

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2000
or

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

For the transition period from to

Commission File Number: 1-11692

Ethan Allen Interiors Inc.; Ethan Allen Inc.;
Ethan Allen Marketing Corporation;
Ethan Allen Manufacturing Corporation
(Exact name of registrant as specified in its charter)

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

Ethan Allen Drive, Danbury, Connecticut 06811
(Address of principal executive offices)

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

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

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

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.

39,363,180 at October 31, 2000

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY
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September 30, 2000 (unaudited) and June 30, 2000
and for the three months ended
September 30, 2000 and 1999 (unaudited)

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

	September 30, 2000 (unaudited) -----	June 30, 2000 ----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,359	\$ 14,024
Accounts receivable, less allowances of \$2,215 and \$2,751 at September 30, 2000 and June 30, 2000, respectively	34,664	34,336
Inventories	161,819	159,006
Prepaid expenses and other current assets	24,273	17,670
Deferred income taxes	11,554	10,751
Total current assets	262,669	235,787
Property, plant and equipment, net	251,119	247,738
Intangibles, net	54,063	54,770
Other assets	7,598	5,276
Total assets	\$ 575,449	\$ 543,571
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	\$ 373	\$ 8,420
Accounts payable	85,410	65,879
Accrued expenses	14,347	11,003
Accrued compensation and benefits	20,697	22,966
Total current liabilities	120,827	108,268
Long-term debt	9,455	9,487
Other long-term liabilities	1,620	1,593
Deferred income taxes	33,912	33,714
Total liabilities	165,814	153,062
Commitments and contingencies		
Shareholders' equity:		
Class A common stock, par value \$.01, 150,000,000 shares authorized, 45,071,726 and 45,081,384 shares issued at September 30, 2000 and June 30, 2000, respectively	451	451
Preferred stock, par value \$.01, 1,055,000 shares authorized, no shares issued and outstanding at September 30, 2000 and June 30, 2000	-	-
Additional paid-in capital	272,924	272,710

	273,375	273,161
Less: Treasury stock (at cost), 5,682,196 shares at September 30, 2000 and 5,674,278 shares at June 30, 2000	(128,708)	(128,493)
	144,667	144,668
Retained earnings	264,968	245,841
Total shareholders' equity	409,635	390,509
Total liabilities and shareholders' equity	\$ 575,449	\$ 543,571

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2000	1999
	----	----
Net sales	\$ 211,231	\$ 189,592
Cost of sales	111,522	101,071
Gross profit	99,709	88,521
Operating expenses:		
Selling	38,078	33,458
General and administrative	28,922	24,729
Operating income	32,709	30,334
Interest and other miscellaneous income, net	766	525
Interest and other related financing costs	196	349
Income before income taxes	33,279	30,510
Income tax expense	12,579	11,777
Net income	\$ 20,700	\$ 18,733

Per share data:

Basic earnings per common share:

Net income per basic share	\$ 0.53	\$ 0.46
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Basic weighted average common shares outstanding	39,405	40,856
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Diluted earnings per common share:

Net income per diluted share	\$ 0.52	\$ 0.45
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Diluted weighted average common shares outstanding	40,190	41,915
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See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,	
	2000	1999

Operating activities:		
Net income	\$ 20,700	\$ 18,733
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,570	4,137
Compensation (benefit) expense related to restricted stock award	(330)	267
Provision for deferred income taxes	(605)	(5,610)
Other non-cash (income) expense	(636)	83
Change in assets and liabilities:		
Accounts receivable	(328)	(519)
Inventories	(4,369)	(3,177)
Prepaid and other current assets	(7,894)	(6,098)
Accounts payable	9,300	10,869
Income taxes payable	11,364	13,005
Accrued expenses	1,322	(936)
Other	(196)	41
Net cash provided by operating activities	32,898	30,795
Investing activities:		
Proceeds from the disposal of property, plant and equipment	2,315	34
Capital expenditures	(9,185)	(11,885)
Acquisition of businesses	-	(9,886)
Other	120	164
Net cash used in investing activities	(6,750)	(21,573)
Financing activities:		
Borrowings on revolving credit facilities	-	17,500
Payments on revolving credit facilities	(8,000)	(15,500)
Other payments on long-term debt and capital leases	(79)	(429)
Increase in deferred financing costs	-	(507)
Net proceeds from issuance of common stock	51	236
Dividends paid	(1,570)	(1,637)
Payments to acquire treasury stock	(215)	(4,454)
Net cash used in financing activities	(9,813)	(4,791)
Net increase (decrease) in cash and cash equivalents	16,335	4,431
Cash and cash equivalents at beginning of period	14,024	8,968
Cash and cash equivalents at end of period	\$ 30,359	\$ 13,399

See accompanying notes to consolidated financial statements.

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Three Months Ended September 30, 2000
(Unaudited)
(Dollars in thousands)

<TABLE>
<CAPTION>

	Additional Common Stock -----	Paid-in Capital -----	Treasury Stock -----	Retained Earnings -----	Total -----
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 2000	\$ 451	\$272,710	\$ (128,493)	\$245,841	\$390,509
Issuance of common stock upon exercise of stock options and restricted stock award compensation (benefit)	-	(279)	-	-	(279)
Purchase of 7,919 shares of treasury stock	-	-	(215)	-	(215)
Tax benefit associated with the exercise of employee options and warrants	-	493	-	-	493
Dividends declared on common stock	-	-	-	(1,573)	(1,573)

Net income	-	-	-	20,700	20,700
Balance at September 30, 2000	\$ 451	\$272,924	\$(128,708)	\$264,968	\$409,635

See accompanying notes to consolidated financial statements.

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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 months ended September 30, 2000, are not necessarily indicative of results for the fiscal year. It is suggested that the interim consolidated financial statements are read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2000.

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

(3) New Accounting Standards

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" and in 2000, SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of No. 133." These statements require that all derivative instruments be recognized on the balance sheet at fair value effective July 1, 2000. Derivatives that are not hedges should be adjusted to fair value through earnings. For derivatives that are effective hedges, changes in fair value of the derivative should be recorded in either other comprehensive income or earnings. The ineffective portion of the derivative classified as a hedge will be immediately recognized in earnings. The Company adopted these standards as required beginning July 1, 2000. Upon review of the Company's current contracts, it was determined that the Company has no derivative instruments as defined under these standards.

(4) Inventories

Inventories at September 30, 2000 and June 30, 2000 are summarized as follows (dollars in thousands):

	September 30, 2000 ----	June 30, 2000 ----
Finished goods	\$101,056	\$103,787
Work in process	18,847	19,233
Raw materials	41,916	35,986
	\$161,819	\$159,006

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

(5) Contingencies

The Company has been named as a potentially responsible party ("PRP") for the cleanup of three sites currently listed or proposed for inclusion on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). With respect to all of these sites, the Company believes that it is not a major contributor based on the very small volume of waste generated by the Company in relation to total volume at the site. The Company believes its share of waste contributed to these sites is minimal in relation to the total; however, liability under CERCLA may be joint and several. For two of the sites, the remedial investigation is ongoing. A volume-based allocation of responsibility among the parties has been prepared. Numerous other parties have been identified as PRP's at these sites.

The Company is also a settling defendant for remedial design and construction activities at one of the sites. Over seventy-five percent of the remedial work has been performed at this site and Ethan Allen's portion of the remedial action should be completed in calendar year 2000. The Company believes that the resolution of such matter will not have a material adverse effect on its financial condition, results of operations or cash flows.

(6) Earnings Per Share

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

	Three Months Ended	
	September 30,	
	2000	1999
	----	----
Weighted average common shares outstanding for basic calculation	39,405	40,856
Add: Effect of stock options and warrants	785	1,059
Weighted average common shares outstanding for diluted calculation	40,190	41,915

Stock options to purchase 895,000 shares of common stock had an exercise price in excess of the average market price. These options have been excluded from the diluted earnings per share calculation since their effect is anti-dilutive.

(7) Segment Information

The Company's reportable segments are strategic business areas that are managed separately and offer different products and services. The Company's operations are classified into two main businesses: wholesale and retail home furnishings. The wholesale home furnishings business is principally involved in the manufacture, sale and distribution of home furnishing products to a network of independently-owned and Ethan Allen-owned stores. The wholesale business consists of three operating segments; case goods, upholstery, and home accessories.

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

(7) Segment Information (continued)

Wholesale profitability includes the wholesale gross margin, which is earned on wholesale sales to all retail stores, including Ethan Allen-owned stores. The retail home furnishings business sells home furnishing products through a network of Ethan Allen-owned stores. Retail profitability includes the retail gross margin, which is earned

based on purchases from the wholesale business.

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

The following table presents segment information for the three months ended September 30, 2000 and 1999 (dollars in thousands):

	Three Months Ended	
	September 30,	
	2000	1999
	----	----
Net Sales:		
Case Goods	\$ 87,818	\$ 86,238
Upholstery	47,978	42,340
Home Accessories	22,327	20,368
Other (1)	2,128	3,356
Wholesale Net Sales	160,251	152,302
Retail	98,526	79,070
Other (2)	1,704	1,705
Elimination of inter-segment sales	(49,250)	(43,485)
Consolidated Total	\$211,231	\$189,592
Operating Income:		
Case Goods	\$ 27,269	\$ 30,537
Upholstery	14,493	12,887
Home Accessories	7,465	6,366
Unallocated corporate expenses (3)	(23,209)	(21,515)
Wholesale Operating Income	26,018	28,275
Retail	5,843	2,803
Other (2)	163	352
Eliminations (6)	685	(1,096)
Consolidated Total	\$ 32,709	\$ 30,334
Capital Expenditures:		
Case Goods	\$ 3,074	\$ 4,295
Upholstery	1,282	827
Home Accessories	45	53
Other (5)	1,177	2,190
Wholesale Capital Expenditures	5,578	7,365
Retail	3,458	3,874
Other (2)	149	646
Acquisition of businesses	-	9,886
Consolidated Total	\$ 9,185	\$ 21,771

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

(7) Segment Information (continued)

	September 30,	
	2000	1999
	----	----
Total Assets:		
Case Goods	\$128,410	\$113,142
Upholstery	38,015	32,637
Home Accessories	2,393	6,769
Corporate (4)	247,564	230,726
Wholesale Total Assets	416,382	383,274
Retail	177,164	150,615
Other (2)	8,389	6,372
Inventory Profit Elimination (6)	(26,486)	(24,006)
Consolidated Total	\$575,449	\$516,255

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

(2) The Other category includes miscellaneous operating activities.

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

- (4) Corporate assets primarily include assets from the corporate office and from the Company's distribution operations, including cash, receivables from independent dealers, finished goods inventory, property, plant and equipment, intangible assets, and deferred tax assets.
- (5) The Other category primarily includes the capital expenditures made by the corporate office for the Company's distribution operations.
- (6) Inventory profit elimination reflects the embedded wholesale profit in the Company-owned store inventory that has not been realized. These profits will be recorded when shipped to the retail customer.

There are 29 independent retail stores located outside the United States. Approximately 2.4% of the Company's net sales are derived from sales to these retail stores.

(8) Wholly-Owned Subsidiary

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

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

(8) Wholly-Owned Subsidiary (continued)

The condensed balance sheets of Ethan Allen as of September 30, 2000 and June 30, 2000 are as follows (dollars in thousands):

	September 30, 2000 ----	June 30, 2000 ----
Assets		
Current assets	\$ 262,623	\$ 235,782
Non-current assets	454,868	448,059
Total assets	\$ 717,491	\$ 683,841
Liabilities		
Current liabilities	\$ 119,151	\$ 106,595
Non-current liabilities	44,987	44,794
Total liabilities	\$ 164,138	\$ 151,389

A summary of Ethan Allen's operating activity for the three months ended September 30, 2000 and 1999, are as follows (dollars in thousands):

	Three Months Ended September 30,	
	2000 ----	1999 ----
Net sales	\$211,231	\$189,592
Gross profit	99,709	88,521
Operating income	32,747	30,372
Interest expense and other related financing costs	196	349
Income before income tax expense	33,317	30,548
Net income	\$ 20,738	\$ 18,771

(9) Subsequent Event

In October of 2000, the Company purchased a manufacturing facility in Dublin, Virginia from Pulaski Furniture Corporation. This facility was opened in 1973 and consists of 450,000 square feet of Case Good manufacturing space and 120,000 square feet of distribution space. The acquisition was financed through cash from operations.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

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

The discussions set forth in this form 10-Q should be read in conjunction with the financial information included herein and the Company's Annual Report on Form 10-K for the year ended June 30, 2000. Management's discussion and analysis of financial condition and results of operations and other sections of this report contain forward-looking statements relating to future results of the Company. Such forward-looking statements are identified by use of forward-looking words such as "anticipates", "believes", "plans", "estimates", "expects", and "intends" or words or phrases of similar expression. These forward-looking statements are subject to various assumptions, risk and uncertainties, including but not limited to, changes in political and economic conditions, demand for the Company's products, acceptance of new products, conditions in the various real estate markets where the Company does business, developments affecting the Company's products and to those discussed in the Company's filings with the Securities and Exchange Commission. Accordingly, actual results could differ materially from those contemplated by the forward-looking statements.

Results of Operations:

Ethan Allen's revenues are comprised of wholesale sales to dealer-owned and company-owned retail stores and retail sales of company-owned stores. The Company's wholesale sales are mainly derived from its three reportable operating segments; case goods, upholstery, and home accessories. The Company's retail sales are derived from sales from company-owned retail stores. See Note 7 to the Company's Consolidated Financial Statements for the three months ended September 30, 2000. The components of consolidated revenues and operating income are as follows (dollars in millions):

	Three Months Ended September 30,	
	2000 ----	1999 ----
Revenue:		
Wholesale Revenue:		
Case Goods	\$ 87.8	\$ 86.2
Upholstery	48.0	42.3
Home Accessories	22.3	20.4
Other	2.2	3.4
Total Wholesale Revenue	160.3	152.3
Total Retail Revenue	98.5	79.1
Other	1.6	1.7
Elimination of inter-segment sales	(49.2)	(43.5)
Consolidated Revenue	\$211.2	\$189.6
Operating Income:		
Wholesale Operating Income:		
Case Goods	\$ 27.3	\$ 30.5
Upholstery	14.5	12.9
Home Accessories	7.4	6.4
Unallocated Corporate Expenses	(23.2)	(21.5)
Total Wholesale Operating Income	26.0	28.3
Total Retail Operating Income	5.8	2.8
Other	0.2	0.3
Eliminations	0.7	(1.1)
Consolidated Operating Income	\$ 32.7	\$ 30.3

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

Consolidated revenue for the three months ended September 30, 2000 increased by \$21.6 million or 11.4% to \$211.2 million from \$189.6 million for the three months ended September 30, 1999. Overall sales growth resulted from new product offerings, a selected price increase effective February 2000, and growth in the retail segment.

Total wholesale revenue for the first quarter of fiscal year 2001 increased by \$8.0 million or 5.3% to \$160.3 million from \$152.3 million in the first quarter of fiscal year 2000.

Case goods revenue increased \$1.6 million or 1.9% to \$87.8 million for

the three months ended September 30, 2000 as compared to \$86.2 million in the corresponding prior year period due to a selected price increase and new product offerings, offset by fewer production days in the current quarter as compared to the prior year quarter.

Upholstery revenue increased \$5.7 million or 13.5% to \$48.0 million in the first quarter of fiscal year 2001 as compared to \$42.3 million in the first quarter of fiscal year 2000. The increase in revenue of \$5.7 million was primarily attributable to a selected price increase, new product and new fabric introductions, and more attractive price points on new product offerings.

Home accessories revenue increased \$1.9 million or 9.3% to \$22.3 million in the first quarter of fiscal year 2001 as compared to \$20.4 million in the first quarter of fiscal year 2000. The increase is attributable to new product introductions and the resulting impact of a better in-stock position, thereby reducing customer lead times.

Total retail revenue from Ethan Allen-owned stores for the three months ended September 30, 2000 increased by \$19.4 million or 24.5% to \$98.5 million from \$79.1 million for the three months ended September 30, 1999. Comp stores sales increased 17.8% reflecting one additional delivery day included in the current quarter over the prior year quarter. The increase in retail sales by Ethan Allen-owned stores is attributable to a \$12.8 million increase in comparable store sales, an increase in sales generated by newly opened or acquired stores of \$8.7 million, and the gain on the sale of retail stores to an independent dealer of \$0.8 million, partially offset by closed stores, which generated \$2.9 million less sales in fiscal year 2001 as compared to fiscal year 2000. The number of Ethan Allen-owned stores increased to 80 as of September 30, 2000 as compared to 77 as of September 30, 1999. As a percentage of total net sales, retail sales represent 46.2% of total net sales in the first quarter of fiscal year 2000 as compared to 41.7% in the first quarter of the prior year.

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

Gross profit increased by \$11.2 million or 12.7% to \$99.7 million in the first quarter of fiscal year 2001 from \$88.5 million in the first quarter of the prior year. The gross margin increased to 47.2% in the first quarter of fiscal year 2001 from 46.7% in the prior year first quarter. Gross margins have been favorably impacted by higher sales volumes, a price increase effective February 2000, and a higher percentage of retail sales to total sales, partially offset by higher manufacturing costs.

Operating expenses increased \$8.8 million or 15.1% to \$67.0 million or 31.7% of net sales in the current quarter as compared to \$58.2 million or 30.7% of net sales for the first quarter of fiscal year 2000. This increase is mainly attributable to the expansion of the retail segment resulting in the addition of three net new Ethan Allen-owned stores

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

since September 30, 1999 and from increased business for comparable Ethan Allen-owned stores.

Operating income for the three months ended September 30, 2000 was \$32.7 million or 15.5% of net sales compared to \$30.3 million or 16.0% of net sales for the three months ended September 30, 1999. This represents an increase of \$2.4 million or 7.9%, which is primarily attributable to higher sales volume and a selected price increase, offset by higher manufacturing costs, primarily material and labor costs.

Total wholesale operating income for the first quarter of fiscal year 2001 was \$26.0 million or 16.2% of net sales compared to \$28.3 million or 18.6% of net sales in the first quarter of fiscal year 2000. Wholesale operating income decreased \$2.3 million or 8.1% this quarter.

Case goods operating income decreased \$3.2 million or 10.5% to \$27.3 million for the first quarter of fiscal year 2001 over the corresponding prior year period mainly due to higher labor and material costs resulting, in part from changes in production scheduling between manufacturing facilities, fewer production days during the quarter as compared to the prior year quarter, and from the introduction of new products at lower margins.

Upholstery operating income increased \$1.6 million or 12.4% to \$14.5 million in the first quarter of fiscal year 2001 as compared to \$12.9 million in the first quarter of fiscal year 2000. The increase resulted from higher sales volume, a selected price increase, and lower manufacturing costs associated with higher production levels.

Home accessories operating income increased \$1.0 million or 15.6% to

\$7.4 million in the first quarter of fiscal year 2001 as compared to \$6.4 million in the first quarter of fiscal year 2000. Operating income for home accessories increased primarily due to higher sales volume and a selected price increase.

Operating income for the retail segment increased by \$3.0 million in the three months ended September 30, 2000 to \$5.8 million or 5.9% of net sales from \$2.8 million or 3.5% of net sales from the three months ended September 30, 1999. The increase in retail operating income by Ethan Allen-owned stores is primarily attributable to increased sales volume and the gain recorded on the sale of retail stores, offset by higher operating expenses related to the addition of three net new stores this quarter and higher costs necessary to service the increase in sales volume.

Interest expense for the three months ended September 30, 2000 decreased \$0.1 million to \$0.2 million from \$0.3 million for the three months ended September 30, 1999. The decrease in interest expense is due to lower debt balances outstanding and lower amortization of deferred financing costs.

Income tax expense of \$12.6 million was recorded in the first quarter as compared to \$11.8 million in the prior year first quarter. The Company's effective tax rate was 37.8% for the first quarter of fiscal year 2001 and 38.6% for the first quarter of fiscal year 2000. The decline in the effective income tax rate in the current quarter as compared to the prior year quarter resulted from the utilization of various state tax credits.

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

For the three months ended September 30, 2000, the Company recorded net income of \$20.7 million, an increase of 10.7%, compared to \$18.7 million for the three months ended September 30, 1999. Earnings per diluted share of \$0.52 increased 15.6% or \$0.07 per diluted share in the quarter from \$0.45 per diluted share in the prior year quarter.

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 \$32.9 million for the three months ended September 30, 2000. The increase in net cash provided by operating activities principally resulted from an increase of \$2.0 million in net income. Total debt outstanding at September 30, 2000 was \$9.8 million. There were no revolving loans outstanding under the Credit Agreement. As of September 30, 2000, there were \$16.2 million of trade and standby letters of credit outstanding.

During the three months ended September 30, 2000, capital spending, exclusive of acquisitions, totaled \$9.2 million as compared to \$11.9 million in the three months ended September 30, 1999. Capital expenditures made during the three months ended September 30, 2000 primarily relate to i) manufacturing plant expansions in Boonville, New York and Andover, Maine, ii) manufacturing equipment purchases and upgrades, iii) the expansion of a distribution facility in Kentland, Indiana, and iv) new store construction and interior redesigns. Capital expenditures, exclusive of acquisitions, for fiscal year 2001 are expected to be approximately \$45.0 million. The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures.

As of September 30, 2000, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are \$0.1 million, \$0.1 million, \$0.1 million, \$4.7 million and \$0.1 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 over the next twelve months. As of September 30, 2000, the Company had working capital of \$141.8 million and a current ratio of 2.17 to 1.

The Company may from time to time, either directly or through agents, repurchase its common stock in the open market through negotiated purchases or otherwise, at prices and on terms satisfactory to the Company. Depending on market prices and other conditions relevant to the Company, such purchases may be discontinued at any time. During the three months ended September 30, 2000, the Company did not purchase any of its common shares through the open market.

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

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. Although the Company did not have any revolving loans outstanding under the Credit Agreement as of September 30, 2000, the Company had \$0.4 million of short term debt outstanding and \$9.4 million of total long term debt outstanding, including capital lease obligations.

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

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

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

PART II. OTHER INFORMATION

Item 1. - Legal Proceedings

There has been no change to matters discussed in Business-Legal Proceedings in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 13, 2000.

Item 2. - Changes in Securities

There has been no change to matters discussed in Description and Ownership of Capital Stock in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 13, 2000.

Item 3. - Defaults Upon Senior Securities

None.

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

None.

Item 5. - Other Information

None.

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

27 EDGAR Financial Data Schedule

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ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

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: 11/13/00

BY: /s/ M. Farooq Kathwari
M. Farooq Kathwari
Chairman of the Board
President and Chief
Executive Officer
(Principal Executive Officer
and acting Principal
Financial Officer)

DATE: 11/13/00

BY: /s/ Michele Bateson
Michele Bateson
Corporate Controller
(Principal Accounting Officer)

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This schedule contains summary financial information extracted from the consolidated financial statements of Ethan Allen Interiors, Inc. for the quarter ended September 30, 2000 and is qualified in its entirety by reference to such financial statements.

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- 1/ Not applicable. All figures for Ethan Allen Interiors, Inc. are in U.S. dollars.
- 2/ Figure for receivables is net of allowances for doubtful accounts of \$2,215.
- 3/ Includes prepaid expenses of \$21,701.
- 4/ Includes goodwill of \$15,139 (net of amortization).
- 5/ Includes current portion of long-term debt of \$373 as of September 30, 2000.
- 6/ Includes long-term debt of \$9,455 (net of the current portion of long-term debt). As of September 30, 2000 outstanding long-term debt of Ethan Allen on a consolidated basis consisted of (i) industrial revenue bonds of \$8,455, and (ii) other of \$1,000 (net of current portion). For a description of the terms of Ethan Allen's long-term debt, see the Company's Consolidated Financial Statements and Notes to the Annual Report on Form 10-K for fiscal year ended June 30, 2000.
- 7/ Not applicable.
- 8/ As of September 30, 2000, Ethan Allen had 45,071,726 shares of common stock, \$.01 par value per share, issued. For a description of Ethan Allen's common stock, see the Company's Consolidated Statement of Shareholders' Equity and Consolidated Financial Statements in the

Annual Report on Form 10-K for fiscal year 2000.

- 9/ Consists of \$272,924 of additional paid in capital, \$264,968 of retained earnings and (\$128,708) of treasury stock.
- 10/ For the quarter ended September 30, 2000, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.
- 11/ Consists of \$161 of interest expense and \$35 of deferred amortization costs.
- 12/ Basic earnings per share for the quarter ended September 30, 2000 was \$0.53.
- 13/ Diluted earnings per share for the quarter ended September 30, 2000 was \$0.52.

</FN>

</TABLE>