



## **Callaway Golf Files Third Quarter 10-Q And Reaffirms Previous 2002 Guidance With Possible Upside**

CARLSBAD, Calif.--(BUSINESS WIRE)--Jan. 16, 2003--Callaway Golf Company (NYSE:ELY) announced that it filed its Form 10-Q for the quarter ended September 30, 2002 with the Securities and Exchange Commission today. As previously announced, the results for the third quarter were positively impacted by a reduction in the Company's warranty reserves taken during the quarter of approximately \$17 million (pre-tax). The filing included the effects of subsequent events described below that were determined after the close of the third quarter but prior to the date of the filing, as required by SEC and applicable accounting rules. The Company expects net sales and earnings for the year ended December 31, 2002 to be at the high end, if not slightly above, the range provided on December 16, 2002, which was net sales of approximately \$790 million and earnings per share between \$0.96 and \$1.00, including \$0.16 per share as the result of the one-time reduction in warranty reserve.

The Company previously reported that it was reviewing the appropriate period in which to reflect the reduction in its warranty reserve. The Company has now completed its review and has reaffirmed its initial determination that the adjustment associated with the warranty reserve reduction resulted from a change in estimate and should be appropriately recognized in earnings in the third quarter of 2002. The Company's independent auditors have completed their review of this matter and have concurred with the Company's accounting treatment. The Company's filing on Form 10-Q includes a preferability letter issued by its independent auditors with respect to this accounting. The Company has also made adjustments to its previously-reported earnings for additional inventory obsolescence reserves, a previously announced charge due to a customs and duty assessment in Korea and other items that were determined subsequent to the announcement of its third quarter earnings. These adjustments would normally have been reflected in the fourth quarter but for the delayed filing of the third quarter Form 10-Q.

The Company's reaffirmed guidance for the full year 2002 is based on currently known information about the Company's operations. This guidance is subject to the completion of the full year 2002 audit, which is in progress, and the Company's ongoing review of its business and operations, including its golf ball business. These reviews could, among other things, result in additional adjustments for the fourth quarter. Full year 2002 results are expected to be announced in February.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results or performance, including statements relating to estimated sales and earnings, and the results of the audit and business reviews, 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, 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](http://www.callawaygolf.com) and [www.odysseygolf.com](http://www.odysseygolf.com).

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