

**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 29, 2004

**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. Employee<br>Identification Number) |
| <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)

**INFORMATION TO BE INCLUDED IN REPORT**

**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.**

(c) Exhibits

| <u>Exhibit</u> | <u>Description</u>  |
|----------------|---|
| 99.1           | Press release dated July 29, 2004   |
| 99.2           | Reconciliation of unaudited, non-GAAP financial information disclosed in July 29, 2004 press release and conference call to the most directly comparable GAAP financial measure |

**Item 12. Disclosure of Results of Operations and Financial Condition.**

The information in 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, nor shall it 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 29, 2004, 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, 2004. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Also on July 29, 2004, Ethan Allen conducted a conference call during which certain unaudited, non-GAAP financial information related to the Company's operations for the three and twelve months ended June 30, 2004 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 restructuring and impairment charges recorded during the three months ended June 30, 2004 and March 31, 2003 as a result of the Company's decision to consolidate selected manufacturing facilities during those periods. A reconciliation of these financial measures to the most directly comparable GAAP financial measure 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 charge. 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 generally accepted accounting principles, 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.

3

### 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 29, 2004

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

4

### EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u>  |
|----------------|---|
| 99.1           | Press release dated July 29, 2004   |
| 99.2           | Reconciliation of unaudited, non-GAAP financial information disclosed in July 29, 2004 press release and conference call to the most directly comparable GAAP financial measure |

5

FOR IMMEDIATE RELEASE

Ethan Allen Interiors Inc.  
Investor Contact: Peg Lupton  
(203) 743-8234  
Media Contact: Kelly Maicon  
(203) 743-8575

**ETHAN ALLEN REPORTS RECORD ANNUAL SALES;  
RESULTS FOR THE QUARTER AND FISCAL YEAR ENDED JUNE 30, 2004**

DANBURY, CT., July 29, 2004 -- Ethan Allen Interiors Inc. (NYSE:ETH) today reported sales and earnings for the fourth quarter and fiscal year ended June 30, 2004.

As was previously announced in April 2004, the Company recorded a pre-tax restructuring and impairment charge of \$12.8 million (or \$0.21 per share) during its fourth quarter ended June 30, 2004 related to the consolidation of two manufacturing facilities.

Year Ended June 30, 2004

For the fiscal year ended June 30, 2004, the Company achieved record annual sales totaling \$955.1 million, an increase of 5.3%, from \$907.3 million in the prior fiscal year. Annual net delivered sales for the Company's Retail division increased 9.5% to \$576.2 million, while Wholesale sales increased 1.9% to \$673.8 million during that same period. Year-to-date, comparable Ethan Allen store delivered sales increased 4.6%.

On a full-year basis, total written orders increased 4.4% as compared to the prior year. Within that same period, Wholesale net orders booked increased 3.2%, while Retail written sales increased 7.7% and comparable store written sales increased 2.6%.

Fiscal year earnings per share, including pre-tax restructuring and impairment charges of \$12.5 million, amounted to \$2.10 on net income of \$80.3 million. This compares to earnings per share and net income of \$1.95 and \$75.4 million, respectively, for the prior fiscal year, which included pre-tax restructuring and impairment charges of \$13.1 million. Excluding the impact of the restructuring and impairment charges in both periods, earnings per share and net income amounted to \$2.30 and \$88.0 million, respectively, for the current year as compared to \$2.17 and \$83.5 million, respectively, for the prior year.

Three Months Ended June 30, 2004

Net delivered sales for the fourth quarter ended June 30, 2004 increased 4.3% to \$246.6 million from \$236.4 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 7.6% to \$149.9 million, while Wholesale sales increased 0.8% to \$172.3 million during that same period. For the quarter, comparable Ethan Allen store delivered sales increased 6.1%.

Total written orders decreased 7.6% as compared to the prior year quarter. At the Wholesale level, net orders booked decreased 10.2%, while at the Retail level, written sales decreased 0.9% and comparable store written sales decreased 2.6%. The decline in Wholesale orders was partially due to the timing of new product introductions and a leveling of incoming orders resulting from full implementation of the "everyday pricing" program.

For the fourth quarter ended June 30, 2004, earnings per share, including the aforementioned pre-tax restructuring and impairment charge of \$12.8 million, amounted to \$0.36 on net income of \$13.6 million as compared to \$0.54 and \$20.5 million, respectively, in the prior year quarter. Excluding the impact of the restructuring and impairment charge, earnings per share for the current quarter amounted to \$0.57 on net income of \$21.5 million.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the year. Despite a challenging economic environment we achieved record annual sales of \$955 million and increased net income, excluding restructuring and impairment charges in both periods, by 5.4%. In addition, during the fourth quarter, we utilized over \$150 million of available cash to pay a special cash dividend of \$3.00 per share, repurchase our stock, and also pay our regular quarterly cash dividend."

Mr. Kathwari further stated: "The last twelve months have provided us an opportunity to make major improvements to our products, our marketing programs, our retail network and all aspects of our operations, including product sourcing. We believe we are in a very good position to take advantage of expected improvements in the economy and the consumer's continued interest in home decorating. Also, through the introduction of our latest solution - "everyday pricing" - on all of our products, we expect to benefit further from greater productivity of our approximately 3,000 design consultants, increased credibility with the consumer, and an overall improvement in service."

On the question of business trends, Mr. Kathwari stated: "During the last two weeks, we have seen increased traffic in our stores. Consumers appear cautiously optimistic about the state of the economy and we share that view for this coming quarter. For fiscal 2005, barring any unexpected deterioration in the economy or consumer confidence, we believe we have the opportunity to generate sales and earnings per share growth of approximately 8% and 11%, respectively."

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 127 are Company-owned. Ethan Allen has 12 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, July 29<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, 2003 and other reports filed with the Securities and Exchange Commission. Management's discussion in this release contains forward-looking statements relating to future results of the Company. These forward-looking statements are subject to various assumptions, risk and uncertainties, and accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

#####

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

Selected Consolidated Financial Data:

| Three Months Ended |         | Twelve Months Ended |         |
|--------------------|---------|---------------------|---------|
| 6/30/04            | 6/30/03 | 6/30/04             | 6/30/03 |
|                    |         |                     |         |

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Net Sales   | \$ 246.6 | \$ 236.4 | \$ 955.1 | \$ 907.3 |
| Gross Margin  | 47.5%    | 48.6%    | 48.3%    | 49.5%    |
| Operating Margin  | 9.0%     | 13.8%    | 13.4%    | 13.3%    |
| Operating Margin (ex restructuring & impairment charge)         | 14.2%    | 13.8%    | 14.7%    | 14.7%    |
| Net Income  | \$ 13.6  | \$ 20.5  | \$ 80.3  | \$ 75.4  |
| Net Income (ex restructuring & impairment charge)               | \$ 21.5  | \$ 20.5  | \$ 88.0  | \$ 83.5  |
| Operating Cash Flow   | \$ 13.0  | \$ 26.3  | \$ 125.5 | \$ 100.1 |
| Capital Expenditures  | \$ 9.1   | \$ 3.9   | \$ 23.0  | \$ 27.2  |
| Treasury Stock Repurchases (settlement date basis)              | \$ 38.3  | \$ 2.4   | \$ 38.3  | \$ 50.7  |
| EBITDA  | \$ 27.8  | \$ 38.6  | \$ 152.3 | \$ 143.0 |
| EBITDA as % of Net Sales  | 11.3%    | 16.3%    | 15.9%    | 15.8%    |
| EBITDA (ex restructuring & impairment charge)                   | \$ 40.6  | \$ 38.6  | \$ 164.8 | \$ 156.1 |
| EBITDA as % of Net Sales (ex restructuring & impairment charge) | 16.5%    | 16.3%    | 17.3%    | 17.2%    |

Selected Financial Data by Business Segment:

|   | Three Months Ended |          | Twelve Months Ended |          |
|---|--------------------|----------|---------------------|----------|
|   | 6/30/04            | 6/30/03  | 6/30/04             | 6/30/03  |
| <b>Retail</b>   |                    |          |                     |          |
| Net Sales   | \$ 149.9           | \$ 139.3 | \$ 576.2            | \$ 526.4 |
| Operating Margin  | 1.9%               | 0.9%     | 2.3%                | 2.8%     |
|   | Three Months Ended |          | Twelve Months Ended |          |
|   | 6/30/04            | 6/30/03  | 6/30/04             | 6/30/03  |
| <b>Wholesale</b>  |                    |          |                     |          |
| Net Sales   | \$ 172.3           | \$ 170.9 | \$ 673.8            | \$ 661.0 |
| Operating Margin  | 9.7%               | 18.4%    | 16.0%               | 16.5%    |
| Operating Margin (ex restructuring & impairment charge) | 17.1%              | 18.4%    | 17.9%               | 18.5%    |

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

|   | Three Months Ended June 30, |                  | Twelve Months Ended June 30, |                  |
|---|-----------------------------|------------------|------------------------------|------------------|
|   | 2004 (unaudited)            | 2003 (unaudited) | 2004 (unaudited)             | 2003 (unaudited) |
| Net sales                                   | \$246,600                   | \$236,448        | \$955,107                    | \$907,264        |
| Cost of sales                               | 129,515                     | 121,533          | 494,027                      | 457,880          |
| <b>Gross profit</b>                         | <b>117,085</b>              | <b>114,915</b>   | <b>461,080</b>               | <b>449,384</b>   |
| Operating expenses:                         |                             |                  |                              |                  |
| Selling                                     | 45,966                      | 46,586           | 176,841                      | 178,608          |
| General and administrative                  | 36,155                      | 35,622           | 143,914                      | 136,970          |
| Restructuring and impairment charges        | 12,784                      | -                | 12,520                       | 13,131           |
| Total operating expenses                    | 94,905                      | 82,208           | 333,275                      | 328,709          |
| <b>Operating income</b>                     | <b>22,180</b>               | <b>32,707</b>    | <b>127,805</b>               | <b>120,675</b>   |
| Interest and other miscellaneous income     | 161                         | 455              | 3,332                        | 1,162            |
| Interest and other related financing costs  | 154                         | 138              | 641                          | 645              |
| Income before income tax expense            | 22,187                      | 33,024           | 130,496                      | 121,192          |
| Income tax expense                          | 8,542                       | 12,483           | 50,156                       | 45,811           |
| Net income                                  | \$ 13,645                   | \$ 20,541        | \$ 80,340                    | \$ 75,381        |
| <b>Basic earnings per share:</b>            |                             |                  |                              |                  |
| Net income per share                        | \$ 0.37                     | \$ 0.55          | \$ 2.16                      | \$ 2.00          |
| Basic weighted average shares outstanding   | 36,919                      | 37,117           | 37,179                       | 37,607           |
| <b>Diluted earnings per share:</b>          |                             |                  |                              |                  |
| Net income per share                        | \$ 0.36                     | \$ 0.54          | \$ 2.10                      | \$ 1.95          |
| Diluted weighted average shares outstanding | 37,963                      | 38,033           | 38,295                       | 38,569           |

Reconciliation of GAAP to Non-GAAP Information

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Net income   | \$ 13,645        | \$ 20,541        | \$ 80,340        | \$ 75,381        |
| Add: restructuring & impairment charge,<br>net of related tax effect | 7,862            | -                | 7,708            | 8,168            |
| <b>Net income (ex restructuring &amp; impairment charge)</b>         | <b>\$ 21,507</b> | <b>\$ 20,541</b> | <b>\$ 88,048</b> | <b>\$ 83,549</b> |
| Earnings per basic share (ex restructuring &<br>impairment charge)   | \$ 0.58          | \$ 0.55          | \$ 2.37          | \$ 2.22          |
| <b>Basic weighted average shares outstanding</b>                     | <b>36,919</b>    | <b>37,117</b>    | <b>37,179</b>    | <b>37,607</b>    |
| Earnings per diluted share (ex restructuring &<br>impairment charge) | \$ 0.57          | \$ 0.54          | \$ 2.30          | \$ 2.17          |
| <b>Diluted weighted average shares outstanding</b>                   | <b>37,963</b>    | <b>38,033</b>    | <b>38,295</b>    | <b>38,569</b>    |

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

|   | June 30,<br>2004  | June 30,<br>2003  |
|---|-------------------|-------------------|
|   | (unaudited)       |                   |
| <b>Assets</b>   |                   |                   |
| Current Assets:   |                   |                   |
| Cash and cash equivalents   | \$ 27,528         | \$ 81,856         |
| Accounts receivable, net  | 26,967            | 26,439            |
| Inventories   | 186,895           | 198,212           |
| Prepaid expenses and other current assets                             | 54,192            | 53,755            |
| <b>Total current assets</b>   | <b>295,582</b>    | <b>360,262</b>    |
| Property, plant, and equipment, net                                   | 277,021           | 289,423           |
| Intangible assets, net  | 80,038            | 78,939            |
| Other assets  | 1,790             | 2,944             |
| <b>Total Assets</b>   | <b>\$ 654,431</b> | <b>\$ 731,568</b> |
| <b>Liabilities and Shareholders' Equity</b>                           |                   |                   |
| Current Liabilities:  |                   |                   |
| Current maturities of long-term debt<br>and capital lease obligations | \$ 4,712          | \$ 996            |
| Customer deposits   | 56,026            | 55,939            |
| Accounts payable  | 22,222            | 25,375            |
| Accrued expenses  | 53,729            | 52,116            |
| <b>Total current liabilities</b>                                      | <b>136,689</b>    | <b>134,426</b>    |
| Long-term debt  | 4,509             | 9,222             |
| Other long-term liabilities   | 1,205             | 2,682             |
| Deferred income taxes   | 51,248            | 47,539            |
| <b>Total liabilities</b>  | <b>193,651</b>    | <b>193,869</b>    |
| Shareholders' equity  | 460,780           | 537,699           |
| <b>Total Liabilities and Shareholders' Equity</b>                     | <b>\$ 654,431</b> | <b>\$ 731,568</b> |

**Ethan Allen Interiors Inc.**  
**GAAP Reconciliation**  
**Three and Twelve Months Ended June 30, 2004 and 2003**  
(in thousands, except per share amounts)

|   | Three Months Ended<br>June 30 |                  | Twelve Months Ended<br>June 30 |                   |
|---|-------------------------------|------------------|--------------------------------|-------------------|
|   | 2004                          | 2003             | 2004                           | 2003              |
| <b>Net Income / Earnings Per Share</b>  |                               |                  |                                |                   |
| Net income  | \$ 13,645                     | \$ 20,541        | \$ 80,340                      | \$ 75,381         |
| Add: restructuring and impairment charge, net of related tax effect               | 7,862                         | -                | 7,708                          | 8,168             |
| <b>Net income (excluding restructuring and impairment charge)</b>                 | <b>\$ 21,507</b>              | <b>\$ 20,541</b> | <b>\$ 88,048</b>               | <b>\$ 83,549</b>  |
| Earnings per basic share  | \$ 0.37                       | \$ 0.55          | \$ 2.16                        | \$ 2.00           |
| <b>Earnings per basic share (excluding restructuring and impairment charge)</b>   | <b>\$ 0.58</b>                | <b>\$ 0.55</b>   | <b>\$ 2.37</b>                 | <b>\$ 2.22</b>    |
| Basic weighted average shares outstanding   | 36,919                        | 37,117           | 37,179                         | 37,607            |
| <b>Earnings per diluted share</b>   | <b>\$ 0.36</b>                | <b>\$ 0.54</b>   | <b>\$ 2.10</b>                 | <b>\$ 1.95</b>    |
| Earnings per diluted share (excluding restructuring and impairment charge)        | \$ 0.57                       | \$ 0.54          | \$ 2.30                        | \$ 2.17           |
| <b>Diluted weighted average shares outstanding</b>                                | <b>37,963</b>                 | <b>38,033</b>    | <b>38,295</b>                  | <b>38,569</b>     |
| <b>Consolidated Operating Income / Operating Margin</b>                           |                               |                  |                                |                   |
| Operating income  | \$ 22,180                     | \$ 32,707        | \$ 127,805                     | \$ 120,675        |
| Add: restructuring and impairment charge  | 12,784                        | -                | 12,520                         | 13,131            |
| <b>Operating income (excluding restructuring and impairment charge)</b>           | <b>\$ 34,964</b>              | <b>\$ 32,707</b> | <b>\$ 140,325</b>              | <b>\$ 133,806</b> |
| Net sales   | \$ 246,600                    | \$ 236,448       | \$ 955,107                     | \$ 907,264        |
| <b>Operating margin</b>   | <b>9.0%</b>                   | <b>13.8%</b>     | <b>13.4%</b>                   | <b>13.3%</b>      |
| Operating margin (excluding restructuring and impairment charge)                  | 14.2%                         | 13.8%            | 14.7%                          | 14.7%             |
| <b>Wholesale Operating Income / Operating Margin</b>                              |                               |                  |                                |                   |
| Wholesale operating income  | \$ 16,745                     | \$ 31,443        | \$ 108,069                     | \$ 109,373        |
| Add: restructuring and impairment charge  | 12,784                        | -                | 12,520                         | 13,131            |
| <b>Wholesale operating income (excluding restructuring and impairment charge)</b> | <b>\$ 29,529</b>              | <b>\$ 31,443</b> | <b>\$ 120,589</b>              | <b>\$ 122,504</b> |
| Wholesale net sales   | \$ 172,254                    | \$ 170,888       | \$ 673,771                     | \$ 660,986        |
| <b>Wholesale operating margin</b>   | <b>9.7%</b>                   | <b>18.4%</b>     | <b>16.0%</b>                   | <b>16.5%</b>      |
| Wholesale operating margin (excluding restructuring and impairment charge)        | 17.1%                         | 18.4%            | 17.9%                          | 18.5%             |
| <b>EBITDA</b>   |                               |                  |                                |                   |
| Net income  | \$ 13,645                     | \$ 20,541        | \$ 80,340                      | \$ 75,381         |
| Add: interest expense   | 119                           | 102              | 500                            | 504               |
| Add: income tax expense   | 8,542                         | 12,483           | 50,156                         | 45,811            |
| Add: depreciation and amortization  | 5,522                         | 5,435            | 21,277                         | 21,296            |
| <b>EBITDA</b>   | <b>\$ 27,828</b>              | <b>\$ 38,561</b> | <b>\$ 152,273</b>              | <b>\$ 142,992</b> |
| Net sales   | \$ 246,600                    | \$ 236,448       | \$ 955,107                     | \$ 907,264        |
| <b>EBITDA as % of net sales</b>   | <b>11.3%</b>                  | <b>16.3%</b>     | <b>15.9%</b>                   | <b>15.8%</b>      |
| EBITDA  | \$ 27,828                     | \$ 38,561        | \$ 152,273                     | \$ 142,992        |
| Add: restructuring and impairment charge  | 12,784                        | -                | 12,520                         | 13,131            |

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| EBITDA (excluding restructuring and impairment charge) | \$ 40,612         | \$ 38,561         | \$ 164,793        | \$ 156,123        |
| <b>Net sales</b>                                       | <b>\$ 246,600</b> | <b>\$ 236,448</b> | <b>\$ 955,107</b> | <b>\$ 907,264</b> |
| EBITDA as % of net sales                               | 16.5%             | 16.3%             | 17.3%             | 17.2%             |