Callaway Golf Reports Record First Quarter Sales, Net Income Up 26%, Earnings Per Share Up 22% And Golf Club Production At Record Levels

CARLSBAD, California/ April 26, 2000/ Callaway Golf Company (NYSE:ELY) today reported net sales of $206.6 million for the first quarterended March 31, 2000, an increase of 11% over net sales of $185.7 million reported in the first quarter of 1999 and a new record level of sales for any first quarter in the history of the Company. Net income increased 26% to $16.2 million in the first quarter of 2000 from $12.8 million in the first quarter of 1999, and diluted earnings per share increased 22% to $0.22 in the first quarter of 2000 from $0.18 in the first quarter of 1999.

"The beginning of 2000 has been an exciting time for all of us at Callaway Golf," said Ely Callaway, Founder, Chairman and CEO. "There has been solid demand for all our golf club products, and exceptional market interest in the introduction of our new products, the Steelhead Plus™ Stainless Steel Metal Woods, the Steelhead™ X-14™ Stainless Steel Irons and the Odyssey® White Hot™ Putters. The new golf ball, Rule 35™, has enjoyed a very successful introduction. Golf club sales have exceeded our initial expectations in our major markets, including the United States and Japan.

Mr. Callaway continued, "By producing record numbers of golf clubs - we made more golf clubs than we have in any previous quarter - we were able to meet much of this early season demand. Our net sales, not including golf balls, increased by 8%, from $185.7 million in the first quarter of 1999 to $200.6 million in the first quarter of 2000 - a new record first quarter sales level for our golf club business. At the same time, we were able to achieve higher production and operating efficiencies in golf club manufacturing, leading to a significant improvement of 22% in our overall earnings per diluted share over the comparable quarter last year. We're very enthusiastic about these results, which we think reflect our hard work, our attention to managing our core businesses, and a little good fortune."

"Demand for our new Rule 35™ golf ball has also been very strong," said Chuck Yash, President of Callaway Golf Company and President and CEO of its wholly-owned subsidiary, Callaway Golf Ball Company. "Early reports coming from retailers and consumers, as well as the enthusiasm of our staff professionals, continue to reinforce our conclusion that we have developed a superior ball - one which many golfers of all skill levels will play and enjoy. Our first quarter golf ball net sales of $6.0 million, the majority of which came in the month of March, was about what we expected. However, we had higher than expected costs in the quarter, including the write-off of some early production that did not meet our quality standards. This resulted in a pre-tax loss for the quarter on our golf ball business of $14.6 million. Overall, the trial and initial sell-through of the product has been excellent, and we are on track to meet our sales expectations of $50 to $70 million for the year. Even the lower figure would represent, to our knowledge, by far the largest dollar amount of first-year sales ever achieved by any new entrant in the golf ball industry. Thus, on the whole we are very pleased with the launch of our golf ball business."

Net sales of $206.6 million were comprised of: $50.1 million of Great Big Bertha® Hawk Eye® Titanium Metal Woods; $49.9 million of Steelhead Plus® Stainless Steel Metal Woods; $51.8 million of Steelhead™ X-14™ Stainless Steel Irons; $26.5 million of Great Big Bertha® Hawk Eye® Tungsten Injected™ Titanium Irons; $11.0 million of Odyssey® and Callaway Golf® putters; $6.0 million of golf balls, and $11.3 million of other sales. For the first quarter of 2000 vs. the first quarter of 1999, the Company's U.S. sales increased 17% to $118.2 million from $100.9 million, and international sales increased 4% to $88.4 million from $84.8 million.

Cost of goods sold as a percentage of net sales was 54% in the first quarter of 2000, versus 55% in the comparable period of 1999. The decrease was primarily attributable to a reduction in golf club manufacturing labor and overhead expenses, offset by higher than expected golf ball manufacturing costs, including the unplanned write-off of certain golf ball inventory.

Selling expenses in the first quarter increased to $43.8 million from $31.3 million in the first quarter of 1999. The increase was primarily due to additional expenses associated with the start up expenses for golf ball sales and expanded golf club sales activity in our new sales subsidiary in Japan.

General and Administrative expenses for the first quarter of 2000 decreased 19% to $17.5 million from $21.7 million in the comparable quarter of 1999. This decrease is mainly attributable to the shifting of costs associated with the Company's golf ball pre-production period. Those costs are now included in cost of goods sold, in conjunction with the commencement of production and the sale of golf balls during the first quarter.

"Production costs for the year for our golf ball will be greater than our initial expectations, due to the unique nature of our new golf ball design, the commencement of operations at a state-of-the-art manufacturing facility built from scratch, and our absolute requirement to produce and ship only a quality product worthy of the Callaway Golf brand name," continued Mr. Yash. "Thus, even though we are successfully working through our start-up issues and expect our future output to improve over current levels, we don't expect our current production ramp-up schedule to achieve operational efficiencies as fast as we had originally estimated. In addition, normal seasonality later in the year will constrain sales and therefore limit the positive impact of our operational improvements in the remainder of the year. As a result, our golf ball operations could generate approximately $18 to $22 million in additional pre-tax losses in the remaining three quarters of the year."

"We currently expect that in the second quarter our golf club manufacturing operations will continue to satisfy the exceptional early season demand we have seen for our golf clubs," continued Mr. Callaway. "Thus, we may report better than expected earnings for the second quarter as well. While these strong early season sales will cannibalize expected third and fourth quarter sales somewhat, we also think a significant amount of this business will be additional revenue for the year. Thus, even with some greater than expected losses from our golf ball business, we feel comfortable at this time with estimates that our earnings per diluted share in 2000 will be approximately 50% higher than last year's earnings of $0.78 per diluted share."

In accordance with the Company's dividend practice for 2000, the dividend for the first quarter will be determined by the Board of Directors at its meeting in early May, 2000.

Callaway Golf Company makes and sells Big Bertha® metal woods and irons, including Great Big Bertha® Hawk Eye® Titanium Metal Woods, Big Bertha® Steelhead Plus™ Stainless Steel Metal Woods, Great Big Bertha® Hawk Eye® Tungsten Injected™ Titanium Irons, Big Bertha® Steelhead™ X-14™ Stainless Steel Irons, Odyssey® Dual Force® and TriForce™ Putters wit Stronomic® inserts, Odyssey® White Hot™ Putters, and Callaway Golf® and Bobby Jones® Putters. Callaway Golf Ball Company makes and sells Callaway Golf Rule 35™ Firmfeel™ and Softfeel™ golf balls

Statements used in this press release that relate to future plans, events, financial results or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to market acceptance of current and future products, including its golf ball, seasonality, adverse market and economic conditions, competitive pressures, and costs and potential disruption of business as a result of the transition of the Company's Japanese distribution to a wholly-owned subsidiary, delays, difficulties or increased costs in the manufacturing of the Company's products, including its golf ball, or in the procurement of materials needed to manufacture the Company's products, as well as other risks and uncertainties detailed from time to time in the Company's periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

For more information about Callaway Golf Company, please visit our website at www.callawaygolf.com. For more information about Odyssey Golf, please visit our website at www.odysseygolf.com.

Callaway Golf Company

Consolidated Condensed Statement of Income (unaudited)

(In thousands, except per share data)

	First Quarter Ended March 31,			
	2000		1999	
Net sales	$206,608	100%	$185,744	100%
Cost of goods sold	112,179	54%	102,224	55%
Gross profit	94,429	46%	83,520	45%
Operating expenses:				
Selling	43,801	21%	31,300	17%
General and administrative	17,507	8%	21,728	12%
Research and development	8,217	4%	8,454	5%
Income from operations	24,904	12%	22,038	12%
Other income (expense), net	1,585		(771)	
Income before income taxes	26,489	13%	21,267	11%
Income tax provision	10,283		8,444	
Net income	$ 16,206	8%	$ 12,823	7%
Earnings per common share:				
Basic	$0.23		$0.18	
Diluted	$0.22		$0.18	
Common equivalent shares:				
Basic	71,199		69,977	
Diluted	72,482		70,565	

Callaway Golf Company

Consolidated Condensed Balance Sheet
(In thousands)

	March 31, 2000 (unaudited)	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,628	$112,602
Accounts receivable, net	115,057	54,252
Inventories, net	110,140	97,938
Deferred taxes	32,148	32,558
Other current assets	11,764	13,122
Total current assets	337,737	310,472
Property, plant and equipment, net	142,621	142,214
Intangible assets, net	118,055	120,143
Other assets	44,348	43,954
	$642,761	$616,783
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 53,906	$ 46,664
Accrued employee compensation and benefits	17,545	21,126
Accrued warranty expense	38,700	36,105
Accrued restructuring costs	928	1,379
Income taxes payable	3,217	
Total current liabilities	114,296	105,274
Long-term liabilities	11,830	11,575
Shareholders' equity	516,635	499,934
	$642,761	$616,783