

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): July 27, 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 No.)

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 July 27, 2006, Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") issued a press release setting forth its operating results for the three and twelve months ended June 30, 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 twelve months ended June 30, 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 July 27, 2006
99.2	Reconciliation of unaudited, non-GAAP financial information disclosed in July 27, 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: July 27, 2006

By: /s/ M. Farooq Kathwari
M. Farooq Kathwari
*Chairman, President and
Chief Executive Officer*

EXHIBIT INDEX

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FOR IMMEDIATE RELEASE

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

**ETHAN ALLEN REPORTS RECORD ANNUAL SALES;
RESULTS FOR THE QUARTER AND FISCAL YEAR ENDED JUNE 30, 2006**

DANBURY, CT., July 27, 2006 - Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") (NYSE:ETH) today reported operating results for the three and twelve months ended June 30, 2006.

Year Ended June 30, 2006

For the twelve months ended June 30, 2006, the Company achieved record sales totaling \$1.066 billion, an increase of 12.4% from \$949.0 million in the prior year. Net delivered sales for the Company's Retail division increased 17.9% to \$691.0 million, while Wholesale sales increased 11.0% to \$736.1 million during that same period. Comparable Ethan Allen store delivered sales increased 12.3% over the prior year.

For the twelve months ended June 30, 2006, earnings per share, which includes a pre-tax restructuring and impairment charge of \$4.2 million related to the Company's ongoing conversion of one of its existing manufacturing facilities into a regional distribution center, increased 14.6% to \$2.51 on net income of \$85.7 million. This compares to earnings per share and net income of \$2.19 and \$79.3 million, respectively, in the prior year. Excluding the impact of the restructuring and impairment charge, earnings per share for the current twelve-month period amounted to \$2.59 on net income of \$88.3 million.

During the current fiscal year, the Company utilized \$84.1 million of available cash from operations to repurchase 2.5 million shares of its common stock in the open market. As of June 30, 2006, the Company had remaining authorization available to repurchase an additional 1.6 million shares.

Three Months Ended June 30, 2006

Net delivered sales for the quarter ended June 30, 2006 increased 12.3% to \$272.0 million from \$242.3 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 21.8% to \$184.4 million, while Wholesale sales increased 3.6% to \$178.0 million during that same period. Comparable Ethan Allen store delivered sales increased 12.8% over the prior year quarter.

For the quarter ended June 30, 2006, earnings per share increased 17.9% to \$0.66 on net income of \$22.4 million. This compares to earnings per share and net income of \$0.56 and \$19.5 million, respectively, in the prior year comparable period.

During the current quarter, the Company utilized \$33.0 million of available cash from operations to repurchase 910,900 shares of its common stock in the open market.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the year and in reaching the milestone of \$1 billion in annual sales. We believe that the continued progress being made by Ethan Allen is reflective of several initiatives undertaken in recent years, including: the continued repositioning of our retail network; investments to increase the professionalism of our retail management team; the success of new product introductions; improved advertising and marketing programs; and faster delivery of our products to our customers. All of these initiatives have been undertaken with a common objective – a renewed focus on superior customer service."

Mr. Kathwari continued: "As I have stated previously, a number of these initiatives have entailed significant cost. Still, despite these costs and the current year effects of the higher prices of selected raw materials and fuel, we have recognized notable increases in both profitability and operating cash flow."

Commenting on the Company's outlook for the fiscal year ended June 30, 2007, Mr. Kathwari stated: "While the results of the last twelve months are encouraging, written business in recent months has slowed from the levels noted during the past year. In addition, we remain cautiously aware of the state of the economy and the threat of further increases in interest rates and fuel prices which could have an adverse impact on consumer spending and profitability. Still, with the strategies we've recently implemented, we believe we have the opportunity to continue to grow our business. At the present time, we believe that fiscal year 2007 sales and earnings per share will increase 5-7% and 10-12%, respectively. As always, we will provide updates to this guidance during the year should circumstances warrant."

Ethan Allen 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 306 interior design centers in the United States and abroad, of which 139 are Company-owned. Ethan Allen has 11 manufacturing facilities, which include 2 sawmills, located throughout the United States.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Thursday, June 27th. The live webcast and replay are accessible via the Company's website at 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.

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

Selected Consolidated Financial Data:

	Three Months Ended		Twelve Months Ended	
	6/30/06	6/30/05	6/30/06	6/30/05
Net Sales	\$ 272.0	\$ 242.3	\$ 1,066.4	\$ 949.0
Gross Margin	51.4%	49.9%	50.7%	48.6%
Operating Margin	13.5%	13.3%	13.4%	13.6%

Operating Margin (ex restructuring & impairment charge)	13.5%	13.3%	13.8%	13.6%
Net Income	\$ 22.4	\$ 19.5	\$ 85.7	\$ 79.3
Net Income (ex restructuring & impairment charge)	\$ 22.4	\$ 19.5	\$ 88.3	\$ 79.3
Operating Cash Flow	\$ 39.7	\$ 24.2	\$ 132.1	\$ 103.3
Capital Expenditures	\$ 13.2	\$ 6.1	\$ 41.5	\$ 30.3
Treasury Stock Repurchases (settlement date basis)	\$ 33.0	\$ 22.6	\$ 84.1	\$ 82.2
EBITDA	\$ 44.2	\$ 37.3	\$ 168.8	\$ 151.4
EBITDA as % of Net Sales	16.2%	15.4%	15.8%	16.0%
EBITDA (ex restructuring & impairment charge)	\$ 44.2	\$ 37.3	\$ 173.0	\$ 151.4
EBITDA as % of Net Sales (ex restructuring & impairment charge)	16.2%	15.4%	16.2%	16.0%

Selected Financial Data by Business Segment:

<i>Retail</i>	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/05</u>
Net Sales	\$ 184.4	\$ 151.4	\$ 691.0	\$ 586.2
Operating Margin	4.6%	3.1%	2.9%	2.2%

<i>Wholesale</i>	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/05</u>
Net Sales	\$ 178.0	\$ 171.8	\$ 736.1	\$ 663.2
Operating Margin	15.7%	17.1%	17.0%	17.5%
Operating Margin (ex restructuring & impairment charge)	15.7%	17.1%	17.6%	17.5%

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

	<u>Three Months Ended June 30,</u>		<u>Twelve Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ 272,002	\$ 242,260	\$ 1,066,390	\$ 949,012
Cost of sales	132,160	121,482	525,408	487,958
Gross profit	139,842	120,778	540,982	461,054
Operating expenses:				
Selling	58,113	50,707	224,404	188,054
General and administrative	44,878	37,922	169,665	144,241
Restructuring and impairment charges	-	-	4,241	(219)
Total operating expenses	102,991	88,629	398,310	332,076
Operating income	36,851	32,149	142,672	128,978
Interest and other miscellaneous income	1,976	(203)	4,926	1,203
Interest and other related financing costs	2,996	273	9,493	761
Income before income tax expense	35,831	31,673	138,105	129,420
Income tax expense	13,437	12,162	52,423	50,082
Net income	\$ 22,394	\$ 19,511	\$ 85,682	\$ 79,338

Basic earnings per share:

Net income per share	\$ 0.68	\$ 0.57	\$ 2.58	\$ 2.24
Basic weighted average shares outstanding	32,819	34,531	33,210	35,400

Diluted earnings per share:

Net income per share	\$ 0.66	\$ 0.56	\$ 2.51	\$ 2.19
Diluted weighted average shares outstanding	33,824	34,960	34,086	36,193

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

	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 173,801	\$ 3,448
Accounts receivable, net	22,179	28,019
Inventories	189,650	186,479
Prepaid expenses and other current assets	38,126	46,443
Total current assets	423,756	264,389
Property, plant, and equipment, net	294,170	275,211
Intangible assets, net	87,899	82,897
Other assets	6,416	5,889
Total Assets	\$ 812,241	\$ 628,386
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 39	\$ 240
Customer deposits	53,203	53,654
Accounts payable	30,560	19,352
Accrued expenses and other current liabilities	61,916	60,720
Total current liabilities	145,718	133,966
Long-term debt	202,748	12,270
Other long-term liabilities	12,151	12,445
Deferred income taxes	34,182	35,637
Total liabilities	394,799	194,318
Shareholders' equity	417,442	434,068
Total Liabilities and Shareholders' Equity	\$ 812,241	\$ 628,386

Ethan Allen Interiors Inc.
GAAP Reconciliation
Three and Twelve Months Ended June 30, 2006 and 2005
(in thousands, except per share amounts)

EXHIBIT 99.2

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2006	2005	2006	2005
Net Income / Earnings Per Share				
Net income	\$ 22,394	\$ 19,511	\$ 85,682	\$ 79,338
Add: restructuring and impairment charge, net of related tax effect	--	--	2,631	--
Net income (excluding restructuring and impairment charge)	\$ 22,394	\$ 19,511	\$ 88,313	\$ 79,338
Earnings per basic share	\$ 0.68	\$ 0.57	\$ 2.58	\$ 2.24
Earnings per basic share (excluding restructuring and impairment charge)	\$ 0.68	\$ 0.57	\$ 2.66	\$ 2.24
Basic weighted average shares outstanding	32,819	34,531	33,210	35,400
Earnings per diluted share	\$ 0.66	\$ 0.56	\$ 2.51	\$ 2.19
Earnings per diluted share (excluding restructuring and impairment charge)	\$ 0.66	\$ 0.56	\$ 2.59	\$ 2.19
Diluted weighted average shares outstanding	33,824	34,960	34,086	36,193
Consolidated Operating Income / Operating Margin				
Operating income	\$ 36,851	\$ 32,149	\$ 142,672	\$ 128,978
Add: restructuring and impairment charge	--	--	4,241	--
Operating income (excluding restructuring and impairment charge)	\$ 36,851	\$ 32,149	\$ 146,913	\$ 128,978
Net sales	\$ 272,002	\$ 242,260	\$1,066,390	\$ 949,012
Operating margin	13.5%	13.3%	13.4%	13.6%
Operating margin (excluding restructuring and impairment charge)	13.5%	13.3%	13.8%	13.6%
Wholesale Operating Income / Operating Margin				
Wholesale operating income	\$ 27,906	\$ 29,291	\$ 125,189	\$ 115,863
Add: restructuring and impairment charge	--	--	4,241	--
Wholesale operating income (excluding restructuring and impairment charge)	\$ 27,906	\$ 29,291	\$ 129,430	\$ 115,863
Wholesale net sales	\$ 177,981	\$ 171,772	\$ 736,134	\$ 663,218
Wholesale operating margin	15.7%	17.1%	17.0%	17.5%
Wholesale operating margin (excluding restructuring and impairment charge)	15.7%	17.1%	17.6%	17.5%
EBITDA				
Net income	\$ 22,394	\$ 19,511	\$ 85,682	\$ 79,338
Add: interest expense	2,911	251	9,064	656
Add: income tax expense	13,437	12,162	52,423	50,082
Add: depreciation and amortization	5,458	5,363	21,599	21,338
EBITDA	\$ 44,200	\$ 37,287	\$ 168,768	\$ 151,414
Net sales	\$ 272,002	\$ 242,260	\$1,066,390	\$ 949,012
EBITDA as % of net sales	16.2%	15.4%	15.8%	16.0%
EBITDA	\$ 44,200	\$ 37,287	\$ 168,768	\$ 151,414
Add: restructuring and impairment charge	--	--	4,241	--
EBITDA (excluding restructuring and impairment charge)	\$ 44,200	\$ 37,287	\$ 173,009	\$ 151,414

Net sales \$ 272,002 \$ 242,260 \$1,066,390 \$ 949,012

EBITDA as % of net sales 16.2% 15.4% 16.2% 16.0%