



CALLAWAY GOLF REPORTS RECORD FIRST QUARTER SALES OF \$261 MILLION; NET INCOME AND EARNINGS PER SHARE MORE THAN DOUBLE PREVIOUS LEVELS

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CARLSBAD, Calif./ April 25, 2001/ Callaway Golf Company (NYSE:ELY) today reported record sales for the first quarter ended March 31, 2001. Reported net sales increased 32% to \$261.4 million from \$197.4 million during the first quarter of 2000. Net income increased 181% to \$34.1 million in the first quarter of 2001 from \$12.1 million in the first quarter of 2000. First quarter 2001 diluted earnings per share increased 181% to \$0.47 from \$0.17 in the same period last year.

Excluding the impact of recently adopted accounting pronouncements (SAB 101 on Revenue Recognition and Emerging Issues Task Force 00-10 on Accounting for Shipping and Handling Revenues and Costs), first quarter net sales increased 25% to \$258.9 million from \$206.6 million last year. Net income and diluted earnings per share increased 109% during the first quarter to \$33.8 million and \$0.47 per diluted share, respectively, as compared to \$16.2 million and \$0.22 per diluted share in the prior year. Implementing SAB 101 effectively shifts revenue from one period into a subsequent period, while adopting EITF 00-10 does not change earnings for any period.

"We are pleased with our overall first quarter results," stated Ely Callaway, Founder, Chairman, and CEO. "Good momentum has continued from last year into the first quarter of 2001 due to the success of several of our new product introductions and key sales programs. With the worldwide launch of the new Big Bertha ERC II Drivers, Hawk Eye VFT Drivers and Fairway Woods, and our Steelhead X-14 Pro Series Irons, we have continued to outpace the market and our brand is as strong as it's ever been."

"Golf ball sales doubled in the first quarter of 2001 compared to the first quarter of 2000, reaching \$12 million," continued Mr. Callaway. "These growing golf ball sales are based upon the recognition that our "Rule 35" golf balls incorporate technology that is the state of the art in modern golf ball design. The "Rule 35" has quietly become the #2 ball in use on the five major professional tours combined, #2 in tour earnings and in top ten finishes, and of course, it is the only ball used to score a 59 on tour this year - one of only four balls in pro tour history to be used in such record-setting fashion. Annika Sorenstam has used the "Rule 35" golf ball not only to shoot her record score of 59 during the Standard Register Ping in March, but she has also used it, along with our driver, fairway woods, irons and putter, to win a record-tying four straight LPGA tournaments. On May 1, our "Rule 35" golf balls will be joined by our new ball offering, the CB1 Red and CB1 Blue golf balls. We think these new two-piece high performance balls will be equally appealing representatives of the Callaway Golf brand."

"The first quarter of 2001 was a very good quarter for our new Big Bertha ERC II and Big Bertha Hawk Eye VFT Drivers," added Mr. Callaway. "The ERC II Forged Titanium Driver has already been selected as Driver of the Year for 2001 by Choice Magazine - the leading golf magazine in Japan. The Hawk Eye VFT Driver appears to be well on its way to becoming the best selling premium driver in the U.S., just as others of the various Big Bertha driver models have every year since 1993."

"In light of its success as the most used driver model on the European PGA Tour thus far in 2001 - including its ranking as the #1 driver model in use at each of the last nine tournaments - it should not surprise anyone to learn that the

ERC II Driver has sold very well outside the U.S. where it fully conforms with the Rules of Golf as published by the Royal and Ancient Golf Club of St. Andrews," Mr. Callaway continued. "But it may surprise some to know that we have already sold and delivered almost as many ERC II Drivers in the United States as we have outside the U.S. despite the fact that the sale and use of this club is strongly and aggressively opposed by the USGA. This, in our opinion, is a strong testament to the performance benefits that the unique ERC II driver design technology can deliver to average and skilled golfers everywhere."

First quarter net sales of \$258.9 million (excluding the impact of the accounting pronouncements described above) by product category and region were as follows:

- Metal wood sales - \$156.6 million (+55%) versus \$100.8 million for Q1 2000
- Iron sales - \$65.5 million (-21%) versus \$82.6 million for Q1 2000
- Ball sales - \$12.1 million (101%) versus \$6.0 million for Q1 2000
- Putters, accessories, and other sales - \$24.7 million (+44%) versus \$17.2 million for Q1 2000
- U.S. market sales - \$142.5 million (+21%) versus \$118.1 million for Q1 2000
- International market sales - \$116.4 million (+32%) versus \$88.5 million for Q1 2000

First quarter gross margin as a percent of net sales was 52% versus 45% in the comparable period last year. This increase was primarily attributable to higher golf club margins resulting from manufacturing improvements, a product mix favoring higher margin metal woods, and improved golf ball margins.

Selling and tour expenses for the first quarter were \$53.2 million (20% of net sales), compared to \$42.8 million (22% of net sales) in 2000. The dollar increase was primarily due to increased advertising and promotional expenses related to the Company's new product launches.

General and Administrative expenses for the first quarter of 2001 were \$19.9 million (8% of net sales), compared to \$17.5 million (9% of net sales) in 2000. This dollar increase is primarily due to costs related to consolidating operating facilities, and an increase in the Company's provision for bad debt expense, partially offset by a decrease in depreciation expense.

"We are encouraged with the results we saw in the first quarter from our manufacturing and operational initiatives," stated Brad Holiday, Executive Vice President and Chief Financial Officer. "These initiatives contributed considerably to net income growth during the quarter. Equally as important, our October 2000 retailer event enabled us to take orders and ship our products earlier in the selling season. As a result, we were better able to meet market demand while improving our inventory management."

In accordance with the Company's dividend practice for 2001, the dividend for the first quarter will be determined by the Board of Directors at its meeting in May 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 \$906 million including the impact of both SAB 101 and EITF 00-10.
- Gross margins for the year will be approximately 51-52% of net revenues.
- Pre-tax profit for the year will be approximately 20-21% of net revenues.
- Earnings per share (fully diluted) for the year will be approximately \$1.54 - \$1.59.

"While pleased with the strong results for the first quarter," commented Brad Holiday, "we have not changed our full year forecast. We factored in the potential impact on our business due to the unusually poor weather conditions in the U.S. and Europe, as well as growing economic concerns in both the U.S. and other countries."

The Company will be holding a conference call at 2:00 p.m. PDT 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) 749-3918 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. PDT, April 27, by calling (877) 710-5298 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 set forth in the business outlook section above, 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), adverse weather conditions and 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). For additional information concerning these and other risks and uncertainties, see Part I, Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000, 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 subsequently filed from time to time 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.

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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™ and Big Bertha Hawk Eye VFT Pro Series Titanium Drivers and Fairway Woods, Big Bertha Steelhead Plus™ Stainless Steel Drivers and Fairway Woods, Hawk Eye Tungsten Injected™ Titanium Irons, Steelhead™ X-14® and Steelhead X-14 Pro Series Stainless Steel Irons. Callaway Golf Company also makes and sells Odyssey® Putters, including White Hot®, TriHot™, and Dual Force® Putters. Callaway Golf Company makes and sells the Callaway Golf® "Rule 35®" Firmfeel™ and Softfeel™ golf balls, and the CB1™ Red and CB1 Blue 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.

If you would like to receive Callaway Golf's press releases via e-mail in the future, please send your request to: newsletter@callawaygolf.com.

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Callaway Golf Company
Consolidated Condensed Statement of Operations
(In thousands, except per share data)

First Quarter Ended

(unaudited)

March

31,

2001

2000

Net sales	\$261,365	100%	\$197,406	100%
	124,458		109,141	
Cost of goods sold		48%		55%
Gross profit	136,907	52%	88,265	45%
Operating expenses:				
Selling	53,246	20%	42,750	22%
General and administrative	19,850	8%	17,507	9%
	8,933		8,217	
Research and development		3%		4%
Income from operations	54,878	21%	19,791	10%
	930		1,585	
Other income, net				
Income before income taxes and cumulative effect of accounting change	55,808	21%	21,376	11%
	21,733		8,278	
Income tax provision				
Income before cumulative effect of accounting change	34,075	13%	13,098	7%
			(957)	
Cumulative effect of accounting change				
	\$ 34,075		\$ 12,141	
Net income		13%		6%
Earnings per common share:				
Basic				
Income before cumulative effect of accounting change	\$0.49		\$0.18	
Cumulative effect of accounting change	0.00		(0.01)	
	\$0.49		\$0.17	
Net income				
Diluted				
Income before cumulative effect of accounting change	\$0.47		\$0.18	
Cumulative effect of accounting change	0.00		(0.01)	
	\$0.47		\$0.17	
Net income				
Common equivalent shares:				
Basic	70,010		71,199	
Diluted	72,453		72,482	

Callaway Golf Company
Consolidated Condensed Balance Sheet
(In thousands)

	March 31, 2001	December 31, 2000
ASSETS	(unaudited)	
Current assets:		\$
Cash and cash equivalents	\$ 98,055	102,596
Accounts receivable, net	159,520	58,836
Inventories, net	129,511	133,962
Deferred taxes	27,535	29,354
	26,611	17,721
Other current assets		
Total current assets	441,232	342,469
Property, plant and equipment, net	130,500	134,712
Intangible assets, net	115,308	112,824
	36,681	40,929
Other assets		\$
	\$ 723,721	630,934
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 65,434	\$ 44,173
Accrued employee compensation and benefits	20,478	22,574
Accrued warranty expense	39,630	39,363
	10,242	3,196
Income taxes payable		
Total current liabilities	135,784	109,306
Long-term liabilities	8,428	9,884
	579,509	511,744
Shareholders' equity		\$
	\$ 723,721	630,934