

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 38,718	\$ 85,674
Accounts receivable, net .....	265,240	94,725
Inventories .....	262,290	262,486
Other current assets .....	29,644	23,099
Total current assets .....	<u>595,892</u>	<u>465,984</u>
Property, plant and equipment, net.....	72,881	70,227
Intangible assets, net .....	282,185	282,187
Deferred taxes, net .....	82,698	91,398
Investment in golf-related ventures .....	70,777	70,495
Other assets .....	11,115	10,866
Total assets .....	<u>\$ 1,115,548</u>	<u>\$ 991,157</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 181,779	\$ 176,127
Accrued employee compensation and benefits.....	27,578	40,173
Asset-based credit facilities .....	178,523	87,755
Accrued warranty expense .....	7,311	6,657
Other current liabilities.....	2,378	2,367
Income tax liability .....	3,905	1,295
Total current liabilities.....	<u>401,474</u>	<u>314,374</u>
Long-term liabilities .....	17,563	17,408
Total Callaway Golf Company shareholders' equity .....	686,302	649,631
Non-controlling interest in consolidated entity.....	10,209	9,744
Total liabilities and shareholders' equity .....	<u>\$ 1,115,548</u>	<u>\$ 991,157</u>

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

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net sales .....	\$ 403,191	\$ 308,927
Cost of sales .....	202,729	161,212
Gross profit .....	200,462	147,715
Operating expenses:		
Selling .....	82,960	71,762
General and administrative .....	21,894	22,864
Research and development .....	9,624	8,882
Total operating expenses .....	114,478	103,508
Income from operations .....	85,984	44,207
Other expense, net .....	(6,034)	(5,121)
Income before income taxes .....	79,950	39,086
Income tax provision .....	17,219	13,206
Net income .....	62,731	25,880
Less: Net income (loss) attributable to non-controlling interest .....	(124)	191
Net income attributable to Callaway Golf Company .....	\$ 62,855	\$ 25,689
Earnings per common share:		
Basic .....	\$0.66	\$0.27
Diluted .....	\$0.65	\$0.27
Weighted-average common shares outstanding:		
Basic .....	94,975	94,070
Diluted .....	97,038	95,948

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

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Net income .....	\$ 62,731	\$ 25,880
Adjustments to reconcile net income to net cash used in operating activities: .....		
Depreciation and amortization .....	4,737	4,319
Deferred taxes, net .....	14,035	15,630
Non-cash share-based compensation.....	2,999	3,218
Gain on disposal of long-lived assets .....	(3)	(34)
Unrealized losses on foreign currency hedges .....	2,060	3,111
Changes in assets and liabilities .....	(195,833)	(114,929)
Net cash used in operating activities .....	<u>(109,274)</u>	<u>(62,805)</u>
Cash flows from investing activities:		
Capital expenditures .....	(7,964)	(6,301)
Investments in golf related ventures.....	(282)	—
Acquisitions, net of cash acquired .....	—	(58,629)
Proceeds from sales of property and equipment .....	—	38
Net cash used in investing activities .....	<u>(8,246)</u>	<u>(64,892)</u>
Cash flows from financing activities:		
Proceeds from credit facilities, net.....	90,768	64,988
Repayments of long-term debt .....	(539)	—
Exercise of stock options .....	752	484
Dividends paid, net .....	(954)	(939)
Acquisition of treasury stock .....	(20,123)	(15,369)
Net cash provided by financing activities .....	<u>69,904</u>	<u>49,164</u>
Effect of exchange rate changes on cash and cash equivalents .....	<u>660</u>	<u>547</u>
Net decrease in cash and cash equivalents .....	(46,956)	(77,986)
Cash and cash equivalents at beginning of period.....	85,674	125,975
Cash and cash equivalents at end of period.....	<u>\$ 38,718</u>	<u>\$ 47,989</u>

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

Net Sales by Product Category					
	Three Months Ended March 31,		Growth		Non-GAAP Constant Currency vs. 2017 <sup>(1)</sup>
	2018	2017	Dollars	Percent	Percent
Net sales:					
Woods .....	\$ 128,802	\$ 107,575	\$ 21,227	19.7%	16.4%
Irons .....	95,209	59,011	36,198	61.3%	57.3%
Putters .....	33,430	27,005	6,425	23.8%	18.9%
Golf balls .....	54,922	48,224	6,698	13.9%	11.5%
Gear/Accessories/Other .....	90,828	67,112	23,716	35.3%	31.7%
	<u>\$ 403,191</u>	<u>\$ 308,927</u>	<u>\$ 94,264</u>	<u>30.5%</u>	<u>27.0%</u>

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

Net Sales by Region					
	Three Months Ended March 31,		Growth		Non-GAAP Constant Currency vs. 2017 <sup>(1)</sup>
	2018	2017 <sup>(2)</sup>	Dollars	Percent	Percent
Net Sales					
United States.....	\$ 235,161	\$ 178,264	\$ 56,897	31.9%	31.9%
Europe .....	51,202	44,617	6,585	14.8%	2.5%
Japan .....	69,275	46,502	22,773	49.0%	41.8%
Rest of Asia .....	24,775	18,353	6,422	35.0%	27.5%
Other foreign countries .....	22,778	21,191	1,587	7.5%	4.0%
	<u>\$ 403,191</u>	<u>\$ 308,927</u>	<u>\$ 94,264</u>	<u>30.5%</u>	<u>27.0%</u>

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

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

Operating Segment Information				
	Three Months Ended March 31,		Growth	
	2018	2017	Dollars	Percent
Net Sales				
Golf Club.....	\$ 257,441	\$ 193,591	\$ 63,850	33.0%
Golf Ball.....	54,922	48,224	6,698	13.9%
Gear/Accessories/Other .....	90,828	67,112	23,716	35.3%
	<u>\$ 403,191</u>	<u>\$ 308,927</u>	<u>\$ 94,264</u>	<u>30.5%</u>
Income (loss) before income taxes:				
Golf clubs .....	\$ 65,831	\$ 34,953	\$ 30,878	88.3%
Golf balls .....	12,525	11,521	1,004	8.7%
Gear/Accessories/Other .....	20,337	9,619	10,718	111.4%
Reconciling items <sup>(1)</sup> .....	(18,743)	(17,007)	(1,736)	-10.2%
	<u>\$ 79,950</u>	<u>\$ 39,086</u>	<u>\$ 40,864</u>	<u>104.5%</u>

<sup>(1)</sup> Represents corporate general and administrative expenses and other income (expense) not utilized by management in determining segment profitability.

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

	Three Months Ended March 31,			
	2018	2017		
	As Reported	As Reported	Ogio Acquisition Costs <sup>(1)</sup>	Non-GAAP
Net sales.....	\$ 403,191	\$ 308,927	\$ —	\$ 308,927
Gross profit .....	200,462	147,715	—	147,715
% of sales .....	49.7%	47.8%	—	47.8%
Operating expenses .....	114,478	103,508	3,956	99,552
Income (loss) from operations.....	85,984	44,207	(3,956)	48,163
Other expense, net .....	(6,034)	(5,121)	—	(5,121)
Income (loss) before income taxes .....	79,950	39,086	(3,956)	43,042
Income tax provision (benefit) .....	17,219	13,206	(1,337)	14,543
Net income (loss).....	62,731	25,880	(2,619)	28,499
Less: Net income (loss) attributable to non-controlling interest .....	(124)	191	—	191
Net income (loss) attributable to Callaway Golf Company .....	\$ 62,855	\$ 25,689	\$ (2,619)	\$ 28,308
Diluted earnings (loss) per share: .....	\$ 0.65	\$ 0.27	\$ (0.03)	\$ 0.30
Weighted-average shares outstanding: .....	97,038	95,948	95,948	95,948

<sup>(1)</sup> 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					
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	Total		June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	Total
Net income (loss) .....	\$ 31,443	\$ 3,060	\$ (19,386)	\$ 62,855	\$ 77,972		\$ 34,105	\$ (5,866)	\$ 123,271	\$ 25,689	\$ 177,199
Interest expense, net .....	550	642	2,004	1,528	4,724		347	431	348	715	1,841
Income tax provision (benefit) .....	16,050	1,486	(4,354)	17,219	30,401		1,937	1,294	(137,193)	13,206	(120,756)
Depreciation and amortization expense .....	4,178	4,309	4,799	4,737	18,023		4,180	4,204	4,045	4,319	16,748
EBITDA .....	\$ 52,221	\$ 9,497	\$ (16,937)	\$ 86,339	\$ 131,120		\$ 40,569	\$ 63	\$ (9,529)	\$ 43,929	\$ 75,032
Gain on sale of Topgolf investments .....	—	—	—	—	—		(17,662)	—	—	—	(17,662)
Ogio & TravisMathew acquisition costs .....	2,254	3,377	1,677	—	7,308		—	—	—	3,956	3,956
Adjusted EBITDA .....	\$ 54,475	\$ 12,874	\$ (15,260)	\$ 86,339	\$ 138,428		\$ 22,907	\$ 63	\$ (9,529)	\$ 47,885	\$ 61,326

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

<b>Three Months Ended June 30, 2017</b>			
	<b>Total As Reported</b>	<b>Ogio Acquisition Costs<sup>(1)</sup></b>	<b>Non-GAAP</b>
Net sales.....	\$ 304,548	\$ —	\$ 304,548
Gross profit.....	148,165	—	148,165
% of sales .....	48.7%	—	48.7%
Operating expenses .....	99,120	2,254	96,866
Income from operations.....	49,045	(2,254)	51,299
Other income (expense), net .....	(1,521)	—	(1,521)
Income before income taxes .....	47,524	(2,254)	49,778
Income tax provision (benefit) .....	16,050	(761)	16,811
Net income (loss).....	31,474	(1,493)	32,967
Less: Net income attributable to non-controlling interest.....	31	—	31
Net income (loss) attributable to Callaway Golf Company .....	\$ 31,443	\$ (1,493)	\$ 32,936
Diluted earnings (loss) per share:	\$ 0.33	\$ (0.01)	\$ 0.34
Weighted-average shares outstanding:	96,197	96,197	96,197

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

<b>Year Ended December 31, 2017</b>				
	<b>Total As Reported</b>	<b>Acquisition Costs<sup>(1)</sup></b>	<b>Non-Cash Tax Adjustment<sup>(2)</sup></b>	<b>Non-GAAP</b>
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 .....	\$ 40,806	\$ (7,146)	\$ (3,394)	\$ 51,346
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.

