UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 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
(Exact name of registrant as specified in its charter)

Delaware	06-1275288
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Ethan Allen Drive, Danbury, CT	06811
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (203) 743-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Common Stock, par value $.01 per share held by non-affiliates (based upon the closing sale price on the New York Stock Exchange) on August 28, 1998 was approximately $1,039,610,901. As of August 28, 1998, there were 28,192,838 shares of Common Stock, par value $.01 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive Proxy Statement for the 1998 Annual Shareholders Meeting is incorporated by reference into Part III hereof.

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PART I

Item 1. Business

Ethan Allen Inc. ("Ethan Allen") is a leading manufacturer and retailer of quality home furnishings, offering a full range of furniture products and accessories. Ethan Allen was founded in 1932 and has sold products since 1937 under the Ethan Allen brand name. Ethan Allen Interiors Inc. (the "Company") is a Delaware corporation, incorporated in 1989.

Industry Segments

The Company's operations are classified into two business segments: wholesale and retail home furnishings. The wholesale home furnishings segment 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 retail home furnishings segment sells home furnishing products through a network of Ethan Allen-owned stores. These products consist of case goods (wood furniture), upholstered products, indoor/outdoor furniture, and home accessories. Refer to the information appearing in the section captioned "Segment Information" in the Company's Financial Statements on page 38.

Narrative Description of Business

Ethan Allen manufactures and distributes four principal product lines: (i) case goods (wood furnishings), consisting primarily of bedroom and dining room furniture, wall units and tables; (ii) upholstered products, consisting primarily of sofas, loveseats, chairs, and recliners; (iii) home furnishing accessories including carpeting and area rugs, lighting products, clocks, wall decor, bedding ensembles, draperies and decorative accessories: and (iv) indoor\outdoor furnishings. The following table shows the approximate percentage of wholesale sales of home furnishing products for each of these product lines during the three most recent fiscal years:

	Fiscal Year Ended June 30:		
	1998	1997	1996
Case Goods	58%	58%	58%
Upholstered Products	28	30	30
Home Furnishing Accessories	13	12	12
Indoor/Outdoor Furniture	1	-	-
	100%	100%	100%

Ethan Allen's product strategy has been to expand its home furnishings collections to appeal to a broader consumer base while providing good quality and value. Ethan Allen continuously monitors consumer demands through marketing research and through consultation with its dealers and store designers who provide valuable input on consumer tastes and needs. As a result, the Company is able to react quickly to changing consumer tastes and has added or revised seven major new home furnishing collections in the past five years. In addition, Ethan Allen continuously refines and enhances each collection by adding new pieces and, as appropriate, discontinuing or redesigning pieces. Approximately 90% of the Company's products have been redesigned over the last six years. This allows the Company to maintain focused lines within each style category which enhances efficiencies. In fiscal 1998, the Company's focus was on introducing its Home and Garden line of indoor/outdoor furniture, and updating its Country French collection.

Current products are positioned in terms of selection, quality and value within what management believes are the four most important style categories in home furnishings today: Formal, American Country, Casual Contemporary, and

Classic Elegance.

Ethan Allen's products are grouped into collections within these four lifestyle categories. Each collection includes case goods, upholstered products and accessories, each styled with distinct design characteristics. Accessories, including lighting, floor covering, wall decor, draperies and textiles, play an important role in Ethan Allen's marketing program as this enables the Company to provide a complete home furnishings collection. Ethan Allen's stores concept allows for the display of these categories in complete room settings which utilize the related collections to project the category lifestyle.

The following is a summary of Ethan Allen's major categories of home furnishing collections:
<TABLE>
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CATEGORY	PRINCIPAL STYLE CHARACTERISTICS	HOME FURNISHING COLLECTIONS	CASE GOOD WOOD TYPE	YEAR OF INTRODUCTION
<S>	<C>	<C>	<C>	<C>
Formal	An opulent style, which	Georgian Court	Cherry	1965
	includes English 18th	18th Century	Mahogany	1987
	Century and 19th Century	Medallion	Cherry	1990

	Neo-Classic styling.	Regents Park	Cherry	1995
American Country	Updated country style.	Farmhouse Pine	Pine	1988
		Country Crossings	Maple	1993
		Country Colors	Maple	1995
		American Artisan	Oak	1998
Casual Contemporary	This style is based on classic contemporary design elements.	American Impressions	Cherry	1991
		American Dimensions	Maple	1992
		Radius	Prima Vera	1994
Classic Elegance	A relaxed yet sophisticated mix of furnishings inspired by designs found in the countryside of Europe.	Collectors Classics	Various	Various
		Legacy Collection	Maple	1992
		British Classics	Maple	1995
		Country French	Birch	Revised 1998

</TABLE>

Ethan Allen Store Network

Ethan Allen Stores. Ethan Allen's products are sold by a network of 310 Ethan Allen stores which exclusively sell Ethan Allen's products. As of June 30, 1998, Ethan Allen owned and operated 67 stores and independent dealers owned and operated 223 North American stores and 20 stores abroad. In the past six years, Ethan Allen has opened over 140 new stores, many of them relocations. Sales to independent dealer-owned stores accounted for approximately 63% of total net sales of the Company in fiscal 1998. The ten largest independent dealers own a total of 44 stores, which accounted for approximately 22% of net orders booked in fiscal 1998.

Ethan Allen desires to maintain independent ownership of most of its retail stores and has an active program to identify and develop new independent dealers. Independent dealers are required to enter into license agreements with Ethan Allen authorizing the use of certain Ethan Allen service marks and requiring adherence to certain standards of operation. These standards include the exclusive sale of Ethan Allen products. Additionally, dealers are required to enter into warranty service agreements. Ethan Allen is not subject to any territorial or exclusive dealer agreements in the United States.

Retail Store Concept. Ethan Allen's retail concept is flexible in size and format depending on the limits of real estate and the retail environment. Although stores range in size from approximately 6,000 square feet to 30,000 square feet, the average size of a store is about 15,000 square feet. Depending on the opportunity in the market, stores are located in busy urban settings, suburban strip malls and free-standing destination stores.

Ethan Allen maximizes uniformity of store presentation throughout the retail network through uniform standards of operation. These standards of

operation help each store present the same high quality image and offer retail customers consistent levels of product selection and service. The stores are staffed with a sales force consisting of approximately 2,400 trained designers, who assist customers at no additional charge in decorating their homes. Ethan Allen believes this design service gives it an unusual competitive advantage over other furniture retailers.

In 1992, Ethan Allen instituted a new image and logo program. Additionally, Ethan Allen undertook a program to renovate the exterior of its stores. As of June 30, 1998, this renovation program has been substantially completed with 273 or 88% of all stores (including dealer-owned and Ethan Allen-owned stores) having either implemented new exteriors or are currently under renovation. Ethan Allen also provides display planning assistance to dealers to support them in updating the interior projection of their stores. In May 1997, the Company unveiled a 30,000 square foot prototype store in Stamford, Connecticut. The store is divided into three-stores-in-one and positions Ethan Allen as specialists in casual styles, classic designs and decorative accessory retailing. It features two fully designed show homes to inspire consumers and show them how product could look in their homes. In addition, it presents products in focused vignettes that are easy and relatively inexpensive to update each season. Information displays educate consumers as they travel throughout the store. In the fall of 1997, the Company adapted this concept into a smaller 15,000 - 20,000 square foot format and presented the new format to the Company's retail network. In less than a year, thirty-five stores have incorporated or are currently in the process of incorporating this new interior design. Consumer response has been strong and Ethan Allen hopes to have its entire retail network incorporate the new interior look in the next few years.

Ethan Allen recognizes the importance of its store network to its long-term success and has developed and maintains a close ongoing relationship with its dealers. Ethan Allen offers substantial services to the Ethan Allen stores in support of their marketing efforts, including coordinated national advertising, merchandising and display programs, and extensive dealer training seminars and educational materials. Ethan Allen believes that the development of designers, sales managers, service and delivery personnel and dealers is important for the growth of its business. Ethan Allen has, therefore, committed to offer to all dealers a comprehensive training program that will help to develop retail managers/owners, designers and service and delivery personnel to their fullest potential. Ethan Allen has offered dealers various assistance programs, including long-term financial assistance in connection with the financing of their inventory, the opening of new stores and the renovation of stores in accordance with Ethan Allen's image and logo program.

Advertising and Promotion

Ethan Allen has developed a highly coordinated, nationwide advertising and promotional campaign designed to increase consumer awareness of the breadth of Ethan Allen's product offerings. Ethan Allen launched an expanded national television campaign in January 1997 to increase the Company's projection at the national level. In addition to its national television campaign, Ethan Allen utilizes direct mail, magazine, newspaper and radio advertising. Ethan Allen believes that its ability to coordinate its advertising efforts with those of its dealers provides a competitive advantage over other home furnishing manufacturers and retailers.

Ethan Allen's in-house staff, working with a leading advertising firm, has developed and implemented what the Company believes is the most extensive national television campaign in the home furnishings industry. This campaign is designed to support the eight annual sale periods and to increase the flow of traffic into stores during the sale periods. Ethan Allen television advertising is aired approximately 28 weeks per year.

Ethan Allen Interiors magazine, which features Ethan Allen's home furnishing collections, is one of Ethan Allen's most important marketing tools. Over 55 million copies of the magazine, which features sale products, are distributed to consumers during the eight sale periods. The Company publishes and sells the magazines to its dealers who, with demographic information collected through independent market research, are able to target potential consumers.

Ethan Allen's television advertising and direct mail efforts are supported by strong print campaigns in various markets, and in leading home fashion magazines using advertisements and public relations efforts. The Company coordinates significant advertisements in major newspapers in its major markets. The Ethan Allen Treasury, a complete catalogue of the Ethan Allen home collection which is distributed in the stores, is one of the most comprehensive home furnishing catalogues in the industry.

Manufacturing

Ethan Allen is one of the ten largest manufacturers of household furniture in the United States. Ethan Allen manufactures and/or assembles approximately 90% of its products at 21 manufacturing facilities which includes 3 saw mills, thereby maintaining control over cost, quality and service to its consumers. The case goods facilities are located close to sources of raw materials and skilled craftsmen, predominantly in the Northeast and Southeast regions of the country. Upholstery facilities are located across the country in order to reduce shipping costs to stores and based upon the availability of skilled craftsmen. Management believes that its manufacturing facilities with reasonable investments are currently well positioned to accommodate sales growth.

Distribution

Ethan Allen distributes its products primarily through seven regional distribution centers and terminals strategically located throughout the United States. These distribution centers and terminals hold finished products received from Ethan Allen's manufacturing facilities for shipment to Ethan Allen's dealers or home delivery service centers. Ethan Allen stocks case goods and accessories to provide for quick delivery of in-stock items and to allow for more efficient production runs.

Approximately 35% of shipments are made to and from the distribution and home delivery service centers by the Company's fleet of trucks and trailers. The balance of Ethan Allen's shipments are sub-contracted to independent carriers. Approximately 85% of Ethan Allen-owned delivery vehicles are leased under three to five-year leases.

Ethan Allen's policy is to sell its products at the same delivered cost to all dealers nationwide, regardless of their shipping point. The adoption of this policy has discouraged dealers from carrying significant inventory in their own warehouses. As a result, Ethan Allen obtains accurate information regarding sales to dealers to better plan production runs and manage inventory. Having one national landed cost has permitted Ethan Allen to provide one national suggested retail price which, in turn, helps facilitate a national advertising program.

Raw Materials and Suppliers

The most important raw materials used by Ethan Allen in furniture manufacturing are lumber, veneers, plywood, particle board, hardware, glue, finishing materials, glass, mirrored glass, laminates and fabrics. The various types of wood used in Ethan Allen's products include cherry, oak, maple, prima vera, mahogany, birch and pine, substantially all of which are purchased domesti cally. Fabrics and other raw materials are purchased both domestically and abroad. Ethan Allen has no long-term supply contracts, and has experienced no significant problems in supplying its operations. Ethan Allen maintains a number of sources for its raw materials which management believes contribute to its ability to obtain competitive pricing for raw materials. Lumber prices

fluctuate over time depending on factors such as weather and demand, which impact availability. Upward trends in prices could have a short-term impact on margins. Management believes however, such increases in cost would be substantially offset by further improvements in manufacturing efficiencies. A sufficient inventory of lumber and fabric is usually stocked to maintain approximately 10 to 19 weeks of production. Management believes that its sources of supply for these materials are adequate and that it is not dependent on any one supplier.

Competition

The home furnishings industry at the retail level is highly competitive and fragmented. Although Ethan Allen is among the ten largest furniture manufacturers, industry estimates indicate that there are over 1,000 manufacturers of all types of furniture in the United States. Some of these manufacturers produce furniture types not manufactured by Ethan Allen. Certain of the companies which compete directly with Ethan Allen may have greater financial and other resources than the Company.

Since Ethan Allen's products are sold primarily through stores which sell exclusively Ethan Allen products, Ethan Allen's effort is focused primarily upon obtaining and retaining independent dealers and upon increasing the volume of such dealers' retail sales and opening new Ethan Allen-owned stores. The home furnishings industry competes primarily on the basis of product styling and quality, personal service, prompt delivery, product availability and price. Ethan Allen believes that it effectively competes on the basis of each of these factors and believes that its store format provides it with a competitive advantage because of the complete home furnishing product selection and service available to the consumer.

Furniture Today (a leading industry publication) published a survey of America's Top 100 Furniture Retailers for 1997 which ranked Ethan Allen's retail network as the largest single-source store network for home furnishings in the country. According to the survey, the nation's 100 largest furniture retailers accounted for 41% of all furniture sales in the United States in 1996. The September 15, 1997 issue of Home Furnishings News noted that Ethan Allen ranked as the highest home furnishings brand that has a vertically integrated structure.

Trademarks

Ethan Allen currently holds numerous trademarks, service marks and design patents for the Ethan Allen name, logos and designs in a broad range of classes for both products and services. Ethan Allen also holds international registrations for Ethan Allen trademarks in thirty-four foreign countries and has applications for registration pending in thirty-seven other foreign countries. Ethan Allen has registered or has applications pending for many of its major collection names as well as certain of its slogans coined for use in connection with retail sales and other services. Ethan Allen views its trade and service marks as valuable assets and has an on-going program to diligently police their unauthorized use through institution of legal action.

Backlog and Net Orders Booked

As of June 30, 1998, Ethan Allen had a wholesale backlog of approximately $68.6 million, compared to a backlog of $43.3 million as of June 30, 1997. The backlog is anticipated to be serviced in the first quarter of fiscal 1999. Backlog at any point in time is primarily a result of net orders booked in prior periods, manufacturing schedules and the timing of product shipments. Net orders booked at the wholesale level from all Ethan Allen stores (including all independently-owned and Ethan Allen-owned stores) for the three months and twelve months ended June 30, 1998 were $148.9 million and $585.6 million, respectively, resulting in an increase of 23.7% and 19.3% for the three months ended June 30, 1998 and for the fiscal year 1998, respectively. Net orders booked in any period are recorded based on wholesale prices and do not reflect the additional retail margins produced by the Ethan Allen-owned stores.

Employees

Ethan Allen has 7,018 employees as of June 30, 1998. Approximately 8% of the employees are represented by unions under collective bargaining agreements. Ethan Allen believes it has good relations with its employees and there have been no work stoppages during the last three years.

Item 2. Properties

The corporate headquarters of Ethan Allen, located in Danbury, Connecticut, consists of one building containing 144,000 square feet, situated on approximately 17.5 acres of land, all of which is owned by Ethan Allen. Located adjacent to the corporate headquarters is the Ethan Allen Inn, a hotel containing 195 guest rooms. This hotel, owned by a wholly-owned subsidiary of Ethan Allen, is used for Ethan Allen functions and in connection with training programs as well as for accommodations for the general public.

Ethan Allen has 21 manufacturing facilities, which includes 3 saw mills located in 11 states, all of which are owned, with the exception of a leased upholstery plant in California, totaling 122,300 square feet. These facilities consist of 12 case goods manufacturing plants, totaling 3,019,500 square feet (including three sawmills), six upholstered furniture plants, totaling 1,361,500 square feet and three plants involved in the manufacture and assembly of Ethan Allen's non-furniture coordinates totaling 413,200 square feet. In addition, Ethan Allen owns five and leases two distribution warehouses, totaling 860,400 square feet, and leases two home delivery service centers aggregating 102,800 square feet. The Company's manufacturing and distribution facilities are located in North Carolina, Vermont, Pennsylvania, Virginia, New York, Oklahoma, California, New Jersey, Georgia, Indiana, Maine, and Massachusetts.

Ethan Allen operates 67 Ethan Allen stores in the United States, of which 19 stores are owned and 48 stores are leased.

Certain store properties are subject to mortgage loan agreements. In addition, Ethan Allen's Maiden, North Carolina facility was financed with an industrial revenue bond. Ethan Allen believes that all of its properties are well maintained and in good condition.

Ethan Allen estimates that its case goods, upholstery, and accessory divisions are currently operating at approximately 90% of capacity. Management believes it has significant additional capacity at many facilities, which it could utilize with minimal additional capital expenditures by adding multiple shift operations. Ethan Allen considers its present manufacturing capacity to be sufficient for its foreseeable needs.

Item 3. Legal Proceedings

Ethan Allen is a party to various legal actions with customers, employees and others arising in the normal course of its business. Ethan Allen maintains liability insurance which Ethan Allen believes is adequate for its needs and commensurate with other companies in the home furnishings industry. Ethan Allen believes that the final resolution of pending actions (including any potential liability not fully covered by insurance) will not have a substantial adverse effect on the Company's results of operations and financial position.

Environmental Matters

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. The Company believes its share of waste contributed to these sites is small in relation to the total; however, liability under CERCLA may be joint and several. The Company has total reserves of $500,000 applicable to these sites, which the Company believes would be 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 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.

Ethan Allen is subject to other federal, state and local environmental protection laws and regulations and is involved from time to time in investigations and proceedings regarding environmental matters. The Company is regulated under several federal, state and local laws and regulations concerning air emissions, water discharges, and management of solid and hazardous wastes. The Company believes that its facilities are in material compliance with all applicable laws and regulations. Regulations issued under the Clean Air Act Amendments of 1990 required the Company to reformulate certain furniture finishes or institute process changes to reduce emissions of volatile organic compounds. These requirements have been implemented via high solids coating technology and alternative formulations. Ethan Allen has implemented a variety of technical and procedural controls, such as reformulating of finishing materials to reduce toxicity, implementation of high velocity low pressure spray systems, development of inspections/audit teams including coating emissions reductions teams at all finishing factories and storm water protection plans and controls, that have reduced emissions per unit of production. In addition, Ethan Allen is currently reclassifying its waste as part of the factory waste minimization programs, developing environment and safety job hazard analysis programs on the shop floor to reduce emissions and safety risks, and developing an auditing system to control and ensure consistent protocols and procedures are applied. The Company will continue to evaluate the best applicable, cost effective, control technologies for finishing operations and design hazardous materials out of the manufacturing processes.

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

The following matters were submitted to security holders of the Company in fiscal 1998:

- Election of William W. Sprague as Director

- Proposal for ratification of KPMG Peat Marwick LLP as Independent Auditors for the 1998 fiscal year.

- Proposal to approve amendment to the 1992 Stock Option Plan to increase by 1,300,000 the authorized shares reserved for use in connection with the Stock Option Plan.

- Proposal to approve the Incentive Performance Bonus Provisions of the New Employment Agreement as of July 1, 1997 for M. Farooq Kathwari, Chairman of the Board, Chief Executive Officer and President.

- Approval of an Amendment to the Certificate of Incorporation to increase the number of authorized shares of common stock from 35,000,000 to 70,000,000.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the New York Stock Exchange. The following table indicates the high and low sales prices of the Company's Common Stock as reported on the New York Stock Exchange Composite Tape, as adjusted for the two-for-one stock split:

	Market Price	
	High	Low
Fiscal 1998		
Fourth Quarter	64 1/2	45 3/8
Third Quarter	66 5/8	34 5/16
Second Quarter	42 7/8	30
First Quarter	37 13/16	24 25/32
Fiscal 1997		
Fourth Quarter	29 3/16	19 5/8
Third Quarter	25 7/16	18 1/2
Second Quarter	19 1/2	14 11/16
First Quarter	15 3/4	10 1/2

As of August 28, 1998, there were approximately 413 share holders of record of the Company's Common Stock.

On April 30, 1998, the Company declared a $.04 per common share dividend for all holders of record on July 10, 1998 and payment date of July 24, 1998. The Company expects to continue to declare quarterly dividends for the foreseeable future.

Item 6. Selected Financial Data

The following table sets forth summary consolidated financial information of the Company for the years and dates indicated (dollars in thousands, except per share data):
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	Fiscal Years Ended June 30,				
	1998	1997	1996	1995	1994
Statement of Operations Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$679,321	$571,838	$509,776	$476,111	$437,286
Cost of sales	363,746	323,600	304,650	291,038	266,504
Selling, general and administrative expenses	195,885	162,389	149,559	137,387	120,569
Expenses related to business reorganization and write-down of assets held for sale (1)	-	-	-	1,550	-

Operating income	119,690	85,849	55,567	46,136	50,213
Interest and other miscellaneous income, net	3,449	1,272	1,039	1,766	1,732
Income before interest expense, income taxes, extraordinary charge and cumulative effect of accounting change	123,139	87,121	56,606	47,902	51,945
Interest expense (2)	4,609	6,427	9,616	11,937	13,327
Income tax expense	46,582	31,954	18,845	13,233(3)	16,047
Income before extraordinary charge and cumulative effect of accounting change	71,948	48,740	28,145	22,732	22,571
Extraordinary charge (net of tax)	(802)(8)	-	-	(2,073)(4)	-
Cumulative effect of accounting change	-	-	-	1,467(5)	-
Net income	$ 71,146	$ 48,740(6)	$ 28,145	$ 22,126	$ 22,571
Other information:					
Depreciation and amortization	$ 15,504	$ 15,848	$ 16,761	$ 16,098	$ 15,859
Per Share Data: (7)					
Net income per basic share	$ 2.48	$ 1.69	$ 0.98	$ 0.77	$ 0.81(6)
Basic weighted average shares outstanding	28,700	28,793	28,624	28,664	27,940
Net income per diluted share	$ 2.42	$ 1.67	$ 0.97	$ 0.76	$ 0.80(6)
Diluted weighted average shares outstanding	29,424	29,210	29,128	29,246	28,282
Cash dividends declared	$ 0.14	$ 0.10	$ 0.04	$ -	$ -

</TABLE>

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Balance Sheet Data (at End of Period):					
<S>	<C>	<C>	<C>	<C>	<C>
Working capital	$114,287	$131,421	$109,147	$122,681	$103,709

Property, plant and equipment, net	188,171	171,406	159,634	161,115	164,615
Total assets	433,123	427,784	395,981	408,288	413,287
Long-term debt including capital lease obligations	12,496	66,766	82,681	127,032	139,175
Shareholders' equity	314,320	265,434	220,293	193,098	171,166

</TABLE>

Footnotes on following page.

Notes to Selected Financial Data
(Dollars in thousands)

(1) Included in the $1,550 charge in fiscal 1995 are fees associated with the business reorganization (refer to note 12 of the Consolidated Financial Statements) and the write-down of property and plants held for sale to fair market value.

(2) Interest expense includes a non-cash component relating to the amortization of deferred financing costs. Amount for each fiscal year is presented as follows:

1998	1997	1996	1995	1994
$ 364	$ 490	$ 596	$1,160	$1,384

(3) Includes a $1.7 million credit to income tax expense, resulting from the restatement of deferred taxes to reflect the Company's expected future effective tax rate upon the completion of the business reorganization.

(4) During fiscal 1995, the Company entered into a bank credit agreement to provide up to $110,000 of senior secured debt. As a result of the repayment of debt, an extraordinary charge of $3,484 in the aggregate, $2,073 net of tax benefit or $.07 a share (adjusted for the two-for-one stock split) was recorded relating to the write-off of unamortized deferred financing costs associated with the existing bank financing.

(5) As of July 1, 1994, the Company changed its method of accounting for packaging costs to better match revenue with expenses. This change resulted in a cumulative adjustment of $2,466 ($1,467 net of tax or $.05 a share adjusted for the two-for one stock split) which represents the capitalization of packaging costs into finished goods and retail inventories.

(6) Net income per common share in fiscal 1994 is adjusted for dividend requirements on the redeemable preferred stock and for the write-off of fees in connection with the redemption of the preferred stock.

(7) Amounts have been retroactively adjusted to reflect the two-for-one stock split on September 2, 1997.

(8) During fiscal 1998, the Company completed its optional early redemption of all of its $52.4 million then-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.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of results of operations and financial condition is based upon and should be read in conjunction with the Consolidated Financial Statements of the Company and notes thereto included under Item 8 of this Report.

Forward-Looking Statements

Management's discussion and analysis of financial condition and results of operations and other sections of this annual 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, risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, technology 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.

Basis of Presentation

The Company has no material assets other than its ownership of Ethan Allen's capital stock and conducts all significant transactions through Ethan Allen; therefore, substantially all of the financial information presented herein is that of Ethan Allen.

Results of Operations:

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

	Fiscal Years Ended June 30,		
	1998	1997	1996
Revenues:			
Net wholesale sales to dealer-owned stores	$425.5	$374.6	$330.8
Net retail sales of Ethan Allen-owned stores	235.2	175.8	155.6
Other revenues	18.6	21.4	23.4
Total	$679.3	$571.8	$509.8

Fiscal 1998 Compared to Fiscal 1997

Sales in fiscal 1998 increased by $107.5 million or 18.8% from fiscal 1997 to $679.3 million. Net sales to dealer-owned stores increased by 13.6% to $425.5 million and net retail sales by Ethan Allen-owned stores increased by 33.8% to $235.2 million. Sales growth has resulted from increased sales from relocated and new stores, improved effectiveness of existing stores, the full benefit of the 3.5% wholesale price increase effective January 1, 1997, new product offerings, and expanded national television advertising. During fiscal 1998, the Company opened 21 new stores, of which 3 stores represented relocations. At June 30, 1998, there were 310 total stores, of which 243 were dealer-owned stores. The Company's objective is to continue the expansion of both the dealer-owned and Ethan Allen-owned stores.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 33.6% or $56.7 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $5.8 million, partially offset by closed stores, which generated $3.1 million less sales in fiscal 1998 as compared to fiscal 1997. The number of Ethan Allen-owned stores has increased to 67 at June 1998 as compared to 65 at June 1997.

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 for fiscal 1998 increased by $67.4 million or 27.1% from fiscal 1997 to $315.6 million. This increase is attributable to higher sales volume, combined with an increase in gross margin from 43.4% in fiscal 1997 to 46.5% in fiscal 1998. Gross margins have been favorably impacted by higher sales volumes, greater manufacturing efficiencies, improvements in manufacturing technology, and a higher percentage of retail sales to total sales. These factors are partially offset by higher lumber and other raw materials cost.

Operating expenses increased $33.5 million from $162.4 million or 28.4% of net sales in fiscal 1997 to $195.9 million or 28.8% of net sales, in fiscal 1998. This increase is attributable to an increase in operating expenses in the Company's retail division of $19.9 million due to higher sales volume and additional Ethan Allen-owned stores. Additionally, wholesale operating expenses increased due to a $10.4 million rise in the Company's advertising expense primarily due to additional national television costs. The Company implemented a new national television campaign on January 1, 1997.

Operating income for fiscal 1998 was $119.7 million, an increase of $33.9 million or 39.4%, as compared to fiscal 1997. Wholesale operating income was $108.0 million in fiscal 1998, an increase of $25.2 million or 30.5% as compared to the prior year. This increase is attributable to higher sales volumes, increased gross margins reflecting, in part, improved efficiencies, the full benefit of the 3.5% price increase effective January 1, 1997 and continued monitoring of expenses. Retail operating income was $13.7 million in fiscal 1998, an improvement of $6.3 million or 85.3% as compared to fiscal 1997. This increase is attributable to higher retail sales volume, partially offset by higher operating expenses related to the higher volumes.

Interest expense, including the amortization of deferred financing costs, for fiscal 1998 decreased by $1.8 million to $4.6 million, due to lower debt balances and lower amortization of deferred financing costs. Interest expense excludes the accelerated write-off of the deferred financing cost related to the Senior Note redemption, which was reported separately as an extraordinary charge, net of tax benefit.

Income tax expense of $46.6 million was recorded in fiscal 1998. The Company's effective tax rate for fiscal 1998 was 39.3% as compared to 39.6% in fiscal 1997.

During the year ended June 30, 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.

In fiscal 1998, the Company recorded net income of $71.1 million, an increase of 46.0%, compared to $48.7 million in fiscal 1997.

Fiscal 1997 Compared to Fiscal 1996

Sales in fiscal 1997 increased by $62.0 million or 12.2% from fiscal 1996 to $571.8 million. Net sales to dealer-owned stores increased by 13.2% to $374.6 million and net retail sales by Ethan Allen-owned stores increased by 13.0% to $175.8 million. Sales growth has resulted from increased sales from relocated and new stores, improved effectiveness of existing stores, a 3.5% wholesale price increase effective January 1, 1997, new product offerings, and expanded national television advertising. During fiscal 1997, the Company opened 22 new stores, of which 3 stores represented relocations. At June 30, 1997, there were 299 total stores, of which 234 were dealer-owned stores.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 9.4% or $13.6 million increase in comparable store sales and an increase in sales generated by newly opened or acquired stores of $11.6 million, partially offset by closed stores, which generated $5.0 million less sales in fiscal 1997 as compared to fiscal 1996. The number of Ethan Allen-owned stores has increased to 65 at June 1997 as compared to 60 at June 1996.

Gross profit for fiscal 1997 increased by $43.1 million, or 21.0%, from fiscal 1996 to $248.2 million. This increase is attributable to a higher sales volume, combined with an increase in gross margin from 40.2% in fiscal 1996 to 43.4% in fiscal 1997. Gross margins have been favorably impacted by greater manufacturing efficiencies, improvements in manufacturing technology, a 3.5% wholesale price increase and lower employee benefit costs. These factors are partially offset by higher lumber and other raw material cost.

Operating expenses increased $12.8 million from $149.6 million or 29.3% of net sales in fiscal 1996 to $162.4 million or 28.4% of net sales in fiscal 1997. This increase is attributable to an increase in operating expenses in the Company's retail division of $5.3 million, due to higher sales volume, and additional Ethan Allen-owned stores. Additionally, wholesale operating expenses increased due to a $7.6 million increase in the Company's advertising expense due to the expanded national television campaign effective January 1, 1997.

Operating income for fiscal 1997 was $85.8 million, an increase of $30.2 million or 54.5%, as compared to fiscal 1996. Wholesale operating income was $52.7 million in fiscal 1996. Wholesale operating income was $82.8 million in fiscal 1997, an increase of $30.1 million or 57.0% as compared to the prior year. This increase is attributable to higher sales volumes, increased gross margins reflecting, in part, improved efficiencies, and continued monitoring of expenses. Retail operating income was $7.4 million in fiscal 1997, an improvement of $3.3 million as compared to fiscal 1996. This increase is attributable to higher retail sales volumes, partially offset by higher operating expenses related to higher volumes.

Interest expense, including the amortization of deferred financing costs, for fiscal 1997 decreased by $3.2 million to $6.4 million, due to lower debt balances and lower amortization of deferred financing costs.

Income tax expense of $32.0 million was recorded in fiscal 1997. The Company's effective tax rate for fiscal 1997 was 39.6% as compared to 40.1% in fiscal 1996.

In fiscal 1997, the Company recorded net income of $48.7 million, an increase of 73.1%, compared to $28.1 million in fiscal 1996.

Financial Condition and Liquidity

The Company's principal sources of liquidity are cash flow from operations and borrowing capacity under a revolving credit facility. Net cash provided by operating activities totaled $87.6 million for fiscal 1998 as compared to $78.3 million in fiscal 1997 and $61.1 million in fiscal 1996. The 1998 increase is due principally to an increase in net income of $22.4 million and an increase in accounts payable of $11.6 million in fiscal 1998 as compared to a $5.1 million increase in fiscal 1997. These amounts are partially offset by a $6.8 million increase in inventory in fiscal 1998 as compared to a $2.7 million reduction in inventory in fiscal 1997, combined with a $3.3 million increase in accounts receivable in fiscal 1998, as compared to a $1.8 million reduction in accounts receivable in 1997. Net cash provided by operating activities was also negatively impacted in fiscal 1998 by a $4.0 million increase in prepaids and other current assets as compared to a $.7 million reduction in the prepaid and other current assets balance in fiscal 1997. At June 30, 1998, the Company had working capital of $114.3 million and a current ratio of 2.55 to 1.

During fiscal 1998, capital spending totaled $29.7 million as compared to $23.4 million and $13.3 million in fiscal 1997 and 1996, respectively. Capital expenditures in fiscal 1999 are anticipated to be approximately $50.0 million.

The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures. The increased level of capital spending, which is attributable to new store openings and expanding manufacturing capacity, is expected to continue for the foreseeable future.

Total debt outstanding at June 30, 1998 is $13.4 million. At June 30, 1998, there are no outstanding revolving loans under the Credit Agreement. The Company had $85.4 million available under its revolving credit facility at June 30, 1998. Trade and standby letters of credit of $14.6 million were outstanding as of June 30, 1998. During fiscal 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. During fiscal 1998, 1997 and 1996, $.1 million, $9.5 million and $6.0 million, respectively, principal amount of Senior Notes were repurchased. The Company may also, 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. The Company is currently authorized to repurchase a total of 1,500,000 shares. Depending on market prices and other conditions relevant to the Company, such purchases may be discontinued at any time. During fiscal 1998 and 1997, the Company purchased 516,064 shares of its stock at an average price of $45.17 per share and 333,296 shares at an average price of $21.75, respectively.

As of June 30, 1998, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $0.2 million, $0.4 million, $0.2 million, $0.2 million and $0.2 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.

Impact of Inflation

The Company does not believe that inflation has had a material impact on its profitability during the last three fiscal years. In the past, the Company has generally been able to increase prices to offset increases in operating costs.

Income Taxes

At June 30, 1998, the Company has approximately $26.0 million of net operating loss carryovers ("NOL's") for federal income tax purposes. The Recapitalization triggered an "ownership change" of the Company, as defined in Section 382 of the Internal Revenue Code of 1986, as amended, resulting in an annual limitation on the utilization of the NOL's by the Company of approximately $3.9 million.

Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 130 "Reporting Comprehensive Income" and No. 131 "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 130 requires companies to report comprehensive income and SFAS No. 131 requires companies to report segment information as it is used internally to evaluate segment performance. These statements merely provide for additional disclosure requirements. The Company is required to adopt these new standards in fiscal 1999.

During 1998, the American Institute of Certified Public Accountants ("AICPA") released its statement of Position No. 98-1 ("SOP 98-1") "Accounting for the costs of Computer Software Developed or Obtained for Internal Use" and Statement of Position No. 98-5 ("SOP 98-5") "Reporting on the Costs of Start-Up Activities", both of which are effective for fiscal years beginning after December 15, 1998. SOP 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized

over the estimated useful life of the software. SOP 98-1 also requires that the costs related to the preliminary project stage and the post-implementation stage of an internal-use computer software development project be expensed as incurred. SOP 98-5 requires that the costs of start-up activities be expensed as incurred.

Currently, the Company defers all costs incurred prior to the opening of a new Ethan Allen-owned store and amortizes these costs over the store's first twelve months of operations. SOP 98-5 requires companies to report the initial application of the standard as a cumulative effect of an accounting change. The Company is not required to adopt these standards until fiscal 2000. Management believes that the adoption of these standards will not have a material effect on the Company's results.

Year 2000

The Company expects to implement the systems and programming changes necessary to address Year 2000 issues and does not believe the cost of such actions will have a material effect on the Company's results of operations or financial condition. However, there is no guarantee that the Company, its suppliers or other third parties will be able to make all of the modifications necessary to address Year 2000 issues on a timely basis. This could have a material adverse effect on the Company's business, financial condition and results of operations. The Company views all of its retail, wholesale and manufacturing applications as mission critical. The Company recently converted its retail, wholesale and a portion of its manufacturing applications onto one single mid range computer, utilizing newly acquired integrated software. The newly implemented software is substantially compliant, with all date fields expanded to four digits. The Company has set up a redundant environment and has rolled the date forward to the year 2000 and is testing all of its business transactions. The testing of these recently implemented applications is expected to be completed by December 31, 1998.

Concurrently with the aforementioned project, the Company has been remediating its pre-existing manufacturing systems. This process is complete in the Company's wood manufacturing facilities. Substantial progress has been made in the Company's upholstered and accessory manufacturing systems. These systems are expected to be fully compliant by December 31, 1998.

Investments have been made in the Company's peripheral hardware. These investments were necessitated by the retail and wholesale systems conversion. The Company is currently compiling a list of hardware and associated software that has not been recently replaced. The Company expects all hardware to be remediated or replaced by June 30, 1999.

The Company's vertical integrated structure might to some degree mitigate the impact of third parties' Year 2000 issues to adversely affect the Company. However, the Company anticipates the possibility that not all of its vendors, retailers and other third parties will have taken the necessary steps to adequately address their respective Year 2000 issues on a timely basis. In order to minimize the impact on the Company, a project team has been formed to monitor the activities of third parties, including sending out inquiries and evaluating responses.

Notwithstanding the progress the Company has made thus far in remediating its existing systems and implementing new systems, the Company is proceeding in drafting a formal contingency plan. The Company intends to continue monitoring the progress of others in order to determine whether adequate services will be provided to run the Company's operations in the Year 2000.

Item 7A. 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 June 30, 1998, the Company had no short term debt outstanding and total long term debt outstanding of $11.5 million. Currently, the Company has outstanding only one debt instrument (principal amount of $4.6 million) which has a variable interest rate. Using a yield to maturity analysis and assuming an increase in the interest rate on this debt of 36 basis points (10% fluctuation in the rate), interest rate variability on this debt would not have a material effect on the Company's financial results.

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

Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Ethan Allen Interiors Inc.:

We have audited the accompanying consolidated balance sheets of Ethan Allen Interiors Inc. and Subsidiary (the "Company") as of June 30, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 1998. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in the index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ethan Allen Interiors Inc. and Subsidiary as of June 30, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Stamford, Connecticut
August 5, 1998

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Balance Sheets
June 30, 1998 and 1997
(Dollars in thousands)

ASSETS	1998	1997
Current assets:		
Cash and cash equivalents	$ 19,380	$ 21,866
Short term investments	--	17,975
Accounts receivable, less allowance of $2,022 and $1,903 at June 30, 1998 and 1997, respectively	35,640	32,232
Notes receivable, current portion, less allowance of $27 and $74 at June 30, 1998 and 1997, respectively	686	1,056
Inventories (note 2)	114,364	107,525
Prepaid expenses and other current assets	10,735	6,724
Deferred income taxes (note 9)	7,094	7,353
Total current assets	$187,899	$194,731
Property, plant and equipment, net (note 3)	188,171	171,406
Property held for sale	1,129	1,135
Notes receivable, net of current portion, less allowance of $259 and $145 at June 30, 1998 and 1997, respectively	1,790	2,725

Intangibles, net (note 4)	50,773	52,419
Deferred financing costs, net of amortization of $2,280 and $1,916 at June 30, 1998 and 1997, respectively	632	1,560
Other assets	2,729	3,808
Total assets	$433,123	$427,784

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt and capital lease obligations (notes 5 and 6)	$ 879	$ 1,119
Accounts payable	51,135	41,172
Accrued expenses	5,863	8,036
Accrued compensation and benefits	15,735	12,983
Total current liabilities	73,612	63,310
Long-term debt, less current maturities (note 5)	11,480	64,066
Obligations under capital leases, less current maturities (note 6)	1,016	2,700

Other long-term liabilities, principally long-term compensation, environmental and legal reserves	812	815
Deferred income taxes (note 9)	31,883	31,459
Total liabilities	$ 118,803	$ 162,350
Commitments and contingencies (notes 5 and 13)	--	--
Shareholders' equity (notes 7 and 8):		
Class A common stock, par value $.01, 70,000,000 shares authorized, 29,669,470 shares issued at June 30, 1998, 29,465,400 shares issued at June 30, 1997	296	294
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at June 30, 1998 and 1997	--	--
Additional paid-in capital	262,462	257,684
	$ 262,758	257,978
Less:		
Treasury stock (at cost) 1,216,096 shares at June 30, 1998 and 700,032 shares at June 30, 1997	(33,750)	(10,440)
	229,008	247,538
Retained earnings	85,312	17,896
Total shareholders' equity	314,320	265,434
Total liabilities and shareholders' equity	$ 433,123	$ 427,784

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Operations
Years ended June 30, 1998, 1997, and 1996
(Dollars in thousands, except per share data)

	1998	1997	1996
Net sales	$ 679,321	$ 571,838	$ 509,776
Cost of sales	363,746	323,600	304,650
Gross profit	315,575	248,238	205,126
Operating expenses:			
Selling	110,240	85,927	74,582
General and administrative	85,645	76,462	74,977
Operating income	119,690	85,849	55,567
Interest and other miscellaneous income, net	3,449	1,272	1,039
Interest and related expense:			
Interest	4,245	5,864	8,882
Amortization of deferred financing costs	364	563	734
	4,609	6,427	9,616
Income before income taxes and extraordinary charge	118,530	80,694	46,990
Income tax expense (note 9)	46,582	31,954	18,845
Income before extraordinary charge	71,948	48,740	28,145
Extraordinary charge from early retirement of debt, net of income tax benefit of $527 (note 5)	802	--	--
Net income	$ 71,146	$ 48,740	$ 28,145
Per share data (notes 1 and 7):			
Net income per basic share before extraordinary charge	$ 2.51	$ 1.69	$ 0.98
Extraordinary charge (note 5)	(0.03)	--	--
Net income per basic share	$ 2.48	$ 1.69	$ 0.98

Net income per diluted share before extraordinary charge	$ 2.45	$ 1.67	$ 0.97
Extraordinary charge (note 5)	(0.03)	--	$ --
Net income per diluted share	$ 2.42	$ 1.67	$ 0.97
Dividends declared per common share	$ 0.14	$ 0.10	$ 0.04

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended June 30, 1998, 1997 and 1996
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Operating activities:			
Net income	$ 71,146	$ 48,740	$ 28,145
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,868	16,411	17,495
Compensation expense related to restricted stock award	2,136	891	180
Provision for deferred income taxes	683	575	622
Extraordinary charge	802	-	-
Other non-cash benefit (charges)	77	498	(64)
Change in:			
Accounts receivable	(3,340)	1,822	1,407
Inventories	(6,839)	2,726	6,891
Prepaid and other current assets	(4,011)	653	745
Other assets	(891)	137	(271)
Accounts payable	11,576	5,099	4,333
Accrued expenses	414	973	1,621
Other long-term liabilities	(221)	(36)	(3)
Net cash provided by operating activities	87,618	78,304	61,068
Investing activities:			
Proceeds from the disposal of property, plant, and equipment	827	110	1,216
Proceeds from the disposal of property held for sale	-	1,945	-
Capital expenditures	(29,665)	(23,383)	(13,314)
Payments received on long-term notes receivable	1,538	1,152	2,559
Disbursements made for long-term notes receivable	(302)	(1,077)	(935)
Redemption of short term securities	30,270	-	-
Investments in short term securities	(12,295)	(17,975)	-

Net cash used in investing activities	(9,627)	(39,228)	(10,474)
	-------	-------	-------
Financing activities:			
Borrowings on revolving credit facilities	-	14,500	56,500
Payments on revolving credit facilities	-	(21,500)	(95,500)
Redemption of Senior Notes	(52,543)	(9,457)	(6,000)
Premium paid on Senior Note redemption	(461)	-	-
Other payments on long-term debt and capital leases	(2,079)	(2,134)	(1,823)
Other borrowings on long-term debt	111	794	500
Payments to acquire treasury stock	(23,310)	(7,249)	(3,895)
Net proceeds from issuance of common stock	1,255	1,235	1,294

Increase in deferred financing costs	--	(173)	(138)
Dividends paid	(3,450)	(2,304)	--
	--------	--------	--------
Net cash used in financing activities	(80,477)	(26,288)	(49,062)
	--------	--------	--------
Net (decrease)/increase in cash and cash equivalents	(2,486)	12,788	1,532
Cash and cash equivalents at beginning of year	21,866	9,078	7,546
	--------	--------	--------
Cash and cash equivalents at end of year	$ 19,380	$ 21,866	$ 9,078
	========	========	========
Supplemental disclosure:			
Cash payments for:			
Income taxes	$ 45,382	$ 28,116	$ 12,515
Interest	5,585	6,138	9,073
Non cash transactions:			
Additions to obligations under capitalized leases	--	504	1,107
Acquisition of stores with treasury stock	--	3,327	--

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Years ended June 30, 1998, 1997 and 1996
(Dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Paid-in Capital	Retained Additional Earnings/ Notes Receivable	Treasury Stock	(Accumulated Deficit)

						Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 1995	288	252,425	(592)	(1,476)	(57,547)	193,098
Issuance of common stock	4	1,470	--	--	--	1,474
Payments received on notes receivable	--	--	541	--	--	541
Increase in vested management warrants (note 8)	--	304	--	--	--	304
Purchase of 358,564 shares of treasury stock	--	--	--	(3,895)	--	(3,895)
Dividend declared	--	(574)	--	--	--	(574)
Tax benefit associated with the exercise of employee stock options and warrants	--	1,200	--	--	--	1,200
Net income	--	--	--	--	28,145	28,145
Balance at June 30, 1996	$ 292	$ 254,825	$ (51)	$ (5,371)	$ (29,402)	$ 220,293
Issuance of common stock	2	2,124	--	--	--	2,126
Payments received on notes receivable	--	--	51	--	--	51
Increase in vested management warrants (note 8)	--	71	--	--	--	71
Purchase of 333,296 shares of treasury stock	--	--	--	(7,249)	--	(7,249)
Shares issued in connection with acquisition	--	1,147	--	2,180	--	3,327
Dividends declared	--	(1,152)	--	--	(1,442)	(2,594)
Tax benefit associated with the exercise of employee stock options and warrants	--	669	--	--	--	669
Net income	--	--	--	--	48,740	48,740
Balance at June 30, 1997	$ 294	$ 257,684	$ --	$ (10,440)	$ 17,896	$ 265,434
Issuance of common stock	2	3,389	--	--	--	3,391

Purchase of 516,064 shares of treasury stock	--	--	--	(23,310)	--	(23,310)
Dividends declared	--	--	--	--	(3,730)	(3,730)
Tax benefit associated with the exercise of employee stock options and warrants	--	1,389	--	--	--	1,389
Net income	--	--	--	--	71,146	71,146
Balance at June 30, 1998	$ 296	$ 262,462	$ --	$ (33,750)	$ 85,312	$ 314,320

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

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

Nature of Operations

The Company, through its wholly-owned subsidiary, is a leading manufacturer and retailer of quality home furnishings and sells a full range of furniture products and decorative accessories through an exclusive network of 310 retail stores, of which 67 are Ethan Allen-owned and 243 are independently owned. Retail stores are primarily located in North America, with 20 located abroad. Ethan Allen has 21 manufacturing facilities and 3 sawmills throughout the United States.

Cash Equivalents

Cash equivalents of $4,999,000 and $9,754,000 at June 30, 1998, and 1997, respectively, consist of overnight repurchase agreements and commercial paper with an initial term of less than three months. For the purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Short Term Investments

Short term investments consist primarily of certificates of deposits and debt securities and have been classified as held-to-maturity, having maturities of one year or less. Because of the short maturity of the short term investments, the carrying amount approximates fair value.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of the respective assets generally range from twenty to forty years for buildings and improvements and from three to twenty years for machinery and equipment.

Property Held for Sale

Property held for sale is recorded at net realizable values. The Company continues to actively market the properties.

Intangible Assets

Intangible assets primarily represent goodwill, trademarks and product technology which will be amortized on a straight-line basis over forty years. Goodwill represents the excess of cost of the Company over the fair value of net identifiable assets acquired. The Company continuously assesses the recoverability of these intangible assets by evaluating whether the amortization of the intangible asset balances over the remaining lives can be recovered through expected future results. Expected future results are based on projected undiscounted operating results before the effects of intangible amortization. Product technology is measured based upon wholesale operating income, while goodwill and trademarks are assessed based upon total wholesale and retail operating income. The amount of impairment, if any, is measured based on the fair value of projected discounted future results.

Notes Receivable

Notes receivable represent financing arrangements under which Ethan Allen has made loans to certain of its dealers. These loans primarily have terms ranging from five to eight years and are generally secured by the assets of the borrower. Interest is charged on outstanding balances at a rate which generally approximates the prime rate plus an additional rate which may be adjustable over the loan term.

Financial Instruments

The carrying value of the Company's financial instruments approximates fair market value.

Deferred Financing Costs

Debt financing costs are deferred and amortized, using the straight-line method, over the term of the related debt.

Income Taxes

Income taxes are accounted for under the asset and liability method.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

Sales are recorded when goods are shipped to dealers, with the exception of shipments under Ethan Allen's Home Delivery Service Center Program. These sales are recognized as revenue when goods are shipped to the Home Delivery Service Centers, at which point title has passed to the dealers. Ethan Allen, through its Home Delivery Service Centers, provides preparation and delivery services for its dealers for a fee which is recognized as revenue upon delivery of goods to the retail customer. Sales made through Ethan Allen-owned stores are recognized when delivery is made to the customer.

Advertising Costs

Advertising costs are expensed when first aired or distributed.

Advertising costs for the fiscal years 1998, 1997, and 1996 were $40,035,000, $27,712,000 and $21,289,000, respectively. Prepaid advertising costs for the fiscal years 1998 and 1997 were $3,021,000, and $1,497,000.

Pre-opening Expenses

All costs incurred prior to the opening of a new Ethan Allen-owned store are deferred and amortized over the respective store's first twelve months of operations.

Closed Store Expenses

Future expenses, such as rent and real estate taxes, net of expected lease or sublease recovery, which will be incurred subsequent to vacating a closed Ethan Allen-owned store, are charged to operations upon a formal decision to close the store.

Earnings Per Share

Effective December 1997, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings per Share". The statement sets forth guidance on the presentation of earnings per share and requires dual presentation of basic and diluted earnings per share on the face of the statement of operations. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if all dilutive potential common shares were exercised. All earnings per share amounts have been restated to reflect this new standard.

Stock Options

In fiscal 1997, the Company adopted SFAS No. 123, "Accounting for Stock Based Compensation". As permitted by SFAS 123, the Company will continue to follow the provisions of APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for compensation expense related to the issuance of stock options.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Inventories

Inventories at June 30 are summarized as follows (dollars in thousands):

	1998	1997
Retail Merchandise	$ 38,329	$ 34,478
Finished products	28,931	32,665
Work in process	15,707	13,333
Raw materials	31,397	27,049
	$114,364	$107,525

(3) Property, Plant and Equipment

Property, plant and equipment at June 30 are summarized as follows (dollars in thousands):

	1998	1997
Land and improvements	$ 26,941	22,624
Buildings and improvements	182,437	168,990
Machinery and equipment	80,294	70,288
	289,672	261,902
Less accumulated depreciation	(101,501)	(90,496)
	$ 188,171	$171,406

(4) Intangibles

Intangibles at June 30 are summarized as follows (dollars in thousands):

	1998	1997
Product technology	$ 25,950	$ 25,950
Trademarks	28,200	28,200
Goodwill	11,333	11,333
Other	350	350
	65,833	65,833
Less accumulated amortization	(15,060)	(13,414)
	$ 50,773	$ 52,419

(5) Borrowings

Long-term debt at June 30 consists of the following (dollars in thousands):

	1998	1997

8.75% Senior Notes due 2001	$ --	$52,543
Other Debt:		
9.75% mortgage note payable in monthly installments through 2015 collateralized by Ethan Allen Inn	1,552	1,589
Industrial Revenue Bonds, 4.0% - 8.0%, maturing at various dates through 2011	8,455	8,455
Other	1,627	1,626
Total debt	11,634	64,213
Less current maturities	154	147
	$11,480	$64,066

During fiscal year 1998, the Company completed its optional early redemption of all of its then-outstanding $52.4 million 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. During fiscal 1998, 1997, and 1996, $.1 million, $9.5 million, and $6.0 million, respectively, of Senior Notes were repurchased at 102.19%, 101.48%, and 101.25% of face value, respectively.

During 1995, the Company had completed a five year financing arrangement to provide up to $110.0 million of senior secured debt under a revolving credit facility pursuant to a Credit Agreement with Chase Manhattan Bank, as agent, proceeds of which were used to repay existing senior secured debt. The revolving credit facility includes a $40.0 million sub-facility for trade and standby letters of credit availability and a $3.0 million swingline loan sub-facility. Loans under the revolving credit facility bear interest at Chase Manhattan Bank's Alternative Base Rate, or adjusted LIBOR plus .5%, which is subject to adjustment arising from changes in the credit rating of Ethan Allen's senior secured debt. For fiscal years ended June 30, 1998, 1997 and 1996 the weighted-average interest rates were 8.13%, 7.37% and 6.81%, respectively. There are no minimum repayments required during the term of the facility.

During 1997, the Company amended its Credit Agreement which it had originally entered into during 1995, with Chase Manhattan Bank as agent. Amendments to the Credit Agreement include: (1) the reduction of the commitment of senior secured debt under a revolving credit facility to $100.0 million; (2) reduction of the Eurodollar spread used in determining adjusted LIBOR which is subject to adjustment arising from changes in the credit rating of Ethan Allen's senior secured debt or Fixed Charge Ratio; (3) elimination of a lien on certain fixed assets as collateral and (4) amendment of certain additional debt and restricted payment limitations. At June 30, 1998 and 1997, there were no outstanding revolving loans under the Credit Agreement.

The Credit Agreement is secured by a first lien in respect of Ethan Allen's accounts receivable, inventory, trademarks, patents and the Company's shares of Ethan Allen's capital stock. The Company has guaranteed Ethan Allen's obligation under the Credit Agreement and has pledged all the outstanding capital stock of Ethan Allen to secure its guarantee.

The Credit Agreement contains covenants requiring the maintenance of certain defined tests and ratios and limit the ability of Ethan Allen and the Company to incur debt, engage in mergers and consolidations, make restricted payments, make asset sales, make investments and issue stock. The Credit Agreement contains various customary events of default. Ethan Allen satisfied the requirements of the covenants in the Credit Agreement at June 30, 1998.

In June 1996, the Company closed on loan commitments in the aggregate amount of approximately $1.4 million related to the modernization of its Beecher Falls manufacturing facility. Loans made pursuant to these commitments bear interest at rates of 3% to 8% and have maturities of 7 to 30 years. The loans have a first and second lien in respect of equipment financed by such loans and a first and second mortgage interest in respect of a building, the construction of which was financed by such loans.

Aggregate scheduled maturities of long-term debt for each of the five fiscal years subsequent to June 30, 1998, are as follows (dollars in thousands):

1999	$ 154
2000	411
2001	168
2002	180
2003	195

(6) Leases

Ethan Allen leases real property and equipment under various operating and capital lease agreements expiring through the year 2028. Leases covering retail outlets and equipment generally require, in addition to stated minimums, contingent rentals based on retail sales and equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates.

Property, plant and equipment include the following amounts for leases which have been capitalized at June 30 (dollars in thousands):

	1998	1997
Land and improvements	$ 103	$ 103
Buildings and improvements	911	911
Machinery and equipment	11,131	11,131
	12,145	12,145
Less accumulated depreciation	(11,744)	(10,732)
	$ 401	$ 1,413

Future minimum payments by year and in the aggregate, under the capital leases and non-cancelable operating leases, with initial or remaining terms of one year or more consisted of the following at June 30, 1998 (dollars in thousands):

Fiscal Year Ending June 30:	Capital Leases	Operating Leases
1999	$ 841	$10,036
2000	635	9,332
2001	425	8,256
2002	33	7,922
2003	12	7,464
Subsequent to 2003	9	24,928
Total minimum lease payments	1,955	$67,938
Amounts representing interest	214	
Present value of future minimum		

lease payments	1,741
Less amounts due in one year	725
Long-term obligations under capital leases	$ 1,016

The above amounts will be offset by minimum future rentals from subleases of $13,000,129 on operating leases.

Total rent expense for the fiscal years ended June 30 was as follows (dollars in thousands):

	1998	1997	1996
Basic rentals under operating leases	$ 14,997	$ 14,578	$14,419
Contingent rentals under operating leases	977	1,028	1,082
	15,974	15,606	15,501

Less sublease rent	2,173	1,923	1,782
	$ 13,801	$ 13,683	$ 13,719

(7) Shareholders' Equity

On August 6, 1997, the Company declared a two-for-one stock split to be distributed on September 2, 1997 to shareholders of record on August 18, 1997. All related amounts have been retroactively adjusted to reflect the stock split.

During fiscal 1997, the Company acquired a number of retail stores and used 146,224 treasury shares with a fair value of $3.3 million as part of the consideration of the transaction.

On May 20, 1996, the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one Right for each outstanding share of common stock as of July 10, 1996. Each Right entitles its holder, under certain circumstances, to purchase one one-hundredth of a share of the Company's Series C Junior Participating Preferred Stock at a price of $62.50 on a post split basis.

The Rights may not be exercised until 10 days after a person or group acquires 15% or more of the Company's common stock, or 15 days after the commencement or the announcement of the intent to commence a tender offer which, if consummated, would result in a 15% or more ownership of the Company's common stock.

Until then, separate Rights certificates will not be issued, nor will the Rights be traded separately from the stock.

Should an acquirer become the beneficial owner of 15% of the Company's common stock, and under certain additional circumstances, the Company's stockholders (other than the acquirer) would have the right to receive in lieu of the Series C Junior Participating Preferred Stock, a number of shares of the Company's common stock, or in stock of the surviving enterprise if the Company is acquired, having a market value equal to two times the Purchase Price.

The Rights will expire on May 31, 2006, unless redeemed prior to that date. The redemption price is $0.01 per Right. The Board of Directors may redeem the Rights at its option any time prior to the announcement that a person or group has acquired 15% or more of the Company's common stock.

The Company's authorized capital stock consists of (a) 70,000,000 shares of Common Stock, par value $.01 per share, (b) 600,000 shares of Class B Common Stock, par value $.01 per share, (c) 1,055,000 shares of Preferred Stock, par value $.01 per share of which (i) 30,000 shares have been designated Series A Redeemable Convertible Preferred Stock, (ii) 30,000 shares have been designated Series B Redeemable Convertible Preferred Stock, (iii) 155,010 shares have been designated as Series C Junior Participating Preferred Stock, and (iv) the remaining 839,990 shares may be designated by the Board of Directors with such rights and preferences as they determine (all such preferred stock, collectively, the "Preferred Stock"). As of June 30, 1998, no shares of Preferred Stock or shares of Class B Common Stock were issued or outstanding.

Basic and diluted earnings per share are calculated based upon the provisions of SFAS 128, using the following share data (in thousands):

	1998	1997	1996
Weighted average common shares outstanding for basic calculation	28,700	28,793	28,624
Add: Effect of stock options	724	417	504
Weighted average common shares outstanding, adjusted for diluted calculation	29,424	29,210	29,128

(8) Employee Stock Plans

The Company has reserved 4,946,466 shares of Common Stock for issuance pursuant to the Company's stock option and warrant plans as follows:

1992 Stock Option Plan

The 1992 Stock Option Plan provides for the grant of options to key employees and non-employee directors to purchase shares of Common Stock that are either qualified or non-qualified under Section 422 of the Internal Revenue Code, as well as stock appreciation rights on such options. The awarding of such options is determined by the Compensation Committee of the Board of Directors after consideration of recommendations proposed by the Chief Executive Officer. The options awarded to employees vest 25% per year over a four-year period and are exercisable at the market value of the Common Stock at the date of grant. The maximum number of shares of Common Stock reserved for issuance under the 1992 Stock Option Plan is 3,660,398 shares. Through June 30, 1997, options covering 68,000 shares, which are exercisable at prices ranging from $9.00 to $9.75, were awarded to independent directors and will vest 50% on each of the first two anniversary dates of the grant. During fiscal 1998, options to purchase 24,000 shares at an exercise price of $31.75 per share were granted to the independent directors. Options to purchase 120,000 shares were awarded to Mr. Kathwari, Chairman of the Board, Chief Executive Officer, and President of Ethan Allen Interiors

Inc., during fiscal year 1995 and an additional 480,000 options to purchase shares were awarded to Mr. Kathwari during 1996. These options are exercisable at $9.75 and $9.50 per share, respectively and will vest over seven years commencing with the first vesting date of July 27, 1994, and each of the next six years. During fiscal 1998, Mr. Kathwari was awarded options to purchase 500,000 shares at an exercise price of $31.75 and options to purchase 500,000 shares at an exercise price of $41.28. These options will vest over three years from the date of grant. Through June 30, 1997, options to purchase 537,300 shares were issued to other employees with exercise prices ranging from $9.50 to $21.75 per share and options to purchase 49,600 shares were issued to certain key employees in fiscal 1998 and are exercisable at prices ranging from $27.31 to $49.00 per share.

Incentive Stock Option Plan

Pursuant to the Incentive Stock Option Plan, the Company has granted to members of management options to purchase 553,028 shares of Common Stock at an exercise price of $8.25 per share. Such options vest twenty percent per year over a five-year period.

Management Warrants

Warrants to purchase 466,374 shares of Common Stock were granted to certain key members of management during fiscal 1991 and 1992. The warrants are currently exercisable at $1.838 per share.

Earn-In Warrants

Earn-In Warrants have been fully earned and 266,666 shares have been allocated to Ethan Allen's managers and employees. Earn-In warrants were exercisable at $.188 per share.

Restricted Stock Award

Commencing in 1994 and for each of the four subsequent years, annual awards of 20,000 shares of restricted stock were granted to Mr. Kathwari with the vesting based on performance of the Company's stock price during the three year period after grant as compared to the Standard and Poors 500 index.

Stock Unit Award

During fiscal 1998, pursuant to his New Employment Agreement, the Company has established a book account for Mr. Kathwari, which will be credited with 14,000 Stock Units as of July 1 of each year, commencing July 1, 1997, for a total of up to 70,000 Stock Units over the term of the New Employment Agreement, with an additional 14,000 Stock Units to be credited in connection with each of the two one-year extensions. Following the termination of Mr. Kathwari's employment, Mr. Kathwari will receive shares of Common Stock equal to the number of Stock Units credited to the account.

Stock option and warrant activity during 1998, 1997 and 1996 is as follows:

<TABLE>
<CAPTION>

Number of shares			
1992 Stock Option Plan	Incentive Options	Management Warrants	Earn-In Warrants

Outstanding at June 30, 1995	453,400	479,968	241,558	240,902
Granted in 1996	591,400	--	--	--
Exercised in 1996	(5,900)	(134,700)	(60,638)	(87,992)
Canceled in 1996	(25,450)	(21,750)	(6,234)	(11,932)
Outstanding at June 30, 1996	1,013,450	323,518	174,686	140,978
Granted in 1997	139,900	--	--	--
Exercised in 1997	(61,108)	(65,734)	(46,118)	(134,978)
Canceled in 1997	(17,776)	(2,230)	(12)	(6,000)
Outstanding at June 30, 1997	1,074,466	255,554	128,556	--
Granted in 1998	1,073,600	--	--	--
Exercised in 1998	(75,086)	(36,807)	(72,183)	--
Canceled in 1998	(4,600)	(10)	(10)	--
Outstanding at June 30, 1998	2,068,380	218,737	56,363	--

The following tables summarize information about stock awards outstanding at June 30, 1998:

	Options Outstanding			
	Range of Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Prices
1992 Stock Option Plan	$9.50 to 9.75	866,180	6.2 yrs.	$9.53
	$21.75 to 31.75	673,600	9.1 yrs.	$29.70
	$41.28 to 49.00	528,600	9.2 yrs.	$41.69
		2,068,380		
Incentive Options	$8.25	218,737	1.5 yrs.	$8.25
Management Warrants	$1.838	56,363	1.5 yrs.	$1.838

Options Exercisable

Number of

Weighted Average

	Range of Prices	Shares Exercisable	Exercise Prices
<S>	<C>	<C>	<C>
1992 Stock Option Plan	$9.50 to 9.75	465,548	$9.54
	$21.75 to 31.75	23,675	$21.75

		489,223	
Incentive Options	$8.25	218,737	$8.25
Management Warrants	$1.838	56,363	$1.838

</TABLE>

Had compensation costs related to the issuance of stock options under the Company's 1992 Stock Option Plan been determined based on the estimated fair value at the grant dates for awards under SFAS 123, the Company's net income end earnings per share for the fiscal years ended June 30, 1998, 1997 and 1996 would have been reduced to the proforma amounts listed below, (dollars in thousands, except per share data):

	1998	1997	1996
Net Income			
As reported	$ 71,146	$ 48,740	$ 28,145
Proforma	67,945	48,350	27,925
Basic Earnings Per Share			
As reported	$ 2.48	$ 1.69	$ 0.98
Proforma	2.37	1.68	0.97
Diluted Earning Per Share			
As reported	$ 2.42	$ 1.67	$ 0.97
Proforma	2.31	1.66	0.96

The per share weighted average fair value of stock options granted during fiscal 1998, 1997 and 1996 was $13.14, $8.90, and $3.78, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions; weighted average risk-free interest rates of 5.99%, 6.35% and 6.09% for fiscal 1998, 1997 and 1996, respectively, dividend yield of .5%, 1%, and 1% for fiscal 1998, 1997 and 1996,

respectively, expected volatility of 43.3%, 39.8% and 38.7% in fiscal 1998, 1997 and 1996, respectively, and expected lives of five years for each.

(9) Income Taxes

Total income taxes were allocated as follows (dollars in thousands):

	1998	1997	1996
Income from operations	$46,582	$31,954	$18,845
Extraordinary charge	(527)	-	-
Stockholders' equity	(1,389)	(669)	(1,200)
	$44,666	$31,285	$17,645

The income taxes credited to stockholders' equity relate to the tax benefit arising from the exercise of employee stock options.

Income tax expense attributable to income from operations consists of the following for the fiscal years ended June 30 (dollars in thousands):

	1998	1997	1996
Current:			
Federal	$ 37,205	$ 25,434	$ 14,445
State	8,694	5,945	3,778
Total current	45,899	31,379	18,223
Deferred:			
Federal	625	595	517
State	58	(20)	105
Total deferred	683	575	622
Income tax expense on income before extraordinary charge	$ 46,582	$ 31,954	$ 18,845

The following is a reconciliation of expected income taxes (computed by applying the Federal statutory rate to income before taxes and extraordinary charge) to actual income tax expense (dollars in thousands):

	1998	1997	1996
Computed "expected" income tax expense	$ 41,486	$ 28,243	$ 16,447
State income taxes, net of federal income tax benefit	4,786	3,163	2,016
Goodwill amortization	99	99	99
Other, net	211	449	283
Income tax expense on income before extraordinary charge	$ 46,582	$ 31,954	$ 18,845

The significant components of the deferred tax expense (benefit) are as follows (dollars in thousands):

	1998	1997	1996
Deferred tax (benefit) exclusive of the component below	$ (825)	$ (933)	$ (885)
Utilization of net operating loss carryforwards	1,508	1,508	1,507
	$ 683	$ 575	$ 622

The components of the net deferred tax liability as of June 30 are as follows (dollars in thousands):

	1998	1997
Deferred tax assets:		
Accounts receivable	$ 901	$ 853
Inventories	2,483	2,774
Other liabilities and reserves	3,710	3,726

Net operating loss carryforwards	10,243	11,750
Total deferred tax asset	17,337	19,103
Deferred tax liabilities:		
Property, plant and equipment	25,423	26,811
Intangible assets other than goodwill	15,186	15,681
Miscellaneous	1,517	717
Total deferred tax liability	42,126	43,209
Net deferred tax liability	$24,789	$24,106

The Company has tax operating loss carryforwards of approximately $26.0 million at June 30, 1998, of which $4.1 million expires in 2006, $11.3 million expires in 2007 and $10.6 million expires in 2008. Pursuant to Section 382 of the Internal Revenue Code, the Company's utilization of the net operating loss carryforwards are subject to an annual limitation of approximately $3.9 million.

During fiscal 1997, Ethan Allen received a $5.2 million investment tax credit from the State of Vermont. The credit may be utilized to offset 80% of current and future years tax liability and may be carried forward up to 10 years. Ethan Allen does not expect to be able to utilize the entire credit. The estimated net realizable credit of $2 million is being accounted for under the deferral method, with amortization over the average life of the related assets.

Management believes that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

(10) Retirement Programs - Employee Benefits

The Ethan Allen Profit Sharing and 401(k) Retirement Plan

The Ethan Allen Profit Sharing and 401(k) Retirement Plan (the "Plan") was formed effectively July 1, 1994 with the merger of the Retirement Program of Ethan Allen Inc. ("Retirement Program") into the Ethan Allen 401(k) Employee Savings Plan. As a result of the merger on July 1, 1994, all participant investments in the Retirement Program (except for the Ethan Allen Restricted stock which was transferred directly) were liquidated and the proceeds were transferred into the Plan and allocated to participant accounts at each participant's request.

The Plan is offered to substantially all employees of the Company who have completed both one year and 1,000 hours of service during the Plan year.

Ethan Allen, may at its discretion, make a matching contribution to the 401(k) portion of the Plan on behalf of each participant, provided the contribution does not exceed the lesser of 50% of the participant's contribution or $1,000 per participant per Plan year. Contributions to the profit sharing portion of the Plan are made at the discretion of management. Total profit sharing and 401(k) company match expense was $2,287,549 in 1998, $1,595,099 in 1997, and $2,866,000 in 1996.

Other Retirement Plans and Benefits

Ethan Allen provides additional benefits to selected members of senior and middle management in the form of previously entered deferred compensation arrangements and a management incentive program. The total cost of these benefits was $3,105,000, $1,567,000, and $2,047,000 in 1998, 1997 and 1996, respectively.

(11) Wholly-Owned Subsidiary

The Company owns all of the outstanding stock of Ethan Allen and 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 obligation under the Credit Agreement and has pledged all the outstanding capital stock of Ethan Allen to secure its guarantee.

The condensed balance sheets of Ethan Allen as of June 30 are as follows (dollars in thousands):

Assets	1998	1997
Current assets	$187,677	$194,704
Non-current assets	282,874	244,880
Total assets	$470,551	$439,584
Liabilities		
Current liabilities	$ 72,380	$ 62,398
Non-current liabilities	45,191	99,040
Total liabilities	$117,571	$161,438

A summary of Ethan Allen's operating activity for each of the years in the three-year period ended June 30, 1998, is as follows:

	1998	1997	1996
Net sales	$679,321	$571,838	$509,776
Gross profit	315,575	248,238	205,126
Operating income	119,845	85,943	55,677
Interest expense	4,245	5,864	8,882
Amortization of deferred financing costs	364	563	734
Income before income taxes and extraordinary charge	118,685	80,787	47,095
Net income	$ 71,301	$ 48,833	$ 28,250

(12) 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 and Senior Notes by each of EAMC and EAFC and Andover Woods Products Inc. ("Andover"), a wholly owned subsidiary of Ethan Allen (v) the amendment of the Company's existing guarantee of Ethan Allen's obligations under the Senior Notes which were repurchased in March 1998 (refer to Note 5) to include a guarantee of each Guarantor Subsidiary's obligations under its Subsidiary Guarantee, (vi) the execution of a management agreement and a service mark licensing agreement between Ethan Allen and EAFC (vii) the execution of a management agreement and a trademark licensing agreement between EAMC and EAFC and (viii) 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 EAMC, EAFC, and Andover (the "Guarantor Subsidiaries") at June 30, 1998 and 1997 is as follows (dollars in thousands):

Assets	1998	1997
Current assets	$ 134,188	$ 85,355
Non-current assets	174,427	168,540
Total assets	$ 308,615	$ 253,895
Liabilities		
Current liabilities	$ 37,040	$ 28,160
Non-current liabilities	16,316	16,893
Total liabilities	$ 53,356	$ 45,053

Summarized historical combined operating activity of the Guarantor Subsidiaries for each of the years in the three-year period ended June 30, 1998 is as follows (dollars in thousands):

	1998	1997	1996
Net sales	$ 408,884	$ 357,470	$ 317,563
Gross profit	91,596	75,278	57,227
Operating income	72,537	57,113	39,324
Income before income taxes	76,871	61,475	43,636
Net income	$ 43,430	$ 37,131	$ 26,400

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

(13) Litigation

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. The Company believes its share of waste contributed to these sites is small in relation to the total; however, liability under CERCLA may be joint and several. The Company has total reserves of $500,000 applicable to these sites, which the Company believes would be 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 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.

(14) Segment Information

The Company's operations are classified into two business segments: wholesale and retail home furnishings. The wholesale home furnishings segment 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 retail home furnishings segment sells home furnishing products through a network of Ethan Allen-owned stores. These products consist of case goods (wood furniture), upholstered products, home accessories and indoor/outdoor furniture.

Wholesale profitability includes the wholesale gross margin which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores. Retail profitability includes the retail gross margin which is earned based on purchases from the wholesale business. Inter-segment eliminations primarily comprise the wholesale sales and profit on the transfer of inventory between segments. Operating earnings by business segment are defined as sales less operating costs and expenses. Income and expense items, such as corporate operating expenses, are included in the applicable segment. Identifiable assets are those assets used exclusively in the operations of each business segment. Corporate assets principally comprise cash, deferred financing costs, and deferred income taxes.

The following table shows sales, operating earnings and other financial information by respective business segment for the fiscal years ended June 30, 1998, 1997, and 1996 (dollars in thousands):

<TABLE>
<CAPTION>

1998	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
Net sales	$575,867	$235,230	$(131,776)	$679,321
Operating income	109,714	13,747	(3,771)	119,690
Interest and other income	3,159	290	-	3,449
Interest expense	-	-		(4,609)
Income before income tax expense and extraordinary charge				118,530
Depreciation and amortization	13,753	1,751	-	15,504
Identifiable assets	336,210	69,807	-	406,017
Cash				19,380
Deferred income taxes				7,094
Deferred financing costs				632
Total assets				433,123
Capital expenditures	14,895	14,770	-	29,665

1997	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
Net sales	$495,001	$175,825	$ (98,988)	$571,838
Operating income	84,034	7,419	(5,604)	85,849
Interest and other income	974	298	-	1,272
Interest expense	-	-	-	(6,427)

Income before income tax expense				80,694
Depreciation and amortization	14,235	1,613	-	15,848
Identifiable assets	335,260	61,745	-	397,005
Cash				21,866
Deferred income taxes				7,353
Deferred financing costs				1,560

Total assets				427,784
Capital expenditures	9,990	13,393	-	23,383

1996	Wholesale	Retail	Inter-Segment Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>
Net sales	$433,886	$155,601	$(79,711)	$509,776
Operating income	53,745	4,059	(2,237)	55,567
Interest and other income	663	376	-	1,039
Interest expense	-	-	-	(9,616)

Income before income tax expense and extraordinary charge				46,990
Depreciation and amortization	15,199	1,562	-	16,761
Identifiable assets	327,371	48,350	-	375,721
Cash				9,078
Deferred income taxes				9,305
Deferred financing costs				1,877

Total assets				395,981
Capital expenditures	7,421	5,893	-	13,314

</TABLE>

(15) Selected Quarterly Financial Data (Unaudited)

Tabulated below are certain data for each quarter of the fiscal years ended June 30, 1998 and 1997 (dollar amounts in thousands, except per share data).

	Quarter Ended			
	September 30	December 31	March 31	June 30
1998 Quarters:				
Net Sales	$152,494	$172,743	$171,434	$182,650
Gross Profit	70,766	80,713	80,404	83,692
Income before extraordinary charge	$ 14,034	$ 19,091	$ 18,793	$ 20,030
Net income	$ 14,034	$ 19,091	$ 17,991	$ 20,030
Net income per basic share	$ 0.49	$ 0.66	$ 0.62	$ 0.70
Net income per diluted share	$ 0.48	$ 0.65	$ 0.61	$ 0.68
Dividend declared per common share	$ 0.03	$ 0.03	$ 0.04	$ 0.04
1997 Quarters:				
Net sales	$132,355	$138,330	$144,719	$156,434
Gross profit	54,578	59,921	63,308	70,431

Net income	$ 8,783	12,227	12,849	14,881
Net income per basic share	$ 0.31	$ 0.42	$ 0.45	$ 0.52
Net income per diluted share	$ 0.30	$ 0.42	$ 0.44	$ 0.51
Dividend declared per common share	$ 0.02	$ 0.02	$ 0.03	$ 0.03

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

No changes in or disagreements with accountants on accounting or financial disclosure occurred in fiscal years 1998, 1997 and 1996.

PART III

Part III is omitted as the Company intends to file with the Commission within 120 days after the end of the Company's fiscal year a definitive proxy statement pursuant to Regulation 14A which will involve the election of directors.

ITEM 10. Directors and Executive Officers of the Registrant

See reference to definitive proxy statement under Part III.

ITEM 11. Executive Compensation

See reference to definitive proxy statement under Part III.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

See reference to definitive proxy statement under Part III.

ITEM 13. Certain Relationships and Related Transactions

See reference to definitive proxy statement under Part III.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Listing of Documents

(1) Financial Statements. The Company's Consolidated Financial Statements included in Item 8 hereof, as required at June 30, 1998 and 1997, and for the years ended June 30, 1998, 1997 and 1996, consist of the following:

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Shareholders' Equity

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. Financial Statement Schedules of the Company appended hereto, as required for the years ended June 30, 1998, 1997 and 1996, consist of the following:

II. Valuation and Qualifying Accounts

The schedules listed in Reg. 210.5-04, except those listed above, have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) The following Exhibits are filed as part of this report on Form 10-K:

Exhibit Number	Exhibit
*2(a)	Agreement and Plan of Merger, dated May 20, 1989 among the Company, Green Mountain Acquisition Corporation ("Merger Sub"), INTERCO Incorporated, Interco Subsidiary, Inc. and Ethan Allen
*2(b)	Restructuring Agreement, dated as March 1, 1991, among Green Mountain Holding Corporation, Ethan Allen, Chemical Bank, General Electric Capital Corporation, Smith Barney Inc. and the stockholders named on the signature page thereof
*2(c)	Purchase and Sale Agreement, dated March 28, 1997, between the Company and Carriage House Interiors of Colorado, Inc.
*3(a)	Restated Certificate of Incorporation for Green Mountain Holding Corporation
*3(b)	Restated and Amended By-Laws of Green Mountain Holding Corporation
*3(c)	Restated Certificate of Incorporation of the Company
*3(c)-1	Certificate of Designation relating to the Series C Junior Participating Preferred Stock
*3(d)	Amended and Restated By-Laws of the Company
*3(e)	Certificate of Designation relating to the New Convertible Preferred Stock
*3(e)-1	Certificate of Designation relating to the Series C Junior Participating Preferred Stock
*3(f)	Certificate of Incorporation of Ethan Allen Finance Corporation
*3(g)	By-Laws of Ethan Allen Finance Corporation
*3(h)	Certificate of Incorporation of Ethan Allen Manufacturing Corporation
*3(i)	By-Laws of Ethan Allen Manufacturing Corporation
*4(a)	First Amendment to Management Non-Qualified Stock Option Plan
*4(b)	Second Amendment to Management Non-Qualified Stock Option Plan
*4(c)	1992 Stock Option Plan
*4(c)-1	First Amendment to 1992 Stock Option Plan
*4(c)-2	Amended and Restated 1992 Stock Option Plan

Exhibit Number	Exhibit
*4(d)	Management Letter Agreement among the Management Investors and the Company
*4(e)	Management Warrant, issued by the Company to members of the Management of Ethan Allen
*4(f)	Form of Dealer Letter Agreement among Dealer Investors and the Company
*4(g)	Form of Kathwari Warrant, dated June 28, 1989 *4(j) Form of Indenture relating to the Senior Notes
*4(j)-1	First Supplemental Indenture dated as of March 23, 1995 between Ethan Allen and the First National Bank of Boston for $75,000,000 8-3/4% Senior Notes due 2007
*4(k)	Credit Agreement among the Company, Ethan Allen and Bankers Trust Company
*4(k)-1	Amended Credit Agreement among the Company, Ethan Allen and Bankers Trust Company
*4(k)-2	110,000,000 Senior Secured Revolving Credit Facility dated March 10, 1995 between Ethan Allen and Chase Manhattan Bank
*4(k)-3	Amended and Restated Credit Agreement as of December 4, 1996 between

Ethan Allen Inc. and the Chase Manhattan Bank
*4(l) Catawba County Industrial Facilities Revenue Bond
*4(l)-1 Trust Indenture dated as of October 1, 1994 securing $4,6000,000 Industrial Development Revenue Refunding Bonds, Ethan Allen Inc. Series 1994 of the Catawba County Industrial Facilities and Pollution Control Financing Authority
*4(m) Lease for 2700 Sepulveda Boulevard Torrance, California
*4(n) Amended and Restated Warrant Agreement, dated March 1, 1991, among Green Mountain Holding Corporation and First Trust National Association
*4(o) Exchange Notes Warrant Transfer Agreement
*4(p) Warrant (Earned) to purchase shares of the Company's Common Stock dated March 24, 1993
*4(q) Warrant (Earned-In) to purchase shares of the Company's Common Stock, dated March 23, 1993
*4(r) Recapitalization Agreement among the Company, General Electric Capital Corporation, Smith Barney Inc., Chemical Fund Investments, Inc., Legend Capital Group, Inc., Legend Capital International Ltd., Castle Harlan, Inc., M. Farooq Kathwari, the Ethan Allen Retirement Program and other stockholders named on the signature pages thereto, dated as of March 24, 1993
*4(s) Preferred Stock and Common Stock Subscription Agreement, dated March 24, 1993, among the Company, General Electric Capital Corporation, and Smith Barney Inc.
*4(t) Security Agreement, dated as of March 10, 1995, between Ethan Allen Inc. and Chase Manhattan Bank
*4(u) Rights Agreement, dated as of July 26, 1996, between the Company and Harris Trust and Savings Bank
*4(v) Registration Rights Agreement, dated March 28, 1997, between the Company and Carriage House Interiors of Colorado, Inc.
*10(b) Employment Agreement, dated June 29, 1989, among Mr. Kathwari, the Company and Ethan Allen
*10(c) Employment Agreement dated July 27, 1994 among Mr. Kathwari, the Company and Ethan Allen
*10(d) Restated Directors Indemnification Agreement, dated March 1993, among the Company and Ethan Allen and their Directors
*10(e) Registration Rights Agreement, dated March 1993, by and among Ethan Allen, General Electric Capital Corporation and Smith Barney Inc.
*10(f) Form of Management Bonus Plan, dated October 30, 1991
*10(g) Ethan Allen Profit Sharing and 401(k) Retirement Plan
*10(h) General Electric Capital Corporation Credit Card Agreement
*10(i) Employment Agreement dated October 28, 1997 between Mr. Kathwari and Ethan Allen Interiors, Inc.
*21 List of wholly-owned subsidiaries of the Company
*23(a) Consent of KPMG Peat Marwick LLP.

*27 Financial Data Schedule

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* Incorporated by reference to the exhibits filed with the Registration Statement on Form S-1 of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on March 16, 1993 (Commission File No. 33-57216) and the Registration Statement on Form S-3 of the Company filed with the Securities and Exchange Commission on May 21, 1997 (Commission File No. 333-37545) and the exhibits filed with the Annual Report on Form 10-K of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on September 24, 1993 (Commission File No. 1-11806), the Current Report on Form 8-K of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on July 3, 1996 (Commission File No. 1-11806), the Quarterly Report on Form 10-Q of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on February 13, 1997 (Commission File No. 1-11806) and the Quarterly Report on Form 10-Q of the Company and Ethan Allen Inc. filed with the Securities and Exchange Commission on November 14, 1997 (Commission File No. 1-11806) and the Registration Statement on Form S-3 of the Company, Ethan Allen, Ethan Allen Manufacturing Corporation, Ethan Allen Finance Corporation and Andover Wood Products Inc. filed with the Securities and Exchange Commission on October 23, 1994 (Commission File No. 33-85578-01) and all supplements thereto.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
As of and for the Fiscal Years Ended June 30, 1998, 1997 and 1996
(Dollars in thousands)

	Balance at Beginning of Period	Additions Charged to Income	Adjustments	Balance at End of Period
Receivables:				
Allowance for doubtful accounts:				
June 30, 1998	$ 2,122	$ 312	$ (186)	$ 2,248
June 30, 1997	$ 2,975	$ 328	$ (1,181)	$ 2,122
June 30, 1996	$ 4,567	$ 47	$ (1,639)	$ 2,975

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By /s/ M. Farooq Kathwari

Chairman, Chief Executive Officer and Director

ETHAN ALLEN INC.
(Registrant)

By /s/ M. Farooq Kathwari

Chairman, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ M. Farooq Kathwari ----------------------------------- (M. Farooq Kathwari)	Chairman, Chief Executive Officer and Director

/s/ Clinton A. Clark (Clinton A. Clark)	Director
/s/ Kristin Gamble (Kristin Gamble)	Director
/s/ Horace McDonell (Horace McDonell)	Director
/s/ Edward H. Meyer (Edward H. Meyer)	Director
/s/ William W. Sprague (William W. Sprague)	Director
/s/ Gerardo Burdo (Gerardo Burdo)	Vice President & Corporate Controller
/s/ Mary Beth Walsh (Mary Beth Walsh)	Assistant Corporate Controller

<TABLE> <S> <C>

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This schedule contains financial information extracted from the consolidated financial statements of Ethan Allen Interiors, Inc. for the year ended June 30,1998 and is qualified in its entirety by reference to such financial statements.
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Not applicable. All figures for Ethan Allen Interiors, Inc. are in U.S. dollars.
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Figure for receivables is net of allowances for doubtful accounts of $2,022.
<F3>
Includes prepaid expenses of $10,735.
<F4>
Includes goodwill of $8,783 (net of amortization).
<F5>
Includes current portion of long-term debt of $879 as of June 30, 1998.
<F6>
Includes long-term debt of $11,480 (net of the current portion of long-term debt) and capitalized leases of $1,016 (net of the current portion of capitalized leases). As of June 30, 1998, outstanding long-term debt of Ethan Allen on a consolidated basis consisted of (i) 9.75% mortgage note of $1,513 (net of current portion), (ii) industrial revenue bonds of $8,455, and (iii) other of $1,512 (net of current portion). For a description of the terms of Ethan Allen's long-term debt, see Footnote 5 to Ethan Allen's fiscal 1998 Consolidated Financial Statements.
<F7>
As of June 30, 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, 1998, see Ethan Allen's fiscal 1998 Consolidated Statement of Stockholders' Equity and Footnote 8 to Ethan Allen's fiscal 1998 Notes to Consolidated Financial Statements.
<F8>
As of June 30, 1998, Ethan Allen had 29,669,470 shares of common stock, $.01 par value per share, issued. For a description of Ethan Allen's common stock as of June 30, 1998, see Ethan Allen's fiscal 1998 Consolidated Statement of

Stockholders' Equity and Footnote 8 of Ethan Allen's fiscal 1998 Consolidated Financial Statements.
<F9>
Consists of $262,462 of additional paid in capital, $85,312 of retained earnings, and ($33,750) of treasury stock.
<F10>
For the year ended June 30, 1998, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.
<F11>
Consists of $4,245 of interest expense and $364 of amortization of deferred costs during fiscal 1998.
<F12>
During fiscal year 1998, the Company completed its optional early redemption of all of its then-outstanding $52.4 million 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.
<F13>
Basic earnings per share for the year June 30, 1998, was $2.48. For information on Ethan Allen's earnings per share, see Ethan Allen's Consolidated Financial Statements for the year ended June 30, 1998.
<F14>
Diluted earnings per share for the year ended June 30, 1998, was $2.42.
</FN>

</TABLE>