

**CALLAWAY GOLF COMPANY**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
**(Unaudited)**  
**(In thousands)**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 85,674	\$ 125,975
Accounts receivable, net .....	94,725	127,863
Inventories .....	262,486	189,400
Other current assets .....	23,099	17,187
Total current assets .....	465,984	460,425
Property, plant and equipment, net .....	70,227	54,475
Intangible assets, net .....	282,187	114,324
Investment in golf-related ventures .....	70,495	48,997
Deferred taxes, net .....	91,398	114,707
Other assets .....	10,866	8,354
Total assets .....	<u>\$ 991,157</u>	<u>\$ 801,282</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 176,127	\$ 132,521
Accrued employee compensation and benefits .....	40,173	32,568
Asset-based credit facilities .....	87,755	11,966
Accrued warranty expense .....	6,657	5,395
Other current liabilities .....	2,367	—
Income tax liability .....	1,295	4,404
Total current liabilities .....	314,374	186,854
Long-term liabilities .....	17,408	5,828
Total Callaway Golf Company shareholders' equity .....	649,631	598,906
Non-controlling interest in consolidated entity .....	9,744	9,694
Total liabilities and shareholders' equity .....	<u>\$ 991,157</u>	<u>\$ 801,282</u>

**CALLAWAY GOLF COMPANY**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In thousands, except per share data)**

	<b>Three Months Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net sales .....	\$ 191,657	\$ 163,695
Cost of sales .....	111,991	100,584
Gross profit .....	79,666	63,111
Operating expenses: .....		
Selling .....	65,272	52,013
General and administrative .....	25,177	19,485
Research and development .....	9,669	8,376
Total operating expenses .....	100,118	79,874
Loss from operations .....	(20,452)	(16,763)
Other income (expense), net .....	(2,678)	3,768
Loss before income taxes .....	(23,130)	(12,995)
Income tax benefit .....	(4,354)	(137,193)
Net income (loss) .....	(18,776)	124,198
Less: Net income attributable to non-controlling interests .....	610	927
Net income (loss) attributable to Callaway Golf Company .....	<u>\$ (19,386)</u>	<u>\$ 123,271</u>
Earnings (loss) per common share: .....		
Basic .....	(\$0.20)	\$1.31
Diluted .....	(\$0.20)	\$1.28
Weighted-average common shares outstanding: .....		
Basic .....	94,573	94,114
Diluted .....	94,573	96,316

	<b>Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net sales .....	\$ 1,048,736	\$ 871,192
Cost of sales .....	568,288	486,181
Gross profit .....	480,448	385,011
Operating expenses: .....		
Selling .....	270,890	235,556
General and administrative .....	94,153	71,969
Research and development .....	36,568	33,318
Total operating expenses .....	401,611	340,843
Income from operations .....	78,837	44,168
Gain on sale of golf-related ventures .....	—	17,662
Other expense, net .....	(10,782)	(3,437)
Income before income taxes .....	68,055	58,393
Income tax provision (benefit) .....	26,388	(132,561)
Net income .....	41,667	190,954
Less: Net income attributable to non-controlling interests .....	861	1,054
Net income attributable to Callaway Golf Company .....	<u>\$ 40,806</u>	<u>\$ 189,900</u>
Earnings per common share: .....		
Basic .....	\$0.43	\$2.02
Diluted .....	\$0.42	\$1.98
Weighted-average common shares outstanding: .....		
Basic .....	94,329	94,045
Diluted .....	96,577	95,845

**CALLAWAY GOLF COMPANY**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW**  
**(Unaudited)**  
**(In thousands)**

	<b>Year Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Net income	\$ 41,667	\$ 190,954
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,605	16,586
Inventory step-up amortization	3,112	—
Deferred taxes, net	24,594	(141,447)
Non-cash share-based compensation	12,647	8,965
(Gain)/loss on disposal of long-lived assets	1,490	(116)
Gain on sale of golf related investments	—	(17,662)
Unrealized losses (gains) on foreign currency hedges	1,023	(683)
Changes in assets and liabilities	15,561	21,113
Net cash provided by operating activities	<u>117,699</u>	<u>77,710</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(183,478)	—
Capital expenditures	(26,203)	(16,152)
Investments in golf related ventures	(21,499)	(1,448)
Proceeds from sales of property and equipment	587	20
Note receivable	—	3,104
Proceeds from sale of golf related investments	—	23,429
Net cash (used in) provided by investing activities	<u>(230,593)</u>	<u>8,953</u>
Cash flows from financing activities:		
Proceeds from (repayments of) credit facilities, net	75,789	(3,003)
Proceeds from long-term debt	11,815	—
Exercise of stock options	5,362	2,637
Distributions to non-controlling interests	(974)	—
Credit facility amendment costs	(2,246)	—
Dividends paid, net	(3,773)	(3,764)
Acquisition of treasury stock	(16,617)	(5,144)
Other Financing Activity	—	20
Net cash provided by (used in) financing activities	<u>69,356</u>	<u>(9,254)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,237</u>	<u>(1,235)</u>
Net (decrease) increase in cash and cash equivalents	(40,301)	76,174
Cash and cash equivalents at beginning of period	125,975	49,801
Cash and cash equivalents at end of period	<u>\$ 85,674</u>	<u>\$ 125,975</u>

**CALLAWAY GOLF COMPANY**  
**Consolidated Net Sales and Operating Segment Information and Non-GAAP Reconciliation**  
(Unaudited)  
(In thousands)

	Net Sales by Product Category					Net Sales by Product Category				
	Three Months Ended December 31,		Growth/(Decline)		Non-GAAP Constant Currency vs. 2016 <sup>(1)</sup>	Year Ended December 31,		Growth/(Decline)		Non-GAAP Constant Currency vs. 2016 <sup>(1)</sup>
	2017	2016	Dollars	Percent		2017	2016	Dollars	Percent	
					Percent					Percent
Net sales:										
Woods .....	\$ 45,214	\$ 33,021	\$ 12,193	36.9 %	37.8%	\$ 307,865	\$ 216,094	\$ 91,771	42.5 %	44.0%
Irons .....	48,454	54,108	(5,654)	(10.4)%	(10.2)%	250,636	278,562	(27,926)	(10.0)%	(9.2)%
Putters .....	13,433	14,512	(1,079)	(7.4)%	(7.1)%	84,595	87,725	(3,130)	(3.6)%	(2.7)%
Golf balls .....	26,485	31,205	(4,720)	(15.1)%	(15.9)%	162,546	152,261	10,285	6.8 %	7.1%
Gear/Accessories/Other ..	58,071	30,849	27,222	88.2 %	89.7%	243,094	136,550	106,544	78.0 %	80.3%
	<u>\$ 191,657</u>	<u>\$ 163,695</u>	<u>\$ 27,962</u>	<u>17.1 %</u>	<u>17.5%</u>	<u>\$ 1,048,736</u>	<u>\$ 871,192</u>	<u>\$ 177,544</u>	<u>20.4 %</u>	<u>21.5%</u>

<sup>(1)</sup> Calculated by applying 2016 exchange rates to 2017 reported sales in regions outside the U.S.

	Net Sales by Region					Net Sales by Region				
	Three Months Ended December 31,		Growth/(Decline)		Non-GAAP Constant Currency vs. 2016 <sup>(1)</sup>	Year Ended December 31,		Growth		Non-GAAP Constant Currency vs. 2016 <sup>(1)</sup>
	2017	2016	Dollars	Percent		2017	2016	Dollars	Percent	
					Percent					Percent
Net Sales										
United States .....	\$ 94,313	\$ 67,440	\$ 26,873	39.8 %	39.8%	\$ 566,365	\$ 447,613	\$ 118,752	26.5 %	26.5%
Europe .....	20,948	21,634	(686)	(3.2)%	(9.1)%	139,515	122,805	16,710	13.6 %	16.9%
Japan .....	51,900	49,573	2,327	4.7 %	10.0%	199,331	170,760	28,571	16.7 %	21.3%
Rest of Asia .....	13,578	15,256	(1,678)	(11.0)%	(13.4)%	76,540	67,099	9,441	14.1 %	12.2%
Other foreign countries ..	10,918	9,792	1,126	11.5 %	8.5%	66,985	62,915	4,070	6.5 %	5.3%
	<u>\$ 191,657</u>	<u>\$ 163,695</u>	<u>\$ 27,962</u>	<u>17.1 %</u>	<u>17.5%</u>	<u>\$ 1,048,736</u>	<u>\$ 871,192</u>	<u>\$ 177,544</u>	<u>20.4 %</u>	<u>21.5%</u>

<sup>(1)</sup> Calculated by applying 2016 exchange rates to 2017 reported sales in regions outside the U.S.

	Operating Segment Information				Operating Segment Information			
	Three Months Ended December 31,		Growth/(Decline)		Year Ended December 31,		Growth	
	2017	2016 <sup>(1)</sup>	Dollars	Percent	2017	2016 <sup>(1)</sup>	Dollars	Percent
Net Sales								
Golf Club .....	\$ 107,101	\$ 101,641	\$ 5,460	5.4 %	\$ 643,096	\$ 582,381	\$ 60,715	10.4 %
Golf Ball .....	26,484	31,205	(4,721)	(15.1)%	162,546	152,261	10,285	6.8 %
Gear/Accessories/Other ..	58,072	30,849	27,223	88.2 %	243,094	136,550	106,544	78.0 %
	<u>\$ 191,657</u>	<u>\$ 163,695</u>	<u>\$ 27,962</u>	<u>17.1 %</u>	<u>\$ 1,048,736</u>	<u>\$ 871,192</u>	<u>\$ 177,544</u>	<u>20.4 %</u>
Income (loss) before income taxes:								
Golf clubs .....	\$ (7,294)	\$ (7,149)	\$ (145)	(2.0)%	\$ 77,018	\$ 48,489	\$ 28,529	58.8 %
Golf balls .....	(646)	1,968	(2,614)	(132.8)%	26,854	23,953	2,901	12.1 %
Gear/Accessories/Other ..	3,209	1,470	1,739	118.3 %	30,631	18,223	12,408	68.1 %
Reconciling items <sup>(2)</sup> .....	(18,399)	(9,284)	(9,115)	(98.2)%	(66,448)	(32,272)	(34,176)	(105.9)%
	<u>\$ (23,130)</u>	<u>\$ (12,995)</u>	<u>\$ (10,135)</u>	<u>(78.0)%</u>	<u>\$ 68,055</u>	<u>\$ 58,393</u>	<u>\$ 9,662</u>	<u>16.5 %</u>

<sup>(1)</sup> The Company changed its operating segments as of January 1, 2017. Accordingly, prior period amounts have been reclassified to conform with the current period presentation.

<sup>(2)</sup> Represents corporate general and administrative expenses and other income (expense) not utilized by management in determining segment profitability.

**CALLAWAY GOLF COMPANY**  
**Supplemental Financial Information and Non-GAAP Reconciliation**  
**(Unaudited)**  
**(In thousands, except per share data)**

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	Total As Reported	Acquisition Costs <sup>(1)</sup>	Non-Cash Tax Adjustment <sup>(2)</sup>	Non-GAAP	Total As Reported	Release of Tax VA <sup>(3)</sup>	Non-Cash Tax Adjustment <sup>(4)</sup>	Non-GAAP
Net sales .....	\$ 191,657	\$ —	\$ —	\$ 191,657	\$ 163,695	\$ —	\$ —	\$ 163,695
Gross profit .....	79,666	(1,641)	—	81,307	63,111	—	—	63,111
% of sales .....	41.6%	—	—	42.4%	38.6%	—	—	38.6%
Operating expenses .....	100,118	36	—	100,082	79,874	—	—	79,874
Loss from operations .....	(20,452)	(1,677)	—	(18,775)	(16,763)	—	—	(16,763)
Other income (expense), net .....	(2,678)	—	—	(2,678)	3,768	—	—	3,768
Loss before income taxes .....	(23,130)	(1,677)	—	(21,453)	(12,995)	—	—	(12,995)
Income tax (benefit) provision .....	(4,354)	(886)	3,394	(6,862)	(137,193)	(156,588)	24,762	(5,367)
Net income (loss) .....	(18,776)	(791)	(3,394)	(14,591)	124,198	156,588	(24,762)	(7,628)
Less: Net income attributable to non-controlling interests .....	610	—	—	610	927	—	—	927
Net income (loss) attributable to Callaway Golf Company .....	<u>\$ (19,386)</u>	<u>\$ (791)</u>	<u>\$ (3,394)</u>	<u>\$ (15,201)</u>	<u>\$ 123,271</u>	<u>\$ 156,588</u>	<u>\$ (24,762)</u>	<u>\$ (8,555)</u>
Diluted earnings (loss) per share: .....	(\$0.20)	(\$0.01)	(\$0.04)	(\$0.15)	\$1.28	\$1.63	(\$0.26)	(\$0.09)
Weighted-average shares outstanding: .....	94,573	94,573	94,573	94,573	96,316	96,316	96,316	96,316

(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc. in January 2017, and TravisMathew in August 2017.

(2) Represents approximately \$7.5 million of non-recurring income tax expense resulting from the 2017 Tax Cuts and Jobs Act, partially offset by a non-recurring benefit of approximately \$4.1 million related to the revaluation of taxes on intercompany transactions, resulting from the 2016 release of the valuation allowance against the Company's U.S. deferred tax assets.

(3) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) In the fourth quarter of 2016, the Company reversed a significant portion of its valuation allowance on its U.S. deferred tax assets. Also as a result of the reversal, the Company was required to retroactively recognize Federal U.S. income taxes for all of 2016. For comparability to the fourth quarter of 2017, the Company applied the Company's estimated annual effective tax rate (excluding the reversal of the valuation allowance) of 41.3% to calculate pro-forma results for the fourth quarter of 2016.

**CALLAWAY GOLF COMPANY**  
**Supplemental Financial Information and Non-GAAP Reconciliation**  
(Unaudited)  
(In thousands, except per share data)

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Total As Reported	Acquisition Costs <sup>(1)</sup>	Non-Cash Tax Adjustment <sup>(2)</sup>	Non-GAAP	Total As Reported	Topgolf Gain <sup>(3)</sup>	Release of Tax VA <sup>(4)</sup>	Non-GAAP
Net sales .....	\$ 1,048,736	\$ —	\$ —	\$ 1,048,736	\$ 871,192	\$ —	\$ —	\$ 871,192
Gross profit .....	480,448	(2,439)	—	482,887	385,011	—	—	385,011
% of sales .....	45.8%	—	—	46.0%	44.2%	—	—	44.2%
Operating expenses .....	401,611	8,825	—	392,786	340,843	—	—	340,843
Income (loss) from operations .....	78,837	(11,264)	—	90,101	44,168	—	—	44,168
Other income (expense), net .....	(10,782)	—	—	(10,782)	14,225	17,662	—	(3,437)
Income (loss) before income taxes .....	68,055	(11,264)	—	79,319	58,393	17,662	—	40,731
Income tax provision (benefit) .....	26,388	(4,118)	3,394	27,112	(132,561)	7,188	(156,588)	16,839
Net income (loss) .....	41,667	(7,146)	(3,394)	52,207	190,954	10,474	156,588	23,892
Less: Net income attributable to non-controlling interests .....	861	—	—	861	1,054	—	—	1,054
Net income (loss) attributable to Callaway Golf Company .....	<u>\$ 40,806</u>	<u>\$ (7,146)</u>	<u>\$ (3,394)</u>	<u>\$ 51,346</u>	<u>\$ 189,900</u>	<u>\$ 10,474</u>	<u>\$ 156,588</u>	<u>\$ 22,838</u>
Diluted earnings (loss) per share: .....	\$0.42	(\$0.07)	(\$0.04)	\$0.53	\$1.98	\$0.11	\$1.63	\$0.24
Weighted-average shares outstanding: .....	96,577	96,577	96,577	96,577	95,845	95,845	95,845	95,845

(1) Represents non-recurring costs associated with the acquisitions of Ogio International, Inc. in January 2017, and TravisMathew in August 2017.

(2) Represents approximately \$7.5 million of non-recurring income tax expense resulting from the 2017 Tax Cuts and Jobs Act, partially offset by a non-recurring benefit of approximately \$4.1 million related to the revaluation of taxes on intercompany transactions, resulting from the 2016 release of the valuation allowance against the Company's U.S. deferred tax assets.

(3) Represents a gain on the sale of a small portion of the Company's Topgolf investment as well as the income tax impact on the gain due to the reversal of the Company's deferred tax valuation allowance in Q4 of 2016.

(4) Non-cash tax benefit due to the reversal of a significant portion of the Company's deferred tax valuation allowance in Q4 of 2016.

	2017 Trailing Twelve Month Adjusted EBITDA					2016 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	Total	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Total
Net income (loss) .....	\$ 25,689	\$ 31,443	\$ 3,060	\$ (19,386)	\$ 40,806	\$ 38,390	\$ 34,105	\$ (5,866)	\$ 123,271	\$ 189,900
Interest expense, net .....	715	550	642	2,004	3,911	621	347	431	348	1,747
Income tax provision (benefit) .....	13,206	16,050	1,486	(4,354)	26,388	1,401	1,937	1,294	(137,193)	(132,561)
Depreciation and amortization expense .....	4,319	4,178	4,309	4,799	17,605	4,157	4,180	4,204	4,045	16,586
EBITDA .....	<u>\$ 43,929</u>	<u>\$ 52,221</u>	<u>\$ 9,497</u>	<u>\$ (16,937)</u>	<u>\$ 88,710</u>	<u>\$ 44,569</u>	<u>\$ 40,569</u>	<u>\$ 63</u>	<u>\$ (9,529)</u>	<u>\$ 75,672</u>
Gain on sale of Topgolf investments .....	—	—	—	—	—	—	(17,662)	—	—	(17,662)
OGIO and TravisMathew acquisition costs .....	3,956	2,254	3,377	1,677	11,264	—	—	—	—	—
Adjusted EBITDA .....	<u>\$ 47,885</u>	<u>\$ 54,475</u>	<u>\$ 12,874</u>	<u>\$ (15,260)</u>	<u>\$ 99,974</u>	<u>\$ 44,569</u>	<u>\$ 22,907</u>	<u>\$ 63</u>	<u>\$ (9,529)</u>	<u>\$ 58,010</u>

**CALLAWAY GOLF COMPANY**  
**Consolidated Net Sales by Product Category Reclassified For New Segment Presentation**  
**(Unaudited)**  
**(In thousands)**

Effective January 1, 2017, the Company changed its operating segments and established a new operating segment, Gear, Accessories and Other. As a result of this change, the Golf Clubs operating segment is now comprised of the woods, irons and putters product categories, and the Golf Ball operating segment is comprised of golf balls. The accessories and other product category, which was previously reported within the Golf Clubs operating segment, is now included in the new Gear, Accessories and Other operating segment. Accordingly, as a result of this change, net sales by product category for 2016 and all interim periods therein were reclassified to conform with the new operating segment presentation as follows: (i) sales of pre-owned clubs, which were previously in accessories and other, are now reported by product type within woods, irons and putters; (ii) sales of packaged sets, which were previously reported in accessories and other, are now reported within irons; and (iii) sales of golf apparel and footwear, golf bags, golf gloves, travel gear, headwear and other golf-related accessories, retail apparel sales from the Company's joint venture in Japan, in addition to royalties from licensing of the Company's trademarks and service marks for various soft goods, which were previously reported in accessories and other, are now reported in the Gear, Accessories and Other operating segment.

The table below represents the Company's 2016 consolidated net sales by product category as previously reported.

	Three Months Ended								Year Ended	
	March 31, 2016		June 30, 2016		September 30, 2016		December 31, 2016		December 31, 2016	
Net sales:										
Woods .....	\$ 86,070	31.4%	\$ 50,478	20.6%	\$ 35,733	19.0%	\$ 29,532	18.0%	\$ 201,813	23.2%
Irons .....	59,232	21.6%	63,416	25.8%	50,272	26.8%	39,027	23.8%	211,947	24.3%
Putters .....	29,750	10.9%	25,013	10.2%	17,290	9.2%	13,989	8.5%	86,042	9.9%
Golf balls .....	41,416	15.1%	46,996	19.1%	32,640	17.4%	31,205	19.1%	152,257	17.5%
Gear, accessories and other .....	57,585	21.0%	59,691	24.3%	51,915	27.6%	49,942	30.5%	219,133	25.2%
	<u>\$ 274,053</u>	100.0%	<u>\$ 245,594</u>	100.0%	<u>\$ 187,850</u>	100.0%	<u>\$ 163,695</u>	100.0%	<u>\$ 871,192</u>	100.0%

The table below represents the Company's 2016 consolidated net sales by product category reclassified to conform with the new segment presentation in the comparable periods of 2017.

	Reclassified								Year Ended	
	March 31, 2016		June 30, 2016		September 30, 2016		December 31, 2016		December 31, 2016	
Net sales:										
Woods .....	\$ 89,248	32.6%	\$ 54,583	22.2%	\$ 39,332	20.9%	\$ 33,021	20.2%	\$ 216,094	24.8%
Irons .....	75,600	27.6%	84,458	34.4%	64,305	34.2%	54,108	33.1%	278,562	32.0%
Putters .....	30,213	11.0%	25,410	10.3%	17,591	9.4%	14,512	8.9%	87,725	10.1%
Golf balls .....	41,416	15.1%	46,996	19.1%	32,640	17.4%	31,205	19.1%	152,261	17.5%
Gear, accessories and other .....	37,576	13.7%	34,147	13.9%	33,982	18.1%	30,849	18.8%	136,550	15.7%
	<u>\$ 274,053</u>	100.0%	<u>\$ 245,594</u>	100.0%	<u>\$ 187,850</u>	100.0%	<u>\$ 163,695</u>	100.0%	<u>\$ 871,192</u>	100.0%