

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,748	\$ 85,674
Accounts receivable, net	242,023	94,725
Inventories	237,068	262,486
Other current assets	<u>32,960</u>	<u>23,099</u>
Total current assets	569,799	465,984
Property, plant and equipment, net	77,604	70,227
Intangible assets, net	281,279	282,187
Deferred taxes, net	65,538	91,398
Investment in golf-related ventures	70,777	70,495
Other assets	<u>10,425</u>	<u>10,866</u>
Total assets	<u>\$ 1,075,422</u>	<u>\$ 991,157</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 162,217	\$ 176,127
Accrued employee compensation and benefits	30,754	40,173
Asset-based credit facilities	96,140	87,755
Accrued warranty expense	8,035	6,657
Other current liabilities	2,389	2,367
Income tax liability	<u>9,792</u>	<u>1,295</u>
Total current liabilities	309,327	314,374
Long-term liabilities	16,359	17,408
Total Callaway Golf Company shareholders' equity	740,682	649,631
Non-controlling interest in consolidated entity	<u>9,054</u>	<u>9,744</u>
Total liabilities and shareholders' equity	<u>\$ 1,075,422</u>	<u>\$ 991,157</u>

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

	Three Months Ended June 30,	
	2018	2017
Net sales	\$ 396,311	\$ 304,548
Cost of sales	203,614	156,383
Gross profit	192,697	148,165
Operating expenses:		
Selling	83,261	68,102
General and administrative	24,408	22,155
Research and development	10,708	8,863
Total operating expenses	118,377	99,120
Income from operations	74,320	49,045
Other income (expense), net	3,861	(1,521)
Income before income taxes	78,181	47,524
Income tax provision	17,247	16,050
Net income	60,934	31,474
Less: Net income attributable to non-controlling interest	67	31
Net income attributable to Callaway Golf Company	<u>\$ 60,867</u>	<u>\$ 31,443</u>
Earnings per common share:		
Basic	\$ 0.65	\$ 0.33
Diluted	\$ 0.63	\$ 0.33
Weighted-average common shares outstanding:		
Basic	94,367	94,213
Diluted	96,928	96,197

	Six Months Ended June 30,	
	2018	2017
Net sales	\$ 799,502	\$ 613,475
Cost of sales	406,343	317,595
Gross profit	393,159	295,880
Operating expenses:		
Selling	166,221	139,864
General and administrative	46,302	45,019
Research and development	20,332	17,745
Total operating expenses	232,855	202,628
Income from operations	160,304	93,252
Other expense, net	(2,173)	(6,642)
Income before income taxes	158,131	86,610
Income tax provision	34,466	29,256
Net income	123,665	57,354
Less: Net income (loss) attributable to non-controlling interest	(57)	222
Net income attributable to Callaway Golf Company	<u>\$ 123,722</u>	<u>\$ 57,132</u>
Earnings per common share:		
Basic	\$1.31	\$0.61
Diluted	\$1.28	\$0.59
Weighted-average common shares outstanding:		
Basic	94,670	94,142
Diluted	96,981	96,073

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

	Six Months Ended June 30, 2018	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 123,665	\$ 57,354
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,766	8,497
Deferred taxes, net	30,273	33,028
Non-cash share-based compensation	6,464	5,402
(Gain)/loss on disposal of long-lived assets	(3)	1,035
Unrealized (gains)/losses on foreign currency hedges	(1,021)	1,550
Changes in assets and liabilities	(164,057)	(80,542)
Net cash provided by operating activities	<u>5,087</u>	<u>26,324</u>
Cash flows from investing activities:		
Capital expenditures	(17,107)	(12,186)
Investments in golf related ventures	(282)	—
Acquisitions, net of cash acquired	—	(57,890)
Proceeds from sales of property and equipment	—	560
Net cash used in investing activities	<u>(17,389)</u>	<u>(69,516)</u>
Cash flows from financing activities:		
Proceeds from (repayments of) credit facilities, net	8,385	(5,735)
Repayments of long-term debt	(1,083)	—
Exercise of stock options	1,258	3,085
Dividends paid, net	(1,897)	(1,882)
Acquisition of treasury stock	(22,301)	(16,410)
Distributions to non-controlling interests	(821)	(974)
Net cash used in financing activities	<u>(16,459)</u>	<u>(21,916)</u>
Effect of exchange rate changes on cash and cash equivalents	835	1,092
Net decrease in cash and cash equivalents	(27,926)	(64,016)
Cash and cash equivalents at beginning of period	85,674	125,975
Cash and cash equivalents at end of period	<u>\$ 57,748</u>	<u>\$ 61,959</u>

CALLAWAY GOLF COMPANY
Consolidated Net Sales and Operating Segment Information
(Unaudited)
(In thousands)

	Net Sales by Product Category					Net Sales by Product Category				
	Three Months Ended June 30,		Growth		Non-GAAP Constant Currency vs. 2017 ⁽¹⁾	Six Months Ended June 30,		Growth		Non-GAAP Constant Currency vs. 2017 ⁽¹⁾
	2018	2017	Dollars	Percent		2018	2017	Dollars	Percent	
					Percent					Percent
Net sales:										
Woods	\$ 93,958	\$ 89,276	\$ 4,682	5.2%	3.4%	\$ 222,760	\$ 196,851	\$ 25,909	13.2%	10.5%
Irons	111,059	82,285	28,774	35.0%	32.9%	206,268	141,296	64,972	46.0%	43.1%
Putters	27,785	24,730	3,055	12.4%	10.2%	61,215	51,735	9,480	18.3%	14.7%
Golf balls	65,882	48,767	17,115	35.1%	33.4%	120,804	96,991	23,813	24.6%	22.5%
Gear/Accessories/Other ...	97,627	59,490	38,137	64.1%	62.1%	188,455	126,602	61,853	48.9%	46.0%
	<u>\$ 396,311</u>	<u>\$ 304,548</u>	<u>\$ 91,763</u>	30.1%	28.2%	<u>\$ 799,502</u>	<u>\$ 613,475</u>	<u>\$ 186,027</u>	30.3%	27.6%

⁽¹⁾ Calculated by applying 2017 exchange rates to 2018 reported sales in regions outside the U.S.

	Net Sales by Region					Net Sales by Region				
	Three Months Ended June 30,		Growth		Non-GAAP Constant Currency vs. 2017 ⁽¹⁾	Six Months Ended June 30,		Growth		Non-GAAP Constant Currency vs. 2017 ⁽¹⁾
	2018	2017 ⁽²⁾	Dollars	Percent		2018	2017 ⁽²⁾	Dollars	Percent	
					Percent					Percent
Net Sales										
United States	\$ 233,373	\$ 168,253	\$ 65,120	38.7%	38.7%	\$ 468,534	\$ 346,517	\$ 122,017	35.2%	35.2%
Europe	46,325	42,912	3,413	8.0%	1.7%	97,527	87,529	9,998	11.4%	2.1%
Japan	59,666	47,908	11,758	24.5%	22.2%	128,941	94,410	34,531	36.6%	31.9%
Rest of Asia	33,059	24,216	8,843	36.5%	30.9%	57,834	42,569	15,265	35.9%	29.4%
Other foreign countries ...	23,888	21,259	2,629	12.4%	9.2%	46,666	42,450	4,216	9.9%	6.6%
	<u>\$ 396,311</u>	<u>\$ 304,548</u>	<u>\$ 91,763</u>	30.1%	28.2%	<u>\$ 799,502</u>	<u>\$ 613,475</u>	<u>\$ 186,027</u>	30.3%	27.6%

⁽¹⁾ Calculated by applying 2017 exchange rates to 2018 reported sales in regions outside the U.S.

⁽²⁾ Prior period amounts have been reclassified to conform to the current year presentation of regional sales related to OGIO-branded products.

	Operating Segment Information				Operating Segment Information			
	Three Months Ended June 30,		Growth		Six Months Ended June 30,		Growth	
	2018	2017	Dollars	Percent	2018	2017	Dollars	Percent
Net Sales								
Golf Club	\$ 232,802	\$ 196,291	\$ 36,511	18.6%	\$ 490,243	\$ 389,882	\$ 100,361	25.7%
Golf Ball	65,882	48,767	17,115	35.1%	120,804	96,991	23,813	24.6%
Gear/Accessories/Other ...	97,627	59,490	38,137	64.1%	188,455	126,602	61,853	48.9%
	<u>\$ 396,311</u>	<u>\$ 304,548</u>	<u>\$ 91,763</u>	30.1%	<u>\$ 799,502</u>	<u>\$ 613,475</u>	<u>\$ 186,027</u>	30.3%
Income (loss) before income taxes:								
Golf clubs	\$ 50,751	\$ 38,445	\$ 12,306	32.0%	\$ 117,338	\$ 73,398	\$ 43,940	59.9%
Golf balls	13,288	10,939	2,349	21.5%	25,813	22,460	3,353	14.9%
Gear/Accessories/Other ...	24,069	11,877	12,192	102.7%	44,406	21,496	22,910	106.6%
Reconciling items ⁽¹⁾	(9,927)	(13,737)	3,810	-27.7%	(29,426)	(30,744)	1,318	4.3%
	<u>\$ 78,181</u>	<u>\$ 47,524</u>	<u>\$ 30,657</u>	64.5%	<u>\$ 158,131</u>	<u>\$ 86,610</u>	<u>\$ 71,521</u>	82.6%

⁽¹⁾ 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)

	Three Months Ended June 30,			
	2018	2017		
	As Reported	As Reported	Acquisition Costs ⁽¹⁾	Non- GAAP
Net sales	\$ 396,311	\$ 304,548	\$ —	\$ 304,548
Gross profit	192,697	148,165	—	148,165
% of sales	48.6%	48.7%	—	48.7%
Operating expenses	118,377	99,120	2,254	96,866
Income (loss) from operations	74,320	49,045	(2,254)	51,299
Other income (expense), net	3,861	(1,521)	—	(1,521)
Income (loss) before income taxes	78,181	47,524	(2,254)	49,778
Income tax provision (benefit)	17,247	16,050	(761)	16,811
Net income (loss)	60,934	31,474	(1,493)	32,967
Less: Net income attributable to non-controlling interest	67	31	—	31
Net income (loss) attributable to Callaway Golf Company	<u>\$ 60,867</u>	<u>\$ 31,443</u>	<u>\$ (1,493)</u>	<u>\$ 32,936</u>
Diluted earnings (loss) per share:	\$ 0.63	\$ 0.33	\$ (0.01)	\$ 0.34
Weighted-average shares outstanding:	96,928	96,197	96,197	96,197

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

CALLAWAY GOLF COMPANY
Non-GAAP Reconciliation and Supplemental Financial Information
(Unaudited)
(In thousands)

	Six Months Ended June 30,			
	2018	2017		
	As Reported	As Reported	Ogio Acquisition Costs ⁽¹⁾	Non-GAAP
Net sales	\$ 799,502	\$ 613,475	\$ —	\$ 613,475
Gross profit	393,159	295,880	—	295,880
% of sales	49.2%	48.2%	—	48.2%
Operating expenses	232,855	202,628	6,210	196,418
Income (loss) from operations	160,304	93,252	(6,210)	99,462
Other expense, net	(2,173)	(6,642)	—	(6,642)
Income (loss) before income taxes	158,131	86,610	(6,210)	92,820
Income tax provision (benefit)	34,466	29,256	(2,098)	31,354
Net income (loss)	123,665	57,354	(4,112)	61,466
Less: Net income (loss) attributable to non-controlling interest	(57)	222	—	222
Net income (loss) attributable to Callaway Golf Company	<u>\$ 123,722</u>	<u>\$ 57,132</u>	<u>\$ (4,112)</u>	<u>\$ 61,244</u>
Diluted earnings (loss) per share:	\$ 1.28	\$ 0.59	\$ (0.05)	\$ 0.64
Weighted-average shares outstanding:	96,981	96,073	96,073	96,073

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

	2018 Trailing Twelve Month Adjusted EBITDA					2017 Trailing Twelve Month Adjusted EBITDA				
	Quarter Ended					Quarter Ended				
	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	Total	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Total
Net income (loss)	\$ 3,060	\$ (19,386)	\$ 62,855	\$ 60,867	\$ 107,396	\$ (5,866)	\$ 123,271	\$ 25,689	\$ 31,443	\$ 174,537
Interest expense, net	642	2,004	1,528	1,661	5,835	431	348	715	550	2,044
Income tax provision (benefit)	1,486	(4,354)	17,219	17,247	31,598	1,294	(137,193)	13,206	16,050	(106,643)
Depreciation and amortization expense	4,309	4,799	4,737	5,029	18,874	4,204	4,045	4,319	4,178	16,746
EBITDA	<u>\$ 9,497</u>	<u>\$ (16,937)</u>	<u>\$ 86,339</u>	<u>\$ 84,804</u>	<u>\$ 163,703</u>	<u>\$ 63</u>	<u>\$ (9,529)</u>	<u>\$ 43,929</u>	<u>\$ 52,221</u>	<u>\$ 86,684</u>
Ogio & TravisMathew acquisition costs	3,377	1,677	—	—	5,054	—	—	3,956	2,254	6,210
Adjusted EBITDA	<u>\$ 12,874</u>	<u>\$ (15,260)</u>	<u>\$ 86,339</u>	<u>\$ 84,804</u>	<u>\$ 168,757</u>	<u>\$ 63</u>	<u>\$ (9,529)</u>	<u>\$ 47,885</u>	<u>\$ 54,475</u>	<u>\$ 92,894</u>

CALLAWAY GOLF COMPANY
Reconciliation of Non-GAAP Third Quarter and Full Year 2017 Results
(Unaudited)
(In thousands)

Three Months Ended September 30, 2017			
	Total As Reported	Acquisition Costs⁽¹⁾	Non-GAAP
Net sales	\$ 243,604	\$ —	\$ 243,604
Gross profit	104,902	(798)	105,700
% of sales	43.1%	—	43.4%
Operating expenses	98,865	2,579	96,286
Income (loss) from operations	6,037	(3,377)	9,414
Other expense, net	(1,462)	—	(1,462)
Income (loss) before income taxes	4,575	(3,377)	7,952
Income tax provision (benefit)	1,486	(1,134)	2,620
Net income (loss)	3,089	(2,243)	5,332
Less: Net income attributable to non-controlling interest	29	—	29
Net income (loss) attributable to Callaway Golf Company	<u>\$ 3,060</u>	<u>\$ (2,243)</u>	<u>\$ 5,303</u>
Diluted earnings (loss) per share:	\$ 0.03	\$ (0.02)	\$ 0.05
Weighted-average shares outstanding:	96,879	96,879	96,879

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

Year Ended December 31, 2017				
	Total As Reported	Acquisition Costs⁽¹⁾	Non-Cash Tax Adjustment⁽²⁾	Non-GAAP
Net sales	\$ 1,048,736	\$ —	\$ —	\$ 1,048,736
Gross profit	480,448	(2,439)	—	482,887
% of sales	45.8%	—	—	46.0%
Operating expenses	401,611	8,825	—	392,786
Income (loss) from operations	78,837	(11,264)	—	90,101
Other expense, net	(10,782)	—	—	(10,782)
Income (loss) before income taxes	68,055	(11,264)	—	79,319
Income tax provision (benefit)	26,388	(4,118)	3,394	27,112
Net income (loss)	41,667	(7,146)	(3,394)	52,207
Less: Net income attributable to non-controlling interest	861	—	—	861
Net income (loss) attributable to Callaway Golf Company	<u>\$ 40,806</u>	<u>\$ (7,146)</u>	<u>\$ (3,394)</u>	<u>\$ 51,346</u>
Diluted earnings (loss) per share:	\$0.42	(\$0.07)	(\$0.04)	\$ 0.53
Weighted-average shares outstanding:	96,577	96,577	96,577	96,577

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