

Contacts: Brad Holiday
Patrick Burke
(760) 931-1771

**CALLAWAY GOLF COMPANY ANNOUNCES
FOURTH QUARTER AND FULL YEAR 2012 RESULTS
AND PROVIDES 2013 GUIDANCE**

- **2012 Fourth Quarter net sales of \$118 million and pro forma loss per share of \$0.49 are consistent with the Company's guidance last quarter. GAAP loss per share of \$1.03.**
- **2012 Full Year net sales of \$832 million and pro forma loss per share of \$0.78. GAAP loss per share of \$1.98.**
- **Callaway estimates full year 2013 net sales of approximately \$850 million; pro forma net income at breakeven; and pro forma loss per share of \$0.04.**

CARLSBAD, CA /January 30, 2013/ Callaway Golf Company (NYSE:ELY) today announced its fourth quarter and full year 2012 financial results.

GAAP RESULTS.

For the fourth quarter of 2012, the Company reported the following results:

| <i>Dollars in millions except per share amounts</i> | 2012 | % of Sales | 2011 | % of Sales | Improvement / (Decline) |
|---|----------|------------|----------|------------|-------------------------|
| Net Sales | \$118 | - | \$154 | - | (\$36) |
| Gross Profit | \$8 | 7% | \$38 | 24% | (\$30) |
| Operating Expenses | \$80 | 67% | \$87 | 57% | \$7 |
| Operating Loss | (\$71) | (61%) | (\$50) | (32%) | (\$21) |
| Loss per share | (\$1.03) | - | (\$1.01) | - | (0.02) |

For the full year 2012, the Company reported the following results:

| <i>Dollars in millions except per share amounts</i> | 2012 | % of Sales | 2011 | % of Sales | Improvement / (Decline) |
|---|----------|------------|----------|------------|-------------------------|
| Net Sales | \$832 | - | \$887 | - | (\$55) |
| Gross Profit | \$247 | 30% | \$311 | 35% | (\$64) |
| Operating Expenses | \$364 | 44% | \$392 | 44% | \$28 |
| Operating Loss | (\$117) | (14%) | (\$81) | (9%) | (\$36) |
| Loss per share | (\$1.98) | - | (\$2.82) | - | \$0.84 |

NON-GAAP PRO FORMA FINANCIAL RESULTS.

In addition to the Company's results prepared in accordance with GAAP, the Company has also provided additional information concerning its results on a non-GAAP pro forma basis. The manner in which the non-GAAP information is derived is discussed in more detail toward the end of this release and the Company has provided in the tables to this release a reconciliation of this non-GAAP information to the most directly comparable GAAP information.

For the fourth quarter of 2012, the Company reported the following non-GAAP pro forma results:

| <i>Dollars in millions except per share amounts</i> | 2012 | % of Sales | 2011 | % of Sales | Improvement / (Decline) |
|---|----------|------------|----------|------------|-------------------------|
| Net Sales | \$118 | - | \$154 | - | (\$36) |
| Gross Profit | \$16 | 14% | \$41 | 27% | (\$25) |
| Operating Expenses | \$74 | 62% | \$79 | 51% | \$5 |
| Operating Loss | (\$57) | (49%) | (\$38) | (25%) | (\$19) |
| Loss per share | (\$0.49) | - | (\$0.41) | - | (\$0.08) |

For the full year 2012, the Company reported the following non-GAAP pro forma results:

| <i>Dollars in millions except per share amounts</i> | 2012 | % of Sales | 2011 | % of Sales | Improvement / (Decline) |
|---|----------|------------|----------|------------|-------------------------|
| Net Sales | \$832 | - | \$887 | - | (\$55) |
| Gross Profit | \$283 | 34% | \$333 | 38% | (\$50) |
| Operating Expenses | \$353 | 42% | \$373 | 42% | \$20 |
| Operating Loss | (\$70) | (8%) | (\$40) | (4%) | (\$30) |
| Loss per share | (\$0.78) | - | (\$0.63) | - | (\$0.15) |

“Our pro forma financial results for the fourth quarter and full year reflect both the previously reported challenges our business faced during 2012 as well as the actions we took during the year to prepare our business for a turnaround in 2013,” commented Chip Brewer, President and Chief Executive Officer. “While our 2012 financial results were disappointing, as I look back on the year, I am very pleased with the pace and direction of change we implemented. During 2012, we made several key additions to the senior management team, sold the Top-Flite and Ben Hogan brands, licensed our footwear and apparel businesses, began transitioning our GPS business to a third party model, strengthened our presence on tour worldwide, restructured our Americas and European sales organizations, improved our manufacturing and supply chains, re-energized our global product development team, overhauled our approach to global marketing, refinanced a majority of our outstanding convertible preferred stock with less expensive 3.75% convertible debt and implemented major reductions in force and other cost reductions which should result in annualized savings of \$60 million. These changes are also driving cultural and

behavioral changes at Callaway which, along with our renewed focus on our core golf clubs and golf ball businesses, should serve as the keystone to our turnaround.”

“Looking forward, I am encouraged on several fronts,” continued Mr. Brewer. “On a macro basis, we continue to anticipate a slow but steady market recovery in the U.S. as well as growth opportunities in Asia. During the second half of 2012, we saw stabilization of our overall market share and lower retail inventory as a result of improved sell-through performance in most of our key markets. Additionally, we are encouraged with the early response we’ve received on our 2013 product line and marketing message. Our expectation is to re-gain hard goods market share in each of our major markets (Americas, East Asia, Southeast Asia Pacific and Europe). Despite this optimism, we remain mindful that there is much work to be done, we continue to anticipate an extremely competitive market place, and we know that our success ultimately will be determined by the consumer as measured by both sell-through and customer loyalty generated from our product performance and brand appeal. All things considered, I remain confident in our turnaround plans and optimistic on our long-term outlook. All of us at Callaway are excited for the start of the 2013 season.”

Business Outlook

The Company provided guidance for the full year and first half of 2013 as follows:

Net Sales

The Company estimates that net sales for the full year 2013 will be approximately \$850 million compared to \$832 million in 2012. Net sales related to the Company’s continuing brands and business were \$772 million in 2012, with net sales relating to the brands and businesses that were sold or transitioned to a third party model of approximately \$60 million.

The Company estimates that net sales for the first half of 2013 will be approximately \$555 million compared to \$566 million in 2012. The Company’s estimated net sales for the first half of 2013 would represent an increase of 7% over the first half 2012 net sales of \$519 million related to the Company’s continuing brands and business.

Earnings

The Company estimates that 2013 full year non-GAAP pro-forma net income will be breakeven with a non-GAAP pro forma loss per share of \$0.04 due to the impact of dividends paid on the Company’s outstanding convertible preferred stock. In 2012, the Company’s non-GAAP pro forma loss was \$43.9 million with a non-GAAP pro forma loss per share of \$0.78.

The Company estimates that first half 2013 non-GAAP pro forma net income will be approximately \$28 million (an increase of 33% compared to \$21 million for the same period last year) and that non-GAAP pro forma earnings per share will be approximately \$0.33 per share as compared to \$0.25 per share for the first half of 2012.

The non-GAAP pro forma estimates of net income and earnings per share exclude for 2013 carryover charges related to the Company’s prior cost-reduction initiatives and exclude for 2012 gains and charges relating to the sale of the Top Flite/Ben Hogan brands and the cost-reduction initiatives. The pro forma estimates for both 2013 and 2012 are based upon an assumed tax rate of 38.5%. The schedules to this release include a reconciliation of the non-GAAP information to the most directly comparable GAAP information.

Conference Call and Webcast

The Company will be holding a conference call at 2:00 p.m. PST today to discuss the Company's financial results, business and outlook for 2013. The call will be broadcast live over the Internet and can be accessed at www.callawaygolf.com. To listen to the call, please go to the website at least 15 minutes before the call to register and for instructions on how to access the broadcast. A replay of the conference call will be available approximately three hours after the call ends, and will remain available through 9:00 p.m. PST on Wednesday, February 6, 2013. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling 1-855-859-2056 toll free for calls originating within the United States or 404-537-3406 for International calls. The replay pass code is 90593160.

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Non-GAAP Pro Forma Information: The GAAP results contained in this press release and the financial statement schedules attached to this press release have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). To supplement the GAAP results, the Company has provided certain non-GAAP pro forma financial information. The non-GAAP financial information included in the press release and attached schedules present certain of the Company's financial results excluding charges for (i) the Company's global operations strategy, (ii) non-cash impairment charges, (iii) non-cash tax adjustments relating to or as a result of the establishment of a deferred tax valuation allowance, (iv) restructuring charges, (v) the gain on the sale of three buildings, (vi) the gain recognized in connection with the sale of the Top-Flite and Ben Hogan brands, and (vii) the cost-reduction initiatives. In addition, the Company also provided additional non-GAAP information about its results, excluding interest, taxes, depreciation and amortization expenses as well as impairment charges ("Adjusted EBITDA"). For comparative purposes, the Company applied an annualized statutory tax rate of 38.5% to derive the non-GAAP earnings/loss per share and Adjusted EBITDA. The non-GAAP information should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP. The non-GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-GAAP information for financial and operational decision-making purposes and as a means to evaluate period over period comparisons and in forecasting the Company's business going forward. Management believes that the presentation of such non-GAAP information, when considered in conjunction with the most directly comparable GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business without regard to these items. The Company has provided reconciling information in the attached schedules.

Forward-Looking Statements: Statements used in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the estimated sales, income and loss per share for 2013, the estimated savings or charges (or timing thereof) related to the cost-reduction initiatives, future market recovery, growth opportunities, or market share gains, success of the 2013 product line, the Company's recovery/turnaround, and long-term outlook are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Accurately estimating the forward-looking statements is based upon various risks and unknowns including delays, difficulties, or increased costs in implementing the cost-reduction initiatives, consumer acceptance of and demand for the Company's products, the level of promotional activity in the marketplace, as well as future consumer discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions, as well as future changes in foreign currency exchange rates. Actual results may differ materially from those estimated or anticipated as a result of these unknowns or other risks and uncertainties, including continued compliance with the terms of the Company's credit facility; delays, difficulties or

increased costs in the supply of components needed to manufacture the Company's products or in manufacturing the Company's products; adverse weather conditions and seasonality; any rule changes or other actions taken by the USGA or other golf association that could have an adverse impact upon demand or supply of the Company's products; a decrease in participation levels in golf; and the effect of terrorist activity, armed conflict, natural disasters or pandemic diseases 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 that could affect these statements, the golf industry, and the Company's business, see the Company's Annual Report on Form 10-K for the year ended December 31, 2011 as well as other risks and uncertainties detailed from time to time in the Company's reports on Forms 10-Q and 8-K subsequently filed 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.

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About Callaway Golf

Through an unwavering commitment to innovation, Callaway Golf Company (NYSE:ELY) creates products designed to make every golfer a better golfer. Callaway Golf Company manufactures and sells golf clubs and golf balls, and sells golf accessories, under the Callaway Golf® and Odyssey® brands worldwide. For more information please visit www.callawaygolf.com or shop.callawaygolf.com.

Callaway Golf Company
Consolidated Condensed Balance Sheets
(In thousands)
(Unaudited)

| | December 31, 2012 | December 31, 2011 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 52,003 | \$ 43,023 |
| Accounts receivable, net | 89,272 | 115,673 |
| Inventories | 212,563 | 233,070 |
| Deferred taxes, net | 4,170 | 4,029 |
| Income taxes receivable | 1,810 | 3,654 |
| Assets held for sale | 2,396 | - |
| Other current assets | 23,811 | 19,880 |
| Total current assets | 386,025 | 419,329 |
| Property, plant and equipment, net | 89,093 | 117,147 |
| Intangible assets, net | 118,223 | 151,138 |
| Other assets | 43,324 | 39,498 |
| Total assets | \$ 636,665 | \$ 727,112 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 129,021 | \$ 129,193 |
| Accrued employee compensation and benefits | 20,171 | 23,785 |
| Accrued warranty expense | 7,539 | 8,140 |
| Income tax liabilities | 4,357 | 6,666 |
| Total current liabilities | 161,088 | 167,784 |
| Long-term liabilities | 155,126 | 46,514 |
| Shareholders' equity | 320,451 | 512,814 |
| Total liabilities and shareholders' equity | \$ 636,665 | \$ 727,112 |

Callaway Golf Company
Statements of Operations
(In thousands, except per share data)
(Unaudited)

| | Quarter Ended | |
|---|---------------|-------------|
| | December 31, | |
| | 2012 | 2011 |
| Net sales | \$ 117,881 | \$ 153,872 |
| Cost of sales | 109,766 | 116,299 |
| Gross profit | 8,115 | 37,573 |
| Operating expenses: | | |
| Selling | 54,753 | 53,637 |
| General and administrative | 17,634 | 25,570 |
| Research and development | 7,161 | 8,113 |
| Total operating expenses | 79,548 | 87,320 |
| Loss from operations | (71,433) | (49,747) |
| Other income (expense), net | 2,435 | (796) |
| Loss before income taxes | (68,998) | (50,543) |
| Income tax provision | 3,008 | 12,442 |
| Net loss | (72,006) | (62,985) |
| Dividends on convertible preferred stock | 783 | 2,625 |
| Net loss allocable to common shareholders | \$ (72,789) | \$ (65,610) |

| | | |
|---|----------|----------|
| Loss per common share: | | |
| Basic | (\$1.03) | (\$1.01) |
| Diluted | (\$1.03) | (\$1.01) |
| Weighted-average common shares outstanding: | | |
| Basic | 70,996 | 64,887 |
| Diluted | 70,996 | 64,887 |

| | Year Ended | |
|---|--------------|--------------|
| | December 31, | |
| | 2012 | 2011 |
| Net sales | \$ 832,008 | \$ 886,528 |
| Cost of sales | 585,069 | 575,226 |
| Gross profit | 246,939 | 311,302 |
| Operating expenses: | | |
| Selling | 267,575 | 265,325 |
| General and administrative | 66,552 | 92,756 |
| Research and development | 29,542 | 34,309 |
| Total operating expenses | 363,669 | 392,390 |
| Loss from operations | (116,730) | (81,088) |
| Other expense, net | (1,811) | (9,173) |
| Loss before income taxes | (118,541) | (90,261) |
| Income tax provision | 5,662 | 81,559 |
| Net loss | (124,203) | (171,820) |
| Dividends on convertible preferred stock | 8,447 | 10,500 |
| Net loss allocable to common shareholders | \$ (132,650) | \$ (182,320) |

| | | |
|---|----------|----------|
| Loss per common share: | | |
| Basic | (\$1.98) | (\$2.82) |
| Diluted | (\$1.98) | (\$2.82) |
| Weighted-average common shares outstanding: | | |
| Basic | 67,061 | 64,601 |
| Diluted | 67,061 | 64,601 |

Callaway Golf Company
Consolidated Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

| | Year Ended | |
|---|------------------|------------------|
| | December 31, | |
| | <u>2012</u> | <u>2011</u> |
| Cash flows from operating activities: | | |
| Net loss | \$ (124,203) | \$ (171,820) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 34,411 | 38,636 |
| Impairment charges | 21,933 | 6,533 |
| Deferred taxes, net | (1,925) | 55,930 |
| Non-cash share-based compensation | 3,142 | 9,570 |
| Gain on disposal of long-lived assets | (1,261) | (7,491) |
| Gain on sale of intangible assets | (6,602) | - |
| Debt discount amortization | 235 | - |
| Changes in assets and liabilities | 45,462 | 78,740 |
| Net cash (used in) provided by operating activities | <u>(28,808)</u> | <u>10,098</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (18,403) | (28,931) |
| Net proceeds from sale of intangible assets | 26,861 | - |
| Proceeds from sale of property, plant and equipment | 355 | 19,371 |
| Other investing activities | (3,268) | - |
| Net cash provided by (used in) investing activities | <u>5,545</u> | <u>(9,560)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of convertible notes | 46,819 | - |
| Debt issuance cost | (3,534) | - |
| Issuance of common stock | - | 2,195 |
| Dividends paid | (11,019) | (13,093) |
| Issuance of treasury stock | 19 | - |
| Credit facility origination fees | - | (2,467) |
| Other financing activities | (159) | 80 |
| Net cash provided by (used in) financing activities | <u>32,126</u> | <u>(13,285)</u> |
| Effect of exchange rate changes on cash | <u>117</u> | <u>727</u> |
| Net increase (decrease) in cash and cash equivalents | 8,980 | (12,020) |
| Cash and cash equivalents at beginning of period | 43,023 | 55,043 |
| Cash and cash equivalents at end of period | <u>\$ 52,003</u> | <u>\$ 43,023</u> |

Callaway Golf Company
Supplemental Financial Information - Non-GAAP Reconciliation
(In thousands, except per share data)
(Unaudited)

| | Quarter Ended December 31, 2012 | | | | Quarter Ended December 31, 2011 | | | | | |
|---|---|---|---|----------------------|---|---|---|------------------------------|---|----------------------|
| | Pro Forma Callaway Golf ⁽¹⁾ | Cost Reduction Initiatives ⁽¹⁾⁽³⁾ | Non-Cash Tax Adjustment ⁽²⁾ | Total as Reported | Pro Forma Callaway Golf ⁽¹⁾ | Global Operations Strategy ⁽¹⁾ | Non-Cash Impairment Charge ⁽¹⁾ | Restructuring ⁽¹⁾ | Non-Cash Tax Adjustment ⁽²⁾ | Total as Reported |
| Net sales | \$ 117,881 | \$ - | \$ - | \$ 117,881 | \$ 153,872 | \$ - | \$ - | \$ - | \$ - | \$ 153,872 |
| Gross profit | 16,084 | (7,969) | - | 8,115 | 41,025 | (3,250) | - | (202) | - | 37,573 |
| % of sales | 14% | n/a | n/a | 7% | 27% | n/a | n/a | n/a | n/a | 24% |
| Operating expenses | 73,566 | 5,982 | - | 79,548 | 78,771 | 3,859 | 1,120 | 3,570 | - | 87,320 |
| Expense from operations | (57,482) | (13,951) | - | (71,433) | (37,746) | (7,109) | (1,120) | (3,772) | - | (49,747) |
| Other income (expense), net | 2,435 | - | - | 2,435 | (796) | - | - | - | - | (796) |
| Loss before income taxes | (55,047) | (13,951) | - | (68,998) | (38,542) | (7,109) | (1,120) | (3,772) | - | (50,543) |
| Income tax provision (benefit) | (21,193) | (5,372) | 29,573 | 3,008 | (14,839) | (2,737) | (431) | (1,453) | 31,902 | 12,442 |
| Net loss | (33,854) | (8,579) | (29,573) | (72,006) | (23,703) | (4,372) | (689) | (2,319) | (31,902) | (62,985) |
| Dividends on convertible preferred stock | 783 | - | - | 783 | 2,625 | - | - | - | - | 2,625 |
| Net loss allocable to common shareholders | \$ (34,637) | \$ (8,579) | \$ (29,573) | \$ (72,789) | \$ (26,328) | \$ (4,372) | \$ (689) | \$ (2,319) | \$ (31,902) | \$ (65,610) |
| Diluted loss per share: | \$ (0.49) | \$ (0.12) | \$ (0.42) | \$ (1.03) | \$ (0.41) | \$ (0.07) | \$ (0.01) | \$ (0.03) | \$ (0.49) | \$ (1.01) |
| Weighted-average shares outstanding: | 70,996 | 70,996 | 70,996 | 70,996 | 64,887 | 64,887 | 64,887 | 64,887 | 64,887 | 64,887 |

| | Year Ended December 31, 2012 | | | | | Year Ended December 31, 2011 | | | | | | |
|--|---|--|---|---|----------------------|---|---|---|------------------------------|---|---|----------------------|
| | Pro Forma Callaway Golf ⁽¹⁾ | Gain on Sale of Top-Flite & Ben Hogan ⁽¹⁾ | Cost Reduction Initiatives ⁽¹⁾⁽³⁾ | Non-Cash Tax Adjustment ⁽²⁾ | Total as Reported | Pro Forma Callaway Golf ⁽¹⁾ | Global Operations Strategy ⁽¹⁾ | Non-Cash Impairment Charge ⁽¹⁾ | Restructuring ⁽¹⁾ | Gain on Sale of Buildings ⁽¹⁾ | Non-Cash Tax Adjustment ⁽²⁾ | Total as Reported |
| Net sales | \$ 832,008 | \$ - | \$ - | \$ - | \$ 832,008 | \$ 886,528 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 886,528 |
| Gross profit | 283,171 | - | (36,232) | - | 246,939 | 333,143 | (20,590) | - | (1,251) | - | - | 311,302 |
| % of sales | 34% | n/a | n/a | n/a | 30% | 38% | n/a | n/a | n/a | n/a | n/a | 35% |
| Operating expenses | 352,797 | (6,602) | 17,474 | - | 363,669 | 372,859 | 4,090 | 6,533 | 15,078 | (6,170) | - | 392,390 |
| Income (expense) from operations | (69,626) | 6,602 | (53,706) | - | (116,730) | (39,716) | (24,680) | (6,533) | (16,329) | 6,170 | - | (81,088) |
| Other expense, net | (1,811) | - | - | - | (1,811) | (9,173) | - | - | - | - | - | (9,173) |
| Income (loss) before income taxes | (71,437) | 6,602 | (53,706) | - | (118,541) | (48,889) | (24,680) | (6,533) | (16,329) | 6,170 | - | (90,261) |
| Income tax provision (benefit) | (27,503) | 2,542 | (20,678) | 51,301 | 5,662 | (18,822) | (9,502) | (2,515) | (6,287) | 2,247 | 116,438 | 81,559 |
| Net income (loss) | (43,934) | 4,060 | (33,028) | (51,301) | (124,203) | (30,067) | (15,178) | (4,018) | (10,042) | 3,923 | (116,438) | (171,820) |
| Dividends on convertible preferred stock | 8,447 | - | - | - | 8,447 | 10,500 | - | - | - | - | - | 10,500 |
| Net income (loss) allocable to common shareholders | \$ (52,381) | \$ 4,060 | \$ (33,028) | \$ (51,301) | \$ (132,650) | \$ (40,567) | \$ (15,178) | \$ (4,018) | \$ (10,042) | \$ 3,923 | \$ (116,438) | \$ (182,320) |
| Diluted earnings (loss) per share: | \$ (0.78) | \$ 0.06 | \$ (0.49) | \$ (0.77) | \$ (1.98) | \$ (0.63) | \$ (0.23) | \$ (0.06) | \$ (0.16) | \$ 0.06 | \$ (1.80) | \$ (2.82) |
| Weighted-average shares outstanding: | 67,061 | 67,061 | 67,061 | 67,061 | 67,061 | 64,601 | 64,601 | 64,601 | 64,601 | 64,601 | 64,601 | 64,601 |

⁽¹⁾ For comparative purposes, the Company applied an annualized statutory tax rate of 38.5% to derive pro forma results.

⁽²⁾ Current period impact of valuation allowance established against the Company's U.S. deferred tax assets and impact of applying statutory tax rate of 38.5% to pro forma results.

⁽³⁾ Includes costs associated with workforce reductions, transition costs associated with licensing the Company's North American apparel and footwear businesses, transition costs associated with outsourcing the development of any new technology in the Company's uPro GPS business, and cost associated with the reorganization of the Company's golf ball manufacturing supply chain.

| Adjusted EBITDA: | 2012 Trailing Twelve Month Adjusted EBITDA | | | | | 2011 Trailing Twelve Month Adjusted EBITDA | | | | |
|---------------------------------------|--|------------------|-----------------------|----------------------|--------------|--|------------------|-----------------------|----------------------|--------------|
| | Quarter Ended | | | | | Quarter Ended | | | | |
| | March 31, 2012 | June 30, 2012 | September 30, 2012 | December 31, 2012 | Total | March 31, 2011 | June 30, 2011 | September 30, 2011 | December 31, 2011 | Total |
| Net income (loss) | \$ 31,802 | \$ 2,799 | \$ (86,798) | \$ (72,006) | \$ (124,203) | \$ 12,818 | \$ (59,066) | \$ (62,587) | \$ (62,985) | \$ (171,820) |
| Interest expense, net | 817 | 884 | 1,343 | 1,919 | 4,963 | 142 | 207 | 399 | 324 | 1,072 |
| Income tax provision (benefit) | (292) | 2,196 | 750 | 3,008 | 5,662 | 8,780 | 45,483 | 14,854 | 12,442 | 81,559 |
| Depreciation and amortization expense | 8,745 | 9,489 | 8,342 | 7,835 | 34,411 | 9,880 | 9,311 | 9,247 | 10,198 | 38,636 |
| Impairment charge | - | - | 17,056 | 4,877 | 21,933 | - | 5,413 | - | 1,120 | 6,533 |
| Adjusted EBITDA | \$ 41,072 | \$ 15,368 | \$ (59,307) | \$ (54,367) | \$ (57,234) | \$ 31,620 | \$ 1,348 | \$ (38,087) | \$ (38,901) | \$ (44,020) |

Callaway Golf Company
Supplemental Financial Information - Non-GAAP Reconciliation
(In thousands, except per share data)
(Unaudited)

Six Months Ended June 30,

2012

| | Pro Forma Callaway Golf ⁽¹⁾ | Non-Cash Tax Adjustment ⁽²⁾ | Cost Reduction Initiatives ⁽¹⁾⁽³⁾ | Gain on Sale of Top-Flite & Ben Hogan ⁽¹⁾ | Total as Reported |
|--|---|---|---|--|----------------------|
| Net sales | \$ 566,221 | \$ - | \$ - | \$ - | \$ 566,221 |
| Gross profit | 235,985 | - | (961) | - | 235,024 |
| % of sales | 42% | n/a | n/a | n/a | 42% |
| Operating expenses | 200,524 | - | 3,710 | (6,602) | 197,632 |
| Income (expense) from operations | 35,461 | - | (4,671) | 6,602 | 37,392 |
| Other expense, net | (887) | - | - | - | (887) |
| Income (loss) before income taxes | 34,574 | - | (4,671) | 6,602 | 36,505 |
| Income tax provision (benefit) | 13,311 | (12,151) | (1,798) | 2,542 | 1,904 |
| Net income (loss) | 21,263 | 12,151 | (2,873) | 4,060 | 34,601 |
| Dividends on convertible preferred stock | 5,250 | - | - | - | 5,250 |
| Net income (loss) allocable to common shareholders | <u>\$ 16,013</u> | <u>\$ 12,151</u> | <u>\$ (2,873)</u> | <u>\$ 4,060</u> | <u>\$ 29,351</u> |
| Diluted earnings (loss) per share: | \$ 0.25 | \$ 0.14 | \$ (0.03) | \$ 0.05 | \$ 0.41 |
| Weighted-average shares outstanding: | 84,950 | 84,950 | 84,950 | 84,950 | 84,950 |

⁽¹⁾ For comparative purposes, the Company applied an annualized statutory tax rate of 38.5% to derive pro forma results.

⁽²⁾ Current period impact of valuation allowance established against the Company's U.S. deferred tax assets and impact of applying statutory tax rate of 38.5% to pro forma results.

⁽³⁾ Includes costs associated with workforce reductions and transition costs associated with licensing the Company's North American apparel business and footwear business.

2013 Non-GAAP Reconciliation

The non-GAAP pro forma estimates of net income and earnings per share for full year 2013 exclude carryover charges of \$4.2 million (or \$0.06 per share) related to the Company's prior cost-reduction initiatives. The non-GAAP pro forma estimates of net income and earnings per share for the first half of 2013 exclude carryover charges of \$3.8 million (or \$0.05 per share) related to the Company's prior cost-reduction initiatives. Additionally, the Company's pro forma estimates assume a tax rate of 38.5%.

Callaway Golf Company
Summary of Ongoing and Sold or Transitioned Pro Forma Net Sales and Gross Profit
(In thousands)
(Unaudited)

| | Quarter Ended March, 31, 2012 | | | Quarter Ended June 30, 2012 | | | Quarter Ended September 30, 2012 | | | Quarter Ended December 31, 2012 | | | Year Ended December 31, 2012 | | |
|-------------------------|-------------------------------|-------------------|--|-----------------------------|-------------------|--|----------------------------------|------------------|--|---------------------------------|------------------|--|------------------------------|-------------------|--|
| | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ |
| Net sales | \$ 285,098 | \$ 263,792 | \$ 21,306 | \$ 281,123 | \$ 255,137 | \$ 25,986 | \$ 147,906 | \$ 138,902 | \$ 9,004 | \$ 117,881 | \$ 113,931 | \$ 3,950 | \$ 832,008 | \$ 771,762 | \$ 60,246 |
| Gross profit % of Sales | \$ 124,395 44% | \$ 121,907 46% | \$ 2,488 12% | \$ 111,590 40% | \$ 106,485 42% | \$ 5,105 20% | \$ 31,102 21% | \$ 32,731 24% | \$ (1,629) -18% | \$ 16,084 14% | \$ 17,529 15% | \$ (1,445) -37% | \$ 283,171 34% | \$ 278,652 36% | \$ 4,519 8% |

| | Quarter Ended March, 31, 2011 | | | Quarter Ended June 30, 2011 | | | Quarter Ended September 30, 2011 | | | Quarter Ended December 31, 2011 | | | Year Ended December 31, 2011 | | |
|-------------------------|-------------------------------|-------------------|--|-----------------------------|-------------------|--|----------------------------------|------------------|--|---------------------------------|------------------|--|------------------------------|-------------------|--|
| | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ | Pro Forma Results | Ongoing Business | Sold or Transitioned Business ⁽¹⁾ |
| Net sales | \$ 285,599 | \$ 260,203 | \$ 25,396 | \$ 273,814 | \$ 247,886 | \$ 25,928 | \$ 173,243 | \$ 158,011 | \$ 15,232 | \$ 153,872 | \$ 139,643 | \$ 14,229 | \$ 886,528 | \$ 805,743 | \$ 80,785 |
| Gross profit % of Sales | \$ 129,983 46% | \$ 126,345 49% | \$ 3,638 14% | \$ 108,509 40% | \$ 104,667 42% | \$ 3,842 15% | \$ 53,626 31% | \$ 55,160 35% | \$ (1,534) -10% | \$ 41,025 27% | \$ 43,500 31% | \$ (2,475) -17% | \$ 333,143 38% | \$ 329,673 41% | \$ 3,470 4% |

(1) Includes: Top-Flite and Ben Hogan branded products, apparel and footwear in North America and uPro GPS devices.