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 March 31, 1998

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: 1-11806

Ethan Allen Interiors Inc.; Ethan Allen Inc.; Ethan Allen Finance Corporation; Ethan Allen Manufacturing Corporation; Andover Wood Products Inc.
(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.

28,765,808 at March 31, 1998

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY

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Part I. Financial Information:

Item 1. Consolidated Financial Statements as of March 31, 1998 (unaudited) and June 30, 1997 and for the three and nine months ended March 31, 1998 and 1997 (unaudited):

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

<TABLE>
<CAPTION>

ASSETS	March 31, 1998 (unaudited)	June 30, 1997
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 24,909	$ 21,866
Short term investments	--	17,975
Accounts receivable, less allowances of $2,022 and $1,903 at March 31, 1998 and June 30, 1997, respectively	33,438	32,232
Notes receivable, current portion, less allowances of $20 and $74 at March 31, 1998 and June 30, 1997, respectively	540	1,056
Inventories (note 4)	115,764	107,525
Prepaid expenses and other current assets	9,148	6,724
Deferred income taxes	7,150	7,353
Total current assets	190,949	194,731
Property, plant and equipment, net	182,127	171,406
Notes receivable, net of current portion, less allowance of $186 and $145 at March 31, 1998 and June 30, 1997, respectively	1,977	2,725
Intangibles, net of amortization of $14,649 and $13,414 at March 31, 1998 and June 30, 1997, respectively	51,184	52,419
Deferred financing costs, net of amortization of		

$2,222 and $1,916 at March 31, 1998 and June 30, 1997, respectively (note 3)	689	1,560
Other assets	4,133	4,943
Total assets	$ 431,059	$ 427,784

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 907	$ 1,119
Accounts payable	50,442	41,172
Accrued expenses	6,840	8,036
Accrued compensation and benefits	14,369	12,983
Total current liabilities	72,558	63,310
Long-term debt, less current maturities (note 3)	11,519	64,066
Obligations under capital leases, less current maturities	1,690	2,700
Other long-term liabilities, principally long-term compensation, environmental and legal reserves	778	815
Deferred income taxes	31,664	31,459
Total liabilities	118,209	162,350
Commitments and contingencies (note 5)	--	--
Shareholders' equity:		
Class A common stock, par value $.01, 70,000,000 shares authorized, 29,617,369 and 29,465,400 shares issued and outstanding at March 31, 1998 and June 30, 1997, respectively	296	294
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at March 31, 1998 and June 30, 1997, respectively	--	--
Additional paid-in capital	261,710	257,684
	262,006	257,978
Less: Treasury stock (at cost) 851,561 and 700,032 shares at March 31, 1998 and June 30, 1997, respectively	(15,589)	(10,440)
	246,417	247,538
Retained earnings	66,433	17,896
Total shareholders' equity	312,850	265,434
Total liabilities and shareholders' equity	$ 431,059	$ 427,784

</TABLE>

See accompanying notes to consolidated financial statements

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Net sales	$ 171,434	$ 144,719	$ 496,671	$ 415,404

Cost of sales	91,030	81,411	264,788	237,597
Gross profit	80,404	63,308	231,883	177,807
Operating expenses:				
Selling	28,338	22,965	81,232	61,000
General and administrative	20,743	17,792	63,255	56,204
Operating income	31,323	22,551	87,396	60,603
Interest and other miscellaneous income, net	1,084	577	2,886	921
Interest expense	1,166	1,595	3,960	4,606
Amortization of deferred financing costs	95	102	306	459
Income before income taxes and extraordinary charge	31,146	21,431	86,016	56,459
Income tax expense	12,353	8,582	34,098	22,600
Income before extraordinary charge	18,793	12,849	51,918	33,859
Extraordinary charge, net of tax	802	--	802	--
Net income	$ 17,991	$ 12,849	$ 51,116	$ 33,859
Per share data (note 8):				
Basic earnings per common share:				
Net income before extraordinary charge	0.65	0.45	1.81	1.18
Extraordinary charge, net of tax (note 3)	(0.03)	--	(0.03)	--
Net income	$ 0.62	$ 0.45	$ 1.78	$ 1.18
Basic weighted average common shares outstanding	28,738	28,805	28,731	28,747
Diluted earnings per common share:				
Net income before extraordinary charge	0.64	0.44	1.76	1.16
Extraordinary charge, net of tax (note 3)	(0.03)	--	(0.03)	--
Net income	$ 0.61	$ 0.44	$ 1.73	$ 1.16
Diluted weighted average common shares outstanding	29,595	29,263	29,423	29,271

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

Nine Months
Ended March 31,

	1998	1997
<S>	<C>	<C>
Operating activities:		
Net income	$ 51,116	$ 33,859
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,945	12,725
Provision for deferred income taxes	408	1,824
Other non-cash charges	56	421
Extraordinary charge, net of tax	341	--
Change in:		
Accounts receivable	(1,218)	(798)
Inventories	(8,239)	5,002
Prepaid and other current assets	(2,424)	(613)
Other assets	(865)	(114)
Accounts payable	10,886	4,545
Accrued expenses	313	(630)
Other long-term liabilities	(37)	(204)
Net cash provided by operating activities	62,282	56,017
Investing activities:		
Proceeds from the disposal of property, plant and equipment	812	110
Proceeds from the disposal of property, plant and equipment, held for sale	--	1,945
Capital expenditures	(20,431)	(15,108)
Payments received on long-term notes receivable	1,352	949
Disbursements made for long-term notes receivable	(77)	(777)
Redemptions of short term securities	30,270	--
Investments in short term securities	(12,295)	--
Net cash used by investing activities	(369)	(12,881)
Financing activities:		
Redemption of senior notes	(52,543)	(9,384)
Payments on revolving credit facilities	--	(21,500)
Borrowings on revolving credit facilities	--	14,500
Other long-term borrowings	111	794
Payments on long-term debt, including current maturities	(112)	(118)
Payments under capital leases	(1,226)	(1,547)
Issuance of capital stock	2,636	1,407
Payments to acquire Treasury stock	(5,149)	(2,198)
Increase in deferred financing costs	--	(173)
Payment of dividends	(2,587)	(1,725)
Net cash used by financing activities	(58,870)	(19,944)
Net increase in cash and cash equivalents	3,043	23,192
Cash and cash eqivalents at beginning of period	21,866	9,078
Cash and cash equivalents at at end of period	$ 24,909	$ 32,270

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Nine Months Ended March 31, 1998
(Unaudited)
(Dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 1997	$ 294	$ 257,684	$ (10,440)	$ 17,896	$ 265,434
Issuance of common stock	2	2,634	--	--	2,636
Purchase of 151,529 shares of treasury stock	--	--	(5,149)	--	(5,149)
Tax benefit associated with the exercise of employee options and warrants	--	1,392	--	--	1,392
Dividends declared	--	--	--	(2,579)	(2,579)
Net income	--	--	--	51,116	51,116
Balance at March 31, 1998	$ 296	$ 261,710	$ (15,589)	$ 66,433	$ 312,850

</TABLE>

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.

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 nine months ended March 31, 1998, are not necessarily indicative of results for the fiscal year.

(3) Extraordinary Charge

On March 15, 1998, the Company completed its optional early redemtion of all of its $52.4 million outstanding 8-3/4% Senior Notes, due on March 15, 2001, at 101.458% of par value. As a result of the early redemption, an extraordinary charge of $.8 million or $0.03 a share, net of tax benefit, was recorded. The extraordinary charge included the write-off of unamortized deferred financing costs associated with the Senior Notes and the premium related to the early redemption.

(4) Inventories

Inventories at March 31, 1998 and June 30, 1997 are summarized as follows (dollars in thousands):

	March 31, 1998	June 30, 1997

Retail merchandise	$ 37,285	$ 34,478
Finished products	29,719	32,665
Work in process	15,679	13,333
Raw materials	33,081	27,049
	$115,764	$107,525

(5) Contingencies

The Company has been named as a potentially responsible party ("PRP") for the cleanup of four 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"). Numerous

other parties have been identified as PRP's at these sites. Liability under CERCLA may be joint and several. The Company has total reserves of $500,000 applicable to these sites, which the Company believes is sufficient to cover any resulting liability. 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 has concluded its involvement with one site and has 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. With respect to the fourth site, a consent decree to finally resolve the matter with the EPA has been signed. The Company believes there may be some delay in resolution due to objections of a non-signatory to the consent decree.

(6) 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 and has pledged all the outstanding capital stock of Ethan Allen to secure its guarantee under its Credit Agreement.

The condensed balance sheets of Ethan Allen as of March 31, 1998 and June 30, 1997 are as follows (dollars in thousands):

	March 31, 1998	June 30, 1997
Assets		
Current assets	$190,935	$194,704
Non-current assets	258,855	244,880
Total assets	$449,790	$439,584
Liabilities		
Current liabilities	$ 71,634	$ 62,398
Non-current liabilities	45,651	99,040
Total liabilities	$117,285	$161,438

A summary of Ethan Allen's operating activity for the three and nine months ended March 31, 1998 and 1997, is as follows (dollars in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1998	1997	1998	1997
Net sales	$171,434	$144,719	$496,671	$415,404
Gross profit	80,404	63,308	231,883	177,807
Operating income	31,373	22,577	87,487	60,665
Interest expense	1,166	1,595	3,960	4,606
Amortization of deferred financing costs	95	102	306	459
Income before income tax expense and extraordinary charge	31,196	21,457	86,107	56,520
Extraordinary charge (net of tax)	802	-	802	-
Net income	$ 18,041	$ 12,875	$ 51,207	$ 33,920

(7) Business Reorganization

The Company implemented a business reorganization ("Reorganization") effective July 1, 1995, which permitted a separation of manufacturing operations from distribution and store operations. The Company believes that the separation of manufacturing operations from distribution and store operations provides for improved measures of performance including profitability of operations and return on assets, by allowing the Company to more easily allocate income, expenses and assets to the separate operations of the Company's business. The Reorganization consisted principally of the following elements: (i) the contribution of Ethan Allen's manufacturing equipment to Ethan Allen Manufacturing Corporation ("EAMC"), which is a wholly owned subsidiary of Ethan Allen, (ii) EAMC entered into operating lease arrangements with Ethan Allen for real property used in manufacturing operations, (iii) the contribution by Ethan Allen of certain of Ethan Allen's trademarks and service marks, design patents and related assets to Ethan Allen Finance Corporation ("EAFC") which is a wholly owned subsidiary of Ethan Allen, (iv) the full and unconditional guarantee on a senior unsecured basis of Ethan Allen's obligations under Ethan Allen's Credit Agreement by each of EAMC and EAFC and Andover Woods Products Inc. ("Andover"), a wholly owned subsidiary of Ethan Allen, (v) the execution of a management agreement and a service mark licensing agreement between Ethan Allen and EAFC, (vi) the execution of a management agreement and a trademark licensing agreement between EAMC and EAFC and (vii) the execution of a manufacturing agreement between Ethan Allen and EAMC. Ethan Allen continues to own its headquarters building in Danbury, Connecticut, the real property associated with EAMC's manufacturing operations and the assets and liabilities associated with the current Ethan Allen-owned retail operations and Ethan Allen's distribution, service and home delivery operations.

The summarized historical combined balance sheet information for the Guarantor Subsidiaries at March 31, 1998 and at June 30, 1997 is as follows (dollars in thousands):

Assets	March 31, 1998	June 30, 1997

Current assets	$124,620	$ 85,355
Non-current assets	171,428	168,540
Total assets	$296,048	$253,895

Liabilities

Current liabilities	$ 36,300	$ 28,160
Non-current liabilities	16,831	16,893
Total liabilities	$ 53,131	$ 45,053

Summarized historical combined operating activity of the Guarantor Subsidiaries for the three and nine months ended March 31, 1998 and 1997 is as follows (dollars in thousands):

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997	Nine Months Ended March 31, 1998	Nine Months Ended March 31, 1997
Net sales	$104,594	$ 93,110	$299,965	$255,292
Gross profit	21,881	18,980	66,912	50,836
Operating income	17,173	14,502	53,269	37,310
Income before income taxes	18,220	15,613	56,439	40,630
Net income	$ 11,005	$ 9,446	$ 34,089	$ 24,581

The summarized historical financial information for the Guarantor Subsidiaries above, has been derived from the financial statements of the Company.

(8) Earnings Per Share

During the quarter ended December 31, 1997, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128

"Earnings Per Share", which requires a dual presentation of basic and diluted earnings per share. All prior period earnings per share data has been restated to conform with SFAS No. 128. The computation of basic and diluted earnings per share is presented below, in thousands, except per share data:

<TABLE>
<CAPTION>

<S>	Three Months Ended March 31, 1998 <C>	Three Months Ended March 31, 1997 <C>	Nine Months Ended March 31, 1998 <C>	Nine Months Ended March 31, 1997 <C>
Basic weighted average common shares outstanding	28,738	28,805	28,731	28,747
Net effect of potential commom stock	857	458	692	524
Diluted weighted average common shares outstanding	29,595	29,263	29,423	29,271

</TABLE>

MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Ethan Allen's revenues are primarily comprised of wholesale sales to dealer-owned stores and retail sales of Ethan Allen-owned stores as follows (dollars in millions):

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997	Nine Months Ended March 31, 1998	Nine Months Ended March 31, 1997
Revenues:				
Net wholesale sales to dealer-owned stores	$108.7	$100.9	$310.7	$275.4
Net retail sales of Ethan Allen-owned stores	58.3	39.1	172.0	123.5
Other revenues	4.4	4.7	14.0	16.5
Total	$171.4	$144.7	$496.7	$415.4

Three Months Ended March 31, 1998 Compared to Three Months Ended March 31, 1997

Sales for the three months ended March 31, 1998 increased by $26.7 million, or 18.5%, over the corresponding period in the prior year to $171.4 million. Net sales to dealer-owned stores increased by 7.7% to $108.7 million, and net retail sales by Ethan Allen-owned stores increased by 49.5% to $58.3 million. The increase in sales to dealer-owned stores has resulted from increased sales from increased distribution through relocated and new stores, improved effectiveness of existing stores, new product offerings, and expanded national television advertising. At March 31, 1998, there were 309 total stores, of which 243 were dealer-owned stores, as compared to 295 total stores, of which 230 were dealer-owned, at March 31, 1997.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 33.6%, or $12.6 million, increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $7.3 million, partially offset by closed stores, which generated $0.7 million less in sales in the three months ended March 31, 1998, as compared to the three months ended March 31, 1997. The number of Ethan Allen-owned stores has increased to 66 at March 31, 1998, as compared to 65 at March 31, 1997.

Comparable stores are stores that, if newly opened, have been open for at least 15 months. Ethan Allen's retail business is principally special order and minimal net sales 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 thirteenth full month of Ethan Allen-owned operations.

Gross profit for the three months ended March 31, 1998 increased by $17.1 million or 27.0% from the three months ended March 31, 1997 to $80.4 million. This increase is attributable to higher sales volume, combined with an increase in gross margin from 43.7% in the three months ended March 31, 1997 to 46.9% in the three months ended March 31, 1998. Gross margins have been favorably impacted by the leverage benefit of higher sales volume, greater manufacturing efficiencies, improvements in manufacturing technology and the higher proportionate share of retail sales relative to total sales.

Selling, general and administrative expenses increased $8.3 million from $40.8 million or 28.2% of net sales in the three months ended March 31, 1997 to $49.1 million or 28.6% of net sales in the three months ended March 31, 1998.

The primary increase in operating expenses in the quarter arose from a $6.0

million increase in the retail division's expenses due primarily to the higher sales volumes and newer stores.

Operating income for the three months ended March 31, 1998 was $31.3 million, (18.3% of sales) as compared to $22.6 million (15.6% of sales) in the prior year quarter. Wholesale operating income was $29.0 million for the three months ended March 31, 1998, compared to $24.0 million in the corresponding prior year quarter. Higher sales combined with higher gross margins favorably impacted wholesale operating income. Retail operating income was $3.5 million in the three months ended March 31, 1998, an increase of $2.9 million from the corresponding period in the prior year.

Interest expense, including the amortization of deferred financing costs, for the three months ended March 31, 1998, decreased by $0.4 million to $1.3 million from $1.7 million in the three months ended March 31, 1997. The lower interest expense reflects lower debt balances outstanding.

During the quarter ended March 31, 1998, the Company recorded an $.8 million extraordinary charge (net of tax benefit) related to the early retirement of its 8-3/4% Senior Notes due 2001. The extraordinary charge included the write-off of unamortized deferred financing costs and the premium paid related to the early redemption.

Income tax expense of $12.4 million or an effective tax rate of 39.7%, was recorded for the three months ended March 31, 1998, compared to $8.6 million or an effective tax rate of 40.0%, in the prior year quarter.

For the three months ended March 31, 1998, the Company reported net income of $18.0 million, as compared to net income for the three months ended March 31, 1997, of $12.8 million.

Nine Months Ended March 31, 1998 Compared to Nine Months Ended March 31, 1997

Sales for the nine months ended March 31, 1998 increased by $81.3 million or 19.6%, over the nine months ended March 31, 1997 to $496.7 million. Net sales to dealer-owned stores increased by $35.3 million or 12.8% to $310.7 million and net retail sales by Ethan Allen-owned stores increased by $48.5 million or 39.3% to $172.0 million. The increase in sales to dealer-owned stores has resulted from increased distribution through new and relocated stores, a 3.5% wholesale price increase, increased effectiveness of existing stores, new product offerings, expanded national television advertising and an increase in annual sales events from six per year to eight per year.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 25.4% or $30.0 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $20.4 million, partially offset by closed stores which generated $1.9 million less in sales in the nine months ended March 31, 1998 as compared to the nine months ended March 31, 1997.

Gross profit for the nine months ended March 31, 1998, increased by $54.1 million from the nine months ended March 31, 1997 to $231.9 million. This increase is attributable to higher sales volume and an improvement in gross margin from 42.8% in the nine months ended March 31, 1997 to 46.7% in the nine months ended March 31, 1998. The gross margin improvement is due to the leverage benefit of greater manufacturing volumes, greater manufacturing efficiencies, the benefit of the 3.5% wholesale price increase and improvements in manufacturing technology.

Selling, general and administrative expenses increased $27.3 million from $117.2 million or 28.2% of net sales, in the fiscal 1997 period to $144.5 million

or 29.1% of net sales in the fiscal 1998 period. This increase is attributable principally to an increase in operating expenses of the Company's retail division of $15.5 million, due to higher sales volumes and an increase in the number of Ethan Allen-owned stores and an $8.9 million increase in the Company's advertising expenses due to the expanded national television campaign effective January 1, 1997.

Operating income for the nine months ended March 31, 1998 was $87.4 million or 17.6% of sales, as compared to $60.6 million or 14.6% of sales for the nine months ended March 31, 1997. Wholesale operating income was $79.2 million for the nine months ended March 31, 1998, an increase of $20.8 million or 35.6% as compared to the prior year. This increase is attributable to higher sales volumes and improved gross margins partially offset by higher operating expenses. Retail operating income was $10.2 million for the nine months ended March 31, 1998, as compared to $4.8 million for the nine months ended March 31, 1997.

Interest expense, including the amortization of deferred financing costs, for the nine months ended March 31, 1998 decreased by $0.8 million to $4.3 million from $5.1 million in the prior year period, due to lower debt balances outstanding.

Income tax expense of $34.1 million or an effective rate of 39.6%, was recorded for the nine months ended March 31, 1998 as compared to $22.6 million or an effective rate of 40.0%, in the prior year period.

For the nine months ended March 31, 1998, the Company recorded net income of $51.1 million, compared to net income for the nine months ended March 31, 1997 of $33.9 million.

Financial Condition and Liquidity

Principal sources of liquidity are cash flow from operations and additional borrowing capacity under the revolving credit facility. Net cash provided by operating activities totaled $62.3 million for the nine months ended March 31, 1998, as compared to $56.0 million in the nine months ended March 31, 1997. Net income for the nine months ended March 31, 1998 was $17.3 million higher than the net income reported for the nine months ended March 31, 1997. For the nine months ended March 31, 1998, inventories increased $8.2 million as compared to a $5.0 million reduction in the prior year period. Accounts payable increased $10.9 million in the nine months ended March 31, 1998 as compared to a $4.5 million increase in the prior year period. At March 31, 1998, the Company had working capital of $118.4 million and a current ratio of 2.63 to 1.

During the nine months ended March 31, 1998, capital spending totaled $20.4 million as compared to $15.1 million in the nine months ended March 31, 1997. Capital expenditures in fiscal 1998 are anticipated to be approximately $27.0 million. The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures. The current level of anticipated capital spending, which is attributable primarily to manufacturing efficiency improvements and new store openings, is expected to continue for the foreseeable future.

Total debt outstanding at March 31, 1998 is $14.1 million. At March 31, 1998, there are no outstanding revolving loans under the Credit Agreement. Trade and standby letters of credit of $12.6 million were outstanding as of March 31, 1998.

On March 15, 1998, the Company completed its optional early redemption of all of its $52.4 million outstanding 8-3/4% Senior Notes, due on March 15, 2001, at 101.458% of par value. As a result of the early redemption, an extraordinary charge of $.8 million, net of tax benefit, was recorded. The extraordinary charge included the write-off of unamortized deferred financing costs associated with the Senior Notes and the premium related to the early redemption.

As of March 31, 1998, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $.4 million, $.2 million, $.2 million, $.2 million and $.2 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.

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 nine months ended March 31, 1998, the Company purchased 151,529 shares of its stock on the open market at an average price of $33.98 per share.

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 30, 1997.

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 30, 1997, except as noted on the Form S-8 filed by the Company on March 13, 1998, pursuant to which the Company increased by 1,300,000 the authorized shares reserved for use in connection with the Stock Option Plan.

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

Exhibits

27. EDGAR Financial Data Schedule

Reports on Form 8-K

On February 11, 1998, the Company filed a Form 8-K relating to the redemption of the Company's Senior Notes.

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: 5/7/98 BY: /s/ M. Farooq Kathwari

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

DATE: 5/7/98 BY: /s/ Edward P. Schade

Edward P. Schade
Vice President &
Treasurer
(Principal Financial Officer)

DATE: 5/7/98 BY: /s/ Gerardo Burdo

Gerardo Burdo
Corporate Controller
(Principal Accounting Officer)

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This schedule contains summary financial information extracted from the consolidated financial statements of Ethan Allen Interiors, Inc. for the quarter ended March 31,1998 and is qualified in its entirety by reference to such financial statements.
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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 $2,022.

<F3> Includes prepaid expenses of $9,148.

<F4> Includes goodwill of $8,853 (net of amortization).

<F5> Includes current portion of long-term debt of $907 as of March 31, 1998.

<F6> Includes long-term debt of $11,519 (net of the current portion of long-term debt) and capitalized leases of $1,690 (net of the current portion of capitalized leases). As of March 31, 1998 outstanding long-term debt of Ethan Allen on a consolidated basis consisted of (i) 9.75% mortgage note of $1,524 (net of current portion), (ii) industrial revenue bonds of $8,455, and (iii) other of $1,540 (net of current portion). For a description of the terms of Ethan Allen's long-term debt, see Footnote 7 to Ethan Allen's fiscal 1997 Consolidated Financial Statements.

<F7> As of March 31, 1998, Ethan Allen had no shares of preferred stock, $.01 par value per share, outstanding. For a description of Ethan Allen's preferred stock as of June 30, 1997, see Ethan Allen's fiscal 1997 Consolidated Statement of Stockholders' Equity and Footnote 9 to Ethan Allen's fiscal 1997 Notes to Consolidated Financial Statements.

<F8> As of March 31, 1998, Ethan Allen had 29,617,369 shares of common stock, $.01 par value per share, issued. For a description of Ethan Allen's common stock as of June 30, 1997, see Ethan Allen's fiscal 1997 Consolidated Statement of Stockholders' Equity and Footnote 9 of Ethan Allen's fiscal 1997 Consolidated Financial Statements.

<F9> Consists of $261,710 of additional paid in capital, $66,433 of retained earnings, and ($15,589) of treasury stock.

<F10>In the quarter ended March 31,1998, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.

<F11>Consists of $1,166 of interest expense and $95 of amortization of deferred costs.

<F12>On March 15, 1998, the Company redeemed all of its $52.4 million outstanding 8-3/4% Senior Notes at 101.458% of par value. The early redemption of the Senior Notes, which had a final maturity in 2001, was financed entirely by operations. As a result of the redemption, an extraordinary charge of $.8 million, or $0.03 a share, net of tax benefit was recorded. The extraordinary charge included the write-off of unamortized deferred financing costs associated with the Senior Notes and the premium related to early redemption.

<F13>Basic earnings per share for the quarter ended March 31, 1998, was $0.62. For information on Ethan Allen's earnings per share, see Ethan Allen's Consolidated Financial Statements for the quarter ended March 31, 1998.

<F14>Diluted earnings per share for the quarter ended March 31, 1998, were $0.61.

</FN>

</TABLE>