



Callaway Golf Announces 2002 Results, Exceeding Mid-December Guidance

CARLSBAD, Calif., Feb 6, 2003 (BUSINESS WIRE) -- Callaway Golf Company (NYSE:ELY) today reported results for the fourth quarter and full year ended December 31, 2002, announcing net sales for the full year of \$792.1 million, versus \$816.2 million for the prior year (a decrease of 3%), and earnings per diluted share of \$1.03, versus \$0.82 (an increase of 26%). Net income for the full year was \$69.4 million, versus \$58.4 million last year (an increase of 19%). Currency fluctuations had no significant impact on year over year comparisons.

Net sales for the quarter ended December 31, 2002 were \$122.5 million, versus \$105.3 million the prior year (an increase of 16%), and loss per share was \$0.08, versus \$0.14 (an improvement of 43%). Net loss for the quarter was \$5.6 million, versus \$9.2 million for the prior period (an improvement of 39%). Net sales for the quarter were positively affected by currency fluctuations (see table below) and the introduction of the Company's new Great Big Bertha II Titanium Driver, with net income negatively impacted by increased spending on professional tours and severance costs. In addition, fourth quarter net income was favorably impacted by several charges that normally would have been taken in the fourth quarter, but were reflected in the Company's third quarter results as filed with the SEC on January 16, 2003. This shifting of charges negatively affected reported net income for the third quarter ended September 30, 2002 and positively affected reported net income for the fourth quarter, and was caused by the timing of the Company's third quarter 10-Q filing.

As previously discussed, the Company's full year results in 2002 and in 2001 were each affected by non-cash adjustments. In 2001, the Company recorded a \$14.2 million after-tax charge associated with its long-term energy supply agreement. In 2002, the Company recorded an after-tax gain of \$10.5 million associated with an adjustment to its warranty reserves. Excluding the effects of these adjustments, net income would have been \$58.9 million for 2002 compared to \$72.6 million for 2001, a decrease of 19%. Fully diluted earnings per share adjusted for the same periods would have been \$0.87 and \$1.02, respectively, a decline of 15%.

"We delivered better results than expected for the quarter and the year," said Ron Drapeau, Chairman, President, and CEO. "We have maintained our market share leadership in woods, irons, and putters, and managed our costs effectively, and, with our continued commitment to R&D, developed a strong product line for 2003. It is our intention to continue to provide accurate guidance regarding our business outlook and absent unforeseen disruptions beyond those currently known to us, we think we can do this."

Sales by Product and Region

	Fourth Quarter - 2002			Year-to-Date - 2002		
	Net Sales (\$ Millions)	% Change vs. 2001 As Reported	Constant (a) Dollars	Net Sales (\$ Millions)	% Change vs. 2001 As Reported	Constant (a) Dollars
Woods	\$51.9	57%	54%	\$310.0	(21%)	(21%)
Irons	\$30.7	(25%)	(27%)	\$243.5	(2%)	(2%)

Golf Balls	\$8.4	(18%)	(20%)	\$66.0	20%	20%
Putters, Access- ories, Other	\$31.5	51%	48%	\$172.6	45%	44%
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TOTAL	\$122.5	16%	14%	\$792.1	(3%)	(3%)
United States	\$63.1	17%	17%	\$438.7	(1%)	(1%)
Inter- national	\$59.4	16%	11%	\$353.4	(5%)	(5%)
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TOTAL	\$122.5	16%	14%	\$792.1	(3%)	(3%)

(a) As measured by applying 2001 exchange rates to 2002 Net Sales.

Gross profit for the year, excluding the non-cash adjustment to warranty reserves, was \$382.0 million (48% of net sales), versus \$404.6 million (50% of net sales) in 2001. The decline in gross margin was primarily the result of higher inventory obsolescence charges, the close out of ERC II drivers at reduced prices, and an across the board price reduction on golf balls that was implemented in August.

Selling and tour expenses for the year were \$200.2 million (25% of net sales), a 6% increase compared to \$188.3 million (23% of net sales) in 2001. This increase was primarily due to higher pro endorsement expense associated with the Company's strategic moves to support both its drivers and its golf balls on tour, and depreciation expense.

General and administrative expenses for 2002 were \$56.6 million (7% of net sales), a 20% decline compared to \$71.1 million (9% of net sales) in 2001. This decrease was the result of lower employee expense and a reduction in amortization expense associated with the adoption of SFAS No. 142.

Research and development expenses for the year were \$32.2 million (4% of net sales), a 2% reduction when compared to \$32.7 million (4% of net sales) in 2001.

Commenting on the results, Brad Holiday, Executive Vice President and Chief Financial Officer stated, "Managing costs has been a critical part of running the business in these challenging times, and we are pleased that we have held costs as a percentage of net sales at or below prior year levels in all areas except tour, where we made the strategic decision to invest to drive sales growth in the driver and ball categories. Moreover, the reductions in headcount and the inventory adjustments, while negatively affecting full year 2002 results, will benefit operating results going forward."

During the fourth quarter, the Company repurchased 0.2 million of its shares at an average cost of \$12.38 per share under the \$50 million repurchase authorization approved by the Board in May 2002. For the entire year, the Company repurchased 2.8 million shares at an average cost of \$16.40 per share.

In accordance with the Company's dividend practice, the next dividend will be determined by the Board of Directors at its February 27, 2003 meeting.

BUSINESS OUTLOOK

In light of SEC Regulations, the Company elects 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.

"At this time," commented Drapeau, "we reiterate our mid-December guidance of net sales for the first quarter of approximately \$270 million, a 5% increase compared to 2002, with annual net sales for 2003 estimated to be essentially flat year over year. Fully diluted earnings per share are estimated to be \$0.54 for the quarter, and \$0.88 for the full year.

"Based on the Company's long-term strategic plan, and assuming some improvement in the global economies, we are

targeting to achieve net sales growth, on average, in the low single digits overall and earnings per share in the low double digits. We expect 2003 to be a year of funding investments aimed at achieving this longer range growth expectation."

The Company will be holding a conference call at 2:00 p.m. PST today, which will be hosted by Ron Drapeau, Chairman, CEO and President, and Brad Holiday, Executive Vice President and Chief Financial Officer. The call will be broadcast live over the Internet and can be accessed at 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. A replay of the conference call will be available approximately two hours after the conclusion of the conference call, and available through 5:00 p.m. PST on Thursday, February 13th. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling (800) 642-1687 for calls originating within the United States or (706) 645-9291 for International calls. The replay pass code is 7742353.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results or performance, including statements in the Business Outlook section of this press release relating to the Company's future prospects, and estimated sales and earnings, 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 adverse market and economic conditions, market acceptance of current and future products, including the Company's golf ball products and the Company's golf club products, adverse weather conditions and seasonality, competitive pressures, fluctuations in foreign currency exchange rates, 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, any actions taken by the USGA or other golf association that could have an adverse impact upon demand for the Company's products, and the effect of terrorist activity or armed conflict on the economy generally, on the level of demand for the Company's products or on the Company's ability to manage its supply and delivery logistics in such an environment. For additional information concerning these and other risks and uncertainties, see Part I, Item 2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, 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.

Callaway Golf Company makes and sells Big Bertha(R) Metal Woods and Irons, including Great Big Bertha(R) II Titanium Drivers and Fairway Woods, Big Bertha Steelhead(TM) III Stainless Steel Drivers and Fairway Woods, Hawk Eye VFT Tungsten Injected(TM) Titanium Irons, Big Bertha Stainless Steel Irons, Steelhead X-16(TM) and Steelhead X-16 Pro Series Stainless Steel Irons, and Callaway Golf Forged Wedges. Callaway Golf Company also makes and sells Odyssey(R) Putters, including White Hot(R), TriHot(R), DFX(TM) and Dual Force(R) Putters. Callaway Golf Company makes and sells the Callaway Golf(R) HX(R) Blue and HX Red balls, the CTU 30(R) Blue and CTU 30 Red balls, the HX 2-Piece Blue and HX 2-Piece Red balls, the CB1(R) Blue and CB1 Red balls, and the Warbird(TM) golf balls. For more information about Callaway Golf Company, please visit our Web sites at www.callawaygolf.com and www.odysseygolf.com.

Callaway Golf Company Consolidated Condensed Statement of Operations (In thousands, except per share data) (unaudited) Quarter Ended Year Ended December 31, December 31, ----- 2002 2001

	2002	2001		2002	2001
Net sales	\$122,521	100%	\$105,295	100%	\$792,064
Cost of goods sold	69,056	56%	64,584	61%	393,068
Gross profit	53,465	44%	40,711	39%	398,996
Operating expenses:					
Selling	40,328	33%	35,648	34%	200,153
General and administrative	15,705	13%	13,149	12%	56,580
Research and development	7,653	6%	7,296	7%	32,182
Other	805	1%	1,012	1%	1,590
Total operating expenses	63,686	52%	56,093	53%	288,915
Income (loss) from operations	(10,221)	-8%	(15,382)	-15%	110,081
Other income (expense), net	805	1%	1,012	1%	1,590
Income (loss) before income taxes	(9,416)	-8%	(14,370)	-14%	111,671
Income tax provision (benefit)	(3,839)	(4%)	(5,176)	(4%)	42,225
Net income (loss)	\$(5,577)	-5%	\$(9,194)	-9%	\$69,446

\$58,375 7% ===== Earnings per common share: Basic (\$0.08) (\$0.14)
 \$1.04 \$0.84 Diluted (\$0.08) (\$0.14) \$1.03 \$0.82 Weighted- average shares outstanding: Basic 65,688 66,771 66,517
 69,809 Diluted 65,688 66,771 67,274 71,314 Callaway Golf Company Consolidated Condensed Balance Sheet (In
 thousands) December December 31, 31, 2002 2001 ----- ASSETS Current assets: Cash and cash
 equivalents \$108,452 \$84,263 Marketable securities - 6,422 Accounts receivable, net 63,867 48,653 Inventories, net
 151,760 167,760 Deferred taxes 34,519 27,266 Other current assets 10,429 20,327 ----- Total current
 assets 369,027 354,691 Property, plant and equipment, net 167,340 133,250 Intangible assets, net 121,317 121,313
 Other assets 22,161 38,348 ----- \$679,845 \$647,602 ===== LIABILITIES AND
 SHAREHOLDERS' EQUITY Current liabilities: Accounts payable and accrued expenses \$61,720 \$38,261 Accrued
 employee compensation and benefits 23,168 25,301 Accrued warranty expense 13,464 34,864 Note payable, current
 portion 3,160 2,374 Income taxes payable 7,649 1,074 ----- Total current liabilities 109,161 101,874
 Long-term liabilities 27,297 31,379 Shareholders' equity 543,387 514,349 ----- \$679,845 \$647,602
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