

# Callaway® GOLF

## THE MARKET

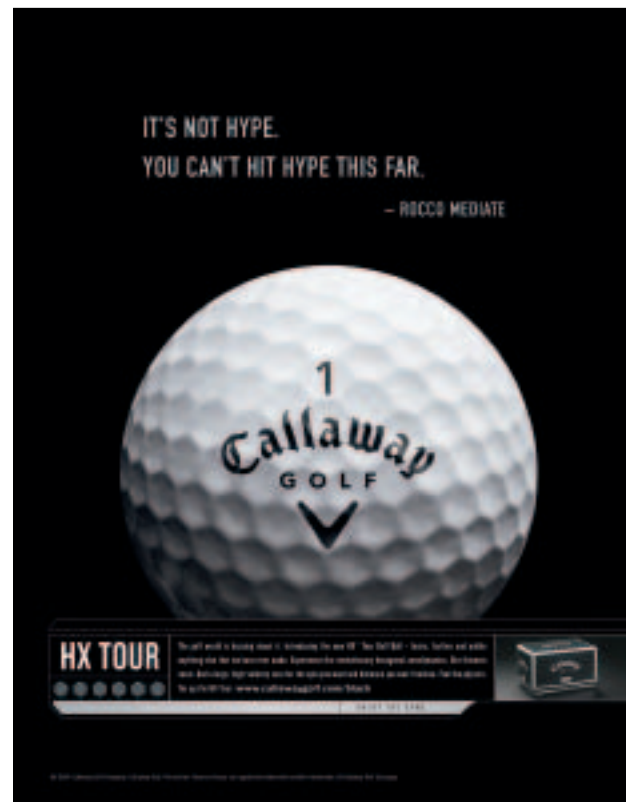
Some 22 years ago, Ely Callaway laid a foundation that has changed the way golf is played. A visionary with a gift for instinctively knowing what consumers would buy, he began with a premise that golfers wanted to, above all, hit more rewarding shots. He found just the tool to help them do it in the early 1990s with the introduction of the friendly, forgiving, and oversize Big Bertha Driver. And the innovation continues. 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 Golf'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 say the pleasing sensation of a well-struck shot is the number-one reason they keep coming back. Providing that enjoyment is why 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. Millions of golfers around the world have used the company's products to make the game more enjoyable. Callaway Golf's Big Bertha line of metal woods has become the benchmark, and the driver has been transformed — from a feared and little-used club to the most popular tool in the golfer's arsenal.

Callaway Golf's 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 the advent of Big Bertha and her progeny — including such current products as the ERC Fusion Driver and the Great Big Bertha II 415 Titanium Driver — the driver has become the



flagship product for golf manufacturers around the world.

Callaway Golf now designs and produces a complete line of drivers, fairway woods, irons, putters, and golf balls that share the same ideal: 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, and the company became 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 Golf's success story began with a small three-person golf company called Hickory Stick USA. 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 during a visit to a golf shop near Palm Springs, California, in 1982, and he bought an interest in the company. 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. By 1988, the company had been renamed Callaway Golf, moved to Carlsbad, California, and had shifted from trying to recreate classic clubs. 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 continues to flourish. In 2003, Callaway Golf bought the assets of The Top-Flite Golf Company, adding the popular Top-Flite and Ben Hogan brands to its portfolio. Though Ely Callaway passed away in 2001, his spirit lives on in every product that the company produces.

## 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 ERC Fusion Drivers and Fairway Woods, Great Big Bertha II Drivers and Fairway Woods, Great Big Bertha II 415 Titanium Drivers, Big Bertha Titanium Drivers, and Big Bertha Stainless Steel Fairway Woods. In irons, Callaway Golf products include the 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 and Callaway Golf Forged Wedges. The Company's golf ball line includes the HX Tour Golf Ball, HX Blue and Red



Golf Balls, Big Bertha Blue and Red Golf Balls, and Warbird Golf Balls. Callaway Golf also makes and sells Odyssey Putters, including the 2-Ball, White Hot, TriHot, DFX, and Dual Force putters.

Products bearing the Callaway Golf name are also sold through exclusive licensing agreements with Ashworth (apparel), Fossil (watches), and Tour Golf Group (footwear). The company also makes and sells golf equipment under the Top-Flite and Ben Hogan brands through the Top-Flite Golf Company, a wholly owned subsidiary.

## RECENT DEVELOPMENTS

Callaway Golf's highly advanced Research and Development Department has continually produced groundbreaking products:

- The ERC Fusion Driver, an entirely new driver platform with more than 50 patents covering its multi-material design. It combines a titanium face with a carbon composite body, giving



clubmakers 45 grams of discretionary weighting that can be placed in different positions to customize launch angle, center of gravity, and moment of inertia — resulting in optimal performance for golfers of all abilities.

- The new Big Bertha Stainless Steel Irons, which utilize a new Notch Weighting system to add even more stability and forgiveness to the most user-friendly all-stainless-steel irons the company has ever produced.
- The HX Tour Golf Ball takes golf ball technology beyond dimples with next-generation HEX Aerodynamics, along with advanced three-piece construction that improves ball flight and potential distance.



- The Odyssey 2-Ball Putter became the world's best-selling — and perhaps most imitated — putter on the strength of its proprietary alignment aid system that helps increase confidence and accuracy.

## 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. Celebrity endorsers have included Microsoft's Bill Gates, Motown legend Smokey Robinson, singer Celine Dion, and baseball slugger Mike Piazza.

Callaway Golf still occasionally uses celebrities in advertising to endorse its products and has been exploring fresh new approaches employing different strategies to convey its powerful product and brand message throughout the full range of media.

As with any enduring brand, there are constants. 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 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. Other staff pros include Johnny Miller, rising young PGA Tour star Charles Howell III, Ryder Cup Captain

Hal Sutton, major championship winners like Mark Brooks and Rich Beem, and legends Gary Player and Seve Ballesteros. The great pros and others are effective spokespeople and fine representatives of the Callaway Golf brand.

## BRAND VALUES

The global Callaway Golf brand stands for heritage, technology, quality, and leadership in the



industry. With names like Big Bertha, Odyssey, Top-Flite, and Ben Hogan augmenting the Callaway Golf image, the company boasts an enviable collection of golf brands. "Callaway Golf is a powerhouse golf brand with products that lead their categories in market share," says Ron Drapeau, chairman and CEO of Callaway Golf. "Odyssey has led the putter category at retail for seven straight years, as Callaway Golf has in woods and irons. Adding the Top-Flite and Ben Hogan names to the company gives us an opportunity to build a brand portfolio unparalleled in the golf industry."

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, accessories, apparel, footwear, and timepieces.

## 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 player 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.
- 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 2004, the Callaway Golf Foundation will have made more than \$6 million in grants to charities since 1995.