



## Callaway Golf Company Announces Increase in 2008 Earnings

CARLSBAD, Calif.--(BUSINESS WIRE)--Jan. 27, 2009 -- Callaway Golf Company (NYSE:ELY) today announced its financial results for full year 2008. Highlights for the year include:

- Net sales of \$1.117 billion, which was the second highest sales level in the Company's history and only slightly less than the record sales of \$1.125 billion in 2007.
- Gross profit was \$486.8 million for 2008 (or 44% of net sales) compared to \$493.2 million (or 44% of net sales) in 2007. Excluding the impact of the gross margin improvement charges, pro forma gross profit percentages for both 2008 and 2007 would have been 45%.
- Operating expenses for 2008 were \$402.6 million (or 36% of net sales) compared to \$403.0 million (or 36% of net sales) in 2007.
- Fully diluted pro forma earnings per share of \$.94 (on 63.8 million shares outstanding), an increase of approximately 6% compared to \$.89 (on 67.5 million shares outstanding) in 2007. Fully diluted pro forma earnings per share for 2008 exclude a non-cash, non-operational benefit of \$.22 per share related to the reversal of an energy derivative valuation account established in 2001 in connection with the Company's termination of a long-term energy supply contract. Pro forma earnings also exclude for 2008 and 2007 charges related to the Company's gross margin initiatives in the amount of \$0.12 and \$0.08 per share, respectively. Including these benefits and charges, reported earnings per share for 2008 were \$1.04 compared to \$.81 in 2007.

"We are very pleased that we were able to deliver a 6% increase in pro forma earnings per share in a very difficult economic environment," commented George Fellows, President and CEO. "The many initiatives we implemented over the last three years allowed us to react quickly to the rapid decline in economic conditions and grow our earnings per share despite the challenges presented."

### Business Outlook

"Looking forward," continued Mr. Fellows, "we expect more challenges as a result of continued unfavorable global economic conditions. In addition, given the recent overall strengthening of the US dollar, we anticipate that foreign currency exchange rates will have a significant adverse impact upon the translation of our international results in 2009 and therefore on our consolidated results. Because it is too difficult to predict what consumer spending or foreign currency rates will be in this environment, we are not providing specific financial guidance for 2009 at this time."

"Despite these macroeconomic challenges, our fundamental business operations remain strong and are executing well," added Mr. Fellows. "Callaway Golf is in an enviable position compared to many other companies given the strength of our brands, our improved supply chain, and our strong balance sheet. In addition, our strong 2009 product line-up will give us an advantage when the retail market begins to improve. We will continue to carefully manage our costs and inventories, but also intend to continue to invest in initiatives that will drive longer term growth so that we are fully prepared to take advantage of opportunities when the global economy begins to recover."

The Company will be holding a conference call at 2:00 p.m. PST today. The call will be broadcast live over the Internet and can be accessed at [www.callawaygolf.com](http://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 Tuesday, February 3, 2009. The replay may be accessed through the Internet at [www.callawaygolf.com](http://www.callawaygolf.com) or by telephone by calling 800-642-1687 toll free for calls originating within the United States or 706-645-9291 for International calls. The replay passcode is 75079534.

Disclaimer: Statements made in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the strength of the 2009 product line-up, the Company's ability to manage in 2009 the Company's costs and inventories, the effect of foreign currency upon the Company's future results, and the ability of the Company's investments in initiatives to drive future growth, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These estimates and statements are based upon current information and expectations, including current and estimated future foreign currency exchange rates. Accurately estimating the Company's reported future financial performance is based upon various unknowns, including future changes in foreign currency rates and consumer acceptance and demand for the Company's products as well as future consumer discretionary purchasing activity, which can be significantly adversely affected by unfavorable economic or market conditions. Actual results may differ materially from those estimated or anticipated as a result of these unknowns or other risks and uncertainties, including delays, difficulties or increased costs in the supply of components needed to manufacture the Company's products, in manufacturing the Company's products, or in connection with the implementation of the Company's planned gross margin initiatives or the implementation of future initiatives; 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 and the Company's business, see Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as well as other risks and uncertainties detailed from time to time in the Company's reports on Forms 10-K, 10-Q and 8-K subsequently filed from time to time 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.

Regulation G: The financial results reported in this press release have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In addition to the GAAP results, the Company has also provided additional information concerning its results, which includes certain financial measures not prepared in accordance with GAAP. The non-GAAP financial measures included in this press release exclude the benefit from the reversal of an energy derivative valuation account and charges associated with the Company's gross margin initiatives. These non-GAAP financial measures should not be considered a substitute for any measure derived in accordance with GAAP. These non-GAAP financial measures may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management believes that the presentation of such non-GAAP financial measures, when considered in conjunction with the most directly comparable GAAP financial measures, provides additional useful information concerning the Company's operations without these charges. The Company has provided reconciling information in the text of this press release and in the supplemental information attached to this release.

### About Callaway Golf

Through an unwavering commitment to innovation, Callaway Golf Company (NYSE:ELY) creates products and services 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(R), Odyssey(R), Top-Flite(R), and Ben Hogan(R) brands in more than 110 countries worldwide. For more information please visit [www.callawaygolf.com](http://www.callawaygolf.com) or [www.shop.callawaygolf.com](http://www.shop.callawaygolf.com).

Callaway Golf Company

Consolidated Condensed Balance Sheets

(In thousands)

(Unaudited)

|   | December 31,<br>2008 | December 31,<br>2007 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                               |                      |                      |
| Current assets:                             |                      |                      |
| Cash and cash equivalents                   | \$ 38,337            | \$ 49,875            |
| Accounts receivable, net                    | 120,067              | 112,064              |
| Inventories                                 | 257,191              | 253,001              |
| Deferred taxes                              | 27,046               | 42,219               |
| Income taxes receivable                     | 15,549               | 9,232                |
| Other current assets                        | 31,813               | 30,190               |
| Total current assets                        | 490,003              | 496,581              |
| Property, plant and equipment, net          | 142,145              | 128,036              |
| Intangible assets, net                      | 176,689              | 173,045              |
| Deferred taxes                              | 30,641               | 18,885               |
| Other assets                                | 40,202               | 40,416               |
|   | \$ 879,680           | \$ 856,963           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                      |                      |
| Current liabilities:                        |                      |                      |
| Accounts payable and accrued expenses       | \$ 126,167           | \$ 130,410           |
| Accrued employee compensation and benefits  | 25,630               | 44,245               |
| Accrued warranty expense                    | 11,614               | 12,386               |
| Credit facilities                           | 90,000               | 36,507               |
| Total current liabilities                   | 253,411              | 223,548              |
| Long-term liabilities                       | 45,901               | 63,207               |
| Minority interest                           | 2,213                | 1,978                |
| Shareholders' equity                        | 578,155              | 568,230              |
|   | \$ 879,680           | \$ 856,963           |

Callaway Golf Company

Statements of Operations

(In thousands, except per share data)

(Unaudited)

|                            | Quarter Ended |      |            |      |
|----------------------------|---------------|------|------------|------|
|                            | December 31,  |      |            |      |
|                            | 2008          |      | 2007       |      |
| Net sales                  | \$ 171,272    | 100% | \$ 174,418 | 100% |
| Cost of sales              | 111,184       | 65%  | 111,047    | 64%  |
| Gross profit               | 60,088        | 35%  | 63,371     | 36%  |
| Operating expenses:        |               |      |            |      |
| Selling                    | 61,450        | 36%  | 59,951     | 34%  |
| General and administrative | 19,993        | 12%  | 23,921     | 14%  |

|   |             |      |              |      |
|---|-------------|------|--------------|------|
| Research and development                      | 7,258       | 4%   | 8,169        | 5%   |
| Total operating expenses                      | 88,701      | 52%  | 92,041       | 53%  |
| Loss from operations                          | (28,613 )   | -17% | (28,670 )    | -16% |
| Other income, net                             | 771         |      | 98           |      |
| Change in energy derivative valuation account | 19,922      |      | -            |      |
| Loss before income taxes                      | (7,920 )    | -5%  | (28,572 )    | -16% |
| Income tax benefit                            | (4,766 )    |      | (12,415 )    |      |
| Net loss                                      | \$ (3,154 ) | -2%  | \$ (16,157 ) | -9%  |
| Loss per common share:                        |             |      |              |      |
| Basic   | (\$0.05 )   |      | (\$0.25 )    |      |
| Diluted                                       | (\$0.05 )   |      | (\$0.25 )    |      |
| Weighted-average shares outstanding:          |             |      |              |      |
| Basic   | 62,662      |      | 63,765       |      |
| Diluted                                       | 62,662      |      | 63,765       |      |

Year Ended

December 31,

|   | 2008         |      | 2007         |      |
|---|--------------|------|--------------|------|
| Net sales                                     | \$ 1,117,204 | 100% | \$ 1,124,591 | 100% |
| Cost of sales                                 | 630,371      | 56%  | 631,368      | 56%  |
| Gross profit                                  | 486,833      | 44%  | 493,223      | 44%  |
| Operating expenses:                           |              |      |              |      |
| Selling                                       | 287,802      | 26%  | 281,960      | 25%  |
| General and administrative                    | 85,473       | 8%   | 89,060       | 8%   |
| Research and development                      | 29,370       | 3%   | 32,020       | 3%   |
| Total operating expenses                      | 402,645      | 36%  | 403,040      | 36%  |
| Income from operations                        | 84,188       | 8%   | 90,183       | 8%   |
| Other expense, net                            | (2,803 )     |      | (1,908 )     |      |
| Change in energy derivative valuation account | 19,922       |      | -            |      |
| Income before income taxes                    | 101,307      | 9%   | 88,275       | 8%   |
| Income tax provision                          | 35,131       |      | 33,688       |      |
| Net income                                    | \$ 66,176    | 6%   | \$ 54,587    | 5%   |
| Earnings per common share:                    |              |      |              |      |
| Basic   | \$ 1.05      |      | \$ 0.82      |      |
| Diluted                                       | \$ 1.04      |      | \$ 0.81      |      |
| Weighted-average shares outstanding:          |              |      |              |      |
| Basic   | 63,055       |      | 66,371       |      |
| Diluted                                       | 63,798       |      | 67,484       |      |

Callaway Golf Company

Consolidated Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

Year Ended

December 31,

2008            2007

Cash flows from operating activities:

|   |              |              |
|---|--------------|--------------|
| Net income  | \$ 66,176    | \$ 54,587    |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Depreciation and amortization   | 37,963       | 35,326       |
| Non-cash compensation   | 6,375        | 10,851       |
| Deferred taxes  | 14,659       | 9,047        |
| Gain on disposal of assets  | 510          | (4,731 )     |
| Non-cash change in energy derivative valuation account                            | (19,922 )    | -            |
| Changes in assets and liabilities   | (64,137 )    | 46,902       |
| Net cash provided by operating activities   | 41,624       | 151,982      |
| Cash flows from investing activities:   |              |              |
| Capital expenditures  | (51,005 )    | (32,930 )    |
| Acquisitions, net of cash acquired  | (9,797 )     | -            |
| Proceeds from sale of capital assets  | 45           | 11,460       |
| Investment in golf related ventures   | -            | (3,698 )     |
| Net cash used in investing activities   | (60,757 )    | (25,168 )    |
| Cash flows from financing activities:   |              |              |
| Issuance of Common Stock  | 4,708        | 48,035       |
| Acquisition of Treasury Stock   | (23,650 )    | (114,795 )   |
| Dividends paid, net   | (17,794 )    | (18,755 )    |
| Proceeds from (payments on) line of credit  | 53,493       | (43,493 )    |
| Tax benefit from exercise of stock options  | (610 )       | 6,031        |
| Other financing activities  | 235          | (9 )         |
| Net cash provided by (used in) financing activities                               | 16,382       | (122,986 )   |
| Effect of exchange rate changes on cash and cash equivalents                      | (8,787 )     | (315 )       |
| Net (decrease) increase in cash and cash equivalents                              | (11,538 )    | 3,513        |
| Cash and cash equivalents at beginning of period                                  | 49,875       | 46,362       |
| Cash and cash equivalents at end of period  | \$ 38,337    | \$ 49,875    |
| Supplemental disclosures  |              |              |
| Cash Paid for interest and fees   | \$ (1,346 )  | \$ (5,633 )  |
| Cash paid for income taxes  | \$ (27,483 ) | \$ (38,292 ) |

Callaway Golf Company

Consolidated Net Sales and Operating Segment Information

(In thousands)

(Unaudited)

Net Sales by Product Category

|                       | Quarter Ended |            |                  |         | Year Ended            |              |                  |              |      |
|-----------------------|---------------|------------|------------------|---------|-----------------------|--------------|------------------|--------------|------|
|                       | December 31,  |            | Growth/(Decline) |         | December 31,          |              | Growth/(Decline) |              |      |
|                       | 2008          | 2007       | Dollars          | Percent | 2008                  | 2007         | Dollars          | Percent      |      |
| Net sales:            |               |            |                  |         | Net sales:            |              |                  |              |      |
| Woods                 | \$ 31,243     | \$ 32,291  | \$ (1,048 )      | -3%     | Woods                 | \$ 268,286   | \$ 305,880       | \$ (37,594 ) | -12% |
| Irons                 | 48,245        | 45,811     | 2,434            | 5%      | Irons                 | 308,556      | 309,594          | (1,038 )     | 0%   |
| Putters               | 12,883        | 20,542     | (7,659 )         | -37%    | Putters               | 101,676      | 109,068          | (7,392 )     | -7%  |
| Golf balls            | 41,994        | 37,724     | 4,270            | 11%     | Golf balls            | 223,075      | 213,064          | 10,011       | 5%   |
| Accessories and other | 36,907        | 38,050     | (1,143 )         | -3%     | Accessories and other | 215,611      | 186,985          | 28,626       | 15%  |
|                       | \$ 171,272    | \$ 174,418 | \$ (3,146 )      | -2%     |                       | \$ 1,117,204 | \$ 1,124,591     | \$ (7,387 )  | -1%  |

Net Sales by Region

|                         | Quarter Ended |            |                  |         | Year Ended              |              |                  |              |     |
|-------------------------|---------------|------------|------------------|---------|-------------------------|--------------|------------------|--------------|-----|
|                         | December 31,  |            | Growth/(Decline) |         | December 31,            |              | Growth/(Decline) |              |     |
|                         | 2008          | 2007       | Dollars          | Percent | 2008                    | 2007         | Dollars          | Percent      |     |
| Net sales:              |               |            |                  |         | Net sales:              |              |                  |              |     |
| United States           | \$ 88,976     | \$ 85,053  | \$ 3,923         | 5%      | United States           | \$ 554,029   | \$ 597,569       | \$ (43,540 ) | -7% |
| Europe                  | 19,804        | 26,046     | (6,242 )         | -24%    | Europe                  | 191,089      | 193,336          | (2,247 )     | -1% |
| Japan                   | 33,753        | 23,207     | 10,546           | 45%     | Japan                   | 166,476      | 120,148          | 46,328       | 39% |
| Rest of Asia            | 12,983        | 17,127     | (4,144 )         | -24%    | Rest of Asia            | 80,011       | 86,133           | (6,122 )     | -7% |
| Other foreign countries | 15,756        | 22,985     | (7,229 )         | -31%    | Other foreign countries | 125,599      | 127,405          | (1,806 )     | -1% |
|                         | \$ 171,272    | \$ 174,418 | \$ (3,146 )      | -2%     |                         | \$ 1,117,204 | \$ 1,124,591     | \$ (7,387 )  | -1% |

Operating Segment Information

|            | Quarter Ended |            |                  |         | Year Ended   |              |                  |              |     |
|------------|---------------|------------|------------------|---------|--------------|--------------|------------------|--------------|-----|
|            | December 31,  |            | Growth/(Decline) |         | December 31, |              | Growth/(Decline) |              |     |
|            | 2008          | 2007       | Dollars          | Percent | 2008         | 2007         | Dollars          | Percent      |     |
| Net sales: |               |            |                  |         | Net sales:   |              |                  |              |     |
| Golf clubs | \$ 129,278    | \$ 136,694 | \$ (7,416 )      | -5%     | Golf clubs   | \$ 894,129   | \$ 911,527       | \$ (17,398 ) | -2% |
| Golf balls | 41,994        | 37,724     | 4,270            | 11%     | Golf balls   | 223,075      | 213,064          | 10,011       | 5%  |
|            | \$ 171,272    | \$ 174,418 | \$ (3,146 )      | -2%     |              | \$ 1,117,204 | \$ 1,124,591     | \$ (7,387 )  | -1% |

Income (loss) before provision for income taxes:

|                       |              |              |             |      |                       |            |            |              |      |
|-----------------------|--------------|--------------|-------------|------|-----------------------|------------|------------|--------------|------|
| Golf clubs            | \$ (12,174 ) | \$ (4,096 )  | \$ (8,078 ) | 197% | Golf clubs            | \$ 134,018 | \$ 151,759 | \$ (17,741 ) | -12% |
| Golf balls            | (3,145 )     | (7,699 )     | 4,554       | 59%  | Golf balls            | 6,903      | 902        | 6,001        | 665% |
| Reconciling items (1) | 7,399        | (16,777 )    | 24,176      | 144% | Reconciling items (1) | (39,614 )  | (64,386 )  | 24,772       | 38%  |
|                       | \$ (7,920 )  | \$ (28,572 ) | \$ 20,652   | -72% |                       | \$ 101,307 | \$ 88,275  | \$ 13,032    | 15%  |

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

(In thousands, except per share data)

(Unaudited)

|                                      | Quarter Ended December 31, |                                      |                                     |                   | Quarter Ended December 31, |                                      |                   |   |
|--------------------------------------|----------------------------|--------------------------------------|-------------------------------------|-------------------|----------------------------|--------------------------------------|-------------------|---|
|                                      | 2008                       |                                      |                                     |                   | 2007                       |                                      |                   |   |
|                                      | Pro Forma Callaway Golf    | Gross Margin Improvement Initiatives | Energy Derivative Valuation Account | Total as Reported | Pro Forma Callaway Golf    | Gross Margin Improvement Initiatives | Total as Reported |   |
| Net sales                            | \$ 171,272                 | \$ -                                 | \$ -                                | \$ 171,272        | \$ 174,418                 | \$ -                                 | \$ 174,418        |   |
| Gross profit                         | 63,201                     | (3,113 )                             | -                                   | 60,088            | 64,797                     | (1,426 )                             | 63,371            |   |
| % of sales                           | 37                         | % n/a                                | -                                   | 35                | 37                         | % n/a                                | 36                | % |
| Operating expenses                   | 88,619                     | 82                                   | -                                   | 88,701            | 92,041                     | -                                    | 92,041            |   |
| Loss from operations                 | (25,418 )                  | (3,195 )                             | -                                   | (28,613 )         | (27,244 )                  | (1,426 )                             | (28,670 )         |   |
| Other income, net                    | 771                        | -                                    | 19,922                              | 20,693            | 98                         | -                                    | 98                |   |
| Income (loss) before income taxes    | (24,647 )                  | (3,195 )                             | 19,922                              | (7,920 )          | (27,146 )                  | (1,426 )                             | (28,572 )         |   |
| Income tax provision (benefit)       | (9,400 )                   | (1,230 )                             | 5,864                               | (4,766 )          | (11,900 )                  | (515 )                               | (12,415 )         |   |
| Net income (loss)                    | \$ (15,247 )               | \$ (1,965 )                          | \$ 14,058                           | \$ (3,154 )       | \$ (15,246 )               | \$ (911 )                            | \$ (16,157 )      |   |
| Diluted earnings (loss) per share:   | \$ (0.24 )                 | \$ (0.03 )                           | \$ 0.22                             | \$ (0.05 )        | \$ (0.24 )                 | \$ (0.01 )                           | \$ (0.25 )        |   |
| Weighted-average shares outstanding: | 62,662                     | 62,662                               | 62,662                              | 62,662            | 63,765                     | 63,765                               | 63,765            |   |
|                                      | Year Ended December 31,    |                                      |                                     |                   | Year Ended December 31,    |                                      |                   |   |
|                                      | 2008                       |                                      |                                     |                   | 2007                       |                                      |                   |   |
|                                      | Pro Forma Callaway Golf    | Gross Margin Improvement Initiatives | Energy Derivative Valuation Account | Total as Reported | Pro Forma Callaway Golf    | Gross Margin Improvement Initiatives | Total as Reported |   |
| Net sales                            | \$ 1,117,204               | \$ -                                 | \$ -                                | \$ 1,117,204      | \$ 1,124,591               | \$ -                                 | \$ 1,124,591      |   |
| Gross profit                         | 499,367                    | (12,534 )                            | -                                   | 486,833           | 502,124                    | (8,901 )                             | 493,223           |   |
| % of sales                           | 45                         | % n/a                                | -                                   | 44                | 45                         | % n/a                                | 44                | % |
| Operating expenses                   | 402,469                    | 176                                  | -                                   | 402,645           | 403,040                    | -                                    | 403,040           |   |
| Income (loss) from operations        | 96,898                     | (12,710 )                            | -                                   | 84,188            | 99,084                     | (8,901 )                             | 90,183            |   |
| Other expense, net                   | (2,803 )                   | -                                    | 19,922                              | 17,119            | (1,908 )                   | -                                    | (1,908 )          |   |
| Income (loss) before income taxes    | 94,095                     | (12,710 )                            | 19,922                              | 101,307           | 97,176                     | (8,901 )                             | 88,275            |   |
| Income tax provision (benefit)       | 34,160                     | (4,893 )                             | 5,864                               | 35,131            | 37,115                     | (3,427 )                             | 33,688            |   |
| Net income (loss)                    | \$ 59,935                  | \$ (7,817 )                          | \$ 14,058                           | \$ 66,176         | \$ 60,061                  | \$ (5,474 )                          | \$ 54,587         |   |
| Diluted earnings (loss) per share:   | \$ 0.94                    | \$ (0.12 )                           | \$ 0.22                             | \$ 1.04           | \$ 0.89                    | \$ (0.08 )                           | \$ 0.81           |   |
| Weighted-average shares outstanding: | 63,798                     | 63,798                               | 63,798                              | 63,798            | 67,484                     | 67,484                               | 67,484            |   |

## Adjusted EBITDA:

|   | 2008 Trailing Twelve Months Adjusted EBITDA |                  |                          |                      |            | 2007 Trailing Twelve Months Adjusted EBITDA |                  |                          |                         |            |
|---|---|------------------|--------------------------|----------------------|------------|---|------------------|--------------------------|-------------------------|------------|
|   | Quarter Ended                               |                  |                          |                      |            | Quarter Ended                               |                  |                          |                         |            |
|   | March 31,<br>2008                           | June 30,<br>2008 | September<br>30,<br>2008 | December 31,<br>2008 | Total      | March 31,<br>2007                           | June 30,<br>2007 | September<br>30,<br>2007 | December<br>31,<br>2007 | Total      |
| Net income<br>(loss)                              | \$ 39,666                                   | \$ 37,107        | \$ (7,443 )              | \$ (3,154 )          | \$ 66,176  | \$ 32,836                                   | \$ 36,639        | \$ 1,269                 | \$ (16,157 )            | \$ 54,587  |
| Interest expense<br>(income), net                 | 591   | 994              | 497                      | 272                  | 2,354      | 1,677                                       | 1,672            | 29                       | (216 )                  | 3,162      |
| Income tax<br>provision<br>(benefit)              | 25,990                                      | 20,583           | (6,676 )                 | (4,766 )             | 35,131     | 21,682                                      | 23,591           | 830                      | (12,415 )               | 33,688     |
| Depreciation and<br>amortization<br>expense       | 8,794                                       | 10,490           | 9,463                    | 9,216                | 37,963     | 9,009                                       | 8,591            | 9,864                    | 7,862                   | 35,326     |
| Change in energy<br>derivative<br>valuation acct. | -   | -                | -                        | (19,922 )            | (19,922 )  | -   | -                | -                        | -                       | -          |
| Adjusted EBITDA                                   | \$ 75,041                                   | \$ 69,174        | \$ (4,159 )              | \$ (18,354 )         | \$ 121,702 | \$ 65,204                                   | \$ 70,493        | \$ 11,992                | \$ (20,926 )            | \$ 126,763 |

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Source: Callaway Golf Company