SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1999

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ______________________________

Commission File Number: 1-11692

Ethan Allen Interiors Inc.; Ethan Allen Inc.; Ethan Allen Marketing Corporation; Ethan Allen Manufacturing Corporation

(Exact name of registrant as specified in its charter)

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer ID No.)

Ethan Allen Drive, Danbury, Connecticut 06811

(Address of principal executive offices)

(203) 743-8000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

[ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

40,873,788 at December 31, 1999

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY
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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 1999 (unaudited)	June 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,499	$ 8,968
Accounts receivable, less allowances of $2,564 and $2,460 at December 31, 1999 and June 30, 1999, respectively	30,939	34,302
Notes receivable, current portion, less allowances of $78 and $79 at December 31, 1999 and June 30, 1999, respectively	587	640
Inventories	152,584	144,045
Prepaid expenses and other current assets	17,614	14,088
Deferred income taxes	9,512	7,783
Total current assets	225,735	209,826
Property, plant and equipment, net	235,552	214,492
Intangibles, net of amortization of $17,636 and $16,757 at December 31, 1999 and June 30, 1999, respectively	53,717	51,598
Other assets	4,242	4,706
Total assets	$ 519,246	$ 480,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 7,907	$ 757
Accounts payable	55,557	59,378
Accrued expenses	8,792	9,174
Accrued compensation and benefits	19,502	16,937

Total current liabilities	91,758	86,246
Long-term debt and capital lease obligations, less current maturities	9,699	9,919
Other long-term liabilities	1,004	1,370
Deferred income taxes	33,312	32,552
Total liabilities	135,773	130,087
Commitments and Contingencies	-	-
Shareholders' equity:		
Class A common stock, par value $.01, 150,000,000 shares authorized, 45,032,846 and 44,666,791 shares issued at December 31, 1999 and June 30, 1999, respectively	450	447
Additional paid-in capital	271,969	267,286
	272,419	267,733
Less: Treasury stock (at cost), 4,159,058 shares at December 31, 1999 and 3,745,928 shares at June 30, 1999, respectively	(90,930)	(78,887)
	181,489	188,846
Retained earnings	201,984	161,689
Total shareholders' equity	383,473	350,535
Total liabilities and shareholders' equity	$ 519,246	$ 480,622

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)
(Amounts in thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net sales	$ 217,486	$ 193,674	$ 407,078	$ 359,900
Cost of sales	113,587	103,918	214,658	193,140
Gross profit	103,899	89,756	192,420	166,760
Operating expenses:				
Selling	35,328	30,640	67,680	58,464
General and administrative	28,498	24,287	54,333	46,879
Operating income	40,073	34,829	70,407	61,417
Interest and other miscellaneous income, net	608	348	1,133	818
Interest and other related financing costs	237	651	586	1,005
Income before income taxes	40,444	34,526	70,954	61,230
Income tax expense	15,611	13,340	27,388	23,835
Net income	$ 24,833	$ 21,186	$ 43,566	$ 37,395

Per share data:

Basic earnings per common share:

Net income per basic share	$ 0.61	$ 0.51	$ 1.07	$ 0.90
Basic weighted average common shares outstanding	40,833	41,214	40,845	41,612
Diluted earnings per common share:				
Net income per diluted share	$ 0.59	$ 0.50	$ 1.04	$ 0.88
Diluted weighted average common shares outstanding	41,899	42,092	41,907	42,543

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six Months Ended December 31, 1999	1998
Operating activities:		
Net income	$ 43,566	$ 37,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,376	7,903
Compensation expense related to restricted stock award	617	505
Provision for deferred income taxes	(969)	(903)
Other non-cash charges	141	344
Change in assets and liabilities:		
Accounts receivable	2,829	4,363
Inventories	(4,773)	(15,757)
Prepaid and other current assets	(3,476)	(3,678)
Accounts payable	(4,046)	8,039
Accrued expenses	2,180	2,938
Other	(371)	(871)
Net cash provided by operating activities	44,074	40,278
Investing activities:		
Proceeds from the disposal of property, plant and equipment	44	-
Capital expenditures	(22,241)	(21,091)
Acquisition of businesses	(9,886)	(5,468)
Payments received on long-term notes receivable	495	486
Net cash used in investing activities	(31,588)	(26,073)
Financing activities:		
Payments on revolving credit facilities	(27,500)	(30,000)
Borrowings on revolving credit facilities	35,000	54,500
Other payments on long-term debt, including capital leases	(571)	(690)
Increase in deferred financing costs	(507)	-
Stock option exercises	1,935	279
Payment of dividends	(3,269)	(2,241)
Payments to acquire treasury stock	(12,043)	(44,492)
Net cash used in financing activities	(6,955)	(22,644)
Net increase (decrease) in cash and cash equivalents	5,531	(8,439)
Cash and cash equivalents at beginning of period	8,968	19,380
Cash and cash equivalents at end of period	$ 14,499	$ 10,941

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Six Months Ended December 31, 1999
(Unaudited)
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
Balance at June 30, 1999	$ 447	$267,286	$(78,887)	$161,689	$350,535
Issuance of common stock	3	2,548	-	-	2,551
Purchase of 413,130 shares of treasury stock	-	-	(12,043)	-	(12,043)
Tax benefit associated with the exercise of employee options and warrants	-	2,135	-	-	2,135
Dividends on common stock	-	-	-	(3,271)	(3,271)
Net income	-	-	-	43,566	43,566
Balance at December 31, 1999	$ 450	$271,969	$(90,930)	$201,984	$383,473

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

(1) Basis of Presentation

Ethan Allen Interiors Inc. (the "Company") is a Delaware corporation incorporated on May 25, 1989. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Ethan Allen Inc. ("Ethan Allen") and Ethan Allen's subsidiaries. All of Ethan Allen's capital stock is owned by the Company. The Company has no other assets or operating results other than those associated with its investment in Ethan Allen.

(2) Interim Financial Presentation

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Certain reclassifications have been made to prior year financial information in order to conform to the current year's presentation. These changes were made for disclosure purposes only and did not have an impact on previously reported results of operations or stockholders' equity.

In the opinion of the Company, all adjustments, consisting only of normal recurring accruals necessary for fair presentation, have been included in the financial statements. The results of operations for the three and six months ended December 31, 1999, are not necessarily indicative of results for the fiscal year. It is suggested that the interim consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 1999.

(3) Inventories

Inventories at December 31, 1999 and June 30, 1999 are summarized as follows (dollars in thousands):

December 31, June 30,

	1999	1999
Retail merchandise	$ 53,951	$ 49,742
Finished products	44,163	42,562
Work in process	17,870	16,143
Raw materials	36,600	35,598
	$152,584	$144,045

(4) Contingencies

The Company has been named as a potentially responsible party ("PRP") for the cleanup of three sites currently listed or proposed for inclusion on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). With respect to all of these sites, the Company believes that it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at the site. The Company believes its share of waste contributed to these sites is minimal in relation to the total; however, liability under CERCLA may be joint and several. The Company has concluded its involvement with one site and settled as a de-minimis party. For two of the sites, the remedial investigation is ongoing. A volume-based allocation of responsibility among the parties has been prepared. Numerous other parties have been identified as PRP's at these sites. The Company is also a settling defendant for remedial design and construction activities at one of the sites. Approximately two thirds of the remedial work has been performed at this site and the remainder will be completed over the next twelve months.

(5) Shareholders' Equity

Since July 1, 1999, 367,255 shares of common stock of the Company have been issued to employees upon exercise of non-qualified stock options and warrants under the Company's stock option plan. The increase in additional paid-in capital from June 30, 1999 to December 31, 1999 represents i) the difference between the exercise price for the stock options or warrants and the par value of the common stock issued to option holders of $1.9 million, ii) $0.6 million recorded for restricted stock during the period and iii) the income tax benefit of $2.1 million realized on the exercise of these stock options and warrants.

The Company has been authorized by its Board of Directors to repurchase its common stock from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. The Company's common stock repurchases are recorded as treasury stock and result in a reduction of stockholder's equity. For the six months ended December 31, 1999, the Company repurchased 413,130 shares of its common stock for $12.0 million.

During the quarter, the Company amended its 1992 Stock Option Plan to provide for an automatic annual grant of stock options to its independent directors. These options may be used to purchase 2,000 shares of Common Stock with an exercise price equal to the closing price of the Common Stock on the day of the Board meeting held in August of each year.

(6) Earnings Per Share

Basic and diluted earnings per share are calculated using the following share data (amounts in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
Weighted average common shares outstanding for basic calculation	40,833	41,214	40,845	41,612
Add: Effect of stock options and warrants	1,066	878	1,062	931

Weighted average common shares outstanding for diluted calculation	41,899	42,092	41,907	42,543
	======	======	======	======

(7) Segment Information

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which changes the financial disclosure requirements for operating segments. Segment information presented for 1998 has been restated to reflect the requirements of the new pronouncement. The Company's reportable segments are strategic business areas that are managed separately and offer different products and services. The Company's operations are classified into two main businesses: wholesale and retail home furnishings. The wholesale home furnishings business is principally involved in the manufacture, sale and distribution of home furnishing products to a network of independently-owned and Ethan Allen-owned stores. The wholesale business consists of three operating segments; case goods, upholstery, and home accessories. Wholesale profitability includes the wholesale gross margin, which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores.

(7) Segment Information (continued)

The retail home furnishings business sells home furnishing products through a network of Ethan Allen-owned stores. Retail profitability includes the retail gross margin, which is earned based on purchases from the wholesale business.

The operating segments follow the same accounting policies. The Company evaluates performance of the respective segments based upon revenues and operating income. Inter-segment eliminations primarily comprise the wholesale sales and profit on the transfer of inventory between segments. Inter-segment eliminations also include items not allocated to reportable segments.

The following table presents segment information for the three and six months ended December 31, 1999 and 1998 (dollars in thousands):

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net Sales:				
Case Goods	$ 93,405	$ 87,186	$179,643	$166,872
Upholstery	49,012	43,993	91,352	81,440
Home Accessories	24,979	25,289	45,347	43,883
Other (1)	1,098	1,998	4,454	5,812
Wholesale Net Sales	168,494	158,466	320,796	298,007
Retail	98,882	75,639	177,952	137,444
Other (2)	1,647	1,727	3,352	3,502
Elimination of inter-segment sales	(51,537)	(42,158)	(95,022)	(79,053)
Consolidated Total	$217,486	$193,674	$407,078	$359,900
	========	========	========	========
Operating Income:				
Case Goods	$ 32,128	$ 31,030	$ 62,665	$ 59,297
Upholstery	14,856	13,015	27,743	24,341
Home accessories	7,906	7,910	14,272	14,138
Unallocated corporate expenses (3)	(22,091)	(21,322)	(43,606)	(41,537)
Wholesale Operating Income	32,799	30,633	61,074	56,239
Retail	6,814	4,634	9,617	6,656
Other (2)	186	375	538	906
Eliminations	274	(813)	(822)	(2,384)
Consolidated Total	$ 40,073	$ 34,829	$ 70,407	$ 61,417
	========	========	========	========

Capital Expenditures:				
Case Goods	$ 2,348	$ 4,457	$ 6,643	$ 8,624
Upholstery	754	597	1,581	1,337
Home accessories	49	27	102	131
Other (6)	11,425	4,634	16,522	9,598
Wholesale Capital Expenditures	14,576	9,715	24,848	19,690
Retail	1,318	659	2,285	1,302
Other (2)	473	92	1,119	99
Consolidated Total	$ 16,367	$ 10,466	$ 28,252	$ 21,091

Total Assets:		
Case Goods	$113,901	$100,278
Upholstery	34,512	31,086
Home accessories	6,518	6,935
Corporate (4)	273,890	245,815
Wholesale Total Assets	428,821	384,114
Retail	107,458	90,585
Other (2)	6,579	4,972
Inventory Profit Elimination (5)	(23,612)	(20,222)
Consolidated Total	$519,246	$459,449

</TABLE>

(7) Segment Information (continued)

(1) The Other category included in the wholesale business consists of the operating activity for indoor/outdoor furniture and the corporate office.

(2) The Other category includes miscellaneous operating activities.

(3) Unallocated corporate expenses primarily consist of corporate advertising costs, unreimbursed training costs, system development costs, and other corporate administrative charges.

(4) Corporate assets primarily include receivables from third party retailers, finished goods inventory, property, plant and equipment, intangible assets, deferred tax assets, and the Company's distribution operations.

(5) Inventory profit elimination reflects the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when shipments are made to the retail customer.

(6) The Other category includes unallocated capital expenditures made by the corporate holding company.

There are over 30 independent retail stores located outside the United States. Approximately 3% of the Company's total revenue is derived from sales to these retail stores.

(8) Wholly-Owned Subsidiary

The Company owns all of the outstanding stock of Ethan Allen, has no material assets other than its ownership of Ethan Allen stock, and conducts all significant operating transactions through Ethan Allen. The Company has guaranteed Ethan Allen's obligations under its Credit Agreement.

The condensed balance sheets of Ethan Allen as of December 31, 1999 and June 30, 1999 are as follows (dollars in thousands):

December 31, 1999	June 30, 1999

Assets		
Current assets	$ 225,462	$ 209,768
Non-current assets	393,607	357,237
Total assets	$ 619,069	$ 567,005
Liabilities		
Current liabilities	$ 89,999	$ 84,500
Non-current liabilities	44,015	43,841
Total liabilities	$ 134,014	$ 128,341

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

(8) Wholly-Owned Subsidiary (continued)

A summary of Ethan Allen's operating activity for the three and six months ended December 31, 1999 and 1998, are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	Three Months Ended December 31, 1999	Three Months Ended December 31, 1998	Six Months Ended December 31, 1999	Six Months Ended December 31, 1998
<S>	<C>	<C>	<C>	<C>
Net sales	$217,486	$193,674	$407,078	$359,900
Gross profit	103,899	89,756	192,420	166,760
Operating income	40,110	34,865	70,482	61,488
Interest expense	202	594	394	890
Amortization of deferred financing costs	35	57	192	115
Income before income tax expense	40,481	34,562	71,029	61,301
Net income	$ 24,870	$ 21,222	$ 43,641	$ 37,466

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussions set forth in this form 10-Q should be read in conjunction with the financial information included herein and the Company's Annual Report on Form 10-K for the year ended June 30, 1999. Management's discussion and analysis of financial condition and results of operations and other sections of this report contain forward-looking statements relating to future results of the Company. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risk and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, conditions in the various real estate markets where the Company does business, developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Results of Operations:

Ethan Allen's revenues are comprised of wholesale sales to dealer-owned and company-owned retail stores and retail sales of company-owned stores. The Company's wholesale sales are mainly derived from its three reportable operating segments; case goods, upholstery, and home accessories. The Company's retail sales are derived from sales from company-owned retail stores. See Note 7 to the Company's Consolidated Financial Statements for the three and six months ended December 31, 1999. The components of consolidated revenues and operating income are as follows (dollars in millions):

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Revenue:				
Wholesale Revenue:				
Case goods	$ 93.4	$ 87.2	$179.6	$166.9
Upholstery	49.0	44.0	91.4	81.4
Home Accessories	25.0	25.3	45.3	43.9
Other	1.1	2.0	4.5	5.8
Total Wholesale Revenue	168.5	158.5	320.8	298.0
Total Retail Revenue	98.9	75.6	178.0	137.4
Other	1.6	1.7	3.3	3.5
Elimination of inter-segment sales	(51.5)	(42.1)	(95.0)	(79.0)
Consolidated Revenue	$217.5	$193.7	$407.1	$359.9
Operating Income:				
Wholesale Operating Income:				
Case goods	$ 32.1	$ 31.0	$ 62.7	$ 59.3
Upholstery	14.9	13.0	27.7	24.3
Home Accessories	7.9	7.9	14.3	14.1
Unallocated Corporate Expenses	(22.1)	(21.3)	(43.6)	(41.5)
Total Wholesale Operating Income	32.8	30.6	61.1	56.2
Total Retail Operating Income	6.8	4.6	9.6	6.7
Other	0.2	0.4	0.5	0.9
Eliminations	0.3	(0.8)	(0.8)	(2.4)
Consolidated Operating Income	$ 40.1	$ 34.8	$ 70.4	$ 61.4

</TABLE>

Three Months Ended December 31, 1999 Compared to Three Months Ended December 31, 1998

Consolidated revenue for the three months ended December 31, 1999 increased by $23.8 million or 12.3% to $217.5 million from $193.7 million for the three months ended December 31, 1998. Overall sales growth resulted from new product offerings, new and relocated stores, and growth in the retail segment.

Total wholesale revenue for the second quarter of fiscal year 2000 increased by $10.0 million or 6.3% to $168.5 million from $158.5 million in the second quarter of fiscal year 1999. Case goods revenue increased $6.2 million or 7.1% to $93.4 million for the three months ended December 31, 1999 as compared to $87.2 million in the corresponding prior year period mainly due to new product offerings and the benefit of a selected case good price increase effective December 1, 1998.

Upholstery revenue increased $5.0 million or 11.4% to $49.0 million in the second quarter of fiscal year 2000 as compared to $44.0 million in the second quarter of fiscal year 1999. The increase in revenue of $5.0 million was primarily attributable to new fabric introductions, a focused marketing effort, and more attractive price points on new product offerings.

Home accessories revenue decreased $0.3 million or 1.2% to $25.0 million in the second quarter of fiscal year 2000 as compared to $25.3 million in the second quarter of fiscal year 1999. The decrease is attributable to new product introductions beginning in the first quarter of fiscal year 1999 as compared to the second quarter of fiscal year 2000.

Total retail revenue from Ethan Allen-owned stores for the three months ended December 31, 1999 increased by $23.3 million or 30.8% to $98.9 million from $75.6 million for the three months ended December 31, 1998. The increase in retail sales by Ethan Allen-owned stores is attributable to a 16.5% or $11.4 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $14.9 million, partially offset by closed stores, which generated $3.0 million less sales in fiscal year 2000 as compared to fiscal year 1999. The number of Ethan Allen-owned stores increased to 78 as of December 31, 1999 as compared to 72 as of December 31, 1998. As a percentage of total net sales, retail sales represent 45.5% of total net sales in the second quarter of fiscal year 2000 as compared to 39.0% in the prior year second quarter.

Comparable stores are those which have been operating for at least 15 months. Minimal net sales, derived from the delivery of customer ordered product, are generated during the first three months of operations of newly opened stores. Stores acquired from dealers by Ethan Allen are included in comparable store sales in their 13th full month of Ethan Allen-owned operations.

Gross profit increased by $14.1 million or 15.8% to $103.9 million in the second quarter of fiscal year 2000 from $89.8 million in the prior year second quarter. The gross margin increased from 46.3% in the second quarter of fiscal year 1999 to 47.8% in the second quarter of fiscal year 2000. Gross margins have been favorably impacted by higher sales volumes, increased production and improved manufacturing efficiencies, a selected case good price increase effective December 1, 1998, and a higher percentage of retail sales to total sales.

Operating expenses increased $8.9 million or 16.2% to $63.8 million or 29.3% of net sales in the current quarter as compared to $54.9 million or 28.4% of net sales for the second quarter of fiscal year 1999. This increase is mainly attributable to the expansion of the retail segment resulting in the addition of 8 new Ethan Allen-owned stores since December 31, 1998.

Consolidated operating income for the three months ended December 31, 1999 was $40.1 million or 18.4% of net sales compared to $34.8 million or 18.0% of net sales for the three months ended December 31, 1998. This represents an increase of $5.3 million or 15.1%, which is primarily attributable to higher sales volume, partially offset by a lower wholesale and retail gross margin and higher operating expenses resulting from the growth in the retail segment.

Total wholesale operating income for the second quarter of fiscal year 2000 was $32.8 million or 19.5% of net sales compared to $30.6 million or 19.3% of net sales in the second quarter of fiscal year 1999. Wholesale operating income increased $2.2 million or 7.2%. Case goods operating income increased $1.1 million or 3.5% to $32.1 million for the second quarter of fiscal year 2000 over the corresponding prior year period mainly due to

higher sales volume and a selected price increase effective December 1, 1998, partially offset by higher lumber and raw material costs.

Upholstery operating income increased $1.9 million or 14.6% to $14.9 million in the second quarter of fiscal year 2000 as compared to $13.0 million in the second quarter of fiscal year 1999. The increase resulted from higher sales volume and reduced manufacturing costs associated with higher production levels.

Home accessories operating income remained constant at $7.9 million for the second quarter of fiscal year 2000. As a percentage of net sales, the operating margin for home accessories increased to 31.7% of net sales as compared to 31.3% of net sales in the prior year quarter due to improved product line margins.

Operating income for the retail segment increased by $2.2 million this quarter to $6.8 million or 6.9% of net sales from $4.6 million or 6.1% of net sales in the prior year quarter. The increase in retail operating income by Ethan Allen-owned stores is primarily attributable to increased sales volume, offset by higher operating expenses related to the opening of 2 new retail stores and the acquisition of 6 stores from independent dealers since December 31, 1998.

Interest expense, including the amortization of deferred financing costs, for the three months ended December 31, 1999 decreased $0.5 million to $0.2 million from $0.7 million for the three months ended December 31, 1998. The decrease in interest expense is due to lower debt balances outstanding.

Income tax expense of $15.6 million was recorded in the second quarter as compared to $13.3 million in the prior year second quarter. The Company's effective tax rate was 38.6% for the second quarter of fiscal year 2000 and 1999.

For the three months ended December 31, 1999, the Company recorded net income of $24.8 million, an increase of 17.0%, compared to $21.2 million for the three months ended December 31, 1998. Earnings per diluted share of $0.59 increased 18.0% in the quarter from $0.50 per diluted share in the prior year quarter.

Six Months Ended December 31, 1999 Compared to Six Months Ended December 31, 1998

Consolidated revenue for the six months ended December 31, 1999 increased by $47.2 million or 13.1% to $407.1 million from $359.9 million for the six months ended December 31, 1998. Overall sales growth resulted from new product offerings, new and relocated stores, and the growth of the retail segment.

Total wholesale revenue for the six month period in fiscal year 2000 increased by $22.8 million or 7.7% to $320.8 million as compared to $298.0 million for the six month period in fiscal year 1999. Case goods revenue increased $12.7 million or 7.6% to $179.6 million for the six months ended December 31, 1999 as compared to $166.9 million in the corresponding period in the prior year mainly due to new product offerings and the benefit of a selected case good price increase effective December 1, 1998.

Upholstery revenue increased $10.0 million or 12.3% to $91.4 million in the first six months of fiscal year 2000 as compared to $81.4 million in the first six months of fiscal year 1999. The increase in revenue of $10.0 million is primarily attributable to new fabric introductions, a focused marketing effort, and more attractive price points on new product offerings.

Home accessories revenue increased $1.4 million or 3.2% to $45.3 million for the six months ended December 31, 1999 as compared to $43.9 million for the six months ended December 31, 1998 due to the timing of new product introductions.

Total retail revenue from Ethan Allen-owned stores for the six months ended December 31, 1999 increased by $40.6 million or 29.5% to $178.0 million from $137.4 million for the six months ended December 31, 1998. The increase in retail sales by Ethan Allen-owned stores is attributable to a 16.6% or $21.1 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $24.5 million, partially offset by closed stores, which generated $5.0 million less sales in fiscal year 2000 as compared to fiscal year 1999. As a percentage of total net sales, retail sales

represent 43.7% of total net sales for the first six months of fiscal year 2000 compared to 38.2% in the corresponding prior year period.

Gross profit increased by $25.6 million or 15.3% to $192.4 million for the first six months of fiscal year 2000 from $166.8 million for the first six months of fiscal year 1999. This increase is attributable to higher sales volume, combined with an increase in gross margin from 46.3% in the first half of fiscal year 1999 to 47.3% in the first half of fiscal year 2000. Gross margins have been favorably impacted by higher sales volumes, increases in production, improved manufacturing efficiencies, a selected case good price increase effective December 1, 1998, and a higher percentage of retail sales to total sales.

Operating expenses increased $16.7 million or 15.9% to $122.0 million or 30.0% of net sales in the six months ended December 31, 1999 as compared to $105.3 million or 29.3% of net sales for the six month ended December 31, 1998. This increase is mainly attributable to the expansion of the retail segment resulting in the addition of 8 new Ethan Allen-owned stores since December 31, 1998.

Consolidated operating income for the six months ended December 31, 1999 was $70.4 million or 17.3% of net sales compared to $61.4 million or 17.1% of net sales for the six months ended December 31, 1998. This represents an increase of $9.0 million or 14.7%, which is primarily attributable to higher sales volume, offset by a lower wholesale and retail gross margin and higher operating expenses resulting from the growth in the retail segment.

Total wholesale operating income for the first six months of fiscal year 2000 was $61.1 million or 19.0% of net sales compared to $56.2 million or 18.9% of net sales in the first six months of fiscal year 1999. Wholesale operating income increased $4.9 million or 8.7%. Case goods operating income increased $3.4 million or 5.7% to $62.7 million for the first six months of fiscal year 2000 over the corresponding prior year period mainly due to higher sales volume and a selected price increase effective December 1, 1998, offset by higher lumber and raw material costs.

Upholstery operating income increased $3.4 million or 14.0% to $27.7 million for the six months ended December 31, 1999 as compared to $24.3 million for the six months ended December 31, 1998. The increase resulted from higher sales volume and manufacturing efficiencies gained through increased production.

Home accessories operating income increased slightly by $0.2 million to $14.3 million for the first six months of fiscal year 2000 from $14.1 million in the first six months of fiscal year 1999. Operating income remained consistent with the prior year period due to slightly higher sales volume, offset by increased manufacturing costs.

Operating income from the retail segment increased by $2.9 million for the six month period ended December 31, 1999 to $9.6 million or 5.4% of net sales from $6.7 million or 4.9% of net sales in the prior year. The increase in retail operating income by Ethan Allen-owned stores is primarily attributable to increased sales volume, offset by a reduction in gross margin and higher operating expense associated with the addition of new stores.

Interest expense, including the amortization of deferred financing costs, for the six months ended December 31, 1999 decreased $0.4 million to $0.6 million from $1.0 million for the six months ended December 31, 1998. The decrease in interest expense is due to lower debt balances outstanding.

Income tax expense of $27.4 million was recorded in the first six months as compared to $23.8 million in the prior year. The Company's effective tax rate was 38.6% as of December 31, 1999 compared to 38.9% in the corresponding prior year period.

For the six months ended December 31, 1999, the Company recorded net income of $43.6 million, an increase of 16.6%, compared to $37.4 million for the six months ended December 31, 1998. Earnings per diluted share increased 18.2% to $1.04 from $0.88 in the corresponding prior year period.

Financial Condition and Liquidity

Principal sources of liquidity are cash flow from operations and additional borrowing capacity under the revolving credit facility. Through December 31, 1999, the Company used cash provided by operating activities of $44.1 million, borrowings of $7.5 million from its revolving credit facility, $5.5 million in cash balances, $1.9 million received from stock option exercises and $0.5 received in payment of long-term notes receivable to fund capital expenditures of $22.2 million, repurchases of treasury stock of $12.0 million, retail store acquisitions of $9.9 million, dividend payments of $3.3 million, payments of $0.6 million on long-term debt and capital leases, and an increase in deferred financing costs of $0.5 million.

During the six months ended December 31, 1999, capital spending totaled $22.2 million as compared to $21.1 million in the six months ended December 31, 1998. Capital expenditures for fiscal year 2000 are expected to be approximately $50.0 million. The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures. Capital expenditures made during the six months ended December 31, 1999 primarily relate to manufacturing efficiency improvements and new store openings.

Total debt outstanding at December 31, 1999 was $17.6 million. There were $7.5 million of revolving loans outstanding under the Credit Agreement and $16.2 million of trade and standby letters of credit outstanding as of December 31, 1999.

As of December 31, 1999, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $0.1 million, $0.1 million, $0.1 million, $0.1 million and $4.7 million, respectively. Management believes that its cash flow from operations, together with its other available sources of liquidity, will be adequate to make all required payments of principal and interest on its debt, to permit anticipated capital expenditures and to fund working capital and other cash requirements. As of December 31, 1999, the Company had working capital of $134.0 million and a current ratio of 2.46 to 1.

The Company may from time to time, either directly or through agents, repurchase its common stock in the open market through negotiated purchases or otherwise, at prices and on terms satisfactory to the Company. Depending on market prices and other conditions relevant to the Company, such purchases may be discontinued at any time.

During the three months ended December 31, 1999, the Company purchased 320,300 shares of its stock on the open market at an average price of $30.17 per share. On January 27, 2000, the Company's Board of Directors increased the authorization to repurchase common stock by 1,284,463 shares to a current level of 2,000,000 shares. Subsequent to December 31, 1999 and before January 27, 2000, the Company repurchased 876,122 shares of its common stock at an average price of $25.95. The Company financed these purchases through its revolving credit facility.

Year 2000

The necessary systems and programming changes were made to the Company's integrated operating systems following many months of careful planning and testing of Y2K. To date, the Company has not encountered any significant Year 2000 issues, however, the Company intends to continue monitoring its outside suppliers and other third parties in order to determine whether changes in their services relating to Year 2000 issues could have an impact on the Company's operations in the upcoming year.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to interest rate risk primarily through its borrowing activities. The Company's policy has been to utilize United States dollar denominated borrowings to fund its working capital and investment needs. Short term debt, if required, is used to meet working capital requirements and long term debt is generally used to finance long term investments. There is inherent roll-over risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company's future financing requirements. At December 31, 1999, the Company had $7.9 million of short term debt outstanding and $9.7 million of total long term debt outstanding including capital lease obligations.

The Company has one debt instrument outstanding with a variable interest rate. This debt instrument has a principal balance of $4.6 million, which matures in 2004. Based on the principal outstanding in 1999, a one percentage point increase in the variable interest rate would not have had a significant impact on the Company's 1999 interest expense.

Currently, the Company does not enter into financial instruments transactions for trading or other speculative purposes or to manage interest rate exposure.

PART II. OTHER INFORMATION

Item 1. - Legal Proceedings

There has been no change to matters discussed in Business-Legal Proceedings in the Company's Form 10-K as filed with the Securities and Exchange Commission on September 22, 1999.

Item 2. - Changes in Securities

There has been no change to matters discussed in Description and Ownership of Capital Stock in the Company's Form 10-K as filed with the Securities and Exchange Commission on September 22, 1999.

Item 3. - Defaults Upon Senior Securities

None.

Item 4. - Submission of Matters to a Vote of Security Holders

1. The election of directors to a term expiring in 2002; M. Farooq Kathwari (votes for 35,122,061, votes against 0, withheld 332,066) and Horace McDonell (votes for 35,122,438, votes against 0, withheld 341,689)

2. Ratification of the appointment of KPMG LLP as independent auditors for fiscal year 2000 (votes for 35,388,278, votes against 20,838, withheld 45,011)

3. Approval of an Amendment to the 1992 Stock Option Plan to provide for an addition formula option to each independent director (votes for 30,893,661, votes against 4,473,966, withheld 85,400)

Item 5. - Other Information

None.

Item 6. - Exhibits and Reports on Form 8-K

4(c)-4. Second Amendment to Amended and Restated 1992 Stock Option Plan

27. Edgar Financial Data Schedule

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ETHAN ALLEN INTERIORS INC.
(Registrant)

DATE: 2/14/00 BY: /s/ M. Farooq Kathwari

M. Farooq Kathwari
Chairman of the Board
President and Chief
Executive Officer
(Principal Executive Officer)

DATE: 2/14/00 BY: /s/ William C. Beisswanger

William C. Beisswanger
Vice President and
Chief Financial Officer
(Principal Financial Officer)

DATE: 2/14/00 BY: /s/ Michele Bateson

Michele Bateson
Corporate Controller
(Principal Accounting Officer)

Exhibit 4(c)-4

ETHAN ALLEN INTERIORS INC.

SECOND AMENDMENT TO

AMENDED AND RESTATED 1992 STOCK OPTION PLAN

This Second Amendment to the Amended and Restated 1992 Stock Option Plan (as amended and restated, the "Plan") of Ethan Allen Interiors Inc. (the "Company") is dated as of December 23, 1999 (this "Amendment"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

WHEREAS, the Board of Directors (the "Board") of the Company adopted the Plan on March 23, 1993 to advance the interests of the Company and its subsidiaries, to strengthen the Company's ability to attract and retain of its directors and employees and to provide such directors and employees with an opportunity to acquire an equity interest in the Company;

WHEREAS, the Plan was amended as of November 4, 1996, amended and restated as of October 28, 1997, and amended as of December 11, 1998, in connection with prior shareholder solicitations;

WHEREAS, the Company undertook a 2-for-1 split of its Common Stock, par value $.01 per share (the "Common Stock") on September 2, 1997 and a 3-for-2 split of its Common Stock on May 21, 1999;

WHEREAS, the Board approved this Amendment in order to provide for an automatic grant of an additional Formula Option for 2,000 shares of Common Stock (the "Additional Formula Option") to each Independent Director each year;

WHEREAS, the stockholders of the Company have, at a meeting duly called and held by the Company on November 17, 1999, approved the Additional Formula Option;

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, the Plan is hereby amended as follows:

1. Section 4.1 of the Plan is hereby amended and restated in its entirety as follows:

> 4.1 Number of Shares Reserved. Shares of common stock, $.01 par value, of the Company ("Common Stock") shall be available for awards under the Plan. To the extent provided by resolution of the Company's Board of Directors, such shares may be uncertificated. Subject to adjustments in accordance with subsections 4.2 and
>
> 4.3 for events occurring after October 28, 1997, and after giving effect to the two-for-one split of the Common Stock distributed on September 2, 1997, and the three-for-two split of the Common Stock distributed on May 21, 1999, the aggregate number of shares of Common Stock available for awards under the Plan shall be equal to 5,490,597.

2. Section 5.1 of the Plan is hereby amended by adding the following after the first sentence thereto:

> "As of the date of the annual meeting of the Company's stockholders for 1999, each Independent Director shall be automatically awarded an additional option to purchase 2,000 shares of Common Stock each year with an exercise price equal to the closing price of the Common Stock on the day of the Board meeting held in August of each year (such options will be rounded off to the nearest whole share number, and together with the options in the first sentence, are collectively referred to as "Formula Options")."

3. Except as herein amended and as amended by the First Amendment, the Plan shall remain in full force and effect and is ratified in all respects. On and after the effectiveness of this Amendment, each reference in the Plan to "this Plan," "hereunder," "hereof," "herein" or words of like import, and each reference to the Plan in any other agreements, documents or instruments executed and delivered pursuant to the Plan, shall mean and be a reference to the Plan, as amended by the First Amendment and this Amendment.

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<F1>
Not applicable. All figures for Ethan Allen Interiors, Inc. are in U.S. dollars.

<F2>
Figure for receivables is net of allowances for doubtful accounts of $2,564.

<F3>
Includes prepaid expenses of $16,849.

<F4>
Includes goodwill of $13,770 (net of amortization).

<F5>
Includes current portion of long-term debt of $7,907 as of December 31, 1999.

<F6>
Includes long-term debt of $9,550 (net of the current portion of long-term debt) and capitalized leases of $149 (net of the current portion of capitalized leases). As of December 31, 1999 outstanding long-term debt of Ethan Allen on a consolidated basis consisted of (i) industrial revenue bonds of $8,455, and (ii) other of $1,095 (net of current portion). For a description of the terms of Ethan Allen's long-term debt, see the Company's Consolidated Financial Statements and Notes to the Annual Report on Form 10-K for fiscal year ended June 30, 1999.

<F7>
Not applicable.

<F8>
As of December 31, 1999, Ethan Allen had 45,032,846 shares of common stock, $.01 par value per share, issued. For a description of Ethan Allen's common stock, see the Company's Consolidated Statement of Stockholders' Equity and Consolidated Financial Statements in the Annual Report on Form 10-K for fiscal year 1999.

<F9>
Consists of $271,969 of additional paid in capital, $201,984 of retained earnings and ($90,930) of treasury stock.

<F10>
For the quarter ended December 31, 1999, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.

<F11>
Consists of $394 of interest expense and $192 of deferred amortization costs.

<F12>
Basic earnings per share for the quarter ended December 31, 1999 was $0.61.

<F13>
Diluted earnings per share for the quarter ended December 31, 1999 was $0.59.
</FN>

</TABLE>