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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 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: 1-11692

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

(Exact name of registrant as specified in its charter)

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

Ethan Allen Drive, Danbury, Connecticut 06811

(Address of principal executive offices)

(203) 743-8000

(Registrant's telephone number, including area code)

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

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

[X] Yes [ ] No

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

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

[ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

27,233,006 at December 31, 1998

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY

INDEX

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

<TABLE>
<CAPTION>

<S>	December 31, 1998 (unaudited) <C>	June 30, 1998 <C>
Current assets:		
Cash and cash equivalents	$ 10,941	$ 19,380
Accounts receivable, less allowances of $2,016 and $2,022 at December 31 and June 30, 1998, respectively	31,220	35,640
Notes receivable, current portion, less allowances of $113 and $27 at December 31 and June 30, 1998, respectively	658	686
Inventories (note 3)	133,377	114,364
Prepaid expenses and other current assets	14,413	10,735
Deferred income taxes	8,112	7,094
Total current assets	198,721	187,899
Property, plant and equipment, net	203,117	188,171
Property held for sale (note 4)	484	1,129
Notes receivable, net of current portion, less allowance of $117 and $259 at December 31 and June 30, 1998, respectively	1,387	1,790
Intangibles, net of amortization of $15,904 and $15,060 at December 31 and June 30, 1998, respectively	52,141	50,773

Deferred financing costs, net of amortization of $2,395 and $2,280 at December 31 and June 30, 1998, respectively	517	632
Other assets	3,082	2,729
Total assets	$ 459,449	$ 433,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 1,053	$ 879
Accounts payable	56,765	51,135
Accrued expenses	9,136	5,863
Accrued compensation and benefits	15,339	15,735
Total current liabilities	82,293	73,612
Long-term debt, less current maturities	35,648	11,480
Obligations under capital leases, less current maturities	483	1,016
Other long-term liabilities, principally long-term compensation and environmental	791	812
Deferred income taxes	31,998	31,883
Total liabilities	151,213	118,803
Commitments and Contingencies (note 5)		
Shareholders' equity:		
Class A common stock, par value $.01, 70,000,000 shares authorized, 29,716,573 and 29,669,470 shares issued at December 31 and June 30, 1998, respectively	296	296
Preferred stock, par value $.01, 1,055,000 shares authorized, no shares issued and outstanding at December 31 and June 30, 1998, respectively	--	--
Additional paid-in capital	265,655	262,462
	265,951	262,758
Less: Treasury stock (at cost) 2,483,567 and 1,216,096 shares at December 31 and June 30, 1998, respectively	(78,242)	(33,750)
	187,709	229,008
Retained Earnings	120,527	85,312
Total shareholders' equity	308,236	314,320
Total liabilities and shareholders' equity	$ 459,449	$ 433,123

See accompanying notes to consolidated financial statements.
</TABLE>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended December 31, 1998	Three Months Ended December 31, 1997	Six Months Ended December 31, 1998	Six Months Ended December 31, 1997
<S>	<C>	<C>	<C>	<C>
Net sales	$193,674	$172,743	$359,900	$325,237
Cost of sales	103,918	92,030	193,140	173,758
Gross profit	89,756	80,713	166,760	151,479
Operating expenses:				
Selling	30,640	26,567	58,464	52,894
General and administrative	24,287	22,033	46,879	42,512
Operating income	34,829	32,113	61,417	56,073

Interest and other miscellaneous income, net	348	1,014	818	1,802
Interest and related expense:				
Interest expense	594	1,390	890	2,794
Amortization of deferred financing costs	57	102	115	211
	651	1,492	1,005	3,005
Income before income taxes	34,526	31,635	61,230	54,870
Income tax expense	13,340	12,544	23,835	21,745
Net income	$ 21,186	$ 19,091	$ 37,395	$ 33,125
Per share data (note 7):				
Net Income per basic share	$ 0.77	$ 0.66	$ 1.35	$ 1.15
Basic weighted average common shares outstanding	27,476	28,713	27,741	28,727
Net Income per diluted share	$ 0.75	$ 0.65	$ 1.32	$ 1.13
Diluted weighted average common shares outstanding	28,061	29,380	28,362	29,338
Dividend declared per common share	$ 0.04	$ 0.03	$ 0.08	$ 0.06

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Six Months Ended December 31, 1998	1997
<S>	<C>	<C>
Operating activities:		
Net income	$ 37,395	$ 33,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,903	8,115
Provision for deferred income taxes	(903)	(896)
Other non-cash charges	344	82
Change in:		
Accounts receivable	4,363	3,997
Inventories	(15,757)	(1,277)
Prepaid and other current assets	(3,678)	(4,127)
Other assets	(850)	(1,122)
Accounts payable	8,039	8,470
Accrued expenses	2,938	(525)
Other long-term liabilities	(21)	(27)
Net cash provided by operating activities	39,773	45,815
Investing activities:		
Proceeds from the disposal of property, plant and equipment	--	780
Capital expenditures	(21,091)	(13,446)
Payments received on long-term notes receivable	486	1,182
Disbursements made for long-term notes receivable	--	(77)
Acquisition of business - Inventory	(3,256)	--
Excess of Purchase price over cost	(2,212)	--
Redemptions of short term securities	--	10,476

Investments in short term securities	--	(12,295)
Net cash used in investing activities	(26,073)	(13,380)
Financing activities:		
Payments to acquire treasury stock	(44,492)	(4,842)
Payments on revolving credit facility	(30,000)	--
Borrowings on revolving credit facility	54,500	--
Other long-term borrowings	--	111
Redemption of Senior Notes	--	(139)
Payments on long-term debt, including current maturities	(76)	(76)
Payments under capital leases	(614)	(821)
Issuance of capital stock	784	1,015
Payment of dividends	(2,241)	(1,726)
Net cash used in financing activities	(22,139)	(6,478)
Net increase in cash and cash equivalents	(8,439)	25,957
Cash and cash equivalents at beginning of period	19,380	21,866
Cash and cash equivalents at end of period	$ 10,941	$ 47,823

See accompanying notes to consolidated financial statements.
</TABLE>

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

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 1998	$ 296	$ 262,462	$ (33,750)	$ 85,312	$ 314,320
Issuance of common stock	-	784	--	--	784
Purchase of 1,267,471 shares treasury stock	-	--	(44,492)	--	(44,492)
Tax benefit associated with the exercise of employee options and warrants	-	2,409	--	--	2,409
Dividends declared	-	--	--	(2,180)	(2,180)
Net income	-	--	--	37,395	37,395
Balance at December 31, 1998	$ 296	$ 265,655	$ (78,242)	$ 120,527	$ 308,236

See accompanying notes to consolidated financial statements.
</TABLE>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

(1) Basis of Presentation

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

(2) Interim Financial Presentation

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

In the opinion of the Company, all adjustments, consisting only of normal recurring accruals necessary for fair presentation, have been included in the financial statements. The results of operations for the three and six months ended December 31, 1998 are not necessarily indicative of results for the fiscal year.

(3) Inventories

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

	December 31, 1998	June 30, 1998
Retail merchandise	$ 46,234	$ 38,329
Finished products	34,817	28,931
Work in process	16,464	15,707
Raw materials	35,862	31,397
	$133,377	$114,364

(4) Property Held for Sale

Property held for sale is recorded at lower of cost or net realizable values.

(5) Contingencies

The Company has been named as a potentially responsible party ("PRP") for the cleanup of four sites currently listed or proposed for inclusion on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). Numerous other parties have been identified as PRP's at these sites. Liability under CERCLA may be joint and several. The Company has total reserves of $500,000 applicable to these sites, which the Company believes is sufficient to cover any resulting liability. With respect to all of these sites, the Company believes that it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at the site. The Company has concluded its involvement with one site and has settled as a de-minimis party. For two of the sites, the remedial investigation is ongoing. A volume based allocation of responsibility among the parties has been prepared. With respect to the fourth site, a consent decree to finally resolve the matter with the EPA has been signed and the Company has entered upon a program to design and construct a landfill cap of the Parker Landfill site. The cap will be funded by a number of parties including the Federal Government, the State of Vermont and other companies who contributed hazardous materials to the site. Another company is responsible for the ground water remediation and still another is responsible for operation and maintenance.

(6) Wholly-Owned Subsidiary

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

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

	December 31, 1998	June 30, 1998
Assets		
Current assets	$198,705	$187,677
Non-current assets	344,797	282,874
Total assets	$543,502	$470,551
Liabilities		
Current liabilities	$ 81,096	$ 72,380
Non-current liabilities	68,920	45,191
Total liabilities	$150,016	$117,571

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

	Three Months Ended December 31, 1998	Three Months Ended December 31, 1997	Six Months Ended December 31, 1998	Six Months Ended December 31, 1997
Net sales	$193,674	$172,743	$359,900	$325,237
Gross profit	89,756	80,713	166,760	151,479
Operating income	34,865	32,134	61,488	56,114
Interest expense	594	1,390	890	2,794
Amortization of deferred financing costs	57	102	115	211
Income before income tax expense	34,562	31,656	61,301	54,911
Net income	21,222	19,112	37,466	33,166

7) Earnings per Share

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

	Three Months Ended December 31, 1998	Three Months Ended December 31, 1997	Six Months Ended December 31, 1998	Six Months Ended December 31, 1997
Weighted average common shares outstanding for basic calculation	27,476	28,713	27,741	28,727
Add: Effect of stock options and warrants	585	667	621	611
Weighted average common shares outstanding - adjusted for diluted calculation	28,061	29,380	28,362	29,338

8) 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 furnishings 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 margin which is earned based on purchases from the wholesale business. Inter-segment elimination's 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.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

The following table presents revenue and operating earnings by respective business segment for the three and six months ended December 31, 1998 and 1997 (in thousands):

Three Months ended December 31, 1998:
<TABLE>
<CAPTION>

<S>	Wholesale <C>	Retail <C>	Inter-Segment Elimation <C>	Consolidated <C>
Net sales	$160,193	$ 75,639	$(42,158)	$193,674
Operating income	30,972	4,634	(777)	34,829
Interest and other income	292	56	--	348
Interest expense	451	143	--	594
Amortization deferred financing costs	39	18	--	57
Income before income tax expense	$ 30,774	$ 4,529	$ (777)	$ 34,526

Three Months ended December 31, 1997:

<S>	Wholesale <C>	Retail <C>	Inter-Segment Elimation <C>	Consolidated <C>
Net sales	$144,014	$ 61,150	$(32,421)	$172,743
Gross profit	54,007	27,263	(557)	80,713
Operating income	28,011	4,173	(71)	32,113
Interest and other income	959	55	--	1,014
Interest expense	1,051	339	--	1,390
Amortization deferred financing costs	73	29	--	102
Income before income tax expense	$ 27,846	$ 3,860	$ (71)	$ 31,635

Six Months ended December 31, 1998:

<S>	Wholesale <C>	Retail <C>	Inter-Segment Elimation <C>	Consolidated <C>
Net sales	$301,509	$137,444	$(79,053)	$359,900
Gross profit	109,271	60,632	(3,143)	166,760
Operating income	57,074	6,656	(2,313)	61,417
Interest and other income	655	163	--	818
Interest expense	687	203	--	890
Amortization deferred financing costs	85	30	--	115
Income before income tax expense	$ 56,957	$ 6,586	$ (2,313)	$ 61,230

Six Months ended December 31, 1997:

<S>	Wholesale <C>	Retail <C>	Inter-Segment Elimation <C>	Consolidated <C>
Net sales	$274,238	$113,636	$(62,637)	$325,237
Gross profit	103,481	50,586	(2,588)	151,479
Operating income	51,022	6,709	(1,658)	56,073
Interest and other income	1,686	116	--	1,802
Interest expense	2,109	685	--	2,794
Amortization deferred financing costs	155	56	--	211
Income before income				

tax expense	$ 50,444	$ 6,084	$ (1,658)	$ 54,870

</TABLE>

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussions set forth in this form 10-Q should be read in conjunction with the financial information included herein the Company's Annual Report on Form 10-K for the year ended June 30, 1998. Management's discussion and analysis of financial condition and results of operations and other sections of this report contain forward-looking statements relating to future results of the Company. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risk and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, conditions in the various real estate markets where the Company does business, developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Results of Operations

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	1998	1997	1998	1997
Revenues:				
Net wholesale sales to dealer-owned stores	$ 115.6	$ 106.9	$ 217.5	$ 202.0
Net retail sales of Ethan Allen-owned stores	75.6	61.2	137.4	113.7
Other revenues	2.5	4.6	5.0	9.5
Total	$ 193.7	$ 172.7	$ 359.9	$ 325.2

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

Sales for the three months ended December 31, 1998 increased by $21.0 million, or 12.1%, over the corresponding period in the prior year to $193.7 million. Net sales by Ethan Allen-owned stores increased $14.4 million or 23.5% to $75.6 million and net sales to dealer-owned stores increased $8.7 million or 8.1% to $115.6 million. Sales growth has resulted from increased sales from relocated and new stores, new product offerings, and expanded national television advertising. At December 31, 1998, there were 315 total stores, of which 243 were dealer-owned, as compared to 306 total stores, of which 241 were dealer-owned at December 31, 1997.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 13.7%, or $7.9 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $7.9 million, partially offset by closed stores, which generated $1.4 million less in sales in the three months ended December 31, 1998 as compared to the three months ended December 31, 1997.

Comparable stores are stores that, if newly opened, have been open for at least 15 months. Ethan Allen's retail business is principally special order and minimal net sales are generated during the first three months of operations of newly opened stores. Stores acquired from dealers by Ethan Allen are included in comparable store sales in their thirteenth full month of Ethan Allen-owned operations.

Gross profit for the three months ended December 31, 1998 increased by $9.0 million, or 11.2% from the three months ended December 31, 1997 to $89.8 million. This increase is attributable to higher sales volume partially offset by a decrease in gross margin from 46.7% in the three months ended December 31, 1997 to 46.3% in the three months ended December 31, 1998. Gross margins have been negatively impacted by higher employee benefit costs, and price increases in certain lumber species, purchased wood parts and finishing materials. These factors have been partially offset by the leverage benefit of higher sales volumes, a higher proportionate level of retail sales, gains in manufacturing efficiencies, higher production levels and streamlined work processes. A price increase was implemented on selected items for orders received after December 1, 1998. This, however, did not significantly impact second quarter margins. The full effect of the price increase is not expected until the fourth quarter, with some benefit in the third quarter.

Selling, general and administrative expenses increased $6.3 million from $48.6 million, or 28.1% of net sales, in the three months ended December 31, 1997 to $54.9 million, or 28.4% of net sales, in the three months ended December 31, 1998. This increase is principally attributable to an increase in the operating expenses of Ethan Allen-owned stores of $5.9 million due to higher sales volumes and the addition of new stores.

Operating income for the three months ended December 31, 1998 was $34.8 million or 18.0% of sales, an increase of $2.7 million as compared to the three months ended December 31, 1997. Wholesale operating income was $31.0 million for the three months ended December 31, 1998, reflecting an increase of $3.0 million as compared to the prior year period. This increase is attributable to higher sales volumes partially offset by a slight decline in the wholesale operating margin. Retail operating income was $4.6 million for the three months ended December 31, 1998, an increase of $0.4 million from the prior year.

Interest expense, including the amortization of deferred financing costs, for the three months ended December 31, 1998 decreased by $0.8 million to $0.7 million from $1.5 million in the three months ended December 31, 1997, due to lower debt balances outstanding.

Income tax expense of $13.3 million was recorded for the three months ended December 31, 1998, as compared to $12.5 million in the prior year quarter. The Company's effective tax rate for the three months ended December 31, 1998 was 38.6% as compared to 39.6% in the three months ended December 31, 1997. The decline in the effective tax rate in the three months ended December 31, 1998 as compared to the corresponding period in the prior year is the result of planning strategies initiated by the Company during the quarter. The Company anticipates that the effective tax rate going forward will be consistent with that of the quarter ended December 31, 1998.

For the three months ended December 31, 1998, the Company recorded net income of $21.2 million, compared to net income for the three months ended December 31, 1997 of $19.1 million.

Six Months Ended December 31, 1998 Compared to Six Months Ended December 31, 1997

Sales for the six months ended December 31, 1998 increased by $34.7 million, or 10.7%, over the six months ended December 31, 1997 to $359.9 million. Net retail sales by Ethan Allen-owned stores increased by 21.0% to $137.4 million and sales to dealer-owned stores increased by 7.7% to $217.5 million. The increase in sales to dealer-owned stores has resulted from increased sales from relocated and new stores, newer product offerings, and expanded national television advertising.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 12.6% or $13.7 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $12.8 million, partially offset by closed stores which generated $2.8 million less in sales in the six months ended December 31, 1998 as compared to the six months ended December 31, 1997.

Gross profit for the six months ended December 31, 1998 increased by $15.3 million from the six months ended December 31, 1997 to $166.8 million. This increase is attributable to higher sales volume partially offset by a decline in gross margin from 46.6% in the six months ended December 31, 1997 to 46.3% in the six months ended December 31, 1998. Gross margins have been negatively impacted by higher employee benefit costs, and price increases in certain lumber species, purchased wood parts and finishing materials. These factors have been partially offset by the leverage benefit of a higher sales volume, higher proportionate level of retail sales, gains in manufacturing efficiencies, higher production levels and streamlined work processes. Selling, general and administrative expenses increased $9.9 million from $95.4 million, or 29.3% of net sales, in the six months ended December 31, 1997 to $105.3 million, or 29.3% of net sales, in the six months ended December 31, 1998.

Operating income for the six months ended December 31, 1998 was $61.4 million or 17.1% of sales, an increase of $5.3 million, as compared to the six months ended December 31, 1997. Wholesale operating income was $57.1 million for the six months ended December 31, 1998, an increase of $6.1 million as compared to the six months ended December 31, 1997. This increase is attributable to higher sales volumes partially offset by lower gross margins. Retail operating income was $6.7 million for the six months ended December 31, 1998, which is comparable to the operating margin for the six months ended December 31, 1997.

Interest expense, including the amortization of deferred financing costs, for the six months ended December 31, 1998 decreased by $2.0 million to $1.0 million, as compared to the prior year period, due to lower debt balances outstanding.

Income tax expense of $23.8 million or an effective tax rate of 38.9%, was recorded for the six months ended December 31, 1998, as compared to $21.7 million or an effective rate of 39.6% in the prior year period.

For the six months ended December 31, 1998, the Company recorded net income of $37.4 million, compared to net income for the six months ended December 31, 1997 of $33.1 million.

Financial Condition and Liquidity

Principal sources of liquidity are cash flow from operations and additional borrowing capacity under the revolving credit facility. Net cash provided by operating activities totaled $39.8 million for the six months ended December 31, 1998, as compared to $45.8 million in the six months ended December 31, 1997. Net income for the six months ended December 31, 1998 was $4.3 million higher than the net income reported for the six months ended December 31, 1997. For the six months ended December 31, 1998, inventories increased $15.8 million as compared to a $1.3 million increase in the prior year period. Additionally, accrued expenses decreased $2.9 million in the six months ended December 31, 1998 as compared to a $0.5 million increase in accrued expenses in the prior year period. At December 31, 1998, the Company had working capital of $116.4 million and a current ratio of 2.41 to 1.

During the six months ended December 31, 1998, capital spending totaled $21.1 million as compared to $13.4 million in the six months ended December 31, 1997. 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 current level of anticipated capital spending, which is attributable primarily to manufacturing efficiency improvements and new store openings, is expected to continue for the foreseeable future.

Total debt outstanding at December 31, 1998 is $37.2 million. At December 31, 1998, there was $24.5 million in outstanding revolving loans under the Credit Agreement. Trade and standby letters of credit of $15.4 million were outstanding as of December 31, 1998.

As of December 31, 1998, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $0.4 million, $24.7 million, $2.6 million, $0.2 million and $0.1 million, respectively. Management believes that the Company's cash flow from operations, together with its other available sources of liquidity, will be adequate to make all required payments of principal and interest on its debt, to permit anticipated capital expenditures and to fund working capital and other cash requirements.

The Company may, from time to time, either directly or through agents, repurchase its common stock in the open market through negotiated purchases or otherwise, at prices and on terms satisfactory to the Company. During the six months ended December 31, 1998, 1,267,471 shares were purchased at an average price of $35.10 per share. Depending on

market prices and other conditions relevant to the Company, such purchases may be discontinued at any time.

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 it business transactions. The testing of these recently implemented applications is expected to be completed by June 30, 1999.

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 March 31, 1999.

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 finalizing 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 3. Quantitative and Qualitative Disclosure about Market Risk

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

PART II. OTHER INFORMATION

Item 1. - Legal Proceedings

There has been no change to matters discussed in Business-Legal Proceedings in the Company's Form 10-K as filed with the Securities and Exchange Commission on September 18, 1998.

Item 2. - Changes in Securities

There has been no change to matters discussed in Description and Ownership of Capital Stock in the Company's Form 10-K as filed with the Securities and Exchange Commission on September 18, 1998.

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

Item 4(c)-3.	First Amendment to Amended and Restated 1992 Stock Option Plan
Item 4(k)-4.	First Amendment to Amended and Restated credit Agreement as of August 27, 1997 between Ethan Allen Inc. and the Chase Manhattan Bank
Item 4(k)-5.	Second Amendment to Amended and Restated credit Agreement as of October 20, 1998 between Ethan Allen Inc. and the Chase Manhattan Bank
27.	EDGAR Financial Data Schedule

SIGNATURES

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

ETHAN ALLEN INTERIORS INC.
(Registrant)

DATE: February 12, 1999 BY: /s/ M. Farooq Kathwari

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

DATE: February 12, 1999 BY: /s/ Gerardo Burdo

Gerardo Burdo
Vice President &
Treasurer
(Principal Financial Officer)

DATE: February 12, 1999 BY: /s/ Mary Beth Walsh

Mary Beth Walsh
Assistant Corporate Controller
(Principal Accounting Officer)

EXHIBIT 4(k)-5
CONFORMED COPY

EXHIBIT 4(K)-5
CONFORMED COPY

SECOND AMENDMENT dated as of October 20, 1998, to the Amended and Restated Credit Agreement dated as of March 10, 1995 as amended and restated as of December 4, 1996 (as previously amended by that Amendment dated as of August 27, 1997,, the "Credit Agreement"), among ETHAN ALLEN INC., a Delaware corporation, ETHAN ALLEN INTERIORS INC., a Delaware corporation, the financial institutions from time to time parties thereto, and THE CHASE MANHATTAN BANK (as successor to Chemical Bank), a New York banking corporation, as swingline lender, administrative agent and collateral agent for the Lenders.

A. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

B. The Borrower and Holdings have requested that the Credit Agreement be amended as set forth herein. The Lenders are willing to so amend the Credit Agreement subject to the terms and conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendments. Section 6.08 of the Credit Agreement is hereby amended by:

(a) deleting the word "and" at the end of clause (f) thereof.

(b) deleting the period at the end of clause (g) thereof and substituting therefor a semicolon.

(c) adding at the end of such Section 6.08 the following clauses (h) and (g):

(h) Holdings may make Restricted Payments in cash to purchase shares of its common stock and to pay commissions in connection with such purchase of shares of its common stock and the Borrower may pay cash dividends to Holdings in the amounts and at the times that Holdings makes such Restricted Payments; provided that (i) no Default or Event of Default has occurred and is continuing at the time of, or would result from, any such Restricted Payment and (ii) the aggregate (cumulative) amount of Restricted Payments made in reliance upon this clause (h) shall not exceed $75,000,000; and

(i) Holdings and/or the Borrower may make Restricted Payments in cash to repurchase shares of common stock of Holdings tendered by or through the Ethan Allen Retirement Plan and the Borrower may pay cash dividends to Holdings in the amounts and at the times that Holdings makes Restricted Payments in accordance with this clause (i); provided, that (x) no Default or Event of Default has occurred and is continuing at the time of, or would result from, any such Restricted Payments and (y) the aggregate amount of Restricted Payments (other than cash dividends by the Borrower to Holdings to allow Holdings to make the Restricted Payments contemplated by this clause (i)) made by Holdings and the Borrower in reliance upon this clause (i) during any fiscal year shall not exceed $1,500,000.

SECTION 2. Representations and Warranties. Each of the Borrower and Holdings hereby represents and warrants to each Lender, on and as of the date hereof, that:

(a) This Amendment has been duly authorized, executed and delivered by each of the Borrower and Holdings, and each of this Amendment and the Credit Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of each of the Borrower and Holdings, enforceable in

accordance with its terms.

(b) The representations and warranties of each of the Borrower and Holdings contained in the Credit Agreement and in each other Loan Document are true and correct in all respects with the same effect as if made on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date.

(c) After giving effect to this Amendment, no Default has occurred and is continuing.

SECTION 3. Effectiveness. This Amendment shall become effective upon receipt by the Agent of counterparts hereof signed by each of the Borrower, Holdings and the Required Lenders.

SECTION 4. Expenses. The Borrower acknowledges that Section 9.05(a) of the Credit Agreement applies to this Amendment and hereby agrees to pay all out-of-pocket expenses reasonably incurred by the Administrative Agent, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, in connection with the preparation, execution and delivery of this Amendment.

SECTION 5. Miscellaneous. (a) This Amendment constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

(b) Section headings used herein are for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

(c) This Amendment shall be construed in accordance with and governed by the law of the State of New York.

(d) Each reference to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and to whose benefit the provisions of this Amendment shall inure.

(e) This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which, when taken together, shall constitute but one instrument.

(f) Except as specifically amended or modified hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

ETHAN ALLEN INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

ETHAN ALLEN INTERIORS INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent, Collateral
Agent and Swingline Lender,

by /s/ Barry K. Bergman

Name: Barry K. Bergman
Title: Vice President

BANK OF MONTREAL,

by /s/ Bruce A. Pietka

Name: Bruce A. Pietka
Title: Director

THE BANK OF NEW YORK,

by__________________________
Name:
Title:

BANKBOSTON, N.A.,

by /s/ Susan L. Pardus-Galland

Name: Susan L. Pardus-Galland
Title: Vice President

FLEET NATIONAL BANK,

by /s/ Christopher J. Kampe

Name: Christopher J. Kampe
Title: Vice President

THE FUJI BANK, LIMITED, NEW YORK
BRANCH,

by /s/ Ravmond Ventura

Name: Raymond Ventura
Title: Vice President and Manager

MERITA BANK LTD, NEW YORK
BRANCH,

by __________________________
Name:
Title:

by __________________________
Name:
Title:

SANWA BANK,

by__________________________
Name:
Title:

WACHOVIA BANK, N.A.

by /s/ John C. Coffin

Name: John C. Coffin
Title: Senior Vice President

YASUDA TRUST & BANKING CO.,
LTD.,

by__________________________

Name:
Title:

EXHIBIT 4(K)-5
CONFORMED COPY

SECOND AMENDMENT dated as of October 20, 1998, to the Amended and Restated Credit Agreement dated as of March 10, 1995 as amended and restated as of December 4, 1996 (as previously amended by that Amendment dated as of August 27, 1997,, the "Credit Agreement"), among ETHAN ALLEN INC., a Delaware corporation, ETHAN ALLEN INTERIORS INC., a Delaware corporation, the financial institutions from time to time parties thereto, and THE CHASE MANHATTAN BANK (as successor to Chemical Bank), a New York banking corporation, as swingline lender, administrative agent and collateral agent for the Lenders.

A. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

B. The Borrower and Holdings have requested that the Credit Agreement be amended as set forth herein. The Lenders are willing to so amend the Credit Agreement subject to the terms and conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendments. Section 6.08 of the Credit Agreement is hereby amended by:

(a) deleting the word "and" at the end of clause (f) thereof.

(b) deleting the period at the end of clause (g) thereof and substituting therefor a semicolon.

(c) adding at the end of such Section 6.08 the following clauses (h) and (g):

(h) Holdings may make Restricted Payments in cash to purchase shares of its common stock and to pay commissions in connection with such purchase of shares of its common stock and the Borrower may pay cash dividends to Holdings in the amounts and at the times that Holdings makes such Restricted Payments; provided that (i) no Default or Event of Default has occurred and is continuing at the time of, or would result from, any such Restricted Payment and (ii) the aggregate (cumulative) amount of Restricted Payments made in reliance upon this clause (h) shall not exceed $75,000,000; and

(i) Holdings and/or the Borrower may make Restricted Payments in cash to repurchase shares of common stock of Holdings tendered by or through the Ethan Allen Retirement Plan and the Borrower may pay cash dividends to Holdings in the amounts and at the times that Holdings makes Restricted Payments in accordance with this clause (i); provided, that (x) no Default or Event of Default has occurred and is continuing at the time of, or would result from, any such Restricted Payments and (y) the aggregate amount of Restricted Payments (other than cash dividends by the Borrower to Holdings to allow Holdings to make the Restricted Payments contemplated by this clause (i)) made by Holdings and the Borrower in reliance upon this clause (i) during any fiscal year shall not exceed $1,500,000.

SECTION 2. Representations and Warranties. Each of the Borrower and Holdings hereby represents and warrants to each Lender, on and as of the date hereof, that:

(a) This Amendment has been duly authorized, executed and delivered by each of the Borrower and Holdings, and each of this Amendment and the Credit Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of each of the Borrower and Holdings, enforceable in

accordance with its terms.

(b) The representations and warranties of each of the Borrower and Holdings contained in the Credit Agreement and in each other Loan Document are true and correct in all respects with the same effect as if made on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date.

(c) After giving effect to this Amendment, no Default has occurred and is continuing.

SECTION 3. Effectiveness. This Amendment shall become effective upon receipt by the Agent of counterparts hereof signed by each of the Borrower, Holdings and the Required Lenders.

SECTION 4. Expenses. The Borrower acknowledges that Section 9.05(a) of the Credit Agreement applies to this Amendment and hereby agrees to pay all out-of-pocket expenses reasonably incurred by the Administrative Agent, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent, in connection with the preparation, execution and delivery of this Amendment.

SECTION 5. Miscellaneous. (a) This Amendment constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

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(c) This Amendment shall be construed in accordance with and governed by the law of the State of New York.

(d) Each reference to a party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Amendment and to whose benefit the provisions of this Amendment shall inure.

(e) This Amendment may be executed in any number of counterparts, each of which shall be an original but all of which, when taken together, shall constitute but one instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first above written.

ETHAN ALLEN INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

ETHAN ALLEN INTERIORS INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent, Collateral
Agent and Swingline Lender,

by /s/ Barry K. Bergman

Name: Barry K. Bergman
Title: Vice President

BANK OF MONTREAL,

by /s/ Bruce A. Pietka

Name: Bruce A. Pietka
Title: Director

THE BANK OF NEW YORK,

by__________________________
Name:
Title:

BANKBOSTON, N.A.,

by /s/ Susan L. Pardus-Galland

Name: Susan L. Pardus-Galland
Title: Vice President

FLEET NATIONAL BANK,

by /s/ Christopher J. Kampe

Name: Christopher J. Kampe
Title: Vice President

THE FUJI BANK, LIMITED, NEW YORK BRANCH,

by /s/ Ravmond Ventura

Name: Raymond Ventura
Title: Vice President and Manager

MERITA BANK LTD, NEW YORK BRANCH,

by __________________________
Name:
Title:

by __________________________
Name:
Title:

SANWA BANK,

by__________________________
Name:
Title:

WACHOVIA BANK, N.A.

by /s/ John C. Coffin

Name: John C. Coffin
Title: Senior Vice President

YASUDA TRUST & BANKING CO., LTD.,

by___________________________

Name:
Title:

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(i) Holdings and/or the Borrower may make Restricted Payments in cash to repurchase shares of common stock of Holdings tendered by or through the Ethan Allen Retirement Plan and the Borrower may pay cash dividends to Holdings in the amounts and at the times that Holdings makes Restricted Payments in accordance with this clause (i); provided, that (x) no Default or Event of Default has occurred and is continuing at the time of, or would result from, any such Restricted Payments and (y) the aggregate amount of Restricted Payments (other than cash dividends by the Borrower to Holdings to allow Holdings to make the Restricted Payments contemplated by this clause (i)) made by Holdings and the Borrower in reliance upon this clause (i) during any fiscal year shall not exceed $1,500,000.

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ETHAN ALLEN INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

ETHAN ALLEN INTERIORS INC.,

by /s/ M. Farooq Kathwari

Name: M. Farooq Kathwari
Title: President

THE CHASE MANHATTAN BANK,
individually and as
Administrative Agent, Collateral
Agent and Swingline Lender,

by /s/ Barry K. Bergman

Name: Barry K. Bergman
Title: Vice President

BANK OF MONTREAL,

by /s/ Bruce A. Pietka

Name: Bruce A. Pietka
Title: Director

THE BANK OF NEW YORK,

by__________________________
Name:
Title:

BANKBOSTON, N.A.,

by /s/ Susan L. Pardus-Galland

Name: Susan L. Pardus-Galland
Title: Vice President

FLEET NATIONAL BANK,

by /s/ Christopher J. Kampe

Name: Christopher J. Kampe
Title: Vice President

THE FUJI BANK, LIMITED, NEW YORK
BRANCH,

by /s/ Ravmond Ventura

Name: Raymond Ventura
Title: Vice President and Manager

MERITA BANK LTD, NEW YORK
BRANCH,

by __________________________
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by __________________________
Name:
Title:

SANWA BANK,

by__________________________
Name:
Title:

WACHOVIA BANK, N.A.

by /s/ John C. Coffin

Name: John C. Coffin
Title: Senior Vice President

YASUDA TRUST & BANKING CO.,
LTD.,

by__________________________

Name:
Title:

```
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<F1> Not  applicable.  All figures for Ethan Allen  Interiors,  Inc. are in U.S.
     dollars.
<F2> Figure  for  receivables  is  net of allowances  for  doubtful  accounts of
     $2,016.
<F3> Includes prepaid expenses of $14,413.
<F4> Includes goodwill of $10,830 (net of amortization).
<F5> Includes current portion of long-term debt of $1,053 of December 31, 1998.
<F6> Includes  long-term debt of $35,648 net of the current portion of long-term
     debt)  and  capitalized  leases  of $483  (net of the  current  portion  of
     capitalized leases). As of December 31, 1998 outstanding  long-term debt of
     Ethan Allen on a consolidated  basis consisted of (i) revolving loans under
     the Credit Agreement of $24,500, (ii) 9.75% mortgage note of $1,492 (net of
     current portion),  (iii) industrial revenue bonds of $8,455, and (iv) other
     of $1,201 (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 December 31, 1998, Ethan Allen had no shares of preferred stock, $.01
     par  value per  share,  outstanding.  For a  description  of Ethan  Allen's
     preferred  stock  as of June  30,  1998,  see  Ethan  Allen's  fiscal  1998
     Consolidated  Statement  of  Shareholders'  Equity and  Footnote 7 to Ethan
     Allen's fiscal 1998 Notes to Consolidated Financial Statements.
<F8> As of December 31, 1998, Ethan Allen had 29,716,573 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  Shareholders'  Equity and Footnote 7 of Ethan Allen's  fiscal
     1998 Consolidated Financial Statements.
<F9> Consists of $265,655 of  additional  paid in capital,  $120,527 of retained
     earnings, and ($78,242) of treasury stock.
<F10>In the quarter ended December 31, 1998, Ethan Allen's revenues were derived
```

from sales generated by its wholesale and retail operations.
<F11>Consists of $594 of interest expense and $57 of amortization of deferred costs.
<F12>Basic earnings per share for the quarter ended December 31, 1998 was $0.77. For information on Ethan Allen's earnings per share, see Ethan Allen's Consolidated Financial Statements for the quarter ended December 31, 1998.
<F13>Diluted earnings per share for the quarter ended December 31, 1998, was $0.75.
</FN>

</TABLE>