

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

January 25, 2006  
Date of Report (Date of earliest event reported)

CALLAWAY GOLF COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE	1-10962	95-3797580
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2180 RUTHERFORD ROAD, CARLSBAD, CALIFORNIA	92008-7328
(Address of principal executive offices)	(Zip Code)

(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):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.\*

On January 25, 2006, Callaway Golf Company issued a press release captioned "Callaway Golf Announces Results for Fourth Quarter and Full Year 2005." 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 January 25, 2006, captioned "Callaway Golf Announces Results for Fourth Quarter and Full Year 2005."
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\* 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: January 25, 2006

By: /s/ Bradley J. Holiday

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Name: Bradley J. Holiday

Title: Senior Executive Vice President  
and Chief Financial Officer

Exhibit Index

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Exhibit Number  
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Description  
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99.1

Press release, dated January 25, 2006, captioned "Callaway Golf Announces Results for Fourth Quarter and Full Year 2005."

## Callaway Golf Announces Results for Fourth Quarter and Full Year 2005

CARLSBAD, Calif.--(BUSINESS WIRE)--Jan. 25, 2006--Callaway Golf Company (NYSE:ELY) today announced its financial results for the quarter and full year ended December 31, 2005, reporting significant improvements in both sales and earnings over the same periods in the prior year. Some of the details for the twelve months ended December 31, 2005 include:

- Net sales of \$998.1 million, as compared to \$934.6 million for the same period in 2004.
- Fully diluted earnings per share of \$0.19 on 69.2 million shares, as compared to a net loss per share of \$0.15 on 67.7 million shares in 2004.
- Fully diluted earnings per share for the full year include after-tax charges of \$0.19 per share associated with the integration of the Top-Flite operations and the September restructuring initiatives. The full year loss per share for 2004 includes after-tax charges of \$0.26 per share associated with the integration of the Top-Flite operations. Excluding these charges, the Company's pro forma fully diluted earnings per share for 2005 would have been \$0.38, as compared to pro forma fully diluted earnings per share of \$0.11 for the full year 2004.

Details for the fourth quarter include:

- Net sales of \$154.5 million, as compared to \$144.4 million in the fourth quarter of 2004.
- Net loss per share of \$0.27 on 69.3 million shares, as compared to a net loss of \$0.42 per share on 68.0 million shares in the fourth quarter of 2004.
- The net loss per share for the fourth quarter of 2005 includes after-tax charges of \$0.05 per share associated with the integration of the Top-Flite operations acquired in late 2003 and the restructuring initiatives announced on September 29th. The net loss per share for the fourth quarter of 2004 includes after-tax charges of \$0.05 per share associated with the integration of the Top-Flite operations. Excluding these charges, the Company's pro forma net loss per share for the fourth quarter of 2005 would have been \$0.22, as compared to a pro forma net loss per share of \$0.37 per share in the fourth quarter of 2004.

"We are pleased with the increase in sales for the year, which reflects the strength of our product line and favorable consumer acceptance of our new products, commented George Fellows, President and CEO. "While earnings also improved significantly, they are still not at desired levels. As we announced at the end of the third quarter, however, we have already implemented several company-wide initiatives designed to reduce expenses and improve profitability. We have already started to see the benefits of such initiatives as operating expenses in the fourth quarter decreased as compared to the fourth quarter of 2004."

Mr. Fellows continued, "We believe we are in a good position entering 2006. We have several new products being introduced, and the initial response from our customers has been very positive. We also expect to continue to realize the benefits of the cost reduction initiatives we implemented in September and we believe we have resolved the supply constraint issues we experienced last year with some products. Our focus in 2006 is to strengthen our marketing programs and enhance customer service, particularly regarding on time delivery of new products in our effort to improve our position in the marketplace and grow profitability."

For more details, including pro forma reconciliations to assist in year-over-year comparison, please see the attached "Supplemental Financial Information."

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 two hours after the conclusion, and will remain available through 9:00 p.m. PST on

Wednesday, February 1, 2006. The replay may be accessed through the Internet at [www.callawaygolf.com](http://www.callawaygolf.com) or by telephone by calling 1-800-475-6701 toll free for calls originating within the United States or 320-365-3844 for International calls. The replay pass code is 814750.

Disclaimer: Statements used in this press release that relate to future plans, events, financial results, performance or prospects, including statements relating to the introduction of new products, consumer acceptance of products, the realization of benefits from the cost reduction initiatives, the resolution of supply constraint issues, future market share and profitability, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to delays, difficulties, changed strategies, or unanticipated factors affecting implementation of the cost reduction initiatives, as well as the general risks and uncertainties applicable to the Company and its business. For additional information concerning these and other risks and uncertainties, see Part I, Item 2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, 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 (i) charges associated with the restructuring initiatives discussed in this press release and (ii) charges associated with the integration of the Callaway Golf Company and Top-Flite Golf Company operations. 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 as well as in the supplemental financial information attached to this press release.

Through an unwavering commitment to innovation, Callaway Golf 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), Top-Flite(R), Odyssey(R) and Ben Hogan(R) brands. For more information visit [www.callawaygolf.com](http://www.callawaygolf.com).

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

	December 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$49,481	\$31,657
Accounts receivable, net	98,082	105,153
Inventories, net	241,577	181,230
Deferred taxes	38,192	32,959
Income taxes receivable	2,026	28,697
Other current assets	9,232	14,036

Total current assets	438,590	393,732
Property, plant and equipment, net	127,739	135,865
Intangible assets, net	175,191	179,636
Deferred taxes	6,516	9,837
Other assets	16,462	16,667
	-----	-----
	\$764,498	\$735,737
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$102,134	\$75,501
Accrued employee compensation and benefits	24,783	20,215
Accrued warranty expense	13,267	12,043
Bank line of credit	-	13,000
Other current liabilities	21	39
	-----	-----
Total current liabilities	140,205	120,798
Long-term liabilities	28,245	28,622
Shareholders' equity	596,048	586,317
	-----	-----
	\$764,498	\$735,737
	=====	=====

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

	Quarter Ended December 31,			
	2005		2004	
	-----	-----	-----	-----
Net sales	\$154,493	100%	\$144,413	100%
Cost of sales	106,316	69%	105,689	73%
	-----		-----	
Gross profit	48,177	31%	38,724	27%
Operating expenses:				
Selling	53,945	35%	59,098	41%
General and administrative	20,290	13%	21,964	15%
Research and development	6,550	4%	7,034	5%
	-----		-----	
Total operating expenses	80,785	52%	88,096	61%
Loss from operations	(32,608)	-21%	(49,372)	-34%
Other income (expense), net	(417)		1,219	
	-----		-----	
Loss before income taxes	(33,025)	-21%	(48,153)	-33%
Income tax benefit	(14,361)		(19,685)	
	-----		-----	
Net loss	\$(18,664)	-12%	\$(28,468)	-20%
	=====		=====	
Loss per common share:				
Basic	(\$0.27)		(\$0.42)	
Diluted	(\$0.27)		(\$0.42)	
Weighted-average shares outstanding:				
Basic	69,268		67,961	
Diluted	69,268		67,961	

	Year Ended December 31,			
	2005		2004	
	-----	-----	-----	-----
Net sales	\$998,093	100%	\$934,564	100%
Cost of sales	583,679	58%	575,742	62%
	-----		-----	
Gross profit	414,414	42%	358,822	38%

Operating expenses:				
Selling	290,074	29%	263,089	28%
General and administrative	80,145	8%	89,878	10%
Research and development	26,989	3%	30,557	3%
	-----		-----	
Total operating expenses	397,208	40%	383,524	41%
Income (loss) from operations	17,206	2%	(24,702)	-3%
Other income (expense), net	(2,669)		989	
	-----		-----	
Income (loss) before income taxes	14,537	1%	(23,713)	-3%
Income tax provision	1,253		(13,610)	
	-----		-----	
Net income (loss)	\$13,284	1%	\$(10,103)	-1%
	=====		=====	
Earnings (loss) per common share:				
Basic	\$0.19		(\$0.15)	
Diluted	\$0.19		(\$0.15)	
Weighted-average shares outstanding:				
Basic	68,646		67,721	
Diluted	69,239		67,721	

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

	Year Ended December 31,	
	----- 2005	2004 -----
Cash flows from operating activities:		
Net income (loss)	\$13,284	\$(10,103)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	38,260	51,154
Loss on disposal of assets	4,031	7,669
Tax benefit from exercise of stock options	2,408	2,161
Net non-cash foreign currency hedging losses	-	1,811
Other	2,621	9,448
Changes in assets and liabilities, net of effects of acquisition	9,694	(53,603)
	-----	-----
Net cash provided by operating activities	70,298	8,537
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(34,259)	(25,986)
Proceeds from sale of capital assets	1,363	431
Acquisitions, net of cash acquired	-	(9,204)
	-----	-----
Net cash used in investing activities	(32,896)	(34,759)
	-----	-----
Cash flows from financing activities:		
Issuance of Common Stock	14,812	20,311
Acquisition of Treasury Stock	(39)	(6,298)
Dividends paid, net	(19,557)	(19,069)
Proceeds from (payments on) Line of Credit	(13,000)	13,000
Other	(44)	-
	-----	-----
Net cash provided by (used in) financing activities	(17,828)	7,944
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(1,750)	2,595
Net increase (decrease) in cash and cash equivalents	17,824	(15,683)
Cash and cash equivalents at beginning of period	31,657	47,340
	-----	-----
Cash and cash equivalents at end of period	\$49,481	\$31,657

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

Net Sales by Product  
 Category

	Quarter Ended		Growth/(Decline)	
	December 31,			
	2005	2004	Dollars	Percent
Net sales:				
Woods	\$43,401	\$24,992	\$18,409	74%
Irons	36,608	39,266	(2,658)	-7%
Putters	21,111	18,751	2,360	13%
Golf balls	34,519	43,582	(9,063)	-21%
Accessories and other	18,854	17,822	1,032	6%
	<u>\$154,493</u>	<u>\$144,413</u>	<u>\$10,080</u>	<u>7%</u>

	Year Ended		Growth/(Decline)	
	December 31,			
	2005	2004	Dollars	Percent
Net sales:				
Woods	\$241,329	\$238,555	\$2,774	1%
Irons	316,501	259,058	57,443	22%
Putters	109,309	100,482	8,827	9%
Golf balls	214,695	231,337	(16,642)	-7%
Accessories and other	116,259	105,132	11,127	11%
	<u>\$998,093</u>	<u>\$934,564</u>	<u>\$63,529</u>	<u>7%</u>

Net Sales by Region

	Quarter Ended		Growth/(Decline)	
	December 31,			
	2005	2004	Dollars	Percent
Net sales:				
United States	\$77,435	\$85,856	\$(8,421)	-10%
Europe	22,018	22,580	(562)	-2%
Japan	22,533	12,137	10,396	86%
Rest of Asia	14,287	8,616	5,671	66%
Other foreign countries	18,220	15,224	2,996	20%
	<u>\$154,493</u>	<u>\$144,413</u>	<u>\$10,080</u>	<u>7%</u>

	Year Ended		Growth/(Decline)	
	December 31,			
	2005	2004	Dollars	Percent
Net sales:				
United States	\$563,040	\$546,219	\$16,821	3%
Europe	166,177	169,519	(3,342)	-2%
Japan	103,389	70,536	32,853	47%
Rest of Asia	66,890	51,662	15,228	29%
Other foreign countries	98,597	96,628	1,969	2%
	<u>\$998,093</u>	<u>\$934,564</u>	<u>\$63,529</u>	<u>7%</u>



Operating Segment Information

	Quarter Ended December 31,		Growth/(Decline)	
	2005	2004	Dollars	Percent
	-----			
Net sales:				
Golf clubs	\$119,974	\$100,831	\$19,143	19%
Golf balls	34,519	43,582	(9,063)	-21%
	-----	-----	-----	-----
	\$154,493	\$144,413	\$10,080	7%
	=====	=====	=====	=====
Income before provision for income taxes: (1)				
Golf clubs	\$(14,045)	\$(26,067)	\$12,022	46%
Golf balls	(3,713)	(10,538)	6,825	65%
Reconciling items (2)	(15,267)	(11,548)	(3,719)	-32%
	-----	-----	-----	-----
	\$(33,025)	\$(48,153)	\$15,128	31%
	=====	=====	=====	=====
	-----			
	Year Ended December 31,		Growth/(Decline)	
	2005	2004	Dollars	Percent
	-----			
Net sales:				
Golf clubs	\$783,398	\$703,227	\$80,171	11%
Golf balls	214,695	231,337	(16,642)	-7%
	-----	-----	-----	-----
	\$998,093	\$934,564	\$63,529	7%
	=====	=====	=====	=====
Income before provision for income taxes: (1)				
Golf clubs	\$68,327	\$36,806	\$31,521	86%
Golf balls	(3,612)	(16,895)	13,283	79%
Reconciling items (2)	(50,178)	(43,624)	(6,554)	-15%
	-----	-----	-----	-----
	\$14,537	\$(23,713)	\$38,250	161%
	=====	=====	=====	=====

(1) Prior period amounts have been reclassified to conform with current period presentation.

(2) 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 December 31,			
	2005			
	-----			
	Pro Forma Callaway Golf	Integration Charges	Restructuring Charges	Total as Reported
	-----			
Net sales	\$154,493	\$-	\$-	\$154,493
Gross profit	48,922	(763)	18	48,177
% of sales	32%	n/a	n/a	31%
Operating expenses	76,357	2,330	2,098	80,785
	-----	-----	-----	-----
Loss from operations	(27,435)	(3,093)	(2,080)	(32,608)
Other income (expense), net	(417)	-	-	(417)
	-----	-----	-----	-----
Loss before income taxes	(27,852)	(3,093)	(2,080)	(33,025)
Income tax benefit	(12,395)	(1,176)	(790)	(14,361)

Net loss	\$(15,457)	\$(1,917)	\$(1,290)	\$(18,664)
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Diluted earnings (loss) per share:	\$(0.22)	\$(0.03)	\$(0.02)	\$(0.27)
Weighted-average shares outstanding:	69,268	69,268	69,268	69,268

Quarter Ended December 31,

2004

	Pro Forma Callaway Golf	Integration Charges	Total as Reported
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Net sales	\$144,413	\$-	\$144,413
Gross profit	40,255	(1,531)	38,724
% of sales	28%	n/a	27%
Operating expenses	84,391	3,705	88,096
Loss from operations	(44,136)	(5,236)	(49,372)
Other income (expense), net	1,219	-	1,219
Loss before income taxes	(42,917)	(5,236)	(48,153)
Income tax benefit	(17,658)	(2,027)	(19,685)
Net loss	\$(25,259)	\$(3,209)	\$(28,468)

Diluted earnings (loss) per share:	\$(0.37)	\$(0.05)	\$(0.42)
Weighted-average shares outstanding:	67,961	67,961	67,961

Year Ended December 31,

2005

	Pro Forma Callaway Golf	Integration Charges	Restructuring Charges	Total as Reported
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Net sales	\$998,093	\$-	\$-	\$998,093
Gross profit	422,921	(6,388)	(2,119)	414,414
% of sales	42%	n/a	n/a	42%
Operating expenses	384,978	6,025	6,205	397,208
Income (loss) from operations	37,943	(12,413)	(8,324)	17,206
Other income (expense), net	(2,669)	-	-	(2,669)
Income (loss) before income taxes	35,274	(12,413)	(8,324)	14,537
Provision (benefit) for income taxes	9,133	(4,717)	(3,163)	1,253
Net income (loss)	\$26,141	\$(7,696)	\$(5,161)	\$13,284

Diluted earnings (loss) per share:	\$0.38	\$(0.11)	\$(0.08)	\$0.19
Weighted-average shares outstanding:	69,239	69,239	69,239	69,239

Year Ended December 31,

2004

	Pro Forma Callaway Golf	Integration Charges	Total as Reported
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Net sales	\$934,564	\$-	\$934,564
Gross profit	374,511	(15,689)	358,822
% of sales	40%	n/a	38%
Operating expenses	370,713	12,811	383,524
Income (loss) from operations	3,798	(28,500)	(24,702)
Other income (expense), net	989	-	989
Income (loss) before income taxes	4,787	(28,500)	(23,713)
Provision (benefit) for income taxes	(2,580)	(11,030)	(13,610)
Net income (loss)	\$7,367	\$(17,470)	\$(10,103)
Diluted earnings (loss) per share:	\$0.11	\$(0.26)	\$(0.15)
Weighted-average shares outstanding:	67,721	67,721	67,721

CONTACT: Callaway Golf Company  
Brad Holiday / Patrick Burke / Larry Dorman, 760-931-1771