

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 19, 2004

**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(b) under the Exchange Act (17 CFR 240.14a-12(b))
- 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**

**Item 2.02 Results of Operations and Financial Condition**

The information in this Form 8-K and the Exhibit 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 October 19, 2004, Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") issued a press release setting forth its operating results for the first quarter ended September 30, 2004. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Exhibit 99.1 includes a reference to the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"). A reconciliation of this financial measure to the most directly comparable GAAP financial measure is also provided in the attached Exhibit.

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 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.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated October 19, 2004

**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.

Date: October 19, 2004

By: /s/ M. Farooq Kathwari

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M. Farooq Kathwari  
*Chairman, President and  
Chief Executive Officer*

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**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated October 19, 2004

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FOR IMMEDIATE RELEASE

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

### ETHAN ALLEN ANNOUNCES FIRST QUARTER SALES AND EARNINGS

DANBURY, CT., October 19, 2004 -- Ethan Allen Interiors Inc. (NYSE:ETH) today reported sales and earnings for the first quarter ended September 30, 2004.

Net delivered sales for the first quarter ended September 30, 2004 increased 3.4% to \$230.3 million from \$222.8 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 6.8% to \$141.7 million, while Wholesale sales increased 1.5% to \$161.3 million during that same period. Comparable Ethan Allen store delivered sales increased 4.9% over the prior year quarter. During that same period, Retail division written sales decreased 0.2% while comparable store written sales decreased 1.7%.

For the first quarter ended September 30, 2004, earnings per share amounted to \$0.51 as compared to \$0.50 in the prior year quarter. Operating income increased 9.3% to \$31.2 million from \$28.6 million in the prior year period and net income in both periods amounted to \$18.9 million.

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the quarter. Despite continued uncertainty on the part of consumers and poor weather conditions in the South and Southeast regions of the country during the period, our sales increased by 3.4% and, more importantly, our operating earnings increased by 9.3%. We generated operating cash in excess of \$37.0 million and returned more than \$20.0 million to our shareholders through the repurchase of stock and the payment of quarterly dividends."

Mr. Kathwari further stated: "We continue to strengthen all facets of our marketing and operations. After introducing major new products in our formal lifestyle offerings during

EXHIBIT 99.1

the last two years, we are now in the process of introducing casual and contemporary product offerings which will be launched to the consumer later this year and in the first half of next year." He further commented: "The Ethan Allen direct mail magazine remains one of our major competitive advantages. We have started to substantially increase the distribution of the magazine and expect to reach over 70 million households during the next twelve months."

On the question of business trends, Mr. Kathwari stated: "There continue to be many factors outside of our control that could affect consumer confidence in the months ahead. However, due to the many strategic initiatives that we have undertaken, we believe we have the opportunity to grow sales and earnings per share at a rate equal to or above the current consensus estimates of 5% and 8%, respectively, for the fiscal year ended June 30, 2005."

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 315 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 Tuesday, October 19<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, 2004 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.

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EXHIBIT 99.1

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

Selected Consolidated Financial Data:

	Three Months Ended	
	9/30/04	9/30/03
Net Sales	\$ 230.3	\$ 222.8
Gross Margin	47.9%	48.7%
Operating Margin	13.6%	12.8%
Net Income	\$ 18.9	\$ 18.9
Operating Cash Flow	\$ 37.4	\$ 50.0
Capital Expenditures	\$ 7.5	\$ 4.0
Treasury Stock Repurchases (settlement date basis)	\$ 18.6	\$ --
EBITDA	\$ 36.4	\$ 36.0
EBITDA as % of Net Sales	15.8%	16.2%

Selected Financial Data by Business Segment:

<i>Retail</i>	Three Months Ended	
	9/30/04	9/30/03
Net Sales	\$ 141.7	\$ 132.7
Operating Margin	2.3%	0.2%

<i>Wholesale</i>	Three Months Ended	
	9/30/04	9/30/03
Net Sales	\$ 161.3	\$ 158.9
Operating Margin	17.5%	17.0%

EXHIBIT 99.1

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

	Three Months Ended September 30,	
	2004	2003
Net sales	\$ 230,346	\$ 222,765
Cost of sales	119,953	114,322
<b>Gross Profit</b>	<b>110,393</b>	<b>108,443</b>
Operating Expenses:		
Selling	43,213	44,609
General and administrative	36,112	35,522
Restructuring and impairment charges	(167)	(264)
<b>Total operating expenses</b>	<b>79,158</b>	<b>79,867</b>
Operating Income	31,235	28,576
Interest and other miscellaneous income (loss)	(55)	2,211
Interest and other related financing costs	149	141
<b>Income before income tax expense</b>	<b>31,031</b>	<b>30,646</b>
Income tax expense	12,102	11,707
<b>Net Income</b>	<b>\$ 18,929</b>	<b>\$ 18,939</b>
<u>Basic earnings per share:</u>		
Net income per share	\$ 0.52	\$ 0.51
<b>Basic weighted average shares outstanding</b>	<b>36,211</b>	<b>37,227</b>
<u>Diluted earnings per share:</u>		
Net income per share	\$ 0.51	\$ 0.50
<b>Diluted weighted average shares outstanding</b>	<b>37,098</b>	<b>38,247</b>
<u>Reconciliation of GAAP to Non-GAAP Information:</u>		
Net income	\$ 18,929	\$ 18,939
Add: interest expense	122	106
Add: income tax expense	12,102	11,707
Add: depreciation and amortization	5,250	5,265
EBITDA	\$ 36,403	\$ 36,017
<b>Net Sales</b>	<b>\$ 230,346</b>	<b>\$ 222,765</b>
EBITDA as % of Net Sales	15.8%	16.2%

EXHIBIT 99.1

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

September 30,  
2004  
(unaudited)      June 30,  
2004

**Assets**

## Current Assets:

Cash and cash equivalents	\$ 35,960	\$ 27,528
Accounts receivable, net	25,932	26,967
Inventories	179,194	186,895
Prepaid expenses and other current assets	56,681	54,192
<b>Total current assets</b>	<b>297,767</b>	<b>295,582</b>

Property, plant, and equipment, net	274,794	277,021
Intangible assets, net	80,181	80,038
Other assets	2,549	1,790
<b>Total Assets</b>	<b>\$ 655,291</b>	<b>\$ 654,431</b>

**Liabilities and Shareholders' Equity**

## Current Liabilities:

Current maturities of long-term debt and capital lease obligations	\$ 4,693	\$ 4,712
Customer deposits	59,973	56,026
Accounts payable	28,387	22,222
Accrued expenses and other current liabilities	50,933	53,729
<b>Total current liabilities</b>	<b>143,986</b>	<b>136,689</b>

Long-term debt	4,490	4,509
Other long-term liabilities	1,154	1,205
Deferred income taxes	52,287	51,248
<b>Total liabilities</b>	<b>201,917</b>	<b>193,651</b>

Shareholders' equity	453,374	460,780
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 655,291</b>	<b>\$ 654,431</b>