
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 23, 2008

ETHAN ALLEN INTERIORS INC.

(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation)	<u>1-11692</u> (Commission File Number)	<u>06-1275288</u> (I.R.S. Employer Identification No.)
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<u>Ethan Allen Drive</u> <u>Danbury, CT</u> (Address of principal executive offices)	<u>06811</u> (Zip Code)
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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))
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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 23, 2008, 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, 2007. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Also on January 23, 2008 Ethan Allen conducted a conference call during which certain unaudited, non-GAAP financial information related to the Company's operations for the three and six months ended December 31, 2007 and December 31, 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

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<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated January 23, 2008
99.2	Reconciliation of non-GAAP financial information disclosed in January 23, 2008 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: January 23, 2008

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 23, 2008
99.2	Reconciliation of non-GAAP financial information disclosed in January 23, 2008 press release and conference call to the most directly comparable GAAP financial measure

FOR IMMEDIATE RELEASE

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

ETHAN ALLEN ANNOUNCES SECOND QUARTER SALES AND EARNINGS

DANBURY, CT., January 23, 2008 – Ethan Allen Interiors Inc. (“Ethan Allen” or the “Company”) (NYSE:ETH) today reported operating results for the three and six months ended December 31, 2007.

Three Month Results

Net delivered sales for the quarter ended December 31, 2007 increased 0.8% to \$259.5 million as compared to \$257.4 million in the prior year quarter. Net delivered sales for the Company’s Retail division increased 8.6% to \$192.6 million. Wholesale sales decreased 5.9% to \$155.9 million during that same period. Comparable Ethan Allen design center delivered sales decreased 0.6% as compared to the prior year quarter.

For the quarter ended December 31, 2007, earnings per diluted share amounted to \$0.70 on net income of \$20.6 million. This compares to earnings per diluted share and net income of \$0.70 and \$22.8 million, respectively, in the prior year comparable period.

Six Month Results

For the six months ended December 31, 2007, net delivered sales increased 1.6% to \$508.2 million as compared to \$500.2 million in the prior year comparable period. Net delivered sales for the Company’s Retail division increased 9.3% to \$375.3 million, while Wholesale sales decreased 2.8% to \$312.3 million during that same period. Comparable Ethan Allen design center delivered sales were basically even with the prior year comparable period.

For the six months ended December 31, 2007, earnings per diluted share amounted to \$1.27 on net income of \$38.1 million. This compares to earnings per diluted share and net income of \$0.96 and \$31.2 million, respectively, in the prior year comparable period which included a September 2006 restructuring and impairment charge. Excluding the impact of this charge in the prior year period, earnings per diluted share amounted to \$1.22 on net income of \$39.8 million, respectively.

Farooq Kathwari, Chairman and CEO, commented, “We continue to show positive sales results both for the quarter and for the six months ended December 31, 2007. For the quarter ended December 31, 2007 our gross margin increased to 53.7% from 52%, our operating earnings remained very strong at 12.9%, and our earnings per share were \$0.70, the same as in the prior year, and for the six months our earnings per share were \$1.27 compared to \$1.22 before restructure charges in the prior year. So far this fiscal year we have generated \$47.4 million in operating cash, and utilized \$30.3 million to fund capital expenditures oriented primarily toward opening new design centers and \$64.8 million to repurchase shares of our common stock. In January 2008 we spent an additional \$5.3 million to repurchase shares of our common stock, and as of January 23, 2008, we have remaining authorization to repurchase 1.7 million shares.”

Mr. Kathwari further stated, “Our positive results reflect the ongoing re-positioning of our Company to provide interior design solutions. This has involved numerous initiatives including strengthening our retail network by relocating design centers to stronger retail locations with ten new design centers opened during the last six months, the implementation of the project management program and intensive training programs, remerchandising about 80% of our product line to implement the new lifestyle projections, a strong regional and national advertising program, and investments in our manufacturing and logistics network.”

Commenting on the near term future outlook Mr. Kathwari said, "While we are operating in a difficult economic environment, especially for the home and home furnishing categories, we remain cautiously optimistic that we have the opportunity to continue to do well due to the above mentioned initiatives that positions Ethan Allen as a

provider of style, quality, value and solutions."

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 305 design centers in the United States and abroad, of which 160 are Company-owned. Ethan Allen has 9 manufacturing facilities, which include 2 sawmills, located throughout the United States and 1 facility located in Mexico.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Wednesday, January 23rd. 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, 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:

	Three Months Ended		Six Months Ended	
	12/31/07	12/31/06	12/31/07	12/31/06
Net Sales	\$ 259.5	\$ 257.4	\$ 508.2	\$ 500.2
Gross Margin	53.7%	52.0%	53.7%	52.0%
Operating Margin	12.9%	14.2%	12.1%	10.1%
Operating Margin (ex restructuring & impairment charge (credit))	12.9%	14.1%	12.1%	12.9%
Net Income	\$ 20.6	\$ 22.8	\$ 38.1	\$ 31.2
Net Income (ex restructuring & impairment charge (credit))	\$ 20.6	\$ 22.6	\$ 38.1	\$ 39.8
Operating Cash Flow	\$ 6.0	\$ 20.9	\$ 47.4	\$ 56.2
Capital Expenditures	\$ 17.8	\$ 19.3	\$ 30.3	\$ 34.9
Treasury Stock Repurchases (settlement date basis)	\$ 23.1	\$ -	\$ 64.8	\$ 17.7
EBITDA	\$ 40.6	\$ 42.9	\$ 75.7	\$ 62.9
EBITDA as % of Net Sales	15.6%	16.7%	14.9%	12.6%
EBITDA (ex restructuring & impairment charge (credit))	\$ 40.6	\$ 42.6	\$ 75.7	\$ 76.5
EBITDA as % of Net Sales (ex restructuring & impairment charge (credit))	15.6%	16.5%	14.9%	15.3%

Selected Financial Data by Business Segment:

	Three Months Ended		Six Months Ended	
	12/31/07	12/31/06	12/31/07	12/31/06
<i>Retail</i>				
Net Sales	\$ 192.6	\$ 177.4	\$ 375.3	\$ 343.4
Operating Margin	3.3%	3.3%	1.9%	2.5%

	Three Months Ended		Six Months Ended	
	12/31/07	12/31/06	12/31/07	12/31/06
<i>Wholesale</i>				
Net Sales	\$ 155.9	\$ 165.7	\$ 312.3	\$ 321.3
Operating Margin	16.9%	18.2%	17.0%	12.9%
Operating Margin (ex restructuring & impairment charge (credit))	16.9%	18.0%	17.0%	17.2%

EXHIBIT 99.1

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2007	2006	2007	2006
	(unaudited)		(unaudited)	
Net sales	\$ 259,510	\$ 257,419	\$ 508,237	\$ 500,242
Cost of sales	<u>120,057</u>	<u>123,669</u>	<u>235,327</u>	<u>240,163</u>
Gross profit	139,453	133,750	272,910	260,079
Operating expenses:				
Selling	57,600	54,175	115,178	109,213
General & administrative	48,356	43,360	96,438	86,485
Restructuring & impairment charge (credit)	<u>-</u>	<u>(314)</u>	<u>-</u>	<u>13,622</u>
Total operating expenses	<u>105,956</u>	<u>97,221</u>	<u>211,616</u>	<u>209,320</u>
Operating income	33,497	36,529	61,294	50,759
Interest & other miscellaneous income	2,181	2,575	5,103	4,807
Interest & other related financing costs	<u>2,944</u>	<u>2,915</u>	<u>5,879</u>	<u>5,853</u>
Income before income tax expense	32,734	36,189	60,518	49,713
Income tax expense	<u>12,112</u>	<u>13,397</u>	<u>22,392</u>	<u>18,469</u>
Net income	<u>\$ 20,622</u>	<u>\$ 22,792</u>	<u>\$ 38,126</u>	<u>\$ 31,244</u>
Basic earnings per share:				
Net income per share	<u>\$ 0.70</u>	<u>\$ 0.72</u>	<u>\$ 1.28</u>	<u>\$ 0.98</u>
Basic weighted average shares outstanding	29,391	31,737	29,738	31,776
Diluted earnings per share:				
Net income per share	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 1.27</u>	<u>\$ 0.96</u>
Diluted weighted average shares outstanding	29,542	32,503	30,003	32,567

EXHIBIT 99.1

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

December 31,	June 30,
2007	2007

Assets

Current Assets:

Cash and cash equivalents	\$ 86,268	\$ 147,879
Accounts receivable, net	12,330	14,602
Inventories	184,353	181,884
Prepaid expenses and other current assets	30,464	33,104
Deferred income taxes	<u>4,429</u>	<u>4,960</u>
Total current assets	317,844	382,429
Property, plant, and equipment, net	341,019	322,185
Intangible assets, net	94,197	92,500
Other assets	<u>5,034</u>	<u>—</u>
Total Assets	\$ <u>758,094</u>	\$ <u>802,598</u>

Liabilities and Shareholders' Equity

Current Liabilities:

Current maturities of long-term debt	\$ 40	\$ 40
Customer deposits	44,881	52,072
Accounts payable	23,886	26,650
Accrued expenses and other current liabilities	<u>61,525</u>	<u>68,677</u>
Total current liabilities	130,332	147,439
Long-term debt	202,928	202,868
Other long-term liabilities	20,542	12,003
Deferred income taxes	<u>28,960</u>	<u>30,646</u>
Total liabilities	382,762	392,956
Shareholders' equity	<u>375,332</u>	<u>409,642</u>
Total Liabilities and Shareholders' Equity	\$ <u>758,094</u>	\$ <u>802,598</u>

Ethan Allen Interiors Inc.
GAAP Reconciliation
Three and Six Months Ended December 31, 2007 and
2006
(in thousands, except per share amounts)

EXHIBIT
99.2

	Three Months Ended December		Six Months Ended December	
	2007	2006	2007	2006
Net Income / Earnings Per Share				
Net income	\$ 20,622	\$ 22,792	\$ 38,126	\$ 31,244
Add: restructuring and impairment charge, net of related tax effect	-	(198)	-	8,561
Net income (excluding restructuring and impairment charge)	<u>\$ 20,622</u>	<u>\$ 22,594</u>	<u>\$ 38,126</u>	<u>\$ 39,805</u>
Earnings per basic share	<u>\$ 0.70</u>	<u>\$ 0.72</u>	<u>\$ 1.28</u>	<u>\$ 0.98</u>
Earnings per basic share (excluding restructuring and impairment charge)	<u>\$ 0.70</u>	<u>\$ 0.71</u>	<u>\$ 1.28</u>	<u>\$ 1.25</u>
Basic weighted average shares outstanding	29,391	31,737	29,738	31,776
Earnings per diluted share	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 1.27</u>	<u>\$ 0.96</u>
Earnings per diluted share (excluding restructuring and impairment charge)	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 1.27</u>	<u>\$ 1.22</u>
Diluted weighted average shares outstanding	29,542	32,503	30,003	32,567
Consolidated Operating Income / Operating Margin				
Operating income	\$ 33,497	\$ 36,529	\$ 61,294	\$ 50,759
Add: restructuring and impairment charge	-	(314)	-	13,622
Operating income (excluding restructuring and impairment charge)	<u>\$ 33,497</u>	<u>\$ 36,215</u>	<u>\$ 61,294</u>	<u>\$ 64,381</u>
Net sales	<u>\$ 259,510</u>	<u>\$ 257,419</u>	<u>\$ 508,237</u>	<u>\$ 500,242</u>
Operating margin	<u>12.9%</u>	<u>14.2%</u>	<u>12.1%</u>	<u>10.1%</u>
Operating margin (excluding restructuring and impairment charge)	<u>12.9%</u>	<u>14.1%</u>	<u>12.1%</u>	<u>12.9%</u>
Wholesale Operating Income / Operating Margin				
Wholesale operating income	\$ 26,376	\$ 30,137	\$ 53,156	\$ 41,561
Add: restructuring and impairment charge	-	(314)	-	13,622
Wholesale operating income (excluding restructuring and impairment charge)	<u>\$ 26,376</u>	<u>\$ 29,823</u>	<u>\$ 53,156</u>	<u>\$ 55,183</u>
Wholesale net sales	<u>\$ 155,930</u>	<u>\$ 165,661</u>	<u>\$ 312,253</u>	<u>\$ 321,302</u>
Wholesale operating margin	<u>16.9%</u>	<u>18.2%</u>	<u>17.0%</u>	<u>12.9%</u>
Wholesale operating margin (excluding restructuring and impairment charge)	<u>16.9%</u>	<u>18.0%</u>	<u>17.0%</u>	<u>17.2%</u>
EBITDA				
Net income	\$ 20,622	\$ 22,792	\$ 38,126	\$ 31,244
Add: interest expense (income), net	1,686	869	3,083	1,718
Add: income tax expense	12,112	13,397	22,392	18,469
Add: depreciation and amortization	6,149	5,819	12,086	11,423
EBITDA	<u>\$ 40,569</u>	<u>\$ 42,877</u>	<u>\$ 75,687</u>	<u>\$ 62,854</u>
Net sales	<u>\$ 259,510</u>	<u>\$ 257,419</u>	<u>\$ 508,237</u>	<u>\$ 500,242</u>
EBITDA as % of net sales	<u>15.6%</u>	<u>16.7%</u>	<u>14.9%</u>	<u>12.6%</u>
EBITDA	\$ 40,569	\$ 42,877	\$ 75,687	\$ 62,854
Add: restructuring and impairment charge	-	(314)	-	13,622
EBITDA (excluding restructuring and impairment charge)	<u>\$ 40,569</u>	<u>\$ 42,563</u>	<u>\$ 75,687</u>	<u>\$ 76,476</u>
Net sales	<u>\$ 259,510</u>	<u>\$ 257,419</u>	<u>\$ 508,237</u>	<u>\$ 500,242</u>
EBITDA as % of net sales (excluding restructuring and impairment charge)	<u>15.6%</u>	<u>16.5%</u>	<u>14.9%</u>	<u>15.3%</u>