



Callaway Golf Offers Truce To USGA; Will Continue Primary Emphasis On Conforming Clubs, Offers New Non-conforming ERC II Driver For U. S. Customers

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CARLSBAD, CA, October 18, 2000 – Callaway Golf Company (NYSE:ELY) announced today at a global news conference that it has created two new drivers, both of which the company predicts will have a major beneficial effect on golfers around the world. One of these new drivers – the Hawk Eye® VFT™ Titanium Driver – conforms with all USGA and R&A equipment regulations. The other driver – the ERC™ II Forged Titanium Driver – does not conform with USGA regulations for the so-called “spring-like effect,” but otherwise complies with all USGA and R&A equipment regulations. Both of these extraordinary, breakthrough products will be available soon to the Company’s retail customers in the United States and around the world. Delivery will begin in limited quantities not later than early January 2001.

The USGA (United States Golf Association) and the R&A (Royal and Ancient Golf Club of Saint Andrews, Scotland) are the major governing bodies for golf, with the USGA setting the Rules of Golf for the United States and Mexico, and the R&A setting the Rules for most other countries. Virtually all professional and organized amateur events around the world are played under the rules of one or the other of these organizations, as are other professional and amateur rounds where the Rules are implemented by either the event sponsors or the players themselves. The Rules of the USGA and the R&A currently differ with respect to drivers.

“For the first time we have chosen to make and sell a non-conforming driver – the new ERC II Forged Titanium Driver – in the United States along with our other conforming golf clubs,” said Ely Callaway, Founder, Chairman and CEO. “We see this as a revolutionary policy change, for we are the first large, premium brand company to offer U.S. consumers such a radical new choice in ‘conforming’ as well as ‘non-conforming’ driver technology. From this point on, people should expect that the resources of the company will continue to be devoted primarily to drivers and other golf clubs that will conform with current USGA and R&A equipment rules – and with whatever new rules there may be in the foreseeable future within reason. At the same time, we will be spending a significant amount of time and money and effort on the design of drivers that do not conform to the USGA Rules – like the new ERC II Driver. We believe that this new ERC II Driver will make the game more enjoyable for average golfers in the U.S. who choose to play all or some of their recreational rounds without strictly following the USGA’s equipment rules for competitive play.”

Mr. Callaway continued, “We strongly believe that, in reality, there are two games of golf, and that they are quite different from each other in many respects. No less an authority than Bobby Jones, one of the greatest golfers the game has ever seen, made this observation throughout his life in golf and in several of his writings. It should not be surprising that we agree with Mr. Jones.”

“One of these games is tournament golf wherein its nature calls appropriately for stricter rules governing certain aspects of play, equipment, golf course set-up, etc.,” elaborated Mr. Callaway. “The other game of golf, we believe, has much more of a ‘recreational’ nature and purpose; it is played primarily for enjoyment. We believe that at least 95% of all the golfers in the United States see, or would like to see, themselves as enjoying primarily the second type of golf game, i.e. recreational golf. The latest technology enables Callaway Golf to offer unique design concepts in drivers which can and do add significant extra enjoyment to the game for the millions of golfers who play recreational golf.”

“Callaway Golf has long held the belief that extra distance off the tee resulting from certain modern technology in drivers is good

for the game, particularly for its growth potential," said Mr. Callaway. "Outside the U.S., the R&A permits all golfers to enjoy these technological benefits in both tournament and recreational golf. While we cannot make these drivers available in the U.S. for use in competitive rounds played subject to the USGA's Rules, we can at least offer them for use by American golfers in their recreational rounds."

"Therefore, we intend to give an unprecedented choice to U.S. golfers – professionals and amateurs, men and women, young and old. The choices available to them from Callaway Golf within about 60 days will be what we believe to be the industry's finest and most satisfying golf clubs (Drivers, Fairway Woods, Irons, Wedges and Putters) that DO CONFORM TO USGA RULES, and the industry's finest and most satisfying golf clubs (DRIVERS) that DO NOT CONFORM TO USGA RULES."

ARNOLD PALMER ENDORSES CALLAWAY GOLF'S NEW POLICY AND ITS NEW DRIVERS – CONFORMING AND NON-CONFORMING

Golf legend Arnold Palmer commented on Callaway Golf's new approach.

"I think Callaway Golf's new policy in the United States is good for golf," Mr. Palmer said. "I am personally very excited about their continuing efforts to design and sell the world's best golf clubs that conform to the USGA's regulations. In my competitive matches on the Senior PGA Tour or elsewhere, I plan to use Callaway Golf's new irons, fairway woods and the new Hawk Eye VFT Driver, the 'conforming' one."

"I also support Callaway Golf's development of the new ERC II Driver – the one that is non-conforming with USGA rules. And I agree with their decision to sell this driver in the United States, along with all of their other markets throughout the world. I have done a lot of testing with the ERC II and I believe this driver will have a tremendous appeal to all of us golfers who very often go out on the course simply to enjoy this great game with family and friends. I expect to use the ERC II Driver in recreational play at Bay Hill, Latrobe and elsewhere next year. Just as I have found personally, I believe that nearly every golfer will get special enjoyment from the extra forgiveness and extra distance off the tee that this driver can give to them."

"As a long time adherent to and supporter of the great traditions of golf, I do not believe that the ERC II Driver is a threat to the basic nature of the game," Mr. Palmer continued. "Rather, I believe that it will be a tremendous asset to people's enjoyment of recreational golf. I also think that making the game more enjoyable will help the game to grow in the United States, and this is very important to me."

THE NEW HAWK EYE VFT TITANIUM DRIVER – CONFORMS TO USGA RULES

"We have created a choice for golfers," said Richard C. Helmstetter, Senior Executive Vice President of R&D for golf clubs and golf balls. "If you are a serious golfer who wants to compete in the United States in rounds that are subject to USGA Rules, then the Hawk Eye VFT is the driver for you. It has our patented 'Variable Face Thickness' design cast into the face, and this has enabled us to make the clubface as hot as the USGA's 'spring-like effect test' allows without sacrificing any forgiveness. It also has our proprietary weighting system and design that provides optimum launch parameters. With only a handful in play in the last few weeks, prototypes of this great new driver have enjoyed great success on the tours, with 4 wins already. Just as the pros appreciate the many benefits of the Hawk Eye VFT Driver's technology, we believe that amateur golfers will find that the Hawk Eye VFT is the best driver they can use that conforms with USGA Rules."

Beginning not later than January 2001, the Hawk Eye VFT Driver will be heavily advertised and promoted to the trade and to consumers in a campaign featuring Arnold Palmer and other leading golf professionals who will use their Hawk Eye VFT drivers in golf tournaments conducted under USGA rules. Mr. Palmer and several Callaway Golf Staff Professionals have been using prototype drivers of this general design for the past few weeks.

Hawk Eye VFT Drivers will be sold by Callaway Golf's sales departments in all of its markets throughout the world. Each club sold in the U.S. will be clearly marked "Conforms with USGA Rules."

THE NEW ERC II FORGED TITANIUM DRIVER – DOES NOT CONFORM TO USGA "SPRING-LIKE EFFECT" RULE

While it fully conforms with all of the R&A's equipment regulations, the new ERC II Driver does not conform to the USGA's

"spring-like effect rule" that limits a driver's "coefficient of restitution" or COR (the efficiency with which a driver transfers energy from the club to the ball). Callaway Golf knows this because the COR of this remarkable, redesigned driver far exceeds the maximum COR now allowed for approval by the USGA. The COR of the new ERC II Driver also exceeds the COR of the original ERC Driver sold by Callaway Golf in limited quantities throughout the year 2000 in Japan, Europe and Asia. Mr. Helmstetter summed up what this means: "This is quite simply the hottest and most forgiving driver we have ever designed and made."

Chuck Yash, President of Callaway Golf Company, stated, "In the ERC II Driver's design, there has been developed a major improvement in general playability or 'forgiveness.' We believe that this extra forgiveness will give the ERC II Driver even broader appeal for most amateur golfers, compared to the original ERC Driver that we introduced in early 2000."

"The ERC II Driver is offered for use by the recreational golfer in the U.S., where it cannot be used in competitive rounds governed by USGA Rules," Mr. Yash continued. "The club will be clearly marked 'Does Not Conform With USGA Rules – App. II, 5a.' On the other hand, because the ERC II Driver fully conforms with all of the Rules of the R&A, we expect that it will be used by both recreational golfers and very skilled amateur golfers and professionals competing in tournament golf in areas of the world governed by the R&A. We believe that golfers everywhere will benefit from the superior performance features built into the ERC II Driver."

The ERC II driver will be heavily advertised and promoted in the United States beginning no later than January, 2001.

CALLAWAY GOLF'S KEY ADVANTAGE IN SUPPLY

"Our proprietary design specifications for the ERC II driver's forged titanium clubhead are more complex than any we have ever encountered in mass production," Mr. Helmstetter continued. "Our patented 'VFT' clubface and very high COR – and the extraordinary combination of playability and durability of this new ERC II Driver – are very difficult to achieve. But we have done it. This clubhead is truly unique in design and function, with features that are mostly hidden inside the clubhead."

"For more than a year, the Callaway Golf team has worked very hard to get to a point where we could make enough of these extraordinary drivers to begin to supply our global markets," explained Ron Drapeau, Senior Executive Vice President of Manufacturing for golf clubs and golf balls. "Our experts in metallurgy, clubhead design, development, testing, and process controls have worked night and day with our supplier abroad and with me and Richard Helmstetter and his special 'ERC Team' in creating what we believe is not only the hottest face, highest COR driver, but one which is the most forgiving, most durable, longest distance driver in the industry."

According to Mr. Drapeau, a vital part of this superior product development has been Callaway Golf's willingness and ability to plan far ahead in developing a source capable of supplying this one-of-a-kind clubhead – the part of the golf club that makes it "non-conforming" to USGA Rules. "We believe our supplier of clubheads for the new ERC II Driver is the only source in the world now capable of producing significant quantities of these specially designed and manufactured clubheads," Mr. Drapeau said. Fortunately, our supplier is now in a good position so that it can begin delivering to us substantial quantities of the unique ERC II Driver clubheads very early in 2001, with gradual increases expected as needed throughout the remainder of next year. This was not easy to accomplish and, in my opinion, required a company with Callaway Golf's human and financial resources, as well as a commitment to success and a lot of time and hard work, to succeed."

CALLAWAY GOLF'S MOST EXCITING TITANIUM DRIVERS – EVER

In elaborating on the company's U.S. merchandising plans for its new drivers, Mick McCormick, Executive Vice President for Global Sales, commented, "We have for 2001 the most advanced, most appealing, lines of golf clubs we have ever created for our customers in all markets. The overwhelming majority of them are designed to conform in all respects with USGA and R&A Rules."

"The one exception is our surprise – the ERC II Forged Titanium Driver – which does not conform to the USGA's 'spring-like effect' rule. This is a surprise that offers all of our customers in the U.S. a special opportunity they have never enjoyed before. Now they can provide the very large body of recreational golfers a driver that represents the very best that comes from modern technological developments, and the freedom to own and use that driver any time they play golf purely for enjoyment with friends and family."

"The ERC II Driver is the first great, truly more forgiving, non-conforming driver produced and sold in the U.S. by a major,

powerful brand – Callaway Golf,” continued Mr. McCormick. “At the same time, the Hawk Eye VFT Titanium Driver takes COR conformance right to the USGA practicable limit. We are really excited about the fact that both of our new drivers, conforming and non conforming, will be endorsed and put into play when considered appropriate by Arnold Palmer, recently named by Golf World Business magazine as the most appealing personality in the world of golf.

“One more pleasant surprise comes with this announcement,” Mr. McCormick added. “We believe that our retailers and their customers will be pleased by the U.S. retail prices for our drivers, including a 27% reduction in the U.S. MSRP of the ERC II Driver compared to the MSRP of the ERC Driver sold abroad in 2000.”

U.S. Manufacturer’s Suggested Retail Prices for the 2001 Driver Line Offered by Callaway Golf:

ERC II \$625 Forged Titanium – VFT Face – Graphite Shaft
Hawk Eye VFT \$500 Cast Titanium – VFT Face – Graphite Shaft
Steelhead Plus \$315 Cast Stainless Steel – VFT Face – Graphite Shaft
Steelhead Plus \$215 Cast Stainless Steel – VFT Face – Steel Shaft

Mr. McCormick added that both of these new drivers, like the Company’s other products, will be sold with Callaway Golf’s two-year warranty against defects which might adversely affect playability in the hands of professionals and amateurs alike.

LEGAL TENSION WITH USGA SHOULD BE ELIMINATED

“There has been speculation since May of 1998 that we might sue the USGA over the adoption of its ‘spring-like effect’ test,” said Mr. Callaway. “Although we still disagree with that limitation on drivers and the way in which it was adopted, and think that the R&A acted wisely and properly in turning it down, we have decided that we will not initiate a lawsuit against the USGA because of its new COR Test. Under our policy announced today, we are in effect agreeing with the right of the USGA to publish equipment rules for competitive rounds in the United States, and will be offering our new Hawk Eye VFT Driver and the rest of our Hawk Eye, Steelhead Plus™ and Odyssey® products as the very best equipment, in our opinion, that any golfer can use in such events.”

“This should be an end to the legal suspense,” said Steve McCracken, Senior Executive Vice President and Chief Legal Officer. “We would expect that the legal tensions that have existed between our organizations in the past few years would come to an end – so long as the USGA does not attempt to stigmatize or ostracize U.S. golfers who use our ERC II Drivers in recreational play, or make unfounded, inaccurate or damaging statements about the performance benefits of our new ERC II driver. In the future, we would like to see both of us working together to grow the game and add to its enjoyment.”

BIG BERTHA MEANS ENJOY THE GAME

“We believe that these two new titanium drivers – the Hawk Eye VFT and the ERC II – will greatly add to golfers’ pleasure when playing,” concluded Mr. Callaway. “More than ever before, the Big Bertha® trademark means drivers that can help everyone ‘enjoy the game.’”

Callaway Golf Company makes and sells Big Bertha® Metal Woods and Irons, including the Big Bertha ERC™ II Forged Titanium Driver, the Hawk Eye® VFT™ Titanium Driver and Fairway Woods, the Big Bertha Steelhead™ X-14® Pro Series Irons, the Great Big Bertha® Hawk Eye Titanium Metal Woods and Hawk Eye Tungsten Injected™ Titanium Irons, Big Bertha Steelhead Plus™ Stainless Steel Metal Woods, Steelhead X-14 Stainless Steel Irons, and Bobby Jones® and Carlsbad Series™ Putters. Callaway Golf Company also makes and sells Odyssey® putters with Stronomic® inserts, including White Hot™ and TriForce® Putters. Callaway Golf Ball Company, a wholly-owned subsidiary of Callaway Golf Company, makes and sells the Callaway Golf “Rule 35™” Firmfeel™ and Softfeel™ golf balls. For more information about Callaway Golf Company, please visit our Web sites at www.callawaygolf.com, www.callawaygolfball.com and www.odysseygolf.com.