

Sotheby's Annual Shareholder Meeting Speech

May 6, 2008 11AM EDT

Michael Sovern:

It is a great pleasure to meet with you today to discuss Sotheby's operating results for 2007. Following our outstanding performance in 2006, our challenge was to surpass that achievement. By every measure we succeeded would that our stock price took full account of the fact that 2007 was a record year for our great Company. We realized a return on equity of 47%, fueled by the highest revenues in Company history - \$918 million - and the highest operating income in Company history - \$276 million.

Join me in enjoying these additional accomplishments:

- We sold Mark Rothko's *White Center (Yellow, Pink and Lavender on Rose)* for \$72.8 million, the top price for a work anywhere at auction in 2007 and the highest auction price ever for a Contemporary work of art.
- We sold 41 lots for over \$10 million, compared to 20 such lots in 2006 and 18 lots for over \$20 million, compared to 6 the previous year.
- Almost all collecting categories grew in 2007. Most notable was Contemporary Art, which became our largest category for the first time, with \$1.34 billion in auction sales, a 107% increase from the prior year. Our November sale of Contemporary Art in New York totaled \$316 million, a sum we had never before achieved in any auction.
- The sales in every region in which we operate – North America, the United Kingdom, Continental Europe and Asia – were up over 40%, as we continued to focus on our relationships with our key global clients.
 - Our new offices in Moscow and Beijing, an increased presence in the Middle East, and bigger and better auctions in Paris and Hong Kong allowed us to be more responsive to our clients' needs.
 - Today we are in 90 offices in 40 countries around the world, with our primary sales in New York and London, and with Hong Kong and now Paris becoming increasingly important global centers for our business.

- The outstanding results of the past year enabled us to announce a 50% increase of our quarterly dividend to \$0.15. We did this only a year after we resumed the payment of dividends, ending a six-year hiatus.

These significant accomplishments would not have been possible without the exceptional efforts of our employees, a group I earnestly believe to be without equal in the auction world. We are deeply grateful to all of them. Our thanks also go to our management team and to our Board of Directors whose wise counsel and steadfast support have been indispensable.

Finally, I welcome the opportunity to thank Bill Ruprecht publicly. His outstanding leadership and selfless commitment to the people of this great firm are deeply appreciated. This leads quite naturally to my yielding the floor to him.

Bill Ruprecht:

2007 was an outstanding year for Sotheby's. My appreciation to all those many people from Sotheby's, whose passionate enthusiasm for our clients and for the arts have helped us over the last year. I welcome the new shareholders of Sotheby's who have joined us in the past year. Our shareholder base has never been so diverse and that is a very good development.

Auction - 2008

Looking to the current year, auction sales to date in 2008 have gotten off to a very good start - our sales levels are consistent with and even above the prior year. In New York, our Old Masters Paintings sale performed well, with a total of \$82 million and our Russian Paintings and Works of Art sale brought \$47 million.

Our February London Impressionist and Contemporary sales brought remarkable results. Both realized the highest total ever for Sotheby's in Europe in their respective categories, totaling \$517 million or 44% over the prior year's then record sales.

Our spring series of sales last month in Hong Kong achieved record results with a week total of \$227 million, a 62% increase from the prior year's then record sales. Many records were

shattered including the record for a Chinese work of art at auction. All this against the backdrop of global financial uncertainty, with banking institutions rattled to their core, and what is now clearly an economic slowdown in the United States.

Looking ahead here in New York, there are a number of notable auctions on the calendar. Tomorrow, we begin our Impressionist and Modern Art sales which are estimated to bring between \$248 and \$341 million. The evening sale will likely be one of our top sales ever. I note there that it will not be the biggest sale in our history, and that is by design. In an environment of very uncertain economic times we have focused most keenly on managing our risks, and limiting our exposures to guarantees, by taking on fewer deals where we exposed our Balance sheet to material losses. Sales to date continue to be strong in their reflection of the steady demand for great works of art against a turbulent backdrop. Our mindset as managers and stewards for a company that is over two hundred and sixty years old is that we want to be relevant and vital in 2008 and in another two hundred years as an organization, and we manage not week to week, but based on the best interests of the future organization.

Next week is our series of Contemporary Art sales which is estimated between \$376 and \$479 million in total. The highlight of the sale is Francis Bacon's *Triptych, 1976* which is estimated for in the region of \$70 million. Other notable works are by Mark Rothko, Robert Rauschenberg and Andy Warhol. Also this month is our American Paintings sale which is estimated between \$53 and \$77 million in total. Our presale estimates for May worldwide are 9% higher against last year. I will say again here that against a revaluation of world equity indices by as much as 50%, and indeed a reappraisal of our own equity valuation, Sotheby's continues to deliver outstanding sales, credible results, and reflect very strong collector interest not at all correlated to these other indices. The broad long term story, of global wealth creation continues unabated, and the economic elite continue to drive our business, many of them somewhat insulated from the sub prime credit crunch we read and hear about all day long.

Closing:

The building we stand in is returning to Sotheby's ownership as we announced earlier this year. Through our emphasis on building our team and delivering value to our clients, we have delivered in 2007 our most profitable results ever. The art market is strong and we are hopeful that it will continue so. Our focus and commitment to profitability remain as steadfast as ever, as does our determination to continue to deliver value to you, our shareholders. We extend our thanks and appreciation to you, to our management and to our Board of Directors for your continuing support.