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 September 30, 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

(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.

40,791,733 at September 30, 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>

	September 30, 1999 (unaudited)	June 30, 1999
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,399	$ 8,968
Accounts receivable, less allowances of $2,433 and $2,460 at September 30, 1999 and June 30, 1999	34,293	34,302
Notes receivable, current portion, less allowances of $83 and $79 at September 30, 1999 and June 30, 1999, respectively	608	640
Inventories	150,988	144,045
Prepaid expenses and other current assets	20,236	14,088
Deferred income taxes	8,978	7,783
Total current assets	228,502	209,826
Property, plant and equipment, net	228,845	214,492
Intangibles, net of amortization of $17,190 and		

$16,757 at September 30, 1999 and June 30, 1999, respectively	54,162	51,598
Other assets	4,746	4,706
Total assets	$ 516,255	$ 480,622
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 2,518	$ 757
Accounts payable	71,295	58,066
Income taxes payable	13,260	1,312
Accrued expenses	8,421	9,174
Accrued compensation and benefits	16,746	16,937
Total current liabilities	112,240	86,246
Long-term debt and capital lease obligations, less current maturities	9,730	9,919
Other long-term liabilities	1,402	1,370
Deferred income taxes	28,137	32,552
Total liabilities	151,509	130,087
Commitments and Contingencies	-	-
Shareholders' equity:		
Class A common stock, par value $.01, 150,000,000 shares authorized, 44,700,774 and 44,666,791 shares issued at September 30, 1999 and June 30, 1999, respectively	447	447
Additional paid-in capital	268,846	267,286
	269,293	267,733
Less: Treasury stock (at cost), 3,909,041 shares at September 30, 1999 and 3,745,928 shares at June 30, 1999, respectively	(83,341)	(78,887)
	185,952	188,846
Retained earnings	178,794	161,689
Total shareholders' equity	364,746	350,535
Total liabilities and shareholders' equity	$ 516,255	$ 480,622

</TABLE>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 1999	1998
Net sales	$ 189,592	$ 166,226
Cost of sales	101,071	89,222
Gross profit	88,521	77,004
Operating expenses:		
Selling	32,352	27,824
General and administrative	25,835	22,592

Operating income	30,334	26,588
Interest and other miscellaneous income, net	525	470
Interest and other related financing costs	349	354
Income before income taxes	30,510	26,704
Income tax expense	11,777	10,495
Net income	$ 18,733	$ 16,209
Per share data:		
Basic earnings per common share:		
Net income per basic share	$ 0.46	$ 0.39
Basic weighted average common shares outstanding	40,856	42,011
Diluted earnings per common share:		
Net income per diluted share	$ 0.45	$ 0.38
Diluted weighted average common shares outstanding	41,915	42,995

See accompanying notes to consolidated financial statements.

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

<TABLE>
<CAPTION>

	Three Months Ended September 30, 1999	1998
<S>	<C>	<C>
Operating activities:		
Net income	$ 18,733	$ 16,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,137	3,897
Compensation expense related to restricted stock award	267	126
Provision for deferred income taxes	(5,610)	65
Other non-cash charges	83	8
Change in assets and liabilities:		
Accounts receivable	(519)	(259)
Inventories	(3,177)	(9,902)
Prepaid and other current assets	(6,098)	(3,719)
Accounts payable	10,869	6,076
Income taxes payable	13,005	5,952
Accrued expenses	(936)	(755)
Other	41	(459)
Net cash provided by operating activities	30,795	17,239
Investing activities:		
Proceeds from the disposal of property, plant and equipment	34	-
Capital expenditures	(11,885)	(10,625)
Acquisition of businesses	(9,886)	(3,583)
Payments received on long-term notes receivable	164	142

Net cash used in investing activities	(21,573)	(14,066)
Financing activities:		
Payments on revolving credit facilities	(15,500)	-
Borrowings on revolving credit facilities	17,500	23,000
Other payments on long-term debt, including capital leases	(429)	(290)
Increase in deferred financing costs	(507)	-
Issuance of common stock	236	120
Payment of dividends	(1,637)	(1,138)
Payments to acquire treasury stock	(4,454)	(32,217)
Net cash used in financing activities	(4,791)	(10,525)
Net increase (decrease) in cash and cash equivalents	4,431	(7,352)
Cash and cash equivalents at beginning of period	8,968	19,380
Cash and cash equivalents at end of period	$ 13,399	$ 12,028

</TABLE>

See accompanying notes to consolidated financial statements.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Three Months Ended September 30, 1999
(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, 1999	$ 447	$267,286	$(78,887)	$161,689	$350,535
Issuance of common stock	-	503	-	-	503
Purchase of 163,113 shares of treasury stock	-	-	(4,454)	-	(4,454)
Tax benefit associated with the exercise of employee options and warrants	-	1,057	-	-	1,057
Dividends on common stock	-	-	-	(1,628)	(1,628)
Net income	-	-	-	18,733	18,733
Balance at September 30, 1999	$ 447	$268,846	$(83,341)	$178,794	$364,746

</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 months ended September 30, 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 Form 10-K for the year ended June 30, 1999.

(3) Inventories

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

	September 30, 1999	June 30, 1999
Retail merchandise	$ 53,968	$ 49,742
Finished products	42,927	42,562
Work in process	17,434	16,143
Raw materials	36,659	35,598
	$150,988	$144,045

(4) Borrowings

On August 25, 1999, the Company entered into a new $125.0 million unsecured revolving credit facility (the "Credit Agreement") with Chase Manhattan Bank as agent. Proceeds from the Credit Agreement may be used for working capital purposes or general corporate purposes.

The revolving credit facility includes a sub-facility for trade and standby letters of credit of $25.0 million and a swingline loan sub-facility of $3.0 million. Loans under the revolving credit facility bear interest at Chase Manhattan Bank's Alternative Base Rate ("ABR"), or adjusted LIBOR plus .625%, which is subject to adjustment arising from changes in the credit rating of Ethan Allen's senior unsecured debt. The Credit Agreement provides for the payment of a commitment fee equal to the ABR per annum on the average daily unused amount of the revolving credit commitment. The Company is also required to pay a fee equal to the ABR per annum plus a .125% per annum fee on the average daily letters of credit outstanding.

ETHAN ALLEN INTERIORS INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

(4) Borrowings (continued)

The credit facility matures in five years and there are no minimum repayments required during the term of the facility. The revolving loans may be borrowed, repaid and reborrowed over the term of the facility until final maturity.

The revolving credit facility contains various covenants which limit the ability of the Company and its subsidiaries to incur debt, engage in mergers and consolidations, make restricted payments, make asset sales, make investments and issue stock. The Company is required to meet certain financial covenants including consolidated net worth, fixed charge coverage and leverage ratios.

(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. The Company has concluded its involvement with one site and settled as a de-minimis party. For two of the sites, the remedial investigation is ongoing. A volume-based allocation of responsibility among the parties has been prepared. 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. The Company has reserves of approximately $500,000 applicable to these sites, which the Company believes is sufficient to cover any resulting liability.

(6) Shareholders' Equity

Since July 1, 1999, 33,983 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, 1999 to September 30, 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 $0.2 million, ii) the income tax benefit of $1.1 million realized on the exercise of these stock options and warrants and iii) $0.3 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 September 30, 1999, the Company had repurchased 3,909,041 shares of its common stock for $83.3 million.

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 were 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.

(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 (amounts in thousands):

	Three Months Ended September 30, 1999	1998
Weighted average common shares outstanding for basic calculation	40,856	42,011
Add: Effect of stock options and warrants	1,059	984
Weighted average common shares outstanding for diluted calculation	41,915	42,995

(8) Segment Information

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which changes the financial disclosure requirements for operating segments. Segment information presented for 1998 has been restated to reflect the requirements of the new pronouncement. 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. 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, 1999 and 1998 (dollars in thousands):

	1999	1998
Net Sales:		
Case Goods	$ 86,238	$ 79,686
Upholstery	42,340	37,447
Home Accessories	20,368	18,594
Other (1)	3,356	3,814
Wholesale Net Sales	152,302	139,541
Retail	79,070	61,805
Other (2)	1,705	1,775
Elimination of inter-segment sales	(43,485)	(36,895)
Consolidated Total	$189,592	$166,226

(8) Segment Information (continued)

	1999	1998
Operating Income:		
Case Goods	$ 30,537	$ 28,267
Upholstery	12,887	11,326
Home accessories	6,366	6,228
Unallocated corporate expenses (3)	(21,515)	(20,215)
Wholesale Operating Income	28,275	25,606
Retail	2,803	2,022
Other (2)	352	531
Eliminations	(1,096)	(1,571)
Consolidated Total	$ 30,334	$ 26,588
Total Assets:		
Case Goods	$113,142	$ 96,866
Upholstery	32,637	28,425
Home accessories	6,769	7,642
Corporate (4)	276,026	246,113
Wholesale Total Assets	428,574	379,046
Retail	105,315	86,407
Other (2)	6,372	4,918
Inventory Profit Elimination (5)	(24,006)	(19,739)
Consolidated Total	$516,255	$450,632
Capital Expenditures:		
Case Goods	$ 4,295	$ 4,167
Upholstery	827	740
Home accessories	53	104
Other (6)	5,097	4,964
Wholesale Capital Expenditures	10,272	9,975
Retail	967	643
Other (2)	646	7
Consolidated Total	$ 11,885	$ 10,625

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

(2) The Other category includes miscellaneous operating activities and related assets.

(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 receivables from third party retailers, finished goods inventory, property, plant and equipment, intangible assets, deferred tax assets, and the Company's distribution operations.

(5) 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 shipments are made to the retail customer.

(6) The Other category includes unallocated capital expenditures made by the corporate holding company.

There are 30 independent dealers located outside the United States. Approximately 3% of the Company's total revenue is derived from sales to these dealers.

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.

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

	September 30, 1999	June 30, 1999
Assets		
Current assets	$ 228,382	$ 209,768
Non-current assets	380,110	357,237
Total assets	$ 608,492	$ 567,005
Liabilities		
Current liabilities	$ 110,464	$ 84,500
Non-current liabilities	39,269	43,841
Total liabilities	$ 149,733	$ 128,341

A summary of Ethan Allen's operating activity for the three months ended September 30, 1999 and 1998, are as follows (dollars in thousands):

	Three Months Ended September 30, 1999	1998
Net sales	$189,592	$166,226
Gross profit	88,521	77,004
Operating income	30,372	26,623
Interest expense	192	296
Amortization of deferred financing costs	157	58
Income before income tax expense	30,548	26,739
Net income	$ 18,771	$ 16,244

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, 1999. 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 8 to the Company's Consolidated Financial Statements for the Three Months Ended September 30, 1999. The components of consolidated revenues and operating income are as follows (dollars in millions):

	Three Months Ended September 30, 1999	1998
Revenue:		
Wholesale Revenue:		
Case goods	$ 86.2	$ 79.7
Upholstery	42.3	37.4
Home Accessories	20.4	18.6
Other	3.4	3.8
Total Wholesale Revenue	152.3	139.5
Total Retail Revenue	79.1	61.8
Other	1.7	1.8
Elimination of inter-segment sales	(43.5)	(36.9)
Consolidated Revenue	$189.6	$166.2
Operating Income:		
Wholesale Operating Income:		
Case goods	$ 30.5	$ 28.3
Upholstery	12.9	11.3
Home Accessories	6.4	6.2
Unallocated Corporate Expenses	(21.5)	(20.2)
Total Wholesale Operating Income	28.3	25.6
Total Retail Operating Income	2.8	2.0
Other	0.3	0.5
Eliminations	(1.1)	(1.5)
Consolidated Operating Income	$ 30.3	$ 26.6

Three Months Ended September 30, 1999 Compared to Three Months Ended September 30, 1998

Consolidated revenue for the three months ended September 30, 1999 increased by $23.4 million or 14.1% to $189.6 million from $166.2 million for the three months ended September 30, 1998. Overall sales growth resulted from new product offerings, new and relocated stores and growth in the retail segment.

Total wholesale revenue for the first quarter of fiscal year 2000 increased by $12.8 million or 9.2% to $152.3 million from $139.5 million in the first quarter of fiscal year 1999. Case goods revenue increased $6.5 million or 8.2% to $86.2 million for the three months ended September 30, 1999 as compared to $79.7 million in the corresponding period in the prior year mainly due to new product offerings and the benefit of a selected price increase effective December 1, 1998.

Upholstery revenue increased $4.9 million or 13.1% to $42.3 million in the first quarter of fiscal year 2000 as compared to $37.4 million in the first quarter of fiscal year 1999. The increase in revenue of $4.9 million was primarily attributable to a focused marketing effort and new fabric introductions.

Home accessories revenue increased $1.8 million or 9.7% to $20.4 million in the first quarter of fiscal year 2000 as compared to $18.6 million in the first quarter of fiscal year 1999. This increase resulted from enhanced merchandising strategies and an improved in-stock inventory position which reduced customer lead time.

Total retail revenue from Ethan Allen-owned stores for the three months ended September 30, 1999 increased by $17.3 million or 28.0% to $79.1 million from $61.8 million for the three months ended September 30, 1998. The increase in retail sales by Ethan Allen-owned stores is attributable to a 10.8% or $6.1 million increase in comparable store sales, and an increase in sales generated by newly opened or acquired stores of $14.5 million, partially offset by closed stores, which generated $3.3 million less sales in fiscal year 2000 as compared to fiscal year 1999. The number of Ethan Allen-owned stores increased to 77 as of September 30, 1999 as compared to 71 as of September 30, 1998.

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 $11.5 million or 15.0% to $88.5 million for the first three months of fiscal year 2000 from $77.0 million for the first three months of fiscal year 1999. This increase is attributable to higher sales volume, combined with an increase in gross margin from 46.3% in the first quarter of fiscal year 1999 to 46.7% in the first quarter of fiscal year 2000. Gross margins have been favorably impacted by higher sales volumes, improvements in manufacturing technology and production efficiencies, a selected case good price increase effective December 1, 1998, and a higher percentage of retail sales to total sales.

Operating expenses increased $7.8 million or 15.4% to $58.2 million or 30.7% of net sales in the current quarter as compared to $50.4 million or 30.3% of net sales for the first quarter of fiscal year 1999. This increase is mainly attributable to the expansion of the retail segment resulting in the addition of 10 new Ethan Allen-owned stores since September 30, 1998.

Consolidated operating income for the three months ended September 30, 1999 was $30.3 million or 16.0% of net sales compared to $26.6 million or 16.0% of net sales for the three months ended September 30, 1998. This represents an increase of $3.7 million or 13.9%. This increase is primarily attributable to higher sales volume, partially offset by a lower wholesale and retail gross margin and higher operating expenses resulting from the growth in the retail segment.

Total wholesale operating income for the first quarter of fiscal year 2000 was $28.3 million or 18.6% of net sales compared to $25.6 million or 18.4% of net sales in the first quarter of fiscal year 1999. Wholesale operating income increased $2.7 million or 10.5%. Case goods operating income increased $2.2 million or 7.8% to $30.5 million for the first three months of fiscal year 2000 over the corresponding prior year period mainly due to higher sales volume and a selected price increase effective December 1, 1998.

Upholstery operating income increased $1.6 million or 14.2% to $12.9 million in the first quarter of fiscal year 2000 as compared to $11.3 million in the first quarter of fiscal year 1999. The increase resulted from higher sales volume and lower operating expenses, partially offset by a reduction in gross margin to 32.8% for the three months ended September 30, 1999 as compared to 33.0% for the three months ended September 30, 1998.

Home accessories operating income increased slightly by $0.2 million to $6.4 million for the first three months of fiscal year 2000 from $6.2 million in the first three months of fiscal year 1999. This increase resulted from higher sales volume, offset by a reduction in gross margin to 32.2% from 34.5% for the three months ended September 30, 1999.

Operating income from the retail segment increased by $0.8 million this quarter to $2.8 million or 3.5% of net sales from $2.0 million or 3.3% of net sales in the prior year quarter. The increase in retail operating income by Ethan Allen-owned stores is primarily attributable to increased sales volume, slightly offset by a reduction in gross margin from 43.8% in the first quarter of fiscal year 1999 to 43.6% in fiscal year 2000 and a higher composition of expenses related to the start-up of 5 retail stores and the acquisition of 7 additional stores from independent retailers since September 30, 1998.

Interest expense, including the amortization of deferred financing costs, for the three months ended September 30, 1999 decreased $0.1 million to $0.3 million from $0.4 million for the three months ended September 30, 1998.

Income tax expense of $11.8 million was recorded in the first quarter as compared to $10.5 million in the prior year first quarter. The Company's effective tax rate was 38.6% as of September 30, 1999 compared to 39.3% in the corresponding prior year period. The decline in the effective income tax rate resulted from planning strategies initiated by the Company during fiscal year 1999.

For the three months ended September 30, 1999, the Company recorded net income of $18.7 million, an increase of 15.6%, compared to $16.2 million for the three months ended September 30, 1998.

Financial Condition and Liquidity

Principal sources of liquidity are cash flow from operations and additional borrowing capacity under the revolving credit facility. Through September 30, 1999, the Company used cash provided by operating activities of $30.8 million, borrowings of $2.0 million from its revolving credit facility and an increase in cash balances of $4.4 million to fund acquisitions of treasury stock of $4.5 million, capital expenditures of $11.9 million, store acquisitions of $9.9 million, dividend payments of $1.6 million, and payments of $0.4 million on long-term debt and capital leases.

During the three months ended September 30, 1999, capital spending totaled $11.9 million as compared to $10.6 million in the three months ended September 30, 1998. Capital expenditures for fiscal year 2000 are expected 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 September 30, 1999 was $12.2 million. There were $2.0 million of revolving loans outstanding under the Credit Agreement and $16.2 million of trade and standby letters of credit outstanding as of September 30, 1999.

As of September 30, 1999, 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, $0.1 million and $4.7 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 September 30, 1999, the Company had working capital of $116.3 million and a current ratio of 2.04 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, 1999, the Company purchased 123,000 shares of its stock on the open market at an average price of $26.97 per share.

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 an AS400 enterprise system, utilizing integrated software. The software is substantially compliant, with all date fields expanded to meet year 2000 compliance requirements. The Company formed a redundant environment and has rolled the date forward to the year 2000 and has completed testing all of its business transactions. 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 and upholstery manufacturing facilities. Substantial progress has been made in the Company's home accessory manufacturing systems and the Company is in the final testing phase of the home accessory systems.

Investments have been made in the Company's peripheral hardware. These investments were necessitated by the retail and wholesale systems conversion. The Company compiled a comprehensive database of hardware and associated software that is currently in service. All non compliant hardware has been replaced. To date, the Company has expended less than $1.0 million in capital expenditures related to Year 2000 remediation.

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. At September 30, 1999, the Company had $2.5 million of short term debt outstanding and $9.7 million of total long term debt outstanding.

The Company has one 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 outstanding in 1999, a one percentage point increase in the variable interest rate would not have had a significant impact on the Company's 1999 interest expense.

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 22, 1999.

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 22, 1999.

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

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: 11/10/99

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: 11/10/99

BY: /s/ Michele Bateson

Michele Bateson
Corporate Controller
(Principal Accounting Officer)

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         the quarter ended September 30,1999 and is qualified in its entirety by
         reference to such financial statements.
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<F1>   Not applicable.  All figures for Ethan Allen Interiors, Inc. are in U.S.
       dollars.

<F2>   Figure for receivables is net of allowances for doubtful accounts of
       $2,433.

<F3>   Includes prepaid expenses of $19,231.

<F4>   Includes goodwill of $13,875 (net of amortization).

<F5>   Includes current portion of long-term debt of $2,518 as of
       September 30, 1999.

<F6>   Includes long-term debt of $9,581 (net of the current portion of
       long-term debt) and capitalized leases of $149 (net of the current
       portion of capitalized leases).  As of September 30, 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 $1,126 (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, 1999.

<F7>   Not applicable.

<F8>   As of September 30, 1999, Ethan Allen had 44,700,774 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
       Stockholders' Equity and Consolidated Financial Statements in the Annual
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Report on Form 10-K for fiscal year 1999.

<F9> Consists of $268,846 of additional paid in capital, $178,794 of retained earnings, and ($83,341) of treasury stock.

<F10> For the quarter ended September 30, 1999, Ethan Allen's revenues were derived from sales generated by its wholesale and retail operations.

<F11> Consists of $192 of interest expense and $157 of deferred amortization costs.

<F12> Basic earnings per share for the quarter ended September 30, 1999 was $0.46.

<F13> Diluted earnings per share for the quarter ended September 30, 1999 was $0.45.
</FN>

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