Callaway Golf Company Reports Net Sales Up 17% And Earnings Per Share Up 50% For 2000

Contacts: Ely Callaway, Brad Holiday, Larry Dorman, Krista Mallory (760) 931-1771

IMPORTANT NOTICE:

THE FOLLOWING PRESS RELEASE WAS ISSUED BY CALLAWAY GOLF COMPANY ON JANUARY 22, 2001 ANNOUNCING ITS FOURTH QUARTER AND FULL YEAR 2000 RESULTS. ON MARCH 19, 2001, CALLAWAY GOLF COMPANY ISSUED THE PRECEDING PRESS RELEASE ANNOUNCING THAT IT HAD REVISED ITS FOURTH QUARTER AND FULL YEAR 2000 RESULTS. THE FINANCIAL INFORMATION AND SCHEDULES CONTAINED IN THE MARCH 19, 2001 PRESS RELEASE SUPERSEDE THE FINANCIAL INFORMATION AND SCHEDULES CONTAINED IN THE JANUARY 22, 2001 PRESS RELEASE

CARLSBAD, Calif. / January 22, 2001 / Callaway Golf Company (NYSE:ELY) announced net sales for the year ended December 31, 2000 of $840.4 million, an increase of 17% from $719.0 million in 1999. Net income increased 50% to $83.0 million during 2000, compared to $55.3 million reported for 1999. Diluted earnings per share increased 50% to $1.16, versus $0.78 reported for 1999, including a one-time tax benefit of $0.05 per share recorded during fourth quarter 2000. Excluding the tax benefit primarily associated with the previously announced consolidation of the Company's club and ball operations, fiscal 2000 diluted earnings per share increased 43% to $1.11.

Net sales for the three months ended December 31, 2000 increased 16% to $135.7 million, compared to $116.6 million in 1999. Fourth quarter net income increased to $2.5 million, or $0.04 per share, from $157,000 or breakeven per share for the comparable period in 1999. Excluding the $0.05 one-time tax benefit, the Company reported a $0.01 per share fourth quarter loss during its seasonally smallest quarter of the year.

The reported fourth quarter and the full year results include a reclassification of shipping revenues from selling expenses to net sales, in accordance with a recently issued accounting pronouncement. The reclassification added $0.8 million and $0.9 million to fourth quarter sales in 2000 and 1999, respectively, and $5.5 million and $4.6 million for the full year 2000 and 1999, respectively, without impacting reported net income or diluted earnings per share for any period.

"Fortunately, 2000 was a good year for us," said Ely Callaway, Founder, Chairman, and CEO. "For that good fortune, I want to thank our customers in the U.S. and around the world, and our 2,700 valuable, hard working and effective employees. We came very close to achieving all our goals for the year, which included reasonable revenue growth, a return to profit levels approaching those achieved in the past, and the launch of our golf ball business."

"Total net revenues were up 17%, with club sales increasing 12% to $806.4 million - considerably outpacing industry growth. Our net income of $83 million was the highest in three years, and our fourth highest in history. We achieved all this while successfully launching our new Rule 35Ô golf ball, realizing $34 million in first year golf ball sales - the best first year ever achieved by a new entrant in the business to our knowledge. We achieved these overall financial results while absorbing a $45.9 million loss in the golf ball division, a higher than expected cost of our entering the golf ball business, one which we expect to be very rewarding for our Company, long term."

Mr. Callaway continued, "Our first year of direct sales through our organization in Japan exceeded even our own expectations. This success was aided by strong demand for the original ERCÔ Forged Titanium Driver. The successful sales growth in Japan during 2000 reflects a long-term strategy we have executed since 1997. This strategy is to convert from distributors to direct sales in most international markets. This should increase revenue and solidify Callaway Golf brand awareness. We have continued this strategy in 2001 with the acquisition of distribution rights in Australia, Italy, Portugal, and Spain, effective January 2001. Our total international business accounted for 46% of our sales in 2000 - an encouraging new high."

Net sales of $840.4 million for the year ended December 31, 2000 by product category and region were as follows:

- Metal woods decreased (3%) to $416.2 million.
- Irons increased 40% to $310.2 million.
- Balls, putters, accessories, and other increased 66% to $114.0 million.
- U.S. market increased 9% to $454.1 million.
- International market increased 29% to $386.3 million.

Fourth quarter net sales of $135.7 million by product category and region were as follows:

- Metal woods increased 31% to $70.0 million.
- Irons decreased (7%) to $44.9 million.
- Balls, putters, accessories, and other increased 39% to $20.8 million.
- U.S. market decreased (5%) to $71.8 million.
- International market increased 54% to $63.9 million.

"We have made considerable progress towards improving our profitability," stated Brad Holiday, Executive Vice President and Chief Financial Officer. "The combination of manufacturing and operating expense reduction initiatives we have implemented over the past several quarters paid off handsomely during 2000, as illustrated by the 50% net income increase on a 17% revenue growth. Particularly notable is that we achieved this strong earnings growth while absorbing considerable operating losses in our growing golf ball business. While we are encouraged by recent results, we remain focused on making incremental improvements to expand profitability even further during fiscal 2001."

Gross margin as a percentage of net sales was 44% in the fourth quarter of 2000, versus 48% during the comparable period in 1999, and included the reclassification of shipping revenues discussed above and shipping expense, which were both previously recorded in selling expense. The reclassification of shipping expense resulted in an increase in cost of goods sold of $2.2 million and $1.0 million for the fourth quarters in 2000 and 1999, respectively, and of $11.2 million and $7.9 million for the years ended December 31, 2000 and 1999, respectively. The margin decline was primarily due to retail inventory compensation programs and provisions for obsolete inventory related to the introduction of new products. The effect of this decrease was partially offset by the increase in revenue, attributable to the increase in metal wood sales as compared to the fourth quarter of 1999.

Selling and tour expenses for the fourth quarter of 2000 were $38.7 million compared to $32.8 million for the fourth quarter of 1999, including the reclassification of shipping revenue and expense, which were previously recorded in selling expense. The effect of this reclassification was a reduction of selling expense by $1.4 million and $0.1 million for the quarters ended December 31, 2000 and 1999, respectively, and by $5.7 million and $3.3 million for the full years, respectively. This increase was due primarily to expenses associated with the Company's October Retailer Event held for the first time this year, the impact of new foreign subsidiary expense, and other promotional expenses associated with launching new products in the fourth quarter.

General and administrative expenses for the fourth quarter of 2000 were $14.5 million compared to $25.1 million for the fourth quarter of 1999. The decrease was primarily attributable to the shifting of costs associated with the Company's golf ball pre-production period, (i.e. the costs related to the production and the sale of golf balls during the quarter are now included in cost of goods sold rather than general and administrative expenses), along with a reduction in employee benefit and depreciation expense.

During the fourth quarter, the Company repurchased 565,000 shares at an average cost of $15.84 per share. For the full year, the Company repurchased 4.8 million shares at an average cost of $16.71 per share, a total outlay of $80.5 million. As of December 31, 2000, $19.5 million remained under the current repurchase authorization by the Board of Directors.

"As pleased as we are with our results in 2000, we are even more excited about our products for 2001," said Mr.

Callaway. "We believe our recently introduced Big Bertha® Hawk Eye® VFT™ Titanium Drivers and Fairway Woods and Big Bertha ERCÔII Forged Titanium Drivers will be very successful based on early feedback from retailers, as well as consumers. We also intend to substantially increase our revenues and profitability from our golf ball business. We remain committed in 2001 to growing the game of golf by continuing to develop innovative and especially rewarding products that make the game more enjoyable for the millions of average golfers who love the game."

In accordance with the Company's dividend practice for 2000, any dividend for the fourth quarter will be determined by the Board of Directors at its meeting in February 2001.

BUSINESS OUTLOOK

In light of recently adopted SEC Regulations, the Company has elected to provide certain forward-looking information in this press release. These statements are based on current information and expectations, and actual results may differ materially. The Company undertakes no obligation to update this information. See further disclaimer below.

Full Year 2001

The Company estimates:

- Revenue for the year will be approximately $900 million.
- Gross margins for the year will be approximately 50%.
- Pre-tax profit for the year will be approximately 19% of net revenues.
- Earnings per share (fully diluted) for the year will be approximately $1.51 - $1.56.

The Company will be holding a conference call at 2:30 p.m. PST today, which will be hosted by Ely Callaway, Founder, Chairman and CEO, and Brad Holiday, Executive Vice President and Chief Financial Officer.

The call will be broadcast live over the Internet and can be accessed at http://www.callawaygolf.com. To listen to the call, please go to the web site at least 15 minutes before the call to register and for instructions on how to access the broadcast.

Those wishing to listen via telephone should call (785) 832-1077 and ask to be connected to the Callaway Golf call. A replay of the conference call will be available approximately one hour after the call ends through 5:00 p.m. PST, January 24, by calling (402) 530-0413 or by accessing it via our home page at http://www.callawaygolf.com.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results or performance, including statements relating to the Company's future prospects, revenues and profitability, and the statements made under the "Business Outlook" section, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. 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 the Company's golf ball products and the Company's new golf club products (not all of which conform to USGA rules), seasonality, adverse market and economic conditions, competitive pressures, delays, difficulties or increased costs in the manufacturing of the Company's golf club or ball products, or in the procurement of materials or resources needed to manufacture the Company's golf club or ball products (including business interruptions or increased costs resulting from power outages or shortages), and any actions taken by the USGA or other golf association that could have an adverse impact upon demand for the Company's products (such as the USGA's announcement that scores in rounds played with clubs that do not conform to USGA rules such as the Company's ERC™ II Forged Titanium Driver may not be posted for USGA handicap purposes), 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.

Callaway Golf Company makes and sells Big Bertha® Metal Woods and Irons, including Big Bertha ERC™ II Forged Titanium Drivers, Big Bertha Hawk Eye® VFT™ Titanium Drivers and Fairway Woods, Big Bertha Steelhead Plus™

Stainless Steel Drivers and Fairway Woods, Hawk Eye Tungsten Injected™ Titanium Irons, Steelheadä X-14â and Steelhead X-14 Pro Series Stainless Steel Irons, and Bobby Jones® and Carlsbad Series™ Putters. Callaway Golf Company also makes and sells Odyssey® Putters, including White Hot™, TriHotä, and Dual Force® Putters. Callaway Golf Company also makes and sells the Callaway Golfâ Rule 35™ Firmfeel™ and Softfeel™ golf balls. For mor information about Callaway Golf Company, please visit our Web sites at www.callawaygolf.com, www.callawaygolfball.com and www.odysseygolf.com.

	Fourth Quarter Ended (unaudited) December 31,				Year Ended December 31,			
	2000		1999		2000		1999	
Net sales	$135,656	100%	$116,599	100%	$840,444	100%	$719,038	100%
Cost of goods sold	76,487	56%	60,718	52%	441,271	53%	384,265	53%
Gross profit	59,169	44%	55,881	48%	399,173	47%	334,773	47%
Operating expenses:								
Selling	38,734	29%	32,825	28%	170,541	20%	128,565	18%
General and administrative	14,530	11%	25,121	22%	70,333	8%	92,478	13%
Research and development	8,331	6%	8,596	7%	34,579	4%	34,002	5%
Restructuring			(6,325)	(5%)			(5,894)	(1%)
Sumitomo transition costs			5,713	5%			5,713	1%
Income from operations	(2,426)	(2%)	(10,049)	(9%)	123,720	15%	79,909	11%
Other income (expense), net	852		4,819		7,267		5,588	
Income before income taxes	(1,574)	(1%)	(5,230)	(4%)	130,987	16%	85,497	12%
Income tax (benefit) provision	(4,094)		(5,387)		47,964		30,175	
Net income	$2,520	2%	$157	0%	$83,023	10%	$55,322	8%
Earnings per common share:								
Basic	$0.04		$0.00		$1.19		$0.79	
Diluted	$0.04		$0.00		$1.16		$0.78	
Common equivalent shares:								
Basic	68,678		70,726		69,946		70,397	
Diluted	70,301		71,787		71,412		71,214	

ASSETS	December 31, 2000	December 31, 1999
Current assets:		
Cash and cash equivalents	$102,596	$112,602
Accounts receivable, net	64,696	54,252
Inventories, net	131,373	97,938
Deferred taxes	28,094	32,558
Other current assets	17,721	13,122
Total current assets	344,480	310,472
Property, plant and equipment, net	134,712	142,214
Intangible assets, net	112,824	120,143
Other assets	40,935	43,954
	$632,951	$616,783
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$44,173	$46,664
Accrued employee compensation and benefits	22,574	21,126
Accrued warranty expense	39,363	36,105
Accrued restructuring costs		1,379
Income taxes payable	3,189	
Total current liabilities	109,299	105,274
Long-term liabilities:		
Deferred compensation	9,884	11,575
Stockholders' equity	513,768	499,934
	$632,951	$616,783

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