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 COMPANY DATA:
  COMPANY CONFORMED NAME: DEPARTMENT 56 INC
  CENTRAL INDEX KEY: 0000902270
  STANDARD INDUSTRIAL CLASSIFICATION: 3260
  IRS NUMBER: 133684956
  STATE OF INCORPORATION: DE
  FISCAL YEAR END: 1231

 FILING VALUES:
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  SEC ACT: 1934 Act
  SEC FILE NUMBER: 001-11908
  FILM NUMBER: 96597549

 BUSINESS ADDRESS:
  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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  STREET 2: 6436 CITY WEST PKWY
  CITY: EDEN PRAIRIE
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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: June 29, 1996

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 June 29, 1996, 21,549,987 shares of the registrant's common stock, par value $.01 per share, were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEPARTMENT 56, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(IN THOUSANDS)

ASSETS

	JUNE 29, 1996	DECEMBER 30, 1995
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,810	$ 7,805
Accounts receivable, net	107,161	34,271
Inventories	25,363	29,059
Other current assets	7,173	6,544
Total current assets	142,507	77,679
PROPERTY AND EQUIPMENT, net	12,119	12,445
GOODWILL AND TRADEMARKS, net	165,906	168,195

OTHER ASSETS	573	766
	$321,105	$259,085

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Revolving line of credit	$ 26,909	$ --
Current portion of long-term debt	20,000	20,000
Accounts payable	6,434	6,599
Other current liabilities	20,456	15,065
Total current liabilities	73,799	41,664
DEFERRED TAXES	7,453	7,135
LONG-TERM DEBT	60,000	60,000
STOCKHOLDERS' EQUITY	179,853	150,286
	$321,105	$259,085

See notes to condensed consolidated financial statements.

DEPARTMENT 56, INC. AND SUBSIDIARIES

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

	QUARTER ENDED JUNE 29, 1996	QUARTER ENDED JULY 1, 1995
NET SALES	$ 75,277	$ 74,755
COST OF SALES	30,958	32,327
Gross profit	44,319	42,428
OPERATING EXPENSES:		
Selling, general, and administrative	13,006	12,163
Amortization of goodwill and trademarks	1,144	1,144
Recovery of import duties	(36)	--
Total operating expenses	14,114	13,307
INCOME FROM OPERATIONS	30,205	29,121
OTHER EXPENSE (INCOME)		
Interest expense	1,489	2,466
Other, net	(71)	(93)
INCOME BEFORE INCOME TAXES	28,787	26,748
PROVISION FOR INCOME TAXES	11,515	10,833
NET INCOME	$ 17,272	$ 15,915

NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	$ 0.79	$ 0.73
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	21,744	21,722

See notes to condensed consolidated financial statements.

DEPARTMENT 56, INC. AND SUBSIDIARIES

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

	26 WEEKS ENDED JUNE 29, 1996	26 WEEKS ENDED JULY 1, 1995
NET SALES	$ 134,273	$ 127,802
COST OF SALES	56,151	55,722
Gross profit	78,122	72,080
OPERATING EXPENSES:		
Selling, general, and administrative	24,506	22,137
Amortization of goodwill and trademarks	2,288	2,288
Recovery of import duties	(235)	--
Total operating expenses	26,559	24,425
INCOME FROM OPERATIONS	51,563	47,655
OTHER EXPENSE (INCOME)		
Interest expense	2,846	4,483
Other, net	(332)	(234)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	49,049	43,406
PROVISION FOR INCOME TAXES	19,620	17,579
INCOME BEFORE EXTRAORDINARY ITEM	29,429	25,827
EXTRAORDINARY CHARGE DUE TO REFINANCING OF DEBT	--	1,312
NET INCOME	$ 29,429	$ 24,515
INCOME BEFORE EXTRAORDINARY ITEM PER COMMON AND COMMON EQUIVALENT SHARE	$ 1.35	$ 1.19
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	$ 1.35	$ 1.13

WEIGHTED AVERAGE COMMON AND COMMON

EQUIVALENT SHARES OUTSTANDING	21,756	21,712
	=========	=========

See notes to condensed consolidated financial statements.

<PAGE>

DEPARTMENT 56, INC. AND SUBSIDIARIES

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

	26 WEEKS ENDED JUNE 29, 1996	26 WEEKS ENDED JULY 1, 1995
CASH FLOWS FROM OPERATING ACTIVITIES-		
Net cash used in operating activities	$(31,538)	$ (34,516)
CASH FLOWS FROM INVESTING ACTIVITIES-		
Purchases of property and equipment	(479)	(748)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	113	550
Net borrowings under revolving credit facility	26,909	44,442
Proceeds from issuance of term loan	--	100,000
Principal payments on long-term debt	--	(108,000)
Net cash provided by financing activities	27,022	36,992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,995)	1,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,805	2,180
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,810	$ 3,908
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 2,399	$ 4,635
Income taxes	$ 15,865	$ 11,034

See notes to condensed consolidated financial statements.

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

(IN THOUSANDS)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheet as of December 30, 1995 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 June 29, 1996 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 1995 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. EXTRAORDINARY ITEM

In February 1995, the principal operating subsidiary of the Company, D 56, Inc., entered into a new credit agreement providing a $100,000 term loan and a $90,000 revolving line of credit. The Company used the proceeds of the term loan combined with $8,000 of the revolving line of credit to refinance its long-term debt. In connection therewith, the Company recorded an extraordinary charge of $1,312, net of a tax benefit of $893.

3. INCOME PER SHARE

Net income and income before extraordinary item per common and common equivalent share are based on the weighted average of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the Company's common stock issuable upon exercise of common stock options, determined using the treasury stock method.

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 JUNE 29, 1996 TO THE QUARTER ENDED JULY 1, 1995.

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	Quarter Ended June 29, 1996		Quarter Ended July 1, 1995	
	(Dollars in millions)			
	Dollars	% of Net Sales	Dollars	% of Net Sales
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Net sales	$75.3	100 %	$74.8	100 %

Gross profit	44.3	59	42.4	57
Selling, general, and administrative expenses	13.0	17	12.2	16
Amortization of goodwill and trademarks	1.1	2	1.1	2
Income from operations	30.2	40	29.1	39
Interest expense	1.5	2	2.5	3
Other income, net	(0.1)	-	(0.1)	-
Income before income taxes	28.8	38	26.7	36
Provision for income taxes	11.5	15	10.8	14
Net income	17.3	23	15.9	21

</TABLE>

Net Sales. Net sales increased $.5 million, or 1%, from $74.8 million in the second quarter of 1995 to $75.3 million in the second quarter of 1996. Sales of the Company's Village Series products increased $.2 million, or 0%, while sales of General Giftware products increased $.3 million, or 1%, 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.

Gross Profit. Gross profit increased $1.9 million, or 4%, between the second quarter of 1995 and the second quarter of 1996. The increase in gross profit was principally due to improved manufacturing efficiencies and lower volume discounts.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $.8 million, or 7%, between the second quarter of 1995 and the second quarter of 1996. The increase in expenses was due principally to higher sales, marketing and other expenses. Selling, general and administrative expenses as a percent of sales increased from 16% in the second quarter of 1995 to 17% in the second quarter of 1996.

Income from Operations. Income from operations increased $1.1 million, or 4%, between the second quarter of 1995 and the second quarter of 1996 due to the factors described above. Income from operations, which increased from 39% to 40% of net sales, was favorably affected by the increase in the gross profit percentage.

Interest Expense. Interest expense decreased $1.0 million, or 40%, between the second quarter of 1995 and the second quarter of 1996 principally due to the payment of $33 million of debt during 1995 and a decrease in interest rates.

Provision for Income Taxes. The effective tax rate was 40.5% during the second quarter of 1995 and 40.0% during the second quarter of 1996.

RESULTS OF OPERATIONS

COMPARISON OF RESULTS OF OPERATIONS FOR THE 26 WEEKS ENDED JUNE 29, 1996 TO THE 26 WEEKS ENDED JULY 1, 1995.

<TABLE>
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	26 Weeks Ended June 29, 1996		26 Weeks Ended July 1,1995	
	(Dollars in millions)			
	Dollars	% of Net Sales	Dollars	% of Net Sales
<S>	<C>	<C>	<C>	<C>
Net sales	$134.3	100 %	$127.8	100 %
Gross profit	78.1	58	72.1	56
Selling, general, and administrative expenses	24.5	18	22.1	17
Amortization of goodwill and trademarks	2.3	2	2.3	2
Recovery of import duties	(.2)	-	-	-
Income from operations	51.6	38	47.7	37
Interest expense	2.8	2	4.5	4
Other income, net	(0.3)	-	(0.2)	-
Income before income taxes and extraordinary item	49.0	37	43.4	34
Provision for income taxes	19.6	15	17.6	14
Income before extraordinary item	29.4	22	25.8	20
Extraordinary charge	-	-	1.3	1

Net income 29.4 22
24.5 19

</TABLE>

Net Sales. Net sales increased $6.5 million, or 5%, from $127.8 million in 1995 to $134.3 million in 1996. This increase was principally due to an increase in volume. Sales of the Company's Village Series products increased $1.6 million, or 2%, while sales of General Giftware products increased $4.9 million, or 13%, between the two periods. Village Series and General Giftware products represented 68% and 32%, respectively, of the Company's net sales in 1996.

Gross Profit. Gross profit increased $6.0 million, or 8%, between 1995 and 1996. The increase in gross profit was principally due to the increase in sales volume, improved manufacturing efficiencies, lower volume discounts and lower import duties from the implementation of GATT.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $2.4 million, or 11%, between 1995 and 1996. The increase in expenses was due principally to higher sales, marketing and other expenses. Selling, general and administrative expenses as a percent of sales increased from 17% in 1995 to 18% in 1996.

Income from Operations. Income from operations increased $3.9 million, or 8%, between 1995 and 1996 due to the factors described above. Income from operations, which increased from 37% to 38% of net sales, was favorably affected by the increase in the gross profit percentage.

Interest Expense. Interest expense decreased $1.6 million, or 37%, between 1995 and 1996 principally due to the payment of $33 million of debt during 1995 and a decrease in interest rates.

Provision for Income Taxes. The effective income tax rate was 40.5% and 40.0% during 1995 and 1996, respectively.

Extraordinary Charge. In February 1995, D 56, Inc. entered into a new credit agreement providing for a $100 million term loan and a $90 million revolving line of credit. The Company used the proceeds of the term loan combined with $8 million of the revolving line of credit to refinance its long-term debt. In connection therewith, the Company recorded an extraordinary charge of $1.3 million, net of a tax benefit of $0.9 million, or $0.06 per share.

LIQUIDITY AND CAPITAL RESOURCES

The principal sources of the Company's liquidity are its available cash balances, internally generated cash flow and a revolving credit agreement which provides letters of credit, bankers' acceptances and, if required, short-term seasonal borrowings. The Company believes that these sources of liquidity will be more than adequate to fund operations, capital expenditures and required principal payments on its term loan for the next 12 months.

The Company maintains a revolving credit agreement providing for borrowings of up to $90 million (subject to certain limitations) including letters of credit and bankers' acceptances. At June 29, 1996, the Company had $26.9 million of outstanding loans and acceptances and $3.2 million of outstanding letters of credit under its revolving line of credit. The available revolving line of credit commitment was $52.2 million.

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 working capital requirements in the second and third quarters which the Company has generally financed with net cash balances, internally generated cash flow and seasonal borrowings. The Company's net cash balances peak in December, following the collection of accounts receivable with extended payment terms.

Accounts receivable increased $11.4 million from $95.8 million at July 1, 1995 to $107.2 million at June 29, 1996 principally due to the increase in sales volume, a higher percentage of 1996 sales qualifying for extended terms and somewhat slower payment patterns on certain accounts.

FOREIGN EXCHANGE

The dollar value of the Company's assets abroad is not significant. 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 a substantial majority of its products from manufacturers located in the Pacific Rim, primarily Taiwan (Republic of China), The People's Republic of China and The Philippines. The Company's costs could be adversely affected if the New Taiwan Dollar (or the currencies of other countries in which the Company conducts business) appreciates significantly relative to the United States dollar. The Company, from time to time, will enter into foreign exchange contracts or build 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.

At June 29, 1996 the Company had $16.0 million of foreign exchange contracts outstanding to hedge 1996 Taiwan dollar denominated inventory purchases. These contracts mature from July 1996 through November 1996 at a rate of approximately 27.00 NT$/US$. The Company's purchases from manufacturers located in The People's Republic of China and The Philippines are denominated in United States dollars.

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.

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 growth 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)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
1994	$181	$27	$20	$9	$237
1995	210	30	27	9	276
1996	178	35	-	-	-

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

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 76% of its total annual customer orders during the first quarter of both 1995 and 1994. Cancellations were approximately 7% and 5% of total annual orders in 1995 and 1994, respectively.

The Company shipped and recorded as net sales approximately 91% and 92% of its annual customer orders in 1995 and 1994, respectively. Orders not shipped in a particular year, net of cancellations, returns, allowances and cash discounts, are carried into backlog for the following year and have historically been Easter orders. Domestic unfilled orders were $81 million as of June 29, 1996, as compared to $113 million as of July 1, 1995.

Through the second quarter of 1996, customer orders entered decreased 11% as compared to the same period for 1995. Customer orders entered for Village Series products and General Giftware products have decreased 14% and 6%, respectively, through the second quarter of 1996.

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 16, 1996 (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 the nominees were incumbent directors and their election at the Annual Meeting was uncontested. In addition, the Company's stockholders at the Annual Meeting 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 December 28, 1996 as follows: 19,082,061 voting for ratification; 18,744 voting against; 22,373 abstentions; 2,425,709 not voting.

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

(a) 11.1 Computation of net income and income before extraordinary item per share.

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: July 23, 1996

/s/Susan Engel
Susan Engel
President and Chief Operating Officer

Date: July 23, 1996

/s/Timothy J. Schugel
Timothy J. Schugel
Vice President - Finance and Principal

Accounting Officer

EXHIBIT INDEX

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Exhibit 11.1

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

	Quarter Ended June 29, 1996	Quarter Ended July 1, 1995
PRIMARY:		
Net Income	$17,272	$15,915
Weighted average number of common shares outstanding	21,547	21,509
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	197	213
Weighted average number of common and common equivalent shares	21,744	21,722
Net Income per Common and Common Equivalent Share	$ 0.79	$ 0.73
FULLY DILUTED:		
Net Income	$17,272	$15,915
Weighted average number of common shares outstanding	21,547	21,509
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 greater of average market price during the period or period- end market price	197	213
Weighted average number of common and common equivalent shares	21,744	21,722
Fully Diluted Net Income per Common and Common Equivalent Share	$ 0.79	$ 0.73

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

	26 Weeks Ended June 29, 1996	26 Weeks Ended July 1, 1995
PRIMARY:		
Income Before Extraordinary Item	$29,429	$25,827
Net Income	$29,429	$24,515
Weighted average number of common shares outstanding	21,549	21,496
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	207	216
Weighted average number of common and common equivalent shares	21,756	21,712
Income Before Extraordinary Item per Common and Common Equivalent Share	$ 1.35	$ 1.19
Net Income per Common and Common Equivalent Share	$ 1.35	$ 1.13
FULLY DILUTED:		
Income Before Extraordinary Item	$29,429	$25,827
Net Income	$29,429	$24,515
Weighted average number of common shares outstanding	21,549	21,496
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 greater of average market price during the period or period-end market price	207	217
	-------	-------
Weighted average number of common and common equivalent shares	21,756	21,713
	=======	=======
Fully Diluted Income Before Extraordinary Item per Common and Common Equivalent Share	$ 1.35	$ 1.19
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Fully Diluted Net Income per Common and Common Equivalent Share	$ 1.35	$ 1.13
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