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ETHAN  
ALLEN®  
AT SEVENTY-FIVE



ANNUAL REPORT 2007

# FINANCIAL *highlights*

Amounts in thousands, except per share data. Fiscal Years ended June 30.

	2007	2006	2005
<b>Statement of Operations Data</b>			
Net sales	\$1,005,312	\$1,066,390	\$949,012
Gross profit	\$526,583	\$540,982	\$461,054
Operating income (a)	\$111,119	\$142,672	\$128,978
Net income (a)	\$69,227	\$85,682	\$79,338
<b>Per Share Data</b>			
Net income per diluted share (a)	\$2.15	\$2.51	\$2.19
Diluted weighted average common shares outstanding	32,261	34,086	36,193
<b>Balance Sheet Data</b>			
Working capital	\$234,990	278,038	130,423
Current ratio	2.59 to 1	2.88 to 1	1.97 to 1
Total assets	\$802,598	\$814,100	\$628,386
Total debt, including capital lease obligations	\$202,908	\$202,787	\$12,510
Shareholders' equity	\$409,642	\$417,442	\$434,068
Debt as % of equity	49.5%	48.6%	2.9%
Debt as % of capital	33.1%	32.7%	2.8%

(a) Includes the effects of pre-tax restructuring and impairment charges totaling \$13.4 million and \$4.2 million in Fiscal Years 2007 and 2006, respectively.

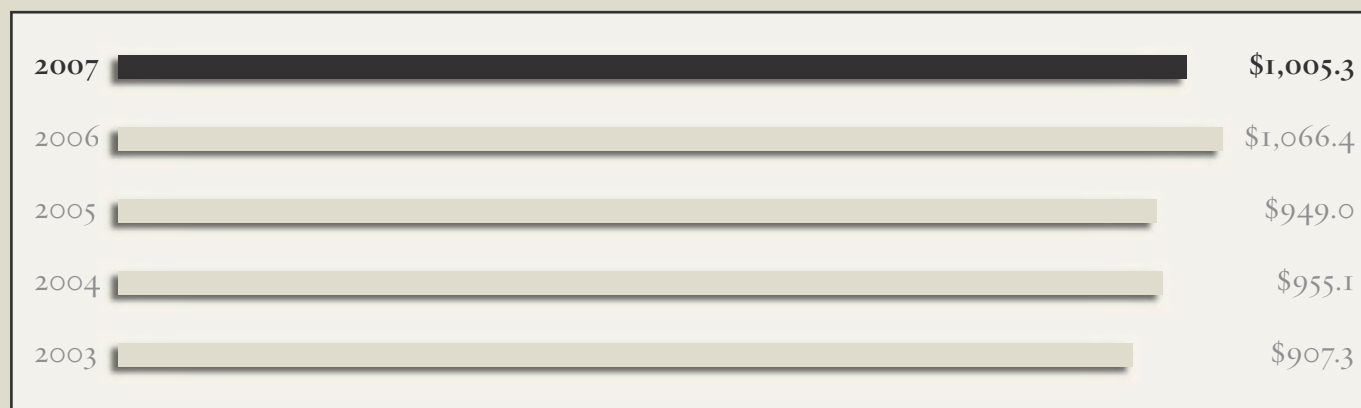
## Net Income per Diluted Share

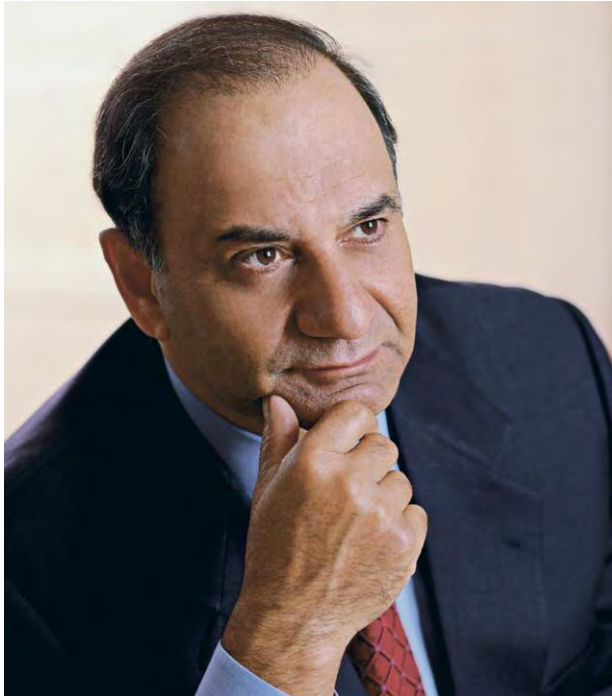


## Net Income (in millions)



## Net Sales (in millions)





*I am pleased to report* that during Fiscal 2007 our financial performance was strong, and we gained competitive advantage as we evolved into an interior design business.

During the year we achieved sales of \$1 billion and net income of \$69.2 million. We generated operating cash of \$119.2 million, more than \$50 million of which was used to repurchase 1.5 million shares of our common stock, and we returned \$25 million to shareholders in the form of quarterly cash dividends.

It has been a very challenging environment for home furnishings retailers, but we have set ourselves apart and positioned ourselves well to continue to grow by focusing on adding quality and detail to our products, presenting inspirational displays that appeal to a variety of lifestyles, enhancing the professionalism of our complimentary design service, and locating new design centers in better and more convenient shopping areas.

#### **Branding Lifestyles**

This fiscal year we developed and introduced seven lifestyles, each of which appeals to a distinctive design sensibility and preference. The eclectic mix of products is both inspirational and aspirational. These branded lifestyles allow us to help clients and design consultants make better and faster decisions.

#### **Enhancing Our Complimentary Design Service**

Two years ago we introduced the Project Management concept to strengthen and enhance the complimentary design services that we provide to our clients. We promoted some of our top

design consultants to become project managers, and we instituted new recruiting and training standards for new design consultants coming into the company. Today there are 500 Ethan Allen project managers and over 3,000 design consultants able to provide as much, or as little, design assistance as our clients want.

#### **Internal and External Marketing**

We have maintained strong internal and external marketing initiatives to focus on the design services and solutions that differentiate our business. Our talented in-house team developed style films and produced television commercials to support the branding of the seven lifestyles. We increased our presence on national television, with commercials airing every other week. We upgraded the size and quality of our direct mail magazine to reflect our focus on style and design. We introduced a bi-weekly email newsletter, and our team is now also working on a complete re-design of our website, which will combine technology with personal service.

#### **Strengthening the Retail Network**

We continued to strengthen our retail network by relocating and opening new design centers in prime retail locations. During Fiscal 2007 we opened 24 new design centers. Six were relocations, 18 are new locations: eight are in the U.S., one is in Korea, and nine are in China. We ended the year with 313 design centers: 158 were company-owned and 155 were independently owned.

#### **Strong Manufacturing, Sourcing, and Logistics**

We also gained efficiency in our manufacturing and logistics operations. We converted two manufacturing facilities into distribution centers. We now have nine manufacturing plants in the U. S. and five wholesale distribution centers supporting 100 retail service centers. Approximately 60% to 65% of our products are made in the United States. We will continue to balance domestic production with international sourcing to remain competitive in providing stylish, high-quality products that offer good value.

We enter Fiscal 2008 in a strong financial position with the competitive advantages of a strong retail team; design centers in better locations; seven branded lifestyles; enhanced external and internal marketing initiatives; and strong manufacturing, sourcing, and logistics operations—all of which we fully expect to support our continued growth.

Thank you for your continued support,

A handwritten signature in black ink that reads "Farooq Kathwari".

Farooq Kathwari  
Chairman of the Board,  
President and CEO,  
Ethan Allen Interiors Inc.

The Great American Adventure. Its diversity and eclecticism inspire us. Its passion for innovation motivates us. And its respect for individualism emboldens us every day to invent unique and considered solutions for our clients' homes.



diverse



eclectic



american



tools



expertise



solutions



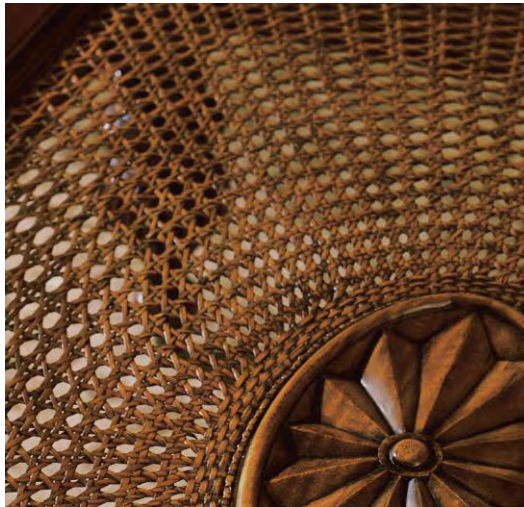
# complimentary design service

*a necessary luxury for the busy consumer*

To give people what they truly want and need as they create homes, Ethan Allen, unique among its peers, has become first and foremost an interior design business. We place great emphasis on the quality of our professional design consultants. We promoted many of our design consultants to project managers and initiated new recruitment standards. We expanded our training programs for both new and veteran design consultants. This year's marketing initiatives, including our advertising campaign, a conversational newsletter in the design consultant's voice, and a bimonthly e-newsletter, were designed to let the world know about the exceptional complimentary design service that we provide. For many people, decorating can be an intimidating task. One key message has been the demystification of the process so that our clients understand that working with a design consultant is the easiest way to get the job done, and at Ethan Allen, it's free. Our marketing materials highlight our home call service and the wealth of design tools at the design consultants' disposal. As our advertising campaign illustrated, design consultants are eager to help as little or as much as clients like, whether they need just the perfect lamp or a fully decorated house. Our design consultants are ready, willing, and more than able to help create homes that support and cater to their clients' many different lifestyles.



quality



value

ETHAN ALLEN®  
FINANCE PLUS CARD  
4 5678 9012 3456  
REFERRED CUSTOMER



style



# exceptional overall service

*choice, confidence, convenience*

Ethan Allen has become a preferred brand by offering great style, quality, value, and service. In addition to multiple style choices and complimentary design assistance, Ethan Allen offers a variety of other services to make decorating simple, affordable, and convenient. In Fiscal 2007 we began developing a Custom Financing program, with a menu of options to give clients unprecedented flexibility and choice in payment plans. In product development, we retained our dedication to fine craftsmanship, specific standards of excellence, and attention to detail. Our everyday pricing ensures that clients can shop with confidence knowing that every day they get the best price on our entire selection of home furnishings. In addition, we provide free local delivery—a rarity in the marketplace today—and inspect and prep every item before it arrives in a client's home. Client satisfaction is, has been, and always will be our number one goal.



**ETHAN ALLEN BOARD OF DIRECTORS**

*top row from left:*

Clinton A. Clark, Richard A. Sandberg,  
Horace G. McDonell, Frank G. Wisner

*bottom row from left:*

Farooq Kathwari, Kristin Gamble,  
Edward H. Meyer

**CORPORATE DATA**

**Corporate Headquarters**

Ethan Allen Interiors Inc.  
Ethan Allen Drive  
Danbury, CT 06811  
203.743.8000  
www.ethanallen.com

**Transfer Agent**

Computershare Investor Services, LLC  
2 North LaSalle Street  
P.O. Box A3504  
Chicago, IL 60690-3504  
312.360.5196

**Independent Certified**

**Public Accountants**

KPMG LLP  
3001 Summer Street  
Stamford, CT 06905  
203.356.9800

**Stock Exchange Listing**

New York Stock Exchange  
Ethan Allen Interiors Inc.  
Trading Symbol: (ETH)

**Investor Relations**

203.743.8234  
plupton@ethanalleninc.com

**Design**

Ethan Allen Global, Inc.

**DIRECTORS**

**Farooq Kathwari**

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AND CHIEF EXECUTIVE OFFICER

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**Kristin Gamble**

PRESIDENT, FLOOD GAMBLE ASSOCIATES, INC.

**Horace G. McDonell**

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OFFICER, PERKIN ELMER CORPORATION

**Edward H. Meyer**

CHAIRMAN OF THE BOARD AND CHIEF EXECU-  
TIVE OFFICER, OCEAN ROAD ADVISORS, INC.

**Richard A. Sandberg**

CHIEF FINANCIAL OFFICER, MATRITECH

**Ambassador Frank G. Wisner**

VICE CHAIRMAN, EXTERNAL AFFAIRS,  
AMERICAN INTERNATIONAL GROUP, INC.

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AND SECRETARY

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VICE PRESIDENT, ADVERTISING

**Jack DeKorne**

VICE PRESIDENT, RETAILER RELATIONS

**Don Garrett**

VICE PRESIDENT, CASE GOODS  
MANUFACTURING

**Jeffrey Hoyt**

VICE PRESIDENT, FINANCE AND TREASURER

**Henry Kapteina**

DIRECTOR, INTERNAL AUDIT

**Sandra Lamenza**

GENERAL MANAGER, ETHAN ALLEN HOTEL

**Margaret W. Lupton**

DIRECTOR, INVESTOR RELATIONS  
AND ASSISTANT SECRETARY

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**Jack Moll**

GENERAL MANAGER, PHYSICAL DISTRIBUTION

**Nora Murphy**

VICE PRESIDENT, STYLE

**Kenneth Musante**

MANUFACTURING CONTROLLER

**Tracy Paccione**

VICE PRESIDENT, MERCHANDISING,  
UPHOLSTERY AND ACCENTS PROGRAMS

**Craig Stout**

VICE PRESIDENT, CASE GOODS  
MERCHANDISING

**Edward Teplitz**

VICE PRESIDENT, RETAIL DIVISION  
EXECUTIVE VICE PRESIDENT,  
ETHAN ALLEN RETAIL, INC.

**Clifford Thorn**

VICE PRESIDENT,  
UPHOLSTERY MANUFACTURING

**Corey Whitely**

VICE PRESIDENT, OPERATIONS  
EXECUTIVE VICE PRESIDENT,  
ETHAN ALLEN OPERATIONS, INC.

**Ann M. Zaccaria**

VICE PRESIDENT, BUSINESS DEVELOPMENT

ETHAN ALLEN

*form 10-k*

Finding your style at Ethan Allen has never been simpler thanks to our seven branded lifestyles—seven stylish groupings of furniture and accents, each with its own unique personality. Lifestyles for the many ways we live today.

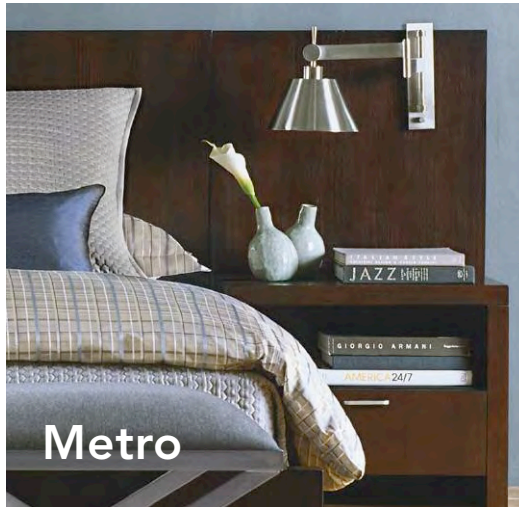


**Glamour**

**Loft**



**Villa**



**Metro**

**Country House**



**Global**



**Estate**

