

## **SOTHEBY'S HOLDINGS, INC. ANNOUNCES 1997 RESULTS**

**-- Full Year Net Income Increased 17% in 1997, to \$48.0 Million Excluding Non-Recurring Charges --**

**--- 1997 Total Revenues Increased 13%, to \$381.8 Million --**

**-- 1997 Pre-Tax Income was \$76.2 Million Excluding Non-Recurring Charges --**

February 11, 1998, New York -- Sotheby's Holdings, Inc. (NYSE: BID; LSE), the parent company of Sotheby's worldwide auction, art-related financing and real estate activities, today announced results for the full year and fourth quarter ended December 31, 1997. Excluding non-recurring charges, full year 1997 net income totaled \$48.0 million compared to \$40.9 million in 1996, an increase of 17%. Diluted earnings per share, excluding non-recurring charges, for the full year increased 16%, to \$0.85, compared to \$0.73 in 1996. Including non-recurring charges, full year 1997 net income totaled \$40.6 million and diluted earnings per share was \$0.72.

For the fourth quarter ended December 31, 1997, net income, excluding non-recurring charges, totaled \$31.1 million compared to \$30.1 million in 1996. Excluding non-recurring charges, fourth quarter diluted earnings per share improved to \$0.55 per share compared to \$0.53 per share in 1996. Including non-recurring charges, net income in the fourth quarter of 1997 was \$29.4 million and diluted earnings per share was \$0.52.

"We are pleased to report that in 1997, excluding non-recurring charges, Sotheby's continued a five year growth trend in revenues and earnings," said Diana D. Brooks, President and Chief Executive Officer of Sotheby's Holdings, Inc. "Sotheby's has realized this growth not only through increased auction sales, but also through diversification and expansion of our other businesses such as real estate, financial services and private treaty sales. Our full year net income of \$48.0 million, excluding non-recurring charges, is the highest achieved by the Company since 1990 and was the result of a 13% increase in 1997 revenues which totaled \$381.8 million.

FIRST QUARTER 1998 "The month of January continued the momentum of the fall auction season which saw record breaking American paintings and Old Master paintings sales in December," said Ms. Brooks. "January auction sales increased 30% over 1997, totaling \$108.1 million. Our Old Master paintings sale in New York broke the record set in December by Sotheby's London, realizing a remarkable \$53.2 million, with 12 paintings selling for more than \$1.0 million. Our record New York Old Master drawings sale was highlighted by a Michelangelo drawing, "Christ and the Woman of Samaria," which sold for \$7.5 million, the highest price ever paid for a Michelangelo drawing at auction. Also in New York, our series of Americana sales, featuring Highly Important Americana from the Collection of Stanley Paul Sax, achieved a record total of \$25.8 million, up 50% over 1997, and confirmed the great market strength of this collecting category.

"Continuing Sotheby's tradition as the world leader in high-profile sales, we are privileged to exhibit and offer the historic Collection of H.R.H. the Duke and Duchess of Windsor. The auction, which was postponed last September following the tragic deaths of Diana Princess of Wales and Mr. Dodi Fayed, the eldest son of Mr. Mohamed Al Fayed, owner of the contents of the Paris home of the Duke and Duchess of Windsor, will be conducted over nine days from February 19th to the 27th. Proceeds from the auction, which has an estimate of \$5 to \$7 million, will now benefit the Dodi Fayed International Charitable Foundation, whose principal purpose will be to provide funds for causes supported by Princess Diana and Dodi Fayed during their lifetimes. The nine day public exhibition, which opened yesterday, recreates the Windsor's Paris home in a memorable and elegant setting encompassing Sotheby's exhibition galleries and imaginatively displays the almost 40,000 possessions of the Royal Couple who exemplified taste and fashion.

"In January we moved to our new Paris premises, the historic Galerie Charpentier on the prestigious rue de Faubourg Saint-Honoré, across from the Elysée Palace. The opportunities in the French market are excellent and we have already secured important consignments, including the sale of the contents of Le Château de Groussay, home of the late Charles de Beistegui, which has a low estimate of \$30 million. This new building will enable us to conduct exhibitions and auctions and we remain hopeful that the French government will approve legislation opening the market to non-French auctioneers by the second half of 1998." FINANCIAL REVIEW Total Revenues

Total revenues in 1997 were \$381.8 million compared to \$336.5 million in 1996, an increase of 13%. Auction and Related Revenues Revenues from auction and related activities increased 12% to \$336.6 million in 1997, compared

to \$300.5 million in 1996, and were 88% of total revenues. The increase in auction and related revenues resulted from growth in auction sales and an increase in commissions from private treaty sales.

Auction sales totaled \$1.84 billion for the full year 1997, an increase of 15% compared to \$1.60 billion in 1996. The increase in auction sales was the result of broad-based growth in virtually every category. Sales of Fine Arts increased 25% this year, led by a record performance in Old Master paintings (\$157.1 million), the highest total for Impressionist and Modern art since 1990 (\$389.4 million) and increasing strength in Contemporary art (\$99.8 million). The solid performance in decorative arts was led by strong sales of Asian Works of Art and Americana in New York. Geographically, auction sales in Asia increased by 26%, sales in North America increased by 19% and sales in the United Kingdom increased by 18%.

Auction sales for the fourth quarter of 1997 totaled \$847.7 million, an increase of \$182.7 million, or 27%, compared to the prior year. The increase in fourth quarter sales was largely due to the series of New York Impressionist and Modern art sales, as well as record sales of American paintings in New York and Old Master paintings in London.

**Other Revenues** Other revenues (which consist primarily of revenues from art-related financing and real estate activities) increased 26% in 1997 to \$45.2 million, compared to \$36.0 million in 1996. The growth in other revenue was due to increases in real estate and financial services revenues. Other revenues were 12% of total revenues in 1997. At December 31, the Sotheby's Financial Services loan portfolio totaled \$276 million, an increase of 80% compared to 1996.

**Expenses** Direct costs of services in 1997 totaled \$70.4 million, an increase of 12% compared to 1996. The growth in direct costs reflects the higher level of auction sales in 1997 and increased marketing expenditures. Excluding non-recurring charges, all other expenses (which consist of salaries and related costs, general and administrative and depreciation and amortization) increased 13% to \$232.0 million in 1997, compared to \$205.2 in 1996. The increase in all other expenses is largely due to an increase in salaries and related expenses as a result of new initiatives and, to a lesser extent, higher general and administrative costs related to our expansion.

**Interest Income/Expense** The Company's interest income totaled \$3.0 million in 1997 compared to \$4.3 million in 1996, reflecting lower cash balances largely due to the Sotheby's Financial Services loan portfolio. Interest expense increased by \$2.4 million to \$6.0 million in 1997 mostly as a result of additional overnight and commercial paper borrowings to fund the higher average Sotheby's Financial Services loan portfolio.

**Pre-Tax and Net Income Excluding Non-Recurring Charges** Excluding non-recurring charges, income before taxes increased \$7.9 million to \$76.2 million in 1997 compared to 1996. The Company's 1997 effective tax rate declined to 37% compared to 40% in 1996. Net income, excluding non-recurring charges, increased 17% to \$48.0 million, or \$0.85 per share, compared to \$40.9 million, or \$0.73 per share in 1996.

**Net Income Including Non-Recurring Charges** Including non-recurring charges of \$11.7 million before taxes, the Company recorded 1997 net income of \$40.6 million, or \$0.72 per share. The non-recurring charges consist of costs associated with the Board of Director's Independent Review Committee, which concluded in December 1997, into Company policies and practices relating to the conduct of our auctions and compliance with import/export laws and regulations.

The impact of exchange rate movements on revenues and expenses for 1997 was not material.

Sotheby's has 110 offices located in 46 countries, with principal salesrooms located in New York and London. The Company also regularly conducts auctions in 18 other salesrooms around the world, including Australia, Canada, Germany, Hong Kong, Israel, Italy, Monaco, the Netherlands, Spain, Switzerland, and Taiwan. In addition, the Company engages in art-related financing and other art-related services as well as in the marketing and brokering of luxury real estate. Sotheby's Holdings, Inc. is listed on the New York Stock Exchange and the London Stock Exchange.

### Financial Tables Follow

**Consolidated Statements of Income**  
**Sotheby's Holdings, Inc. and Subsidiaries**

**For the Three Months**  
**Ended December 31,**

**1997**                      **1996**

*(Thousands of dollars, except per share data)*

**Revenues:**

Auction and related	<b>\$136,752</b>	\$120,591
Other	<b>8,642</b>	12,292
<b>Total revenues</b>	<b>145,394</b>	132,883

**Expenses:**

Direct costs of services	<b>(29,099)</b>	(22,941)
Salaries and related costs	<b>(39,548)</b>	(33,813)
General and administrative	<b>(23,324)</b>	(23,348)
Depreciation and amortization	<b>(2,642)</b>	(2,554)
Non-recurring charges	<b>(2,700)</b>	-
<b>Total expenses</b>	<b>(97,313)</b>	(82,656)

Operating income	<b>48,081</b>	50,227
Interest income	<b>989</b>	1,139
Interest expense	<b>(2,339)</b>	(936)
Other expense	<b>(107)</b>	(282)
Income before taxes	<b>46,624</b>	50,148
Income tax expense	<b>(17,251)</b>	(20,060)
<b>Net Income</b>	<b>\$29,373</b>	\$30,088
<b>Basic Earnings Per Share</b>	<b>\$0.52</b>	\$0.54
<b>Diluted Earnings Per Share</b>	<b>\$0.52</b>	\$0.53
<b>Basic Weighted Average Shares Outstanding (in millions)</b>	<b>56.0</b>	55.7
<b>Diluted Weighted Average Shares Outstanding (in millions)</b>	<b>57.0</b>	57.1