



A better game by design.

THE MARKET

Almost 25 years ago, Ely Callaway set out to build a company that would bring more fun and enjoyment to the average golfer. This vision — to make clubs for every golfer, regardless of ability, age, or gender — ultimately has changed the way the game is played, both on and off the golf course. 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 applied ingenuity, quality construction, and technology to make premium products that give golfers the most rewarding experience in the history of the sport. Thanks to Mr. Callaway's inspiration, the company that bears his name has spent nearly a quarter-century making a difficult game more enjoyable to golfers around the world.

Callaway Golf has truly become a global company, doing business in 107 countries and 29 languages. The company founded on products that deliver forgiveness and friendliness through technology has grown into a global giant, never forgetting its roots and promising that, through an unwavering commitment to product innovation, it will always create products and services designed to make every golfer a better golfer.

ACHIEVEMENTS

Golfers around the world use Callaway Golf products — from touring pros playing for titles, fame, and millions of dollars, to serious amateurs to weekend golfers seeking more enjoyment from the beguiling, baffling game. Perhaps the best example is Callaway Golf's Big Bertha line of metal woods. For many years, the driver was the club most golfers feared. A flat-faced and unforgiving block of persimmon wood on a stiff shaft, the driving club produced wildly unpredictable results in the hands of most amateurs. Try as they might, manufacturers had no success designing drivers that could change that. Then along came Big Bertha, the big-headed, stainless steel driver that looked — and performed

— unlike any driver ever had. Since then, Big Bertha and her progeny — including such current products as the Fusion® FT-3™ Driver and the X460® Driver — have turned the driver from a symbol of fear to one of fun.

Callaway Golf now designs and produces a complete line of drivers, fairway woods, irons, putters and golf balls that share the same ideal,

HISTORY

Callaway Golf'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. 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 — caused 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 1997, and Odyssey® Putters have become the No. 1 putters in retail sales. Callaway Golf also entered the golf ball business in 2000 and became the No. 2 golf ball in play across the world's major professional tours combined in less than three years. In 2003, Callaway Golf bought the Top-

Flite® Golf Company, adding the well-known Top-Flite and Ben Hogan® brands to its portfolio. Though Ely Callaway passed away in 2001, his spirit lives on in every product produced by the company 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 Fusion FT-3 Drivers, FT-Hybrids and Fusion Fairway Woods, X460 Drivers and X Fairway Woods, Big Bertha Titanium 454 Drivers, Big Bertha Titanium



attempting to make the game more fun for golfers of all skill levels, from first-time golfers to tour professionals. 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.

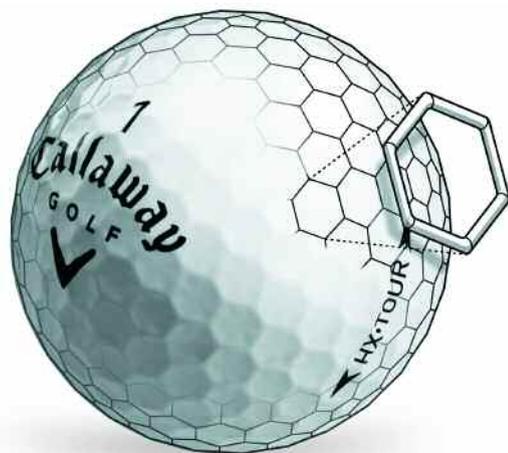
Fairway Woods, Big Bertha Stainless Steel Fairway Woods, and Big Bertha Heavenwood® Hybrids. In irons, Callaway Golf products include the Fusion and Fusion Wide Sole Irons, X-Tour™ Irons, X-18® and X-18 Pro Series Irons, and Big Bertha Irons. The company also makes the classically styled X-Tour Wedges. Callaway Golf's golf ball line includes the HX® Tour and HX Tour 56 Balls, HX Hot and HX Pearl Balls, and Big Bertha and Warbird Balls.

Products bearing the Callaway Golf name are also sold through exclusive licensing agreements with Ashworth, Inc. (apparel), Fossil (timepieces), TRG Group (travel gear and accessories), and MicoVision Optical, Inc. (eyewear). The company also makes and sells golf equipment under the Odyssey brand and the Top-Flite and Ben Hogan brands through the Top-Flite Golf Company, a wholly owned subsidiary.

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 R&D include:

- The Fusion FT-3 Driver, which has more than 50 patents covering its multi-material design — combining a titanium face, a carbon composite body, and strategic internal weighting to provide performance unlike any all-titanium 460cc driver on the market.
- Fusion Irons, which have a unique three-piece design, including a proprietary Tunite™ alloy cradle, a soft TPU SenSert™, and a lightweight titanium face.
- X-Tour Irons are forged irons with advanced two-piece construction utilized to combine performance, playability, and feel.
- The improved HX Tour and HX Tour 56 Golf Balls take golf ball technology beyond dimples with next-generation HEX Aerodynamics, along with advanced three-piece construction and patented Reaction Injection Molding (RIM) technology that improves ball flight and potential distance.



*the science that gave me my best season ever.
the longest, most accurate driver I've ever hit.
to be better.*

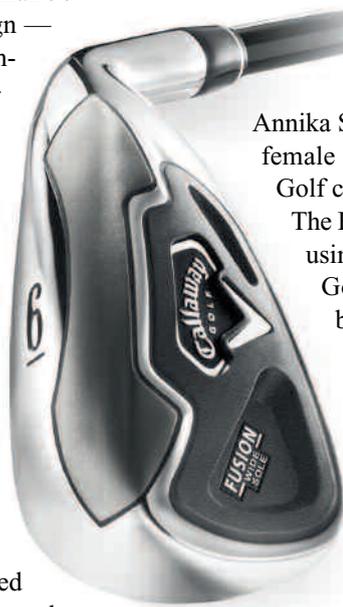
Phil Mickelson

**The Fusion® FT-3™ Driver—
Winner of 5 of 8
2005 PGA and LPGA Majors.**

PROMOTION

Callaway Golf is one of the world's most-loved and recognizable golf brands. The tech-savvy identity of the company is summed up in the tagline "A better game by design."

And while amateur golfers around the globe become better golfers with Callaway Golf products, it so happens that pros have great results with them, too. Swedish superstar Annika Sorenstam, the world's best female player, has used Callaway Golf clubs since turning pro, and The King, Arnold Palmer, began using and promoting Callaway Golf products a few years back after happening upon the company's inaugural golf ball during a desert golf outing.



Three-time major championship winner Phil Mickelson, one of the most-loved players in the game, leads the company's PGA Tour staff.

Mickelson won the 2005 PGA Championship, while his fellow Callaway Golf Staff Professional Michael Campbell won the 2005 U.S. Open — giving the company's Fusion FT-3 Driver, X-Tour Irons, and HX Tour Golf Balls victories in two of the four major men's championships in 2005.

BRAND VALUES

The global Callaway Golf brand stands for heritage, technology, quality, and leadership in the industry. With names like Odyssey, Top-Flite, and Ben Hogan augmenting the Callaway Golf image, the company boasts an enviable and unparalleled collection of golf brands. "This combination of brands and technologies makes it possible for our products to be among the most technologically advanced on the market," says George Fellows,

president and CEO of Callaway Golf. "Every one of our products is borne of the latest innovations we have to offer. We have an unwavering commitment to innovation in products that deliver uncompromising results."

The promise of fun and forgiveness that Callaway Golf brought to the original Big Bertha Drivers 15 years ago has spread throughout the bag, from fairway woods and irons to putters, golf balls, and accessories. From the Hickory Stick beginnings to the multi-material clubheads and HEX golf ball aerodynamics of today, the company remains ahead of the curve in finding new ways to create products and services designed to make every golfer a better golfer.

THINGS YOU DIDN'T KNOW ABOUT CALLAWAY GOLF

- The original Big Bertha Driver was named after the World War I "Big Bertha" cannon, which was both feared and revered for its distance and accuracy.
- A distant cousin of golfing great Bobby Jones, Ely Callaway was an accomplished player who once won the club championship at Georgia's Highland Country Club four years running.
- It's the only manufacturer with two members of the 59 club: Annika Sorenstam became the first woman to shoot 59 in competition and Phil Mickelson also shot 59 using the company's equipment.
- Callaway Golf was awarded 102 patents from the U.S. Patent and Trademark Office in 2003, marking the first time a golf company had received more than 100 patents in a single year.
- By the end of 2006, the Callaway Golf Foundation will have made more than \$6 million in grants to charities since 1995.