Price of Orders Received	$331	$321	$291	$303
Ending Backlog	$204.2	$242.9	$289.1	$396.5
Average Sales Price of Ending Backlog	$313	$295	$293	$293

	2013 Q4	Q3	Q2	Q1
Orders Received	$79.5	$94.9	$150.9	$310.7
Average Sales Price of Orders Received	$318	$243	$286	$291
Ending Backlog	$440.6	$534.1	$590.3	$602.3
Average Sales Price of Ending Backlog	$290	$285	$290	$288

Net Sales

Consolidated net sales were $544.5 million in 2014. This represents a decrease of $143.8 million or 20.9% from 2013 consolidated net sales of $688.3 million.

Firearms segment net sales were $542.3 million in 2014. This represents a decrease of $136.3 million or 20.1% from 2013 firearms net sales of $678.6 million. Firearms unit shipments decreased 19.9% in 2014.

Casting segment net sales were $2.2 million in 2014. This represents a decrease of $7.5 million or 77.3% from 2013 casting sales of $9.7 million.

Cost of Products Sold and Gross Profit

Consolidated cost of products sold was $375.3 million in 2014. This represents a decrease of $54.4 million or 12.7% from 2013 consolidated cost of products sold of $429.7 million.

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The gross margin was 31.1% in 2014. This represents a decrease from the 2013 gross margin of 37.6% as illustrated below:

(in thousands)

Year Ended December 31,	2014		2013	
Net sales	$544,474	100.0%	$688,276	100.0%
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability	378,207	69.5%	427,737	62.1%
LIFO expense	2,062	0.4%	427	0.1%
Overhead rate adjustments to inventory	(5,320)	(1.0)%	183	0%
Labor rate adjustments to inventory	(424)	(0.1)%	71	0%
Product liability	775	0.1%	1,253	0.2%
Total cost of products sold	375,300	68.9%	429,671	62.4%
Gross profit	$169,174	31.1%	$258,605	37.6%

Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability- In 2014, cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, and product liability increased as a percentage of sales by 7.4% compared to 2013. The main contributors to this increase are:

- reduced sales volume which deleveraged fixed costs, including depreciation, indirect labor, and engineering and product development costs,
- a product mix shift away from higher-margin firearms accessories,
- increased depreciation expense due to the reduction in the estimated useful lives of the Company's capital assets, and
- increased depreciation expense due to the $151 million of capital equipment purchases as the Company increased firearms sales from $144 million in 2007 to $679 million in 2013.

LIFO- Gross inventories increased by $24.8 million and $8.4 million in 2014 and 2013, respectively. In 2014 and 2013, the Company recognized LIFO expense of $2.1 million and $0.4 million, respectively, which increased cost of products sold.

Overhead Rate Change- The net impact on inventory in 2014 from the change in the overhead rates used to absorb overhead expenses into inventory was an increase of $5.3 million, reflecting

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decreased overhead efficiency. This increase in inventory value resulted in a corresponding decrease to cost of products sold in 2014. In 2013, the change in inventory value resulting from the change in the overhead rate used to absorb overhead expenses into inventory was a decrease of $0.2 million, reflecting increased overhead efficiency. This decrease in inventory value resulted in a corresponding increase to cost of products sold.

Labor Rate Adjustments- In 2014, the change in inventory value resulting from the change in the labor rates used to absorb labor expenses into inventory was an increase of $0.4 million, reflecting decreased labor efficiency. This increase in inventory value resulted in a corresponding decrease to cost of products sold. The net impact in 2013 from the change in the labor rates used to absorb labor expenses into inventory was a decrease to inventory of $0.1 million, reflecting increased labor efficiency. This decrease in inventory value resulted in a corresponding increase to cost of products sold.

Product Liability- This expense includes the cost of outside legal fees, insurance, and other expenses incurred in the management and defense of product liability matters. These costs totaled $0.8 million and $1.3 million in 2014 and 2013, respectively. See Note 16 in the notes to the financial statements “Contingent Liabilities” for further discussion of the Company’s product liability.

Gross Profit- Gross profit was $169.2 million or 31.1% of sales in 2014. This is a decrease of $89.4 million from 2013 gross profit of $258.6 million or 37.6% of sales in 2013 due to:

- reduced sales volume which deleveraged fixed costs, including depreciation, indirect labor, and engineering and product development costs,
- a product mix shift away from higher-margin firearms accessories,
- increased depreciation expense due to the reduction in the estimated useful lives of the Company’s capital assets, and
- increased depreciation expense due to the $151 million of capital equipment purchases as the Company increased firearms sales from $144 million in 2007 to $679 million in 2013.

Selling, General and Administrative

Selling, general and administrative expenses were $73.4 million in 2014, a decrease of $10.7 million from $84.1 million in 2013, and an increase from 12.2% of sales in 2013 to 13.5% of sales in 2014. The decrease in selling, general and administrative expenses is attributable to decreased volume-driven promotional selling expenses and distribution costs, and a 60% reduction in performance-based incentive compensation and profit-sharing expenses in 2014 compared to 2013.

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Defined Benefit Pension Plans Settlement Charge

The Company fully funded and terminated its hourly and salaried defined-benefit pension plans in accordance with Internal Revenue Service and Pension Benefit Guaranty Corporation requirements in 2014. The settlement and termination of the frozen pension plans resulted in an income statement expense of $41.0 million in 2014.

Other Operating Expenses (Income), net

Other operating expenses (income), net consist of the following (in thousands):

	2014	2013
Gain on sale of operating assets	$(1)	$(65)
Frozen defined-benefit pension plan (income) expense	(1,611)	(336)
Total other operating (income) expenses, net	$(1,612)	$(401)

Operating Income

Operating income was $56.3 million or 10.4% of sales in 2014. This is a decrease of $118.6 million from 2013 operating income of $174.9 million or 25.4% of sales.

Royalty Income

Royalty income was $0.5 million in 2014. This represents a decrease of $0.2 million from 2013 royalty income of $0.7 million. The decrease is primarily attributable to decreased income from licensing agreements.

Interest Income

Interest income was negligible in 2014 and 2013.

Interest Expense

Interest expense was negligible in 2014 and 2013.

Other Income (Expense), Net

Other income (expense), net was an income of $0.6 million in 2014, an increase of $0.8 million from an expense of $0.2 million in 2013. This improvement is attributable primarily to the write-down of an investment in 2013.

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Income Taxes and Net Income

The effective income tax rate was 32.5% in 2014 and 36.5% in 2013. The decrease in the effective tax rate is primarily attributable to an increase in the domestic production activities deduction in 2014.

As a result of the foregoing factors, consolidated net income was $38.6 million in 2014. This represents a decrease of $72.7 million from 2013 consolidated net income of $111.3 million.

Non-GAAP Financial Measure

In an effort to provide investors with additional information regarding its results, the Company refers to various United States generally accepted accounting principles ("GAAP") financial measures and one non-GAAP financial measure, EBITDA, which management believes provides useful information to investors. This non-GAAP measure may not be comparable to similarly titled measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measure should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that EBITDA is useful to understanding its operating results and the ongoing performance of its underlying business, as EBITDA provides information on the Company's ability to meet its capital expenditure and working capital requirements, and is also an indicator of profitability. The Company believes that this reporting provides better transparency and comparability to its operating results. The Company uses both GAAP and non-GAAP financial measures to evaluate the Company's financial performance.

Non-GAAP Reconciliation – EBITDA

EBITDA

(Unaudited, dollars in thousands)

Year ended December 31,	2014	2013
Net income	$38,628	$111,272
Income tax expense	18,612	63,960
Depreciation and amortization expense	36,706	20,362
Interest expense	152	135
Interest income	(2)	(4)
Pension plan termination expense, net of cash payment	32,218	—
EBITDA	$126,314	$195,725

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates this by adding the amount of interest expense, income tax expense and depreciation and amortization expenses that have

been deducted from net income back into net income, and subtracting the amount of interest income that was included in net income from net income to arrive at EBITDA. The Company's EBITDA calculation also excludes any one-time non-cash, non-operating expense, such as the pension plan termination expense in 2014.

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Financial Condition

Liquidity

At December 31, 2015, the Company had cash and cash equivalents of $69.2 million. Our pre-LIFO working capital of $149.4 million, less the LIFO reserve of $42.1 million, resulted in working capital of $107.3 million and a current ratio of 2.3 to 1.

Operations

Cash provided by operating activities was $112.6 million, $55.6 million, and $119.7 million in 2015, 2014, and 2013, respectively. The increase in cash provided in 2015 compared to 2014 is attributable to increased profitability, decreases in inventory and other assets and increases in accounts payable and accrued employee compensation during 2015, partially offset by an increase in accounts receivable during the same period.

The decrease in cash provided by operating activities in 2014 compared to 2013 is attributable to decreased profitability, increases in inventory and other assets and decreases in accounts payable and accrued employee compensation during 2014, partially offset by a decrease in accounts receivable and increased depreciation expense during the same period.

Third parties supply the Company with various raw materials for its firearms and castings, such as fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. There is a limited supply of these materials in the marketplace at any given time, which can cause the purchase prices to vary based upon numerous market factors. The Company believes that it has adequate quantities of raw materials in inventory or on order to provide sufficient time to locate and obtain additional items at then-current market cost without interruption of its manufacturing operations. However, if market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials cannot be obtained, the Company’s manufacturing processes could be interrupted and the Company’s financial condition or results of operations could be materially adversely affected.

Investing and Financing

Capital expenditures were $28.7 million, $45.6 million, and $54.6 million in 2015, 2014, and 2013, respectively. In 2016, the Company expects to spend $25 million on capital expenditures to purchase tooling and fixtures for new product introductions and to upgrade and modernize manufacturing equipment. Due to market conditions and business circumstances, actual capital expenditures could vary significantly from the budgeted amount. The Company finances, and intends to continue to finance, all of these activities with funds provided by operations and current cash.

In 2015, the Company repurchased 82,100 shares of its common stock for $2.8 million in the open market. The average price per share purchased was $34.57. These purchases were funded with cash on hand. In 2014, the Company repurchased approximately 680,800 shares of its

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common stock, representing 3.5% of the then outstanding shares, in the open market at an average price of $35.22 per share. These purchases were made with cash held by the Company and no debt was incurred. In 2013 no shares were repurchased.

At December 31, 2015, $73.2 million remained authorized for future share repurchases.

The Company paid dividends totaling $20.6 million, $31.4 million, and $41.1 million in 2015, 2014, and 2013, respectively. The dividend varies every quarter because the Company pays a percentage of earnings rather than a fixed amount per share. Since 2012, the Company's practice has been to pay a dividend of approximately 40% of net income.

On February 22, 2016, the Company's Board of Directors authorized a dividend of 35¢ per share to shareholders of record on March 11, 2016. The payment of future dividends depends on many factors, including internal estimates of future performance, then-current cash, and the Company's need for funds.

In 2007, the Company migrated its retirement benefits from defined-benefit pension plans to defined-contribution retirement plans, utilizing its current 401(k) plan. Currently, the Company provides supplemental discretionary contributions to substantially all employees' individual 401(k) accounts.

The Company fully funded and terminated its hourly and salaried defined-benefit pension plans in accordance with Internal Revenue Service and Pension Benefit Guaranty Corporation requirements in the fourth quarter of 2014. Plan participants were not adversely affected by the plan terminations, but rather had their benefits either converted into a lump sum cash payment or an annuity contract placed with an insurance carrier.

The settlement and termination of the frozen pension plans resulted in a cash payment of $7.5 million and an income statement expense of $41.0 million in the fourth quarter of 2014.

The Company contributed $7.5 million, and $3.0 million to the frozen pension plans in 2014 and 2013. Since the plans have been fully funded, settled, and terminated, no further cash contributions were made in 2015 or will be required in future years.

Based on its unencumbered assets, the Company believes it has the ability to raise cash through issuance of short-term or long-term debt. The Company's unsecured $40 million credit facility, which expires on June 15, 2016, remained unused at December 31, 2015 and the Company has no debt.

Contractual Obligations

The table below summarizes the Company's significant contractual obligations at December 31, 2015, and the effect such obligations are expected to have on the Company's liquidity and cash flows in future periods. This table excludes amounts already recorded on the Company's balance sheet as current liabilities at December 31, 2015.

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"Purchase Obligations" as used in the below table includes all agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Certain of the Company's purchase orders or contracts for the purchase of raw materials and other goods and services that may not necessarily be enforceable or legally binding on the Company are also included in "Purchase Obligations" in the table, and, therefore, certain of the Company's purchase orders or contracts included in the table may represent authorizations to purchase rather than legally binding agreements. The Company expects to fund all of these commitments with cash flows from operations and current cash.

Payment due by period (in thousands)

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Operating Lease Obligations	$742	$283	$ 458	$	—
Purchase Obligations	$10,868	$10,868	—	—	—
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP	—	—	—	—	—
Total	$11,610	$11,151	$ 458	$ —	—

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

Firearms Legislation and Litigation

See Item 1A - Risk Factors and Note 16 to the financial statements which are included in the Annual Report on Form 10-K for a discussion of firearms legislation and litigation.

Other Operational Matters

In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to workplace safety, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. The Company believes that it is generally in compliance with applicable Bureau of Alcohol, Tobacco, Firearms & Explosives, environmental, and safety regulations and the outcome of any proceedings or orders will not have a material adverse effect on the financial position or results of operations of the Company.

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The Company self-insures a significant amount of its product liability, workers' compensation, medical, and other insurance. It also carries significant deductible amounts on various insurance policies.

The Company expects to realize its deferred tax assets through tax deductions against future taxable income.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities as of the balance sheet date and net sales and expenses recognized and incurred during the reporting period then ended. The Company bases estimates on prior experience, facts and circumstances, and other assumptions, including those reviewed with actuarial consultants and independent counsel, when applicable, that are believed to be reasonable. However, actual results may differ from these estimates.

The Company believes the determination of its product liability accrual is a critical accounting policy. The Company's management reviews every lawsuit and claim and is in contact with independent and corporate counsel on an ongoing basis. The provision for product liability claims is based upon many factors, which vary for each case. These factors include the type of claim, nature and extent of injuries, historical settlement ranges, jurisdiction where filed, and advice of counsel. An accrual is established for each lawsuit and claim, when appropriate, based on the nature of each such lawsuit or claim.

Amounts are charged to product liability expense in the period in which the Company becomes aware that a claim or, in some instances a threat of a claim, has been made when potential losses or costs of defense are probable and can be reasonably estimated. Such amounts are determined based on the Company's experience in defending similar claims. Occasionally, charges are made for claims made in prior periods because the cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, exceed amounts already provided with respect to such claims. Likewise, credits may be taken if cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, are less than amounts previously provided.

While it is not possible to forecast the outcome of litigation or the timing of related costs, in the opinion of management, after consultation with independent and corporate counsel, there is a remote likelihood that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but such litigation may have a material impact on the Company's financial results for a particular period.

The Company believes the valuation of its inventory and the related excess and obsolescence reserve is also a critical accounting policy. Inventories are carried at the lower of cost, principally determined by the last-in, first-out (LIFO) method, or market. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and prevailing inventory costs existing at that time.

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The Company determines its excess and obsolescence reserve by projecting the year in which inventory will be consumed into a finished product. Given ever-changing market conditions, customer preferences and the anticipated introduction of new products, it does not seem prudent nor supportable to carry inventory at full cost beyond that needed during the next 36 months.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016. The Company has not yet selected a transition method and is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

Forward-Looking Statements and Projections

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, 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. Words such as "expect," "believe," "anticipate," "intend," "estimate," "will," "should," "could" and other words and terms of similar meaning, typically identify such forward-looking statements. 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.

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ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changing interest rates on its investments, which consist primarily of United States Treasury instruments with short-term (less than one year) maturities and cash. The interest rate market risk implicit in the Company's investments at any given time is low, as the investments mature within short periods and the Company does not have significant exposure to changing interest rates on invested cash.

The Company has not undertaken any actions to cover interest rate market risk and is not a party to any interest rate market risk management activities.

A hypothetical 100 basis point change in market interest rates over the next year would not materially impact the Company’s earnings or cash flows. A hypothetical 100 basis point change in market interest rates would not have a material effect on the fair value of the Company’s investments.

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ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Sturm, Ruger & Company, Inc. and Subsidiary

We have audited Sturm, Ruger & Company, Inc. and Subsidiary's ("the Company") internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Sturm, Ruger & Company, Inc. and Subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Sturm, Ruger & Company, Inc. and Subsidiary as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 24, 2016 expressed an unqualified opinion.

/s/RSM US LLP

Stamford, Connecticut

February 24, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Sturm, Ruger & Company, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Sturm, Ruger & Company, Inc. and Subsidiary as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule of Sturm, Ruger & Company, Inc. and Subsidiary ("the Company") listed in Item 15(a). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sturm, Ruger & Company, Inc. and Subsidiary as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sturm, Ruger & Company, Inc. and Subsidiary's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 24, 2016 expressed an unqualified opinion on the effectiveness of Sturm, Ruger & Company, Inc. and Subsidiary's internal control over financial reporting.

/s/RSM US LLP

Stamford, Connecticut

February 24, 2016

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Consolidated Balance Sheets

(Dollars in thousands, except per share data)

December 31,	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$69,225	$8,901
Trade receivables, net	71,721	49,735
Gross inventories	81,278	89,017
Less LIFO reserve	(42,061)	(40,578)
Less excess and obsolescence reserve	(2,118)	(3,750)
Net inventories	37,099	44,689
Deferred income taxes	8,219	7,246
Prepaid expenses and other current assets	3,008	7,603
Total Current Assets	189,272	118,174
Property, Plant, and Equipment	308,597	288,236
Less allowances for depreciation	(204,777)	(177,575)
Net property, plant and equipment	103,820	110,661
Other assets	22,791	25,547
Total Assets	$315,883	$254,382

See accompanying notes to consolidated financial statements.

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December 31,	2015	2014
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	$42,991	$36,150
Product liability	642	641
Employee compensation and benefits	28,298	18,302
Workers' compensation	5,100	5,133
Income taxes payable	4,962	156
Total Current Liabilities	81,993	60,382
Product liability	102	204
Deferred income taxes	6,050	8,334
Contingent liabilities (Note 16)	—	—
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		
2015 – 23,775,766 issued, 18,713,419 outstanding	23,776	23,717
2014 – 23,717,321 issued, 18,737,074 outstanding		
Additional paid-in capital	29,591	25,472
Retained earnings	239,098	198,159
Less: Treasury stock – at cost		
2015 – 5,062,347 shares	(64,727)	(61,886)
2014 – 4,980,247 shares		
Total Stockholders' Equity	227,738	185,462
Total Liabilities and Stockholders' Equity	$315,883	$254,382

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Income and Comprehensive Income

(In thousands, except per share data)

Year ended December 31,	2015	2014	2013
Net firearms sales	$544,850	$542,267	$678,552
Net castings sales	6,244	2,207	9,724
Total net sales	551,094	544,474	688,276
Cost of products sold	378,934	375,300	429,671
Gross profit	172,160	169,174	258,605
Operating Expenses:			
Selling	49,864	44,550	48,706
General and administrative	27,864	28,899	35,394
Defined benefit pension plans settlement charge	—	40,999	—
Other operating income, net	(113)	(1,612)	(401)
Total operating expenses	77,615	112,836	83,699
Operating income	94,545	56,338	174,906
Other income:			
Royalty income	1,084	468	658
Interest income	5	2	4
Interest expense	(156)	(152)	(135)
Other income (expense), net	622	584	(201)
Total other income, net	1,555	902	326
Income before income taxes	96,100	57,240	175,232
Income taxes	33,974	18,612	63,960
Net income	62,126	38,628	111,272
Other comprehensive income (loss), net of tax:			
Defined benefit pension plans	—	—	10,240
Comprehensive income	$62,126	$38,628	$121,512
Basic Earnings Per Share	$3.32	$1.99	$5.76
Fully Diluted Earnings Per Share	$3.21	$1.95	$5.58
Cash Dividends Per Share	$1.10	$1.62	$2.12

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Stockholders' Equity

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2012	$23,563	$15,531	$123,442	$(37,884)	$ (29,620)	$95,032
Net income			111,272			111,272
Pension liability, net of deferred taxes of $6,256					10,241	10,241
Dividends paid			(41,079)			(41,079)
Stock-based compensation		5,288				5,288
Exercise of stock options and vesting of RSU's		(2,423)				(2,423)
Tax benefit realized from exercise of stock options and vesting of RSU's		2,302				2,302
Common stock issued – compensation plans	84	(84)				—
Unpaid dividends accrued			(1,547)			(1,547)
Balance at December 31, 2013	23,647	20,614	192,088	(37,884)	(19,379)	179,086
Net income			38,628			38,628
Settlement of pension liability, net of deferred taxes of $11,157					19,379	19,379
Dividends paid			(31,446)			(31,446)
Stock-based compensation		5,647				5,647
Exercise of stock options and vesting of RSU's		(2,340)				(2,340)
Tax benefit realized from exercise of stock options and vesting of RSU's		1,621				1,621
Common stock issued – compensation plans	70	(70)				—
Unpaid dividends accrued			(1,111)			(1,111)
Repurchase of 680,813 shares of common stock				(24,002)		(24,002)
Balance at December 31, 2014	23,717	25,472	198,159	(61,886)	—	185,462
Net income			62,126			62,126
Dividends paid			(20,569)			(20,569)
Stock-based compensation		4,530				4,530
Exercise of stock options and vesting of RSU's		(788)				(788)
Tax benefit realized from exercise of stock options and vesting of RSU's		436				436
Common stock issued – compensation plans	59	(59)				—
Unpaid dividends accrued			(618)			(618)
Repurchase of 82,100 shares of common stock				(2,841)		(2,841)
Balance at December 31, 2015	$23,776	$29,591	$239,098	$(64,727)	$ —	$227,738

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

(In thousands)

Year ended December 31,	2015	2014	2013
Operating Activities			
Net income	$62,126	$38,628	$111,272
Adjustments to reconcile net income to cash provided by operating activities:			
Pension plan settlement charge	—	32,218	—
Depreciation and amortization	36,235	36,706	20,362
Stock-based compensation	4,530	5,647	5,288
Excess and obsolescence inventory reserve	(1,468)	1,347	693
Loss (gain) on sale of assets	(113)	(1)	1
Deferred income taxes	(3,257)	(12,015)	5,736
Impairment of assets	—	178	911
Changes in operating assets and liabilities:			
Trade receivables	(21,986)	17,649	(24,366)
Inventories	9,058	(22,775)	(7,945)
Trade accounts payable and accrued expenses	6,808	(11,047)	9,231
Employee compensation and benefits	9,378	(17,435)	17,897
Product liability	(101)	(391)	179
Prepaid expenses, other assets and other liabilities	6,553	(13,075)	(19,340)
Income taxes payable	4,806	(83)	(250)
Cash provided by operating activities	112,569	55,551	119,669
Investing Activities			
Property, plant, and equipment additions	(28,705)	(45,571)	(54,616)
Net proceeds from sale of assets	222	24	233
Cash used for investing activities	(28,483)	(45,547)	(54,383)
Financing Activities			
Dividends paid	(20,569)	(31,446)	(41,079)
Tax benefit from exercise of stock options	436	1,621	2,302
Repurchase of common stock	(2,841)	(24,002)	—
Payment of employee withholding tax related to share-based compensation	(999)	(2,363)	(2,423)
Proceeds from exercise of stock options	211	23	—
Cash used for financing activities	(23,762)	(56,167)	(41,200)
Increase (decrease) in cash and cash equivalents	60,324	(46,163)	24,086
Cash and cash equivalents at beginning of year	8,901	55,064	30,978
Cash and cash equivalents at end of year	$69,225	$8,901	$55,064

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(Dollars in thousands, except per share)

1. Summary of Significant Accounting Policies

Organization

Sturm, Ruger & Company, Inc. (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales were from firearms. Export sales represented approximately 4% of firearms sales. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic. The Company's firearms are sold through a select number of independent wholesale distributors principally to the commercial sporting market.

The Company manufactures investment castings made from steel alloys and metal injection molding ("MIM") parts for internal use in its firearms and utilizes available capacity to manufacture and sell investment castings and MIM parts to unaffiliated, third-party customers. Castings were approximately 1% of the Company's total sales for the year ended December 31, 2015.

Preparation of Financial Statements

The Company follows United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The significant accounting policies described below, together with the notes that follow, are an integral part of the Financial Statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Substantially all product sales are sold FOB (free on board) shipping point. Revenue is recognized when product is shipped and the customer takes ownership and assumes the risk of loss. Accruals are made for sales discounts and incentives based on the Company's experience. The Company accounts for cash sales discounts as a reduction in sales and sales incentives as a charge to selling expense. Amounts billed to customers for shipping and handling fees are included in net sales and costs incurred by the Company for the delivery of goods are classified as selling expenses. Federal excise taxes are excluded from net sales.

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Cash and Cash Equivalents

The Company considers interest-bearing deposits with financial institutions with remaining maturities of three months or less at the time of acquisition to be cash equivalents.

Accounts Receivable

The Company establishes an allowance for doubtful accounts based on the credit worthiness of its customers and historical experience. While the Company uses the best information available to make its evaluation, future adjustments to the allowance for doubtful accounts may be necessary if there are significant changes in economic and industry conditions or any other factors considered in the Company's evaluation. Bad debt expense has been immaterial during each of the last three years.

Inventories

Substantially all of the Company's inventories are valued at the lower of cost, principally determined by the last-in, first-out (LIFO) method, or market. Elements of cost in inventories include raw materials, direct labor and manufacturing overhead.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Depreciation is computed over useful lives using the straight-line and declining balance methods predominately over 15 years for buildings, 7 years for machinery and equipment and 3 years for tools and dies. When assets are retired, sold or otherwise disposed of, their gross carrying values and related accumulated depreciation are removed from the accounts and a gain or loss on such disposals is recognized when appropriate.

Maintenance and repairs are charged to operations; replacements and improvements are capitalized.

Long-lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. In performing this review, the carrying value of the assets is compared to the projected undiscounted cash flows to be generated from the assets. If the sum of the undiscounted expected future cash flows is less than the carrying value of the assets, the assets are considered to be impaired. Impairment losses are measured as the amount by which the carrying value of the assets exceeds their fair value. The Company bases fair value of the assets on quoted market prices if available or, if not available, quoted market prices of similar assets. Where quoted market prices are not available, the Company estimates fair value using the estimated future cash flows generated by the assets discounted at a rate commensurate with the risks associated with the recovery of the assets.

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Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory rates applicable to future years to temporary differences between the financial statement carrying amounts and the tax basis of the Company’s assets and liabilities.

Product Liability

The Company provides for product liability claims including estimated legal costs to be incurred defending such claims. The provision for product liability claims is charged to cost of products sold.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for 2015, 2014, and 2013, were $3.0 million, $3.6 million, and $3.2 million, respectively.

Shipping Costs

Costs incurred related to the shipment of products are included in selling expense. Such costs totaled $6.4 million, $7.1 million, and $6.8 million in 2015, 2014, and 2013, respectively.

Research and Development

In 2015, 2014, and 2013, the Company spent approximately $8.5 million, $10.0 million, and $6.2 million, respectively, on research and development activities relating to new products and the improvement of existing products. These costs are expensed as incurred.

Earnings per Share

Basic earnings per share is based upon the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the impact of options, restricted stock units, and deferred stock outstanding using the treasury stock method.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This ASU simplifies the presentation of deferred income taxes by eliminating the requirement for entities to separate deferred tax liabilities and assets into current and noncurrent amounts in classified balance sheets. Instead, it requires deferred tax assets and liabilities be classified as noncurrent in the balance sheet. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016. The Company has not yet selected a transition method and is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

2. Trade Receivables, Net

Trade receivables consist of the following:

December 31,	2015	2014
Trade receivables	$73,564	$51,138
Allowance for doubtful accounts	(400)	(400)
Allowance for discounts	(1,443)	(1,003)
	$71,721	$49,735

In 2015, the largest individual trade receivable balances accounted for 24%, 21%, 12%, and 12% of total trade receivables, respectively.

In 2014, the largest individual trade receivable balances accounted for 28%, 15%, 11%, and 10% of total trade receivables, respectively.

3. Inventories

Inventories consist of the following:

December 31,	2015	2014
Finished goods	$16,637	$20,083
Materials and products in process	62,523	65,184
	79,160	85,267
Adjustment of inventories to a LIFO basis	(42,061)	(40,578)

$37,099	$44,689

In 2015, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the current cost of purchases, the effect of which decreased costs of products sold by approximately $0.1 million in 2015.

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4. Property, Plant and Equipment

Property, plant and equipment consist of the following:

December 31,	2015	2014
Land and improvements	$1,930	$1,926
Buildings and improvements	46,354	42,432
Machinery and equipment	216,055	201,562
Dies and tools	44,258	42,316
	$308,597	$288,236

In 2013, the Company revised its estimate of the useful life of machinery and equipment from 10 to 7 years. This change, which became effective December 31, 2013, resulted in increased depreciation expense of $2.5 million and $7.1 million for 2015 and 2014, respectively. The Company estimates that this change will decrease depreciation expense for the machinery and equipment that was on hand at December 31, 2013 by approximately $1.2 million in 2016.

5. Other Assets

Other assets consist of the following:

December 31,	2015	2014
Patents, at cost	$6,322	$6,113
Accumulated amortization	(3,629)	(3,364)
Deposits on capital items	16,839	19,011
Software development costs, at cost	2,057	2,057
Accumulated amortization	(1,792)	(1,381)
Other	2,994	3,111
	$22,791	$25,547

The capitalized cost of patents is amortized using the straight-line method over their useful lives. The cost of patent amortization was $0.3 million, $0.3 million, and $0.2 million in 2015, 2014, and 2013, respectively. The estimated annual patent amortization cost for each of the next five years is $0.3 million. Costs incurred to maintain existing patents are charged to expense in the year incurred.

Software development costs were incurred to develop and implement an integrated ERP system prior to the time the system became operational. These costs are being amortized using the straight line method over a period of sixty months. Costs incurred subsequent to the system becoming operational are being expensed. The cost of software development cost amortization was $0.4 million, $0.4 million, and $0.5 million in 2015, 2014, and 2013, respectively.

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6. Trade Accounts Payable and Accrued Expenses

Trade accounts payable and accrued expenses consist of the following:

December 31,	2015	2014
Trade accounts payable	$13,073	$11,796
Federal excise taxes payable	13,945	9,386
Accrued other	15,973	14,968
	$42,991	$36,150

7. Line of Credit

The Company has an unsecured $40 million revolving line of credit with a bank. This facility, which is renewable annually, has an expiration date of June 15, 2016.

The credit facility remained unused throughout 2014 and 2015. Borrowings under this facility would bear interest at LIBOR (1.175% at December 31, 2015) plus 200 basis points and the Company is charged three-eighths of a percent (0.375%) per year on the unused portion. At December 31, 2015 and 2014, the Company was in compliance with the terms and covenants of the credit facility.

8. Employee Benefit Plans

In the fourth quarter of 2014, the Company completed the migration of its retirement benefits plans from defined-benefit pension plans to a defined-contribution retirement plan, utilizing its existing 401(k) plan.

The Company previously sponsored two qualified defined-benefit pension plans that covered substantially all employees. In 2007, the Company amended its hourly and salaried defined-benefit pension plans so that employees no longer accrued benefits under them. This action “froze” the benefits for all employees and prevented future hires from joining the plans. A third defined-benefit pension plan was non-qualified and covered certain executive officers of the Company.

The Company sponsors a defined-contribution 401(k) plan that covers substantially all employees. The Company matches employee contributions to their 401(k) accounts using the “safe harbor” guidelines provided in the Internal Revenue Code. In addition, the Company provides discretionary supplemental contributions to substantially all employees’ individual 401(k) accounts.

Defined-Benefit Plans

In December 2014 the Company terminated its defined benefit pension plans and settled all obligations to employees. As a result of the termination of the plans, the Company recognized an

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expense of $41.0 million in the fourth quarter of 2014, primarily comprised of the recognition of previously deferred actuarial losses.

Active employees, all of whom were 100 percent vested in their pension benefits, were given the option of rolling the actuarially determined present value of their benefits into their 401(k) accounts, receiving deferred annuity contracts issued by an insurance carrier, or receiving a lump sum payment.

The Company contributed $7.5 million to the frozen pension plans in 2014 in order to fully fund the settlement, representing the shortfall of the existing pension fund assets on the termination date to the settlement value. The Company contributed $3 million to these frozen pension plans in 2013, which satisfied the required minimum contribution for that year. Since the plans have been fully funded and settled, no cash contributions were required in 2015, nor will any be required in future years.

The measurement date of the assets and liabilities of all plans presented for 2014 was December 31, 2014. Since the plans were fully funded and terminated in 2014, no comparable data is presented for 2015.

Summarized actuarial information on the Company’s defined-benefit pension plans is as follows:

Obligations and Funded Status at December 31,	2014
Change in Benefit Obligation	
Benefit obligation at beginning of year	$77,484
Service cost	—
Interest cost	3,595
Actuarial (gain) loss	5,855
Benefits paid	(3,301)
Settlement of obligations	(83,633)
Benefit obligation at end of year	—
Change in Plan Assets	
Fair value of plan assets at beginning of year	77,993
Actual return on plan assets	311
Employer contributions	8,630
Benefits paid	(3,301)
Settlement of obligations	(83,633)
Fair value of plan assets at end of year	—
Funded Status	
Funded status	—
Unrecognized net actuarial loss	—

Unrecognized prior service cost	—
Net amount recognized	$—

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Weighted Average Assumptions for the years ended December 31,	2014
Discount rate	4.75%
Expected long-term return on plan assets	N/A
Rate of compensation increases	N/A

Components of Net Periodic Pension Cost	2014
Service cost	$—
Interest cost	3,595
Expected return on assets	(6,114)
Recognized gains	997
Net periodic pension cost	$(1,522)
Benefit plan termination costs (see above)	40,999
Net periodic pension cost and benefit plan termination costs	$39,477

In conjunction with the termination and settlement of the defined-benefit pension plans, the additional minimum pension liability was fully recognized in 2014. The Company recorded an adjustment to the additional minimum pension liability, net of tax, which increased comprehensive income by $19.4 million and $10.2 million in 2014 and 2013, respectively.

Plan Assets

As a result of the termination and settlement of the defined-benefit pension plans, there are no plan assets as of December 31, 2015 and 2014.

Defined-Contribution Plans

The Company sponsors a qualified defined-contribution 401(k) plan that covers substantially all of its hourly and salaried employees. Under the terms of the 401(k) plan, the Company matches a certain portion of employee contributions. Expenses related to matching employee contributions to the 401(k) plan were $3.3 million, $3.2 million, and $3.0 million in 2015, 2014, and 2013, respectively.

Additionally, in 2015, 2014, and 2013 the Company provided discretionary supplemental contributions to the individual 401(k) accounts of substantially all employees. Each employee received a supplemental contribution to their account based on a uniform percentage of qualifying compensation established annually. The cost of these supplemental contributions totaled $5.0 million, $5.6 million, and $4.9 million in 2015, 2014, and 2013, respectively.

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9. Other Operating Income, net

Other operating income, net consists of the following:

Year ended December 31,	2015	2014	2013
Gain on sale of operating assets	$113	$1	$65
Frozen defined-benefit pension plan income	—	1,611	336
Total other operating income, net	$113	$1,612	$401

10. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

The federal and state income tax provision consisted of the following:

Year ended December 31,	2015		2014		2013	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	$31,382	$(2,774)	$25,797	$(10,429)	$49,022	$4,879
State	5,849	(483)	5,019	(1,775)	9,202	857
	$37,231	$(3,257)	$30,816	$(12,204)	$58,224	$5,736

The effective income tax rate varied from the statutory federal income tax rate as follows:

Year ended December 31,	2015	2014	2013
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.6	3.7	3.7
Domestic production activities deduction	(3.2)	(4.6)	(2.7)
Other items	—	(1.6)	0.5
Effective income tax rate	35.4%	32.5%	36.5%

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Significant components of the Company's deferred tax assets and liabilities are as follows:

December 31,	2015	2014
Deferred tax assets		
Product Liability	$263	$289
Employee compensation and benefits	3,822	3,621
Allowances for doubtful accounts and discounts	3,454	2,351
Inventories	886	1,411
Stock-based compensation	5,410	4,517
Other	1,623	1,487
Total deferred tax assets	15,458	13,676
Deferred tax liabilities:		
Depreciation	12,946	14,377
Other	343	387
Total deferred tax liabilities	13,289	14,764
Net deferred tax (liabilities) assets	$2,169	$(1,088)

The Company made income tax payments of approximately $27.5 million, $34.0 million, and $59.9 million, during 2015, 2014, and 2013, respectively. The Company expects to realize its deferred tax assets through tax deductions against future taxable income or carry back against taxes previously paid.

The Company does not believe it has included any "uncertain tax positions" in its federal income tax return or any of the state income tax returns it is currently filing. The Company has made an evaluation of the potential impact of additional state taxes being assessed by jurisdictions in which the Company does not currently consider itself liable. The Company does not anticipate that such additional taxes, if any, would result in a material change to its financial position.

11. Earnings Per Share

Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated:

Year ended December 31,	2015	2014	2013
Numerator:			
Net income	$62,126	$38,628	$111,272
Denominator:			
Weighted average number of common shares outstanding – Basic	18,696,659	19,367,928	19,327,394
	668,420	469,480	613,324

Dilutive effect of options and restricted stock units outstanding under the Company's employee compensation plans			
Weighted average number of common shares outstanding – Diluted	19,365,079	19,837,408	19,940,718

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The dilutive effect of outstanding options and restricted stock units is calculated using the treasury stock method. There are no anti-dilutive stock options in 2015, 2014, and 2013 because the closing price of the Company's stock on December 31, 2015, 2014, and 2013 exceeded the strike price of all outstanding options on that date.

12. Stock Repurchases

In 2015 and 2014 the Company repurchased shares of its common stock. Details of these purchases are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
November 13, 2014 to December 31, 2014	680,813	$ 35.22	680,813	
January 1, 2015 to January 4, 2015	82,100	$ 34.57	82,100	
Total	762,913	$ 35.22	762,913	$73,157,000

All of these purchases were made with cash held by the Company and no debt was incurred.

At December 31, 2015, approximately $73 million remained authorized for share repurchases.

13. Compensation Plans

In April 2007, the Company adopted and the shareholders approved the 2007 Stock Incentive Plan (the "2007 SIP") under which employees, independent contractors, and non-employee directors may be granted stock options, restricted stock, deferred stock awards, restricted stock units ("RSU's"), and stock appreciation rights, any of which may or may not require the achievement of performance objectives. Vesting requirements are determined by the Compensation Committee of the Board of Directors. The Company reserved 2,550,000 shares for issuance under the 2007 SIP. At December 31, 2015, an aggregate of 543,000 shares remain available for grant under the 2007 SIP.

Compensation expense related to stock options is recognized based on the grant-date fair value of the awards estimated using the Black-Scholes option pricing model. Compensation expense related to deferred stock, restricted

stock, and restricted stock units is recognized based on the grant-date fair value of the Company's common stock. The total stock-based compensation cost included in the Statements of Income was $4.5 million, $5.6 million, and $5.3 million in 2015, 2014, and 2013, respectively.

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Stock Options

There were no stock options granted in 2015, 2014 or 2013.

The following table summarizes the stock option activity of the 2007 SIP:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2012	120,460	8.58	6.76	5.7
Granted	—	—	—	—
Exercised	(63,239)	8.51	6.86	4.4
Canceled	—	—	—	—
Outstanding at December 31, 2013	57,221	8.66	6.65	5.0
Granted	—	—	—	—
Exercised	(16,244)	8.25	7.54	3.9
Canceled	—	—	—	—
Outstanding at December 31, 2014	40,977	8.82	6.29	4.1
Granted	—	—	—	—
Exercised	(29,139)	8.77	6.13	3.1
Canceled	—	—	—	—
Outstanding at December 31, 2015	11,838	8.95	6.69	3.3
Exercisable Options Outstanding at December 31, 2015	11,838	8.95	6.69	3.3
Non-Vested Options Outstanding at December 31, 2015	—	—	—	—

At December 31, 2015, the aggregate intrinsic value of all options, including exercisable options, was $0.6 million.

Deferred Stock

Deferred stock awards vest based on the passage of time or the Company’s attainment of performance objectives. Upon vesting, these awards convert one-for-one to common stock.

In 2015, 4,000 deferred stock awards were issued to non-employee directors that will vest in April 2016 and 5,370 deferred stock awards were issued to non-employee directors that will vest in April 2018.

In 2014, 3,711 deferred stock awards were issued to non-employee directors that vested in April 2015 and 7,002 deferred stock awards were issued to non-employee directors that will vest in April 2017.

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In 2013, 4,430 deferred stock awards were issued to non-employee directors that vested in April 2014 and 5,952 deferred stock awards were issued to non-employee directors that will vest in April 2016.

Compensation expense related to these awards is amortized ratably over the vesting period. Compensation expense related to these awards was $0.6 million, $0.6 million and $0.5 million in 2015, 2014, and 2013, respectively.

At December 31, 2015, there was $0.5 million of unrecognized compensation cost related to deferred stock that is expected to be recognized over a period of three years.

Restricted Stock Units

The Company grants restricted stock units in lieu of incentive stock options to senior employees. These RSU's have a vesting "double trigger." The vesting of these RSU's is dependent on the achievement of corporate objectives established by the Compensation Committee of the Board of Directors and the passage of time.

During 2015, 76,000 restricted stock units were issued. Compensation costs related to these restricted stock units was $1.9 million, of which $0.5 million was recognized in 2015. The remaining costs will be recognized ratably over the remaining periods required before the units vest, which range from 27 to 49 months.

During 2014, 59,000 restricted stock units were issued. Compensation costs related to these restricted stock units was $3.8 million, of which $1.0 million was recognized in 2014. The remaining costs are not being recognized since the required performance criteria is not expected to be attained.

During 2013, 32,000 restricted stock units were issued. Compensation costs related to these restricted stock units was $1.8 million, of which $0.6 million, $0.6 million, and $0.5 million was recognized in 2015, 2014 and 2013, respectively. The remaining costs will be recognized ratably over the remaining period required before the units vest, which is 3 months.

At December 31, 2015, there was $2.9 million of unrecognized compensation cost related to restricted stock units that is expected to be recognized over a period of 4.0 years.

14. Operating Segment Information

The Company has two reportable operating segments: firearms and castings. The firearms segment manufactures and sells rifles, pistols, and revolvers principally to a number of federally-licensed, independent wholesale distributors primarily located in the United States. The castings segment manufactures and sells steel investment castings and metal injection molding parts.

Corporate segment income relates to interest income, the sale of non-operating assets, and other non-operating activities. Corporate segment assets consist of cash and other non-operating assets.

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The Company evaluates performance and allocates resources, in part, based on profit and loss before taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies (see Note 1). Intersegment sales are recorded at the Company's cost plus a fixed profit percentage.

Year ended December 31,	2015	2014	2013
Net Sales			
Firearms	$544,850	$542,267	$678,552
Castings			
Unaffiliated	6,244	2,207	9,724
Intersegment	31,585	34,095	32,794
	37,829	36,302	42,518
Eliminations	(31,585)	(34,095)	(32,794)
	$551,094	$544,474	$688,276
Income (Loss) Before Income Taxes			
Firearms	$98,565	$57,525	$177,736
Castings	(3,407)	(1,294)	(3,866)
Corporate	942	1,009	1,362
	$96,100	$57,240	$175,232
Identifiable Assets			
Firearms	$221,670	$211,338	$201,660
Castings	15,289	16,772	11,402
Corporate	78,924	26,272	64,056
	$315,883	$254,382	$277,118
Depreciation			
Firearms	$32,409	$33,594	$18,679
Castings	3,029	2,321	897
	$35,438	$35,915	$19,576
Capital Expenditures			
Firearms	$26,246	$39,511	$51,536
Castings	2,459	6,060	3,080
	$28,705	$45,571	$54,616

In 2015, the Company's largest customers and the percent of total sales they represented were as follows: Davidson's-18%; Lipsey's-17%; Sports South-13%; and Jerry's/Ellett Brothers-11%.

In 2014, the Company's largest customers and the percent of total sales they represented were as follows: Davidson's-19%; Lipsey's-13%; Sports South-13%; and Jerry's/Ellett Brothers-12%.

In 2013, the Company's largest customers and the percent of total sales they represented were as follows: Davidson's-16%; Jerry's/Ellett Brothers-14%; Lipsey's-14%; and Sports South-11%.

The Company’s assets are located entirely in the United States and domestic sales represented at least 96% of total sales in 2015, 2014, and 2013.

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15. Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 2015:

	Three Months Ended			
	3/28/15	6/27/15	9/26/15	12/31/15
Net Sales	$136,954	$140,872	$120,871	$152,397
Gross profit	41,397	48,508	34,011	48,244
Net income	15,503	17,560	11,963	17,100
Basic earnings per share	0.83	0.94	0.64	0.91
Diluted earnings per share	$0.81	$0.91	$0.62	$0.88

	Three Months Ended			
	3/29/14	6/28/14	9/27/14	12/31/14
Net Sales	$169,884	$153,657	$98,327	$122,606
Gross profit	61,123	50,353	23,738	33,960
Net income (loss)	24,319	22,286	6,781	(14,758)
Basic earnings (loss) per share	1.26	1.15	0.35	(0.77)
Diluted earnings (loss) per share	$1.22	$1.12	$0.34	$(0.77)

16. Contingent Liabilities

As of December 31, 2015, the Company was a defendant in three (3) lawsuits and is aware of certain other claims. The lawsuits fall into three categories: traditional product liability patent litigation and municipal litigation, discussed in turn below.

Traditional Product Liability Litigation

One of the three lawsuits mentioned above involves a claim for damages related to an allegedly defective product due to its design and/or manufacture. This lawsuit stems from a specific incident of personal injury and is based on traditional product liability theories such as strict liability, negligence and/or breach of warranty.

The Company management believes that the allegations in this case are unfounded, that the incident was unrelated to the design or manufacture of the firearm, and that there should be no recovery against the Company.

Patent Litigation

During the three months ending December 31, 2015, one case was formally instituted against the Company, captioned *Davies Innovations Inc. v. Sturm, Ruger & Company, Inc.*, pending in the United States District Court for the Southern District of Texas, Galveston Division. The suit is based upon alleged patent infringement as the plaintiff claims that certain features of the Ruger

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SR-556 and SR-762 modern sporting rifles infringe its patent. The complaint seeks a judgment of infringement and unspecified monetary damages including costs, fees and treble damages.

The Company management believes that the allegations in this case are unfounded, that there is no infringement of plaintiff's patent, that plaintiff's patent is invalid, and that there should be no recovery against the Company.

Municipal Litigation

Municipal litigation generally includes those cases brought by cities or other governmental entities against firearms manufacturers, distributors and retailers seeking to recover damages allegedly arising out of the misuse of firearms by third-parties.

There is only one remaining lawsuit of this type, filed by the City of Gary in Indiana State Court, over fifteen years ago. The complaint in that case seeks damages, among other things, for the costs of medical care, police and emergency services, public health services, and other services as well as punitive damages. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing and distribution practices of the various defendants. The suit alleges, among other claims, negligence in the design of products, public nuisance, negligent distribution and marketing, negligence per se and deceptive advertising. The case does not allege a specific injury to a specific individual as a result of the misuse or use of any of the Company's products.

After a long procedural history, the case was scheduled for trial on June 15, 2009. The case was not tried on that date and was largely dormant until a status conference was held on July 27, 2015. At that time, the court entered a scheduling order setting deadlines for plaintiff to file a Second Amended Complaint, for defendants to answer, and for defendants to file dispositive motions. The plaintiff did not file a Second Amended Complaint by the deadline.

Last year, Indiana passed a new law that such that Indiana Code § 34-12-3-1 applies to the City's case. The defendants have filed a joint motion for judgment on the pleadings, asserting immunity under §34-12-3-1 and asking the court to re-visit the Court of Appeals' decision holding the Protection of Lawful Commerce in Arms Act inapplicable to the City's claims. The motion is being briefed by the parties and currently is set for hearing on April 26, 2016.

Summary of Claimed Damages and Explanation of Product Liability Accruals

Punitive damages, as well as compensatory damages, are demanded in certain of the lawsuits and claims. For product liability claims made after July 10, 2000, coverage is provided on an annual basis for losses exceeding $5 million per

claim, or an aggregate maximum loss of $10 million annually, except for certain new claims which might be brought by governments or municipalities after July 10, 2000, which are excluded from coverage.

The Company management monitors the status of known claims and the product liability accrual, which includes amounts for asserted and unasserted claims. While it is not possible to forecast the outcome of litigation or the timing of costs, in the opinion of management, after consultation

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with special and corporate counsel, it is not probable and is unlikely that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but may have a material impact on the Company's financial results for a particular period.

Product liability claim payments are made when appropriate if, as, and when claimants and the Company reach agreement upon an amount to finally resolve all claims. Legal costs are paid as the lawsuits and claims develop, the timing of which may vary greatly from case to case. A time schedule cannot be determined in advance with any reliability concerning when payments will be made in any given case.

Provision is made for product liability claims based upon many factors related to the severity of the alleged injury and potential liability exposure, based upon prior claim experience. Because the Company's experience in defending these lawsuits and claims is that unfavorable outcomes are typically not probable or estimable, only in rare cases is an accrual established for such costs. In most cases, an accrual is established only for estimated legal defense costs. Product liability accruals are periodically reviewed to reflect then-current estimates of possible liabilities and expenses incurred to date and reasonably anticipated in the future. Threatened product liability claims are reflected in the Company's product liability accrual on the same basis as actual claims; *i.e.,* an accrual is made for reasonably anticipated possible liability and claims-handling expenses on an ongoing basis.

A range of reasonably possible loss relating to unfavorable outcomes cannot be made. However, in product liability cases in which a dollar amount of damages is claimed, the amount of damages claimed, which totaled $0.1 million and $0.0 million at December 31, 2015 and 2014, respectively, are set forth as an indication of possible maximum liability that the Company might be required to incur in these cases (regardless of the likelihood or reasonable probability of any or all of this amount being awarded to claimants) as a result of adverse judgments that are sustained on appeal.

As of December 31, 2015 and 2014 the Company was a defendant in 3 and 2 lawsuits, respectively, involving its products and is aware of other such claims. During 2015 and 2014, respectively, 2 and 0 claims were filed against the Company, 1 and 2 claims were settled, and no claims were dismissed in either year.

The Company's product liability expense was $0.9 million in 2015, $0.8 million in 2014, and $1.3 million in 2013. This expense includes the cost of outside legal fees, insurance, and other expenses incurred in the management and defense of product liability matters.

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A roll-forward of the product liability reserve and detail of product liability expense for the three years ended December 31, 2015 follows:

Balance Sheet Roll-forward for Product Liability Reserve

	Balance Beginning of Year (a)	Accrued Legal Expense (Income) (b)	Cash Payments		Balance End of Year (a)
			Legal Fees (c)	Settlements (d)	
2013	$ 1,057	230	(44)	(7)	$ 1,236
2014	$ 1,236	(295)	(18)	(78)	$ 845
2015	$ 845	(77)	(18)	(6)	$ 744

Income Statement Detail for Product Liability Expense

	Accrued Legal Expense (b)	Insurance Premium Expense (e)	Total Product Liability Expense
2013	$ 230	1,023	$ 1,253
2014	$ (295)	1,069	$ 774
2015	$ (77)	997	$ 920

Notes

(a) The beginning and ending liability balances represent accrued legal fees only. Settlements and administrative costs are expensed as incurred. Only in rare instances is an accrual established for settlements.

(b) The expense accrued in the liability is for legal fees only. In 2014 and 2015, the costs incurred related to cases that were settled or dismissed were less than the amounts accrued for these cases in prior years.

(c) Legal fees represent payments to outside counsel related to product liability matters.

(d) Settlements represent payments made to plaintiffs or allegedly injured parties in exchange for a full and complete release of liability.

(e) Insurance expense represents the cost of insurance premiums.

There were no insurance recoveries during any of the above years.

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17. Financial Instruments

The Company does not hold or issue financial instruments for trading or hedging purposes, nor does it hold interest rate, leveraged, or other types of derivative financial instruments. Fair values of accounts receivable, accounts payable, accrued expenses and income taxes payable reflected in the December 31, 2015 and 2014 balance sheets approximate carrying values at those dates.

18. Subsequent Events

On February 22, 2016, the Company's Board of Directors authorized a dividend of 35¢ per share to shareholders of record on March 11, 2016.

The Company's management has evaluated transactions occurring subsequent to December 31, 2015 and determined that there were no events or transactions during that period that would have a material impact on the Company's results of operations or financial position.

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ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company conducted an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2015. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2015, the Company's disclosure controls and procedures over financial reporting were effective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company conducted an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its internal control over financial reporting as of December 31, 2015. This evaluation was performed based on the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in "Internal Control — Integrated Framework" issued by the COSO in 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report which is included in this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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New York Stock Exchange Certification

Pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Company submitted an unqualified certification of our Chief Executive Officer to the New York Stock Exchange in 2015. The Company has also filed, as exhibits to this Annual Report on Form 10-K, the Chief Executive Officer and Chief Financial Officer Certifications required under the Sarbanes-Oxley Act of 2002.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning the Company's directors, including the Company's separately designated standing audit committee, and on the Company's code of business conduct and ethics required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016, which will be filed with the SEC in March 2016.

Information concerning the Company's executive officers required by this Item is set forth in Item 1 of this Annual Report on Form 10-K under the caption "Executive Officers of the Company."

Information concerning beneficial ownership reporting compliance required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016, which will be filed with the SEC in March 2016.

ITEM 11—EXECUTIVE COMPENSATION

Information concerning director and executive compensation required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016, which will be filed with the SEC in March 2016.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning the security ownership of certain beneficial owners and management and related stockholder matters required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016, which will be filed with the SEC in March 2016.

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ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016.

ITEM 14—PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning the Company's principal accountant fees and services and the pre-approval policies and procedures of the audit committee of the board of directors required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2016 Annual Meeting of Stockholders scheduled to be held May 3, 2016, which will be filed with the SEC in March 2016.

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PART IV

ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits and Financial Statement Schedules

(1) Financial Statements can be found under Item 8 of Part II of this Form 10-K

(2) Schedules can be found on Page 87 of this Form 10-K

(3) Listing of Exhibits:

Exhibit 3.1	Certificate of Incorporation of the Company, as amended (Incorporated by reference to Exhibits 4.1 and 4.2 to the Form S-3 Registration Statement previously filed by the Company File No. 33-62702).
Exhibit 3.2	Bylaws of the Company, as amended.
Exhibit 3.3	Amended and restated Article 3, Section 2 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2007).
Exhibit 3.4	Amended and restated Article 3, Section 4 and Article 4, Section 5 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2007).
Exhibit 3.5	Amended and restated Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2007).
Exhibit 3.6	Amended and restated Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2008).
Exhibit 3.7	Amendment to Article 5, Section 1 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 6, 2009).

Exhibit 10.1	Sturm, Ruger & Company, Inc. 1986 Stock Bonus Plan (Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1988, as amended by Form 8 filed March 27, 1990, SEC File No. 1-10435).

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Exhibit 10.2	Amendment to Sturm, Ruger & Company, Inc. 1986 Stock Bonus Plan (Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).
Exhibit 10.3	Sturm, Ruger & Company, Inc. Supplemental Executive Profit Sharing Retirement Plan (Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).
Exhibit 10.4	Agreement and Assignment of Lease dated September 30, 1987 by and between Emerson Electric Co. and Sturm, Ruger & Company, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).
Exhibit 10.5	Sturm, Ruger & Company, Inc. Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, SEC File No. 1-10435).
Exhibit 10.6	[Intentionally omitted.]
Exhibit 10.7	Sturm, Ruger & Company, Inc. 1998 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, SEC File No. 1-10435).
Exhibit 10.8	Sturm, Ruger & Company, Inc. 2001 Stock Option Plan for Non-Employee Directors (Incorporated by reference to Exhibit 4 to the Form S-8 Registration Statement filed by the Company File No. 33-53234).
Exhibit 10.9	Agreement and Release, dated as of February 28, 2006, by and between Sturm, Ruger & Company, Inc. and William B. Ruger (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2006, SEC File No. 1-10435).
Exhibit 10.10	Sale and Purchase Agreement, dated as of September 26, 2006, by and between Sturm, Ruger & Company, Inc. and Ruger Business Holdings, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2006, SEC File No. 1-10435).
Exhibit 10.11	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Stephen L. Sanetti (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).

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Exhibit 10.12	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Thomas A. Dineen (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).
Exhibit 10.13	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Robert R. Stutler (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).
Exhibit 10.14	Offer Letter, dated as of September 5, 2006, by and between Sturm, Ruger & Company, Inc. and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2006, SEC File No. 1-10435).
Exhibit 10.15	Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.16	Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Christopher John Killoy (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.17	Amended Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Thomas P. Sullivan (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.18	Retention and Consultation Agreement, dated December 4, 2007, by and between Sturm, Ruger & Company, Inc. and Robert R. Stutler.
Exhibit 10.19	Credit Agreement, dated as of December 14, 2007, by and between the Company and Bank of America (Incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2007).
Exhibit 10.20	Severance Agreement, dated as of April 10, 2008, by and between the Company and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).

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Exhibit 10.21	Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas A. Dineen (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.22	Severance Agreement, dated as of April 10, 2008, by and between the Company and Mark T. Lang (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.23	Severance Agreement, dated as of April 10, 2008, by and between the Company and Christopher J. Killoy (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.24	Severance Agreement, dated as of April 10, 2008, by and between the Company and Steven M. Maynard (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.25	Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas P. Sullivan (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.26	Severance Agreement, dated as of April 10, 2008, by and between the Company and Leslie M. Gasper (Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.27	Agreement, dated as of April 10, 2008, by and between the Company and Stephen L. Sanetti (Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K/A filed with the SEC on April 30, 2008).
Exhibit 10.28	Severance Agreement, dated as of May 2, 2008 by and between the Company and Kevin B. Reid, Sr. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2008).
Exhibit 10.29	First Amendment to Credit Agreement, dated as of December 15, 2008, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2008).
Exhibit 10.30	Second Amendment to Credit Agreement, dated December 11, 2009, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2009).

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Exhibit 10.31	Fifth Amendment to Credit Agreement, dated February 14, 2013 by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on February 21, 2013).
Exhibit 10.32	Sixth Amendment to Credit Agreement, dated June 9, 2014, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 16, 2014).
Exhibit 10.33	Seventh Amendment to Credit Agreement, dated June 5, 2015, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 12, 2015).
Exhibit 23.1	Consent of RSM US LLP
Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
Exhibit 31.2	Certification of Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
Exhibit 32.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 99.1	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 1999, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.
Exhibit 99.2	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended March 28, 2015, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.
Exhibit 99.3	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 26, 2015, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STURM, RUGER & COMPANY, INC.
(Registrant)

S/THOMAS A. DINEEN
Thomas A. Dineen
Principal Financial Officer
Principal Accounting Officer, Vice President
Treasurer and Chief Financial Officer

February 24, 2016
Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

S/MICHAEL O. FIFER Michael O. Fifer Chief Executive Officer, Director (Principal Executive Officer)	2/24/16	S/JOHN A. COSENTINO, JR. John A. Cosentino, Jr. Director	2/24/16
S/C. MICHAEL JACOBI C. Michael Jacobi Director	2/24/16	S/RONALD C. WHITAKER Ronald C. Whitaker Director	2/24/16
S/AMIR P. ROSENTHAL Amir P. Rosenthal Director	2/24/16	S/PHILLIP C. WIDMAN Phillip C. Widman Director	2/24/16

S/TERRENCE G. O'CONNOR Terrence G. O'Connor	2/24/16	S/SANDRA S. FROMAN Sandra S. Froman	2/24/16
Director		Director	

S/THOMAS A. DINEEN Thomas A Dineen	2/24/16
Principal Financial Officer	
Principal Accounting Officer, Vice President	
Treasurer and Chief Financial Officer	

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EXHIBIT INDEX

		Page No.
Exhibit 3.1	Certificate of Incorporation of the Company, as amended (Incorporated by reference to Exhibits 4.1 and 4.2 to the Form S-3 Registration Statement previously filed by the Company File No. 33-62702).	
Exhibit 3.2	Bylaws of the Company, as amended.	
Exhibit 3.3	Amended and restated Article 3, Section 2 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2007).	
Exhibit 3.4	Amended and restated Article 3, Section 4 and Article 4, Section 5 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2007).	
Exhibit 3.5	Amended and restated Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2007).	
Exhibit 3.6	Amended and restated Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2008).	
Exhibit 3.7	Amendment to Article 5, Section 1 of Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 6, 2009).	
Exhibit 10.1	Sturm, Ruger & Company, Inc. 1986 Stock Bonus Plan (Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1988, as amended by Form 8 filed March 27, 1990, SEC File No. 1-10435).	
Exhibit 10.2	Amendment to Sturm, Ruger & Company, Inc. 1986 Stock Bonus Plan (Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).	
Exhibit 10.3	Sturm, Ruger & Company, Inc. Supplemental Executive Profit Sharing Retirement Plan (Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).	
Exhibit 10.4	Agreement and Assignment of Lease dated September 30, 1987 by and between Emerson Electric Co. and Sturm, Ruger & Company, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, SEC File No. 1-10435).	

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EXHIBIT INDEX (continued)

Exhibit 10.5	Sturm, Ruger & Company, Inc. Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, SEC File No. 1-10435).
Exhibit 10.6	[Intentionally omitted.]
Exhibit 10.7	Sturm, Ruger & Company, Inc. 1998 Stock Incentive Plan. (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, SEC File No. 1-10435).
Exhibit 10.8	Sturm, Ruger & Company, Inc. 2001 Stock Option Plan for Non-Employee Directors (Incorporated by reference to Exhibit 4 to the Form S-8 Registration Statement filed by the Company File No. 33-53234).
Exhibit 10.9	Agreement and Release, dated as of February 28, 2006, by and between Sturm, Ruger & Company, Inc. and William B. Ruger (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 4, 2006, SEC File No. 1-10435).
Exhibit 10.10	Sale and Purchase Agreement, dated as of September 26, 2006, by and between Sturm, Ruger & Company, Inc. and Ruger Business Holdings, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2006, SEC File No. 1-10435).
Exhibit 10.11	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Stephen L. Sanetti (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).
Exhibit 10.12	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Thomas A. Dineen (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).
Exhibit 10.13	Severance Agreement, dated as of September 21, 2006, by and between Sturm, Ruger & Company, Inc. and Robert R. Stutler (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 27, 2006, SEC File No. 1-10435).
Exhibit 10.14	Offer Letter, dated as of September 5, 2006, by and between Sturm, Ruger & Company, Inc. and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 28, 2006, SEC File No. 1-10435).

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EXHIBIT INDEX (continued)

Exhibit 10.15	Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.16	Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Christopher John Killoy (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.17	Amended Severance Agreement, dated as of December 15, 2006, by and between Sturm, Ruger & Company, Inc. and Thomas P. Sullivan (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on December 19, 2006, SEC File No. 1-10435).
Exhibit 10.18	Retention and Consultation Agreement, dated December 4, 2007, by and between Sturm, Ruger & Company, Inc. and Robert R. Stutler.
Exhibit 10.19	Credit Agreement, dated as of December 14, 2007, by and between the Company and Bank of America (Incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2007).
Exhibit 10.20	Severance Agreement, dated as of April 10, 2008, by and between the Company and Michael O. Fifer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.21	Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas A. Dineen (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.22	Severance Agreement, dated as of April 10, 2008, by and between the Company and Mark T. Lang (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.23	Severance Agreement, dated as of April 10, 2008, by and between the Company and Christopher J. Killoy (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.24	Severance Agreement, dated as of April 10, 2008, by and between the Company and Steven M. Maynard (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).

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EXHIBIT INDEX (continued)

Exhibit 10.25	Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas P. Sullivan (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).	
Exhibit 10.26	Severance Agreement, dated as of April 10, 2008, by and between the Company and Leslie M. Gasper (Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).	
Exhibit 10.27	Agreement, dated as of April 10, 2008, by and between the Company and Stephen L. Sanetti (Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K/A filed with the SEC on April 30, 2008).	
Exhibit 10.28	Severance Agreement, dated as of May 2, 2008 by and between the Company and Kevin B. Reid, Sr. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2008).	
Exhibit 10.29	First Amendment to Credit Agreement, dated as of December 15, 2008, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2008).	
Exhibit 10.30	Second Amendment to Credit Agreement, dated December 11, 2009, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on December 21, 2009).	
Exhibit 10.31	Fifth Amendment to Credit Agreement, dated February 14, 2013 by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on February 21, 2013).	
Exhibit 10.32	Sixth Amendment to Credit Agreement, dated June 9, 2014, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 16, 2014).	
Exhibit 10.33	Seventh Amendment to Credit Agreement, dated June 5, 2015, by and between the Company and Bank of America (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 12, 2015).	
Exhibit 23.1	Consent of RSM US LLP	89

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EXHIBIT INDEX (continued)

Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.	90
Exhibit 31.2	Certification of Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.	92
Exhibit 32.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	94
Exhibit 32.2	Certification of the Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	95
Exhibit 99.1	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 1999, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.	
Exhibit 99.2	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended March 28, 2015, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.	
Exhibit 99.3	Item 1 LEGAL PROCEEDINGS from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 26, 2015, SEC File No. 1-10435, incorporated by reference in Item 3 LEGAL PROCEEDINGS.	

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YEAR ENDED DECEMBER 31, 2015

STURM, RUGER & COMPANY, INC.

ITEMS 15(a)
FINANCIAL STATEMENT SCHEDULE

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Sturm, Ruger & Company, Inc.

Item 15(a)--Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts

(In Thousands)

COL. A	COL. B	COL. C ADDITIONS		COL. D		COL. E
Description	Balance at Beginning of Period	(1) Charged (Credited) to Costs and Expenses	(2) Charged to Other Accounts –Describe	Deductions		Balance at End of Period
Deductions from asset accounts:						
Allowance for doubtful accounts:						
Year ended December 31, 2015	$400	$120		$(120)	(a)	$400
Year ended December 31, 2014	$300	$100				$400
Year ended December 31, 2013	$300					$300
Allowance for discounts:						
Year ended December 31, 2015	$1,003	$11,797		$11,357	(b)	$1,443
Year ended December 31, 2014	$1,344	$11,485		$11,826	(b)	$1,003
Year ended December 31, 2013	$825	$14,515		$13,996	(b)	$1,344
Excess and obsolete inventory reserve:						
Year ended December 31, 2015	$3,750	$(1,468	)	$(164)	(c)	$2,118

Year ended December 31, 2014	$2,422	$1,328	$3,750
Year ended December 31, 2013	$1,729	$693	$2,422

(a) Accounts written off
(b) Discounts taken
(c) Inventory written off