

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): January 24, 2007

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 January 24, 2007, 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, 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 effects of restructuring and impairment charges recorded during the six months ended December 31, 2006 and December 31, 2005 as a result of the Company’s decision to consolidate selected manufacturing facilities and/or convert such facilities into regional distribution centers. 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

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|----------------|---|
| 99.1 | Press release dated January 24, 2007 |
| 99.2 | Reconciliation of non-GAAP financial information disclosed in January 24, 2007 press release and conference call to the most directly comparable GAAP financial measure |

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: January 24, 2007

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 24, 2007 |
| 99.2 | Reconciliation of non-GAAP financial information disclosed in January 24, 2007 press release and conference call to the most directly comparable GAAP financial measure |

FOR IMMEDIATE RELEASE

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

ETHAN ALLEN ANNOUNCES SECOND QUARTER SALES AND EARNINGS

DANBURY, CT., January 24, 2007 - Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") (NYSE:ETH) today reported sales and earnings for the three and six months ended December 31, 2006.

Three and Six Month Results

Net delivered sales for the quarter ended December 31, 2006 amounted to \$257.4 million as compared to \$276.0 million in the prior year quarter. Net delivered sales for the Company's Retail division decreased 1.4% to \$177.4 million, while Wholesale sales decreased 11.7% to \$165.7 million during that same period. Comparable Ethan Allen design center delivered sales decreased 8.5% as compared to the prior year quarter.

For the six months ended December 31, 2006, net delivered sales totaled \$500.2 million as compared to \$527.3 million in the prior year comparable period. Net delivered sales for the Company's Retail division increased 1.5% to \$343.4 million, while Wholesale sales decreased 12.2% to \$321.3 million during that same period. Comparable Ethan Allen design center delivered sales decreased 5.3% as compared to the prior year comparable period.

For the quarter ended December 31, 2006, earnings per share amounted to \$0.70 on net income of \$22.8 million. This compares to earnings per share and net income of \$0.77 and \$26.2 million, respectively, in the prior year comparable period.

For the six months ended December 31, 2006, earnings per share, which includes a previously announced September 2006 restructuring and impairment charge, amounted to \$0.96 on net income of \$31.2 million. This compares to earnings per share and net income of \$1.26 and \$43.3 million, respectively, in the prior year comparable period which included a September 2005 restructuring and impairment charge. Excluding the impact of these charges in both periods, earnings per share amounted to \$1.22 on net income of \$39.8 million in the current year period as compared to earnings per share and net income of \$1.34 and \$45.9 million, respectively, in the prior year comparable period.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased to report quarterly operating earnings of 14.2% of sales despite a soft home furnishings retail environment and challenging prior year comparisons which, together, resulted in a 6.7% decline in sales. Delivered sales and earnings for the December 2005 quarter were favorably impacted by stronger economic conditions and our initiative to reduce the lead time associated with the delivery of our products to the consumer. As a result, we experienced a substantial reduction in our backlog and increased profitability during the prior year quarter."

Mr. Kathwari further stated: "Our focus remains the positioning of Ethan Allen as a provider of interior design solutions. In order to achieve this objective, we continue to strengthen the professionalism of our associates, develop stylish products which better facilitate a one-stop design experience, and open new design centers in key markets. These efforts, we believe, along with our comprehensive and coordinated marketing programs, provide us a distinct competitive advantage and an opportunity to grow our business."

Commenting on business trends, Mr. Kathwari continued: "We saw positive trends in comparable written sales during the month of December. We also recognize that the home furnishings retail environment, as a whole, remains uncertain. At this stage, due to the strong positioning of Ethan Allen at retail, we believe the current average of analyst estimates for the fiscal third quarter ended March 31, 2007 is 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 307 design centers in the United States and abroad, of which 149 are Company-owned. Ethan Allen has 9 manufacturing facilities, which include 2 sawmills, located throughout the United States.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Wednesday, January 24th. 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, 2006 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 | | Six Months Ended | |
|--|--------------------|----------|------------------|----------|
| | 12/31/06 | 12/31/05 | 12/31/06 | 12/31/05 |
| Net Sales | \$ 257.4 | \$ 276.0 | \$ 500.2 | \$ 527.3 |
| Gross Margin | 52.0% | 50.7% | 52.0% | 50.5% |
| Operating Margin | 14.2% | 16.0% | 10.1% | 13.7% |
| Operating Margin (ex restructuring & impairment charge (credit)) | 14.1% | 16.0% | 12.9% | 14.5% |
| Net Income | \$ 22.8 | \$ 26.2 | \$ 31.2 | \$ 43.3 |
| Net Income (ex restructuring & impairment charge (credit)) | \$ 22.6 | \$ 26.2 | \$ 39.8 | \$ 45.9 |
| Operating Cash Flow | \$ 20.9 | \$ 20.5 | \$ 56.2 | \$ 66.1 |

| | | | | |
|---|---------|---------|---------|---------|
| Capital Expenditures | \$ 19.3 | \$ 16.3 | \$ 34.9 | \$ 21.1 |
| Treasury Stock Repurchases (settlement date basis) | \$ - | \$ 14.3 | \$ 17.7 | \$ 51.1 |
| EBITDA | \$ 42.9 | \$ 49.5 | \$ 62.9 | \$ 82.7 |
| EBITDA as % of Net Sales | 16.7% | 17.9% | 12.6% | 15.7% |
| EBITDA (ex restructuring & impairment charge (credit)) | \$ 42.6 | \$ 49.5 | \$ 76.5 | \$ 86.9 |
| EBITDA as % of Net Sales (ex restructuring & impairment charge (credit)) | 16.5% | 17.9% | 15.3% | 16.5% |

Selected Financial Data by Business Segment:

| <i>Retail</i> | Three Months Ended | | Six Months Ended | |
|------------------|--------------------|----------|------------------|----------|
| | 12/31/06 | 12/31/05 | 12/31/06 | 12/31/05 |
| Net Sales | \$ 177.4 | \$ 180.0 | \$ 343.4 | \$ 338.4 |
| Operating Margin | 3.3% | 5.2% | 2.5% | 3.3% |

| <i>Wholesale</i> | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | 12/31/06 | 12/31/05 | 12/31/06 | 12/31/05 |
| Net Sales | \$ 165.7 | \$ 187.5 | \$ 321.3 | \$ 366.0 |
| Operating Margin | 18.2% | 17.9% | 12.9% | 17.3% |
| Operating Margin (ex restructuring & impairment charge (credit)) | 18.0% | 17.9% | 17.2% | 18.5% |

EXHIBIT 99.1

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

| | Three Months Ended December 31, 2006 2005 (unaudited) | | Six Months Ended December 31, 2006 2005 (unaudited) | |
|--|---|------------|---|------------|
| | | | | |
| Net sales | \$ 257,419 | \$ 276,003 | \$ 500,242 | \$ 527,317 |
| Cost of sales | 123,669 | 136,149 | 240,163 | 260,923 |
| Gross profit | 133,750 | 139,854 | 260,079 | 266,394 |
| Operating expenses: | | | | |
| Selling | 54,175 | 54,511 | 109,213 | 107,951 |
| General & administrative | 43,360 | 41,055 | 86,485 | 81,720 |
| Restructuring & impairment charge (credit) | (314) | - | 13,622 | 4,241 |
| Total operating expenses | 97,221 | 95,566 | 209,320 | 193,912 |
| Operating income | 36,529 | 44,288 | 50,759 | 72,482 |
| Interest & other miscellaneous income | 2,575 | 1,161 | 4,807 | 1,203 |
| Interest & other related financing costs | 2,915 | 2,974 | 5,853 | 3,402 |
| Income before income tax expense | 36,189 | 42,475 | 49,713 | 70,283 |
| Income tax expense | 13,397 | 16,311 | 18,469 | 26,989 |
| Net income | \$ 22,792 | \$ 26,164 | \$ 31,244 | \$ 43,294 |

Basic earnings per share:

| | | | | |
|---|---------|---------|---------|---------|
| Net income per share | \$ 0.72 | \$ 0.79 | \$ 0.98 | \$ 1.29 |
| Basic weighted average shares outstanding | 31,737 | 33,078 | 31,776 | 33,499 |

Diluted earnings per share:

| | | | | |
|---|---------|---------|---------|---------|
| Net income per share | \$ 0.70 | \$ 0.77 | \$ 0.96 | \$ 1.26 |
| Diluted weighted average shares outstanding | 32,503 | 33,845 | 32,567 | 34,236 |

EXHIBIT 99.1

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

| | December 31, 2006 (unaudited) | June 30, 2006 |
|---|--|--------------------------|
| | <u> </u> | <u> </u> |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 155,564 | \$ 173,801 |
| Accounts receivable, net | 15,212 | 22,179 |
| Inventories | 179,604 | 189,650 |
| Prepaid expenses and other current assets | 41,548 | 38,126 |
| Total current assets | 391,928 | 423,756 |
| Property, plant, and equipment, net | 312,581 | 294,170 |
| Intangible assets, net | 90,127 | 87,899 |
| Other assets | 6,122 | 6,416 |
| Total Assets | \$ 800,758 | \$ 812,241 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Current maturities of long-term debt | \$ 39 | \$ 39 |
| Customer deposits | 46,709 | 53,203 |
| Accounts payable | 23,403 | 28,549 |
| Accrued expenses and other current liabilities | 64,217 | 63,927 |
| Total current liabilities | 134,368 | 145,718 |
| Long-term debt | 202,808 | 202,748 |
| Other long-term liabilities | 12,183 | 12,151 |
| Deferred income taxes | 30,985 | 34,182 |
| Total liabilities | 380,344 | 394,799 |
| Shareholders' equity | 420,414 | 417,442 |
| Total Liabilities and Shareholders' Equity | \$ 800,758 | \$ 812,241 |

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

| | Three Months Ended December | | Six Months Ended December | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net Income / Earnings Per Share | | | | |
| Net income | \$ 22,792 | \$ 26,164 | \$ 31,244 | \$ 43,294 |
| Add: restructuring and impairment charge (credit), net of related tax effect | (198) | - | 8,561 | 2,612 |
| Net income (excluding restructuring and impairment charge (credit)) | \$ 22,594 | \$ 26,164 | \$ 39,805 | \$ 45,906 |
| Earnings per basic share | \$ 0.72 | \$ 0.79 | \$ 0.98 | \$ 1.29 |
| Earnings per basic share (excluding restructuring and impairment charge (credit)) | \$ 0.71 | \$ 0.79 | \$ 1.25 | \$ 1.37 |
| Basic weighted average shares outstanding | 31,737 | 33,078 | 31,776 | 33,499 |
| Earnings per diluted share | \$ 0.70 | \$ 0.77 | \$ 0.96 | \$ 1.26 |
| Earnings per diluted share (excluding restructuring and impairment charge (credit)) | \$ 0.70 | \$ 0.77 | \$ 1.22 | \$ 1.34 |
| Diluted weighted average shares outstanding | 32,503 | 33,845 | 32,567 | 34,236 |
| Consolidated Operating Income / Operating Margin | | | | |
| Operating income | \$ 36,529 | \$ 44,288 | \$ 50,759 | \$ 72,482 |
| Add: restructuring and impairment charge (credit) | (314) | - | 13,622 | 4,241 |
| Operating income (excluding restructuring and impairment charge (credit)) | \$ 36,215 | \$ 44,288 | \$ 64,381 | \$ 76,723 |
| Net sales | \$ 257,419 | \$ 276,003 | \$ 500,242 | \$ 527,317 |
| Operating margin | 14.2% | 16.0% | 10.1% | 13.7% |
| Operating margin (excluding restructuring and impairment charge (credit)) | 14.1% | 16.0% | 12.9% | 14.5% |
| Wholesale Operating Income / Operating Margin | | | | |
| Wholesale operating income | \$ 30,137 | \$ 33,494 | \$ 41,561 | \$ 63,309 |
| Add: restructuring and impairment charge (credit) | (314) | - | 13,622 | 4,241 |
| Wholesale operating income (excluding restructuring and impairment charge (credit)) | \$ 29,823 | \$ 33,494 | \$ 55,183 | \$ 67,550 |
| Wholesale net sales | \$ 165,661 | \$ 187,535 | \$ 321,302 | \$ 365,961 |
| Wholesale operating margin | 18.2% | 17.9% | 12.9% | 17.3% |
| Wholesale operating margin (excluding restructuring and impairment charge (credit)) | 18.0% | 17.9% | 17.2% | 18.5% |
| EBITDA | | | | |
| Net income | \$ 22,792 | \$ 26,164 | \$ 31,244 | \$ 43,294 |
| Add: interest expense (income), net | 869 | 1,505 | 1,718 | 1,560 |
| Add: income tax expense | 13,397 | 16,311 | 18,469 | 26,989 |
| Add: depreciation and amortization | 5,819 | 5,535 | 11,423 | 10,855 |
| EBITDA | \$ 42,877 | \$ 49,515 | \$ 62,854 | \$ 82,698 |
| Net sales | \$ 257,419 | \$ 276,003 | \$ 500,242 | \$ 527,317 |
| EBITDA as % of net sales | 16.7% | 17.9% | 12.6% | 15.7% |
| EBITDA | \$ 42,877 | \$ 49,515 | \$ 62,854 | \$ 82,698 |
| Add: restructuring and impairment charge (credit) | (314) | - | 13,622 | 4,241 |
| EBITDA (excluding restructuring and impairment charge (credit)) | \$ 42,563 | \$ 49,515 | \$ 76,476 | \$ 86,939 |
| Net sales | \$ 257,419 | \$ 276,003 | \$ 500,242 | \$ 527,317 |
| EBITDA as % of net sales (excluding restructuring and impairment charge (credit)) | 16.5% | 17.9% | 15.3% | 16.5% |