SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1999

or

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

For the transition period from to

Commission File Number: 1-11692

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

(Exact name of registrant as specified in its charter)

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

Ethan Allen Drive, Danbury, Connecticut 06811

(Address of principal executive offices)

(203) 743-8000

(Registrant's telephone number, including area code)

N/A

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

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

[X] Yes [ ] No

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

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

[ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

40,885,175 at March 31, 1999

ETHAN ALLEN INTERIORS INC.
AND SUBSIDIARY

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

<TABLE>
<CAPTION>

ASSETS	March 31, 1999 (unaudited)	June 30, 1998
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 13,236	$ 19,380
Accounts receivable, less allowances of $2,478 and $2,022 at March 31, 1999 and June 30, 1998	34,244	35,640
Notes receivable, current portion, less allowances of $97 and $27 at March 31, 1999 and June 30, 1998, respectively	657	686
Inventories (note 3)	141,446	114,364
Prepaid expenses and other current assets	16,382	10,735
Deferred income taxes	8,202	7,094
Total current assets	214,167	187,899
Property, plant and equipment, net	207,445	188,171
Property held for sale	484	1,129
Notes receivable, net of current portion, less		

allowances of $94 and $259 at March 31, 1999 and June 30, 1998, respectively	1,529	1,790
Intangibles, net of amortization of $16,330 and $15,060 at March 31, 1999 and June 30, 1998, respectively	51,925	50,773
Deferred financing costs, net of amortization of $2,466 and $2,280 at March 31, 1999 and June 30, 1998, respectively	446	632
Other assets	2,997	2,729
Total assets	$ 478,993	$ 433,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 15,395	$ 879
Accounts payable	66,671	51,135
Accrued expenses	8,459	5,863
Accrued compensation and benefits	15,874	15,735
Total current liabilities	106,399	73,612
Long-term debt, less current maturities	9,641	11,480
Obligations under capital leases, less current maturities	308	1,016
Other long-term liabilities, principally long-term compensation, environmental and legal reserves	1,408	812
Deferred income taxes	32,482	31,883
Total liabilities	150,238	118,803
Commitments and Contingencies (note 4)		
Shareholders' equity (note 5):		
Class A common stock, par value $.01, 70,000,000 shares authorized, 44,619,918 and 44,504,205 shares issued and outstanding at March 31, 1999 and June 30, 1998, respectively	446	445
Additional paid-in capital	266,226	262,313
	266,672	262,758
Less: Treasury stock (at cost) 3,734,744 shares at March 31, 1999 and 1,824,144 shares at June 30, 1998, respectively	(78,528)	(33,750)
	188,144	229,008
Retained earnings	140,611	85,312
Total shareholders' equity	328,755	314,320
Total liabilities and shareholders' equity	$ 478,993	$ 433,123

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

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

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998	Nine Months Ended March 31, 1999	Nine Months Ended March 31, 1998
<S>	<C>	<C>	<C>	<C>
Net sales	$ 194,571	$ 171,434	$ 554,471	$ 496,671
Cost of sales	103,507	91,030	296,647	264,788

Gross profit	91,064	80,404	257,824	231,883
Operating expenses:				
Selling	31,887	28,338	90,351	81,232
General and administrative	24,456	20,743	71,335	63,255
Operating income	34,721	31,323	96,138	87,396
Interest and other miscellaneous income, net	320	1,084	1,138	2,886
Interest and related expense:				
Interest expense	484	1,166	1,374	3,960
Amortization of deferred financing costs	71	95	186	306
	555	1,261	1,560	4,266
Income before income taxes and extraordinary charge	34,486	31,146	95,716	86,016
Income tax expense	13,312	12,353	37,147	34,098
Income before extraordinary charge	21,174	18,793	58,569	51,918
Extraordinary charge, net of tax (note 6)	--	802	--	802
Net income	$ 21,174	$ 17,991	$ 58,569	$ 51,116
Per share data (note 7):				
Basic earnings per common share:				
Net income before extraordinary charge	$ 0.52	$ 0.44	$ 1.41	$ 1.20
Extraordinary charge, net of tax	--	(0.02)	--	(0.02)
Net income	$ 0.52	$ 0.42	$ 1.41	$ 1.18
Basic weighted average common shares outstanding	40,986	43,107	41,403	43,097
Diluted earnings per common share:				
Net income before extraordinary charge	$ 0.50	$ 0.42	$ 1.38	$ 1.18
Extraordinary charge, net of tax	--	(0.02)	--	(0.02)
Net income	$ 0.50	$ 0.40	$ 1.38	$ 1.16
Diluted weighted average common shares outstanding	42,015	44,393	42,368	44,135

</TABLE>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31, 1999	1998
Operating activities:		
Net income	$ 58,569	$ 51,116
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	11,893	11,945
Provision for deferred income taxes	(509)	408
Other non-cash charges	205	56
Extraordinary charge, net of tax	--	341
Change in:		
Accounts receivable	1,300	(1,218)
Inventories	(23,099)	(8,239)
Prepaid and other current assets	(5,647)	(2,424)
Other assets	(1,078)	(865)
Accounts payable	17,945	10,886
Accrued expenses	2,796	313
Other long-term liabilities	596	(37)
Net cash provided by operating activities	62,971	62,282
Investing activities:		
Proceeds from the disposal of property, plant and equipment	135	812
Capital expenditures	(28,591)	(20,431)
Acquisition of business - inventory	(3,983)	--
Excess of purchase price over cost	(2,423)	--
Payments received on long-term notes receivable	639	1,352
Disbursements made for long-term notes receivable	(255)	(77)
Redemptions of short term securities	--	30,270
Investments in short term securities	--	(12,295)
Net cash used in investing activities	(34,478)	(369)
Financing activities:		
Payments on revolving credit facilities	(56,000)	--
Borrowings on revolving credit facilities	70,500	--
Redemption of senior notes	--	(52,543)
Other long-term borrowings	18	111
Payments on long-term debt, including current maturities	(1,639)	(112)
Payments under capital leases	(911)	(1,226)
Issuance of capital stock	1,504	2,636
Payment of dividends	(3,331)	(2,587)
Payments to acquire treasury stock	(44,778)	(5,149)
Net cash used in financing activities	(34,637)	(58,870)
Net (decrease) increase in cash and cash equivalents	(6,144)	3,043
Cash and cash equivalents at beginning of period	19,380	21,866
Cash and cash equivalents at at end of period	$ 13,236	$ 24,909

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Nine Months Ended March 31, 1999
(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, 1998	$ 445	$ 262,313	$ (33,750)	$ 85,312	$ 314,320

Issuance of common stock	1	1,504	--	--	1,505
Purchase of 1,910,600 shares of treasury stock	--	--	(44,778)	--	(44,778)
Tax benefit associated with the exercise of employee options and warrants	--	2,409	--	--	2,409
Dividends on common stock	--	--	--	(3,270)	(3,270)
Net income	--	--	--	58,569	58,569
Balance at March 31, 1999	$ 446	$ 266,226	$ (78,528)	$ 140,611	$ 328,755

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

(1) Basis of Presentation

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

(2) Interim Financial Presentation

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

In the opinion of the Company, all adjustments, consisting only of normal recurring accruals necessary for fair presentation, have been included in the financial statements. The results of operations for the three and nine months ended March 31, 1999, are not necessarily indicative of results for the fiscal year. It is suggested that the interim consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on From 10-K for the year ended June 30, 1998.

(3) Inventories

Inventories at March 31, 1999 and June 30, 1998 are summarized as follows (dollars in thousands):

	March 31, 1999	June 30, 1998
Retail merchandise	$ 48,162	$ 38,329
Finished products	41,791	28,931
Work in process	16,303	15,707
Raw materials	35,190	31,397
	$141,446	$114,364

(4) 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. Included in Other long-term liabilities is approximately $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 two sites and has settled as a de-minimis party for both sites. For one of the sites, the remedial investigation is ongoing. A volume-based allocation of responsibility among the parties has been prepared. With respect to the fourth site, a consent decree to finally resolve the matter with the EPA has been signed. The Company believes there may be some delay in resolution due to objections of a non-signatory to the consent decree.

(5) Stockholder's Equity

Since July 1, 1998, 86,463 shares of common stock of the Company have been issued to employees upon exercise of non-qualified stock options and warrants under the Company's stock option plan. The increase in additional paid-in capital from June 30, 1998 to March 1999 represents i) the difference between the exercise price for the stock options or warrants and the par value of the common stock issued to option holders of $0.5 million, ii) the income tax benefit of $2.4 million realized on the exercise of these stock options and warrants and iii) $1.0 million recorded for restricted stock during the period.

The Company has been authorized by its Board of Directors to repurchase its common stock from time to time, either directly or through agents, in the open market at prices and on terms satisfactory to the Company. The Company's common stock repurchases are recorded as treasury stock and result in a reduction of stockholder's equity. As of March 31, 1999, the Company had repurchased 3,734,744 shares of its common stock for $78.5 million.

(6) Extraordinary Charge

On March 15, 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 $0.8 million, net of tax, or $0.02 per diluted share, was recorded. The extraordinary charge included the write-off of unamortized deferred financing costs and the premium related to the early redemption.

(7) Earnings Per Share

Basic and diluted earnings per share are calculated based on the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings Per Share", using the following share data (dollars in thousands, except per share data):

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998	Nine Months Ended March 31, 1999	Nine Months Ended March 31, 1998
Weighted average common shares outstanding for basic calculation	40,986	43,107	41,403	43,097
Add: Effect of stock options and warrants	1,029	1,286	965	1,038
Weighted average common shares outstanding for diluted calculation	42,015	44,393	42,368	44,135

</TABLE>

(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 furnishings 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.

(8) 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. Retail profitability includes the retail margin which is earned based on purchases from the wholesale business. Inter-segment elimination primarily comprises 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.

The following table presents revenue and operating earnings by respective business segment for the three and nine months ended March 31, 1999 and 1998 (in thousands):

<TABLE>
<CAPTION>

Three Months ended March 31, 1999:

<S> <C>	Wholesale <C>	Retail <C>	Inter-Segment Elimination <C>	Consolidated <C>
Net sales	$162,290	$ 75,957	$(43,676)	$194,571
Operating income	32,440	4,101	(1,820)	34,721
Interest and other income	266	54	--	320
Interest expense	372	112	--	484
Amortization deferred financing costs	52	19	--	71
Income before income tax expense	$ 32,282	$ 4,024	$ (1,820)	$ 34,486

Three Months ended March 31, 1998:

<S> <C>	Wholesale <C>	Retail <C>	Inter-Segment Elimination <C>	Consolidated <C>
Net sales	$147,225	$ 58,373	$(34,164)	$171,434
Operating income	29,225	3,527	(1,429)	31,323
Interest and other income	1,032	52	--	1,084
Interest expense	885	281	--	1,166
Amortization deferred financing costs	70	25	--	95
Income before income tax expense and extraordinary charge	$ 29,302	$ 3,273	$ (1,429)	$ 31,146

Nine Months ended March 31, 1999:

<S> <C>	Wholesale <C>	Retail <C>	Inter-Segment Elimination <C>	Consolidated <C>
Net sales	$ 463,799	$ 213,401	$(122,729)	$ 554,471
Operating income	89,514	10,757	(4,133)	96,138
Interest and other income	921	217	--	1,138
Interest expense	1,059	315	--	1,374
Amortization deferred financing costs	137	49	--	186
Income before income tax expense	$ 89,239	$ 10,610	$ (4,133)	$ 95,716

Nine Months ended March 31, 1998:

<S>	<C>	Wholesale <C>	Retail <C>	Inter-Segment Elimination <C>	Consolidated <C>
	Net sales	$421,463	$172,009	$(96,801)	$496,671
	Operating income	80,247	10,236	(3,087)	87,396
	Interest and other income	2,718	168	--	2,886
	Interest expense	2,994	966	--	3,960
	Amortization deferred financing costs	225	81	--	306
	Income before income tax expense and extraordinary charge	$ 79,746	$ 9,357	$ (3,087)	$ 86,016

</TABLE>

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

9) Wholly-Owned Subsidiary

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

The condensed balance sheets of Ethan Allen as of March 31, 1999 and June 30, 1998 are as follows (dollars in thousands):

	March 31, 1999	June 30, 1998
Assets		
Current assets	$214,106	$187,677
Non-current assets	350,056	282,874
Total assets	$564,162	$470,551
Liabilities		
Current liabilities	$105,213	$ 72,380
Non-current liabilities	43,839	45,191
Total liabilities	$149,052	$117,571

A summary of Ethan Allen's operating activity for the three and nine months ended March 31, 1999 and 1998, are as follows (dollars in thousands):
<TABLE>
<CAPTION>

		Three Months Ended March 31,		Nine Months Ended March 31,	
		1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
	Net sales	$194,571	$171,434	$554,471	$496,671
	Gross profit	91,064	80,404	257,824	231,883
	Operating income	34,765	31,373	96,253	87,487
	Interest expense	484	1,166	1,374	3,960
	Amortization of deferred financing costs	71	95	186	306
	Income before income tax expense and extraordinary charge	34,530	31,196	95,831	86,107
	Extraordinary charge (net of tax)	--	802	--	802
	Net income	$ 21,218	$ 18,041	$ 58,684	$ 51,207

</TABLE>

10) Subsequent Event

On April 28, 1999 the Board of Directors authorized a three-for-two stock split to shareholders on record as of May 7, 1999, whereby additional common shares arising from the stock split will be distributed on May 21, 1999. All references in the consolidated financial statements referring to shares, share prices, per share amounts and stock plans have been adjusted retroactively for the three-for-two stock split.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1999	1998	1999	1998
Revenues:				
Net wholesale sales to dealer-owned stores	$ 116.6	$ 108.7	$ 334.1	$ 310.7
Net retail sales of Ethan Allen-owned stores	76.0	58.3	213.4	172.0
Other revenues	2.0	4.4	7.0	14.0
Total	$ 194.6	$ 171.4	$ 554.5	$ 496.7

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

Sales for the three months ended March 31, 1999 increased by $23.2 million or 13.5%, over the corresponding period in the prior year to $194.6 million. Net wholesale sales to dealer-owned stores increased by 7.3% to $116.6 million, and net retail sales by Ethan Allen-owned stores increased by 30.4% to $76.0 million. The increase in wholesale sales to dealer-owned stores has resulted from increased distribution through new and relocated stores, improved effectiveness of existing stores, and new product offerings. As of March 31, 1999, there were a total of 314 stores, of which 242 were dealer-owned stores, as compared to a total of 309 stores, of which 243 were dealer-owned, at March 31, 1998.

The increase in retail sales by Ethan Allen-owned stores of $17.7 million is attributable to a 14.4% or $7.9 million, increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $11.9 million, partially offset by closed stores, which generated $2.1 million less in sales for the three months ended March 31, 1999, as compared to the three months ended March 31, 1998. The number of Ethan Allen-owned stores has increased to 72 at March 31, 1999, as compared to 66 at March 31, 1998.

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

Gross profit for the three months ended March 31, 1999 increased by $10.7 million or 13.3% from the three months ended March 31, 1998 to $91.1 million due to higher sales volume, while gross margin declined slightly to 46.8% from 46.9% for the three months ended March 31, 1998. This decline reflects lower price points on newer product offerings and increased material and labor costs, offset in part by the leverage benefit of higher volumes, a higher proportionate level of retail sales to total sales and gains in manufacturing efficiencies.

Selling, general and administrative expenses increased $7.3 million from $49.1 million or 28.6% of sales in the three months ended March 31, 1998 to $56.3 million or 29.0% of sales in the three months ended March 31, 1999. The increase in operating expenses for the quarter is attributable to an increase in the retail division's expenses resulting from new store openings and higher sales volumes from existing Ethan Allen-owned stores.

Operating income for the three months ended March 31, 1999 was $34.7 million, or 17.8% of sales, as compared to $31.3 million, or 18.3% of sales in the prior year quarter. Wholesale operating income was $32.4 million for the three months ended March 31, 1999, compared to $29.2 million in the corresponding prior year quarter. Higher sales favorably impacted wholesale operating income. Retail operating income was $4.1 million for the three months ended March 31, 1999, compared to $3.5 million from the corresponding period in the prior year.

Interest expense, including the amortization of deferred financing costs, for the three months ended March 31, 1999, decreased by $0.7 million to $0.6 million from $1.3 million in the three months ended March 31, 1998. The lower interest expense reflects lower debt balances outstanding resulting from the early retirement of the Company's 8-3/4% Senior Notes due 2001 in March of 1998.

In connection with the early retirement of the 8-3/4% Senior Notes, the Company recorded an $0.8 million extraordinary charge (net of tax benefit) during the quarter ended March 31, 1998. The extraordinary charge included the write-off of unamortized deferred financing costs and the premium paid related to the early redemption.

Income tax expense of $13.3 million or an effective tax rate of 38.6%, was recorded for the three months ended March 31, 1999 compared to $12.4 million or an effective tax rate of 39.7%, in the prior year quarter.

For the three months ended March 31, 1999, the Company reported net income of $21.2 million, as compared to net income for the three months ended March 31, 1998, of $18.0 million.

Nine Months Ended March 31, 1999 Compared to Nine Months Ended March 31, 1998

Sales for the nine months ended March 31, 1999 increased by $57.8 million or 11.6%, to $554.5 million. Net wholesale sales to dealer-owned stores increased by $23.4 million or 7.5% to $334.1 million and net retail sales by Ethan Allen-owned stores increased by $41.4 million or 24.1% to $213.4 million. The increase in wholesale sales to dealer-owned stores has resulted from increased distribution through new and relocated stores, a selective wholesale price increase on orders taken after December 1, 1998, increased effectiveness of existing stores and new product offerings.

The increase in retail sales by Ethan Allen-owned stores is attributable to a 15.2% or $24.5 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $21.9 million, partially offset by closed stores which generated $5.0 million less in sales in the nine months ended March 31, 1999, as compared to the nine months ended March 31, 1998.

Gross profit for the nine months ended March 31, 1999, increased by $25.9 million from the nine months ended March 31, 1998 to $257.8 million. This increase is primarily attributable to higher sales volume. Gross margin decreased to 46.5% for the nine months ended March 31, 1999 from 46.7% in the prior period. The decline in gross margin is due to higher material and labor costs and lower price points on newer product offerings, offset in part by the leverage benefit of higher volumes, a higher proportionate level of retail sales to total sales and gains in manufacturing efficiencies.

Selling, general and administrative expenses increased $17.2 million from $144.5 million or 29.1% of sales, in the fiscal 1998 period to $161.7 million or 29.2% of sales in the fiscal 1999 period. This increase is mainly attributable to an increase in the number of Ethan Allen-owned stores and an increase in operating expenses of the Company's retail division resulting from higher sales volumes.

Operating income for the nine months ended March 31, 1999 was $96.1 million or 17.3% of sales, as compared to $87.4 million or 17.6% of sales for the nine months ended March 31, 1998. Wholesale operating income was $89.5 million for the nine months ended March 31, 1999, an increase of $9.3 million or 11.6% as compared to the prior year. This increase is attributable to higher sales volumes, partially offset by higher selling, general and administrative expenses. Retail operating income was $10.8 million for the nine months ended March 31, 1999, as compared to $10.2 million for the nine months ended March 31, 1998.

Interest expense, including the amortization of deferred financing costs, for the nine months ended March 31, 1999 decreased by $2.7 million to $1.6 million from $4.3 million in the prior year period, due to lower debt balances outstanding resulting from the early retirement of the Company's 8-3/4% Senior Notes due 2001 in March of 1998.

Income tax expense of $37.1 million or an effective rate of 38.8%, was recorded for the nine months ended March 31, 1999 as compared to $34.1 million or an effective rate of 39.6%, in the prior year period.

For the nine months ended March 31, 1999, the Company recorded net income of $58.6 million, compared to net income for the nine months ended March 31, 1998 of $51.1 million.

Financial Condition and Liquidity

Principal sources of liquidity are cash flow from operations and additional borrowing capacity under the revolving credit facility. Through March 1999, the Company used cash provided by operating activities of $63.0 million, net borrowings of $14.5 million from its revolving credit facility, proceeds of $1.5 million from common stock issuances, payments of $0.4 million received on long-term notes, $0.1 million of proceeds from asset sales, and a decrease in cash balances of $6.1 million to fund acquisitions of treasury stock of $44.8 million, capital expenditures of $28.6 million, store acquisitions of $6.4 million, dividend payments of $3.3 million, and payments of $2.5 million on long-term debt and capital leases.

During the nine months ended March 31, 1999, capital spending totaled $28.6 million as compared to $20.4 million in the nine months ended March 31, 1998. Capital expenditures for fiscal year 1999 are expected to be approximately $40.0 million. The Company anticipates that cash from operations will be sufficient to fund this level of capital expenditures. The current level of anticipated capital spending, which is attributable primarily to manufacturing efficiency improvements and new store openings, is expected to continue for the foreseeable future.

Total debt outstanding at March 31, 1999 was $25.3 million. There were $14.5 million of revolving loans outstanding under the Credit Agreement and $15.4 million of trade and standby letters of credit outstanding as of March 31, 1999.

As of March 31, 1999, aggregate scheduled maturities of long-term debt for each of the next five fiscal years are $0.4 million, $0.1 million, $0.1 million, $0.1 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. At March 31, 1999, the Company had working capital of $107.8 million and a current ratio of 2.01 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 nine months ended March 31, 1999, the Company purchased 1,910,600 shares of its stock on the open market at an average price of $23.44 per share, after share adjustment for the stock split.

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

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 June 30, 1999. To date, all programs tested are compliant.

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 June 30, 1999.

Investments have been made in the Company's peripheral hardware. These investments were necessitated by the retail and wholesale systems conversion. The Company has compiled 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 and Use of Proceeds

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 3. - Defaults Upon Senior Securities

None.

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

None.

Item 5. - Other Information

On April 28, 1999, the Board of Directors authorized a three-for-two stock split to shareholders on record as of May 7, 1999, whereby additional common shares arising from the stock split will be distributed on May 21, 1999. All references in this Form 10-Q referring to shares, share prices, per share amounts and stock plans have been adjusted retroactively for the three-for-two stock split.

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

3(c)-2. Certificate of Amendment to Restated Certificate of Incorporation as of August 5, 1997

3(c)-3. Second Certificate of Amendment to Restated Certificate of Incorporation as of March 27, 1998

3(c)-4. Third Certificate of Amendment to Restated Certificate of Incorporation as of April 28, 1999

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: 5/13/99

BY: /s/ M. Farooq Kathwari

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

DATE: 5/13/99

BY: /s/ Gerardo Burdo

Gerardo Burdo
Vice President / Treasurer
(Principal Financial Officer)

DATE: 5/13/99

BY: /s/ Michele Bateson

Michele Bateson
Corporate Controller
(Principal Accounting Officer)

Exhibit 3(c)-4

THIRD
CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ETHAN ALLEN INTERIORS INC.

The undersigned, being the President and Chief Executive Officer and Secretary, respectively, of Ethan Allen Interiors Inc., a Delaware corporation (the "Company"), pursuant to Section 242 of the General Corporation Law of the State of Delaware (the "GCL"), do hereby certify as follows:

1. At a duly called meeting of the board of directors of the Company, the board adopted resolutions to amend the Company's Restated Certificate of Incorporation (the "Amending Resolutions"), declared said Amending Resolutions to be advisable, and directed that the Amending Resolutions be considered at the Company's Annual Meeting of Stockholders held on November 16, 1998 (the "Annual Meeting");

2. At the Annual Meeting, called and held upon notice in accordance with Section 222 of the GCL, the requisite number of shares of the Company's common stock, par value $.01 per share, voted in favor of the Amending Resolutions; and

3. The Amending Resolutions were duly adopted in accordance with Section 242 of the GCL.

NOW, THEREFORE, to effect the Amending Resolutions, the first paragraph of Article FOURTH of the Company's Second Certificate of Amendment of the Restated Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

> "FOURTH. The total number of shares of capital stock which the Corporation shall have authority to issue is 151,655,000 shares, consisting of 150,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock"), 600,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"), and 1,055,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock").

Except as specifically set forth herein, the remaining paragraphs of Article FOURTH of the Company's Restated Certificate on Incorporation shall not be amended, modified or otherwise altered.

IN WITNESS WHEREOF, the Company has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by M. Farooq Kathwari, its President and Chief Executive Officer, and attested by Roxanne Khazarian, its Secretary, this 27th day of April, 1999.

ETHAN ALLEN INTERIORS INC.

By: /s/ M. Farooq Kathwari
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:

/s/ Roxanne Khazarian
Name: Roxanne Khazarian
Title: Secretary

Exhibit 3(c)-4

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2. At the Annual Meeting, called and held upon notice in accordance with Section 222 of the GCL, the requisite number of shares of the Company's common stock, par value $.01 per share, voted in favor of the Amending Resolutions; and

3. The Amending Resolutions were duly adopted in accordance with Section 242 of the GCL.

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ETHAN ALLEN INTERIORS INC.

By: /s/ M. Farooq Kathwari
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:

/s/ Roxanne Khazarian
Name: Roxanne Khazarian
Title: Secretary

Exhibit 3(c)-4

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NOW, THEREFORE, to effect the Amending Resolutions, the first paragraph of Article FOURTH of the Company's Second Certificate of Amendment of the Restated Certificate of Incorporation shall be deleted in its entirety and replaced as follows:

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ETHAN ALLEN INTERIORS INC.

By: /s/ M. Farooq Kathwari
Name: M. Farooq Kathwari
Title: President and Chief Executive Officer

ATTEST:

/s/ Roxanne Khazarian
Name: Roxanne Khazarian
Title: Secretary

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This schedule contains summary financial information extracted from the consolidated financial statements of Ethan Allen Interiors, Inc. for the quarter ended March 31, 1999 and is qualified in its entirety by reference to such financial statements.
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<FN>
<F1> Not applicable. All figures for Ethan Allen Interiors, Inc. are in U.S. dollars.
<F2> Figure for receivables is net of allances for doubtful accounts of $2,478.
<F3> Includes prepaid expenses of $16,382.
<F4> Includes goodwill of $10,957 (net of amortization).
<F5> Includes current portion of long-term debt of $15,395 as of March 31, 1999.
<F6> Includes long-term debt of $9,641 (net of the current portion of long-term debt) and capitalized leases of $308 (net of the current portion of capitalized leases). As of march 31, 1999 outstanding long-term debt of Ethan Allen on a consolidated basis consisted of (i) industrial revenue bonds of $8,455, and (ii) other of $1,540 (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, 1998.
<F7> Not applicable.
<F8> As of March 31, 1999, Ethan Allen had 44,619,918 shares of common stock, $0.1 par value per share, issued. For a description of Ethan Allen's common stock, see the Company's Consolidated Statement of Stockholders' Equity and Consolidated Financial Statements in the Annual Report on Form 10-K for fiscal year 1998.
<F9> Consists of $266,226 of additional paid in capital, $140,611 of retained earnings, and ($78,528) of treasury stock.
<F10> For the quarter ended March 31, 1999, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.
<F11> Consists of $484 of interest expense and $71 of deferred amortization

costs.
<F12> Basic earnings per share for the quarter ended March 31, 1999, was $0.52.
<F13> Diluted earnings per share for the quarter ended March 31, 1999, was $0.50.
</FN>

</TABLE>