

Callaway[®]

GOLF

THE MARKET

Some 20 years ago, Ely Callaway set out to build a company that would bring more fun and enjoyment to the average golfer. His vision changed the way the game is played. With the introduction of the friendly, forgiving Big Bertha Driver, the late founder of Callaway Golf Company turned the most feared club in a player's bag into the most loved. The innovation didn't stop there. From woods, irons, and putters to golf balls and golf accessories, Callaway Golf has consistently used ingenuity, quality construction, and technology to make premium products that are the most forgiving in the history of the sport. Other companies followed Callaway's lead, and a game once thought to be the province of a few has become the property of many.

Today, there are some 25 million golfers in the United States, and the majority of players say the pleasing sensation of a well-struck shot is the number-one reason they keep coming back. Ely Callaway believed all players should enjoy golf — whether they are young, old, man, woman, amateur, or professional — and Callaway Golf is now a global company bringing Demonstrably Superior and Pleasingly Different products to 107 countries, in 29 different languages, building more opportunities for more people to enjoy the game.

ACHIEVEMENTS

Simply put, Callaway Golf has changed the way the game is played. Golfers around the world have used the company's products to make the game more enjoyable. Perhaps the best example is Callaway Golf's Big Bertha line of metal woods. At one time, the driver was considered the most dreaded club in the bag for many golfers. But an ambitious attempt to create an oversize metal driver with increased forgiveness succeeded where other companies had failed, yielding the original Big Bertha Stainless Steel Driver in 1991. Ever since, Big Bertha and her progeny — including such current products as the Great Big Bertha II Titanium Driver and the Big Bertha Steelhead III Driver — have turned the driver from a symbol of fear to one of fun.

Callaway now designs and produces a complete line of drivers, fairway woods, irons, putters, and golf balls that share the same ideal, attempting to make the game more fun for golfers of all skill levels, from first-time golfers to tour profes-



sionals. In fact, Callaway Golf products are among the most popular on the world's professional tours and have been used to set several scoring records and win hundreds of tournaments.

This success helped Callaway Golf become the world's largest manufacturer of golf clubs within five years of Big Bertha's launch, prompting major changes within the golf industry. Callaway Golf's success enabled it to become the first major golf company to go public, as shares of company stock began trading on the New York Stock Exchange in 1992, under the ELY ticker symbol.

HISTORY

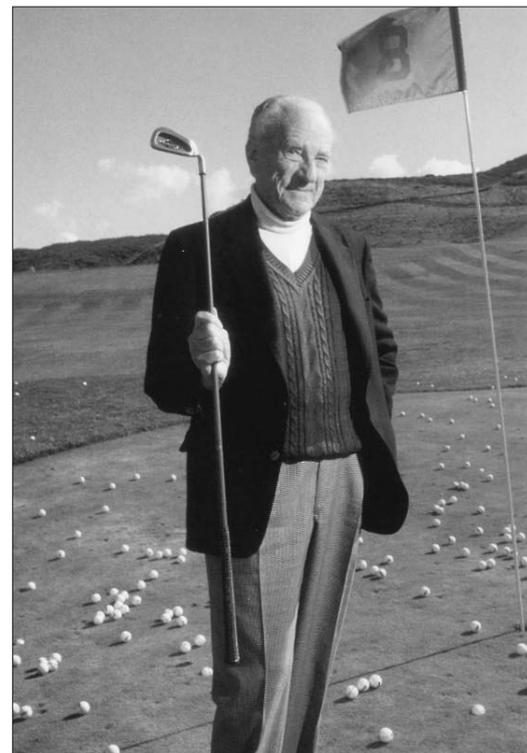
Callaway's success story begins with a small, three-person golf company called Hickory Stick USA, which was founded in 1982 in Temecula, California. The company initially made wedges and putters that had unique shafts made of hickory with a steel core. These clubs caught the eye of Ely Callaway, who bought an interest in the company the following year. Mr. Callaway had already been a successful businessman in the fields of textiles and wine, and golf would become the third and most successful act in his entrepreneurial career. His business philosophy — that every product his company makes should be demonstrably superior and pleasingly different from every other product on the market — would cause a revolution in the golf world.

By 1988, the company had been renamed Callaway Golf and had shifted from trying to re-create classic clubs of the past to pioneering innovative design ideas. A series of engineering and production advancements led to the creation of the Big Bertha Stainless Steel Driver in 1991, a breakthrough product that lifted Callaway Golf to the top of the golf industry.

The company has continued to flourish. Callaway Golf bought putter manufacturer Odyssey Sports in 1996, and Odyssey Putters have become the number-one putters sold in the retail environment. In 2000, Callaway Golf entered the golf ball market and has become the number-two ball on tour in less than three years. Ely Callaway passed away in 2001, but his spirit lives on in every product that bears his name.

THE PRODUCT

Callaway Golf has an extensive line of golf clubs, balls, and accessories that are sold around the world. The company's driver and fairway wood products currently include the Great Big Bertha II Titanium Drivers and Fairway Woods, Great Big Bertha II Pro Series Titanium Drivers, and the Big Bertha Steelhead III Stainless Steel Drivers and



Fairway Woods. In irons, Callaway Golf products include Hawk Eye VFT Tungsten Injected Titanium Irons, Big Bertha Stainless Steel Irons, and Steelhead X-16 and Steelhead X-16 Pro Series Irons. The company also makes the classically styled Callaway Golf Forged Wedges. The company's golf ball line includes the HX Blue and Red golf balls, CTU 30 Blue and Red golf balls, HX 2-Piece Blue and Red golf balls, the CB1 Blue and Red golf balls, and Warbird golf balls. Callaway Golf also makes and sells Odyssey Putter, including the White Hot, TriHot, and DFX putters. In addition, the company offers a full line of golf accessories, including gloves, hats, and bags.



RECENT DEVELOPMENTS

Callaway Golf has the most advanced research and development department in the golf industry. Some of the groundbreaking new products to come out of the Richard C. Helmstetter Test Center include:

- The Great Big Bertha II Titanium Driver — which has proprietary hot-face technology that increases ball speed across a larger portion of the face than any previous Callaway Golf driver and is designed to create the potential for greater distance off the tee.
- The Steelhead X-16 Irons, which incorporate a new “Notch” weighting system to add even greater forgiveness to the X-series design that made the X-12 and X-14 Irons favorites with professional and amateur golfers around the world.
- The HX and HX 2-Piece golf balls, which feature the revolutionary Tubular Lattice Network, a series of interlocking tubes on the ball's surface that create improved in-flight aerodynamics compared with traditional golf ball dimple patterns.
- The Odyssey White Hot 2-Ball Putter, the best-selling putter in golf during 2002, which has a proprietary alignment aid system that can greatly increase putting accuracy and confidence.

PROMOTION

Led by the Big Bertha name, Callaway Golf is one of the world's most-loved and recognizable golf brands. The tech-savvy but friendly identity of the company resonates with players who are just as passionate about their golf game as they are about their fun, and is summed up in the Enjoy the Game tagline. One of the earliest company mantras still effectively describes the company's product line year after year: Demonstrably



Superior and Pleasingly Different. On the tech side, the caricature of Sir Isaac Newton has been used to promote the science behind the company's products, with the line “You Can't Argue with Physics.” Celebrity endorsers have included Microsoft CEO Bill Gates, rocker Alice Cooper, Motown legend Smokey Robinson, and singing sensation Celine Dion.

Over the years, Mr. Callaway appeared in only a few of the company's print and television advertisements. One of the most memorable found him

bouncing a golf ball off the face of a driver in a hip, good-natured takeoff on Tiger Woods' popular television ad. “I understand they paid that fella a lot of money to do this,” Mr. Callaway teased. “I agreed to do it for nothing. But I did make them put my name on the ball.”

Richard C. Helmstetter, the company's tech guru, chief of new products, and father of the Big Bertha Driver, continues to be a figure in much of Callaway Golf's promotion in print and television and on its Web site at www.callawaygolf.com. With a snow-white beard and bespectacled smiling face, he's a popular and effective voice for the company's technical messages domestically and abroad — particularly in Japan, where he's fluent in the language and spent a good portion of his life before being lured away by founder Callaway in the company's early days.

And while amateur golfers around the globe find more fun and enjoyment with Callaway Golf products, it just so happens that pros have great results with them, too. Swedish superstar Annika Sorenstam, the world's

best female player, has played Callaway Golf clubs since turning pro, and The King, Arnold Palmer, began using and playing Callaway Golf products a few years back after happening upon the Company's inaugural golf ball during a desert golf outing. Others include Johnny Miller, young golf sensation Charles Howell, and legends Gary Player and Seve Ballesteros.

BRAND VALUES

The global Callaway Golf brand stands for heritage, technology, quality, and leadership in the industry. “We are the golf equipment company that uses technology to put more enjoyment into the game our consumers are so passionate about,” says Ron Drapeau, chairman, president, and CEO of Callaway Golf. “When we market, we don't promise greater distance or lower scores, but when we build equipment, we build equipment that is designed to deliver those things.

Ultimately, what we're promising is more opportunity to experience more of those well-struck shots that make the game so much fun.”

The promise of fun and forgiveness that Callaway Golf brought to Big Bertha Drivers has spread throughout the bag, from fairway woods and irons to putters, golf balls, and accessories. From the Hickory Stick beginnings to the titanium clubheads and HX golf ball aerodynamics of today, the company is the clear leader in finding new ways to make a very difficult game a little easier at times — and more enjoyable at all times.



THINGS YOU DIDN'T KNOW ABOUT CALLAWAY GOLF

- The original Big Bertha Driver was named by founder Ely Callaway after the World War I “Big Bertha” cannon, which was feared and revered for its distance and accuracy.
- A distant cousin of golfing great Bobby Jones, Ely Callaway was an accomplished golfer who once won the club championship at Georgia's Highland Country Club four years running.
- Annika Sorenstam used Callaway Golf clubs and balls to become the first woman to shoot a 59 in competition.
- The company leads all U.S. golf companies in patents, holding more than 500 golf-related patents worldwide with more than 500 additional patent applications pending.
- The Callaway Golf Foundation has made more than \$5 million in grants to charities since 1995.