

**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

Date of Report (Date of earliest event reported): January 20, 2004

**ETHAN ALLEN INTERIORS INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other  
jurisdiction of incorporation)

**1-11692**  
(Commission File Number)

**06-1275288**  
(I.R.S. Employer  
Identification Number)

**Ethan Allen Drive**  
**Danbury, CT**  
(Address of principal executive offices)

**06811**  
(Zip Code)

Registrant's telephone number, including area code: **(203) 743-8000**

**Not Applicable**  
(Former name or former address, if changed since last report)

**INFORMATION TO BE INCLUDED IN REPORT**

**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.**

(c) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated January 20, 2004

**Item 12. Disclosure of Results of Operations and Financial Condition.**

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On January 20, 2004, Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") issued a press release setting forth its operating results for the three and six months ended December 31, 2003. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Exhibit 99.1 includes a reference to certain unaudited, non-GAAP financial information related to the Company's operations for the three and six months ended December 31, 2003, namely the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"). A reconciliation of this financial measure to the most directly comparable GAAP financial measure is also provided in the attached Exhibit.

Management considers EBITDA an important indicator of the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures. Given the nature of the Company's operations, including the tangible assets necessary to carry out its production and distribution activities, depreciation and amortization represent Ethan Allen's largest non-cash charge. As these non-cash charges do not affect the Company's ability to service debt or make capital expenditures, it is important to consider EBITDA in addition to, but not as a substitute for, operating income, net income and other measures of financial performance reported in accordance with generally accepted accounting principles, including cash flow measures such as operating cash flow. Further, EBITDA is one measure used to determine compliance with the Company's existing credit facilities.

**SIGNATURES**

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

Date: January 20, 2004

**ETHAN ALLEN INTERIORS INC.**

By: /s/ M. Farooq Kathwari

---

M. Farooq Kathwari  
*Chairman, President and  
Chief Executive Officer*

**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated January 20, 2004

FOR IMMEDIATE RELEASE

Ethan Allen Interiors Inc.  
Investor Contact: Peg Lupton  
(203) 743-  
8234  
Media Contact: Josie Bielmeier  
(203) 743-8503

**ETHAN ALLEN ANNOUNCES SECOND QUARTER RESULTS;  
SALES INCREASE 5%; EARNINGS PER SHARE INCREASES 7%**

DANBURY, CT., January 20, 2004 — Ethan Allen Interiors Inc. (NYSE:ETH) today reported sales and earnings for the three and six months ended December 31, 2003.

Net sales for the quarter ended December 31, 2003 increased 5.0% to \$241.2 million from \$229.7 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 7.4% to \$149.6 million, while Wholesale sales increased 3.4% to \$163.7 million during that same period. For the quarter, comparable Ethan Allen store delivered sales increased 1.8%. Ethan Allen sells through an exclusive network of 311 retail locations, of which 121 are Company-owned.

For the six months ended December 31, 2003, net sales increased 4.0% to \$463.9 million from \$446.2 million in the prior year. Net delivered sales for the Company's Retail division increased 8.7% to \$282.3 million, while Wholesale sales increased 2.0% to \$322.6 million during that same period. Year-to-date, comparable Ethan Allen store delivered sales increased 1.3%.

Earnings per share for the quarter increased 6.7% to \$0.64 on net income of \$24.4 million as compared to \$0.60 and \$23.1 million, respectively, in the prior year period. Earnings per share for the six month period totaled \$1.13 as compared to \$1.11 in the prior year comparable period.

Total written orders decreased 0.5% as compared to the prior year quarter. At the Wholesale level, net orders booked decreased 3.2%, while at the Retail level, written sales increased 8.1% and comparable store written sales increased 2.5%. Eliminating the effects of floor sample orders placed for new products introduced at the Company's Retail Conferences in October 2003 and 2002, net orders booked at the Wholesale level increased 1.9%.

On a year-to-date basis, total written orders increased 5.3% as compared to the prior year. Within that same period, Wholesale net orders booked increased 4.3%, while Retail written sales increased 8.2% and comparable store written sales increased 0.5%.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the quarter. The Company's performance reflects a further strengthening of consumer confidence and its resultant impact on the U.S. economy, which continues to have a positive effect on the incoming order rate, written sales and backlog."

Mr. Kathwari continued: "Improvements made during the recent economic downturn, including strengthening our marketing programs, steps taken toward establishing more efficient U.S. manufacturing operations, and improving our capacity of sourcing both domestically and abroad, have prepared us for the next phase of growth. Initiatives such as these and others have allowed us to continue providing our customers with a very comprehensive complement of home furnishing solutions."

On the question of business trends, Mr. Kathwari stated: "In July, we were working under the assumption that positive trends would begin to emerge during our second fiscal quarter. Today, we remain optimistic that the business growth we have experienced in recent months is indicative of further economic expansion in 2004. Assuming no unexpected deterioration in the economy or consumer confidence, we continue to believe we have the opportunity to generate fiscal year sales and earnings per share increases of approximately 5% and 10%, respectively."

Ethan Allen Interiors Inc. is a leading manufacturer and retailer of quality home furnishings. The Company sells a full range of furniture products and decorative accessories through an exclusive network of 311 retail stores (309 full-line and 2 Ethan Allen Kids) in the United States and abroad. Ethan Allen has 14 manufacturing facilities, which include 3 sawmills, located throughout the United States.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Tuesday, January 20<sup>th</sup>. The live webcast and replay are accessible via the Company's website at [www.ethanallen.com/investors](http://www.ethanallen.com/investors).

This press release should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2003 and other reports filed with the Securities and Exchange Commission. Management's discussion in this release contains forward-looking statements relating to future results of the Company. These forward-looking statements are subject to various assumptions, risk and uncertainties, and accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

**Ethan Allen Interiors Inc.**  
**Selected Financial Information**  
**Unaudited**  
(In millions)

Selected Consolidated Financial Data:

	Three Months Ended		Six Months Ended	
	12/31/03	12/31/02	12/31/03	12/31/02
Net Sales	\$ 241.2	\$ 229.7	\$ 463.9	\$ 446.2
Gross Margin	48.2%	50.4%	48.4%	49.9%
Operating Margin	16.2%	16.2%	14.6%	15.5%
Net Income	\$ 24.4	\$ 23.1	\$ 43.3	\$ 43.2
Operating Cash Flow	\$ 26.5	\$ 14.7	\$ 76.5	\$ 56.0
Capital Expenditures	\$ 5.2	\$ 7.6	\$ 9.2	\$ 16.9

Treasury Stock Repurchases	\$ --	\$ --	\$ --	\$ 29.6
EBITDA	\$ 45.1	\$ 42.6	\$ 81.1	\$ 80.1
EBITDA as % of Net Sales	18.7%	18.6%	17.5%	17.9%

Selected Financial Data by Business Segment:

	Three Months Ended		Six Months Ended	
	12/31/03	12/31/02	12/31/03	12/31/02
<i>Retail</i>				
Net Sales	\$ 149.6	\$ 139.3	\$ 282.3	\$ 259.8
Operating Margin	4.0%	5.8%	2.2%	4.3%

	Three Months Ended		Six Months Ended	
	12/31/03	12/31/02	12/31/03	12/31/02
<i>Wholesale</i>				
Net Sales	\$ 163.7	\$ 158.4	\$ 322.6	\$ 316.2
Operating Margin	18.5%	17.7%	17.7%	18.0%

**Ethan Allen Interiors Inc.**  
**Condensed Consolidated Statements of Operations**  
**Unaudited**  
(In thousands, except per share amounts)

	Three Months		Six Months	
	Ended December 31, 2003	2002	Ended December 31, 2003	2002
Net sales	\$ 241,150	\$ 229,713	\$ 463,915	\$ 446,242
Cost of sales	124,871	113,909	239,193	223,723
<b>Gross profit</b>	<b>116,279</b>	<b>115,804</b>	<b>224,722</b>	<b>222,519</b>
Operating expenses:				
Selling	41,221	43,875	85,830	86,765
General and administrative	35,946	34,734	71,468	66,716
Restructuring and impairment charges	--	--	(264)	(92)
<b>Total operating expenses</b>	<b>77,167</b>	<b>78,609</b>	<b>157,034</b>	<b>153,389</b>
Operating income	39,112	37,195	67,688	69,130
Interest and other miscellaneous income	737	125	2,948	649
Interest and other related financing costs	167	204	308	377
<b>Income before income tax expense</b>	<b>39,682</b>	<b>37,116</b>	<b>70,328</b>	<b>69,402</b>
Income tax expense	15,284	14,030	26,991	26,234
<b>Net income</b>	<b>\$ 24,398</b>	<b>\$ 23,086</b>	<b>\$ 43,337</b>	<b>\$ 43,168</b>
<i>Basic earnings per share:</i>				
Net income per share	\$ 0.65	\$ 0.61	\$ 1.16	\$ 1.14
<b>Basic weighted average shares outstanding</b>	<b>37,269</b>	<b>37,767</b>	<b>37,248</b>	<b>37,876</b>
<i>Diluted earnings per share:</i>				
Net income per share	\$ 0.64	\$ 0.60	\$ 1.13	\$ 1.11
<b>Diluted weighted average shares outstanding</b>	<b>38,420</b>	<b>38,793</b>	<b>38,333</b>	<b>38,854</b>
<i>Reconciliation of GAAP to Non-GAAP Information:</i>				
Net income	\$ 24,398	\$ 23,086	\$ 43,337	\$ 43,168
Add: interest expense	132	169	238	307
Add: income tax expense	15,284	14,030	26,991	26,234
Add: depreciation and amortization	5,240	5,334	10,505	10,367
EBITDA	\$ 45,054	\$ 42,619	\$ 81,071	\$ 80,076
<b>Net Sales</b>	<b>\$ 241,150</b>	<b>\$ 229,713</b>	<b>\$ 463,915</b>	<b>\$ 446,242</b>
EBITDA as % of Net Sales	18.7%	18.6%	17.5%	17.9%

**Ethan Allen Interiors Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands)

**December 31, 2003**      **June 30, 2003**  
**(unaudited)**

**Assets**

## Current Assets:

Cash and cash equivalents	\$ 148,474	\$ 81,856
Accounts receivable, net	22,539	26,439
Inventories, net	185,583	198,212
Prepaid expenses and other current assets	51,963	53,755
<b>Total current assets</b>	<b>408,559</b>	<b>360,262</b>
Property, plant, and equipment, net	281,618	289,423
Intangible assets, net	79,052	78,939
Other assets	2,285	2,944
<b>Total Assets</b>	<b>\$ 771,514</b>	<b>\$ 731,568</b>

**Liabilities and Shareholders' Equity**

## Current Liabilities:

Current maturities of long-term debt and capital lease obligations	\$ 4,793	\$ 996
Customer deposits	54,481	55,939
Accounts payable	28,267	25,375
Accrued expenses	53,394	52,116
<b>Total current liabilities</b>	<b>140,935</b>	<b>134,426</b>
Long-term debt	4,557	9,222
Deferred income taxes	47,795	47,539
Other long-term liabilities	2,223	2,682
Total shareholders' equity	576,004	537,699
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 771,514</b>	<b>\$ 731,568</b>