FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

SOTHEBYS HOLDINGS INC	Mailing Address	Business Address
CIK:**823094**| IRS No.: **382478409** | State of Incorp.:**MI** | Fiscal Year End: **1231** Type: **10-K** | Act: **34** | File No.: **001-09750** | Film No.: **99573886** SIC: **7389** Business services, nec	*500 NORTH WOODWARD AVENUE* *SUITE 100* *BLOOMFIELD HILLS MI 48304*	*500 N WOODWARD AVE STE 100* *BLOOMFIELD HILLS MI 48304* *2486462400*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998.

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO , AND

COMMISSION FILE NUMBER 1-9750.

SOTHEBY'S HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

MICHIGAN (State or other jurisdiction of incorporation or organization)	38-2478409 (I.R.S. Employer Identification No.)
500 NORTH WOODWARD AVENUE, SUITE 100 BLOOMFIELD HILLS, MICHIGAN (Address of principal executive office)	48304 (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (248) 646-2400
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Class A Limited Voting Common Stock, $0.10 Par Value	New York Stock Exchange London Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 periods 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 10, 1999, the aggregate market value of the 40,307,339 shares of Class A Limited Voting Common Stock held by non-affiliates of the registrant was $1,156,316,787 based upon the closing price ($28.6875) on the New York Stock Exchange composite tape on such date. (For this computation, the registrant has excluded the market value of all shares of its Class A Limited Voting Common Stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.) As of March 10, 1999, there were outstanding 40,358,128 shares of Class A Limited Voting Common Stock (the "Class A Common Stock") and 16,995,299 shares of Class B Common Stock (the "Class B Common Stock"), freely convertible into 16,995,299 shares of Class A Common Stock. There is no public market for the registrant's Class B Common Stock, which is held by affiliates and non-affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual shareholders report for the year ended December 31, 1998 (the "Annual Report") are incorporated by reference into Parts I and II, and portions of the 1999 proxy statement for the annual meeting of shareholders are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

GENERAL

Sotheby's Holdings, Inc. (together with its subsidiaries, unless the context otherwise requires, the "Company") is one of the world's two largest auctioneers of fine arts, antiques and collectibles, offering property in over 80 collecting categories, among them paintings, jewelry, decorative arts, and books. The worldwide auction segment of the Company's business is conducted through a division known as "Sotheby's". In addition to auctioneering, the auction segment is engaged in a number of related activities, including the purchase and resale of art and other collectibles and the brokering of art and collectible purchases and sales through private treaty sales. In certain circumstances the Company provides loans to finance the purchase of property, which is pledged as collateral for the loans, and shares in the gain (loss) if the property sells either above or below its investment. The Company also markets and brokers luxury residential real estate through its real estate segment, conducts art-related financing activities through its finance segment and is engaged in art education and restoration activities.

The Company believes it is one of the world's leaders in art-related financing activities. The Company lends money generally secured by consigned art in order to facilitate clients' bringing property to auction and also makes loans to collectors, dealers, and museums secured by collections not presently intended for sale.

The Company, through its subsidiary, Sotheby's International Realty, Inc. ("SIR"), is engaged in the marketing and brokering of luxury residential real estate.

The Company was incorporated in Michigan in August 1983. In October 1983, the Company acquired Sotheby Parke Bernet Group Limited, which was then a publicly held company listed on the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") and which, through its predecessors, had been engaged in the auction business since 1744. In 1988, the Company issued shares of Class A Common Stock to the public. The Class A Common Stock is listed on the New York Stock Exchange (the "NYSE") and the London Stock Exchange.

THE AUCTION SEGMENT

The purchase and sale of works of art in the international art market are effected through numerous dealers, the two major auction houses, the smaller auction houses and also directly between collectors. Although dealers and smaller auction houses generally do not report sales figures publicly, the Company believes that dealers account for the majority of the volume of transactions in the international art market.

The Company and Christie's, a privately held auction house based in the United Kingdom, are the two largest art auction houses in the world. The Company conducted aggregate auction sales in 1998 of $1.940 billion (approximately L1.176 billion). Christie's aggregate auction sales in 1998 were approximately $1.965 billion (L1.183 billion reported). The auction sales of the next largest art auction house, Phillips International Auctioneers and Valuers, were approximately $200.6 million (L121.6 million reported) for the year ended December 31, 1998.

The Company auctions a wide variety of property, including fine arts, jewelry, decorative arts, and rare books. In 1998, the Company's auction sales by type of property were as follows: fine arts accounted for approximately $1,031.7 million, or 53%, of auction sales; decorative arts accounted for approximately $551.1 million, or 28%, of auction sales; and jewelry, rare books and other property accounted for approximately $356.9 million, or 19%, of auction sales.

Most of the objects auctioned by the Company are unique items, and their value, therefore, can only be estimated prior to sale. The Company's principal role as an auctioneer is to identify, evaluate, and

appraise works of art through its international staff of specialists; to stimulate purchaser interest through professional marketing techniques; and to match sellers and buyers through the auction process.

In its role as auctioneer, the Company generally functions as an agent accepting property on consignment from its selling clients. The Company sells property as agent of the consignor, billing the buyer for property purchased, receiving payment from the buyer and remitting to the consignor the consignor's portion of the buyer's payment after deducting the Company's commission, expenses, and applicable taxes. From time to time, the Company releases property sold at auction to buyers before the Company receives payment. In such event, the Company must pay the seller the net sale proceeds for the released property at the time payment is due to the consignor, even if the Company has not received payment from the buyer.

On certain occasions, the Company will guarantee to the consignor a minimum price in connection with the sale of property at auction. The Company must perform under its guarantee only in the event that the property sells for less than the minimum price or the property does not sell and therefore, the Company must pay the difference between the sale price at auction and the amount of the guarantee. See Note N to the Consolidated Financial Statements in the Annual Report. Under certain guarantees, the Company participates in a share of the proceeds if the property under guarantee sells above an agreed minimum price. In addition, the Company is obligated under the terms of certain guarantees to fund a portion of the guarantee prior to the auction.

All buyers pay a premium (known as the buyer's premium) to the Company on auction purchases. The buyer's premium in North America is 15% of the hammer (sale) price on items sold for $50,000 or less and if the property is sold for more than $50,000, 15% of the first $50,000 and 10% on the remainder of the purchase price. Generally, similar premium structures apply throughout most of the remainder of Sotheby's auction operations elsewhere in the world. The Company also charges consignors a selling commission. In most jurisdictions in which the Company operates, the Company has instituted a commission fee schedule which applies to sales above $100,000 in most collecting categories. For sales under $100,000, commissions are charged on a per lot basis according to a fixed schedule. For sales over $100,000, a seller will pay a commission equal to the lesser of (a) the rate applicable based on the total amount of property sold in a particular consignment; (b) the rate based upon the total amount of property sold by the seller through the Company and its subsidiaries during the previous calendar year; or (c) the rate based upon the total amount of property sold to date by the seller through the Company and its subsidiaries during the current calendar year. The applicable rate paid by a seller varies, with different rate schedules for private parties, art dealers, and museums.

In addition to auctioneering, the auction segment is engaged in a number of related activities, including the brokering of art and collectible purchases and sales through private treaty sales and the purchase and resale of art and other collectibles. For example, the Company acts as a principal through its investment in Acquavella Modern Art (the "Partnership" or "AMA"), a partnership consisting of a wholly-owned subsidiary of the Company and Acquavella Contemporary Art, Inc. The Company accounts for its investment in AMA under the equity method of accounting in the Consolidated Financial Statements in the Annual Report. The assets of the Partnership consist principally of art inventory. The Company reflects its 50% interest in the net assets of the Partnership in Investments in the Consolidated Balance Sheets in the Annual Report. This investment totalled $34.3 million and $35.2 million at December 31, 1998 and 1997, respectively. Since the Company has received the return of its initial investment, cash distributions are made on a 50-50 basis. To the extent that the Partnership requires working capital, the Company has agreed to lend the same to the Partnership. Any amounts loaned to the Partnership by the

Company would bear interest, compounded monthly, at the prime rate, plus 1%. As of December 31, 1998, no such amounts were outstanding. See Note F to the Consolidated Financial Statements in the Annual Report.

In October 1998, the Company acquired Davis & Co., a wine auctioneer based in Chicago, Illinois, in order to expand its Midwest and Western operations.

The Company's auction business is seasonal, with peak revenues and operating income occurring in the second and fourth quarters of each year as a result of the traditional spring and fall art auction seasons. See "Management's Discussion and Analysis of Results of Operations and Financial Condition-Seasonality" in the Annual Report.

THE AUCTION MARKET AND COMPETITION

Competition in the international art market is intense. A fundamental challenge facing any auctioneer or dealer is to obtain high quality and valuable property for sale. The Company's primary auction competitor is Christie's.

The owner of a work of art wishing to sell it has three options: sale or consignment to, or private brokerage by, an art dealer; consignment to, or private sale by, an auction house; or private sale to a collector or museum without the use of an intermediary. The more valuable the property, the more likely it is that the owner will consider more than one option and will solicit proposals from more than one potential purchaser or agent, particularly if the seller is a fiduciary representing an estate or trust.

A complex array of factors may influence the seller's decision. These factors include: the level of expertise of the dealer or auction house with respect to the property; the extent of the prior relationship, if any, between the seller and the firm; the reputation and historic level of achievement by a firm in attaining high sale prices in the property's specialized category; the breadth of staff expertise; the desire for privacy on the part of sellers and buyers; the amount of cash offered by a dealer or other purchaser to purchase the property outright compared with the estimates given by auction houses; the time that will elapse before the seller will receive sale proceeds; the desirability of a public auction in order to achieve the maximum possible price (a particular concern for fiduciary sellers); the amount of commission proposed by dealers or auction houses to sell a work on consignment; the cost, style and extent of presale marketing and promotion to be undertaken by a firm; recommendations by third parties consulted by the seller; personal interaction between the seller and the firm's staff; and the availability and extent of related services, such as a tax or insurance appraisal and short-term financing. The Company's ability to obtain high quality and valuable property for sale depends, in part, on the relationships that certain employees of the Company, particularly its senior art specialists or management, have established with potential sellers.

It is not possible to measure the entire international art market or to reach any conclusions regarding overall competition because dealers and smaller auction firms frequently do not publicly report annual sales totals.

AUCTION REGULATION

Regulation of the auction business varies from jurisdiction to jurisdiction. In many jurisdictions, the Company is subject to laws and regulations that are not directed solely toward the auction business, including, but not limited to, import and export regulations and value added sales taxes. Such regulations do not impose a material impediment to the worldwide business of the Company but do affect the market generally, and a material adverse change in such regulations could affect the business. In addition, the failure to comply with such local laws and regulations could subject the Company to civil and/or criminal penalties in such jurisdictions.

THE INTERNET INITIATIVE

On January 19, 1999, the Company announced its intention to launch SOTHEBYS.COM, a new Internet auction business for art, antiques, jewelry and collectibles. The Company's Internet auction business will be distinguished by the fact that it will not only provide property for SOTHEBYS.COM from its existing business but also from selected professionals, including art dealers and other members of the art community. This will make SOTHEBYS.COM a site where only acknowledged experts will be offering property for sale. The Company believes that as image technology develops and as e-commerce becomes an increasingly

important part of people's lives, the volume and the value of art, antiques, jewelry and collectibles offered by SOTHEBYS.COM will increase. The Company expects to invest up to and perhaps in excess of $25 million in the initial development phase of the new venture, including personnel, marketing and capital costs. A majority of this amount will be incurred in 1999.

The Company's success in developing and implementing its Internet strategy is dependent upon the following factors: 1) competition in the Internet auction business; 2) the level of use of the Internet and online services; 3) consumer confidence in and acceptance of the Internet and other online services for commerce; 4) consumer confidence in Internet security; 5) the Company's ability to attract and maintain an active customer base; 6) the functionality of the Company's computer and communication systems; 7) the Company's ability to upgrade and develop its systems and infrastructure to accommodate growth and 8) the success of the Company in attracting and retaining qualified personnel.

The market for auctioning items over the Internet is relatively new and rapidly evolving. There are numerous companies that provide online person to person auction services such as eBay Inc. and Yahoo! Inc. Christie's, the Company's principal auction competitor, has also announced that it intends to commence Internet auction sales in 1999.

With respect to all statements made herein regarding the Company's Internet initiative, see statement on Forward Looking Statements, incorporated by reference from the Annual Report in Item 7 below.

THE FINANCE SEGMENT

The Company provides financing generally secured by works of art and other personal property owned by its clients. The Company's financing activities are conducted through its wholly-owned direct and indirect subsidiaries.

The Company generally makes two types of secured loans: (1) advances secured by consigned property to borrowers who are contractually committed, in the near term, to sell the property at auction or privately (a "consignor advance"); and (2) general purpose loans to collectors, museums or dealers secured by property not presently intended for sale. The consignor advance allows a consignor to receive funds shortly after consignment for an auction that will occur several weeks or months in the future, while preserving for the benefit of the consignor the potential of the auction process. The general purpose secured loans allow the Company to establish or enhance a mutually beneficial relationship with dealers and collectors. The loans are generally made with full recourse to the borrower. In certain instances, however, loans are made with recourse limited to the works of art pledged as security for the loan. To the extent that the Company is looking wholly or partially to the collateral for repayment of its loans, repayment can be adversely impacted by a decline in the art market in general or in the value of the particular collateral. In addition, in situations where the borrower becomes subject to bankruptcy or insolvency laws, the Company's ability to realize on its collateral may be limited or delayed by the application of such laws. The majority of the Company's loans are variable interest rate loans. At December 31, 1998, $138.5 million of the total $155.6 million loan portfolio was due within one year.

The Company regularly reviews its loan portfolio. Each loan is analyzed based on the current estimated realizable value of collateral securing the loan. For financial statement purposes, the Company establishes reserves for certain loans that the Company believes are under-collateralized and with respect to which the under-collateralized amount may not be collectible from the borrower. Reserves are established for probable losses inherent in the remainder of the loan portfolio based on historical data and current market conditions. See Notes B and D to the Consolidated Financial Statements in the Annual Report.

The Company funds its financing activities through internally generated funds, through the issuance of commercial paper and through its bank credit lines. See "Management's Discussion and Analysis of

Results of Operations and Financial Condition-Liquidity and Capital Resources" and Note H to the Consolidated Financial Statements in the Annual Report.

THE FINANCE MARKET AND COMPETITION

A considerable number of traditional lending sources offer conventional loans at a lower cost to borrowers than the average cost of those offered by the Company. However, the Company believes that only Christie's and a few other lenders are as willing to accept works of art as sole collateral. The Company believes that its financing alternatives are attractive to clients who wish to obtain liquidity from their art assets.

THE REAL ESTATE SEGMENT

SIR was founded in 1976 as a wholly-owned subsidiary of the Company. A natural extension of the Company's auction services, SIR's early mission was to assist fine arts, furniture and collectibles clients in buying and selling distinctive properties. Since that time SIR has evolved into a worldwide organization serving an international customer base. Today, SIR provides brokerage, marketing and consulting services for luxury residential, resort, farm and ranch properties nationally and internationally.

SIR offers real estate clients a global network of brokerage operations, including 15 company-owned brokerage offices and six regional offices.

The company-owned brokerage offices of SIR are located on the upper East Side and SoHo in Manhattan; Southampton, Bridgehampton and East Hampton, N.Y.; Palm Beach, Fla; Beverly Hills, Brentwood, Santa Barbara and San Francisco, CA.; Greenwich, Conn.; Santa Fe, N.M.; Sydney, Australia; London, England and, most recently, Jackson Hole, Wyoming. The Santa Fe office, formed from the acquisition of a local affiliate, and the SoHo, Santa Barbara and London offices were established in 1998. The Jackson Hole office was established in January 1999 through the acquisition of one of SIR's local affiliates.

SIR's six regional offices, located in Manhattan; Palm Beach, Fla.; Newport Beach, CA.; Boston, MA.; London; and Paris, France, manage the Company's affiliation with more than 175 independent brokerage offices in the U.S., Europe, Canada and the Caribbean. In selecting its affiliates, SIR evaluates a firm's expertise in the high-end segment of its local market, community reputation and dedication to customer service. Each affiliate is the exclusive SIR representative in its respective territory. To complement its brokerage and affiliate operations, SIR employs a buyers' representative in Hong Kong.

Through the SIR global network, company-owned and affiliate offices offer buyers access to distinctive properties, in a range of prices, in both domestic and international luxury real estate markets. The network, combined with SIR's connection to the Company's auction and finance businesses, provides sellers access to a unique, qualified list of buyers.

REAL ESTATE COMPETITION

SIR's primary competitors are small, local real estate brokerage firms that deal exclusively with luxury real estate and the "distinctive property" divisions of large regional and national real estate firms. Competition in the luxury real estate business takes many forms, including competition in price, marketing expertise and the provision of personalized service to sellers and buyers.

REAL ESTATE REGULATION

The real estate brokerage business is subject to regulation in most jurisdictions in which SIR operates. Typically, individual real estate brokers and brokerage firms are subject to licensing requirements. SIR is registered to conduct business in 34 states and maintains real estate brokerage licenses in 18 states. In

other jurisdictions, SIR acts as an exclusive marketing agent providing services to licensed real estate brokers.

FACTORS EFFECTING OPERATING REVENUES

The Company's Auction, Finance and Real Estate operating revenues are significantly influenced by a number of factors not within the Company's control, including: the overall strength of the international economy and financial markets and, in particular, the economies of the United States, the United Kingdom, and the major countries of continental Europe and Asia (principally Japan and Hong Kong); political conditions in various nations; the presence of export and exchange controls; local taxation of sales and donations of potential auction property; competition; and the amount of property being consigned to art auction houses.

FINANCIAL AND GEOGRAPHICAL INFORMATION ABOUT OPERATING SEGMENTS

See Note C to the Consolidated Financial Statements in the Annual Report for financial and geographical information about the Company's operating segments.

PERSONNEL

At December 31, 1998, the Company had 1,921 employees: 863 located in North America; 717 in the United Kingdom and 341 in the rest of the world. The following table provides a breakdown of employees by operating segment as of December 31, 1998:

OPERATING SEGMENT	NUMBER OF EMPLOYEES
Auction	1,589
Others	332
Total	1,921

The Company regards its relations with its employees as good.

ITEM 2. PROPERTIES

Sotheby's, Inc., a wholly-owned subsidiary of the Company, is headquartered at 1334 York Avenue, New York, New York (the "York Property"). The Company also leases office and warehouse space in four other locations in the New York City area, and leases office and exhibition space in several other major cities throughout the United States, including Los Angeles, San Francisco, Chicago, Palm Beach, Philadelphia, and Boston. The aforementioned office space is primarily utilized by Auction and Finance employees.

The Company currently leases the York Property, comprising approximately 160,500 square feet, from an unaffiliated party under a 30-year lease expiring in 2009, which contains an option to extend the term for an additional 30 years until July 31, 2039. The lease also grants the Company a right of first refusal with respect to the sale of the York Property.

York Avenue Development, Inc. ("York"), a wholly-owned subsidiary of Sotheby's, Inc., holds a purchase option on the York Property. The option can be exercised on defined dates in 1999, 2004 and 2009, for ten times the rent at the date the option is exercised, subject to certain limitations. York expects to exercise this option in August 1999.

The Company evaluated the adequacy of its premises for the requirements of the present and future conduct of its business. In September 1998, the Company received final approval from the City of New York to proceed with its plan to construct a six-story addition to and renovate the York Property. This construction will expand auction, warehouse and office space in New York City and will enable the

Company to consolidate its operations in New York City. At the present time, the Company is progressing with its construction of the York Property. The capital expenditures relating to the new building are currently estimated to be in the range of $125-130 million.

SIR leases approximately 10,900 square feet of office space at 980 Madison Avenue, New York, New York, from unaffiliated parties under leases expiring in 2001. SIR also leases satellite office space at a number of locations, totalling another 29,800 square feet.

The Company's U.K. operations (primarily Auction) are centered at New Bond Street, London, where the main salesrooms and administrative offices of

Sotheby's (U.K.) are located. Additional salesrooms are located in close proximity to the New Bond Street location. The total net usable floor area amounts to approximately 129,200 square feet. The Company owns or holds long-term leasehold interests in approximately 75% of these properties by area, the balance being held on leases with remaining terms of less than 20 years. In addition, warehouse space is leased at King's House in West London. The Company also owns a salesroom in Sussex where it conducts auctions.

The Company also leases office space primarily for Auction operations in various locations throughout continental Europe, including Amsterdam, Frankfurt, Geneva, Madrid, Milan, Munich, Paris, and Zurich; in Asia, including Hong Kong, Seoul, Singapore, Taipei, and Tokyo; in Australia; in South America and in Canada.

Except as noted above, in management's opinion, the Company's worldwide premises are generally adequate for the current conduct of its business.

ITEM 3. LEGAL PROCEEDINGS

In early 1997, a television program aired in the United Kingdom and a related book was published, both of which contain certain allegations of improper conduct by current and former employees of the Company. In response to these allegations, the Board of Directors, in February 1997, established a committee of independent directors (the "Independent Review Committee") to review the issues raised in the book and related matters. The Independent Review Committee retained outside counsel in the United States and United Kingdom to assist and advise the Independent Review Committee in its review, which was completed in December 1997. The review found no substantive deviation from the Company's long-standing policy that employees may not violate or assist in the violation of the laws of any country. The Company has implemented a number of the Independent Review Committee's recommendations, including the creation of a Compliance Department. The nonrecurring expenses incurred in connection with this matter materially affected the Company's operating results in 1997. The Company is aware of governmental investigations in Italy and India arising from certain of the allegations. The Company has been in contact with and is working with these authorities.

In May 1997, major auction houses, including the Company, and certain art dealers received subpoenas from the Antitrust Division of the United States Department of Justice seeking documents concerning the United States art market. The Company is cooperating with the Justice Department's investigation.

The Company also becomes involved, from time to time, in various claims and lawsuits incidental to the ordinary course of its business. The Company does not believe that the outcome of any such pending claims or proceedings will have a material effect upon its business or financial condition. (See statement on Forward Looking Statements, incorporated by reference from the Annual Report in Item 7 below.)

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

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

MARKET INFORMATION

The principal U.S. market for the Company's Class A Common Stock is the NYSE (symbol: BID). The Class A Common Stock is also traded on the London Stock Exchange.

The Company also has Class B Common Stock, convertible on a share for share basis into Class A Common Stock. There is no public market for the Class B Common Stock. Per share cash dividends are equal for the Class A and Class B Common Stock.

The quarterly price ranges on the New York Stock Exchange of the Class A Common Stock and dividends per share for 1998 and 1997 are shown in the following schedules:

QUARTER ENDED	1998 HIGH	1998 LOW	CASH DIVIDEND DECLARED
March 31	23.250	17.188	$ 0.10
June 30	24.500	21.438	$ 0.10
September 30	24.375	16.500	$ 0.10
December 31	38.000	15.500	$ 0.10

QUARTER ENDED	1997 HIGH	1997 LOW	CASH DIVIDEND DECLARED
March 31	18.875	16.000	$ 0.10
June 30	17.250	14.875	$ 0.10
September 30	21.000	16.188	$ 0.10
December 31	21.000	16.563	$ 0.10

The number of holders of record of the Class A Common Stock as of March 10, 1999 was 986. The number of holders of record of the Class B Common Stock as of March 10, 1999 was 30.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data on page 32 of the Annual Report is incorporated by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Management's Discussion and Analysis of Results of Operations and Financial Condition on pages 33 through 39 of the Annual Report is incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures About Market Risk on page 38 of the Annual Report is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements on pages 40 through 61 of the Annual Report are incorporated by reference.

The Independent Auditors' Report on page 62 of the Annual Report is incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Information required by this item is incorporated by reference to the Company's definitive proxy statement for the annual meeting of shareholders to be held in 1999 (the "Proxy Statement") under the captions "Election of Directors" and "Management-Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the material appearing in the Proxy Statement under the captions "Management-Compensation of Executive Officers" and "Compensation of Directors." Notwithstanding anything to the contrary herein, the Compensation Committee Report and the Performance Graph in the Proxy Statement are not incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the table and related footnotes appearing in the Proxy Statement under the caption "Class A and Class B Common Stock Ownership of Directors, Executive Officers and 5% Shareholders."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the material appearing in the Proxy Statement under the captions "Certain Employment and Compensation Arrangements", "Certain Transactions" and "Compensation Committee Interlocks and Insider Participation."

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

<TABLE>

<C>	<S>
14(A)(1)	The following consolidated financial statements of Sotheby's Holdings, Inc. and subsidiaries, included in the Annual Report of the registrant to its shareholders for the year ended December 31, 1998, are incorporated by reference in Item 8: Consolidated Statements of Income-Years ended December 31, 1998, 1997 and 1996; Consolidated Balance Sheets-December 31, 1998 and 1997; Consolidated Statements of Cash Flows-Years ended December 31, 1998, 1997 and 1996; Consolidated Statement of Changes in Shareholders' Equity-Years ended December 31, 1998, 1997 and 1996; Notes to Consolidated Financial Statements-December 31, 1998
14(A)(2)	The following is a list of the consolidated financial statement schedules of Sotheby's Holdings, Inc. and subsidiaries and the Independent Auditors' Report required by Item 14(d): Independent Auditors' Report on Financial Statement Schedule Schedule II-Valuation and Qualifying Accounts
14(A)(3)	
1	Underwriting Agreement, dated as of February 2, 1999 among Sotheby's Holdings, Inc., Morgan Stanley and Co. Incorporated, Chase Securities Inc. and Merrill Lynch, Pierce, Fenner and Smith Incorporated, incorporated by reference to Exhibit 1 to the current report on Form 8-K, filed on February 10, 1999 with the Securities and Exchange Commission.
3(a)	Amended and Restated Articles of Incorporation of Sotheby's Holdings, Inc., as amended, incorporated by reference to Exhibit 4(b) to Registration Statement No. 33-26008, SEC File No. 1-9750, on file at the Washington D.C. office of the Securities and Exchange Commission.
3(b)	Restated By-Laws of Sotheby's Holdings, Inc., as amended, through February 18, 1997, incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 Form 10-K").
3(c)	Amendment to Restated By-Laws of Sotheby's Holdings, Inc., effective February 17, 1998, incorporated by reference to Exhibit 3(c) to the 1997 Form 10-K.
4(a)	See Exhibits 3(a), 3(b), and 3(c).
4(b)	Indenture, dated as of February 5, 1999, between Sotheby's Holdings Inc. and The Chase Manhattan Bank as Trustee, incorporated by reference to Exhibit 4(a) to the current report on Form 8-K, filed on February 10, 1999 with the Securities and Exchange Commission.
4(c)	Fixed Rate Note, dated February 5, 1999, made by Sotheby's Holdings, Inc. in favor of Cede & Co., incorporated by reference to Exhibit 4(b) to the current report on Form 8-K, filed on February 10, 1999 with the Securities and Exchange Commission.

10(a) Issuing and Paying Agency Agreement, dated February 15, 1989, between Sotheby's, Inc. and The Chase Manhattan Bank, N.A. relating to the issuance of short-term notes ("U.S. Notes") in the U.S. Commercial Paper market, incorporated by reference to Exhibit 10(g) to the 1988 Form 10-K, SEC File No. 1-9750, on file at the Washington, D.C. office of the Securities and Exchange Commission.

10(b) U.S. Commercial Paper Dealer Agreement, dated July 29, 1998, between Sotheby's, Inc., Sotheby's Holdings, Inc. and Chase Securities Inc. relating to the issuance of the U.S. Notes, incorporated by reference to Exhibit 10(a) to the Third Quarter Form 10-Q for 1998.

</TABLE>

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10(c) U.S. Commercial Paper Dealer Agreement, dated February 15, 1989, between Sotheby's, Inc. and Merrill Lynch Money Markets, Inc. relating to the issuance of the U.S. Notes, incorporated by reference to the Exhibit 10(i) of the 1988 Form 10-K, SEC File No. 1-9750, on file at the Washington, D.C. office of the Securities and Exchange Commission.

10(d) Amendment, dated July 13, 1998, to U.S. Commercial Paper Dealer Agreement, dated February 15, 1989, between Sotheby's, Inc., and Merrill Lynch Money Markets Inc. relating to the issuance of the U.S. Notes, incorporated by reference to Exhibit 10(b) to the Third Quarter Form 10-Q for 1998.

10(e) Lease, dated as of July 25, 1979, among The Benenson Capital Company, Lawrence A. Benenson, Raymond E. Benenson (collectively, "Benenson") to Sotheby Parke Bernet Inc., and amendments thereto, all relating to 1334 York Avenue, New York, New York (the"York Avenue Property"), incorporated by reference to Exhibit 10(g) to Registration Statement No. 33-17667, SEC File No. 1-9750, on file at the Washington D.C. office of the Securities and Exchange Commission ("Registration Statement No. 33-17667").

10(f) Option Agreement with Form of Exchange Agreement, dated July 25, 1979, among Benenson and 089 Nosidam Corp. (as nominee of Sotheby Parke Bernet Inc.) assignments thereof and amendments thereto, all relating to the York Avenue Property, incorporated by reference to Exhibit 10(h) to Registration Statement No. 33-17667.

10(g) Exchange Agreement, dated October 27, 1986, among Benenson and York Avenue Development, Inc., and Letter, dated October 27, 1986, from Benenson to Sotheby's, Inc. and York Avenue Development, Inc., concerning zoning matters and security relating to the York Avenue Property, incorporated by reference to Exhibit 10(i) to Registration Statement No. 33-17667.

10(h) Guarantee, made November 6, 1986, by A. Alfred Taubman in favor of Benenson relating to the York Avenue Property (the "Taubman Guarantee"), incorporated by reference to Exhibit 10(j) to Registration Statement No. 33-17667.

10(i) Letter from Sotheby's, Inc. and York Avenue Development, Inc., dated October 27, 1986, agreeing to indemnify A. Alfred Taubman from all liabilities, damages, losses and judgments arising under the Taubman Guarantee, incorporated by reference to Exhibit 10(k) to Registration Statement No. 33-17667.

10(j) Memorandum of Option Agreement, dated January 31, 1981, among Benenson and 089 Nosidam Corp., relating to the York Avenue Property, incorporated by reference to Exhibit 10(hh) to Registration Statement No. 33-17667.

10(k) Letter Agreement, dated October 27, 1986, among Benenson and York Avenue Development, Inc. relating to the York Avenue Property, incorporated by reference to Exhibit 10(ii) to Registration Statement No. 33-17667.

10(l)* Sotheby's Inc. 1988 Benefit Equalization Plan, incorporated by reference to Exhibit 10(t) to Registration Statement No. 33-17667.

10(m)* Sotheby's Holdings, Inc. 1987 Stock Option Plan as amended and restated effective June 1, 1994 incorporated by reference to Exhibit 10(o) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (the "1994 Form 10-K").

10(n)* Sotheby's Holdings, Inc. Performance Share Purchase Plan, incorporated by reference to Exhibit 10(a) to the Second Quarter Form 10-Q for 1996.

10(o)* Sotheby's Holdings, Inc. 1997 Stock Option Plan incorporated herein by reference

to Exhibit 10(b) to the Second Quarter Form 10-Q for 1996.
</TABLE>

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10(p)*	First Amendment to Sotheby's Holdings, Inc. 1997 Stock Option Plan, dated September 30, 1997, and effective as of December 12, 1997, incorporated by reference to Exhibit 10(o) of the 1997 Form 10-K.
10(q)*	Second Amendment to Sotheby's Holdings, Inc. 1997 Stock Option Plan, dated October 29, 1998.
10(r)*	Third Amendment to Sotheby's Holdings, Inc. 1997 Stock Option Plan.
10(s)	Agreement of Partnership of Acquavella Modern Art, dated May 29, 1990, between Sotheby's Nevada, Inc. and Acquavella Contemporary Art, Inc., incorporated herein by reference to Exhibit 10(b) to the Form 8-K, filed on June 7, 1990, SEC, File No. 1-9750, on file at the Washington, D.C. office of the Securities and Exchange Commission.
10(t)*	Amended and Restated Sotheby's Holdings, Inc. Director Stock Ownership Plan, incorporated herein by reference to Exhibit 10(v) to the 1996 Form 10-K.
10(u)*	Sotheby's Holdings, Inc. 1998 Stock Compensation Plan for Non-Employee Directors, dated as of March 3, 1998.
10(v)	Amendment, dated as of April 19, 1991, between The Benenson Capital Company, Lawrence A. Benenson and Raymond E. Benenson and York Avenue Development, Inc. to Amendment to Option Agreement and to Related Agreements, incorporated herein by reference to Exhibit 10(kk) to the Company's Annual Report on Form 10-K, for the year ended December 31, 1991, SEC File No. 1-9750, on file at the Washington D.C. office of the Securities and Exchange Commission.
10(w)	Credit Agreement, dated as of July 11, 1996, among Sotheby's Holdings, Inc., Sotheby's Inc., Oatshare Limited, Sotheby's, and Chase Manhattan Bank incorporated herein by reference to Exhibit 10(c) to the Second Quarter Form 10-Q for 1996.
10(x)*	Letter Agreement, dated October 13, 1993, between Sotheby's (U.K.) and Henry Wyndham Fine Art Ltd., an art dealing business, setting forth certain terms and agreements of the purchase of inventory, incorporated herein by reference to Exhibit 10(v) to the 1994 Form 10-K.
10(y)*	Letter to Marquess of Hartington relating to his new position as Deputy Chairman of Sotheby's Holdings, Inc., incorporated herein by reference to Exhibit 10(b) of the First Quarter Form 10-Q for 1996.
(13)	Annual Report to Shareholders for the year ended December 31, 1998
(21)	Subsidiaries of the Registrant
(23)	Consent of Deloitte & Touche LLP
(24)	Powers of Attorney
(27)	Financial Data Schedule
(14)(b)	Current Reports on Form 8-K None.
(14)(c)	The list of exhibits filed with this report is set forth in response to Item 14(a)(3). The required exhibit index has been filed with the exhibits.
(14)(d)	The financial statement schedules of the Company listed in response to Item 14(a)(2) are filed pursuant to this Item 14(d).

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* A compensatory agreement or plan required to be filed pursuant to Item 14(c) of Form 10-K.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of

SOTHEBY'S HOLDINGS, INC.:

We have audited the consolidated financial statements of Sotheby's Holdings, Inc. and subsidiaries as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998 and have issued our report thereon dated February 23, 1999; such consolidated financial statements and report are included in your 1998 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Sotheby's Holdings, Inc. and subsidiaries listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
New York, New York
February 23, 1999

SCHEDULE II

SOTHEBY'S HOLDINGS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
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COLUMN A	COLUMN B	COMUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
	(THOUSANDS OF DOLLARS)				
Valuation reserve deducted in the balance sheet from the asset to which it applies:					
Accounts and notes receivable:					
1998 Allowance for doubtful accounts................	$ 10,419	$ 6,598	$ 285	$ 2,717	$ 14,585
1997 Allowance for doubtful accounts................	$ 10,156	$ 1,227	$ 1,811	$ 2,775	$ 10,419
1996 Allowance for doubtful accounts................	$ 12,578	$ 1,537	$ 44	$ 4,001	$ 10,156
Inventory:					
1998 Realizable value allowance.....................	$ 15,726	$ 1,653	$ 855	$ 8,812	$ 9,422
1997 Realizable value allowance.....................	$ 16,799	$ 1,540	$ 262	$ 2,875	$ 15,726
1996 Realizable value allowance.....................	$ 21,012	$ 3,103	$ 691	$ 8,007	$ 16,799

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOTHEBY'S HOLDINGS, INC.

BY: /S/ DIANA D. BROOKS

Diana D. Brooks
PRESIDENT AND CHIEF EXECUTIVE OFFICER

DATE: March 24, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* A. Alfred Taubman	Chairman of the Board	March 24, 1999
* Max M. Fisher	Vice Chairman of the Board	March 24, 1999
* The Marquess Of Hartington	Deputy Chairman of the Board	March 24, 1999
/s/ DIANA D. BROOKS Diana D. Brooks	President, Chief Executive Officer and Director	March 24, 1999
/s/ WILLIAM S. SHERIDAN William S. Sheridan	Senior Vice President and Chief Financial Officer	March 24, 1999
* Viscount Blakenham	Director	March 24, 1999
* Henry R. Kravis	Director	March 24, 1999
* Conrad Black	Director	March 24, 1999
* Walter J. P. Curley	Director	March 24, 1999
* Sharon Percy Rockefeller	Director	March 24, 1999
* Jeffrey H. Miro	Director	March 24, 1999
/s/ JOSEPH A. DOMONKOS Joseph A. Domonkos	Vice President, Controller and Chief Accounting Officer	March 24, 1999
/s/ WILLIAM S. SHERIDAN *William S. Sheridan AS ATTORNEY-IN-FACT		March 24, 1999

Exhibit 10(q)

SECOND AMENDMENT TO
SOTHEBY'S HOLDINGS, INC.
1997 STOCK OPTION PLAN

THIS SECOND AMENDMENT to the Sotheby's Holdings, Inc. 1997 Stock Option Plan ("Second Amendment"), dated the 29th day of October, 1998, is adopted by Sotheby's Holdings, Inc. (the "Corporation").

RECITALS:

A. The Sotheby's Holdings, Inc. 1997 Stock Option Plan (the "Plan") was adopted by the Board of Directors of the Corporation on April 30, 1996 and approved by the shareholders of the Corporation at the Corporation's 1996 Annual Meeting of Shareholders on June 19, 1996.

B. Pursuant to Section 8.1 of the Plan, the Corporation has the authority to amend the Plan. The Corporation desires to and does hereby amend the Plan, as hereinafter set forth, to provide that Options granted on or after October 29, 1998 will become 100% vested upon a Change in Control (as defined below) of the Corporation.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 7.6 of the Plan is amended in its entirety by substituting the following:

7.6 ACCELERATION OF EXERCISE TIME.

(a) Notwithstanding anything to the contrary in the Plan, including Sections 7.3, 7.7 and 7.8 hereof, the Compensation Committee, in its discretion, may allow the exercise, in whole or in part, at any time more than six (6) months after the Date of Grant of any Option held by an Optionee, which Option has not previously become exercisable.

(b) In the event of a Change in Control (as defined below), Options granted on or after October 29, 1998 shall become 100% vested and exercisable on the later of (i) the date of the Change in Control, or (ii) the six (6) month anniversary of the Date of Grant of the Option.

(c) For purposes of the Plan, a Change in Control shall mean the date upon which:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "Person"), other than members of the Taubman Family (as defined below), shall become, directly or indirectly, the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of Common Stock of the Corporation enabling such Person to elect a majority of the members of the Board of Directors of the Corporation; or

(ii) after the date upon which A. Alfred Taubman, individually, as trustee or in any other capacity, cannot elect, for any reason, a majority of the members of the Board of Directors (the "Triggering Date"), the individuals who, as of the Triggering Date, constitute the Board (the "Incumbent Board") cease for any reason within any period of 18 consecutive months to constitute at least a majority of the members of the Board; provided, however, that any individual becoming a director subsequent to the Triggering Date whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though the individual were a member of the Incumbent Board.

(d) For purposes of the Plan, the term "Taubman Family" shall mean (i) A. Alfred Taubman, any lineal descendants, spouses, lineal descendants or spouses, or spouses of lineal descendants of A. Alfred Taubman, a trust for the benefit of any of the foregoing (including without limitation, the A. Alfred Taubman Restated Revocable Trust (as the same may be amended)), the estate(s) of any of the foregoing, and (ii) any person, more than 50% of the voting stock, voting securities, partnership interests, limited liability company interests or other beneficial ownership and control of which is and remains owned and controlled by one or more of the persons described in the foregoing clause (i).

2. The effective date of this Amendment is October 29, 1998.

IN WITNESS WHEREOF, this Amendment is hereby executed as of the day and year first above written.

SOTHEBY'S HOLDINGS, INC.

By: /s/ Diana D. Brooks

Its: President and CEO

Exhibit 10(r)

THIRD AMENDMENT TO SOTHEBY'S HOLDINGS, INC. 1997 STOCK OPTION PLAN

THIS THIRD AMENDMENT to the Sotheby's Holdings, Inc. 1997 Stock Option Plan ("Third Amendment") is adopted by Sotheby's Holdings, Inc. (the "Corporation") as of the dates indicated below:

RECITALS:

A. The Sotheby's Holdings, Inc. 1997 Stock Option Plan (the "Plan") was adopted by the Board of Directors of the Corporation on April 30, 1996 and approved by the shareholders of the Corporation at the Corporation's 1996 Annual Meeting of Shareholders on June 19, 1996.

B. Pursuant to Section 8.1 of the Plan, the Corporation has the authority to amend the Plan. The Corporation desires to and does hereby amend the Plan, as hereinafter set forth to increase the maximum aggregate number of shares with respect to which Options may be granted to one Employee during 1998 and to increase the aggregate number of shares of Class B Common Stock that may be issued upon the exercise of Options under the Plan.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Pursuant to action taken by the Compensation Committee on February 25, 1999, Section 4.1 of the Plan is amended in its entirety by substituting the following:

> 4.1 SHARES SUBJECT TO THE PLAN.
>
> The Option Stock to be made the subject of Options granted under the Plan shall be shares of the Corporation's authorized but unissued or reacquired Class B Common Stock. Subject to adjustment as provided in Section 8.3 hereof, the aggregate number of shares of Class B Common Stock that may be issued by the Corporation under the exercise of Options under the Plan is 10,900,000 shares of Class B Common Stock. The aggregate number of shares of Option Stock outstanding at any time shall not exceed the relevant number of shares of Class B Common Stock remaining available for issuance under the Plan. After termination of the Plan, the number of shares of Class B Common Stock reserved for purposes of the Plan from time to time shall be only such number of shares as are issuable under then outstanding Options.

2. Pursuant to action taken by the Section 162(m) Subcommittee of the Compensation Committee on December 15, 1998, Section 6.1 of the Plan is amended in its entirety by substituting the following:

6.1 POWER TO GRANT OPTIONS.

The maximum aggregate number of shares of Common Stock with respect to which Options may be granted to any one Employee during a Fiscal Year shall be limited to 400,000 shares. For the 1998 Fiscal Year only, the maximum aggregate number of shares of Common Stock with respect to which Options may be granted to any one Employee during a Fiscal Year shall be limited to 800,000 shares. For purposes of calculating the number of shares with respect to which Options have been granted to an Employee for any Fiscal Year, any shares subject to an Option that is granted and subsequently cancelled or surrendered during such Fiscal Year shall continue to be counted against the maximum number of shares which may be granted to such Employee pursuant to the Plan during such Fiscal Year. Notwithstanding the foregoing, to the extent an adjustment is made to the number of shares subject to an Option to reflect a change in the corporate capitalization of the Corporation, the additional shares, if any, subject to such Option shall not be counted against the maximum number of shares for which Options may be granted to the applicable Optionee. Subject to this maximum share limitation, the Committee may grant to such Employees as the Committee may select, in accordance with Article 5 hereof, Options entitling the Optionee to purchase shares of Common Stock from the Corporation in such quantity, and on such terms and subject to such conditions not inconsistent with the terms of the Plan, as may be established by the Compensation Committee at the time of grant or pursuant to applicable resolution of the Compensation Committee.

3. This Third Amendment shall be subject to the approval of shareholders of the Corporation at the April 29, 1999 annual meeting and shall be effective as of the dates specified above.

IN WITNESS WHEREOF, this Amendment is hereby executed as of the day and year first above written.

SOTHEBY'S HOLDINGS, INC.

By: /s/ Diana D. Brooks

Its: President and CEO

Exhibit 10(u)

SOTHEBY'S HOLDINGS, INC.

1998 STOCK COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

1. ADOPTION AND TERM. The Sotheby's Holdings, Inc. 1998 Stock Compensation Plan for Non-Employee Directors (the "Plan") has been approved by the Board of Directors (the "Board") of Sotheby's Holdings, Inc. (the "Company") and is effective on April 30, 1998, the date of the 1998 Annual Meeting. The Plan shall remain in effect until terminated or abandoned by action of the Board.

2. PURPOSE OF THE PLAN. The purpose of the Plan is to promote the long term growth and success of the Company by attracting, motivating and retaining non-employee directors of outstanding ability and to promote a greater identity of interest between the Company's non-employee directors and its shareholders. The Plan covers stock compensation only and does not include other amounts receivable by non-employee directors, such as fees for attending meetings and reimbursement of expenses.

3. ADMINISTRATION. The Plan requires no discretionary action by any administrative body with regard to any transaction under the Plan. To the extent, if any, that questions of administration arise, these shall be resolved by the Board. The Board may, in its discretion, delegate to the Chief Financial Officer or other officer of the Company any or all authority and responsibility to act pursuant to the Plan. The determination of the Board on all matters within its authority relating to the Plan shall be conclusive. The Board shall not be liable for any action or determination made in good faith with respect to the Plan, and the Company shall indemnify and hold harmless the Board, the Chief Financial Officer and any other party to whom the Board has delegated its authority pursuant to this Section 3 from all losses and expenses (including reasonable attorney's fees) arising from the assertion or judicial determination of such liability.

4. SHARES SUBJECT TO THE PLAN. The shares to be issued under this Plan shall be shares of the Company's authorized by unissued Class A Limited Voting Common Stock, par value $0.10 per share (the "Common Stock"). Subject to adjustment for share subdivision, consolidation, or other capital readjustment, the aggregate number of shares reserved and available for issuance under the Plan is 200,000 shares of common stock.

5. STOCK COMPENSATION. Each non-employee director ("Eligible Director") shall receive, as his or her annual retainer, 2,260 shares of the Company's

Common Stock ("Director Stock"). The Director Stock shall be paid on a quarterly basis for services rendered from the date of the Annual Meeting to the date of the following Annual Meeting (the "Annual Period"). If an Eligible Director serves for less than the Annual Period, the number of shares of Director Stock payable to such Eligible Director shall be prorated accordingly.

6. DEFERRAL OF DIRECTOR STOCK. An Eligible Director may elect to defer the receipt of all or a portion of the Director Stock by making an election pursuant to Section 7, in which case there shall be credited to the Eligible Director's Stock Unit Account (as defined in Section B) a number of units equal to the number of shares of Director Stock being deferred.

7. ELECTION TO DEFER. Each Eligible Director may elect to defer (the "Deferral Election") part or all of the shares of Director Stock by submitting a deferral election form (the "Deferral Election Form") to the Chief Financial Officer, indicating the number of shares of Director Stock to be deferred (the "Deferred Amount"). Any Deferral Election (i) shall be in writing, (ii) shall be effective only with respect to Director Stock which is earned after the Deferral Election Form is received by the Chief Financial Officer, and (iii) may not be revoked or changed once made. Notwithstanding the foregoing, a Deferral Election may be superceded with respect to Director Stock payable for the next following Annual Period by submitting a new Deferral Election Form to the Chief Financial Officer; provided, however, that (i) no revocation shall be effective to make any change with respect to Deferred Amounts previously deferred; (ii) no change in Deferred Amount shall take effect until the Annual Period after such new Deferral Election Form has been received by the Chief Financial Officer, and (iii) any such Deferral Election shall be irrevocable. To the extent required by the then applicable Rule 16b-3, no Deferral Election shall take effect until a date at least six (6) months after the Deferral Election Form is received by the Chief Financial Officer.

8. STOCK UNIT ACCOUNT. An Eligible Director who defers the receipt of Director Stock shall have credited to an account (the "Stock Unit Account") a number of units (the "Stock Units") equal to the number of shares of Director Stock being deferred. The Deferred Amount shall be credited as of the date on which the Eligible Director becomes entitled to payment of the Deferred Amount in accordance with Section 5. Stock Units shall have no voting rights.

9. STOCK UNITS CREDITED WITH DIVIDENDS. If Stock Units exist in an Eligible Director's Stock Unit Account on a dividend record date for the Company's Common Stock, the Stock Unit Account shall be credited, on the dividend payment date related to such dividend record date, with an additional number of Stock Units equal to (i) the cash dividend paid on one share of Common Stock, multiplied by (ii) the number of Stock Units in the Stock Unit Account on the dividend record date, divided by (iii) the Fair Market Value of a share of Common Stock on the dividend payment date. "Fair Market Value" means the closing price per share of Common Stock on the New York Stock Exchange on the day before the relevant

dividend payment date.

10. DISTRIBUTIONS. All amounts credited to an Eligible Director's Stock Unit Account shall be distributed on the first day of the calendar month following the date of the Eligible Director's termination of service on the Company's Board for any reason. All distributions from the Stock Unit Account shall be made in a lump sum payment, and shall be in the form of a certificate for the number of whole shares of Common Stock equal to the number of whole Stock Units to be distributed and cash in lieu of any fractional share (determined by using the Fair Market Value of a share of Common Stock on the date on which such distributions are distributed, but if such a date is not a business day, then on the next preceding business day).

11. DESIGNATION OF BENEFICIARY. An Eligible Director may designate, on the Deferral Election Form, one or more beneficiaries to receive a distribution of the Eligible Director's Stock Unit Account under the Plan upon the Eligible Director's death. An Eligible Director may change his or her beneficiary designation at any time by submitting a new Deferral Election Form to the Company. If there is no designated beneficiary or no designated beneficiary surviving at the Eligible Director's death, the Eligible Director's Stock Unit Account shall be paid to the Eligible Director's estate.

12. COMPLIANCE WITH RULE 16B-9 OF THE SECURITIES EXCHANGE ACT. Transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Securities Exchange Act of 1934, as amended, and in all

events the Plan shall be construed in accordance with Rule 16b-3. To the extent any provision of the Plan or action by the Board fails to so comply, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Board.

13. ACCOUNT STATEMENTS. Each Eligible Director shall be provided a copy of the Plan, and, each Eligible Director who makes a Deferral Election shall receive, not less frequently than annually, a statement reflecting the amounts credited to the Eligible Director's Stock Unit Account.

14. NO ASSIGNMENT OR ALIENATION. The right of an Eligible Director, beneficiary or any other person to the payment of Director Stock or of amounts credited to the Stock Unit Account may not be assigned, transferred, pledged or encumbered except by will or by the laws of descent and distribution.

15. AMENDMENT AND TERMINATION OF THE PLAN. The Board may from time to time suspend, discontinue, revise or amend the Plan in any respect whatsoever.

16. DELIVERY OF ELECTIONS AND NOTICES. Any and all notices or elections required under this Plan shall be deemed adequately given only if in writing.

All notices and elections shall be deemed to have been properly given, if delivered by hand or mailed, on the date of receipt shown on the delivery receipt or return receipt, if delivered by Federal Express or similar expedited overnight commercial carrier, on the date that is one Business Day after the date upon which the same shall have been delivered to Federal Express or similar expedited overnight commercial carrier addressed to the recipient, with all shipping charges prepaid, provided that the same is actually received by the recipient in the ordinary course, and if sent by telecopier, on the date of confirmed delivery. Elections and notices to the Company shall be directed to:

Sotheby's Holdings, Inc.
1334 York Avenue
New York, NY 10021
Attention: Chief Financial Officer

Notices to or with respect to an Eligible Director shall be directed to the Eligible Director, or the executors, personal representatives or distributees of a deceased Eligible Director, at the Eligible Director's address on the records of the Company.

17. EXECUTION. To record the adoption of the Plan, the Company has caused the execution hereof as of March 3, 1998.

SOTHEBY'S HOLDINGS, INC.,
A Michigan Corporation

By: /s/ Diana D. Brooks

Its: President and CEO

[PHOTO OMITTED]

1998 Sotheby's Holdings, Inc. Annual Report

[PHOTO OMITTED]

Building upon a solid base

Building Our Future

Nineteen ninety-eight FINANCIAL PERFORMANCE

[The following table was depicted as a bar graph in the printed material.]

	1994	1995	1996	1997	1998
			($ in million)		
REVENUES	259.7	312.9	336.5	381.8	447.1
EXPENSES*	226.6	256.0	268.3	302.3	351.1
NET INCOME**	20.3	32.6	40.9	48.0	54.3

* Excludes non-recurring charges of $11.7 million in 1997 and $15.2 million in 1998.

** Excludes non-recurring charges of $7.4 million in 1997 and $9.3 million in 1998 after tax.

YEAR ENDED DECEMBER 31

<TABLE>
<CAPTION>

(Thousands of dollars, except per share data)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA					
AUCTION SALES(1)	$ 1,939,743	$ 1,843,335	$ 1,599,595	$ 1,665,378	$ 1,330,001
AUCTION AND RELATED REVENUES	$ 367,204	$ 335,511	$ 302,196	$ 282,096	$ 233,557
OTHER REVENUES	79,848	46,281	34,300	30,784	26,106
TOTAL REVENUES	447,052	381,792	336,496	312,880	259,663
OPERATING INCOME	95,978(2)	79,459(4)	68,208	56,841	33,033
NET INCOME	$ 54,298(3)	$ 47,979(5)	$ 40,946	$ 32,582	$ 20,259
DILUTED EARNINGS PER SHARE	$ 0.95(3)	$ 0.85(5)	$ 0.73	$ 0.58	$ 0.36
BALANCE SHEET					AT DECEMBER 31
NET CASH (DEBT)(6)	$ 69,140	$ (85,526)	$ 63,675	$ (3,103)	$ (1,416)
SHAREHOLDERS' EQUITY	$ 314,087	$ 260,068	$ 253,972	$ 227,482	$ 211,052

</TABLE>

(1) Auction sales represent sales at the hammer price plus buyer's premium.
(2) Excludes 1998 non-recurring charge of $15.2 million.
(3) Excludes 1998 non-recurring charge of $9.3 million after tax.
(4) Excludes 1997 non-recurring charges of $11.7 million.
(5) Excludes 1997 non-recurring charges of $7.4 million after tax.

(6) Short-term borrowings and commercial paper less cash and cash equivalents.

SHAREHOLDER COMMUNICATION SERVICE Sotheby's Financial Information and News Releases are available by recording, fax or through the mail by calling our shareholder direct toll free line at 800.700.6321, 24 hours a day. In addition to providing financial information, our website, sothebys.com, includes on-line auction catalogue text, a global events calendar, and sale results.

A WORLDWIDE BUSINESS Sotheby's conducts business in 41 countries with 20 auction centers. In 1998 we held over 680 auctions worldwide in 80 collecting categories. We sold approximately 175,000 lots with an average lot price of $11,000. 78% of the total lots sold were below $5,000. Our expert staff numbers approximately 400 and our expert department heads have an average of nearly 20 years experience with Sotheby's.

GEOGRAPHIC DISTRIBUTION OF 1998 AUCTION SALES	DEPARTMENTAL DISTRIBUTION OF 1998 AUCTION SALES
	10% Jewelry
56% North America	22% Impressionist and Modern Art
32% United Kingdom	7% Old Master Paintings
	8% Contemporary Art
9% Continental Europe	12% Other Paintings and Fine Arts
	8% Furniture
3% Asia	6% 19th Century Paintings
	21% Other Decorative Arts
	6% Books and Other

[PHOTO OMITTED]

A. ALFRED TAUBMAN	DIANA D. BROOKS
Chairman	President and Chief Executive Officer

To Our Shareholders

Sotheby's stands on the threshold of great change-possibly the greatest change in our 255-year history. Our York Avenue expansion is proceeding on schedule, rising six floors above our existing location, becoming a state-of-the-art auction facility and cultural destination. New premises in Amsterdam and Zurich will open this year, furthering our European strategy of having salesrooms in key locations. We have just announced the formation of sothebys.com, our Internet auction division, which we expect will transform our business. As we write this letter in February 1999, it is clear that the dynamism of our business and the opportunities for us this year were made possible by initiatives, strategies and relationships that were planned or strengthened in 1998, a pivotal year for our Company.

We are pleased to report that net income increased for the sixth consecutive year, reaching $54.3 million, or $0.95 per diluted share, excluding a non-recurring charge. Through modest growth in our worldwide auction sales,

Building a Dynamic Business Worldwide

which achieved $1.9 billion, a 5% increase over 1997, as well as record contributions from our Financial Services and Real Estate operations for the second consecutive year, total revenues increased to $447.1 million.

Building projects, development of several client service and business initiatives, as well as our Internet auction strategy, predominated in 1998.

BUILDING PROJECTS Three new buildings-in New York, Amsterdam and Zurich-will revolutionize the way we conduct business, improving efficiency while enhancing the overall client experience with Sotheby's. This year we began construction on six additional stories at our New York headquarters, and we will move into these top floors in 1999, holding our first auctions in the autumn. We anticipate completion of this building project in the year 2000, with the renovation of the first four floors finished. In Amsterdam and Zurich we are building new and larger middle-market sales centers to take advantage of opportunities within these key European cities.

RETURN ON SHAREHOLDERS' EQUITY

[The following table was depicted as a bar graph in the printed material.]

94	95	96	97	98
10.4%	15.4%	18.0%	18.9%	20.9%

Excludes non-recurring charges of $7.4 million in 1997 and $9.3 million in 1998 after tax.

Nineteen ninety-eight BUILDING A DYNAMIC BUSINESS

CLIENT SERVICE Providing first-class client service will always be among our highest priorities. This year we instituted a worldwide client management system. We have reconfigured personnel to more productively manage key client relationships, implemented a sophisticated client activity tracking system and instituted an ongoing client service feedback process to support this important function in the Company.

INTERNET AUCTIONS We believe that sothebys.com, and our innovative strategy for conducting auctions on the Internet, will add to the dynamic of the global art and antiques market, creating great potential for Sotheby's and our dealer associates. We are committing significant resources to developing the highest level of on-line technology. This, combined with Sotheby's world-renowned name, our expertise and a guarantee of authenticity, has the possibility of creating immense value for the Company.

Our auction sales achieved $1.9 billion, the highest total since 1990. This increase was driven by growth in the United States market, while auction sales in our European and Asian operations declined for the year. Overall market strength in North America as well as several successful single-owner collections led to an increase in auction sales of 17% over 1997. Our European auction sales declined 3% over 1997, reflecting a lack of single-owner

IN THE FUTURE SOTHEBY'S WILL BECOME A MORE DYNAMIC BUSINESS BY LEVERAGING OUR

collections. In Asia, which represents 3% of our total auction sales, economic difficulties led to a decrease in auction sales of 36%.

The memorable auctions of the Collection of the Duke and Duchess of Windsor and The Reader's Digest Collection set the tone for 1998. We sold over 160 lots for more than $1 million each, including Claude Monet's Waterlily pond and path by the water, which brought $33.0 million, and Andy Warhol's Orange Marilyn, which achieved $17.3 million.

People remain at the heart of our business, and we have made several important board and personnel appointments that will enhance our current management team. We were pleased to add two members to our Board of Directors, Jeffrey Miro and Sharon Percy Rockefeller. Jeffrey is Chairman of the Michigan and New York based law firm of Miro Weiner & Kramer and served as Corporate Secretary of the Sotheby's Holdings, Inc. board from 1983 until 1998. Sharon is President and Chief Executive Officer of WETA

TV/FM public stations in Washington, D.C. and is also a member of various corporate, nonprofit, fine arts and educational boards. Sotheby's will benefit greatly from their distinguished experiences.

In 1998 we appointed Robin Woodhead to the new position of Chief Executive of Sotheby's Europe as part of an overall management restructuring. We are also pleased to welcome Debbie Zoullas to the position of Executive Vice President of Sotheby's Holdings, Inc. Following a 22-year career with Morgan Stanley, she brings a wealth of knowledge and expertise in finance and management that will be of great benefit to us. We are also delighted to have Susan Solomon join us as Chief Executive Officer of sothebys.com and Executive Vice President of Sotheby's Holdings, Inc. Her background in law and finance and experience as CEO of Lancit Media and Sony Worldwide Networks make Susan ideally qualified for this new business.

[The following table was depicted as a bar graph in the printed material.]

CLOSING
STOCK PRICE
As of December 31

93	94	95	96	97	98
15.38	11.50	14.25	18.63	18.75	32.00

($ per share)

AUCTION EXPERTISE AS WE EXPLORE AND DEVELOP EXCITING NEW BUSINESS OPPORTUNITIES.

The core auction business remains our major focus and we look forward to the great promise that the 1999 auction season holds for us. It will include the collection of the late John Hay and Betsey Cushing Whitney, estimated in excess of $80 million; property from The Estate of an Italian Connoisseur, the largest auction of furniture and decorations held in London this century and expected to bring more than $15 million; and baseball memorabilia from the Collection of Barry Halper, estimated in excess of $15 million and to be offered both live and over the Internet. We will also be participating in the sale of the contents of the Chateau de Groussay, which will take place outside Paris this June and will, we hope, be a prelude to our holding auctions in Paris.

The success of the past year and the potential of 1999 would not be possible without the commitment and dedication of our worldwide staff. We are very grateful to them, to our clients and to you, our shareholders, for your ongoing support of Sotheby's at this exciting time.

/s/ A. Alfred Taubman /s/ Diana D. Brooks

A. Alfred Taubman
Chairman

Diana D. Brooks
President and Chief Executive Officer

Building and strengthening

[PHOTO OMITTED]

[PHOTO OMITTED]

to promote growth

Nineteen ninety-eight BUILDING A DYNAMIC BUSINESS

Visitors to Sotheby's often remark on the unusual and exciting nature of what we do. Whether in Amsterdam, Hong Kong, London, Zurich or New York, our buildings are filled with works of art either on exhibition in our galleries or tucked away behind the scenes, being researched and catalogued. Looking into the future, we envision a Sotheby's that will be more open and accessible. You will notice in this report that we have shown pictures of construction in progress along with highlights of the year's successes in many auction categories. The new buildings that we discuss in the following sections of our report will house a company of many diverse talents and activities. They will also open our firm to the world in revolutionary new ways.

SOTHEBY'S NEW YORK Our largest and most exciting building project is our New York headquarters, which when complete will be a 404,000 square foot, 10-story com-

Building New Auction Centers STATE-OF-THE-ART FACILITIES IN KEY AMERICAN

[PHOTO OMITTED]

plex with a dramatic nine-story atrium flooded with natural sunlight. This new building will house all of our New York auction operations in one convenient location. Open storage systems and dynamic exhibition space will allow our clients and experts far greater access to works of art. Within this open, energetic and welcoming environment clients will have the opportunity to view many more works of art from a larger number of collecting categories than was ever before possible. Our new building will also streamline the auction process, allowing better property management and tighter cost control.

An inviting restaurant and fine arts bookstore will attract clients and new visitors, while a rooftop sculpture garden will showcase our clients' finest sculpture. Five

new salesrooms will allow us to hold many more auctions, and expanded exhibition space-including a 25,000 square-foot tenth-floor gallery for works of the finest quality-will allow clients to view more property in a gallery-like setting. Another key feature, high-density storage, will provide experts with immediate access to property, thus simplifying the cataloguing, marketing and storage process, while reducing costs. The completed building will enable us to expand business opportunities and to realize our vision for the future of Sotheby's.

SOTHEBY'S ZURICH Our strategy for the Continent

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AND EUROPEAN CITIES WILL STRENGTHEN AND DIVERSIFY OUR CORE AUCTION BUSINESS.

SOTHEBY'S ZURICH Our new selling center in the landmark Ober Building will be completed in early 1999, providing our clients with a convenient location for transacting business.

Opposite page:

SOTHEBY'S AMSTERDAM Currently under construction, this facility will enable us to diversify our sales and house a bookstore and restaurant.

is to create middle-market selling centers in convenient European cities. Our new offices and salesrooms in Zurich are located in the heart of the city's cultural center in the landmark Ober Building. This new location, to be completed in early 1999, will provide increased exhibition space and salesrooms, expanding our Continental business and providing an alternative to those clients wishing to sell outside the European Community.

SOTHEBY'S AMSTERDAM Located in the center of the emerging business district, our Amsterdam selling center is close to the railroad and motorway leading to the international airport. This building, opening in the fall of 1999 with four salesrooms and twice our current exhibition space, will create growth opportunities for Sotheby's in the European middle-market.

LONDON Sotheby's origins in 1744 as a book auctioneer are evoked in our newly completed, purpose-built bookroom in our Bond Street headquarters. The Aeolian Hall in the Grosvenor Gallery, one of the most elite gallery addresses in the Victorian era, has been transformed into a space for exhibitions and auctions of our collectibles departments.

Laying the foundation

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for creative marketing

Nineteen ninety-eight BUILDING A DYNAMIC BUSINESS

REDESIGNING A GLOBAL MARKETPLACE In past years we have talked in this report about a global marketplace based on traditional auction methods. Now, however, new technology will profoundly change the way Sotheby's does business.

SOTHEBYS.COM The emergence of the Internet has paved the way for the development of an electronic marketplace of great potential, and the auction business specifically has shown itself to be well suited to this exciting medium. By providing access to a marketplace operating across all geographic borders, in every language, 24 hours a day, 365 days a year, Internet commerce transcends the limitations of our current auction methods. With this in mind, early in 1999 we announced the formation of sothebys.com, a new Internet auction business, which draws on financial and personnel resources of the auction company.

Creating New Business Initiatives SOTHEBY'S WILL ENTER THE 21ST CENTURY POSIED

Beginning in the summer of 1999, sothebys.com will be a marketplace for property in more than 80 collecting categories encompassing art, antiques, jewelry and collectibles. This property will come from our core auction business as well as from Sotheby's Internet Associates, a worldwide group of selected professionals in the arts community. While Sotheby's alone would be a strong presence on the Internet, our association with this group makes a powerful combination, providing buyers and sellers with a geographic reach and range of property of an unparalleled scale. Our Internet auction business enables us to bring Sotheby's, a company recognized and trusted worldwide for its experience and expertise, to this exciting new marketplace.

Currently, Sotheby's website offers complete on-line auction catalogue text for the United States, London, Geneva and Hong Kong, a global events calendar, advanced search capabilities for individual objects and sales results. The content of this website will evolve, becoming an integral part of our Internet business. This dynamic site has had almost 3,000 user sessions per day with an average session time of more than 10 minutes, far above the web average.

CLIENT SERVICE Among several global initiatives in the area of client service during 1998 was the for-

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sothebys.com

We believe that as image technology develops and as e-commerce becomes increasingly important, the volume and the value of art, antiques, jewelry and collectibles offered on sothebys.com will also increase significantly.

TO TAKE FULL ADVANTAGE OF NEW OPPORTUNITIES IN AN EXPANDING ELECTRONIC MARKETPLACE.

mation of our new Private Client Services Group, designed after the private banking model. A Sotheby's representative now assumes administrative responsibility for each key client, and a purpose-built system tracks all aspects of a client's relationship with Sotheby's. Broader training programs for our employees and ongoing surveys have also enhanced our client service.

SAP PROJECT 2000 AND FINANCIAL SYSTEMS UPGRADE We have taken the opportunity with our Year 2000 Project to upgrade our financial systems and to create a global infrastructure, servicing major sales sites and improving client service, while streamlining and standardizing our financial processes worldwide. When completed, this geographic systems integration will enhance client service, increase efficiency and improve information quality by enabling our many sales locations to share up-to-date information on a real-time basis. Sotheby's significant financial commitment to this project will have a positive impact on the future of our business by reducing costs and increasing revenues.

Building upon a solid base

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of expertise and market knowledge.

THE GLOBAL FRANCHISE OF SOTHEBY'S While Sotheby's conducts business in many different countries, each with its own distinct culture and customs, we continually seek to unify and streamline our operations in order to build the strongest possible global franchise. In this section we have commented on key developments in each region of the world and reviewed auction highlights.

NORTH AND SOUTH AMERICA The United States continued to enjoy great economic strength during the year, driving robust auction sales in North America. Highlighted by several outstanding single-owner collections and the active participation of established as well as many new clients, our New York sales increased 17% year-over-year, accounting for 56% of our total auction sales worldwide.

The Collection of the Duke and Duchess of Windsor, the longest auction of its kind in

A Year of Successes IN 1998 SOTHEBY'S CONTINUED TO BROADEN AND STRENGTHEN ITS

American history, set the tone for the year's successes. Preceded by a nine-day public exhibition, this Collection of nearly 3,000 lots was offered in 18 auction sessions that brought $23.4 million.

Other exceptional auctions included property from the Collection of Jaime Ortiz-Patino, comprising silver, furniture, rare books and manuscripts. Highlighted by the record-setting The Hours of Saint-Lo and The Walpole Inkstand, the Patino Collection brought $26.5 million. The John F. Eulich Collection of American Western art was another extraordinary success, totalling $25.0 million. New and established American private collectors strongly supported the contemporary art market during the year, helping to set many new artist records. One

of the highlights was Andy Warhol's Orange Marilyn, which sold for $17.3 million. An historic group of 38 Impressionist, Modern and Contemporary works from the renowned Reader's Digest Collection brought a strong $90.5 million. In another great success, the Santa Anita Collection of paintings by the British sporting artist Sir Alfred J. Munnings sold for $12.6 million. An exquisite collection of jewels from the Estate of Betsey Cushing Whitney, including specially commissioned pieces by Cartier, Van Cleef & Arpels, Tiffany & Co. and Verdura, brought $11.8 million.

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Few items were more emblematic of the historic auction of the Collection of The Duke and Duchess of Windsor than the BOX CONTAINING A PIECE OF THEIR WEDDING CAKE, estimated at $500/1,000, which sold for $29,900.

GLOBAL FRANCHISE WHILE PURSUING STRATEGIC INITIATIVES AND CONDUCTING MEMORABLE AUCTIONS.

During 1998 we identified opportunities to strengthen our franchise in North America. An important platform for growth and brand recognition at the local level is our network of regional offices and locations, and during this year we examined each to ensure the optimal allocation of resources. This year we held three times the number of events and outreach programs in our regional network. We bought a wine auctioneer in Chicago, Davis & Company, making Sotheby's the only firm to hold wine auctions in New York, Chicago and Los Angeles. In jewelry we are focusing on an expansion of our private sale business. Educational studies will play an increasingly important role in the Company by leveraging our expertise and enhancing our brand recognition throughout the world. In North America, we will continue to strengthen and broaden our educational programs, bringing them to a wider audience.

Nineteen ninety-eight SOTHEBY'S HIGHLIGHTS

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Nineteen ninety-eight BUILDING A DYNAMIC BUSINESS

EUROPE Our European sales were down 3% as a result of a decline in single-owner auctions and a lower average lot value. However, a number of exceptional works achieved great prices. The highlight of the year was Claude Monet's Waterlily pond and path by the water, which brought $33.0 million, making it the most expensive painting sold in Europe since 1990. Contemporary art also sold well in Europe throughout the year. Our fall sale achieved $19.6 million, again the highest total in Europe since 1990. Another highlight, The Bird of Paradise Collection of superb jewels from a European estate, which were designed by the renowned French jeweler Van Cleef & Arpels, brought $9.5 million in our Geneva sale.

During 1998 we undertook an extensive reorganization of our European management team and operating structure. Our goal is to have a company that is unified in its prac-

THE YEAR WAS HIGHLIGHTED BY AUCTIONS OF A NUMBER OF MASTERPIECES AS WELL AS SEVERAL

tices and standards, providing the same products and services throughout the Continent, while at the same time accommodating the needs of a region with diverse languages and cultures. To further our goal, we have appointed new Managing Directors in France, Germany, Italy and Switzerland and have reorganized the management structure in London. We are confidant that our new management team, combined with our new facilities in Zurich and Amsterdam and enhanced salesrooms in London, will strengthen our European network, enabling us to better service our clients and grow our business.

Our French operation offers us significant potential for growth in Europe. Following the opening of our new

premises in Paris at the historic Galerie Charpentier last year, legislation to permit us to hold auctions in France was delayed. The legislation is now expected to be reviewed in early summer 1999. In the meantime, we have built our presence in France, increasing export volume to our other selling centers. We have made interim plans to participate in auctions together with Maitre Herve Poulain and Maitre Remi Le Fur. This relationship will enable us to be involved in auctions of important collections such as the sale of the contents of Chateau de Groussay, which will take place in June 1999 at a location outside of Paris.

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THE WARWICK TABLES, an extraordinary pair of giltwood and lacquer tables presented by George IV to the 3rd Earl of Warwick, sold in London for $2.7 million and represented one of the most important lots of English furniture offered at auction.

REMARKABLE SINGLE-OWNER COLLECTIONS SOLD AT SOTHEBY'S IN NEW YORK AND LONDON.

ASIA As companies around the world have carefully examined their Asian resources and businesses so has Sotheby's, and our commitment to Asia remains long-term. With the economic difficulties in the region, our 1998 sales decreased 36%. Nonetheless, we were pleased by the sale of Eight Treasures from a Private Collection, which featured a highly important fine and rare blue and white Meiping vase, which brought $1.4 million.

In the short term, we continue to capitalize on opportunities in the region by sourcing consignments from Asia for sales throughout the world and by conducting private transactions. While we believe that we are prepared for any eventuality in the region, we have taken additional steps to reorganize and streamline our operations. We named Carlton Rochell, who has been at Sotheby's for 12 years, Managing Director of Sotheby's China and Southeast Asian Operations and Asian Art Worldwide. Carlton has run the Asian division in New York with great effectiveness, and we know that he will make important contributions to our Asian operations. We believe that our strategy in this region will leave us well positioned for the future.

Balancing the demands

[PHOTO OMITTED]

[PHOTO OMITTED]

of a diverse business.

Nineteen ninety-eight BUILDING A DYNAMIC BUSINESS

We remain committed to exploring new areas where we can be of greatest service while diversifying our revenue stream. In the past 20 years we have created such innovative businesses as financial services, ventures, real estate, restoration and education. They now make significant financial contributions to Sotheby's while strengthening client relationships through the added service each provides.

SOTHEBY'S FINANCIAL SERVICES An important subsidiary of the auction business for over two decades, Sotheby's Financial Services provides art-related financing secured by works of art to our clients throughout the world. Our capital structure affords us the flexibility to approach new opportunities with creative solutions that meet our stringent credit requirements. Our loan portfolio increased to $442.6 million at September 30, 1998, the highest level in history, as a result of a loan extended

Complementing Our Core Business SOTHEBY'S IS COMMITTED TO DEVELOPING

in May 1998. This loan, which had an original maturity of December 31, 2001, was repaid in the fourth quarter of 1998 and was the major contributor to Financial Services' record performance. While we believe that current market conditions will reduce the demand for loans in the next year, we will continue to seek opportunities in this business.

SOTHEBY'S INSURANCE BROKERAGE SERVICES As a logical extension of our business, we formed Sotheby's Insurance Brokerage Services, Inc. Under an operating arrangement with J&H Marsh & McLennan, the world leader in risk and insurance services, clients can obtain a fine and decorative arts policy through Sotheby's. Designed to protect works of art, jewelry

and antiques acquired privately or at auction, this coverage is also offered for homes purchased through Sotheby's International Realty.

SOTHEBY'S VENTURES We formed Sotheby's Ventures to meet a demand for the private sales of artwork. Sotheby's Ventures also purchases works of art for its own account, or in partnership with dealers, in transactions designed to take advantage of market opportunities. Our extensive international network, combined with our team of art and finance experts, makes us ideally suited to create the perfect match between seller and buyer.

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SOTHEBY'S INTERNATIONAL REALTY OFFICE IN LONDON An important addition to Sotheby's International Realty's worldwide company-owned brokerage network was opened on Sloan Street this year.

BUSINESSES THAT WILL EXPAND AND ENRICH THE SERVICES WE PROVIDE OUR CLIENTS.

SOTHEBY'S INTERNATIONAL REALTY Sotheby's International Realty is a worldwide organization providing brokerage, marketing and consulting services for luxury properties through its network of 15 company-owned brokerages, 6 regional offices and more than 175 affiliates. In 1998, we enjoyed another year of record growth. Sales increased 35%, based on an average selling price of $1.4 million. We made key additions to our company-owned brokerage operations through acquisitions and office openings in London, Santa Fe, Santa Barbara and downtown Manhattan. We also launched our first newsstand magazine, Sotheby's International Realty Domain. With a team of managers who have an average of 18 years of expertise in the industry and our extensive geographic reach, we have positioned ourselves well for any eventualities in the market.

BUILDING A DYNAMIC BUSINESS As we build new facilities and forge new businesses for a new century, we remain committed to the expertise and service that have been the foundation of Sotheby's from the beginning.

Creating the Sotheby's of tomorrow

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while respecting tradition.

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Financial Section

SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

(Thousands of dollars, except per share data)	1998	1997	1996	1995	1994
					YEAR ENDED DECEMBER 31
<S>	<C>	<C>	<C>	<C>	<C>
AUCTION SALES (1)	$ 1,939,743	$ 1,843,335	$ 1,599,595	$ 1,665,378	$ 1,330,001
AUCTION AND RELATED REVENUES	$ 367,204	$ 335,511	$ 302,196	$ 282,096	$ 233,557
OTHER REVENUES	79,848	46,281	34,300	30,784	26,106
TOTAL REVENUES	$ 447,052	$ 381,792	$ 336,496	$ 312,880	$ 259,663
OPERATING INCOME	80,778(2)	67,759(3)	68,208	56,841	33,033
INCOME BEFORE TAXES	73,813(2)	64,457(3)	68,244	54,303	33,765
NET INCOME	$ 45,025(4)	$ 40,608(5)	$ 40,946	$ 32,582	$ 20,259
BASIC EARNINGS PER SHARE	$ 0.79(4)	$ 0.73(5)	$ 0.73	$ 0.58	$ 0.36
DILUTED EARNINGS PER SHARE	$ 0.79(4)	$ 0.72(5)	$ 0.73	$ 0.58	$ 0.36
CASH DIVIDENDS DECLARED PER SHARE	$ 0.40	$ 0.40	$ 0.32	$ 0.24	$ 0.24

<CAPTION>

(Thousands of dollars)	1998	1997	1996	1995	1994
					AS OF DECEMBER 31
<S>	<C>	<C>	<C>	<C>	<C>
WORKING CAPITAL	$ 126,841	$ 123,522	$ 57,966	$ 101,394	$ 70,031
TOTAL ASSETS	770,010	860,241	656,098	600,104	557,084
COMMERCIAL PAPER	--	117,000	--	38,000	27,500
NET CASH (DEBT) (6)	69,140	(85,526)	63,675	(3,103)	(1,416)
SHAREHOLDERS' EQUITY	314,087	260,068	253,972	227,482	211,052

</TABLE>

(1) Auction sales represent sales at the hammer price plus buyer's premium.
(2) Includes 1998 non-recurring charges of $15.2 million.
(3) Includes 1997 non-recurring charges of $11.7 million.
(4) Includes 1998 non-recurring charges of $9.3 million after tax.
(5) Includes 1997 non-recurring charges of $7.4 million after tax.
(6) Cash and cash equivalents less short-term borrowings and commercial paper.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS YEARS ENDED DECEMBER 31, 1998 AND 1997

Note C ("Segment Reporting") of the Consolidated Financial Statements should be read in conjunction with this discussion.

Auction sales for Sotheby's Holdings, Inc. (together with its subsidiaries, the "Company") totaled $1,939.7 million during 1998, an increase of $96.4 million, or 5%, compared to the prior year. The increase in worldwide sales was due to a 10% increase in the average selling price per lot sold in 1998 as compared to 1997, offset by a 4% decrease in the number of lots sold. Overall, worldwide sales of Fine Art increased 11%, led by increases in Contemporary art, 19th Century paintings and drawings, American paintings and drawings and Impressionist and Modern art, offset by a slight decrease in Old Master paintings. Other sales increases included Silver, English Furniture and French and Continental Furniture. Auction sales recorded by the Company's foreign operations were not materially affected by translation to United States ("U.S.") dollars.

The following is a geographical breakdown of the Company's auction sales for 1998 and 1997:

(Thousands of Dollars)	1998	1997
NORTH AMERICA	$1,074,428	$ 919,028
EUROPE	803,931	828,192
ASIA	61,384	96,115

TOTAL	$1,939,743	$1,843,335
	==========	==========

The sales increase in North America of $155.4 million, or 17%, during 1998 was primarily a result of broad-based growth in virtually every collecting category. The growth was due to increases in American paintings and drawings, 19th Century paintings and drawings, Impressionist and Modern art and Contemporary art. The growth was also due to the result of several outstanding single owner sales, most notably the Reader's Digest Corporate Collection, the Collection of Jamie Ortiz-Patino comprised of silver, furniture, rare books and manuscripts, the John F. Eulich Collection of American Western art and the Collection of H.R.H. the Duke and Duchess of Windsor. Sales in Europe, which for purposes of this discussion consists of the United Kingdom ("U.K.") and continental Europe ("the Continent"), decreased $24.3 million, or 3%. The decrease was primarily due to 1997 single owner sales, most notably the sale of Illuminated Manuscripts from the Beck Collection for which there were no comparable sales in the current year and, to a lesser extent, a decrease in a number of collecting categories. Asian sales decreased $34.7 million, or 36% primarily due to the slow down of the economies within Asia. The Company continues to maintain a presence in the Asian markets but is unable to predict the effect, if any, of the unstable Asian economies on the Company's operating results. Historically, Asia has accounted for approximately five percent of annual sales. Asia accounted for three percent of sales in 1998.

Worldwide revenues from auction and related operations increased $31.7 million, or 9%, in 1998 compared to 1997. This increase is primarily due to a significant increase in principal activities and higher commission revenue (which consists of buyer's premium, seller's commission and expense recoveries) that resulted from the increased auction sales discussed above and expense recoveries associated with the sale of the Collection of H.R.H. the Duke and Duchess of Windsor. Principal activities include: net gains (losses) on sales of inventory (including inventory obtained as a result of the auction process as well as inventory acquired for investment purposes); the Company's share of operating results from its investments in Acquavella Modern Art ("AMA") and other equity investments; net income (loss) earned from guarantees and the net gains (losses) related to sales of secured loan collateral where the Company shares in the gain (loss) if the property sells either above or below its investment. The increase in principal activities was primarily due to an increase in net income earned on guarantees, an increase in net gains related to sales of secured loan collateral that exceeded investment and an increase in the Company's share of operating results of AMA.

Other revenues consist primarily of revenues from the Company's Real Estate and Finance operating segments. Other revenues increased $33.6 million, or 73%, in 1998 compared to 1997. This growth was primarily due to increases in both real estate and financing activities. The increase in real estate revenue was due primarily to increased real estate unit sales from both mature and new Company owned brokerage and regional offices in the U.S. The increase in financing revenue was due to an increase in the average loan portfolio balance to $301.2 million in 1998 from $215.8 in 1997 and the recognition of $21.0 million in origination fee revenue. The increase in the average loan portfolio balance was due to a loan extended in May 1998 to a group of affiliated corporate borrowers. The loan to this group was to mature on December 31, 2001; however, during the fourth quarter of 1998 it was repaid in full. The prepayment of this loan resulted in the recognition of $18.7 million of additional revenue in the fourth quarter relating to the origination fee that would have been amortized through 2001. The Company does not anticipate that it will recognize a comparable amount of revenue from loan origination fees in 1999. (See statement on Forward Looking Statements.)

Direct costs of services (consisting largely of catalogue production and distribution costs as well as corporate marketing and sale marketing expenses) totaled $76.3 million in 1998, an increase of $5.9 million, or 8%, compared to 1997. This increase was primarily a result of increased auction sales in 1998 and the impact of costs associated with the sale of the Collection of H.R.H. the Duke and Duchess of Windsor which were partially recovered and reflected in auction and related revenue. The increase was also due, to a lesser extent, to an increase in direct costs in the Real Estate segment related to an increase in units sold in 1998. Direct costs as a percentage of sales was consistent in 1998 and 1997.

Excluding non-recurring charges of $15.2 and $11.7 million in 1998 and 1997, respectively, all other operating expenses (which consist of salaries and related costs, general and administrative expenses and depreciation and amortization) increased $42.8 million, or 18%, in 1998 compared to 1997. This increase was primarily due to a $22.0 million, or 17%, increase in salaries and related costs and a $19.2 million, or 22%, increase in general and administrative expenses. These increases were primarily a result of new initiatives; long term incentive plans, primarily the Performance Share Purchase Plan, for which the related expense increased approximately $7.7 million in 1998 due to the appreciation of the Company's stock price and an increase in Performance Share Plan shares granted; costs incurred by the Auction segment relating to the startup of the Paris office and initial internet related expenses; write-offs and provisions of uncollectible auction receivable accounts; and expenses for authenticity claims and settlements.

During 1998, the Company recorded a non-recurring charge of $15.2 million relating to the construction of the York Property, as defined in Liquidity and Capital Resources, which was a direct result of the Company's decision to consolidate its operations in New York City. Approximately $14.1 million of this amount is a non-cash charge resulting from the impairment of existing leasehold improvements and related furniture and fixtures which were deemed to have no future use, as they have been or are currently being destroyed or replaced during the construction of the York Property. The remaining amount of approximately $1.1 million is a provision resulting from the cost of future rental obligations on rental space in New York City that will be abandoned as part of the plan. As of December 31, 1998, the Company has recorded in other liabilities on the Consolidated Balance Sheets approximately $1.1 million related to these future rental obligations, which will be paid out starting approximately in October, 2000 through September, 2003. The impact on future earnings related to the write-off of leasehold improvements and related furniture and fixtures will be immaterial as the assets written off are being replaced by depreciable assets of the York Property.

In early 1997, a television program aired in the U.K. and a related book was published both of which contain certain allegations of improper or illegal conduct by current and former employees of the Company. In response to these allegations, the Board of Directors in February 1997 established a committee of independent directors to review the issues raised by the book and related matters. The Independent Review Committee retained outside independent counsel in the U.S. and the U.K. to assist and advise the Committee in its review. The Company's management also conducted its own internal review. Both reviews were completed in 1997. In 1997, the Company incurred $11.7 million of non-recurring charges that consisted primarily of legal and other professional fees associated with the Board of Directors' Independent Review Committee. These charges were paid in full as of December 31, 1998.

Interest income increased $0.5 million in 1998 compared to 1997 due to higher average cash balances throughout the year. Interest expense increased $4.5 million in 1998 as compared to 1997 as a result of additional commercial paper borrowings to fund the higher average loan portfolio.

The consolidated effective tax rate was 39% in 1998 compared to 37% in 1997. This increase was primarily a result of higher earnings during 1998 in higher tax rate jurisdictions.

Net income increased $4.4 million, or 11%, in 1998 compared to 1997. Diluted earnings per share for 1998 increased to $0.79 from $0.72 in 1997. Excluding non-recurring charges, net income increased 13% to $54.3 million. The impact of the non-recurring charges on diluted earnings per share was ($0.16) and ($0.13) in 1998 and 1997, respectively. Movements in foreign currencies did not have a material impact on 1998 revenues or expenses.

On January 19, 1999 the Company announced its intention to launch sothebys.com, a new Internet auction business for art, antiques, jewelry and collectibles. The Company expects to invest up to and perhaps in excess of $25 million in the initial development phase of the new venture, including personnel, marketing and capital costs. A majority of this amount will be incurred in 1999. Although these investments are likely to have some dilutive effect on the Company's results in the near term, the Company believes that these expenditures are appropriate in light of the potential of the business. (See statement on Forward Looking Statements.)

RESULTS OF OPERATIONS YEARS ENDED DECEMBER 31, 1997 AND 1996

Auction sales totaled $1,843.3 million during 1997, an increase of $243.7 million, or 15%, compared to the prior year. The increase in worldwide sales was primarily a result of broad-based growth in virtually every collecting category. Sales of Fine Art increased 25%, led by increases in Impressionist and Modern art, Old Master paintings and Contemporary art. Other sales increases included Books, Asian Works of Art and Wine. Auction sales recorded by the Company's foreign operations were not materially affected by translation to United States ("U.S.") dollars.

The following is a geographical breakdown of the Company's auction sales for 1997 and 1996:

(Thousands of dollars)	1997	1996
NORTH AMERICA	$ 919,028	$ 770,438
EUROPE	828,192	751,154
ASIA	96,115	78,003
TOTAL	$1,843,335	$1,599,595

The sales increase in North America of $148.6 million, or 19%, during 1997 was primarily a result of increases in Impressionist and Modern art, Old Master paintings and Contemporary art. Sales in Europe, which for purposes of this discussion consists of the United Kingdom ("U.K.") and continental Europe ("the Continent"), increased $77.0 million, or 10%, primarily due to Old Master paintings, Books, Impressionist and Modern art and Wine. Asian sales increased $18.1 million, or 23% due primarily to increased sales of Asian Works of Art. The Company continues to focus on growth in the Asian markets but is unable to predict the effect, if any, of the unstable Asian economies on the Company's operating results.

Worldwide revenues from auction and related operations increased $33.3 million, or 11%, in 1997 compared to 1996. This increase is primarily due to higher commission revenue (which consists of buyer's premium, seller's commission and expense recoveries) which resulted from the increased auction sales discussed above and to an increase in commissions from private treaty sales. These increases were offset, in small part, by a decrease in principal activities. Principal activities include: net gains (losses) on sales of inventory (including inventory obtained as a result of the auction process as well as inventory acquired for investment purposes); the Company's share of operating results from its investments in Acquavella Modern Art ("AMA") and other equity investments; net income (loss) earned from guarantees and the net gains (losses) related to sales of secured loan collateral where the Company shares in the gain (loss) if the property sells either above or below its investment. The decrease in revenues from principal activities was primarily due to lower income earned from guarantees.

Other revenues consist primarily of revenues from the Company's Real Estate and Finance operating segments. Other revenues increased $12.0 million, or 35%, in 1997 compared to 1996. This growth was due to increases in both real estate and financing activities. The increase in real estate revenue was driven by an increase in real estate sales. Financing activity growth was primarily due to an increase in the average loan portfolio. The average loan portfolio increased to $215.8 million in 1997 from $148.0 million in 1996.

Direct costs of services (consisting largely of catalogue production and distribution costs as well as corporate marketing and sale marketing expenses) totaled $70.4 million in 1997, an increase of $7.3 million, or 12%, compared to 1996. This increase is primarily a result of increased sales in 1997 offset by a decline in expenses associated with the sale of Property from the Estate of Jacqueline Kennedy Onassis which were fully recovered and reflected in auction and related revenues in 1996. Excluding these costs, direct costs as a percentage of sales totaled 3.8% in 1997 compared to 3.7% in 1996.

Excluding non-recurring charges of $11.7 million in 1997, all other operating expenses (which consist of salaries and related costs, general and administrative expenses and depreciation and amortization) increased $26.8 million, or 13%, compared to 1996. This increase was primarily due to a $17.5 million, or 15%, increase in salaries and related costs and a $7.7 million, or 9%, increase in general and administrative expenses. These increases were primarily a result of new initiatives.

In early 1997, a television program aired in the U.K. and a related book was published both of which contain certain allegations of improper or illegal conduct by current and former employees of the Company. In response to these allegations, the Board of Directors in February 1997 established a committee of independent directors to review the issues raised by the book and related matters. The Independent Review Committee retained outside independent counsel in the U.S. and the U.K. to assist and advise the Committee in its review. The

Company's management also conducted its own internal review. Both reviews were completed in 1997. In 1997, the Company incurred $11.7 million of non-recurring charges which consisted primarily of legal and other professional fees associated with the Board of Directors' Independent Review Committee.

Interest income decreased $1.2 million in 1997 compared to 1996 reflecting lower cash balances largely due to the increase in the Company's average loan portfolio. Interest expense increased $2.4 million primarily as a result of additional overnight and commercial paper borrowings to fund the higher average loan portfolio.

The consolidated effective tax rate was 37% in 1997 compared to 40% in 1996. This decrease is primarily a result of higher earnings during 1997 in lower tax rate jurisdictions.

Net income for 1997 was flat compared to 1996. Diluted earnings per share decreased $0.01 to $0.72 in 1997 from $0.73 in 1996. Excluding non-recurring charges, net income increased 17% to $48.0 million. The impact of the non-recurring charges on diluted earnings per share was ($0.13). Movements in foreign currencies did not have a material impact on 1997 revenues or expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash position (cash and cash equivalents less short-term borrowings and commercial paper) totaled $69.1 million at December 31, 1998, compared to a net debt position of $85.5 million at December 31, 1997 and net cash of $63.7 million at December 31, 1996. Working capital (current assets less current liabilities) at December 31, 1998 was $126.8 million, compared to $123.5 million and $58.0 million at December 31, 1997 and 1996, respectively.

The Company's client loan portfolio decreased to $155.6 million at December 31, 1998, from $276.4 million at December 31, 1997. The client loan portfolio at December 31, 1996 was $153.1 million. These amounts include $17.1 million, $112.0 million and $69.4 million of loans which have a maturity of more than one year at December 31, 1998, 1997 and 1996, respectively. During the fourth quarter of 1998, a significant loan to a group of affiliated corporate borrowers was repaid in full. The loan to this group was to mature on December 31, 2001.

The Company relies on internally generated funds and borrowings to meet its financing requirements. The Company may issue up to $300 million of short-term notes pursuant to its U.S. commercial paper program. The U.S. commercial paper program was increased to $300 million from $200 million in July 1998. At December 31, 1998, there was no commercial paper outstanding. The Company supports any short-term notes issued under its U.S. commercial paper program with a committed credit facility. The Company maintains $300 million of committed and available financing pursuant to a Bank Credit Agreement (the "Credit Agreement"). The Credit Agreement provides the Company $300 million of committed financing to July 11, 2001. Additionally, the Company has a $200 million shelf registration with the Securities and Exchange Commission for issuing senior unsecured debt securities that may be offered and sold from time to time. Subsequent to year end, in February 1999, the Company sold a tranche of these debt securities for an aggregate offering price of $100 million. The net proceeds from this sale will be used for general corporate purposes, including the financing of capital expenditures in connection with the York Property and the launch of sothebys.com. (See Note H to the Consolidated Financial Statements.)

During 1998, the Company's primary sources of liquidity were derived from collections of notes receivable, operations and available cash balances. The most significant cash uses during 1998 were the funding of the client loan portfolio, repayment of commercial paper borrowings, capital expenditures and payment of shareholder dividends. In the first quarter of 1999, the Company declared its regular quarterly dividend of $0.10 per share for the holders of record on March 12, 1999.

During 1998, the Company incurred a significant non-cash expense of $14.1 million related to the impairment of existing leasehold improvements and related furniture and fixtures, as noted previously. Such item did not have an impact on the Company's liquidity.

During 1997, the Company's primary sources of liquidity were derived from commercial paper borrowings supplemented by available cash balances and operations. The most significant cash uses during 1997 were the net funding of the client loan portfolio of $124.4 million, payment of shareholder dividends and repurchases of common stock. The Company paid dividends to shareholders of $22.4 million in 1997 and repurchased $20.0 million of common stock.

During 1996, the Company's primary sources of liquidity were derived from operations supplemented by available cash balances. The most significant cash uses during 1996 were the repayment of commercial paper borrowings, payment of shareholder dividends, repurchases of common stock and the net funding of the client loan portfolio.

Capital expenditures, consisting primarily of office and facility refurbishment, acquisition of computer equipment and software and costs associated with the construction of the York Property, as defined below, totaled $53.7 million for 1998, $17.5 million for 1997 and $9.8 million for 1996. The increase in expenditures in 1998 as compared to 1997 is due to the York Property construction and increased computer and software costs.

From time to time, the Company has off-balance sheet commitments which include short-term commitments to consignors that property will sell at a minimum price and legally binding lending commitments in conjunction with the client loan program (see Note N to the Consolidated Financial Statements). The Company does not believe that material liquidity risk exists related to these commitments. (See statement on Foward Looking Statements.)

The Company evaluated the adequacy of its principal auction premises for the requirements of the present and future conduct of its business. In September 1998, the Company received final approval from the City of New York to proceed with its plan to construct a six story addition and to renovate its current facility on York Avenue ("the York Property").

This construction will expand auction, warehouse and office space in New York City and will enable the Company to consolidate its operations in New York City. The capital expenditures relating to the new building construction is currently estimated to be in the range of $125-130 million. As of February 23, 1999, the Company has financial commitments in relation to this project of approximately $52.1 million. York Avenue Development, Inc. ("York"), a wholly owned subsidiary of Sotheby's Inc. (itself a wholly owned subsidiary of the Company), under its operating lease, holds a purchase option on the York Property that can be exercised on defined dates in 1999, 2004 and 2009 for ten times the annual rent at the date the option is exercised, subject to limitations. York expects to exercise the option in August 1999. The Company believes that it has sufficient capital resources to carry out planned capital spending relating to this project.

The Company believes that operating cash flows will be adequate to meet normal working capital requirements and that the commercial paper program, credit facilities, senior unsecured debt and the shelf registration will continue to be adequate to fund the Company's client loan program, peak working capital requirements, other short-term commitments to consignors, the project on the York Property and sothebys.com, the Company's internet initiative discussed previously. (See statement on Foward Looking Statements.)

YEAR 2000

The Year 2000 issue is a result of date sensitive devices, systems and computer programs that were deployed using two digits rather than four to define the applicable year. Any such technologies may recognize a year containing "00" as the year 1900 rather than the year 2000.

The Company has completed its assessment of its worldwide financial and information systems and is in the process of modifying or replacing such systems as required. The Company has developed contingency plans for those locations where the replacing or modification of systems will not be completed by the end of 1999. These contingency plans consist of fixing or upgrading software that will soon be replaced. The Company's modification, replacement and execution of contingency plans of its worldwide financial and information systems is proceeding on schedule and should be completed by the end of 1999.

The Company has assessed its material non-information technology systems. The Company does not anticipate any material disruption to its operations due to Year 2000 issues with its non-information technology systems.

The Company is currently assessing the status of its material suppliers and other third party vendors. The Company intends to distribute information requests during the first quarter of 1999 and evaluate responses shortly thereafter. The Company intends to develop a contingency plan in the event that it is not satisfied with the response of its key suppliers and vendors.

In connection with assessing its information systems, the Company determined to replace a significant majority of its existing financial and accounting systems, which the Company believes will not only address many of its year 2000 issues, but will also increase its operational efficiencies. The Company currently believes that the cost of replacing such systems, retaining consultants and employees in connection with the integration and implementation of such systems, testing and rolling-out the new systems on a world-wide basis, training its personnel to operate its new systems, continuing its assessment of existing information technology and non-information technology systems to determine the need for modification or replacement, and implementing additional modifications or remediation as may be necessary, will be in the range of $15 million. To date, the Company's expenditures for this project have been approximately $10.3 million, with the balance of such expenses expected to be incurred during 1999 and 2000.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party vendors, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition. The modification or replacement of worldwide financial and information systems is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and therefore the possibility of significant interruptions of normal operations should be reduced.

With respect to all statements made herein regarding Year 2000, see statement on Foward Looking Statements.

EUROPEAN MONETARY UNION

The European Monetary Unit ("the euro") was introduced on January 1, 1999 as a wholesale currency. The eleven participating European Monetary Union member countries established fixed conversion rates between their existing currencies and the euro. The existing currencies will continue to be used as legal tender through January 1, 2002; thereafter, on July 1, 2002, the existing currencies will be cancelled and euro bills and coins will be used for cash transactions in the participating countries.

The Company's European financial and cash management operations affected by the euro conversion have adequately prepared for its introduction. For the transition period and the period after January 1, 2002, the Company has established an internal group of employees to analyze the potential business implications of converting to a common currency. The Company is unable to determine the ultimate financial impact of the euro conversion on its operations, if any, given that the impact will be dependent upon the competitive situations which exist in the various regional markets in which the Company participates.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company continuously evaluates its market risk associated with its financial instruments and forward exchange contracts during the course of its business. The Company's financial instruments include cash and cash equivalents, notes receivable, and short term borrowings. The Company believes that its interest rate risk is minimal as a hypothetical ten percent increase or decrease in interest rates is immaterial to the Company's cash flow, earnings and fair value related to financial instruments. (See statement on Foward Looking Statements.)

The Company enters into forward exchange contracts to hedge foreign currency transactions. The Company's forward exchange contracts do not subject the Company to risk from exchange rate movements because gains and losses on such contracts offset gains and losses on the assets or transactions being hedged. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to forward exchange contracts, but the Company does not expect any counterparties to fail to meet their obligations given their high-credit ratings. At December 31, 1998, the Company's outstanding foreign currency forward contracts were not material. The Company believes that its foreign currency translation risk is minimal as a hypothetical 10% strengthening or weakening of the U.S. dollar relative to all other currencies is immaterial to the Company's cash flow and fair value related to financial instruments. (See statement on Foward Looking Statements.)

FOWARD LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements, as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended, relating to future events and the financial performance of the Company, particularly with respect to the adequacy of working capital as well as additional capital necessary for the expansion of the Company's New York auction facility. Such statements are only predictions and involve risks and uncertainties, resulting in the possibility that the actual events or performance will differ materially from such predictions. Major factors which the Company believes could cause the actual results to differ materially from the predicted results in the forward-looking statements include, but are not limited to, the following, which are not listed in any particular rank order:

1. The Company's business is seasonal, with peak revenues and operating income occurring in the second and fourth quarters of each year as a result of the traditional spring and fall art auction season.
2. The overall strength of the international economy and financial markets and, in particular, the economies of the United States, the United Kingdom and the major countries of continental Europe and Asia (principally Japan and Hong Kong).
3. Competition with other auctioneers and art dealers.
4. The volume of consigned property and the marketability at auction of such property.
5. The expansion of the New York auction facility and global headquarters.
6. The effects of Year 2000 issues.
7. The effects of the Euro conversion.
8. Competition in the Internet auction business and the Company's success in developing and implementing its Internet auction strategy.
9. The demand for loans.
10. The effects of market risk.

SEASONALITY

The worldwide art auction market has two principal selling seasons, spring and fall. During the summer and winter auction sales are considerably lower. The table below demonstrates approximately 80% of the Company's auction sales are derived from the second and fourth quarters of the year (see Note Q to the Consolidated Financial Statements.)

	PERCENTAGE OF ANNUAL AUCTION SALES		
	1998	1997	1996
JANUARY-MARCH	13%	11%	10%
APRIL-JUNE	37	35	39
JULY-SEPTEMBER	8	8	9
OCTOBER-DECEMBER	42	46	42
	100%	100%	100%

FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" which is required to be adopted for fiscal quarters of fiscal years beginning after June 15, 1999. The Company expects to adopt SFAS No. 133 effective January 1, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is currently evaluating the impact that the adoption of this statement will have on its financial position and results of operations.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

(Thousands of dollars, except per share data)	YEAR ENDED DECEMBER 31 1998	1997	1996
<S>	<C>	<C>	<C>
REVENUES (NOTE B):			
AUCTION AND RELATED	$ 367,204	$ 335,511	$ 302,196
OTHER	79,848	46,281	34,300

TOTAL REVENUES	447,052	381,792	336,496
EXPENSES:			
DIRECT COSTS OF SERVICES (NOTE B)	76,313	70,364	63,090
SALARIES AND RELATED COSTS (NOTES K AND L)	153,869	131,874	114,360
GENERAL AND ADMINISTRATIVE (NOTE J)	108,240	89,038	81,368
DEPRECIATION AND AMORTIZATION (NOTES B AND G)	12,652	11,057	9,470
NON-RECURRING CHARGES (NOTE O)	15,200	11,700	--
TOTAL EXPENSES	366,274	314,033	268,288
OPERATING INCOME	80,778	67,759	68,208
INTEREST INCOME	3,560	3,047	4,266
INTEREST EXPENSE (NOTE H)	(10,545)	(6,018)	(3,643)
OTHER INCOME (EXPENSE)	20	(331)	(587)
INCOME BEFORE TAXES	73,813	64,457	68,244
INCOME TAXES (NOTE I)	28,788	23,849	27,298
NET INCOME	$ 45,025	$ 40,608	$ 40,946
BASIC EARNINGS PER SHARE (NOTE B)	$ 0.79	$ 0.73	$ 0.73
DILUTED EARNINGS PER SHARE (NOTE B)	$ 0.79	$ 0.72	$ 0.73
DIVIDENDS PER SHARE	$ 0.40	$ 0.40	$ 0.32

</TABLE>

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Thousands of dollars)	AS OF DECEMBER 31	
Assets	1998	1997
<S>	<C>	<C>
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$ 71,238	$ 33,642
ACCOUNTS AND NOTES RECEIVABLE, NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $14,585 AND $10,419 (NOTE D)		
ACCOUNTS RECEIVABLE	286,922	315,274
NOTES RECEIVABLE	135,592	160,807
OTHER	18,368	35,448
TOTAL ACCOUNTS AND NOTES RECEIVABLE, NET	440,882	511,529
INVENTORY, NET (NOTE E)	16,915	23,574
DEFERRED INCOME TAXES (NOTE I)	16,251	6,401
PREPAID EXPENSES AND OTHER CURRENT ASSETS (NOTE L)	23,756	18,511
TOTAL CURRENT ASSETS	569,042	593,657
NON-CURRENT ASSETS:		
NOTES RECEIVABLE (NOTE D)	17,115	111,974
PROPERTIES, LESS ALLOWANCE FOR DEPRECIATION AND AMORTIZATION OF $60,154 AND $70,342 (NOTES G AND J)	108,914	78,542
INTANGIBLE ASSETS, LESS ALLOWANCE FOR AMORTIZATION OF $17,753 AND $16,671	32,588	32,618
INVESTMENTS (NOTE F)	36,737	37,466
OTHER ASSETS	5,614	5,984
TOTAL ASSETS	$ 770,010	$ 860,241
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
DUE TO CONSIGNORS (NOTES D AND M)	$ 289,987	$ 352,437
SHORT-TERM BORROWINGS (NOTE H)	2,098	2,168
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	104,251	79,746

DEFERRED REVENUES	6,921	12,216
ACCRUED INCOME TAXES (NOTE I)	38,944	23,568
TOTAL CURRENT LIABILITIES	442,201	470,135
LONG-TERM LIABILITIES:		
COMMERCIAL PAPER (NOTE H)	--	117,000
DEFERRED INCOME TAXES (NOTE I)	11,789	11,908
OTHER LIABILITIES	1,933	1,130
TOTAL LIABILITIES	455,923	600,173
SHAREHOLDERS' EQUITY (NOTE K):		
COMMON STOCK, $.10 PAR VALUE AUTHORIZED SHARES - 125,000,000 OF CLASS A AND 75,000,000 OF CLASS B ISSUED AND OUTSTANDING SHARES 40,164,388 AND 38,762,656 OF CLASS A, AND 16,995,299 AND 17,058,400 OF CLASS B AT DECEMBER 31, 1998 AND 1997, RESPECTIVELY	5,716	5,582
ADDITIONAL PAID-IN CAPITAL	104,092	72,932
RETAINED EARNINGS	219,383	197,027
ACCUMULATED OTHER COMPREHENSIVE INCOME	(15,104)	(15,473)
TOTAL SHAREHOLDERS' EQUITY	314,087	260,068
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 770,010	$ 860,241

</TABLE>

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

(Thousands of dollars)	YEAR ENDED DECEMBER 31		
	1998	1997	1996
<S>	<C>	<C>	<C>
Operating Activities:			
NET INCOME	$ 45,025	$ 40,608	$ 40,946
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	12,652	11,057	9,470
STOCK COMPENSATION EXPENSE	9,025	1,300	500
DEFERRED INCOME TAXES	(9,969)	(2,699)	471
TAX BENEFIT OF STOCK OPTION EXERCISES	2,965	1,766	2,341
WRITE-OFF OF LEASEHOLD IMPROVEMENTS AND FURNITURE AND FIXTURES	14,100	--	--
ASSET PROVISIONS	8,253	4,390	4,641
OTHER	402	307	(993)
CHANGE IN ASSETS AND LIABILITIES:			
INCREASE IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	(5,612)	(3,830)	(3,005)
DECREASE (INCREASE) IN ACCOUNTS AND OTHER RECEIVABLES	35,666	(96,924)	(30,360)
DECREASE (INCREASE) IN INVENTORY	4,960	(10,773)	8,919
DECREASE (INCREASE) IN INTANGIBLE AND OTHER ASSETS	507	633	(638)
(DECREASE) INCREASE IN DUE TO CONSIGNORS	(59,766)	75,097	52,941
INCREASE (DECREASE) IN ACCRUED INCOME TAXES	15,376	(2,197)	11,473
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND OTHER LIABILITIES	18,660	7,371	10,274
NET CASH PROVIDED BY OPERATING ACTIVITIES	92,244	26,106	106,980
Investing Activities:			
INCREASE IN NOTES RECEIVABLE	(268,098)	(215,323)	(119,727)
COLLECTIONS OF NOTES RECEIVABLE	387,363	90,920	112,360
CAPITAL EXPENDITURES	(53,735)	(17,507)	(9,835)
DECREASE (INCREASE) IN INVESTMENTS	728	(1,632)	2,967
ACQUISITIONS	(1,875)	(6,900)	--
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	64,383	(150,442)	(14,235)
Financing Activities:			
(DECREASE) INCREASE IN COMMERCIAL PAPER	(117,000)	117,000	(38,000)

INCREASE (DECREASE) IN SHORT-TERM BORROWINGS	18	(2,260)	(2,605)
PROCEEDS FROM EXERCISE OF STOCK OPTIONS	19,608	11,473	9,115
REPURCHASE OF COMMON STOCK	--	(19,999)	(14,178)
DIVIDENDS PAID	(22,669)	(22,386)	(17,829)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(120,043)	83,828	(63,497)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,012	7,264	(3,075)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,596	(33,244)	26,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,642	66,886	40,713
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 71,238	$ 33,642	$ 66,886

</TABLE>

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

<TABLE>
<CAPTION>

(Thousands of dollars)	COMPREHENSIVE INCOME	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995		$ 5,575	$ 81,051	$ 155,688	$ (14,832)
COMPREHENSIVE INCOME:					
NET INCOME	$ 40,946			40,946	
OTHER COMPREHENSIVE INCOME, NET OF TAX					
FOREIGN CURRENCY TRANSLATION	5,528				5,528
OTHER COMPREHENSIVE INCOME	$ 5,528				
COMPREHENSIVE INCOME	$ 46,474				
STOCK OPTIONS EXERCISED		109	9,006		
TAX BENEFIT ASSOCIATED WITH EXERCISE OF STOCK OPTIONS			2,341		
SHARES ISSUED TO DIRECTORS		1	66		
REPURCHASE OF COMMON STOCK		(96)	(14,082)		
STOCK COMPENSATION EXPENSE			500		
DIVIDENDS				(17,829)	
Balance at December 31, 1996		$ 5,589	$ 78,882	$ 178,805	$ (9,304)
COMPREHENSIVE INCOME:					
NET INCOME	$ 40,608			40,608	
OTHER COMPREHENSIVE INCOME, NET OF TAX					
FOREIGN CURRENCY TRANSLATION .	(6,169)				(6,169)
OTHER COMPREHENSIVE INCOME	$ (6,169)				
COMPREHENSIVE INCOME	$ 34,439				
STOCK OPTIONS EXERCISED		112	11,361		
TAX BENEFIT ASSOCIATED WITH EXERCISE OF STOCK OPTIONS			1,766		
SHARES ISSUED TO DIRECTORS		1	242		
REPURCHASE OF COMMON STOCK		(120)	(20,619)		
STOCK COMPENSATION EXPENSE			1,300		
DIVIDENDS				(22,386)	
Balance at December 31, 1997		$ 5,582	$ 72,932	$ 197,027	$ (15,473)
COMPREHENSIVE INCOME:					
NET INCOME	$ 45,025			45,025	
OTHER COMPREHENSIVE INCOME, NET OF TAX					
FOREIGN CURRENCY TRANSLATION .	369				369

OTHER COMPREHENSIVE INCOME	$ 369				
COMPREHENSIVE INCOME	$ 45,394				
STOCK OPTIONS EXERCISED		133	19,475		
TAX BENEFIT ASSOCIATED WITH EXERCISE OF STOCK OPTIONS			2,965		
SHARES ISSUED TO DIRECTORS		1	179		
STOCK COMPENSATION EXPENSE			8,541		
DIVIDENDS				(22,669)	
Balance at December 31, 1998		$ 5,716	$ 104,092	$ 219,383	$ (15,104)

</TABLE>

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND BUSINESS

Sotheby's Holdings, Inc. (together with its subsidiaries, the "Company") conducts auctions and private sales of fine art, jewelry and decorative art. Auction activities occur primarily in New York and London, but are also conducted elsewhere in North America, Europe and Asia. In addition, the Company is engaged in art-related financing activities, the marketing and brokering of luxury real estate, fine arts education and art-related restoration.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation   The Consolidated Financial Statements include the accounts of Sotheby's Holding's, Inc. and its wholly-owned subsidiaries. The Company's investments in Acquavella Modern Art ("AMA") (see Note F) and other investments in 20% to 50% owned affiliates are accounted for under the equity method.

Revenue Recognition   Auction and related revenues are generally recognized at the date of sale less estimates for allowances. Subscription revenue from auction catalogues is recognized over the twelve-month period of the subscription from the date of receipt of the proceeds. Auction and related revenues also include principal activities and revenues from Emmerich Galleries. Principal activities consist of net gains (losses) on sales of inventories, the Company's share of operating results from its investment in AMA and other equity investments, net income (loss) earned from guarantees and the net gains (losses) related to sales of secured loan collateral where the Company shares in the gain (loss) if the property sells either above or below its investment. Other revenues consist principally of revenues from art-related financing activities, real estate operations and educational activities. Other revenues are generally recognized at the time service is rendered or revenue is earned by the Company. Revenues from the Real Estate segment are net of brokerage commission payments to independent contractors.

Direct Costs of Services   Direct costs of services primarily include the costs of obtaining and marketing property for auctions.

Cash Equivalents   Cash equivalents are liquid investments comprised primarily of bank and time deposits with an original maturity of three months or less. These investments are carried at cost, which approximates market value.

Properties   Properties, consisting primarily of buildings and improvements, leaseholds and leasehold improvements, furniture and fixtures and equipment, are stated on the cost basis. Depreciation is computed principally on the straight-line method over the assets estimated useful lives. Leaseholds and leasehold improvements are amortized over the lesser of the life of the lease or the estimated useful life of the improvement. Equipment includes capitalized software which reflects costs related to purchased software. These costs are amortized on a straight-line basis over the estimated useful life of the software.

The Company capitalizes interest on projects when construction requires a period of time to get the assets ready for their intended use. Capitalized interest is allocated to properties and amortized over the life of the related assets. Capitalized interest totaled approximately $0.5 million in 1998.

Financial Instruments   The carrying amounts of cash and cash equivalents, short-term borrowings and notes receivable are a reasonable estimate of their fair value due to the variable interest rates associated with each of these financial instruments.

Derivatives   The Company enters into forward exchange contracts to hedge foreign currency transactions. The Company's forward exchange contracts do not subject the Company to risk from exchange rate movements because gains and losses on such contracts offset gains and losses on the assets or transactions being hedged. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to forward exchange contracts, but the Company does not expect any counterparties to fail to meet their obligations given their high-credit ratings. Gains and losses on contracts to hedge identifiable foreign currency commitments are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. Premium or discount on forward contracts is amortized to interest expense over the life of the contract. At December 31, 1998, the Company's outstanding foreign currency forward contracts were not material.

Inventory   Inventory consists of objects obtained incidental to the auction process as well as for investment purposes. Inventory is valued at the lower of cost or management's estimate of net realizable value.

Allowance for Loan Losses   The Company regularly reviews its loan portfolio. Each loan is analyzed based on the current estimated realizable value of the collateral securing the loan. The Company establishes reserves for specific loans that the Company believes are under-collateralized and with respect to which the under-collateralized amount may not be collectible from the borrower. Reserves are established for probable losses inherent in the remainder of the loan portfolio based on historical data and current market conditions.

Intangible Assets   Intangible assets include goodwill, lease rights and subscriber lists. Goodwill is being amortized over fifteen to forty years. The amounts assigned to other intangible assets are amortized on a straight-line basis over estimated useful lives not to exceed twenty-five years.

Impairment of Long-lived Assets   Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Earnings Per Share   Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings Per Share." Basic earnings per share is based on the weighted average number of outstanding shares of common stock. Diluted earnings per share is based on the weighted average number of shares of common stock and common stock equivalents (stock options). The basic and diluted weighted average number of shares used for the earnings per share calculations were as follows:

(In millions)	1998	1997	1996
BASIC	56.7	56.0	55.7
DILUTIVE EFFECT OF OPTIONS	0.6	0.3	0.7
DILUTED	57.3	56.3	56.4

There were no reconciling items between net income for basic and diluted earnings per share.

Foreign Currency Translation   Assets and liabilities of foreign subsidiaries are translated at year-end exchange rates. Income statement amounts are translated using average monthly exchange rates during the year. Gains and losses resulting from translating foreign currency financial statements are accumulated in a separate component of shareholders' equity until the subsidiary is sold or substantially liquidated.

Stock-based Compensation   The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." Accordingly, pro forma net income and earnings per share information has been presented in Note K as required under SFAS No. 123, "Accounting for Stock-Based Compensation."

Reclassifications   Certain amounts in the 1997 and 1996 financial statements have been reclassified to conform with the 1998 presentation.

Use of Estimates   The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income   On January 1, 1998, the Company adopted SFAS No. 130 "Reporting Comprehensive Income" which requires certain transactions to be included as adjustments to net income in order to report comprehensive income. These transactions referred to as other comprehensive income represent items that, under previous accounting standards, bypassed the statement of income and were reported directly as adjustments to the equity section of the balance sheet. The Company's other comprehensive income consists of the change in the foreign currency translation adjustment amount during the period and is reported in the consolidated statement of changes in shareholders' equity. The foreign currency translation adjustment amount previously reported as a separate component of shareholders' equity is now included in accumulated other comprehensive income in the Consolidated Balance Sheets.

Pension Arrangements   In February 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits," which is effective for fiscal years beginning after December 15, 1997. SFAS No. 132 standardizes the disclosure requirements for pension and other postretirement benefits, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. SFAS No. 132 does not change the measurement or recognition of pension or other postretirement benefits. See Note L for the Company's disclosure of pension arrangements.

New Accounting Pronouncements   In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted for fiscal quarters of fiscal years beginning after June 15, 1999. The Company expects to adopt SFAS No. 133 effective January 1, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is currently evaluating the impact that the adoption of this statement will have on its financial position and results of operations.

NOTE C: SEGMENT REPORTING

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", during the fourth quarter of 1998. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial statements. It also establishes standards for related disclosures about products and services, major customers and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is comprised of the Chief Executive Officer and the senior executives of the Company and the Company's operating segments.

The Company has three reportable operating segments consisting of Auction, Real Estate and Finance. The Auction segment is an aggregation of operations in North America, Europe and Asia as they are similar in service, customers and the way the service is provided. The Auction segment conducts auctions of property in which the Company generally functions as an agent accepting property on consignment from its selling clients. In addition to auctioneering, the Auction segment is engaged in a number of related activities including the purchase and resale of art and other collectibles and the brokering of art collectible purchases and sales through private treaty sales. The Real Estate segment markets and brokers luxury real estate. The Finance segment provides art-related financing generally secured by works of art and other personal property owned by its clients. The Other segment primarily includes art education and restoration activities.

The Company's reportable operating segments are strategic business units that offer different services. They are managed separately because each business requires different resources and strategies. The Company evaluates performance based on segment profit or loss from operations before income taxes, not including nonrecurring charges and foreign exchange gains and losses.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note B). Revenues are attributed to geographic areas based on the location of the actual sale.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998

	AUCTION	REAL ESTATE	FINANCE	OTHER	TOTAL
REVENUES	$367,204	$ 25,097	$ 47,876	$ 6,875	$447,052
INTEREST INCOME	19,044	--	44	43	19,131
INTEREST EXPENSE	10,480	14	48	3	10,545
DEPRECIATION AND AMORTIZATION .	11,218	1,124	--	310	12,652
SEGMENT PROFIT/(LOSS)	58,156	4,053	27,501	(697)	89,013
SEGMENT ASSETS	556,933	10,661	176,782	3,128	747,504
EXPENDITURES FOR SEGMENT ASSETS	51,473	2,219	--	43	53,735

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997

	AUCTION	REAL ESTATE	FINANCE	OTHER	TOTAL
REVENUES	$335,511	$ 19,359	$ 20,235	$ 6,687	$381,792
INTEREST INCOME	14,931	10	--	35	14,976
INTEREST EXPENSE	5,960	13	39	6	6,018
DEPRECIATION AND AMORTIZATION .	9,978	774	--	305	11,057
SEGMENT PROFIT/(LOSS)	67,992	3,938	5,337	(1,110)	76,157
SEGMENT ASSETS	551,310	10,166	276,190	1,403	839,069
EXPENDITURES FOR SEGMENT ASSETS	15,440	1,968	--	99	17,507

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996

	AUCTION	REAL ESTATE	FINANCE	OTHER	TOTAL
REVENUES	$302,196	$ 13,752	$ 14,015	$ 6,533	$336,496
INTEREST INCOME	12,033	3	--	35	12,071
INTEREST EXPENSE	3,603	5	32	3	3,643
DEPRECIATION AND AMORTIZATION .	8,939	342	--	189	9,470
SEGMENT PROFIT/(LOSS)	62,672	2,881	3,281	(590)	68,244
SEGMENT ASSETS	480,688	4,824	151,116	4,656	641,284
EXPENDITURES FOR SEGMENT ASSETS	9,335	447	--	53	9,835

A reconciliation of the totals reported for the reportable operating segments to the applicable line items in the consolidated financial statements is as follows:

AS OF AND FOR THE YEAR ENDED DECEMBER 31

	1998	1997	1996
REVENUES:			
TOTAL REVENUES FOR REPORTABLE SEGMENTS	$ 440,177	$ 375,105	$ 329,963
OTHER REVENUES	6,875	6,687	6,533
TOTAL CONSOLIDATED REVENUES	$ 447,052	$ 381,792	$ 336,496

PROFIT:

TOTAL PROFIT FOR REPORTABLE SEGMENTS	$ 89,710	$ 77,267	$ 68,834
OTHER PROFIT (LOSS)	(697)	(1,110)	(590)
UNALLOCATED AMOUNTS:			
NON-RECURRING CHARGES	(15,200)	(11,700)	--
CONSOLIDATED INCOME BEFORE TAX	$ 73,813	$ 64,457	$ 68,244
ASSETS:			
TOTAL ASSETS FOR REPORTABLE SEGMENTS	$ 744,376	$ 837,666	$ 636,628
OTHER ASSETS	3,128	1,403	4,656
GOODWILL NOT ALLOCATED TO SEGMENTS	10,529	10,789	11,052
OTHER UNALLOCATED AMOUNTS	11,977	10,383	3,762
CONSOLIDATED TOTAL	$ 770,010	$ 860,241	$ 656,098

The other unallocated amounts consist primarily of deferred tax assets and income tax receivable balances.

Other Significant Items:

<TABLE>
<CAPTION>

<S>	SEGMENT TOTALS <C>	ELIMINATIONS <C>	CONSOLIDATED TOTAL <C>
1998			
INTEREST INCOME	$ 19,131	$ (15,571)(1)	$ 3,560
INTEREST EXPENSE	10,545	--	10,545
DEPRECIATION AND AMORTIZATION	12,652	--	12,652
EXPENDITURES FOR ASSETS	53,735	--	53,735
1997			
INTEREST INCOME	$ 14,976	$ (11,929)(1)	$ 3,047
INTEREST EXPENSE	6,018	--	6,018
DEPRECIATION AND AMORTIZATION	11,057	--	11,057
EXPENDITURES FOR ASSETS	17,507	--	17,507
1996			
INTEREST INCOME	$ 12,071	$ (7,805)(1)	$ 4,266
INTEREST EXPENSE	3,643	--	3,643
DEPRECIATION AND AMORTIZATION	9,470	--	9,470
EXPENDITURES FOR ASSETS	9,835	--	9,835

</TABLE>

(1) Represents the elimination of interest charged by Auction to Finance for funding Finance's loan portfolio.

Information concerning geographical areas was as follows:

<TABLE>
<CAPTION>

	AS OF AND FOR THE YEAR ENDED DECEMBER 31		
<S>	1998 <C>	1997 <C>	1996 <C>
REVENUES			
UNITED STATES	$ 272,182	$ 175,899	$ 161,559
UNITED KINGDOM	132,325	138,509	111,116
OTHER INTERNATIONAL COUNTRIES	42,545	67,384	63,821
TOTAL	$ 447,052	$ 381,792	$ 336,496
LONG-LIVED ASSETS			
UNITED STATES	$ 56,832	$ 30,075	$ 21,018
UNITED KINGDOM	45,953	44,305	46,498
OTHER INTERNATIONAL COUNTRIES	6,129	4,162	3,060
TOTAL	$ 108,914	$ 78,542	$ 70,576

</TABLE>

NOTE D: ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consist of the following:

<TABLE>
<CAPTION>

(Thousands of dollars)	AS OF DECEMBER 31 1998	1997
<S>	<C>	<C>
ACCOUNTS AND OTHER RECEIVABLES	$ 317,001	$ 357,521
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(11,711)	(6,799)
	305,290	350,722
NOTES RECEIVABLE	155,581	276,401
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(2,874)	(3,620)
	152,707	272,781
TOTAL	$ 457,997	$ 623,503

</TABLE>

Accounts receivable included $0.3 million and $2.1 million at December 31, 1998 and 1997, respectively, relating to the purchase of art objects at auction by employees, officers, directors and other related parties.

Under the standard terms and conditions of the Company's auction sales, the Company is not obligated to pay consignors for items that have not been paid by the purchaser. If the purchaser defaults on payment, the Company has the right to cancel the sale and return the property to the owner, re-offer the property at auction, or negotiate a private sale.

In certain situations, when the purchaser takes possession of the property before payment is made, the Company is liable to the seller for the net sale proceeds. As of December 31, 1998 and 1997, accounts receivable included approximately $137.4 million and $179.6 million, respectively, of such sales. As of February 23, 1999, $92.7 million of the amount outstanding at December 31, 1998 had been paid. Amounts outstanding at December 31, 1997 which remained outstanding at December 31, 1998 totaled $4.9 million. Management believes that adequate allowances have been established to provide for potential losses on these amounts.

Notes receivable included $0.7 million at December 31, 1998, relating to loans to employees. The average interest rate on these loans was 11.5% at December 31, 1998.

The Company provides collectors, museums and dealers with financing generally secured by works of art that the Company typically controls and other personal property owned by its clients. The Company generally makes two types of secured loans: (1) advances secured by consigned property to borrowers who are contractually committed, in the near term, to sell the property at auction or privately (a "consignor advance"); and (2) general purpose loans to collectors, museums or dealers secured by property not presently intended for sale. The consignor advance enables a consignor to receive funds shortly after consignment for an auction that will occur several weeks or months in the future, while preserving for the benefit of the consignor the potential of the auction process. The general purpose secured loans allow the Company to establish or enhance a mutually beneficial relationship with dealers and collectors. The loans are generally made with full recourse to the borrower. In certain instances, however, loans are made with recourse limited to the works of art pledged as security for the loan. To the extent that the Company is looking wholly or partially to the collateral for repayment of its loans, repayment can be adversely impacted by a decline in the art market in general or in the value of the particular collateral. In addition, in situations where the borrower becomes subject to bankruptcy or insolvency laws, the Company's ability to realize on its collateral may be limited or delayed by the application of such laws.

No individual loans amounted to more than 5% of total assets at December 31, 1998. Although the Company's general policy is to make secured loans at loan to value ratios (principal loan amount divided by the low auction estimate of the collateral) of 50% or lower, on certain occasions the Company will lend, on a secured basis, at loan to value ratios higher than 50%. In addition, on certain occasions, the Company will also lend amounts at loan to value ratios higher than 50% where the Company participates in a share of the sale proceeds if the property sells for more than its investment and the Company shares in a portion of the loss if the property does not sell at or above its investment.

The average interest rates charged on notes receivable were 8.7% and 9.1% at December 31, 1998 and 1997, respectively. The estimated fair value of notes receivable was $155.6 million and $275.6 million at December 31, 1998 and 1997, respectively.

Interest income on impaired loans is recognized to the extent cash is received. Where there is doubt regarding the ultimate collectibility of principal for impaired loans, cash receipts, whether designated as principal or interest, are thereafter applied to reduce the recorded investment in the loan.

The following are the changes in the allowance for credit losses relating to notes receivable for the twelve months ended December 31, 1998 and 1997.

	YEAR ENDED DECEMBER 31	
(Thousands of dollars)	1998	1997
ALLOWANCE FOR CREDIT LOSSES AT DECEMBER 31, 1997 AND 1996	$ 3,620	$ 2,501
PROVISIONS	250	1,251
WRITEOFFS AND OTHER	(996)	(132)
ALLOWANCE FOR CREDIT LOSSES AT DECEMBER 31, 1998 AND 1997	$ 2,874	$ 3,620

NOTE E: INVENTORY

Inventory consists principally of objects obtained incidental to the auction process primarily as a result of honoring authenticity claims of purchasers, purchasers defaulting on accounts receivable after the consignor has been paid, purchasing property at the minimum price guaranteed by the Company and purchases of property for investment purposes.

The inventory and related allowances to adjust the cost of inventory to management's estimated net realizable value are as follows:

	AS OF DECEMBER 31	
(Thousands of dollars)	1998	1997
INVENTORY, AT COST	$ 26,337	$ 39,300
NET REALIZABLE VALUE ALLOWANCES	(9,422)	(15,726)
TOTAL	$ 16,915	$ 23,574

NOTE F: INVESTMENTS

On May 23, 1990, the Company purchased the common stock of the Pierre Matisse Gallery Corporation ("Matisse") for approximately $153 million. The assets of Matisse consisted of a collection of fine art (the "Matisse inventory"). Upon consummation of the purchase, the Company contributed the Matisse inventory to AMA and entered into the AMA partnership agreement with Acquavella Contemporary Art, Inc. to sell the Matisse inventory. The Company accounts for its investment in AMA under the equity method of accounting in the Consolidated Financial Statements, including its share of AMA's operating results in auction and related revenue. The total net assets of the partnership consist principally of the inventory described above. The Company reflects its 50% interest in the net assets of the partnership in investments in the Consolidated Balance Sheets. This investment totaled $34.3 million and $35.2 million at December 31, 1998 and 1997, respectively, and is included in Auction segment assets for segment reporting purposes. (See Note C.)

To the extent that the partnership requires working capital, the Company has agreed to lend the same to the partnership. As of December 31, 1998, no such amounts were outstanding.

In 1998 and 1997 the Company's investments in other affiliates totaled $2.4 and $2.3 million, respectively.

NOTE G: PROPERTIES

Properties consist of the following:

(Thousands of dollars)	AS OF DECEMBER 31 1998	1997
LAND	$ 276	$ 276
BUILDING AND BUILDING IMPROVEMENTS	49,793	43,792
LEASEHOLDS AND LEASEHOLD IMPROVEMENTS	13,489	40,784
FURNITURE, FIXTURES AND EQUIPMENT	66,638	57,613
CONSTRUCTION IN PROGRESS	34,551	--
OTHER	4,321	6,419
	169,068	148,884
LESS: ACCUMULATED DEPRECIATION	(60,154)	(70,342)
TOTAL	$ 108,914	$ 78,542

Construction in progress relates to the expenditures on the construction of the York Property, as defined in Note J, and expenditures related to the Company's new financial and accounting system. These assets will be depreciated when they are put into use.

NOTE H: CREDIT ARRANGEMENTS

Short-term borrowings consist of the following:

(Thousands of dollars)	AS OF DECEMBER 31 1998	1997
BANK LINES OF CREDIT	$2,076	$2,152
OTHER SHORT-TERM OBLIGATIONS	22	16
	$2,098	$2,168

Bank Lines of Credit At December 31, 1998 and 1997, $2.1 million and $2.2 million, respectively, were outstanding under domestic and foreign lines of credit at weighted average annual interest rates of 3.97% and 5.44%, respectively.

Commercial Paper The Company may issue up to $300 million in notes under its U.S. commercial paper program. The U.S. commercial paper program was increased to $300 million from $200 million in July 1998. At December 31, 1998 there were no outstanding commercial paper borrowings. At December 31, 1997, $117.0 million of commercial paper borrowings was outstanding. These borrowings were classified on the Consolidated Balance Sheets as a long-term liability based on the Company's ability and intent to maintain or refinance these obligations on a long-term basis. The notes do not bear interest but are issued at a discount, which is negotiated by the Company and purchaser prior to each issuance. The weighted average annual interest rate on the commercial paper borrowings outstanding at December 31, 1997 was 6.05% with an average maturity of 19.5 days.

Bank Credit Facilities On July 11, 1996, the Company entered into a $300 million Bank Credit Agreement (the "Credit Agreement"). The Credit Agreement represents an amendment and restatement of the Company's former $300 million credit agreement which was executed in August 1994. Borrowings under the Credit Agreement are permitted through July 11, 2001 in either U.S. dollars or U.K. pounds sterling. Under the terms of the Credit Agreement, interest is calculated based on the London Interbank Offering Rate ("LIBOR"). A facility fee of 0.10% per annum is charged on the amount of the commitment. Commitment fees totaled $0.3 million, $0.3 million and $0.4 million for the years ended December 31, 1998, 1997 and 1996 respectively. The Credit Agreement contains certain financial covenants. Under these covenants, the Company is permitted to pay dividends, however, the Company is required to maintain consolidated tangible net worth, as defined, of at least $150 million. At December 31, 1998, consolidated tangible net worth, as defined was $296.6 million. The Company had no outstanding borrowings under these facilities during 1998 and 1997.

Senior Unsecured Debt In May 1998, the Company filed a registration statement with the Securities and Exchange Commission relating to a shelf registration of $200 million of senior unsecured debt securities that may be offered and sold from time to time. Subsequent to year ended, in February 1999, the Company sold a tranche of these debt securities for an aggregate offering price of $100 million at an interest rate of 6.875%.

Interest paid on borrowings totaled $9.8 million, $5.5 million and $2.7 million in the years ended December 31, 1998, 1997, and 1996, respectively.

NOTE I: INCOME TAXES

The significant components of income tax expense consist of the following:

(Thousands of dollars)	YEAR ENDED DECEMBER 31 1998	1997	1996
INCOME BEFORE TAXES:			
DOMESTIC	$ 65,963	$ 19,514	$ 31,595
FOREIGN	7,850	44,943	36,649
TOTAL	$ 73,813	$ 64,457	$ 68,244
INCOME TAXES CURRENT:			
FEDERAL	$ 17,876	$ 7,136	$ 11,241
STATE AND LOCAL	13,009	3,824	5,067
FOREIGN	7,872	15,220	10,519
	38,757	26,180	26,827
INCOME TAXES DEFERRED:			
FEDERAL	(6,887)	(3,426)	(2,299)
FOREIGN	(3,082)	1,095	2,770
	(9,969)	(2,331)	471
TOTAL	$ 28,788	$ 23,849	$ 27,298

The components of deferred income tax assets and liabilities consist of the following:

(Thousands of dollars)	AS OF DECEMBER 31 1998	1997
DEFERRED TAX ASSETS:		
ASSET PROVISIONS AND ACCRUED LIABILITIES	$ 11,045	$ 6,401
TAX LOSS AND CREDIT CARRYFORWARDS	8,595	6,458
	19,640	12,859
VALUATION ALLOWANCE	(3,389)	(6,458)
TOTAL	$ 16,251	$ 6,401
DEFERRED TAX LIABILITIES:		
BASIS DIFFERENCE IN PARTNERSHIP ASSETS	$ 12,507	$ 12,772
DEPRECIATION	(718)	(864)
TOTAL	$ 11,789	$ 11,908

The Company provided a valuation allowance for certain foreign losses and tax credit carryovers of $3.4 million and $6.5 million at December 31, 1998 and 1997 respectively. The valuation allowance (decreased) increased by ($3.1 million) and $5.9 million at December 31, 1998 and 1997, respectively. The change in the valuation allowance in 1998 compared to 1997 resulted from management's evaluation of the utilization of U.S. and certain foreign operating loss and credit carryfowards.

The effective tax rate varied from the statutory rate as follows:

<TABLE>
<CAPTION>

	Year ended December 31		
	1998	1997	1996
STATUTORY FEDERAL INCOME TAX RATE	35.0%	35.0%	35.0%
STATE AND LOCAL TAXES, NET OF FEDERAL TAX BENEFIT	5.7	3.9	4.8
FOREIGN TAXES AT RATES GREATER THAN U.S. RATES ..	2.8	0.9	0.7
TAXABLE FOREIGN SOURCE INCOME	(4.8)	(2.5)	0.0
OTHER	0.3	(0.3)	(0.5)
EFFECTIVE INCOME TAX RATE	39.0%	37.0%	40.0%

</TABLE>

Undistributed earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1998 and 1997 amounted to $38.0 million and $35.0 million, respectively. Such amounts are considered to be reinvested indefinitely or will be distributed from income that would not incur a significant tax consequence and, therefore, no provision has been made for taxes that would be payable upon distribution of these earnings.

Total income tax payments, net of refunds, during 1998, 1997 and 1996 were $25.4 million, $24.2 million and $12.7 million respectively.

The related tax expense (benefit) for the years ended December 31, 1998, 1997 and 1996 related to the foreign currency translation adjustment included in Other Comprehensive Income was approximately $0.24 million, ($3.6 million) and $3.7 million, respectively.

NOTE J: LEASE COMMITMENTS

The Company conducts its business on premises leased in various locations under long-term operating leases expiring through 2060. Net rental payments under operating leases amounted to $15.5 million, $13.1 million and $11.9 million, respectively for the years ended December 31, 1998, 1997 and 1996.

Properties under capital leases, which relate primarily to computer and office equipment, are not material. Future minimum lease payments under noncancelable operating leases in effect at December 31, 1998 are as follows:

(Thousands of dollars)

1999	$ 16,554
2000	12,442
2001	10,382
2002	9,350
2003	9,016
THEREAFTER	62,503
TOTAL FUTURE MINIMUM LEASE PAYMENTS	$120,247

The future minimum lease payments have not been reduced by minimum sublease rentals of $9.9 million due in the future under noncancelable subleases.

In addition to the above rentals, under the terms of certain of the leases, the Company pays real estate taxes, utility costs and other increases based on a price-level index.

Operating leases include a lease expiring in 2009 (which can be extended until 2039) on the North American headquarters building in New York City (the "York Property"). York Avenue Development, Inc., a wholly-owned subsidiary of Sotheby's, Inc. (itself a wholly-owned subsidiary of the Company), holds a purchase option on the York Property. The option can be exercised on defined dates in 1999, 2004 and 2009 for ten times the annual rent at the date the option is exercised, subject to certain limitations.

NOTE K: SHAREHOLDERS' EQUITY

Common Stock and Public Offering Effective May 13, 1988, 11,006,214 shares of Class A Limited Voting Common Stock ("Class A Common Stock") were sold in an initial public offering by the Company's shareholders. Effective June 30, 1992, an additional 11,000,000 shares of Class A Common Stock were sold in a secondary public offering by certain shareholders of the Company. The Class A Common Stock is traded on stock exchanges in both the U.S. and the U.K.

Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes. Both classes of common stock share equally in cash dividend distributions.

Preferred Stock In addition to Class A and B Common Stock outstanding, the Company has the authority to issue 50,000,000 shares of Preferred Stock, no par value. No such shares were issued and outstanding at December 31, 1998 and 1997.

Stock Option Plans At December 31, 1998, the Company has reserved 9,778,000 shares of Class B Common Stock for issuance in connection with the 1987 Stock Option Plan and the 1997 Stock Option Plan ("the Plan"). The Plan succeeded the 1987 Stock Option Plan.

Pursuant to both stock option plans, options are granted with an exercise price equal to or greater than fair market value at the date of grant. Pursuant to the 1987 Stock Option Plan, options granted through September 1992 vest and become exercisable ratably during each of the fourth, fifth and sixth years after the date of grant. For options granted subsequent to September 1992 and through December 31, 1996, pursuant to the 1987 Stock Option Plan, and for options granted subsequent to January 1997, pursuant to the Plan, options vest and become exercisable ratably in each of the second, third, fourth, fifth and sixth years after the date of grant (except in the U.K. where options vest three-fifths in the fourth year and one-fifth in each of the fifth and sixth years after the date of grant). The options are exercisable into shares of Class B Common Stock, which are authorized but unissued shares. The shares of Class B Common Stock issued upon exercise are convertible into an equivalent number of shares of Class A Common Stock.

At December 31, 1998, there were outstanding options under the Plan and the 1987 Stock Option Plan for the purchase of 7,895,935 shares at prices ranging from $10.87 to $24.25 per share. Stock option transactions during 1998, 1997 and 1996 are summarized as follows (shares in thousands):

<TABLE>
<CAPTION>

		OPTIONS OUTSTANDING		
	SHARES RESERVED FOR ISSUANCE UNDER THE PLAN	SHARES	PRICES	WEIGHTED AVERAGE PRICE
<S>	<C>	<C>	<C>	<C>
INITIAL GRANT SEPTEMBER 1, 1987	12,507	7,628	$ 1.50	$ 1.50
BALANCE AT DECEMBER 31, 1995	9,490	6,297	$ 1.50-22.62	$ 11.83
OPTIONS GRANTED		754	$14.00-17.00	$ 15.13
OPTIONS CANCELED		(183)	$10.87-20.87	$ 13.65
OPTIONS EXERCISED	(1,093)	(1,093)	$ 1.50-16.50	$ 8.34
BALANCE AT DECEMBER 31, 1996	8,397	5,775	$ 1.50-22.62	$ 12.86
OPTIONS EXPIRED-1987 OPTION PLAN	(2,169)			
INITIAL GRANT JANUARY 1, 1997 FOR THE PLAN	6,000			
OPTIONS GRANTED		2,279	$15.75-18.94	$ 17.72
OPTIONS CANCELED		(237)	$10.87-17.13	$ 13.64
OPTIONS EXERCISED	(1,121)	(1,121)	$ 1.50-18.00	$ 10.23
BALANCE AT DECEMBER 31, 1997	11,107	6,696	$ 3.50-22.62	$ 14.92
OPTIONS GRANTED		3,037	$20.06-24.25	$ 22.67
OPTIONS CANCELED		(508)	$10.87-22.62	$ 16.61
OPTIONS EXERCISED	(1,329)	(1,329)	$ 3.50-18.69	$ 13.19
BALANCE AT DECEMBER 31, 1998	9,778	7,896	$10.87-24.25	$ 17.84

</TABLE>

The following table summarizes information about options outstanding at December 31, 1998 (shares in thousands):

<TABLE>

<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	OUTSTANDING AT 12/31/98	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE PRICE	EXERCISABLE AT 12/31/98	WEIGHTED AVERAGE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$ 9.70-12.12	721	6.1 years	$ 10.88	341	$ 10.88
$12.13-14.55	1,134	3.5 years	$ 13.13	1,116	$ 13.13
$14.56-16.97	1,376	6.6 years	$ 15.81	628	$ 16.11
$16.98-19.40	1,614	8.4 years	$ 18.12	308	$ 18.13
$19.41-21.82	1,495	9.0 years	$ 20.31	30	$ 20.88
$21.83-24.25	1,556	9.9 years	$ 24.15	--	$ --
	7,896			2,423	$ 14.31

</TABLE>

The weighted average fair value (using the Black-Scholes option-pricing model) per share of options granted during the years ended December 31, 1998, 1997 and 1996 was $7.36, $6.47 and $5.52, respectively. At December 31, 1997 and 1996, 2,492,455 and 2,498,527 options were exercisable at a weighted average exercise price of $13.57 and $11.96, respectively.

Performance Share Purchase Plan   At December 31, 1998, the Company had reserved 2,000,000 shares of Class B Common Stock for issuance in connection with the Performance Share Purchase Plan (the "Performance Plan"). At December 31, 1998, 695,500 options were outstanding under the Performance Plan.

The following table summarizes information about options outstanding at December 31, 1998 under the Performance Plan:

<TABLE>
<CAPTION>

Options Outstanding	SHARES	PRICES	WEIGHTED AVERAGE PRICE
<S>	<C>	<C>	<C>
INITIAL GRANT FEBRUARY 1996 AND BALANCE AT DECEMBER 31, 1996	215,000	$ 3.69	$ 3.69
OPTIONS GRANTED	271,500	4.29	4.29
OPTIONS CANCELED	(56,000)	3.69-4.29	4.02
BALANCE AT DECEMBER 31, 1997	430,500	$ 3.69-4.29	$ 4.03
OPTIONS GRANTED	315,000	5.03	5.03
OPTIONS CANCELED	(50,000)	3.69-4.29	3.99
BALANCE AT DECEMBER 31, 1998	695,500	$ 3.69-5.03	$ 4.48

</TABLE>

The Company recognized compensation expense of $9.0 million, $1.3 million and $0.5 million in 1998, 1997 and 1996, respectively, relating to the Performance Plan.

Pursuant to the Performance Plan, options are granted with an exercise price equal to at least 25% of the fair market value of the Class B Common Stock at the date of grant.

Options granted under the Performance Plan will be exercisable upon the fulfillment of certain performance criteria, based on the Company's earnings per share or return on equity, or both, as determined by the Compensation Committee of the Board of Directors, as well as fulfillment of time vesting requirements. The options, which generally have a three-year performance period, time vest regardless of achieving the performance goal, in one third increments on each of the third, fourth and fifth anniversaries of the date of grant. If the performance goal has been achieved at the time these options begin time vesting, the options will become exercisable when the time vesting requirement is met. If the performance goal has not been achieved by the end of the performance period, the options will not become exercisable upon vesting. Rather, the designated performance goal will automatically be adjusted and the performance period will be extended one year. Upon achievement of the adjusted performance goal, the options will be exercisable to the extent they have time vested. If the adjusted performance goal is not achieved by the end of the fifth year after the date of grant, the options will expire. During the term of each Performance Plan option, the option accrues dividend equivalents which are payable to the option holder when the option becomes exercisable. During 1997, the Audit and Compensation Committee approved an acceleration of the time vesting for options granted during 1996 and 1997. These options will time vest on the third anniversary of the date of the grant, provided that the performance goal is achieved. The performance goal for the 1996 grant was achieved and the options became exercisable on January 31, 1999.

The weighted average fair value (using the Black-Scholes option-pricing model) per share of options granted during 1998, 1997 and 1996 was $14.02, $11.99 and $10.33 respectively.

Pro Forma Disclosure of the Compensation Cost for Stock Option Plans
Effective January 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted under SFAS No. 123, the Company has elected to continue to measure stock-based compensation using the intrinsic value approach under APB Opinion No. 25.

Had compensation cost for the Plan and the Performance Plan been determined based on the fair value at the grant date for awards in 1998, 1997 and 1996 consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	YEAR ENDED DECEMBER 31		
	1998	1997	1996
NET INCOME--AS REPORTED	$ 45,025	$ 40,608	$ 40,946
NET INCOME--PRO FORMA	$ 42,704	$ 38,044	$ 39,345
BASIC EARNINGS PER SHARE--AS REPORTED	$ 0.79	$ 0.73	$ 0.73
DILUTED EARNINGS PER SHARE--AS REPORTED	$ 0.79	$ 0.72	$ 0.73
BASIC EARNINGS PER SHARE--PRO FORMA	$ 0.75	$ 0.68	$ 0.71
DILUTED EARNINGS PER SHARE--PRO FORMA	$ 0.75	$ 0.68	$ 0.70

The pro forma information reflected above may not be representative of the amounts to be expected in future years as the fair value method of accounting contained in SFAS No. 123 had not been applied to options granted prior to January 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for all grants: dividend yield of 2.1%; expected volatility of 30%; risk-free rate of return of 6%; and expected life of 7.5 years. The compensation cost generated by the Black-Scholes model may not be indicative of the future benefit received by the option holder.

Stock Compensation Plan for Non-employee Directors   Effective April 30, 1998, the Company amended and restated the Director Stock Ownership Plan. At December 31, 1998, the Company had reserved 161,165 shares of Class A Common Stock for issuance in connection with the Stock Compensation Plan for Non-employee Directors ("the Plan"). During 1998, 15,255 shares were issued to non-employee directors under the Plan. During 1998, 1997 and 1996, 3,690, 15,390 and 4,500 shares, respectively were issued to non-employee directors under the Director Stock Ownership Plan.

Stock Repurchase Programs   In June of 1996, the Company authorized an increase in the number of shares of its outstanding Class A Common Stock to be acquired under the November 30, 1995 stock repurchase program from 1 million shares to 4 million shares. As of December 31, 1998, 2.5 million shares had been repurchased under this program. There were no repurchases of stock in 1998.

NOTE L: PENSION ARRANGEMENTS

The Company has a U.S. defined contribution plan that covers employees after 90 days of service. The Company contributes 2% of each participant's compensation to the plan. In addition, participants may elect to contribute between 2% and 12% of their compensation, up to the maximum amount allowable under IRS regulations, on a pre-tax basis. Effective May 1, 1996, employee savings are matched by a Company contribution of up to an additional 6% of the participant's compensation. Prior to May 1, 1996, the Company matched employee savings up to an additional 3% of the participant's compensation. The Company's contributions amounted to $2.7 million, $2.5 million and $2.0 million for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company also contributes to a defined benefit pension plan covering substantially all employees in the U.K. on an annual basis.

The following disclosure related to the defined benefit pension plan is in accordance with the provisions of SFAS No. 132 (see Note B), which the Company adopted for the year ended December 31, 1998.

The change in the projected benefit obligation ("PBO") is as follows:

<TABLE>

	AS OF DECEMBER 31	
	1998	1997
PBO AT BEGINNING OF YEAR	$ 97,400	$ 84,392
SERVICE COST	4,891	3,656
INTEREST COST	6,767	6,568
EMPLOYEE CONTRIBUTIONS	818	638
BENEFIT IMPROVEMENTS	0	217
ACTUARIAL (LOSS) GAIN	(3,746)	4,790
BENEFITS PAID	(2,161)	(1,847)
FOREIGN CURRENCY EXCHANGE RATE CHANGES	290	(1,014)
PBO AT END OF YEAR	$ 104,259	$ 97,400

</TABLE>

The change in the plan assets, the funded status and the amounts recognized in the Consolidated Balance Sheets are as follows:

<TABLE>
<CAPTION>

	AS OF DECEMBER 31	
	1998	1997
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF YEAR	$ 142,023	$ 119,065
ACTUAL (LOSS) RETURN ON PLAN ASSETS	(4,658)	24,703
EMPLOYER CONTRIBUTIONS	983	893
EMPLOYEE CONTRIBUTIONS	818	638
BENEFITS PAID	(2,161)	(1,847)
FOREIGN CURRENCY EXCHANGE RATE CHANGES	431	(1,429)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	$ 137,436	$ 142,023
FUNDED STATUS	$ 33,178	$ 44,629
UNRECOGNIZED TRANSITIONAL ASSET	(1,973)	(2,461)
UNRECOGNIZED PRIOR SERVICE COST	2,571	2,871
UNRECOGNIZED ACTUARIAL GAIN	(24,435)	(38,368)
PREPAID PENSION COST RECORDED IN THE CONSOLIDATED BALANCE SHEETS	$ 9,341	$ 6,671

</TABLE>

The components of net pension benefit are as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31		
	1998	1997	1996
SERVICE COST	$ 4,891	$ 3,656	$ 3,229
INTEREST COST	6,767	6,568	5,854
EXPECTED RETURN ON PLAN ASSETS	(11,129)	(9,510)	(8,479)
AMORTIZATION OF PRIOR SERVICE COST	304	285	290
AMORTIZATION OF ACTUARIAL LOSS	(2,007)	(1,447)	(1,112)
AMORTIZATION OF TRANSITION ASSET	(493)	(493)	(493)
NET PENSION BENEFIT	$ (1,667)	$ (941)	$ (711)

</TABLE>

The weighted average discount rate used in determining actuarial values for the U.K. pension plan was 6.5% in 1998 and 7.0% in 1997, the increase in future compensation levels was 5.0% in 1998 and 6.0% in 1997, and the expected weighted average long-term rate of return on plan assets was 9.0% in 1998 and 1997.

NOTE M: RELATED PARTY TRANSACTIONS

Due to consignors included $0.7 million and $0.2 million at December 31, 1998 and 1997, respectively, relating to the sale of art objects at auction by employees, officers, directors and other related parties. In addition, prior to December 1995, the Company had a loan program whereby the Company would directly lend money to certain officers and staff for a term of 15 years to purchase a residence under notes bearing interest at an annual rate equal to 1 to 2 percentage points below the prime rate. Outstanding direct loans amounted to $0.1 million at December 31, 1998 and 1997. In December 1995, the majority of the loans under this program were refinanced and replaced by a bank loan program providing comparable loan terms and interest rates. All repayment obligations under this bank loan program are guaranteed by the Company. This program is available to employees at the Chief Executive Officer's discretion. For loans under this program exceeding $0.4 million, the approval of either the Compensation Committee or Executive Committee of the Board of Directors is required. All loans are repayable when an employee leaves the Company. The amount of guarantees outstanding was $6.0 million at December 31, 1998. See Notes D and N for additional related party disclosure.

NOTE N: COMMITMENTS AND CONTINGENCIES

Commitments   The Company evaluated the adequacy of its principal auction premises for the requirements of the present and future conduct of its business. In September 1998, the Company received final approval from the City of New York to proceed with its plan to construct a six story addition and to renovate its current facility on York Avenue. This construction will expand auction, warehouse and office space in New York City and will enable the Company to consolidate its operations in New York City. The capital expenditures relating to the new building construction is currently estimated to be in the range of $125-130 million. As of February 23, 1999, the Company has financial commitments in relation to this project of approximately $52.1 million.

Legal Actions   The Company, in the normal course of business, is a defendant in various legal actions.

Lending and Other Contingencies   The Company enters into legal binding arrangements to lend, on a collateralized basis, to potential consignors and other individuals who have collections of fine art or other objects. Unfunded commitments to extend additional credit were approximately $84.0 million and $27.7 million at December 31, 1998 and 1997, respectively.

The Company has a bank loan guarantee program available to certain employees at the Chief Executive Officer's discretion whereby the employee borrows directly from a bank on a demand note basis and pays an annual interest rate equal to the prime rate. All of the repayment obligations of the employee are guaranteed by the Company and repayable when an employee leaves the Company. These obligations totaled $0.7 million at December 31, 1998.

On certain occasions, the Company will guarantee to the consignor a minimum price in connection with the sale of property at auction. The Company must perform under its guarantee only in the event that the property sells for less than the minimum price or the property does not sell and, therefore, the Company must pay the difference between the sale price at auction and the amount of the guarantee. At December 31, 1998 and February 23, 1999, the Company had no outstanding guarantees. Under certain guarantees, the Company participates in a share of the proceeds if the property under guarantee sells above a minimum price. In addition, the Company is obligated under the terms of certain guarantees to fund a portion of the guarantee prior to the auction.

In the opinion of management, the commitments and contingencies described above and in Note J currently are not expected to have a material adverse effect on the Company's financial statements.

NOTE O: NON-RECURRING CHARGES

In 1998, the Company recorded a non-recurring charge within operating expenses of $15.2 million relating to the construction of the York Property, as defined in Note J, which was a direct result of the Company's decision to consolidate its operations in New York City. Approximately $14.1 million of this amount was a non-cash charge resulting from the impairment of existing leasehold improvements and related furniture and fixtures which were deemed to have no future use, as they have been or are currently being destroyed or replaced during the construction of the York Property. The remaining amount of approximately $1.1 million was a provision resulting from the cost of future rental obligations on rental space in New York City that will be abandoned as part of the plan. As of December 31, 1998, the Company has recorded in other liabilities on the Consolidated Balance Sheet, approximately $1.1 million related to these future obligations, which will be paid out starting approximately in October, 2000 through September, 2003.

In early 1997, a television program aired in the U.K. and a related book was published both of which contain certain allegations of improper or illegal conduct by current and former employees of the Company. In response to these allegations, the Board of Directors in February 1997 established a committee of independent directors to review the issues raised by the book and related matters. The Independent Review Committee retained outside independent counsel in the U.S. and the U.K. to assist and advise the Committee in its review. The Company's management also conducted its own internal review. Both reviews were completed in 1997. In 1997, the Company incurred $11.7 million of non-recurring charges which consisted primarily of legal and other professional fees associated with the Board of Directors' Independent Review Committee. The Company does not expect to incur any additional material expenses in relation to this matter. These charges were paid in full as of December 31, 1998.

NOTE P: ACQUISITIONS

In June, 1998, the Company's Real Estate segment (Note C) acquired Christopher Webster Real Estate of Sante Fe, Inc., a real estate brokerage firm in Sante Fe, New Mexico. In October, 1998, the Company's Auction segment acquired Davis and Co., a wine auctioneer in Chicago, Illinois. Both of these acquisitions have been accounted for as a purchase. These acquisitions did not have a material effect on the Company's financial statements, thus pro-forma results of operations have not been included herein.

In March 1997, the Company acquired Braverman, Newbold and Brennan, a real estate brokerage firm in Southampton, New York. In July 1997, the Company acquired Leslie Hindman Auctioneers, an auction house in Chicago, Illinois. Both of these acquisitions have been accounted for as a purchase. These acquisitions did not have a material effect on the Company's financial statements, thus pro forma results of operations have not been included herein.

NOTE Q: QUARTERLY RESULTS (UNAUDITED)

<TABLE>
<CAPTION>

(Thousands of dollars, except per share data)	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>
1998				
AUCTION SALES	$ 251,805	$ 715,770	$ 157,691	$ 814,477
AUCTION AND RELATED REVENUES	$ 55,266	$ 129,916	$ 34,478	$ 147,544
OTHER REVENUES	13,057	16,900	16,810	33,081
TOTAL REVENUES	68,323	146,816	51,288	180,625
OPERATING INCOME (LOSS) BEFORE NON-RECURRING CHARGES	(7,769)	55,009	(15,167)	63,905
OPERATING INCOME (LOSS) AFTER NON-RECURRING CHARGES	(7,769)	55,009	(30,367)	63,905
NET INCOME (LOSS)	$ (6,283)	$ 33,562	$ (20,792)	$ 38,538
BASIC EARNINGS (LOSS) PER SHARE	$ (0.11)	$ 0.59	$ (0.37)	$ 0.68
DILUTED EARNINGS (LOSS) PER SHARE	$ (0.11)	$ 0.59	$ (0.37)	$ 0.66

<CAPTION>

(Thousands of dollars, except per share data)	FIRST	SECOND	THIRD	FOURTH
<S>	<C>	<C>	<C>	<C>

1997

AUCTION SALES	$ 207,262	$ 650,607	$ 137,778	$ 847,688
AUCTION AND RELATED REVENUES	$ 45,116	$ 118,406	$ 39,903	$ 132,086
OTHER REVENUES	8,966	12,596	11,411	13,308
TOTAL REVENUES	54,082	131,002	51,314	145,394
OPERATING INCOME (LOSS) BEFORE NON-RECURRING CHARGES	(8,854)	51,297	(13,765)	50,781
OPERATING INCOME (LOSS) AFTER NON-RECURRING CHARGES	(11,354)	48,297	(17,265)	48,081
NET INCOME (LOSS)	$ (6,783)	$ 29,340	$ (11,322)	$ 29,373
BASIC EARNINGS (LOSS) PER SHARE	$ (0.12)	$ 0.53	$ (0.20)	$ 0.52
DILUTED EARNINGS (LOSS) PER SHARE	$ (0.12)	$ 0.52	$ (0.20)	$ 0.52

</TABLE>

REPORT OF INDEPENDENT AUDITORS, REPORT OF MANAGEMENT AND AUDIT COMMITTEE CHAIRMAN'S LETTER

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Sotheby's Holdings, Inc. We have audited the accompanying consolidated balance sheets of Sotheby's Holdings, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sotheby's Holdings, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
New York, New York
February 23, 1999

REPORT OF MANAGEMENT

The Company's consolidated financial statements were prepared by management, which is responsible for their integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on management's best estimates and judgments.

Management is further responsible for maintaining a system of internal control structure and related policies and procedures designed to provide reasonable assurance that assets are adequately safeguarded and that the accounting records reflect transactions executed in accordance with management's authorization.

/s/ DIANA D. BROOKS	/s/ WILLIAM S. SHERIDAN	/s/ JOSEPH A. DOMONKOS
DIANA D. BROOKS	WILLIAM S. SHERIDAN	JOSEPH A. DOMONKOS
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer	Vice President, Controller and Chief Accounting Officer

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee (the "Committee") of the Board of Directors consisted of four independent directors. Information as to these persons, as well as the scope of duties of the Committee, is provided in the Proxy Statement. During 1998, the Committee met three times and reviewed with Deloitte & Touche LLP, the Director of the Internal Audit Department and management the various audit activities and plans, together with the results of selected internal audits. The Committee also reviewed the reporting of consolidated financial results and the adequacy of internal controls. The Committee recommended the appointment of Deloitte & Touche LLP. Deloitte & Touche LLP and the Director of the Internal Audit Department met privately with the Committee on occasion to encourage confidential discussion as to any auditing matters.

/s/ MICHAEL BLAKENHAM
VISCOUNT MICHAEL BLAKENHAM
Chairman, Audit Committee

SOTHEBY'S HOLDINGS, INC. BOARD OF DIRECTORS

A. ALFRED TAUBMAN
Chairman

[PHOTO OMITTED]

MAX M. FISHER
Vice Chairman

[PHOTO OMITTED]

THE MARQUESS OF HARTINGTON
Deputy Chairman

[PHOTO OMITTED]

DIANA D. BROOKS
President and
Chief Executive Officer

[PHOTO OMITTED]

HONORABLE
CONRAD M. BLACK
Chairman and
Chief Executive Officer,
Hollinger International, Inc.

[PHOTO OMITTED]

VISCOUNT
MICHAEL BLAKENHAM
Chairman,
RBG, Kew

[PHOTO OMITTED]

AMBASSADOR
WALTER J. P. CURLEY
Former Chairman,
The French American Foundation

[PHOTO OMITTED]

HENRY R. KRAVIS
Founding General Partner,
Kohlberg Kravis Roberts & Co.

[PHOTO OMITTED]

JEFFREY H. MIRO
Chairman,
Miro Weiner & Kramer

[PHOTO OMITTED]

SHARON PERCY ROCKEFELLER,
(Mrs. John D. Rockefeller, IV),
President and Chief

Executive Officer,
WETA TV/FM

SOTHEBY'S CORPORATE OFFICERS AND ADVISORY BOARD

Advisory Board

GIOVANNI AGNELLI

HER ROYAL HIGHNESS
THE INFANTA PILAR DE
BORBON, DUCHESS OF BADAJOZ

ANN GETTY

ALEXIS GREGORY

DR. QUO-WEI LEE

JOHN L. MARION

THE RT. HON. SIR ANGUS
OGILVY, K.C.V.O.

CARROLL PETRIE

MRS. CHARLES H. PRICE

PROF. DR. WERNER SCHMALENBACH

BARON HANS HEINRICH
THYSSEN-BORNEMISZA DE
KASZON

Corporate Officers

DIANA D. BROOKS
President and
Chief Executive Officer

DEBORAH DECOTIS ZOULLAS
Executive Vice President

SUSAN L. SOLOMON
Executive Vice President,
Chief Executive Officer,
sothebys.com

ROBIN WOODHEAD
Executive Vice President,
Chief Executive,
Sotheby's Europe

SUSAN ALEXANDER
Senior Vice President,
Worldwide Head of
Human Resources

JOHN S. BRITTAIN, JR.
Senior Vice President,
Treasurer

PATRICIA CARBERRY
Senior Vice President,
Director Year 2000

F. PAUL CUCCIA
Senior Vice President,
Chief Information Officer

PAUL DONAHER
Senior Vice President,
Worldwide Director of Marketing

RENA J. MOULOPOULOS
Senior Vice President,

Worldwide Compliance Director,
Business Practices Counsel

DIANA PHILLIPS
Senior Vice President,
Worldwide Head of
Corporate Affairs

DONALDSON C. PILLSBURY
Senior Vice President,
General Counsel and Secretary

WILLIAM S. SHERIDAN
Senior Vice President,
Chief Financial Officer

ROBERT C. WOLCOTT
Senior Vice President,
Director of Taxes

JOSEPH A. DOMONKOS
Vice President,
Controller and Chief
Accounting Officer

DARYL S. WICKSTROM
Vice President,
Associate General Counsel

SOTHEBY'S WORLDWIDE MANAGEMENT

North and South America
Board of Directors

RICHARD E. OLDENBURG
Chairman

JOHN L. MARION
Honorary Chairman

WILLIAM F. RUPRECHT
Managing Director,
Executive Vice President

JOHN D. BLOCK
Vice Chairman,
Head of International Jewelry

WARREN P. WEITMAN, JR.
Vice Chairman,
Worldwide Head of Business
Development

C. HUGH HILDESLEY
Executive Vice President,
Client Development

CHARLES S. MOFFETT
Executive Vice President,
Co-Chairman, Impressionist and
Modern Art Worldwide

DAVID N. REDDEN
Executive Vice President,
Worldwide Head of Books,
Manuscripts and Collectibles

WILLIAM W. STAHL, JR.
Executive Vice President,
Head of Decorative Arts

GEORGE WACHTER
Executive Vice President,
Head of Fine Arts

SUSAN ALEXANDER
Senior Vice President,

Worldwide Head of
Human Resources

ALEXANDER APSIS
Senior Vice President,
Head of Impressionist and
Modern Art

WILLIAM S. COTTINGHAM
Senior Vice President,
Head of Regional Offices

HELYN GOLDENBERG
Senior Vice President,
Chairman, Sotheby's Midwest

TOBIAS MEYER
Senior Vice President,
Worldwide Head of
Contemporary Art

THIERRY MILLERAND
Worldwide Senior Expert,
European Furniture

JAMES G. NIVEN
Senior Vice President,
Head of Business Development

DIANA PHILLIPS
Senior Vice President,
Worldwide Head of
Corporate Affairs

DONALDSON C. PILLSBURY
Senior Vice President,
General Counsel and Secretary

CARLTON C. ROCHELL, JR.
Senior Vice President,
Managing Director, China and
Southeast Asia,
Worldwide Head of Asian Art

ANDREA VAN DE KAMP
Senior Vice President,
Chairman,
West Coast Operations

STUART N. SIEGEL
President and
Chief Executive Officer,
Sotheby's International Realty

MITCHELL ZUCKERMAN
President,
Sotheby's Financial Services, Inc.
and Sotheby's Ventures, LLC.

Sotheby's Europe

HENRY WYNDHAM
Chairman

ROBIN WOODHEAD
Chief Executive,
Executive Vice President,
Sotheby's Holdings, Inc.

GEORGE BAILEY
Managing Director

PRINCESS DE BEAUVAU CRAON
Deputy Chairman,
President, Sotheby's France

DAVID W. BENNETT, F.G.A.
Deputy Chairman,
Chairman, Sotheby's Switzerland,
Head of International Jewelry

MELANIE CLORE
Deputy Chairman

JAMES STOURTON
Deputy Chairman,
Head of European Business
Development

JAMES MILLER
Deputy Chairman,
Sotheby's United Kingdom

SIMON TAYLOR
Deputy Managing Director

PAUL J. MACK
Senior Director,
European Network Office

TOBIAS MEYER
Senior Vice President,
Worldwide Head of
Contemporary Art

MICHEL STRAUSS
Co-Chairman,
Impressionist and Modern Art
Worldwide

ALEXANDER BELL
Senior Director,
Head of Old Master Paintings

ELENA GUENA
Senior Director,
Head of Contemporary Art

PHILIP HOOK
Senior Director,
Impressionist and Modern Art

SERENA SUTCLIFFE
Senior Director,
Head of Wine

MARIO TAVELLA
Senior Director,
Head of French and Continental
Furniture

Sotheby's Financial
Services, Inc. and Sotheby's
Ventures, LLC.

MITCHELL ZUCKERMAN
President

Sotheby's International
Realty

STUART N. SIEGEL
President and
Chief Executive Officer

WORLDWIDE LOCATIONS

SOTHEBY'S NORTH AND SOUTH AMERICA>

UNITED STATES Atlanta, Baltimore, Bermuda, Beverly Hills(1), Boston, Chicago(1), Dallas, Honolulu, Houston, Miami, Minneapolis, Monterey, New York(1), North Carolina, Palm Beach, Philadelphia, Puerto Rico, Richmond, San Francisco, Santa Barbara, Seattle, Tampa, Washington, D.C., Wilmington, ARGENTINA Buenos Aires, BRAZIL Rio de Janeiro, Sao Paulo, CANADA Toronto(1), Vancouver, Victoria, B.C., MEXICO Mexico City, Monterrey, VENEZUELA Caracas

SOTHEBY'S EUROPE>

UNITED KINGDOM Billingshurst(1), Cheltenham, Chester, Cornwall, Cumbria, Derbyshire, Exeter, Harrogate, London(1), Newcastle-upon-Tyne, Newmarket, Norfolk, Northamptonshire, Northern Ireland, North Wales & The Marches, Nottinghamshire, Salisbury, Somerset, Stamford, Suffolk, Yorkshire, CHANNEL ISLANDS Guernsey, C.I., REPUBLIC OF IRELAND Dublin, Co. Kildare, SCOTLAND Edinburgh, Glasgow, AUSTRIA Vienna, BELGIUM Brussels, CYPRUS Nicosia, CZECH REPUBLIC Prague, DENMARK Copenhagen, FINLAND Helsinki, FRANCE Bordeaux, Lyon, Montpellier, Paris, Strasbourg, GERMANY Berlin, Cologne, Frankfurt, Hamburg, Lower Saxony, Munich(1), Stuttgart, HUNGARY Budapest, ICELAND Reykjavik, ISRAEL Tel Aviv(1), ITALY Florence, Milan(1), Rome, Turin, LUXEMBOURG, MONACO(1), NETHERLANDS Amsterdam(1), NORWAY Oslo, PORTUGAL Lisbon, SOUTH AFRICA Cape Town, Johannesburg, SPAIN Barcelona, Bilbao, Madrid(1), SWEDEN Gothenburg, South Sweden, Stockholm(1), SWITZERLAND Geneva(1), Lugano, Zurich(1)

SOTHEBY'S ASIA>

AUSTRALIA Melbourne(1), Sydney(1), CHINA Shanghai, HONG KONG(1), INDONESIA Jakarta, JAPAN Tokyo, KOREA Seoul, MALAYSIA Kuala Lumpur, SINGAPORE(1), TAIWAN Taipei, THAILAND Bangkok

(1) TWENTY Salesrooms FORTY-ONE Countries

SOTHEBY'S SHAREHOLDERS' INFORMATION

COMMON STOCK PRICE

The quarterly price ranges and dividends per share of Class A Common Stock in 1998 and 1997 were as follows:

	HIGH		LOW		CASH DIVIDENDS PER SHARE	
Quarter:	1998	1997	1998	1997	1998	1997
FIRST ...	$ 23 1/4	$ 18 7/8	$ 17 3/16	$ 16	$ 0.10	$ 0.10
SECOND ..	24 1/2	17 1/4	21 7/16	14 7/8	0.10	0.10
THIRD ...	24 3/8	21	16 1/2	16 3/16	0.10	0.10
FOURTH ..	38	21	15 1/2	16 9/16	0.10	0.10

The Company also has Class B Common Stock convertible on a share-for-share basis into Class A Common Stock. There is no public market for the Class B Common Stock. Cash dividends are payable equally on the Class A and B Common Stock.

The number of holders of record of the Class A Common Stock as of March 1, 1999 was 1,288. The number of holders of record of the Class B Common Stock as of March 1, 1999 was 30.

ADMINISTRATIVE OFFICES

c/o Sotheby's Service Corporation
1334 York Avenue
New York, New York 10021

TRANSFER AGENTS

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660
Tel US Holders: 800.851.9677
Tel Non-US Holders: 201.329.8660
Tel Hearing Impaired: 800.231.5469
www.chasemellon.com

Computershare Services PLC
Registrar's Department
P.O. Box 82
Caxton House, Redcliffe Way
Bristol BS99 7NH England
Tel: 011.44.117.930.6666

COMMON STOCK INFORMATION

Sotheby's Holdings, Inc. Class A Common Stock is listed on the New York Stock Exchange (symbol: BID) and the London Stock Exchange.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Thursday, April 29, 1999 at 10:00 a.m. at:

Sotheby's
34-35 New Bond Street
London

FORM 10-K AND SHAREHOLDER INFORMATION

The 1998 Form 10-K filed with the Securities and Exchange Commission and other investor information may be obtained by writing to:

Investor Relations
Sotheby's
1334 York Avenue
New York, New York 10021
Tel: 800.700.6321

U.K. Corporate Secretary's Office
Sotheby's
34-35 New Bond Street
London W1A 2AA
Tel: 011.44.171.293.5257

INFORMATION SERVICE FOR SHAREHOLDERS

Sotheby's latest financial information and news is now available by fax, recording or mail by calling our Shareholder Direct toll-free line 24 hours a day, 7 days a week at 1.800.700.6321 as well as at our website, sothebys.com.

CERTIFIED PUBLIC ACCOUNTANTS

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281

PHOTO LEGEND

COVER: CLAUDE MONET'S WATERLILY POND AND PATH BY THE WATER SOLD IN LONDON FOR $33.0 MILLION, A RECORD FOR THE ARTIST AT AUCTION AND THE HIGHEST PRICE ACHIEVED IN LONDON SINCE 1990. PAGE 9: THE AUCTION OF THE COLLECTION OF THE DUKE AND DUCHESS OF WINDSOR BROUGHT $23.4 MILLION IN NEW YORK. SHOWN: THE RED MOROCCO LEATHER DISPATCH BOX ($65,750), THE CEREMONIAL SWORD OF THE PRINCE OF WALES ($25,000) AND THE ABDICATION DESK ($415,000) IN FRONT OF THE CYPHER OF THE DUKE AND DUCHESS OF WINDSOR. PAGE 13: JEWELS FROM THE ESTATE OF BETSEY CUSHING WHITNEY SOLD IN NEW YORK FOR $11.8 MILLION; SHOWN: AN IMPORTANT EMERALD BEAD, SAPPHIRE & DIAMOND NECKLACE AND EARCLIPS WHICH BROUGHT $146,000 AND $46,000, RESPECTIVELY. PAGE 17: 38 WORKS FROM THE READER'S DIGEST COLLECTION ACHIEVED $90.5 MILLION IN NEW YORK; SHOWN: AMEDEO MODIGLIANI'S PORTRAIT DE JEANNE HEBUTERNE WHICH BROUGHT $15.1 MILLION, A RECORD FOR THE ARTIST AT AUCTION. PAGE 20: PABLO PICASSO'S FEMME NUE FROM THE MORTON G. NEUMANN FAMILY COLLECTION SOLD FOR $11.0 MILLION IN NEW YORK. PAGE 20: RICHARD DIEBENKORN'S "HORIZON, OCEAN VIEW," (1959) FROM THE READER'S DIGEST COLLECTION ACHIEVED $3.9 MILLION IN NEW YORK, A RECORD FOR THE ARTIST AT AUCTION. COURTESY OF LAWRENCE RUBIN O GREENBERG VAN DOREN FINE ART, NEW YORK. PAGE 20: A MAGNIFICENT PAIR OF GILT-BRONZE MOUNTED PIETRA DURA CABINETS, FRENCH, LATE 17TH CENTURY BROUGHT $1.6 MILLION IN LONDON. PAGE 20: THE BIRD OF PARADISE BROOCH FROM THE BIRD OF PARADISE COLLECTION SOLD IN GENEVA FOR $354,000. PAGE 20: A HIGHLY IMPORTANT FINE AND RARE BLUE AND WHITE MEIPING VASE INCLUDED IN THE AUCTION OF EIGHT TREASURES FROM A PRIVATE COLLECTION AUCTION BROUGHT $1.4 MILLION IN HONG KONG. COURTESY OF ESKENAZI LTD. PAGE 20: THE PSALTER AND BOOK OF HOURS, USE OF PARIS, IN LATIN FROM THE JAIME ORTIZ PATINO COLLECTION SOLD IN LONDON FOR $819,000. COURTESY OF PIERRE BERES, PARIS. PAGE 21: THE THYSSEN MEISSONIER TUREEN FROM THE COLLECTION OF BARON THYSSEN-BORNEMISZA DE KASZON BROUGHT $5.7 MILLION IN NEW YORK. PAGE 21: GERHARD RICHTER'S RECORD SETTING DOMPLATZ, MAILAND BROUGHT $3.6 MILLION IN OUR LONDON CONTEMPORARY ART AUCTION. COURTESY OF GERHARD RICHTER. PAGE 21: SIR ALFRED J. MUNNINGS' WHY WEREN'T YOU OUT YESTERDAY? FROM THE SANTA ANITA COLLECTION SOLD IN NEW YORK FOR A RECORD $2.8 MILLION. PAGE 21: AN IMPORTANT CHIPPENDALE CARVED AND FIGURED MAHOGANY BONNET-TOP HIGH CHEST, CARVING ATTRIBUTED TO BERNARD & JUGIEZ, PHILADELPHIA, FROM THE STANLEY PAUL SAX COLLECTION OF HIGHLY IMPORTANT AMERICANA BROUGHT $1.2 MILLION IN NEW YORK.

PAGE 21: A GUPTA RED SANDSTONE HEAD OF BUDDHA SOLD IN NEW YORK FOR $1.0 MILLION, A RECORD FOR INDIAN AND SOUTHEAST ASIAN ART. PAGE 21: FREDERIC REMINGTON'S THE TROOPER BROUGHT $2.5 MILLION IN OUR SALE OF THE JOHN F. EULICH COLLECTION OF AMERICAN WESTERN ART IN NEW YORK WHICH TOTALLED $25.0 MILLION. PAGE 25: ANDY WARHOL'S ORANGE MARILYN BROUGHT $17.3 MILLION IN OUR NEW YORK CONTEMPORARY ART AUCTION, A RECORD FOR THE ARTIST AT AUCTION. TM 1999 ESTATE OF MARILYN MONROE BY CMG WORLDWIDE. ALL RIGHTS RESERVED. (C) 1999 ANDY WARHOL FOUNDATION FOR THE VISUAL ARTS/ ARS, NEW YORK. PAGE 29: PORTRAIT OF A BEARDED MAN IN A RED COAT BY REMBRANDT HARMENSZ VAN RIJN SOLD IN OUR NEW YORK AUCTION OF OLD MASTER PAINTINGS FOR $9.1 MILLION, THE SECOND HIGHEST PRICE FOR THE ARTIST AT AUCTION. PAGE 30: OUR STATE-OF-THE-ART YORK AVENUE FACILITY, NOW UNDER CONSTRUCTION, WILL HOUSE OUR NEW YORK AUCTION OPERATION WHEN COMPLETE IN THE YEAR 2000. BEGINNING IN THE SUMMER OF 1999 WE WILL BEGIN CONDUCTING INTERNET AUCTIONS AT SOTHEBYS.COM. THE BARRY HALPER COLLECTION OF BASEBALL MEMORABILIA WILL BE OFFERED BOTH LIVE AND THROUGH THE INTERNET THROUGHOUT 1999 AND HAS AN ESTIMATE OF MORE THAN $15 MILLION, (C)1998, BARRY HALPER ENTERPRISES(SM).

DESIGN: SANDRA BURCH. EDITORIAL: SOTHEBY'S NEW YORK. PHOTOGRAPHY IFC, 4, 8, 12, 16, 24, 28, IBC: MARK JENKINSON; 9, 29: CYNTHIA MATTHEWS; 10: RONALD VAN TEUNENBROEK; 11: RETO RODOLFO PEDRINI; 13: ROBERT MITRA.

[PHOTO OMITTED]

EXHIBIT 21

SUBSIDIARIES OF SOTHEBY'S HOLDINGS, INC.

The significant subsidiaries of Sotheby's Holdings, Inc., which are wholly owned except where indicated, are as follows:

	JURISDICTION OF INCORPORATION
Sotheby's Holdings, Inc.	Michigan
Sotheby's Financial Services, Inc.	Nevada
SPTC, Inc.	Nevada
SFS Holdings, Inc.	Delaware
Fine Art Insurance Ltd.	Bermuda
Sotheby's, Inc.	New York
Oatshare Limited	United Kingdom
Sotheby's	United Kingdom

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-26008 of Sotheby's Holdings, Inc. on Form S-8, Registration Statement No. 33-54057 of Sotheby's Holdings, Inc. on Form S-8, Registration Statement No. 333-02315 on Form S-8, Registration Statement No. 333-28007 on Form S-8, Registration Statement No. 333-34621 on Form S-8, Registration Statement No. 333-34623 on Form S-8 and Registration Statement No. 333-55995 on Form S-3 of our reports dated February 23, 1999, appearing in and incorporated by reference in, the Annual Report on Form 10-K of Sotheby's Holdings, Inc. for the year ended December 31, 1998.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

New York, New York

March 24, 1999

Exhibit 24

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan, with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 2nd day of February, 1999.

/s/ A. ALFRED TAUBMAN

A. ALFRED TAUBMAN

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 20th day of January, 1999.

/s/ MAX M. FISHER

MAX M. FISHER

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 21st day of January, 1999.

/s/ MICHAEL BLAKENHAM

VISCOUNT MICHAEL BLAKENHAM

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 17th day of January, 1999.

/s/ WALTER J.P. CURLEY

WALTER J.P. CURLEY

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 1st day of February, 1999.

/s/ JEFFREY H. MIRO

JEFFREY H. MIRO

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 2nd day of February, 1999.

/s/ THE MARQUESS OF HARTINGTON

THE MARQUESS OF HARTINGTON

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan, with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 12th day of February, 1999.

/s/ HENRY R. KRAVIS

HENRY R. KRAVIS

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan, with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 29th day of January, 1999.

/s/ CONRAD BLACK

CONRAD BLACK

POWER OF ATTORNEY

The undersigned, a Director of Sotheby's Holdings, Inc., a Michigan corporation (the "Company"), does hereby constitute and appoint each of Diana D. Brooks and William S. Sheridan, with full power of substitution, as his true and lawful attorney and agent to execute in his name and on his behalf, as a Director of the Company, the Company's Annual Report on form 10-K, and any and all amendments thereto to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Each such attorney or agent shall have, and may exercise, all of the powers hereby conferred.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his signature this 28th day of January, 1999.

/s/ SHARON PERCY ROCKEFELLER

SHARON PERCY ROCKEFELLER

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