

**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): October 24, 2007

**ETHAN ALLEN INTERIORS INC.**

(Exact name of registrant as specified in its charter)

|   |   |  |
|---|---|--|
| <b><u>Delaware</u></b><br>(State or other jurisdiction of<br>incorporation) | <b><u>1-11692</u></b><br>(Commission File Number) | <b><u>06-1275288</u></b><br>(I.R.S. Employer Identification No.) |
|---|---|--|

|  |                                   |
|--|-----------------------------------|
| <b><u>Ethan Allen Drive</u></b><br><b><u>Danbury, CT</u></b><br>(Address of principal executive offices) | <b><u>06811</u></b><br>(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 October 24, 2007, Ethan Allen Interiors Inc. (“Ethan Allen” or the “Company”) issued a press release setting forth its operating results for the three months ended September 30, 2007. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Also on October 24, 2007, Ethan Allen conducted a conference call during which certain unaudited, non-GAAP financial information related to the Company’s operations for the three months ended September 30, 2007 and September 30, 2006 was disclosed. This information is set forth in the attached Exhibit 99.2.

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 a restructuring and impairment charge recorded during the three months ended September 30, 2006 as a result of the Company’s decision to consolidate two manufacturing facilities, converting one of those 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**

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u>  |
|----------------|---|
| 99.1           | Press release dated October 24, 2007  |
| 99.2           | Reconciliation of non-GAAP financial information disclosed in October 24, 2007 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: October 24, 2007

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

## **EXHIBIT INDEX**

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|----------------|---|
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FOR IMMEDIATE RELEASE

Ethan Allen Interiors Inc.  
Investor/ Media Contact:Peg Lupton  
(203) 743-8234**ETHAN ALLEN ANNOUNCES FIRST QUARTER SALES AND EARNINGS**

DANBURY, CT., October 24, 2007 – Ethan Allen Interiors Inc. (“Ethan Allen” or the “Company”) (NYSE:ETH) today reported operating results for the three months ended September 30, 2007.

Net delivered sales for the quarter ended September 30, 2007 increased 2.4% to \$248.7 million as compared to \$242.8 million in the prior year quarter. Net delivered sales for the Company’s Retail division increased 10.1% to \$182.8 million. Wholesale sales increased 0.4% to \$156.3 million during that same period. Comparable Ethan Allen design center delivered sales increased 0.2% as compared to the prior year quarter.

For the quarter ended September 30, 2007, earnings per share amounted to \$0.57 on net income of \$17.5 million. This compares to earnings per share and net income of \$0.26 and \$8.5 million, respectively, in the prior year comparable period which included a September 2006 restructuring and impairment charge. Excluding the impact of this charge, prior period earnings per share amounted to \$0.53 on net income of \$17.2 million.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the first quarter ended September 30, 2007. Despite continued uncertainty with respect to the economy, concerns with respect to the consumer credit situation, and a softer overall environment for home furnishings retail, sales and net income for the quarter improved. Our quarterly earnings per share increased 7.5% to \$0.57 from \$0.53, ex-restructuring, in the prior year period, reflecting a higher gross margin, continued cost containment efforts and the benefit of share repurchases. The consolidated operating margin reflects the addition of 17 Company-owned design centers since September 2006 and continued implementation of our project management initiative, including related investments in recruiting and training programs. For the quarter ended September 30, 2007, the Company generated \$41.5 million in operating cash, utilizing \$12.5 million to fund capital expenditures associated, primarily, with the opening of new design centers and \$38.3 million to repurchase 1.1 million shares of our common stock in the open market at an average cost per share of approximately \$33.50. As previously announced, the Company’s Board of Directors increased the then remaining share repurchase authorization to 2.5 million shares in July. As of September 30, 2007, the Company had remaining authorization available to repurchase an additional 2.1 million shares."

**EXHIBIT 99.1**

Mr. Kathwari continued: "We continue to make progress in our efforts to position Ethan Allen as a leading interior design company focused on providing solutions and service. As I have stated previously, our plan to achieve this objective involves: the strengthening of our recruiting and training programs in order to increase the professionalism of our retail management team; the development of stylish, high-quality products at good value; the continued repositioning of our retail network to more prominent locations; further enhancements to our advertising and marketing programs; and process improvements to enable faster delivery of our products to our customers. We believe it is these initiatives that provide us a distinct competitive advantage and an opportunity to grow our business."

Commenting on current business trends, Mr. Kathwari stated: "While our first quarter results were promising, we are aware of the difficult economic environment that still exists. However, we remain cautiously optimistic with regard to our ability to continue to do relatively well as we move forward."

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 a network of 310 design centers in the United States and abroad, of which 158 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, October 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).

In addition, on October 29<sup>th</sup>, the Company will host an investor conference at its headquarters in Danbury, Connecticut. In connection with this event, management will share its new style projections, products and marketing plan, all of which were recently introduced to the Company's retail network. A live webcast of the event will also be available at [www.ethanallen.com/investors](http://www.ethanallen.com/investors).

#### EXHIBIT 99.1

This press release should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2007 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:

|   | <b>Three Months Ended</b> |                |
|---|---------------------------|----------------|
|   | <b>9/30/07</b>            | <b>9/30/06</b> |
| <b>Net Sales</b>  | \$ 248.7                  | \$ 242.8       |
| Gross Margin  | 53.7%                     | 52.0%          |
| <b>Operating Margin</b>   | 11.2%                     | 5.9%           |
| Operating Margin (ex restructuring & impairment charges)                    | 11.2%                     | 11.6%          |
| <b>Net Income</b>   | \$ 17.5                   | \$ 8.5         |
| Net Income (ex restructuring & impairment charges)                          | \$ 17.5                   | \$ 17.2        |
| <b>Operating Cash Flow</b>  | \$ 41.5                   | \$ 36.9        |
| Capital Expenditures  | \$ 12.5                   | \$ 15.7        |
| Treasury Stock Repurchases (settlement date basis)                          | \$ 41.7                   | \$ 17.7        |
| EBITDA  | \$ 35.1                   | \$ 20.0        |
| <b>EBITDA as % of Net Sales</b>   | 14.1%                     | 8.2%           |
| EBITDA (ex restructuring & impairment charges)                              | \$ 35.1                   | \$ 33.9        |
| <b>EBITDA as % of Net Sales (ex restructuring &amp; impairment charges)</b> | 14.1%                     | 14.0%          |

Selected Financial Data by Business Segment:

|                      | <b>Three Months Ended</b> |                |
|----------------------|---------------------------|----------------|
|                      | <b>9/30/07</b>            | <b>9/30/06</b> |
| <b><i>Retail</i></b> |                           |                |
| <b>Net Sales</b>     | \$ 182.8                  | \$ 166.0       |
| Operating Margin     | 0.5%                      | 1.7%           |

|  | <b>Three Months Ended</b> |                |
|--|---------------------------|----------------|
|  | <b>9/30/07</b>            | <b>9/30/06</b> |
| <b><i>Wholesale</i></b>                                  |                           |                |
| <b>Net Sales</b>   | \$ 156.3                  | \$ 155.6       |
| Operating Margin   | 17.1%                     | 7.3%           |
| Operating Margin (ex restructuring & impairment charges) | 17.1%                     | 16.3%          |

## EXHIBIT 99.1

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

|  | Three Months<br>Ended September 30, |                 |
|--|-------------------------------------|-----------------|
|  | 2007                                | 2006            |
| Net sales  | \$ 248,727                          | \$ 242,823      |
| Cost of sales                                      | 115,270                             | 116,494         |
| <b>Gross Profit</b>                                | <b>133,457</b>                      | <b>126,329</b>  |
| Operating Expenses:                                |                                     |                 |
| Selling  | 57,578                              | 55,038          |
| General and administrative                         | 48,082                              | 43,125          |
| Restructuring and impairment charge                | --                                  | 13,936          |
| <b>Total operating expenses</b>                    | <b>105,660</b>                      | <b>112,099</b>  |
| Operating Income                                   | 27,797                              | 14,230          |
| Interest and other miscellaneous income            | 2,922                               | 2,232           |
| Interest and other related financing costs         | 2,935                               | 2,938           |
| <b>Income before income tax expense</b>            | <b>27,784</b>                       | <b>13,524</b>   |
| Income tax expense                                 | 10,280                              | 5,072           |
| <b>Net Income</b>                                  | <b>\$ 17,504</b>                    | <b>\$ 8,452</b> |
| <b>Basic earnings per share:</b>                   |                                     |                 |
| Net income per share                               | \$ 0.58                             | \$ 0.27         |
| <b>Basic weighted average shares outstanding</b>   | <b>30,084</b>                       | <b>31,815</b>   |
| <b>Diluted earnings per share:</b>                 |                                     |                 |
| Net income per share                               | \$ 0.57                             | \$ 0.26         |
| <b>Diluted weighted average shares outstanding</b> | <b>30,464</b>                       | <b>32,631</b>   |

## EXHIBIT 99.1

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

|   | September 30,<br>2007 | June 30,<br>2007 |
|---|-----------------------|------------------|
| <b>Assets</b>                               |                       |                  |
| Current Assets:                             |                       |                  |
| Cash and cash equivalents                   | \$ 133,484            | \$ 147,879       |
| Accounts receivable, net                    | 14,255                | 14,602           |
| Inventories                                 | 181,297               | 181,884          |
| Prepaid expenses and other current assets   | 29,572                | 33,104           |
| Deferred income taxes                       | 4,464                 | 4,960            |
| Total current assets                        | 363,072               | 382,429          |
| Property, plant, and equipment, net         | 326,460               | 322,185          |
| Intangible assets, net                      | 92,656                | 92,500           |
| Other assets                                | 5,246                 | 5,484            |
| Total Assets                                | \$ 787,434            | \$ 802,598       |
| <b>Liabilities and Shareholders' Equity</b> |                       |                  |
| Current Liabilities:                        |                       |                  |

|   |                   |                   |
|---|-------------------|-------------------|
| Current maturities of long-term debt              | \$ 40             | \$ 40             |
| Customer deposits                                 | 56,216            | 52,072            |
| Accounts payable                                  | 25,184            | 26,650            |
| Accrued expenses and other current liabilities    | 68,125            | 68,677            |
| <b>Total current liabilities</b>                  | <b>149,565</b>    | <b>147,439</b>    |
| Long-term debt                                    | 202,899           | 202,868           |
| Other long-term liabilities                       | 21,144            | 12,003            |
| Deferred income taxes                             | 30,199            | 30,646            |
| <b>Total liabilities</b>                          | <b>403,807</b>    | <b>392,956</b>    |
| Shareholders' equity                              | 383,627           | 409,642           |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 787,434</b> | <b>\$ 802,598</b> |

Ethan Allen Interiors Inc.  
GAAP Reconciliation  
Three Months Ended September 30, 2007 and 2006  
(in thousands, except per share amounts)

|  | Three Months Ended<br>September |            |
|--|---------------------------------|------------|
|  | 2007                            | 2006       |
| <b>Net Income / Earnings Per Share</b>                                     |                                 |            |
| Net income   | \$ 17,504                       | \$ 8,452   |
| Add: restructuring and impairment charge, net of related tax effect        | --                              | 8,709      |
| Net income (excluding restructuring and impairment charge)                 | \$ 17,504                       | \$ 17,161  |
| Earnings per basic share   | \$ 0.58                         | \$ 0.27    |
| Earnings per basic share (excluding restructuring and impairment charge)   | \$ 0.58                         | \$ 0.54    |
| Basic weighted average shares outstanding                                  | 30,084                          | 31,815     |
| Earnings per diluted share   | \$ 0.57                         | \$ 0.26    |
| Earnings per diluted share (excluding restructuring and impairment charge) | \$ 0.57                         | \$ 0.53    |
| Diluted weighted average shares outstanding                                | 30,464                          | 32,631     |
| <b>Consolidated Operating Income / Operating Margin</b>                    |                                 |            |
| Operating income   | \$ 27,797                       | \$ 14,230  |
| Add: restructuring and impairment charge                                   | --                              | 13,936     |
| Operating income (excluding restructuring and impairment charge)           | \$ 27,797                       | \$ 28,166  |
| Net sales  | \$ 248,727                      | \$ 242,823 |
| Operating margin   | 11.2%                           | 5.9%       |
| Operating margin (excluding restructuring and impairment charge)           | 11.2%                           | 11.6%      |
| <b>Wholesale Operating Income / Operating Margin</b>                       |                                 |            |
| Wholesale operating income   | \$ 26,780                       | \$ 11,424  |
| Add: restructuring and impairment charge                                   | --                              | 13,936     |
| Wholesale operating income (excluding restructuring and impairment charge) | \$ 26,780                       | \$ 25,360  |
| Wholesale net sales  | \$ 156,323                      | \$ 155,641 |
| Wholesale operating margin   | 17.1%                           | 7.3%       |
| Wholesale operating margin (excluding restructuring and impairment charge) | 17.1%                           | 16.3%      |
| <b>EBITDA</b>  |                                 |            |
| Net income   | \$ 17,504                       | \$ 8,452   |
| Add: interest expense (income), net  | 1,397                           | 849        |
| Add: income tax expense  | 10,280                          | 5,072      |
| Add: depreciation and amortization   | 5,937                           | 5,604      |
| EBITDA   | \$ 35,118                       | \$ 19,977  |
| Net sales  | \$ 248,727                      | \$ 242,823 |
| EBITDA as % of net sales   | 14.1%                           | 8.2%       |
| EBITDA   | \$ 35,118                       | \$ 19,977  |
| Add: restructuring and impairment charge                                   | --                              | 13,936     |
| EBITDA (excluding restructuring and impairment charge)                     | \$ 35,118                       | \$ 33,913  |
| Net sales  | \$ 248,727                      | \$ 242,823 |

|  |       |       |
|--|-------|-------|
| EBITDA as % of net sales (excluding restructuring and impairment charge) | 14.1% | 14.0% |
|--|-------|-------|