### UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

# FORM 8-K

#### CURRENT REPORT Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 26, 2011 Date of Report (Date of earliest event reported)

# CALLAWAY GOLF COMPANY

(Exact name of registrant as specified in its charter)

1-10962

(Commission File Number)

(State or other jurisdiction of incorporation)

DELAWARE

2180 RUTHERFORD ROAD, CARLSBAD, CALIFORNIA

(Address of principal executive offices)

(760) 931-1771

Registrant's telephone number, including area code

NOT APPLICABLE

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

95-3797580

(IRS Employer Identification No.)

92008-7328

(Zip Code)

#### Item 2.02 Results of Operations and Financial Condition.\*

On July 26, 2011, Callaway Golf Company issued a press release captioned "Callaway Golf Company Releases Second Quarter Results and Finalizes Restructuring Plan." A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by this reference.

#### Item 9.01 Financial Statements and Exhibits.\*

(c) Exhibits.

The following exhibit is being furnished herewith:

Exhibit 99.1 Press Release, dated July 26, 2011, captioned "Callaway Golf Company Releases Second Quarter Results and Finalizes Restructuring Plan."

\* The information furnished under Item 2.02 and Item 9.01 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any registration statement or other filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

# SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

# CALLAWAY GOLF COMPANY

Date: July 26, 2011

By: /s/ Brian P. Lynch Name: Brian P. Lynch Title: Vice President and Corporate Secretary

# Exhibit Index

# <u>Exhibit Number</u>

# **Description**

99.1

Press Release, dated July 26, 2011, captioned "Callaway Golf Company Releases Second Quarter Results and Finalizes Restructuring Plan."

-- Second quarter net sales of \$274 million

-- Second quarter pro forma loss per share of (\$0.01)/GAAP loss per share of (\$1.03) - pro forma results exclude non-cash charges (\$0.96) and cash charges (\$0.06)

-- Estimated \$50 million in gross annualized savings expected from restructuring combined with plan to reinvest significantly in brands and marketing

### -- \$210 million 5-year asset-based credit facility to replace expiring facility

CARLSBAD, Calif., July 26, 2011 /PRNewswire/ -- Callaway Golf Company (NYSE: ELY) today announced its second quarter and first half 2011 financial results. The Company also announced details of its finalized restructuring plan and confirmed that it expects the plan to yield estimated gross annualized savings of approximately \$50 million. The Company intends to invest up to half of the savings in brand and demand creation initiatives. The Company also announced that it has entered into a new \$210 million 5-year asset-based credit facility to replace its current facility, which was scheduled to expire in approximately six months.

"Our second quarter results confirm that the Company's recovery from the global economic recession is lagging the golf industry recovery," commented Tony Thornley, a member of the Board of Directors who was appointed interim President and Chief Executive Officer in June 2011. "We are seeing the effects of insufficient investment in brand marketing and product demand creation initiatives over the last three years, which has resulted in a decline in sales despite having products that from a performance standpoint are outstanding. We fully appreciate the need for swift and immediate action to return the Company to profitability. As a first step, we have begun implementing a restructuring plan that is expected to result in estimated gross savings of \$50 million on an annualized basis and will better align our cost structure with sales levels. We intend to reinvest up to half of the savings in our brand and in more effective demand creation initiatives. We expect to begin to see benefits from these actions during the second hal of 2011 with a much greater benefit in 2012."

# Financial Results

During the second quarter and first half of 2011, the Company's financial results were significantly affected by the establishment of a \$57 million (approximately \$0.89 per share) non-cash deferred tax valuation allowance related to the Company's U.S. deferred tax assets. This valuation allowance had a significant effect on the Company's income tax provision and earnings. The Company expects to be able to reverse the valuation allowance once the Company's U.S. business returns to sustained profitability.

The Company's 2011 and 2010 financial results also include charges related to its global operations strategy; a non-cash impairment charge related to its TopFlite intangible assets; and charges related to the recently announced restructuring. Additionally, 2011 results include a gain on the sale of three buildings sold during the first quarter of 2011. Details concerning these charges are included in the attachments to this release. The Company's pro forma financial results exclude these items for comparability purposes.

# GAAP RESULTS.

For the second quarter of 2011, the Company reported the following results:

Dollars in millions except per share amounts	2011	% of Sales	2010	% of Sales	Increase / (Decrease)
Net Sales	\$274	-	\$304	-	(\$30)
Gross Profit	\$103	37%	\$124	41%	(\$21)
Operating Expenses	\$113	41%	\$99	32%	\$14
Operating Income/(Loss)	(\$10)	(-4%)	\$25	8%	(\$35)
Earnings/(Loss) per share	(\$1.03)	-	\$0.14	-	(\$1.17)

For the first half of 2011, the Company reported the following results:

Dollars in millions except per share amounts		% of Sales	2010	% of Sales	Increase / (Decrease)
Net Sales	\$559	-	\$606	-	(\$47)
Gross Profit	\$226	40%	\$261	43%	(\$35)
Operating Expenses	\$214	38%	\$207	34%	\$7
Operating Income/(Loss)	\$13	2%	\$53	9%	(\$40)
Earnings/(Loss) per share	(\$0.87)	-	\$0.38	-	(\$1.25)

#### NON-GAAP PRO FORMA FINANCIAL RESULTS.

For the second quarter of 2011, the Company reported the following pro forma results:

Dollars in millions except per share amounts	2011	% of Sales	2010	% of Sales	Increase / (Decrease)
Net Sales	\$274	-	\$304	-	(\$30)
Gross Profit	\$109	40%	\$125	41%	(\$16)
Operating Expenses	\$103	38%	\$98	32%	\$5
Operating Income/(Loss)	\$6	2%	\$26	9%	(\$20)
Earnings/(Loss) per share	(\$0.01)	-	\$0.15	-	(\$0.16)

For the first half of 2011, the Company reported the following pro forma results:

Dollars in millions except per share amounts	2011	% of Sales	2010	% of Sales	Increase / (Decrease)
Net Sales	\$559	-	\$606	-	(\$47)
Gross Profit	\$238	43%	\$263	43%	(\$25)

Operating Expenses	\$209	37%	\$207	34%	\$2
Operating Income/(Loss)	\$29	5%	\$56	9%	(\$27)
Earnings/(Loss) per share	\$0.15	-	\$0.40	-	(\$0.25)

## **Restructuring** Plan

The Company's restructuring plan is expected to result in annualized gross pre-tax savings of approximately \$50 million. The Company will reinvest up to half of the savings in incremental brand and demand creation initiatives. Although there will be some incremental investment in these initiatives in 2011, the bulk of the incremental investment will occur in 2012. Pre-tax charges related to the restructuring plan are estimated to be approximately \$15-\$20 million, including the \$5 million recognized in the second quarter of 2011. A majority of the remaining restructuring charges are expected to be recognized in the second half of 2011.

The Company's restructuring plan involves (1) streamlining the organization to reduce costs, simplify internal processes, and increase the focus on the Company's consumer and retail partners, (2) realigning the organization to place greater emphasis on global brand management and to drive the Company's key global initiatives, and (3) incremental investment in the brand and demand creation initiatives to drive sales growth. The Company has already begun its restructuring plan, including the elimination last week of approximately 7% of its positions globally across all levels of the Company, and has taken other actions to lower costs going forward. The Company also began its structural realignment with the consolidation of the Company's various sales and marketing organizations into four sales and marketing regions and with the creation of a separate global brand group to oversee global brand development and more coordinated messaging across all regions.

"The financial results this year are disappointing, and we wanted to waste no time in beginning the process of reversing that trend," stated Mr. Thornley. "I am pleased with how quickly we have been able to develop and begin implementing our restructuring plan."

## **Business Outlook**

The Company expects to report a loss for the full year 2011, but does not intend to provide further specific financial guidance for the balance of the year as it works through its restructuring.

"Despite the lack of adequate investment in brand marketing and product demand creation in recent years, the foundation on which the Company's prior success was built is clearly very much alive," continued Mr. Thornley. "The Callaway brand is one of the leading brands in the golf industry and our products are among the best performing in the marketplace. Furthermore, as we look forward, we see many positives, including full implementation of our restructuring plan, completion in 2011 of the previously announced transition of our North American manufacturing and distribution operations, the recovery of our business in Japan to more normal levels in 2012, and continued growth in our emerging markets. These factors, along with additional and more effective demand creation initiatives, should set the stage for the Company's return to profitability and growth in 2012."

# Conference Call and Webcast

The Company will be holding a conference call at 2:00 p.m. PDT today to discuss the Company's financial results and the recently announced restructuring of its global operations. 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. PDT on Tuesday, August 2, 2011. The replay may be accessed through the Internet at www.callawaygolf.com or by telephone by calling 1-800-642-1687 toll free for calls originating within the United States or 706-645-9291 for International calls. The replay pass code is 79748136.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the reversal of the deferred tax valuation allowance in future periods, the estimated amount or timing of charges and savings related to the Company's restructuring plan, the reinvestment of the savings, the estimated loss for 2011, future improvements in the Company's operational performance, the completion of the restructuring plan or the transition of the North American manufacturing and distribution operations, the recovery of the Company's business in Japan, continued growth in emerging markets, as well as the return to profitability and growth in 2012, 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 unknowns, including future changes in foreign currency exchange rates, consumer acceptance 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. 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 related to the implementation of the current restructuring plan; 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 global operations strategy initiatives or other 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, the golf industry, and the Company's business, see the Company's Annual Report on Form 10-K for the year ended December 31, 2010 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.

<u>Regulation G</u>: 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"). In addition to the GAAP results, the Company has provided certain financial information concerning its results, which includes certain financial measures not prepared in accordance with GAAP. The non-GAAP financial measures 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) a non-cash TopFlite intangible asset charge, (iii) non-cash tax adjustments, including the deferred tax valuation allowance, (iv) restructuring charges, (v) the gain on the sale of three buildings, and (vi) excluding interest, taxes, depreciation, amortization expenses, and the TopFlite intangible asset charge ("Adjusted EBITDA"). 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 comparative information for investors as to the underlying performance of the Company's business without regard to these items. The Company has provided reconciling information within the press release and attached schedules.

# 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 apparel, footwear and accessories, under the Callaway Golf®, Odyssey®, Top-Flite®, and Ben Hogan® brands in more than 110 countries worldwide. For more information please visit www.callawaygolf.com or shop.callawaygolf.com.

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(Logo: http://photos.prnewswire.com/prnh/20091203/CGLOGO)

June 30,         December 31,           2011         2010(1)           ASSETS         2018           Cash and cash equivalents         \$ 66532         \$ 50533           Accounts receivable, net         253,483         144,643           Deferred taxes, net         263,761         243,833           Invertiones         215,225         268,591           Deferred taxes, net         4,761         24,393           Invertiones         37,869         41,703           Other current assets         37,869         41,703           Total current assets         354,770         544,608           Property, plant and equipment, net         122,064         129,801           Intrangble assets, net         155,355         161,957           Other assets         \$ 900,820         \$ 972,739           LABLITES AND SHAREHOLDERS' EQUTY         \$ 900,820         \$ 972,739           LABLITES AND SHAREHOLDERS' EQUTY         \$ 11,982         8,842           Current labilities         37,370         26,856           Accured employee compensation and benefits         37,370         26,856           Accured taxingly         37,370         26,856           Accured taxingly         37,132         -			
ASSETS         Current assets:           Cash and cash equivalents         \$ 66.532         \$ 55.043           Accourts receivable, net         253.483         1.44.643           inventories         215.255         266.591           Deferred taxes, net         4.761         24.393           income taxes receivable         6.870         10.235           Other current assets         37.869         41.1703           Total current assets         37.869         41.703           Total current assets         38.4770         544.068           Property, plant and equipment, net         122.064         129.001           Intrangible assets, net         38.631         43.553           Total assets         \$ 199.713         43.553           LABILITES AND SHAREHOLDER'S EQUITY         \$ 139.312         26.456           Current tabilities:         \$ 37.370         26.456           Accounts payable and accued expenses         \$ 139.312         37.1           Accounte exprese			
Current assets         S         6.6.52         S         5.04           Cash and cash equivalents         \$         6.6.52         \$         5.04.53           Accounts receivable, net         215,255         226,8.691         24,333           Inventories         215,255         226,8.691         24,333           Income taxes, net         4.761         24,333           Income taxes receivable         6.870         10,235           Other current assets         37,869         41,703           Total current assets         584,770         544,608           Property, plant and equipment, net         122,064         129,001           Intrangible assets, net         155,355         161,957           Other current assets         38,631         43,553           Total assets         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$		2011	2010(1)
Current assets         S         6.6.52         S         5.04           Cash and cash equivalents         \$         6.6.52         \$         5.04.53           Accounts receivable, net         215,255         226,8.691         24,333           Inventories         215,255         226,8.691         24,333           Income taxes, net         4.761         24,333           Income taxes receivable         6.870         10,235           Other current assets         37,869         41,703           Total current assets         584,770         544,608           Property, plant and equipment, net         122,064         129,001           Intrangible assets, net         155,355         161,957           Other current assets         38,631         43,553           Total assets         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$			
Cash and cash equivalents         \$ 66.532         \$ 5.043           Accounts receivable, net         253.483         144.643           Inventories         215.255         286.501           Defered taxes, net         4.761         24.393           Income taxes receivable         6.670         10.235           Other current assets         37.869         41.703           Total current assets         38.631         454.608           Property, plant and equipment, net         122,064         129,601           Intrangible assets, net         38.631         43.755           Other savets         38.631         43.757           Other savets         38.631         43.9571           Current liabilities         39.0820         \$ 87.719           Total assets         \$ 900.820         \$ 87.719           Accounts payable and accrued expenses         \$ 139,312           Account payable and accrued expenses         \$ 139,312           Accounde marine y expense         11.982			
Accounts receivable, net         253,483         144,643           Inventories         215,255         268,561           Deferred taxes, net         4,761         243,333           Income taxes receivable         6,670         10.235           Other current assets         37,889         41,703           Total current assets         37,889         41,703           Total current assets         38,631         43,553           Other savets, net         115,535         1161,957           Other assets, net         38,631         43,553           Other assets         38,631         43,553           Other assets         39,00,820         \$ 87,979           Used LITES AND SHAREHOLDERS'EQUITY         \$ 900,820         \$ 139,312           Current labilities         37,370         26,456           Accrued maployee compensation and benefits         37,370         26,456           Accrued warranty expense         11,982         8,427           Income tax labilities         37,730         26,456           Accrued warranty expense         215,058         139,512           Income tax labilities         37,730         26,456           Accrued warranty expense         11,982         8,427			
Inventories         215,255         266,591           Deferred taxes, net         4,761         24,393           Income taxes receivable         6,870         10,235           Other current assets         37,869         44,608           Property, plant and equipment, net         122,064         129,001           Intrangible assets, net         122,064         129,055           Other assets         38,631         43,553           Total assets         38,631         43,553           Other assets         38,631         43,553           Total assets         38,031         43,553           Current liabilities:         \$900,820         \$ 879,719           LIABILITIES AND SHAREHOLDERS' EQUITY         26,656         37,370         26,656           Accrued employee compensation and benefits         37,370         26,656         4,427           Accrued warranty expense         11,982         8,427         -           Income tax liability         77,711         971         -           Asset based credit facility         37,142         -         -           Total current liabilities         39,728         13,957         -           Income tax liability         215,058         -         -			
Deferred taxes, net       4,761       24,393         Income taxes receivable       6,870       10.235         Other current assets       37,869       41,703         Total current assets       584,770       544,600         Property, plant and equipment, net       122,064       129,601         Intangible assets, net       155,355       161,957         Other assets       38,631       43,553         Total assets       \$900,820       \$ 879,719         LIABILITIES AND SHAREHOLDERS' EQUITY       \$ 900,820       \$ 139,312         Current liabilities:       \$ 120,783       \$ 139,312         Accounds payable and accrued expenses       \$ 139,312       8,427         Accound warranty expense       11,982       8,427         Income tax liabilities:       37,730       26,456         Accrued employee compensation and benefits       37,730       26,456         Accrued expenses       \$ 139,312       8,427       771         Asset based credit facility       \$ 77,81       971       771         Asset based credit facility       \$ 215,058       175,166       175,166         Long-term tabilities       \$ 39,728       13,967       550,686       590,566			
Income taxes receivable         6.870         1.225           Other current assets         37,869         41,703           Total current assets         584,770         544,608           Property, plant and equipment, net         122,064         129,601           Intangible assets, net         155,355         161,957           Other assets         38,631         43,553           Total assets         38,631         43,553           Total assets         38,631         43,553           Total assets         38,631         43,553           Current liabilities:         \$900,820         \$ 879,719           LIABILITIES AND SHAREHOLDERS' EQUITY         26,456         37,370         26,456           Current liabilities:         \$120,783         \$ 139,312         64,655           Accrued employee compensation and benefits         37,370         26,456         34,277           Accrued warrang expense         11,982         64,655         37,142         -           Income tax liability         7,781         971         37,142         -         -           Asset based oredit facility         37,142         -         -         -         -           Long-term liabilities         39,728         13,967	Inventories		
Other current assets         37,869         41,703           Total current assets         584,770         544,608           Property, plant and equipment, net         122,064         129,601           Intangible assets, net         135,355         161,5355           Other assets         38,631         43,553           Total assets         38,631         43,553           Total assets         \$900,820         \$ 879,719           LABILITIES AND SHAREHOLDERS' EQUITY         \$ 120,783         \$ 139,312           Current liabilities:         \$ 120,783         \$ 139,312           Accrued employee compensation and benefits         \$ 37,370         26,456           Accrued employee compensation and benefits         \$ 37,370         \$ 37,370           Accrued employee compensation and benefits         \$ 37,370         \$ 37,370           Accrued employee compensation and benefits         \$ 37,370         \$ 37,192           Accrued employee         \$ 37,370         \$ 37,192           Total current liabilities	Deferred taxes, net	4,761	24,393
Total current assets         584,770         544,608           Property, plant and equipment, net         122,064         129,601           Intangible assets, net         155,355         161,957           Other assets         38,631         64,557           Total assets         38,631         64,557           LIABILITIES AND SHAREHOLDERS' EQUITY         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Income taxes receivable	6,870	10,235
Property, plant and equipment, net       122,064       129,061         Intangible assets, net       155,355       161,957         Other assets       38,051       43,553         Total assets       38,061       43,553         Current liabilities:       \$ 900,820       \$ 879,719         LIABILITIES AND SHAREHOLDERS' EQUITY       5       139,312         Current liabilities:       \$ 120,783       \$ 139,312         Accounts payable and accrued expenses       \$ 120,783       \$ 139,312         Accrued employee compensation and benefits       37,370       26,456         Accrued warranty expense       11,982       8,427         income tax liability       7,781       971         Asset based credit facility       37,142       -         Total current liabilities       215,058       175,166         Long-term liabilities       39,728       13,967         Shareholders' equity       646,034       690,586	Other current assets	37,869	41,703
Intanglike assets, net155,355161,957Other assets38,63143,553Total assets\$900,820\$ 879,719LLABILITIES AND SHAREHOLDERS' EQUITYCurrent liabilities:\$120,783\$ 139,312Accounts payable and accrued expenses\$ 120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Total current assets	584,770	544,608
Intanglike assets, net155,355161,957Other assets38,63143,553Total assets\$900,820\$ 879,719LLABILITIES AND SHAREHOLDERS' EQUITYCurrent liabilities:\$120,783\$ 139,312Accounts payable and accrued expenses\$ 120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586			
Ote assets38,63143,553Total assets\$900,820\$ 879,719LLABILITIES AND SHAREHOLDERS' EQUITYCurrent liabilities:Accounts payable and accrued expenses\$120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Property, plant and equipment, net	122,064	129,601
Total assets\$ 900.820\$ 879,719LIABILITIES AND SHAREHOLDERS' EQUITYCurrent liabilities:Accounts payable and accrued expenses\$ 120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Intangible assets, net	155,355	161,957
LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: Accounts payable and accrued expenses \$ 120,783 \$ 139,312 Accrued employee compensation and benefits 37,370 26,456 Accrued warranty expense 11,982 8,427 Income tax liability 7,781 971 Asset based credit facility 37,142 - Total current liabilities 215,058 175,166 Long-term liabilities 39,728 13,967 Shareholders' equity 646,034 690,586	Other assets	38,631	43,553
Current liabilities:       \$ 120,783       \$ 139,312         Accounts payable and accrued expenses       \$ 120,783       \$ 139,312         Accrued employee compensation and benefits       37,370       26,456         Accrued warranty expense       11,982       8,427         Income tax liability       7,781       971         Asset based credit facility       37,142       -         Total current liabilities       215,058       175,166         Shareholders' equity       646,034       690,586	Total assets	\$ 900,820	\$ 879,719
Current liabilities:Accounts payable and accrued expenses\$ 120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Shareholders' equity646,034690,586			
Accounts payable and accrued expenses\$ 120,783\$ 139,312Accrued employee compensation and benefits37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Shareholders' equity646,034690,586	LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued warranty expense37,37026,456Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72839,728Shareholders' equity646,034690,586	Current liabilities:		
Accrued warranty expense11,9828,427Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72839,728Shareholders' equity646,034690,586	Accounts payable and accrued expenses	\$ 120,783	\$ 139,312
Income tax liability7,781971Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Accrued employee compensation and benefits	37,370	26,456
Asset based credit facility37,142-Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Accrued warranty expense	11,982	8,427
Total current liabilities215,058175,166Long-term liabilities39,72813,967Shareholders' equity646,034690,586	Income tax liability	7,781	971
Long-term liabilities         39,728         13,967           Shareholders' equity         646,034         690,586	Asset based credit facility	37,142	-
Shareholders' equity         646,034         690,586	Total current liabilities	215,058	175,166
Shareholders' equity         646,034         690,586			
	-		
Total liabilities and shareholders' equity       \$ 900,820       \$ 879,719			
	Total liabilities and shareholders' equity	\$ 900,820	\$ 879,719

(1) The other assets and shareholders' equity line items on the accompanying consolidated condensed balance sheet as of December 31, 2010, have been adjusted from amounts previously reported to reflect a decrease in deferred taxes, net relating to periods previously reported. This adjustment resulted in a \$5,260 increase to long-term deferred tax liabilities as well as a corresponding decrease to retained earnings.

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

	Quar	ter Er ine 30	
		ine st	· · · · · · · · · · · · · · · · · · ·
	2011		2010
Net sales	\$ 273,814		\$ 303,609
Cost of sales	171,152		179,983
Gross profit	102,662		123,626
Operating expenses:			
Selling	74,196		70,730
General and administrative	30,124		19,147
Research and development	8,498		8,648
Total operating expenses	112,818		98,525
Income (loss) from operations	(10,156)		25,101
Other expense, net	(3,427)		(4,704)
Income (loss) before income taxes	(13,583)		20,397
Income tax provision	49,981		8,932
Net income (loss)	(63,564)		11,465
Dividends on convertible preferred stock	2,625		2,625
Net income (loss) allocable to common shareholders	\$ (66,189)		\$ 8,840
Earnings (loss) per common share:			
Basic	(\$1.03)		\$0.14
Diluted	(\$1.03)		\$0.14
Weighted-average common shares outstanding:			
Basic	64,425		63,844
Diluted	64,425		84,259

	Six Mont	ths Ended
	Jun	e 30,
	2011	2010
Net sales	\$ 559,413	\$ 606,484
Cost of sales	333,070	345,563
Gross profit	226,343	260,921
Operating expenses:		

Selling	149,415	145,358
General and administrative	46,411	44,123
Research and development	17,695	17,966
Total operating expenses	213,521	207,447
Income from operations	12,822	53,474
Other expense, net	(4,807)	(3,133)
Income before income taxes	8,015	50,341
Income tax provision	58,761	18,573
Net income (loss)	(50,746)	31,768
Dividends on convertible preferred stock	5,250	5,250
Net income (loss) allocable to common shareholders	\$ (55,996)	\$ 26,518
Earnings (loss) per common share:		
Basic	(\$0.87)	\$0.42
Diluted	(\$0.87)	\$0.38
Weighted-average common shares outstanding:		
Basic	64,365	63,749
Diluted	64,365	84,093

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

June 30.           2011         2010           Cash flows from operating activities:            Net (loss) income         \$ (50,746)         \$ 31,768           Adjustments to reconcile net income (loss) to net cash used in operating activities:             Depreciation and amortization         19,191         19,555           Impairment charge         5,413         -           Deferred taxes, net         55,895         (1,914)           Non-cash share-based compensation         7,581         5,002           (Gain) loss on disposal of long-lived assets         (6,752)         73           Changes in assets and liabilities         (25,633)         (9,732)           Cash flows from investing activities:         (25,433)         (9,732)           Cash flows from investing activities:         -         (14,089)         (7,549)           Proceeds from sales of property, plant and equipment         18,172         -         (14,083)         (9,419)           Net cash provided by (used in) investing activities         -         (1870)         Net cash provided by (used in) investing activities         -         (1870)           Cash flows from financing activities:         1,160         1,683         (9,419)         -         -           Di		Six Mont	hs Ended
Cash flows from operating activities:       \$ (50,746)       \$ 31,768         Adjustments to reconcile net income (loss) to net cash used in operating activities:       19,191       19,555         Impairment charge       5,413       -         Deferred taxes, net       55,895       (1,914)         Non-cash share-based compensation       7,581       5,002         (Gain) loss on disposal of long-lived assets       (6,752)       73         Changes in assets and liabilities       (56,015)       (64,216)         Net cash used in operating activities:       (25,433)       (9,732)         Cash flows from investing activities:       (14,089)       (7,549)         Proceeds from sales of property, plant and equipment       18,172       -         Other investing activities       -       (1,870)         Net cash provided by (used in) investing activities       4,083       (9,419)         Cash flows from financing activities:       Issuance of common stock       1,160       1,683         Dividends paid, net       (6,542)       (6,530)       -         Proceeds from credit facilities, net       37,142       -       -         Other financing activities       129       (309)       -         Invidends paid, net       (6,542)       (6,530)       -<		June	e 30,
Net (loss) income\$ (50,746)\$ 31,768Adjustments to reconcile net income (loss) to net cash used in operating activities:19,19119,555Impairment charge5,413-Deferred taxes, net55,895(1,914)Non-cash share-based compensation7,5815,002(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities-(1,870)Net cash provided by (used in) investing activities(6,542)(6,530)Dividends paid, net(6,542)(6,530)Proceeds from rest francing activities129(309)Net cash provided by (used in) financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314		2011	2010
Adjustments to reconcile net income (loss) to net cash used in operating activities:       19,191       19,555         Impairment charge       5,413       -         Deferred taxes, net       55,895       (1,914)         Non-cash share-based compensation       7,581       5,002         (Gain) loss on disposal of long-lived assets       (6,752)       73         Changes in assets and liabilities       (56,015)       (64,216)         Net cash used in operating activities       (25,433)       (9,732)         Cash flows from investing activities:       (14,089)       (7,549)         Proceeds from sales of property, plant and equipment       18,172       -         Other investing activities	Cash flows from operating activities:		
Depreciation and amortization19,19119,555Impairment charge5,413-Deferred taxes, net55,895(1,914)Non-cash share-based compensation7,5815,002(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(24,33)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities(1,870)(1,870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Net (loss) income	\$ (50,746)	\$ 31,768
Impairment charge5,413Deferred taxes, net55,895(1,914)Non-cash share-based compensation7,5815,002(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(25,433)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities(1,870)(1,870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents11,489(24,720)Cash and cash equivalents13,834-	Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Deferred taxes, net55,895(1,914)Non-cash share-based compensation7,5815,002(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(25,433)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities	Depreciation and amortization	19,191	19,555
Non-cash share-based compensation7,5815,002(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(25,433)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities-(1,870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:-(1,663)Issuance of common stock1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents11,489(24,720)Cash and cash equivalents55,04378,314	Impairment charge	5,413	-
(Gain) loss on disposal of long-lived assets(6,752)73Changes in assets and liabilities(56,015)(64,216)Net cash used in operating activities(25,433)(9,732)Cash flows from investing activities:(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities	Deferred taxes, net	55,895	(1,914)
Clearly the anterprise transported tra	Non-cash share-based compensation	7,581	5,002
Net cash used in operating activities       (25,433)       (9,732)         Cash flows from investing activities:       (14,089)       (7,549)         Proceeds from sales of property, plant and equipment       18,172       -         Other investing activities       -       (1,870)         Net cash provided by (used in) investing activities       -       (1,870)         Net cash provided by (used in) investing activities       4,083       (9,419)         Cash flows from financing activities:       -       (1,663)         Issuance of common stock       1,160       1,683         Dividends paid, net       (6,542)       (6,530)         Proceeds from credit facilities, net       37,142       -         Other financing activities       129       (309)         Net cash provided by (used in) financing activities       31,889       (5,156)         Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	(Gain) loss on disposal of long-lived assets	(6,752)	73
Cash flows from investing activities:         Capital expenditures       (14,089)       (7,549)         Proceeds from sales of property, plant and equipment       18,172       -         Other investing activities       -       (1,870)         Net cash provided by (used in) investing activities       4,083       (9,419)         Cash flows from financing activities:       -       (1,60       1,683         Dividends paid, net       (6,542)       (6,530)         Proceeds from credit facilities, net       37,142       -         Other financing activities       129       (309)         Net cash provided by (used in) financing activities       31,889       (5,156)         Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	Changes in assets and liabilities	(56,015)	(64,216)
Capital expenditures(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities-(1,870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:-1,1601,683Dividends paid, net(6,542)(6,530)-Proceeds from credit facilities, net37,142Other financing activities129(309)-Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Net cash used in operating activities	(25,433)	(9,732)
Capital expenditures(14,089)(7,549)Proceeds from sales of property, plant and equipment18,172-Other investing activities-(1,870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:-1,1601,683Dividends paid, net(6,542)(6,530)-Proceeds from credit facilities, net37,142Other financing activities129(309)-Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314			
Proceeds from sales of property, plant and equipment18,172Other investing activities-Net cash provided by (used in) investing activities4,083Cash flows from financing activities:(9,419)Cash flows from financing activities:1,160Issuance of common stock1,160Dividends paid, net(6,542)Other financing activities37,142Other financing activities129Other financing activities31,889Effect of exchange rate changes on cash and cash equivalents950Net increase (decrease) in cash and cash equivalents950Cash and cash equivalents at beginning of period55,04378,314	Cash flows from investing activities:		
Other investing activities-(1.870)Net cash provided by (used in) investing activities4,083(9,419)Cash flows from financing activities:Issuance of common stock1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Capital expenditures	(14,089)	(7,549)
Net cash provided by (used in) investing activities       4,083       (9,419)         Cash flows from financing activities:       Issuance of common stock       1,160       1,683         Dividends paid, net       (6,542)       (6,530)         Proceeds from credit facilities, net       37,142       -         Other financing activities       129       (309)         Net cash provided by (used in) financing activities       31,889       (5,156)         Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	Proceeds from sales of property, plant and equipment	18,172	-
Cash flows from financing activities:         Issuance of common stock       1,160       1,683         Dividends paid, net       (6,542)       (6,530)         Proceeds from credit facilities, net       37,142       -         Other financing activities       129       (309)         Net cash provided by (used in) financing activities       31,889       (5,156)         Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	Other investing activities	-	(1,870)
Issuance of common stock1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Net cash provided by (used in) investing activities	4,083	(9,419)
Issuance of common stock1,1601,683Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314			
Dividends paid, net(6,542)(6,530)Proceeds from credit facilities, net37,142-Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Cash flows from financing activities:		
Proceeds from credit facilities, net     37,142       Other financing activities     129       Net cash provided by (used in) financing activities     31,889       Effect of exchange rate changes on cash and cash equivalents     950       Net increase (decrease) in cash and cash equivalents     11,489       Cash and cash equivalents at beginning of period     55,043	Issuance of common stock	1,160	1,683
Other financing activities129(309)Net cash provided by (used in) financing activities31,889(5,156)Effect of exchange rate changes on cash and cash equivalents950(413)Net increase (decrease) in cash and cash equivalents11,489(24,720)Cash and cash equivalents at beginning of period55,04378,314	Dividends paid, net	(6,542)	(6,530)
Net cash provided by (used in) financing activities       31,889       (5,156)         Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	Proceeds from credit facilities, net	37,142	-
Effect of exchange rate changes on cash and cash equivalents       950       (413)         Net increase (decrease) in cash and cash equivalents       11,489       (24,720)         Cash and cash equivalents at beginning of period       55,043       78,314	Other financing activities	129	(309)
Net increase (decrease) in cash and cash equivalents     11,489     (24,720)       Cash and cash equivalents at beginning of period     55,043     78,314	Net cash provided by (used in) financing activities	31,889	(5,156)
Net increase (decrease) in cash and cash equivalents     11,489     (24,720)       Cash and cash equivalents at beginning of period     55,043     78,314			
Cash and cash equivalents at beginning of period 55,043 78,314	Effect of exchange rate changes on cash and cash equivalents	950	(413)
	Net increase (decrease) in cash and cash equivalents	11,489	(24,720)
Cash and cash equivalents at end of period \$ 66,532 \$ 53,594	Cash and cash equivalents at beginning of period	55,043	78,314
	Cash and cash equivalents at end of period	\$ 66,532	\$ 53,594

#### Callaway Golf Company Consolidated Net Sales and Operating Segment Information (In thousands) (Unaudited)

		Net Sales by Pr	oduct Category		Net Sales by Product Category				
	Quarter Ended					Six Months Ended			
	June 30,		Growth/(Decline)		Ju	June 30,		Growth/(Decline)	
	2011	2010(2)	Dollars	Percent	2011	2010(2)	Dollars	Percent	
Net sales:									
Woods	\$ 65,254	\$ 63,295	\$ 1,959	3%	\$ 146,281	\$ 157,601	\$ (11,320)	-7%	
Irons	61,142	71,222	(10,080)	-14%	131,133	128,511	2,622	2%	
Putters	23,810	33,562	(9,752)	-29%	52,641	71,652	(19,011)	-27%	
Golf balls	54,733	58,103	(3,370)	-6%	99,346	109,141	(9,795)	-9%	
Accessories and other(1)	68,875	77,427	(8,552)	-11%	130,012	139,579	(9,567)	-7%	
	\$ 273,814	\$ 303,609	\$ (29,795)	-10%	\$ 559,413	\$ 606,484	\$ (47,071)	-8%	

		Net Sales by Region Quarter Ended				Net Sales by Region				
						Six Months Ended				
	June	June 30,		Growth/(Decline)		June 30,		Growth/(Decline)		
	2011	2010	Dollars	Percent	2011	2010	Dollars	Percent		
Net sales:										

\$ 138,545	\$ 162,363	\$ (23,818)	-15%	\$ 283,876	\$ 313,419	\$ (29,543)	-9%
42,923	41,475	1,448	3%	89,078	83,734	5,344	6%
28,741	30,179	(1,438)	-5%	66,318	83,562	(17,244)	-21%
27,583	24,726	2,857	12%	51,089	49,315	1,774	4%
36,022	44,866	(8,844)	-20%	69,052	76,454	(7,402)	-10%
\$ 273,814	\$ 303,609	\$ (29,795)	-10%	\$ 559,413	\$ 606,484	\$ (47,071)	-8%
	42,923 28,741 27,583 36,022	42,923         41,475           28,741         30,179           27,583         24,726           36,022         44,866	42,923         41,475         1,448           28,741         30,179         (1,438)           27,583         24,726         2,857           36,022         44,866         (8,844)	42,923         41,475         1,448         3%           28,741         30,179         (1,438)         -5%           27,583         24,726         2,857         12%           36,022         44,866         (8,844)         -20%	42,923         41,475         1,448         3%         89,078           28,741         30,179         (1,438)         -5%         66,318           27,583         24,726         2,857         12%         51,089           36,022         44,866         (8,844)         -20%         69,052	42,923         41,475         1,448         3%         89,078         83,734           28,741         30,179         (1,438)         -5%         66,318         83,562           27,583         24,726         2,857         12%         51,089         49,315           36,022         44,866         (8,844)         -20%         69,052         76,454	42,923         41,475         1,448         3%         89,078         83,734         5,344           28,741         30,179         (1,438)         -5%         66,318         83,562         (17,244)           27,583         24,726         2,857         12%         51,089         49,315         1,774           36,022         44,866         (8,844)         -20%         69,052         76,454         (7,402)

		Operating Segm	ent Information		(	Operating Segment Information									
		Quarter	Ended		Six Months Ended										
	Jun	e 30,	Growth/(D	ecline)	Jun	e 30,	Growth/(Decline)								
	2011	2010(2)	Dollars	Percent	2011	2010(2)	Dollars	Percent							
Net sales:															
Golf clubs	\$ 219,081	\$ 245,506	\$ (26,425)	-11%	\$ 460,067	\$ 497,343	\$ (37,276)	-7%							
Golf balls	54,733	58,103	(3,370)	-6%	99,346	109,141	(9,795)	-9%							
	\$ 273,814	\$ 303,609	\$ (29,795)	-10%	\$ 559,413	\$ 606,484	\$ (47,071)	-8%							
Income (loss) before income	e taxes:														
Golf clubs	\$ 13,445	\$ 30,738	\$ (17,293)	-56%	\$ 43,000	\$ 74,450	\$ (31,450)	-42%							
Golf balls	(52)	5,851	(5,903)	-101%	1,998	7,649	(5,651)	-74%							
Reconciling items (3)	(26,976)	(16,192)	(10,784)	-67%	(36,983)	(31,758)	(5,225)	-16%							
	\$ (13,583)	\$ 20,397	\$ (33,980)	-167%	\$ 8,015	\$ 50,341	\$ (42,326)	-84%							

(1) Accessories & other include Rec Line Sets as well as Callaway Golf Interactive.
 (2) Certain prior period amounts have been reclassified between product categories to conform with the current period presentation.
 (3) Represents corporate general and administrative expenses and other income (expense) not utilized by management in determining segment profitability.

# Callaway Golf Company Supplemental Financial Information (In thousands, except per share data) (Unaudited)

	Quarter Ended June 30, 2011														Quarter Ended June 30,							
							2011								2010							
		Pro Forma away Golf (1)			Non-Cash Impairment Charge (1)		Non-Cash Tax Adjustment (2)		Restructuring (1)		in on Sale of uildings (1)	Total as Reported		Pro Forma Callaway Golf		Global Operations Strategy \$	Total as Reported					
Net sales	\$	273,814	\$	-	\$-	\$	-	\$	-		-	\$	273,814	\$	303,609	-	\$ 303,609					
Gross profit		108,509		(5,847)	-		-		-		-		102,662		124,823	(1,197)	123,626					
% of sales		40%		n/a	n/a		n/a		n/a		n/a		37%		41%	n/a	41%					
Operating expenses		102,787		(34)	5,413				5,162		(510)		112,818		98,417	108	98,525					
Income (loss) from operations Other		5,722		(5,813)	(5,413)	_	-		(5,162)		510		(10,156)		26,406	(1,305)	25,101					
income (loss), net		(3,427)			-								(3,427)		(4,704)	-	(4,704)					
(loss) me (loss) before income taxes Income tax provision Net income (loss)		2,295 555 1,740		(5,813) (2,374) (3,439)	(5,413) (2,084) (3,329)		- 55,675 (55,675)		(5,162) (1,987) (3,175)		510 196 314		(13,583) 49,981 (63,564)		21,702 9,428 12,274	(1,305) (496) (809)	20,397 8,932 11,465					
Dividends on convertible preferred stock Net income (loss) allocable to common shareholders	\$	2,625 (885)	\$	(3,439)	\$ (3,329)	\$	(55,675)	\$	- (3,175)	\$	314	\$	2,625 (66,189)	\$	2,625 9,649	\$ (809)	2,625 \$ 8,840					
Diluted earnings (loss) per share: Weighted- average shares outstanding:	\$	(0.01) 64,425	\$	(0.05) 64,425	\$ (0.05)	\$	(0.87) 64,425	\$	(0.05) 64,425	\$	0.00 64,425	\$	(1.03) 64,425	\$	0.15 84,259	\$ (0.01) 84,259	\$ 0.14 84,259					

For comparative purposes, the Company applied a statutory tax rate of 38.5% to derive pro forma results.
 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.

							5	Six Month	ns Ended June	30,							Six Months Ended June 30,								
									2011																
	Pro Forma Callaway Golf (1)		Global Operations Strategy (1)		ons	Non-Cash Impairment Charge (1)		Non-Cash Tax Adjustment (2)		Restructuring (1)		Gain on Sale of Buildings (1)		Total as Reported			Pro Forma allaway Golf	Globa Operatio Strateg	ns	Total as Reported					
Net sales	\$	559,413	\$	6	-	\$	-	\$	-	\$	-	ъ	-	\$	559,413	\$	606,484	\$	-	\$ 606,484					
Gross profit		238,492		(12,149)		-		-			-		-		226,343		263,118	(2,197	7)	260,921					
% of sales		43%		n/a			n/a		n/a		n/a		n/a		40%		43%		n/a	43%					
Operating expenses	209,433				193	5	,413		-		5,162	(6	6,680)		213,521		207,286	16	1	207,447					
Income from operations		29,059		(12,342)		(5,413)			-		(5,162)		6,680		12,822		55,832	(2,35	3)	53,474					

Other income (loss), net Income	 (4,807)	7) -			 -	 -	 -	 (4,807)		(3,1	33)	-	(3,133)
before income taxes Income tax provision Net income	 24,252 9,337		(12,342)	(5,413)	 - 55,675	 (5,162)	 6,680	 8,015 58,761	. <u>-</u>	52,6 19,4	93	(2,358)	50,341 
(loss)	14,915		(7,590)	(3,329)	(55,675)	(3,175)	4,108	(50,746)		33,2	06	(1,438)	31,768
Dividends on convertible preferred stock Net income allocable to common shareholders	\$ 5,250 9,665	\$	- (7,590)	\$ (3,329)	\$ - (55,675)	\$ (3,175)	\$ 4,108	\$ 5,250 (55,996)	 	5,2 \$ 27,9		- \$ (1,438)	5,250 \$ 26,518
Diluted earnings (loss) per share: Weighted- average shares outstanding:	\$ 0.15 64,365	\$	(0.12) 64,365	\$ (0.05) 64,365	\$ (0.86) 64,365	\$ (0.05) 64,365	\$ 0.06 64,365	\$ (0.87) 64,365			).40 093	\$ (0.02) 84,093	\$ 0.38 84,093

For comparative purposes, the Company applied a statutory tax rate of 38.5% to derive pro forma results.
 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.

				2011 Trailing T	welve Months Ac	djusted E	BITDA			2011 Trailing Twelve Months Adjusted EBITDA												
Adjusted EBITDA:					Quarter Ended					Quarter Ended												
	Sep	September 30,		September 30,		mber 30, December 31,			June 30,			Sep	September 30,		cember 31,	N	larch 31,	June 30,				
	2010		2010		2011		2011		Total		2009		2009	2010		2010		Total				
Net income (loss)	\$	(18,317)	\$	(32,255)	\$ 12,818	\$	(63,564)	\$	(101,318)	\$	(13,429)	\$	(15,555)	\$	20,303	\$ 11,465	\$	2,784				
Interest expense (income), net Income tax provision		(1,234)		(444)	142		207		(1,329)		(46)		(435)		(118)	(242)		(841)				
(benefit) Depreciation and		(22,100)		(13,231)	8,780		49,981		23,430		(11,308)		(11,142)		9,641	8,932		(3,877)				
amortization expense		10,687		10,707	9,880		9,311		40,585		10,128		10,504		9,949	9,606	4	40,187				
Impairment charge		-		7,547	-		5,412		12,959		-		-		-			-				
Adjusted EBITDA	\$	(30,964)	\$	(27,676) -	\$ 31,620	\$	1,347	\$	(25,673)	\$	(14,655)	\$	(16,628)	\$	39,775	\$ 29,761	\$ 3	38,253				