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CONFORMED PERIOD OF REPORT:     19990703
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        COMPANY DATA:
                COMPANY CONFORMED NAME:                 DEPARTMENT 56 INC
                CENTRAL INDEX KEY:                      0000902270
                STANDARD INDUSTRIAL CLASSIFICATION:     POTTERY & RELATED PRODUCTS [3260]
                IRS NUMBER:                             133684956
                STATE OF INCORPORATION:                 DE
                FISCAL YEAR END:                        0102

        FILING VALUES:
                FORM TYPE:              10-Q
                SEC ACT:
                SEC FILE NUMBER:        001-11908
                FILM NUMBER:            99694325

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                STREET 1:               ONE VILLAGE PL
                STREET 2:               6436 CITY W PKWY
                CITY:                   EDEN PRAIRIE
                STATE:                  MN
                ZIP:                    55344
                BUSINESS PHONE:         6129445600

        MAIL ADDRESS:
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FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended: July 3, 1999

Commission file number: 1-11908

Department 56, Inc.

(Exact name of registrant as specified in its charter)

Delaware	13-3684956
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Village Place, 6436 City West Parkway, Eden Prairie, MN 55344

(Address of principal executive offices)
(Zip Code)

(612) 944-5600

(Registrant's telephone number, including area code)

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 X No

As of July 3, 1999, 17,364,442 shares of the registrant's common stock, par value $.01 per share, were outstanding.

<PAGE>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEPARTMENT 56, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

<TABLE>
<CAPTION>

ASSETS

	JULY 3, 1999	JANUARY 2, 1999
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,515	

		$ 2,783
Accounts receivable, net	100,877	26,170
Inventories	26,035	18,287
Other current assets	13,565	10,661
	------------	-------------
Total current assets	143,992	57,901
PROPERTY AND EQUIPMENT, net	22,204	17,722
GOODWILL, TRADEMARKS AND OTHER, net	155,528	157,531
DEFERRED FINANCING COSTS AND OTHER ASSETS	1,680	129
	------------	-------------
	$ 323,404	$ 233,283
	============	=============

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Revolving line of credit	$ 79,000	$ -
Accounts payable	10,950	11,100
Other current liabilities	26,226	17,525
	------------	-------------
Total current liabilities	116,176	28,625
DEFERRED TAXES	5,923	5,923
LONG-TERM DEBT	20,000	20,000
STOCKHOLDERS' EQUITY	181,305	178,735
	------------	-------------
	$ 323,404	$ 233,283
	============	=============

</TABLE>

See notes to condensed consolidated financial statements.

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<PAGE>

DEPARTMENT 56, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	QUARTER ENDED JULY 3, 1999	QUARTER ENDED JULY 4, 1998
NET SALES	$ 82,721	$ 69,920
COST OF SALES	33,478	28,710
Gross profit	49,243	41,210
OPERATING EXPENSES:		
Selling, general, and administrative	16,463	13,605
Amortization of goodwill, trademarks and other	1,270	1,258
Total operating expenses	17,733	14,863
INCOME FROM OPERATIONS	31,510	26,347
OTHER EXPENSE (INCOME):		
Interest expense	1,397	970
Other, net	(109)	(26)
INCOME BEFORE INCOME TAXES	30,222	25,403
PROVISION FOR INCOME TAXES	11,484	10,034
NET INCOME	$ 18,738	$ 15,369
NET INCOME PER COMMON SHARE	$ 1.06	$ 0.81
NET INCOME PER COMMON SHARE ASSUMING DILUTION	$ 1.04	$ 0.80

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</TABLE>

See notes to condensed consolidated financial statements.

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<PAGE>

DEPARTMENT 56, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
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	26 WEEKS ENDED JULY 3, 1999	26 WEEKS ENDED JULY 4, 1998
<S>	<C>	<C>
NET SALES	$ 116,369	$ 118,947
COST OF SALES	47,230	49,304
Gross profit	69,139	69,643
OPERATING EXPENSES:		
Selling, general, and administrative	28,951	25,234
Amortization of goodwill, trademarks and other	2,533	2,410
Total operating expenses	31,484	27,644
INCOME FROM OPERATIONS	37,655	41,999
OTHER EXPENSE (INCOME):		
Interest expense	1,913	1,741
Other, net	126	(418)
INCOME BEFORE INCOME TAXES	35,616	40,676
PROVISION FOR INCOME TAXES	13,534	16,067

NET INCOME	$ 22,082	$ 24,609
NET INCOME PER COMMON SHARE	$ 1.24	$ 1.28
NET INCOME PER COMMON SHARE ASSUMING DILUTION	$ 1.22	$ 1.26

</TABLE>

See notes to condensed consolidated financial statements.

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DEPARTMENT 56, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

<TABLE>
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<S>	26 WEEKS ENDED JULY 3, 1999 <C>	26 WEEKS ENDED JULY 4, 1998 <C>
CASH FLOWS FROM OPERATING ACTIVITIES - Net cash used in operating activities	$ (51,353)	$ (34,010)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,453)	(1,299)
Acquisitions	(630)	(4,660)
Net cash used in investing activities	(7,083)	(5,959)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1,109	2,530
Net borrowings under revolving credit facility	79,000	37,000
Stock repurchases		

	(20,941)	(35,430)
Net cash provided by financing activities	59,168	4,100
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	732	(35,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,783	37,361
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,515	$ 1,492
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION -		
Cash paid for:		
Interest	$ 3,030	$ 1,586
Income taxes	$ 5,655	$ 12,433

</TABLE>

See notes to condensed consolidated financial statements.

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DEPARTMENT 56, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheet as of January 2, 1999 was derived from the audited consolidated balances as of that date. The remaining accompanying condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation. Such adjustments were of a normal recurring nature.

The results of operations for the quarter ended July 3, 1999 and the 26 weeks ended July 3, 1999 are not necessarily indicative of the results for the full fiscal year.

It is suggested that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the 1998 Annual Report to Stockholders and Annual Report on Form 10-K filed by Department 56, Inc. (the "Company") with the Securities and Exchange Commission.

2. INCOME PER COMMON SHARE

Net income per common share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Net income per common share assuming dilution reflects per share amounts that would have resulted had the Company's outstanding stock options been converted to common stock.

3. STOCKHOLDERS' EQUITY

On May 10, 1999, the Board of Directors of the Company authorized a stock repurchase program providing for the repurchase in open market and privately negotiated transactions of up to an additional 3.0 million shares valid through the end of the Company's 2000 fiscal year. During the quarter ended July 3, 1999, the Company repurchased 617,300 shares at a cost of $17.9 million under its existing stock repurchase program. During the 26 weeks ended July 3, 1999, the Company repurchased 717,300 shares at a cost of $20.9 million. Since January 1997, the Company has repurchased a total of 4.6 million shares at an average price of $29 per share. As of July 3, 1999, the Company was authorized to repurchase 2.9 million additional shares under these programs through the end of 2000. The timing and number of shares repurchased under these programs will be determined at the discretion of the Company's management and subject to continued compliance with the Company's credit facilities.

4. ACQUISITIONS

During May 1999, the Company acquired substantially all of the assets of the independent sales representative organization that represented the Company's products in Massachusetts and several other eastern states.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

COMPARISON OF RESULTS OF OPERATIONS FOR THE QUARTER ENDED JULY 3, 1999 TO THE QUARTER ENDED JULY 4, 1998.

<TABLE>
<CAPTION>

(Dollars in millions)

	Quarter Ended July 3, 1999		Quarter Ended July 4, 1998	
	Dollars	% of Net Sales	Dollars	% of Net Sales
<S>	<C>	<C>	<C>	<C>
Net sales	$ 82.7	100 %	$ 69.9	100 %
Gross profit	49.2	60	41.2	59
Selling, general, and administrative expenses	16.5	20	13.6	20
Amortization of goodwill, trademarks and other	1.3	2		

			1.3	2
Income from operations	31.5	38	26.3	38
Interest expense	1.4	2	1.0	1
Other expense (income), net	(0.1)	-	-	-
Income before income taxes	30.2	37	25.4	36
Provision for income taxes	11.5	14	10.0	14
Net income	18.7	23	15.4	22

</TABLE>

NET SALES. Net sales increased $12.8 million, or 18%, from $69.9 million in the second quarter of 1998 to $82.7 million in the second quarter of 1999. The increase in sales was principally due to an increase in volume due in part to shipments originally scheduled for the first quarter not being shipped until the second quarter because of earlier difficulties faced in the implementation of the Company's new integrated computer system. Sales of the Company's Village Series products increased $10.8 million, or 23%, while sales of General Giftware products increased $2.0 million, or 9% between the two periods. Village Series and General Giftware products represented 71% and 29%, respectively, of the Company's net sales during the second quarter of 1999.

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GROSS PROFIT. Gross profit increased $8.0 million, or 19%, between the second quarter of 1998 and the second quarter of 1999. The increase in gross profit was principally due to the increase in sales volume. Gross profit as a percentage of net sales increased from 59% in the second quarter of 1998 to approximately 60% in the second quarter of 1999, principally due to a change in the mix of product shipped during the second quarter of 1999 as compared to the second quarter of 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $2.9 million, or 21%, between the second quarter of 1998 and the second quarter of 1999. The increase is principally due to an increase in commission and distribution expenses due to the increase in sales, expenses associated with operation of the Company's first retail store opened in May 1999, and an increase in depreciation expense associated with the Company's implementation of its new integrated computer system. Selling, general and administrative expenses as a percentage of sales was approximately 20% in the second quarter of both 1998 and 1999.

INCOME FROM OPERATIONS. Income from operations increased $5.2 million, or 20%, between the second quarter of 1998 and the second quarter of 1999 due to the factors described above. Income from operations was 38% of net sales in the second quarter of both 1998 and 1999.

INTEREST EXPENSE. Interest expense increased $0.4 million, or 44%, between the second quarter of 1998 and the second quarter of 1999 principally due to increased borrowings under the revolving line of credit in 1999, offset by the payment of $20 million of long term debt during 1998.

PROVISION FOR INCOME TAXES. The effective tax rate was 39.5% during the second quarter of 1998 and 38% during the second quarter of 1999.

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RESULTS OF OPERATIONS

COMPARISON OF RESULTS OF OPERATIONS FOR THE 26 WEEKS ENDED JULY 3, 1999 TO THE 26 WEEKS ENDED JULY 4, 1998.

	26 Weeks Ended July 3, 1999		26 Weeks Ended July 4, 1998	
(Dollars in millions)	Dollars	% of Net Sales	Dollars	% of Net Sales
Net sales	$ 116.4	100 %	$ 118.9	100 %
Gross profit	69.1	59	69.6	59
Selling, general, and administrative expenses	28.9	25	25.2	21
Amortization of goodwill, trademarks and other	2.5	2	2.4	2
Income from operations	37.7	32	42.0	35
Interest expense	1.9	2	1.7	2
Other expense (income), net	0.1	-	(0.4)	-
Income before income taxes	35.6	31	40.7	34
Provision for income taxes	13.5	12	16.1	14
Net income	22.1	19	24.6	21

NET SALES. Net sales decreased $2.5 million, or 2%, from $118.9 million in 1998 to $116.4 million in 1999. The decrease in sales was principally due to delays experienced during the first quarter of 1999 from the implementation of the Company's new integrated computer system. Sales of the Company's Village Series products increased $1.9 million, or 2%, while sales of

General Giftware products decreased $4.4 million, or 11% between the two periods. Village Series and General Giftware products represented 70% and 30%, respectively, of the Company's net sales in 1999.

GROSS PROFIT. Gross profit decreased $0.5 million, or 1%, between 1998 and 1999. The decrease in gross profit was principally due to the decrease in sales volume. Gross profit as a percentage of net sales was 59% in both 1998 and 1999.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $3.7 million, or 15%, between 1998 and 1999. The increase is principally due to an increase in showroom expenses as a result of the Company's acquisition of showrooms during 1998 and 1999, expenses associated with operation of the Company's first retail store, an increase in depreciation expense associated with the Company's implementation of its new integrated computer system, an increase in marketing expense, and an increase in distribution expense. Selling, general and administrative expenses as a percentage of sales increased from approximately 21% in 1998 to 25% in 1999.

INCOME FROM OPERATIONS. Income from operations decreased $4.3 million, or 10%, between 1998 and 1999 due to the factors described above. Income from operations was 35% and 32% of net sales in 1998 and 1999, respectively.

INTEREST EXPENSE. Interest expense increased $0.2 million, or 10%, between 1998 and 1999 principally due to increased borrowings under the revolving line of credit in 1999 offset by the payment of $20 million of long term debt during 1998.

PROVISION FOR INCOME TAXES. The effective tax rate was 39.5% during the 26 weeks ended July 4, 1998 and 38% during the 26 weeks ended July 3, 1999.

LIQUIDITY AND CAPITAL RESOURCES

In March 1999, the Company entered into a new credit agreement providing a $100 million revolving credit facility and a $150 million revolver/term loan. The $150 million revolver/term loan converts to a four-year term loan after one year. The revolver/term loan will have annual amortization payments of 15%, 20%, 25% and 40% of the amount outstanding at conversion in March 2001, 2002, 2003, and 2004, respectively.

The Company used the proceeds of the revolver/term loan to refinance the remaining $20 million term loan under its former credit agreement. In connection therewith, the Company recorded $1.7 million in deferred financing fees, which is being amortized over the life of the credit agreement.

The revolving credit facility provides for borrowings of up to $100 million including letters of credit. The letters of credit are issued primarily in connection with inventory purchases. The credit agreement contains financial and operating covenants, including restrictions on incurring indebtedness and liens, selling property and paying dividends. In addition, the Company is required to satisfy consolidated net worth, interest coverage ratio and leverage ratio tests, in each case at the end of each fiscal quarter.

The Company believes that its internally generated cash flow and seasonal borrowings under the revolving credit facility and revolver/term loan will be adequate to fund operations and capital expenditures for the next twelve months.

Consistent with customary practice in the giftware industry, the Company offers extended accounts receivable terms to many of its customers. This practice has typically created significant

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working capital requirements in the second and third quarters which the Company has generally financed with available cash, internally generated cash flow and seasonal borrowings. The Company's cash and cash equivalents balances peak in December, following the collection in November and December of accounts receivable with extended payment terms. The Company's bad debt experience relating to these accounts receivable has not been material.

Accounts receivable increased from $83.5 million at July 4, 1998 to $100.9 million at July 3, 1999. The increase in accounts receivable was principally due to lower cash collections due to the timing of invoices and statements mailed to customers as a result of the implementation of the new integrated computer system.

In April 1999, the Company executed a lease for a new distribution center in Minnesota. By the end of 1999, the Company plans to consolidate its three current distribution centers into the new distribution center. The lease provides for a 10-year term, with options to renew the lease, as well as to expand and/or acquire the facility, and requires minimum future annual rentals that approximate the combined annual rentals of the three existing distribution centers.

Other current liabilities increased from $21.0 million at July 4, 1998 to $26.2 million at July 3, 1999. The $5.2 million increase is primarily due to the timing of federal income tax payments.

On May 10, 1999, the Board of Directors of the Company authorized a stock repurchase program providing for the repurchase in open market and privately negotiated transactions of up to an additional 3.0 million shares valid through the end of the Company's 2000 fiscal year. During the quarter ended July 3, 1999, the Company repurchased 617,300 shares at a cost of $17.9 million primarily under its existing stock repurchase program. During the 26 weeks ended July 3, 1999, the Company repurchased 717,300 shares at a cost of $20.9 million. Since January 1997, the Company has repurchased a total of 4.6 million shares at an average price of $29 per share. As of July 3, 1999, the Company was authorized to repurchase 2.9 million additional shares under these programs through the end of 2000. The timing and number of shares repurchased under these programs will be determined at the discretion of the Company's management and subject to continued compliance with the Company's credit facilities.

YEAR 2000

On January 3, 1999, the Company substantially implemented a new integrated computer system, which replaced its primary operating and financial computing systems. The vendor of the core software program for the new integrated system has indicated that this system will substantially address Year 2000 requirements, and the Company does not anticipate that it will experience any material disruption to its transaction processing operations or financial or accounting functions as a result of the failure of any of its systems to be Year 2000 compliant. The Company is continuing to monitor and evaluate its new and existing systems so that, in the event substantial non-compliance with Year 2000 needs is detected, the remainder of 1999 can be utilized to achieve necessary functionality.

Total expenditures (aside of internal labor costs) for implementation of the new system is expected to be approximately $9.5 million. Approximately $6.7 million of the systems

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expenditures have been incurred as of July 3, 1999. Hardware, software and certain project costs were capitalized and will be amortized over their useful lives. All other costs were expensed as incurred.

The Company believes that the implementation of the new integrated computer system will allow it to be substantially Year 2000 compliant. There can be no assurance, however, that the systems of third parties on which the Company relies will be Year 2000 compliant in a timely manner. Given the Year 2000 certification of the Company's main operating system, the Company's approach to addressing any noncompliance that may arise in that system is to analyze and rectify, through programming on an as detected, as needed basis. Additional alternatives available in a non-compliance contingency include the use of electronic spreadsheets, resetting system dates and manual workarounds. An interruption of the Company's ability to conduct its business due to a Year 2000 problem with a third party could have a material adverse effect on the Company. The Company's product vendor and customer bases are fragmented, and generally are not dependent on computer control or systematization of their business operations. Management, therefore, believes that the greatest risks presented by potential Year 2000 failures of third parties are those which would affect the general economy or certain industries, such as may occur if there were insufficient electric power or other utilities needed for the Company's operations or manufacture of its products or insufficient reliable means of transporting the Company's products. While such failures could affect important operations of the Company, either directly or indirectly, in a significant manner, the Company cannot at present estimate either the likelihood or the potential cost of such failures. The statements concerning future matters are "forward-looking statements" and actual results may vary.

FOREIGN EXCHANGE

The dollar value of the Company's assets abroad is not significant. Substantially all of the Company's sales are denominated in United States dollars and, as a result, are not subject to changes in exchange rates.

The Company imports most of its products from manufacturers located in the Pacific Rim, primarily China, Taiwan (Republic of China) and The Philippines. These transactions are principally denominated in U.S. dollars, except for imports from Taiwan which are principally denominated in New Taiwan dollars. The Company, from time to time, will enter into foreign exchange contracts or build foreign currency deposits as a partial hedge against currency fluctuations. The Company intends to manage foreign exchange risks to the extent possible and take appropriate action where warranted. The Company's costs could be adversely affected if the currencies of the countries in which the manufacturers operate appreciate significantly relative to the U.S. dollar.

EFFECT OF INFLATION

The Company continually attempts to minimize any effect of inflation on earnings by controlling its operating costs and selling prices. During the past few years, the rate of inflation has not had a material impact on the Company's results of operations.

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SEASONALITY AND CUSTOMER ORDERS

The Company generally records its highest level of sales during the second and third quarters as retailers stock merchandise in anticipation of the holiday season. The Company can also experience fluctuations in quarterly sales and related net income compared with the prior year due to timing of receipt of product from suppliers and subsequent shipment of product from the Company to customers.

CUSTOMER ORDERS ENTERED (1)
(IN MILLIONS)

<TABLE>
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	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
<S>	<C>	<C>	<C>	<C>	<C>
1997	$ 161	$ 44	$ 34	$ 6	$ 245
1998	174	50	37	8	269
1999	182 (2)	48	-	-	-

</TABLE>

(1) Customer orders entered are orders received and approved by the Company, subject to cancellation for various reasons, including credit considerations, inventory shortages and customer requests.

(2) Customer orders entered for the first quarter of 1999 have been adjusted from previously reported first quarter 1999 customer orders entered, consistent with the Company's press release dated June 9, 1999.

Historically, principally due to the timing of trade shows early in the calendar year and the limited supply of the Company's products, the Company has received the majority of its orders in the first quarter of each year. The Company entered 65% and 66% of its total annual customer orders during the first quarter of both 1998 and 1997, respectively. Cancellations were approximately 7% and 8% of total annual orders in 1998 and 1997, respectively.

The Company shipped and recorded as net sales approximately 91% and 90% of its annual customer orders in 1998 and 1997, respectively. Orders not shipped in a particular period, net of cancellations, returns, allowances and cash discounts, are carried into backlog. The backlog was $107.1 million as of July 3, 1999, as compared to $101.3 million as of July 4, 1998.

Through the second quarter of 1999, customer orders entered increased 3% as compared to the same period for 1998. Customer orders entered for Village Series products have increased 6% through the second quarter of 1999 while customer orders entered for General Giftware products have decreased 4%. Through the first quarter of 1999, adjusted customer orders entered increased 5% as compared to the same period for 1998. Adjusted customer orders entered for Village Series products increased 5% through the first quarter of 1999 while adjusted customer orders entered for General Giftware products increased 4%.

Certain General Giftware products have lower gross profit rates than the Company's average gross profit rate. In addition, from time to time, the Company liquidates product at lower than average gross profit rates. As a result, gross profit may vary depending on the mix of product shipped.

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PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the Company's Annual Meeting of Stockholders held on May 10, 1999 (the "Annual Meeting"), all of the persons named in the Company's proxy materials as management nominees for the Board of Directors were elected. All of the nominees were incumbent directors and the election of all nominees at the Annual Meeting was uncontested. Also at the Annual Meeting, the Company's stockholders ratified the appointment by the Board of Directors of Deloitte & Touche LLP, independent public accountants, as auditors for the Company for the fiscal year ending January 1, 2000 as follows: 15,961,339 voting for ratification; 10,686 voting against; 5,913 abstentions; 1,994,707 not voting.

NOTES CONCERNING FORWARD LOOKING STATEMENTS:

ANY CONCLUSIONS OR EXPECTATIONS EXPRESSED IN, OR DRAWN FROM, THE STATEMENTS IN THIS FILING CONCERNING MATTERS THAT ARE NOT HISTORICAL CORPORATE FINANCIAL RESULTS ARE "FORWARD-LOOKING STATEMENTS" THAT INVOLVE RISKS AND UNCERTAINTIES. THE COMPANY'S CAPITAL EXPENDITURES FORECAST RELATED TO THE IMPLEMENTATION OF THE NEW INTEGRATED COMPUTER SYSTEM IS BASED ON THE COMPANY'S CURRENT EXPECTATIONS REGARDING THE TIMING AND EFFICIENCY OF ACHIEVING FULL FUNCTIONALITY IN INFORMATION SYSTEMS DEVELOPED TO COLLECT, COMPILE AND EXECUTE CUSTOMER ORDERS, AND THE COST OF EXTERNAL CONTRACTOR SERVICES RELATING THERETO. IF NOT MENTIONED ABOVE, OTHER FACTORS (INCLUDING: IDENTIFICATION, COMPLETION AND RESULTS OF ACQUISITIONS, INVESTMENTS, AND OTHER STRATEGIC BUSINESS INITIATIVES; AND INDUSTRY AND GENERAL ECONOMIC CONDITIONS) CAN SIGNIFICANTLY IMPACT THE COMPANY'S CAPITAL EXPENDITURES. ACTUAL RESULTS MAY VARY MATERIALLY FROM FORWARD-LOOKING STATEMENTS AND THE ASSUMPTIONS ON WHICH THEY ARE BASED. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR PUBLISH IN THE FUTURE ANY FORWARD-LOOKING STATEMENTS.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as exhibits to this Report.

11.1 Computation of net income per share.

11.2 Company press release dated June 9, 1999.

11.3 Company press release dated July 27, 1999.

27.1 Financial data schedule (EDGAR filing only).

(b) Reports on Form 8-K.

None.

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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.

DEPARTMENT 56, INC.

Date: August 17, 1999 /s/ Susan E. Engel

Susan E. Engel
Chairwoman, Chief Executive Officer and Director

Date: August 17, 1999 /s/ Gregg A. Peters

Gregg A. Peters
Director of Finance and Principal
Accounting Officer

<PAGE>

EXHIBIT INDEX

<TABLE>
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EXHIBIT NUMBER	EXHIBIT NAME	PAGE NUMBER
11.1	Computation of net income per share.	
11.2	Company press release dated June 9, 1999.	
11.3	Company press release dated July 27, 1999.	
27.1	Financial data schedule (EDGAR filing only).	

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Exhibit 11.1

DEPARTMENT 56, INC.
COMPUTATION OF NET INCOME PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
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	Quarter Ended July 3, 1999	Quarter Ended July 4, 1998
BASIC:		
Net Income	$ 18,738	$ 15,369
	===========	===========
Weighted average number of common shares outstanding	17,710	18,962

Net Income per Common Share $
1.06 $ 0.81

=========== ===========

ASSUMING DILUTION:
Net Income $
18,738 $ 15,369

=========== ===========

Weighted average number of common shares outstanding
17,710 18,962

The number of shares resulting from the assumed
exercise of stock options reduced by the number
of shares which could have been purchased with
the proceeds from such exercise, using the average
market price during the period
239 336

- -----------
Weighted average number of common and
common equivalent shares
17,949 19,298

=========== ===========

Net Income per Common Share Assuming Dilution $
1.04 $ 0.80

=========== ===========
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Exhibit 11.1

DEPARTMENT 56, INC.
COMPUTATION OF NET INCOME PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
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26 Weeks

26 Weeks
Ended

Ended
July 3,

July 4,
1999

1998

- -----------
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BASIC:
Net Income $
22,082 $ 24,609

=========== ===========

Weighted average number of common shares outstanding
17,874 19,186

Net Income per Common Share $
1.24 $ 1.28

=========== ===========

ASSUMING DILUTION:
Net Income $
22,082 $ 24,609

=========== ===========

Weighted average number of common shares outstanding
17,874 19,186

The number of shares resulting from the assumed
exercise of stock options reduced by the number
of shares which could have been purchased with
the proceeds from such exercise, using the average
market price during the period
244 311

- -----------

Weighted average number of common and
common equivalent shares
18,118 19,497

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Net Income per Common Share Assuming Dilution $
1.22 $ 1.26

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Investor Contacts: Mark Kennedy/Tony Ishaug
Telephone: (612) 944-5600

SYSTEM IMPLEMENTATION DIFFICULTIES EXPECTED TO IMPACT 1999 RESULTS

- - -

OPTIMISTIC ABOUT ACHIEVING THREE-YEAR AVERAGE MID-TEENS EPS GROWTH GOAL

June 9, 1999 - Eden Prairie, MN - Department 56 (NYSE: DFS) today announced that system implementation difficulties are expected to impact the Company's 1999 results. This expectation is largely based on year-to-date order totals that reflect recent adjustments to first quarter orders and order-taking difficulties, both caused by the implementation of the Company's new enterprise-wide system. Despite system difficulties, year-to-date orders for the Company's core collectible products remain solid. The change in order expectations is concentrated in the company's general giftware lines. Due to the nature of market demand for non-collectible merchandise, the Company is optimistic that its traditionally highly desirable general giftware products can generate demand in line with historic levels in future years.

As of June 5, 1999, total year-to-date orders were up three percent over the same period in 1998. The Company's core-business Village orders were up six percent, and reflecting the above-stated systems impact, the Company's non-core general giftware product orders were down four percent versus the same period in 1998. Any future improvement in the order growth for all of 1999 will be dependent primarily upon customer demand for the Company's mid-year new product introductions and, to a lesser degree, for previously introduced merchandise. The Company is not likely to achieve its previously stated goals for 1999 of seven to nine percent sales and mid-teens earnings per share growth.

Susan Engel, Chairwoman and Chief Executive Officer said, "We are disappointed that the systems implementation has impacted our 1999 orders. Progress continues with the systems implementation, and we are confident that the long-term benefits of the new system will outweigh the current year's implementation difficulties."

Ms Engel added, "We continue to invest in our business. Our new Seasons Bay and Monopoly lines, both introduced this year, represent our first two collectible line introductions in five years. Combined with the exciting new hand-painted interior scenes in our new Village gift sets, this represents a banner year for product development. This accelerated introduction of new products, combined with continued solid demand for our collectibles and our belief that orders for our non-collectible products could return to historic growth levels

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makes us optimistic that we will achieve our previously stated goal of three year average mid-teens earning per share growth."

Sales through June 8, 1999 totaled $89 million, compared to $92 million in the same period in 1998. "After a slow start to shipping in the first quarter due to the new system's implementation, we continue to catch up and should exceed last year sales either by the end of this quarter or early in the third quarter," said Ms. Engel.

Since the beginning of the second quarter, the company has repurchased 440,000 shares of its common stock at an average price of $30 per share. Current stock repurchase authorizations permit the future buyback of approximately three million shares.

Department 56, Inc. is a leading collectibles and giftware company known for its lighted Villages, Snowbabies-TM- figurines and extensive lines of holiday and home decorative products. Its products are sold primarily through gift, specialty and department store retailers in the United States, Canada and Europe. Department 56 seeks to expand its market presence through creative product development and marketing, as well as through acquisitions.

NOTES CONCERNING FORWARD LOOKING STATEMENTS:

ANY CONCLUSIONS OR EXPECTATIONS EXPRESSED IN, OR DRAWN FROM, THE STATEMENTS IN THIS PRESS RELEASE CONCERNING MATTERS THAT ARE NOT HISTORICAL CORPORATE FINANCIAL RESULTS ARE "FORWARD-LOOKING STATEMENTS" THAT INVOLVE RISKS AND UNCERTAINTIES. THE GOAL OF MID-TEENS THREE YEAR AVERAGE ANNUAL EARNINGS PER SHARE GROWTH REFERRED TO IN THIS RELEASE IS THAT STATED IN THE COMPANY'S CURRENT REPORT ON FORM 8-K, DATED APRIL 30, 1998. THE COMPANY'S CURRENT OPTIMISM IN ITS ABILITY TO ACHIEVE THAT GOAL IS BASED UPON, AND SUBJECT TO, THE FACTORS SET FORTH THEREIN AND BELOW, AS WELL AS THE ASSUMPTIONS THAT DEMAND FOR THE COMPANY'S COLLECTIBLE PRODUCTS CONTINUES AT OR EXCEEDING THE

LEVELS REPORTED YEAR-TO-DATE, AND THAT SUCH DEMAND, TOGETHER WITH THE COMPLETION OF AN EFFICIENT SYSTEMS IMPLEMENTATION, WILL ENCOURAGE DEALERS TO ORDER THE COMPANY'S NON-COLLECTIBLE MERCHANDISE AT LEVELS EQUAL TO OR GREATER THAN 1998.

THE COMPANY'S SALES EXPECTATIONS ARE BASED ON THE COMPANY'S CURRENT FORECAST OF DEALER ORDERS AND PLANNED SALES AT ITS RETAIL STORE IT OPENED IN MAY, 1999, AND IS FURTHER DEPENDENT ON THE TIMING AND EXTENT OF PROMOTIONAL AND MARKETING EFFORTS UNDERTAKEN BY THE COMPANY AS WELL AS THE TIMING AND EXTENT OF PRODUCT RECEIPTS AND SHIPMENTS, THE EFFICIENCY OF INFORMATION SYSTEMS DEVELOPED TO COLLECT, COMPILE AND EXECUTE CUSTOMER ORDERS, AND RETAILER AND CONSUMER DEMAND. DEALER ORDERS ARE PRINCIPALLY DEPENDENT ON THE AMOUNT, QUALITY AND MARKET ACCEPTANCE OF THE NEW PRODUCT INTRODUCTIONS AND RETAILER DEMAND. DEALER ORDER PATTERNS HAVE HISTORICALLY VARIED IN NUMBER, MIX AND TIMING, AND THERE CAN BE NO ASSURANCE THAT THE YEAR-TO-DATE ORDER TREND EXPERIENCE WILL CONTINUE. MOREOVER, THE COMPANY'S ORDER FORECASTING MODEL IS DEPENDENT ON ASSUMPTIONS CONCERNING RETAIL INVENTORY LEVELS, CONSUMER DEMAND, AND DEALER EXPECTATIONS WHICH ARE BASED ON STATISTICAL RESEARCH CONDUCTED FOR THE COMPANY THAT IS ASSUMED CORRECT AND REPRESENTATIVE OF MARKET CONDITIONS AS A WHOLE. THE COMPANY'S EXPECTATIONS REGARDING EARNINGS PER SHARE ARE BASED ON THE COMPANY'S SALES EXPECTATIONS AND ASSUMES IT WILL MAINTAIN ITS HISTORICAL OPERATING MARGIN. THE COMPANY'S OPERATING MARGIN MAY BE IMPACTED BY, AMONGST OTHER FACTORS, SHIFTS IN PRODUCT MIX, EXCHANGE RATE FLUCTUATIONS WITH COUNTRIES THE COMPANY IMPORTS FROM, CHANGES IN FREIGHT RATES AND CHANGES IN THE COMPANY'S HISTORICAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RATE.

IF NOT MENTIONED ABOVE, OTHER FACTORS, INCLUDING CONSUMER ACCEPTANCE OF NEW PRODUCTS; PRODUCT DEVELOPMENT EFFORTS; IDENTIFICATION AND RETENTION OF SCULPTING AND OTHER TALENT; COMPLETION OF THIRD PARTY PRODUCT MANUFACTURING; DEALER REORDERS AND ORDER CANCELLATIONS; CONTROL OF OPERATING EXPENSES; CORPORATE CASH FLOW APPLICATION, INCLUDING SHARE REPURCHASES; FUNCTIONALITY OF INFORMATION, OPERATING AND DISTRIBUTION SYSTEMS; IDENTIFICATION, COMPLETION AND RESULTS OF ACQUISITIONS, INVESTMENTS, AND OTHER STRATEGIC BUSINESS INITIATIVES; GRANTS OF STOCK OPTIONS OR OTHER EQUITY EQUIVALENTS; ACTUAL OR DEEMED EXERCISES OF STOCK OPTIONS; AND INDUSTRY, GENERAL ECONOMIC, REGULATORY, TRANSPORTATION, AND INTERNATIONAL TRADE AND MONETARY CONDITIONS, CAN SIGNIFICANTLY IMPACT THE COMPANY'S SALES, EARNINGS AND EARNINGS PER SHARE. ACTUAL RESULTS MAY VARY MATERIALLY FROM FORWARD-LOOKING STATEMENTS AND THE ASSUMPTIONS ON WHICH THEY ARE BASED. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR PUBLISH IN THE FUTURE ANY FORWARD-LOOKING STATEMENTS.
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Investor Contacts: Mark Kennedy/Tony Ishaug
Telephone: (612) 944-5600

DEPARTMENT 56 ANNOUNCES QUARTERLY RESULTS

July 27, 1999 - Eden Prairie, MN - Department 56 (NYSE: DFS) today reported increased orders and strong sales and earnings for the second quarter ended July 3, 1999.

Through the second quarter of 1999, customer orders increased three percent to $230 million compared to $224 million for the same period of 1998. Customer orders for Village Series products increased six percent through the second quarter of 1999 while customer orders entered for General Giftware products decreased four percent.

Earnings for the quarter reached a record level $18.7 million, or $1.04 per share assuming dilution, compared to $15.4 million or $0.80 in the prior year's second quarter. Revenues for the quarter were $82.7 million or 18% higher than the $69.9 million reported in the comparable quarter of 1998. The strength of the quarterly results was due in part to shipments originally scheduled for the first quarter not being shipped until the second quarter because of earlier difficulties faced in the implementation of the company's new enterprise-wide computer systems.

Earnings for the first half of the year were $22.1 million or $1.22 per share assuming dilution, compared to $24.6 million or $1.26 per share in the prior year. Revenues for the year's first half were $116.4 million compared to $118.9 million in the first half of 1998.

Sales for the year-to-date period ended July 27, 1999 were three percent higher than sales through the comparable period ended July 27, 1998.

In making the announcement, Susan Engel, Chairwoman and Chief Executive Officer, said "We are encouraged by the strong demand for our core Village product including our new Seasons Bay and Monopoly lines, the company's first new continuity gift lines in five years. Looking to the balance of the year, we expect full year 1999 sales and earnings per share to be higher than a year ago."

Ms. Engel also noted that as part of the company's share repurchase program, during the quarter, Department 56 purchased 617,000 shares of stock in the open market at an average price of $29 per share. Since the end of the quarter through July 27, the Company purchased an additional 301,000 shares of stock at an average price of $27 per share, bringing the total number of shares repurchased year-to-date to 1.0 million shares. The Company

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has remaining authorization from the Board of Directors to repurchase 2.6 million additional shares. As of July 3, 1999, the Company had 17.4 million shares outstanding.

Mark Kennedy, the company's Chief Financial Officer since April 1995, has recently formed a committee to run for the U.S. House of Representatives in Minnesota's 2nd Congressional District. He will continue to work for the company through the end of the year and will be available as a consultant next year. A search for a Chief Financial Officer is now underway to allow for a smooth transition.

Department 56, Inc. is a leading collectibles and giftware company known for its lighted Villages, Snowbabies-TM- figurines and extensive lines of holiday and home decorative products. Its products are sold primarily through gift, specialty and department store retailers in the United States, Canada and Europe. Department 56 seeks to expand its market presence through creative product development and marketing, as well as through acquisitions.

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INFORMATION SYSTEMS DEVELOPED TO COLLECT, COMPILE AND EXECUTE CUSTOMER ORDERS, AND RETAILER AND CONSUMER DEMAND. DEALER ORDERS ARE PRINCIPALLY DEPENDENT ON THE AMOUNT, QUALITY AND MARKET ACCEPTANCE OF THE NEW PRODUCT INTRODUCTIONS AND RETAILER DEMAND. DEALER ORDER PATTERNS HAVE HISTORICALLY VARIED IN NUMBER, MIX AND TIMING, AND THERE CAN BE NO ASSURANCE THAT THE YEAR-TO-DATE ORDER TREND EXPERIENCE WILL CONTINUE. MOREOVER, THE COMPANY'S ORDER FORECASTING MODEL IS DEPENDENT ON ASSUMPTIONS CONCERNING RETAIL INVENTORY LEVELS, CONSUMER DEMAND, AND DEALER EXPECTATIONS WHICH ARE BASED ON STATISTICAL RESEARCH CONDUCTED FOR THE COMPANY THAT IS ASSUMED CORRECT AND REPRESENTATIVE OF MARKET CONDITIONS AS A WHOLE. THE COMPANY'S EXPECTATIONS REGARDING EARNINGS AND EARNINGS PER SHARE ARE BASED ON THE COMPANY'S SALES EXPECTATIONS AND ASSUMES IT WILL MAINTAIN ITS HISTORICAL OPERATING MARGIN. THE COMPANY'S OPERATING MARGIN MAY BE IMPACTED BY, AMONGST OTHER FACTORS, SHIFTS IN PRODUCT MIX, EXCHANGE RATE FLUCTUATIONS WITH COUNTRIES THE COMPANY IMPORTS FROM, CHANGES IN FREIGHT RATES AND CHANGES IN THE COMPANY'S HISTORICAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSE RATE.

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Financial Tables follow

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DEPARTMENT 56, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
UNAUDITED

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ASSETS

	July 3, 1999	January 2, 1999
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CURRENT ASSETS		
Cash and cash equivalents	$ 3,515	$ 2,783
Accounts receivable, net	100,877	26,170
Inventories	26,035	18,287
Other current assets	13,565	10,661
Total current assets	143,992	57,901
PROPERTY AND EQUIPMENT, net	22,204	17,722

GOODWILL, TRADEMARKS AND OTHER, net
155,528 157,531
OTHER ASSETS
1,680 129

---- --------------
$
323,404 $ 233,283

============== ==============

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES
Revolving line of credit $
79,000 $ -
Accounts payable
10,950 11,100
Other current liabilities
26,226 17,525

---- -----------
Total current liabilities
116,176 28,625

DEFERRED TAXES
5,923 5,923
LONG-TERM DEBT
20,000 20,000
STOCKHOLDERS' EQUITY
181,305 178,735

---- -----------
$
323,404 $ 233,283

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DEPARTMENT 56, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
UNAUDITED

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Quarter Ended
26 Weeks 26 Weeks

Ended Ended
July 3, July 4,
July 3, July 4,
1999 1998
1999 1998
------------ -----------
------------ -----------
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NET SALES $ 82,721 $ 69,920
$ 116,369 $ 118,947
COST OF SALES 33,478 28,710
47,230 49,304
----------- -----------

Gross profit	49,243	41,210	69,139	69,643
Selling, general, and administrative expenses	16,463	13,605	28,951	25,234
Amortization of goodwill, trademarks and other	1,270	1,258	2,533	2,410
OPERATING INCOME	31,510	26,347	37,655	41,999
Interest expense	1,397	970	1,913	1,741
Other, net	(109)	(26)	126	(418)
INCOME BEFORE INCOME TAXES	30,222	25,403	35,616	40,676
INCOME TAXES	11,484	10,034	13,534	16,067
NET INCOME	$ 18,738	$ 15,369	$ 22,082	$ 24,609
NET INCOME PER SHARE	$ 1.06	$ .81	$ 1.24	$ 1.28
NET INCOME PER SHARE ASSUMING DILUTION	$ 1.04	$ .80	$ 1.22	$ 1.26
OPERATING CASH FLOW (1)	$ 33,745	$ 28,188	$ 41,745	$ 45,914
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	17,710	18,962	17,874	19,186
WEIGHTED AVERAGE SHARES OUTSTANDING - ASSUMING DILUTION	17,949	19,298	18,118	19,497

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(1) Earnings before interest, income taxes, depreciation and amortization expenses.

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