

**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

Date of Report (Date of earliest event reported): April 24, 2006

**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)

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))

**INFORMATION TO BE INCLUDED IN REPORT**

**SECTION 2 – FINANCIAL INFORMATION**

**Item 2.02 Results of Operations and Financial Condition**

The information contained within Item 2.02 of this Form 8-K and the Exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not 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 April 24, 2006, Ethan Allen Interiors Inc. (“Ethan Allen” or the “Company”) issued a press release setting forth its operating results for the three and nine months ended March 31, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Exhibits 99.1 and 99.2 include references to the Company’s (i) consolidated operating profit, (ii) wholesale operating profit, (iii) net income, (iv) earnings per share, and (v) earnings before interest, taxes, depreciation and amortization (“EBITDA”), all excluding the effect of a restructuring and impairment charge recorded during the nine months ended March 31, 2006 as a result of the Company’s announcement of its decision to convert one of its existing manufacturing facilities into a regional distribution center. A reconciliation of these financial measures to the most directly comparable financial measure reported in accordance with generally accepted accounting principles (“GAAP”) is also provided in Exhibit 99.2.

Management believes that excluding items which are deemed to be non-recurring in nature from financial measures such as operating profit, wholesale operating profit, net income, and earnings per share, allows investors to more easily compare and evaluate the Company’s financial performance relative to prior periods and industry comparables. These adjusted measures also aid investors in understanding the operating results of the Company absent such non-recurring or unusual events.

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 charges. 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 GAAP, including cash flow measures such as operating cash flow. Further, EBITDA is one measure used to determine compliance with the Company’s existing credit facility.

**SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS**

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated April 24, 2006
99.2	Reconciliation of unaudited, non-GAAP financial information disclosed in April 24, 2006 press release and conference call to the most directly comparable GAAP financial measure

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**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.

ETHAN ALLEN INTERIORS INC.

Date: April 24, 2006

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 April 24, 2006
99.2	Reconciliation of unaudited, non-GAAP financial information disclosed in April 24, 2006 press release and conference call to the most directly comparable GAAP financial measure

**ETHAN ALLEN ANNOUNCES THIRD QUARTER RESULTS;  
SALES INCREASE 15%; EARNINGS PER SHARE INCREASE 18%**

DANBURY, CT., April 24, 2006 -- Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") (NYSE:ETH) today reported sales and earnings for the three and nine months ended March 31, 2006.

Three and Nine Month Results

Net delivered sales for the quarter ended March 31, 2006 increased 15.5% to \$267.1 million from \$231.2 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 22.6% to \$168.2 million, while Wholesale sales increased 13.9% to \$192.2 million during that same period. Comparable Ethan Allen store delivered sales increased 15.2% over the prior year quarter. During that same period, Retail division written sales increased 19.5% while comparable store written sales increased 12.3%.

For the nine months ended March 31, 2006, net delivered sales increased 12.4% to \$794.4 million from \$706.8 million in the prior year comparable period. Net delivered sales for the Company's Retail division increased 16.5% to \$506.6 million, while Wholesale sales increased 13.6% to \$558.2 million during that same period. Comparable Ethan Allen store delivered sales increased 12.2% over the prior year comparable period. During that same period, Retail division written sales increased 16.1% while comparable store written sales increased 11.4%.

For the quarter ended March 31, 2006, earnings per share increased 18.0% to \$0.59 on net income of \$20.0 million. This compares to earnings per share and net income of \$0.50 and \$17.9 million, respectively, in the prior year comparable period.

For the nine months ended March 31, 2006, earnings per share, which includes a pre-tax restructuring and impairment charge of \$4.2 million related to the Company's planned conversion of one of its existing manufacturing facilities into a regional distribution center, amounted to \$1.85 on net income of \$63.3 million. This compares to earnings per share and net income of \$1.63 and \$59.8 million, respectively, in the prior year comparable period. Excluding the impact of the restructuring and impairment charge, earnings per share for the current nine-month period amounted to \$1.93 on net income of \$65.9 million.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with the continued progress at Ethan Allen and believe that our results reflect the positive effects of initiatives undertaken in recent years, including: the relocation of our stores to larger and more prominent locations; major investments at retail to increase the professionalism of our management team; the impact of new product introductions – over 80% of our product offerings are new within the last three years; enhanced advertising and marketing programs; and faster delivery of our products to our customers."

Mr. Kathwari continued: "All of these initiatives, particularly the development of a more professional Company-operated retail division, have entailed major investment and cost. Still, despite these expenditures and additional cost increases associated with selected raw materials, fuel, utilities, and health insurance, we have been able to report significant improvements in both profitability and operating cash flow."

Commenting on the outlook for the remainder of the fiscal year, Mr. Kathwari stated: "So far this fiscal year we have experienced considerable increases in both sales and earnings and, at this stage, we believe that the analyst estimates for the fourth quarter ended June 30, 2006 are within reach."

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 in the United States and abroad, of which 134 are Company-owned. Ethan Allen has 10 manufacturing facilities, which include 2 sawmills, located throughout the United States.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Monday, April 24<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, 2005 and other reports filed with the Securities and Exchange Commission. This press release and related discussions contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect management's current expectations concerning future events and results of the Company, and are subject to various assumptions, risks and uncertainties. Accordingly, actual future events or results could differ materially from those contemplated by the forward-looking statements. The Company assumes no obligation to update or provide revision to any forward-looking statement at any time for any reason.

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EXHIBIT 99.1

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

Selected Consolidated Financial Data:

	Three Months Ended		Nine Months Ended	
	3/31/06	3/31/05	3/31/06	3/31/05
Net Sales	\$ 267.1	\$ 231.2	\$ 794.4	\$ 706.8
Gross Margin	50.5%	47.8%	50.5%	48.1%
Operating Margin	12.5%	12.7%	13.3%	13.7%
Operating Margin (ex restructuring & impairment charge)	12.5%	12.7%	13.9%	13.7%
Net Income	\$ 20.0	\$ 17.9	\$ 63.3	\$ 59.8
Net Income (ex restructuring & impairment charge)	\$ 20.0	\$ 17.9	\$ 65.9	\$ 59.8

Operating Cash Flow	\$ 26.3	\$ 12.4	\$ 92.5	\$ 79.2
Capital Expenditures	\$ 7.1	\$ 8.8	\$ 28.3	\$ 24.2
Treasury Stock Repurchases (settlement date basis)	\$ -	\$ 20.5	\$ 51.1	\$ 59.6
EBITDA	\$ 40.3	\$ 34.8	\$ 124.6	\$ 114.1
EBITDA as % of Net Sales	15.1%	15.0%	15.7%	16.1%
EBITDA (ex restructuring & impairment charge)	\$ 40.3	\$ 34.8	\$ 128.8	\$ 114.1
EBITDA as % of Net Sales (ex restructuring & impairment charge)	15.1%	15.0%	16.2%	16.1%

Selected Financial Data by Business Segment:

	Three Months Ended		Nine Months Ended	
	3/31/06	3/31/05	3/31/06	3/31/05

Retail

Net Sales	\$ 168.2	\$ 137.3	\$ 506.6	\$ 434.8
Operating Margin	0.1%	-0.7%	2.2%	1.8%

	Three Months Ended		Nine Months Ended	
	3/31/06	3/31/05	3/31/06	3/31/05

Wholesale

Net Sales	\$ 192.2	\$ 168.8	\$ 558.2	\$ 491.4
Operating Margin	17.7%	18.7%	17.4%	17.6%
Operating Margin (ex restructuring & impairment charge)	17.7%	18.7%	18.2%	17.6%

EXHIBIT 99.1

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

	Three Months Ended March 31, 2006      2005 (unaudited)		Nine Months Ended March 31, 2006      2005 (unaudited)	
Net sales	\$ 267,071	\$ 231,154	\$ 794,388	\$ 706,752
Cost of sales	132,325	120,704	393,248	366,476
Gross profit	134,746	110,450	401,140	340,276
Operating expenses:				
Selling	58,340	45,506	166,291	137,347
General and administrative	43,067	35,646	124,787	106,319
Restructuring and impairment charges	--	--	4,241	(219)
Total operating expenses	101,407	81,152	295,319	243,447
Operating income	33,339	29,298	105,821	96,829
Interest and other miscellaneous income	1,747	160	2,950	1,406
Interest and other related financing costs	3,095	201	6,497	488
Income before income tax expense	31,991	29,257	102,274	97,747
Income tax expense	11,997	11,322	38,986	37,920
Net income	\$ 19,994	\$ 17,935	\$ 63,288	\$ 59,827
Basic earnings per share:				
Net income per share	\$ 0.61	\$ 0.51	\$ 1.90	\$ 1.68
Basic weighted average shares outstanding	33,021	35,257	33,340	35,690
Diluted earnings per share:				
Net income per share	\$ 0.59	\$ 0.50	\$ 1.85	\$ 1.63
Diluted weighted average shares outstanding	34,046	36,148	34,173	36,603

EXHIBIT 99.1

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

	March 31, 2006 (unaudited)	June 30, 2005
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 185,754	\$ 3,448
Accounts receivable, net	26,724	28,019
Inventories	191,573	186,479
Prepaid expenses and other current assets	48,089	46,443
<b>Total current assets</b>	<b>452,140</b>	<b>264,389</b>
Property, plant, and equipment, net	286,797	275,211
Intangible assets, net	86,032	82,897
Other assets	5,645	5,889
<b>Total Assets</b>	<b>\$ 830,614</b>	<b>\$ 628,386</b>

#### Liabilities and Shareholders' Equity

Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 212	\$ 240
Customer deposits	58,220	53,654
Accounts payable	28,193	19,352
Accrued expenses and other current liabilities	59,063	60,720
<b>Total current liabilities</b>	<b>145,688</b>	<b>133,966</b>
Long-term debt	202,717	12,270
Other long-term liabilities	12,075	12,445
Deferred income taxes	36,261	35,637
<b>Total liabilities</b>	<b>396,741</b>	<b>194,318</b>
Shareholders' equity	433,873	434,068
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 830,614</b>	<b>\$ 628,386</b>

**Ethan Allen Interiors Inc.**  
**GAAP Reconciliation**  
**Three and Nine Months Ended March 31, 2006 and 2005**  
**(in thousands, except per share amounts)**

	Three Months Ended		Nine Months Ended	
	March 2006	2005	March 2006	2005
<b>Net Income / Earnings Per Share</b>				
Net income	\$ 19,994	\$ 17,935	\$ 63,288	\$ 59,827
Add: restructuring and impairment charge, net of related tax effect	--	--	2,624	--
<b>Net income (excluding restructuring and impairment charge)</b>	<b>\$ 19,994</b>	<b>\$ 17,935</b>	<b>\$ 65,912</b>	<b>\$ 59,827</b>
Earnings per basic share	\$ 0.61	\$ 0.51	\$ 1.90	\$ 1.68
<b>Earnings per basic share (excluding restructuring and impairment charge)</b>	<b>\$ 0.61</b>	<b>\$ 0.51</b>	<b>\$ 1.98</b>	<b>\$ 1.68</b>
Basic weighted average shares outstanding	33,021	35,257	33,340	35,690
<b>Earnings per diluted share</b>	<b>\$ 0.59</b>	<b>\$ 0.50</b>	<b>\$ 1.85</b>	<b>\$ 1.63</b>
Earnings per diluted share (excluding restructuring and impairment charge)	\$ 0.59	\$ 0.50	\$ 1.93	\$ 1.63
<b>Diluted weighted average shares outstanding</b>	<b>34,046</b>	<b>36,148</b>	<b>34,173</b>	<b>36,603</b>
<b>Consolidated Operating Income / Operating Margin</b>				
Operating income	\$ 33,339	\$ 29,298	\$ 105,821	\$ 96,829
Add: restructuring and impairment charge	--	--	4,241	--
Operating income (excluding restructuring and impairment charge)	\$ 33,339	\$ 29,298	\$ 110,062	\$ 96,829
<b>Net sales</b>	<b>\$ 267,071</b>	<b>\$ 231,154</b>	<b>\$ 794,388</b>	<b>\$ 706,752</b>
Operating margin	12.5%	12.7%	13.3%	13.7%
<b>Operating margin (excluding restructuring and impairment charge)</b>	<b>12.5%</b>	<b>12.7%</b>	<b>13.9%</b>	<b>13.7%</b>
<b>Wholesale Operating Income / Operating Margin</b>				
Wholesale operating income	\$ 33,974	\$ 31,553	\$ 97,283	\$ 86,572
Add: restructuring and impairment charge	--	--	4,241	--
Wholesale operating income (excluding restructuring and impairment charge)	\$ 33,974	\$ 31,553	\$ 101,524	\$ 86,572
<b>Wholesale net sales</b>	<b>\$ 192,192</b>	<b>\$ 168,796</b>	<b>\$ 558,153</b>	<b>\$ 491,446</b>
Wholesale operating margin	17.7%	18.7%	17.4%	17.6%
<b>Wholesale operating margin (excluding restructuring and impairment charge)</b>	<b>17.7%</b>	<b>18.7%</b>	<b>18.2%</b>	<b>17.6%</b>
<b>EBITDA</b>				
Net income	\$ 19,994	\$ 17,935	\$ 63,288	\$ 59,827
Add: interest expense	3,012	168	6,153	405
Add: income tax expense	11,997	11,322	38,986	37,920
Add: depreciation and amortization	5,285	5,329	16,141	15,975
EBITDA	\$ 40,288	\$ 34,754	\$ 124,568	\$ 114,127
<b>Net sales</b>	<b>\$ 267,071</b>	<b>\$ 231,154</b>	<b>\$ 794,388</b>	<b>\$ 706,752</b>
EBITDA as % of net sales	15.1%	15.0%	15.7%	16.1%
<b>EBITDA</b>	<b>\$ 40,288</b>	<b>\$ 34,754</b>	<b>\$ 124,568</b>	<b>\$ 114,127</b>
Add: restructuring and impairment charge	--	--	4,241	--
<b>EBITDA (excluding restructuring and impairment charge)</b>	<b>\$ 40,288</b>	<b>\$ 34,754</b>	<b>\$ 128,809</b>	<b>\$ 114,127</b>
Net sales	\$ 267,071	\$ 231,154	\$ 794,388	\$ 706,752
<b>EBITDA as % of net sales (excluding restructuring and impairment charge)</b>	<b>15.1%</b>	<b>15.0%</b>	<b>16.2%</b>	<b>16.1%</b>