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On March 28, 2014, Third Point LLC and certain of its affiliates filed with the Securities and Exchange Commission (the “SEC”) and began distributing to Sotheby’s stockholders a definitive proxy statement (the “Proxy Statement”) in connection with Sotheby’s 2014 annual meeting of stockholders. Third Point strongly advises all stockholders of Sotheby’s to read the Group’s Proxy Statement because it contains important information, including information relating to the Group’s participants in such proxy solicitation. The Group’s Proxy Statement, as filed, and any further amendments, supplements, or other relevant proxy solicitation documents will be available at no charge on the SEC’s website at http://www.sec.gov.
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Source: Third Point LLC
Third Point Overview

Third Point LLC is an investment adviser based in New York

Firm Overview

- Third Point LLC (“Third Point”) is an SEC-registered investment adviser based in New York
- Approximately $14.5 billion under management
- Founder and CEO, Daniel S. Loeb, has over 28 years of experience in the financial markets

Third Point Highlights

- Event Driven Investment Strategy
  - Focused on special situation investing across capital structures
- Proven Track Record
  - Produced average net annualized returns since inception in 1995 of 21.2% while the CS/Tremont Event Driven Index, HFRI Event Driven Index, and S&P 500 have returned 10.0%, 10.4%, and 8.9%, respectively, over the same period
- Successful Activist Investor
  - Bloomberg recently highlighted how three Third Point activist investments (Yahoo!, CF Industries, Murphy Oil) delivered returns for public shareholders that beat the S&P 500 in an article entitled, “Activist Investors are Good for the Stock Price”
  - At Yahoo!, Third Point helped create approximately $15 billion of value for shareholders, as the share price increased over 85% while Third Point directors served on the board from May 2012 until July 2013

Note: all returns calculated for Third Point Partners L.P. and S&P from inception (June 1995) through 3/31/14; all references to the CS/Tremont Event Driven Index and HFRI Event Driven Index reflect performance calculated through 2/28/14
Source: Third Point LLC; Bloomberg article “Activist Investors are Good for the Stock Price” from April 3, 2014
Situation Overview

- **How did we get here?**
  - Third Point owns ~9.6% of Sotheby’s (the “Company” or “BID”) and believes the Company can generate significantly more value for shareholders through, among other things, an infusion of new leadership, better accountability, and increased transparency.
  - Accordingly, Third Point and the Company held a number of in-person and telephonic meetings between August 2013 and February 2014 to discuss Third Point’s ideas about how to increase long-term value for shareholders.
  - During these meetings, the Company offered a Board seat to Mr. Loeb; however, based on Third Point’s experience, a single nominee from an outside shareholder in a boardroom of 12 directors is not sufficient to bring about needed change.

- **What is Third Point suggesting specifically?**
  - Three directors to reinvigorate the Board and help Sotheby’s achieve its substantial potential.
  - In this case, we believe that three is the right number given the total size of the Sotheby’s Board (12 directors), the number of committees on the Board, and the specific challenges faced by the Company.
  - Furthermore, three directors has proven to be effective for Third Point in the past, e.g., three Third Point nominees were elected to the Yahoo! Board.

- **Why should Third Point’s nominees (the “Shareholder Slate”) be elected?**
  - The BID nominees we oppose (Robert A. Taubman, Daniel Meyer, and Jessica M. Bibliowicz), collectively, have limited share ownership and qualifications that do not appear to add value for Sotheby’s shareholders.
  - The Shareholder Slate (Daniel S. Loeb, Harry J. Wilson, and Olivier Reza), collectively, owns nearly 10% of the Company and was carefully selected for its expertise in unlocking long-term value for public shareholders, enhancing operational efficiencies, and formulating strategy at luxury companies.
    - In fact, Third Point nominees have already delivered benefits to Sotheby’s shareholders…

Source: Third Point LLC
Benefits of Shareholder Involvement

Benefits of greater shareholder involvement are already clear, but without continued collaboration, progress will stall

### Third Point Action

- **May 2013**: Third Point files 13F showing new position in BID
- **August 2013**: Third Point has first meeting with Sotheby’s to discuss opportunities for improvement
- **October 2013**: Third Point sends public letter to Sotheby’s expressing concerns about leadership, shareholder misalignment, strategic direction, Board governance, and expense growth
- **February 2014**: Third Point nominates three new directors and highlights the lack of owner’s perspective in the Boardroom as well as the long tenure of current Board

### Response

- Sell-side writes that “the new presence of a well-known shareholder-value advocate investor” will bring attention to real estate, excess capital, and expense growth
- Company announces a review of its capital allocation and financial policies
- Company appoints a new CFO
- Sotheby’s expands capital allocation review to include examination of strategy, business, and cost structure
- Sotheby’s appoints new Lead Independent Director
- Sotheby’s publicly announces frameworks for business reinvestment and excess capital return, as well as a special dividend and cost savings program
- Sotheby’s shares its conclusion that Mr. Loeb would be an appropriate Board member and offers him a Board seat
- Sotheby’s nominates two new directors to replace Sovern (tenure: 14+ years) and Dodge (tenure: 8+ years)

Source: Third Point LLC; Stifel Analyst Research
Current Board’s Misdirection Campaign

In a recent presentation, the current Board actively misled investors about Mr. Loeb’s credentials and Third Point’s track record of creating value for shareholders

- Gross misstatements regarding Mr. Loeb’s expertise and experience by claiming Mr. Loeb has “no experience” in the art/auction, luxury, and digital media/communications spaces
- These statements are plainly false:
  - In the art/auction and luxury spaces, Mr. Loeb is a leading collector of modern and contemporary art, has been recognized by ARTNews as one of the “200 Top Collectors” each year since 2005, has had portions of his personal collection exhibited at the MoMA in New York and in other global museum retrospectives and shows, and is a trustee of the MOCA in Los Angeles
  - In the media/communications area, Mr. Loeb served on the board of Yahoo!, a leading digital media/communications firm, from May 2012 to July 2013

- Disingenuous criticism of Mr. Loeb’s Yahoo! involvement without reference to the benefits he brought to all Yahoo! shareholders
  - Greater than 85% increase in Yahoo!’s stock price while Mr. Loeb was a member of the Yahoo! Board and another ~20% increase in Yahoo!’s stock price since Third Point sold a portion of its shares (at the market price) back to Yahoo! at the company’s request
- Specious conclusion that Mr. Wilson and Mr. Reza would add “no incremental relevant experience” to the Board despite obvious evidence to the contrary and without even bothering to interview them

- Misleading quotations
  - Highly misleading use of quotations from third party sources by selectively quoting excerpts from articles by Gabelli & Co. and The New York Times that misrepresented the full message of the articles
  - Quotations only presented a one-sided story and left out praise of the accomplishments and value that Third Point and Mr. Loeb brought to Yahoo!
    - The Gabelli & Co. report actually states: “Third Point was the largest pre-transaction shareholder at ~60 million shares and the architect of the 2012 Board reorganization (which we continue to applaud),” and later, “With its 2012 reorganization, Third Point brought a shareholder advocate and adult supervision to the table.”
    - The New York Times article actually states, regarding Third Point’s directors: “These were good directors, and they were part of needed change at Yahoo!”

Source: Third Point LLC; Sotheby’s “Investor Briefing” slides from April 8, 2014; Gabelli & Co.; The New York Times
Our business case is a simple one

- Management's claim that 2013 was a “record” year is misleading and demonstrates the risk of having a Board asleep at the switch

- While, relative to the Company’s prior peak in 2007, the Company sold a greater dollar value of art, the more meaningful metric is that the Company generated less revenue and spent more money to do so

- The bottom line is that earnings per share were down 42% versus their prior peak

- Given the global tailwinds in the marketplace, this performance is unacceptable and we believe it can be linked back to failed leadership of the Sotheby’s Board

**We strongly believe the Shareholder Slate can reinvigorate the Board and help Sotheby’s achieve its substantial potential**
Sotheby’s: Overview

Sotheby’s is one of the world’s two leading auction houses

**Business overview**

- Founded in 1744 in London and today operates globally with 90 locations in 40 countries
- Conducted 230 auctions in 9 auction salesrooms around the world last year; also operates private sales galleries in New York, Hong Kong, and London
- Over 70 collecting categories including fine art, furniture, and jewelry
- Focused on the “middle and upper echelons of the auction market” according to management
- Relative to Christie’s only, Sotheby’s had approximately 46% market share in auctions in 2013 vs. approximately 54% for Christie’s

### CY2013 business mix

<table>
<thead>
<tr>
<th>Value of Property Sold</th>
<th>Revenue Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,306</td>
<td>854</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sales, 1,179</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Other, 78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Sales, 88</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Auction sales by category

- Contemporary: 27%
- Impressionist: 22%
- Asian: 17%
- Jewelry: 10%
- Other: 11%
- Other Paintings: 9%
- Old Masters: 4%

*Note: auction sales represent the hammer price of property sold at auction and auction revenue represents total auction commissions; private sales represent the total purchase price of property sold in private sales brokered by Sotheby’s and private sale revenue represents private sale commissions; other revenue includes auction guarantee and inventory activities, other agency revenues (fees charged to clients for catalogue production, insurance, etc.), principal revenues, finance revenues, license revenues, and other revenues*

*Source: Third Point LLC; Company financials; Sotheby’s “Investor Briefing” slides from October 15, 2013 and April 8, 2014*
Sotheby’s: Shareholder Return

Current Board claims BID shares have outperformed the market; however, a quick look at historical performance suggests failure to create enduring value for shareholders.

- Sotheby’s stock price has been highly volatile over the past 15 years.
- Price basically flat vs. 1999 and materially below its 2007 high.
- Historical performance suggests current leadership has failed to create enduring value for shareholders over the long-term.

Source: Third Point LLC; Bloomberg (15-year daily price chart)
Sotheby’s: Structural Tailwinds

Global population of ultra high net worth individuals (“ultra-HNWI”) and their combined aggregate wealth have increased to record levels (even before factoring in gains from 2013)

Note: ultra-HNWI defined as those with USD $30 million or more in investable assets; investable wealth does not include the value of personal assets and property such as primary residences, collectibles, consumables, and consumer durables; 2013 figures not yet available

Source: Third Point LLC; Cap Gemini World Wealth Reports 2008-2013
Sotheby’s: Luxury and Art Markets

As one might expect, luxury consumption across a variety of categories is on the rise, yet the art market appears to be flat.

Luxury consumption +28% vs. 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Bills of EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>170</td>
</tr>
<tr>
<td>2008</td>
<td>167</td>
</tr>
<tr>
<td>2009</td>
<td>153</td>
</tr>
<tr>
<td>2010</td>
<td>173</td>
</tr>
<tr>
<td>2011</td>
<td>192</td>
</tr>
<tr>
<td>2012</td>
<td>212</td>
</tr>
<tr>
<td>2013</td>
<td>217</td>
</tr>
</tbody>
</table>

Global Luxury Market

Yet the art market is flat vs. 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Bills of EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>48.1</td>
</tr>
<tr>
<td>2008</td>
<td>42.2</td>
</tr>
<tr>
<td>2009</td>
<td>28.3</td>
</tr>
<tr>
<td>2010</td>
<td>43.0</td>
</tr>
<tr>
<td>2011</td>
<td>46.1</td>
</tr>
<tr>
<td>2012</td>
<td>43.0</td>
</tr>
<tr>
<td>2013</td>
<td>47.4</td>
</tr>
</tbody>
</table>

Global Art Market

- Category leaders like Sotheby’s are responsible for expanding their respective markets.
- Flattish art market suggests Sotheby’s has done a poor job making art more accessible and appealing to HNWIs.
- Even though art, in general, is perceived to be a greater store of value than most luxury products (e.g., handbags).

Note: luxury market figures include apparel, perfumes and cosmetics, accessories, hard luxury and art de la table; global art market figures based on actual auction and dealer sales data, as well as projections based on the results from polling (per TEFAF).

Source: Third Point LLC; Altagamma / Bain; TEFAF (The European Fine Art Foundation) Art Market Reports for 2011 through 2013.
Sotheby’s: Auction and Private Sales

Sotheby’s has generated a similar level of auction and private sales, though a closer look suggests they might be losing share in “art” given growth in other categories like jewelry.

Value of auction and private sales combined only up slightly vs. 2007

But is Sotheby’s losing share in “art”? (2)

Note: global art market data from 2007 through 2013, per TEFAF, is based on actual auction and dealer sales data, as well as projections based on the results from polling.

Source: Third Point LLC; Company filings; TEFAF (The European Fine Art Foundation) Art Market Reports for 2011 through 2013
Sotheby’s: Revenue and Expenses

More importantly, relative to 2007 (prior peak), revenue is down and expenses are up.

Why has Sotheby’s generated less revenue from a similar level of auction and private sales?

Why have expenses surpassed peak levels despite a large cost savings program in 2009?

Note: revenue includes auction commissions, private sale commissions, other agency revenues, finance revenues, licensee fee revenues, other revenues AND excludes auction guarantee and inventory activities, principal revenues; expenses include agency direct costs, marketing, salaries and related costs, general and administrative costs, depreciation and amortization AND excludes cost of principal activities, restructuring charges, impairment charges, anti-trust related matters, gains on sale of land.

Source: Third Point LLC; Company filings
Sotheby’s: EPS

As a result, earnings per share ("EPS") has declined 42% relative to peak.

Why is the Board extolling 2013 as a “Record Year”? 

Why is the Board extolling 2013 as a “Record Year”?

Note: Reported EPS is a GAAP number
Source: Third Point LLC; Company filings
Overview of Sotheby’s Shortcomings

We believe Sotheby’s weak performance can be tied back to poor corporate governance, irresponsible cost expenditures, and missed opportunities for growth

**Poor Corporate Governance**
- Current directors lack “skin in the game” due to limited share ownership, i.e., only 0.87% of outstanding common stock, a significant portion of which was granted as part of the Board’s compensation package
- Current directors average nearly 9 years of service
- Rapid adoption of a “poison pill” in response to a letter from Third Point in the hopes of preventing Third Point from having a say in the boardroom

**Lack of Expense Discipline**
- Auction commission margins seem low relative to attractive fee structure in part due to the unchecked use of fractional commissions
- CEO remuneration is high given the size of the Company ($3.0bn mkt cap) and perquisites are throwbacks to a bygone era; also, limited transparency in communicating how executive awards are determined
- Announced cost savings program barely scratched the surface and suggests the Company failed to make any serious efforts to tackle the harder issues

**Failure to Seize Growth Opportunities**
- Sotheby’s needs to articulate a strategy and vision
- Both auction and private sales growth can be accelerated with better technology, more dynamic sales techniques, and improved client relationship management, as well as more online and curated sales
- Management can deploy more capital against the profitable secured lending business
- Principal and dealer activities, though small today, can be expanded significantly through partnerships with living artists, artists’ estates, and even real estate developers
- Additional brand extension opportunities should also be explored

Source: Third Point LLC; Bloomberg
## Corporate Governance

*Current Board has little economic interest in the performance of the Company whereas the Shareholder Slate has “skin in the game”*

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares Owned ('000s)</th>
<th>% Ownership</th>
<th>Open market activity since 1/1/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Ruprecht (CEO)</td>
<td>194.3</td>
<td>0.28%</td>
<td>Sold 86.4k</td>
</tr>
<tr>
<td>John Angelo</td>
<td>142.4</td>
<td>0.21%</td>
<td>Sold 137.5k</td>
</tr>
<tr>
<td>Duke of Devonshire</td>
<td>59.8</td>
<td>0.09%</td>
<td>Bought 5.0k</td>
</tr>
<tr>
<td>Robert A. Taubman</td>
<td>49.8</td>
<td>0.07%</td>
<td>-</td>
</tr>
<tr>
<td>Dennis M. Weibling</td>
<td>43.7</td>
<td>0.06%</td>
<td>-</td>
</tr>
<tr>
<td>Steven Dodge (retiring)</td>
<td>27.2</td>
<td>0.04%</td>
<td>Bought 14.6k</td>
</tr>
<tr>
<td>Michael I. Sovern (retiring)</td>
<td>26.7</td>
<td>0.04%</td>
<td>-</td>
</tr>
<tr>
<td>Allen Questrom</td>
<td>22.1</td>
<td>0.03%</td>
<td>-</td>
</tr>
<tr>
<td>Diana Taylor</td>
<td>18.4</td>
<td>0.03%</td>
<td>-</td>
</tr>
<tr>
<td>Daniel Meyer</td>
<td>6.7</td>
<td>0.01%</td>
<td>-</td>
</tr>
<tr>
<td>Marsha Simms</td>
<td>6.7</td>
<td>0.01%</td>
<td>-</td>
</tr>
<tr>
<td>Domenico De Sole</td>
<td>4.7</td>
<td>0.01%</td>
<td>Bought 4.0k</td>
</tr>
<tr>
<td>Total</td>
<td>602.7</td>
<td>0.87%</td>
<td>Sold 200.3k</td>
</tr>
<tr>
<td>Jessica M. Bibliowicz (nominee)</td>
<td>0.0</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Kevin C. Conroy (nominee)</td>
<td>0.0</td>
<td>0.00%</td>
<td>-</td>
</tr>
</tbody>
</table>

- No “owner’s perspective” in the boardroom; directors hardly own any stock
  - Substantial majority of owned shares were stock awards
  - CEO has never purchased shares in the open market per Bloomberg
- Since 1/1/12, directors as a group have been net sellers
- New board nominees have **NOT** purchased a single share

The Shareholder Slate owns more than 10x as many shares as the current Board combined and both Harry J. Wilson and Olivier Reza have already purchased shares

Note: shares owned as of March 24, 2014 and include deferred stock units, dividend equivalent rights, as well as shares owned by wives, children, etc; ownership percentage calculated using 2013 weighted avg. diluted share count of 69.175M

Source: Third Point LLC; Company filings; Bloomberg
## Corporate Governance

**Current Board lacks fresh perspective necessary to overhaul the Company’s challenged operational structure and cure its cultural malaise**

To be replaced by the Shareholder Slate

<table>
<thead>
<tr>
<th>Director</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duke of Devonshire</td>
<td>19.6</td>
</tr>
<tr>
<td>Bill Ruprecht (CEO)</td>
<td>14.2</td>
</tr>
<tr>
<td>Michael I. Sovern (retiring)</td>
<td>14.2</td>
</tr>
<tr>
<td>Robert A. Taubman</td>
<td>13.7</td>
</tr>
<tr>
<td>Allen Questrom</td>
<td>9.3</td>
</tr>
<tr>
<td>Steven Dodge (retiring)</td>
<td>8.1</td>
</tr>
<tr>
<td>Dennis M. Weibling</td>
<td>7.9</td>
</tr>
<tr>
<td>John Angelo</td>
<td>7.0</td>
</tr>
<tr>
<td>Diana Taylor</td>
<td>7.0</td>
</tr>
<tr>
<td>Daniel Meyer</td>
<td>2.9</td>
</tr>
<tr>
<td>Marsha Simms</td>
<td>2.9</td>
</tr>
<tr>
<td>Domenico De Sole</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>8.9</strong></td>
</tr>
<tr>
<td>Jessica M. Bibliowicz (nominee)</td>
<td>0.0</td>
</tr>
<tr>
<td>Kevin C. Conroy (nominee)</td>
<td>0.0</td>
</tr>
</tbody>
</table>

- **Institutional Shareholder Services** (“ISS”) recently released “QuickScore 2.0” guidelines for optimal Board structure stating:
  - “tenure of more than nine years (can) … potentially compromise a director’s independence”

- **Using this metric, Sotheby’s current Board fares quite poorly**
  - Nine directors have served for more than seven years; five of which for more than nine

The Shareholder Slate would bring the expertise and fresh perspectives necessary to move Sotheby’s forward

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Note: tenure estimated using start dates disclosed in the Company’s 2014 Proxy
Source: Third Point LLC; Company filings; Institutional Shareholder Services
Corporate Governance

Current Board seems more interested in ensuring its members are protected, as evidenced by its rapid adoption of a discriminatory poison pill in response to a letter from Third Point

Poison Pill

- Current Board adopted a poison pill only two days after Third Point (~9.6% owner) published an open letter to Sotheby’s calling for increased transparency and accountability and offering suggestions for improvement

- Oddly, Sotheby’s poison pill permits passive investors (those more likely to be supportive of the current Board) to acquire up to 20% of the outstanding shares, while prohibiting non-supportive shareholders from acquiring 10% or more
  - Third Point is a minority shareholder looking for minority representation on the Board
  - Corporate takeovers are not Third Point’s business model and Third Point has no intention of taking control of Sotheby’s, which the Company knew

- While claiming to embrace an open and honest dialogue with shareholders of the Company, we believe this poison pill demonstrates that the current Board is more interested in ensuring that its members are protected than it is in maximizing value by considering shareholders’ suggestions for improvement

Lawsuit

- On March 25, Third Point filed a lawsuit asking the Delaware Chancery Court to require the Company to redeem the pill or, in the alternative, either amend it to allow Third Point to acquire up to 20% of the Company or enjoin the Company from enforcing the pill against Third Point

- On March 31, the Court granted Third Point’s request for expedited discovery and set a preliminary injunction hearing for April 25, in advance of the planned May 6 stockholders’ meeting

Note: percentage ownership calculated using 2013 weighted avg. diluted share count

Source: Third Point LLC; Company filings
Expense Discipline

Auction commission margins seem low relative to attractive fee structure in part due to the unchecked use of fractional commissions

Attractive auction fee structure, i.e. house charges large % hammer price

Yet actual margins suggest BID is leaving a lot of money on the table

Hammer Price of $4,200,000
(average hammer price of lots over $1 million in 2013)

- Buyer’s Premium
  (always paid; sometimes shared with consignor)
  - 25% * $100,000 = $25,000
  - 20% * $1,900,000 = $380,000
  - 12% * $2,200,000 = $264,000
  - Sub-total = $669,000 (15.9% of hammer)

- Vendor’s commission
  (up to 10%; negotiable)
  - 10% * $4,200,000 = $420,000

- Total Auction commission = $1,089,000 (25.9% of hammer)

Margins should be even higher for smaller lots given how the buyer’s premium is calculated

Auction margins suggest limited fees collected from consignors and increased use of fractional commissions, where Sotheby’s shares the buyer’s premium with the consignor

The Shareholder Slate recommends curtailing the use of fractional commissions and, at the very least, completing a detailed review of the practice since it does not appear to be generating sufficient incremental auction volumes

Note: hammer price is the final sale price before the buyer’s premium is paid
Source: Third Point LLC; Company filings
Expense Discipline

While CEO compensation seems high and perquisites are legendary, shareholders should be more troubled by the lack of transparency and lack of pay for performance.

CEO compensation in 2013 nearly as high as 2007 despite more than 40% decline in EPS

More color on compensation

- Absolute level seems high for such a small company (approximately $3bn market cap)
- Beyond the level itself, the CEO's perquisites are throwbacks to a bygone era
  - He receives a $25,000 annual personal automobile allowance, his country club dues are paid for, and his financial planning fees are covered by shareholders
- More alarming is the lack of transparency in communicating how these awards are determined
  - The Company states in this year's proxy that “disclosing certain performance goals would cause serious competitive harm,” making vague excuses as a response to reasonable cries for accountability from shareholders
- Finally, seemingly no pay for performance culture

The Shareholder Slate believes shareholders should not stand for the Company awarding such generous compensation packages without transparency and seemingly any connection to performance.
Expense Discipline

Announced cost savings program barely scratches the surface and suggests the Company failed to make any serious efforts to tackle harder issues.

Cost review only identified savings representing nominal % total spend

<table>
<thead>
<tr>
<th></th>
<th>Millions of USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Expenses</td>
<td>597</td>
</tr>
<tr>
<td>2014 Savings</td>
<td>22</td>
</tr>
</tbody>
</table>

Company expenses

- **Salaries & Related Costs** ($293 million): no savings
- **General & Administrative** ($177 million): $9 million savings from negotiated reduction in rates and reduced scope of services on professional fees and $4 million from other savings
- **Direct Costs of Auction Services** ($85 million): $5 million savings from increased efficiencies and enhanced spending controls
- **Marketing** ($22 million): $4 million savings from more targeted approach to spending on core strategic priorities and reduction or elimination of less strategic components of marketing expenses
- **D&A** ($19 million): no savings

More than half of targeted savings come from slashing the marketing budget and securing more favorable terms from external advisors.

The Shareholder Slate recommends seriously analyzing both the organizational structure and expense base.

Note: expenses include agency direct costs, marketing, salaries and related costs, general and administrative costs, depreciation and amortization AND excludes cost of principal activities, restructuring charges, impairment charges, anti-trust related matters, gains on sale of land; cost items do not sum due to rounding.

Source: Third Point LLC; Company filings; Sotheby’s “Capital Allocation and Financial Policies Review” slides from January 29, 2014
Growth Opportunities

Sotheby’s has clear opportunities to grow and become stronger over the long-term

The Shareholder Slate sees many areas of opportunity available to the Company

Strategy & Vision

- Define what Sotheby’s is today or what it wants to be
  - Competitors are laser-focused on the consumer experience and their brand, while Sotheby’s appears indifferent

- Articulate a long-term growth strategy and vision for the Company and its brand

- Formulate a strategy to manage the inherent cyclical nature of its markets
  - Contingency plan for the next downturn should have both defensive and offensive elements (e.g., prudent management of capital and expenses, opportunity to be a buyer or lender of last resort, development of cycle proof earnings streams)

Auctions & Private Sales

- Invest in long-term talent development and recruitment

- Cultivate numerous points of contact within the Company so that collectors and consignors become clients of Sotheby’s, not just individual specialists

- Invest in front-end technology to facilitate online sales and auctions

- Invest in data technology to record private sale and auction inquiries to promote cross-selling, improve customer service, and increase volume

- Follow up with clients to drive cross-selling to capture a greater share of each client’s relevant spending

- Develop a robust approach to smaller ticket items in order to grow the customer base and compete more effectively with Christie’s

Source: Third Point LLC
Growth Opportunities (cont’d)

Sotheby’s has clear opportunities to grow and become stronger over the long-term

Secured Lending
- Deploy more capital against profitable secured lending business, especially now that the business has a separate debt facility to efficiently fund loans (consignor advances, general term loans)
  - Seemingly no shortage of capital with Sotheby’s having just returned $300 million of “excess” capital to shareholders

Principal & Dealer
- Build a private business: initiate a greater number of curated auctions and exhibitions to leverage Sotheby’s client base, real estate, and relationships
  - Opportunity exists to take share from art dealers and gallery owners (some of which are rumored to be generating over $1 billion of sales annually) given Sotheby’s superior and continuous legacy, global footprint, and in-house expertise
- No defined long-term plan for the Company’s S|2 galleries
  - How are artists chosen? How does Sotheby’s leverage its entire platform to promote them? And why is it even called S|2 and not Sotheby’s?
- Consider partnering with living artists and representing artists’ estates

Brand Extension
- Explore additional brand extension opportunities
  - E.g., wine storage, data analytics
- Develop a more thoughtful retail strategy
  - What is the long-term plan for Sotheby’s Diamonds and Sotheby’s Wine?
  - How can the Company better utilize its locations when auctions aren’t happening?

Source: Third Point LLC; Sotheby’s “Capital Allocation & Financial Policies Review” slides from January 29, 2014
Sotheby’s Potential

Operating failures in 2013 cost shareholders significant value – conservative improvements in revenue growth and expense discipline could have more than doubled EPS!

Pro forma earnings power

All figures in millions of USD

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>PF2013</th>
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<tr>
<td><strong>Drivers:</strong></td>
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<tr>
<td>Aggregate Auction Sales</td>
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<td>Net Auction Sales</td>
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<td>% Aggregate Auction Sales</td>
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<td>Private Sales</td>
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<td><strong>Revenue:</strong></td>
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<td>Auction Commissions</td>
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<td>847</td>
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<tr>
<td>Margin</td>
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<tr>
<td>Private Sale Commissions</td>
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<td>88</td>
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<tr>
<td>Other Revenue</td>
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</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>825</td>
<td>985</td>
</tr>
</tbody>
</table>

|                      |      |        |
| **Expenses:**        |      |        |
| Direct Costs, Marketing, G&A | (284) | (256) |
| Salaries & Related Costs | (293) | (264) |
| **Total Expenses**   | (577)| (520)  |
| EBITDA               | 248  | 466    |
| D&A                  | (19) | (21)   |
| EBIT                 | 228  | 444    |
| Interest & Other     | (37) | (32)   |
| Pretax Income        | 192  | 412    |
| Effective Tax Rate   | (30%)| (30%)  |
| Net Income           | 134  | 288    |
| # Shares             | 69.2 | 69.2   |
| **EPS**              | $1.94 | $4.17  |

Note: Revenues and expenses exclude inventory and principal activities as well as extraordinary items; Other Revenue includes Other Agency Revenues, Finance Revenues, License Fee Revenues and Other Revenues

Source: Third Point LLC; Company filings; Sotheby’s “Capital Allocation & Financial Policies Review” slides from January 29, 2014; Christie’s website
Conclusion

Key takeaways

- Third Point has a proven track record of creating long-term value for public shareholders and has already delivered benefits to Sotheby’s shareholders

- The Shareholder Slate brings much needed outsider perspectives to a tenured and complacent Board that has presided over lackluster operating performance

- With reinvigorated leadership and an owner’s perspective in the boardroom, Sotheby’s can leverage its leading brand to generate significantly higher revenues and profits

The Shareholder Slate can be counted on to create future value for all shareholders

Source: Third Point LLC
Conclusion

The Shareholder Slate

A Better BID!
Appendix: The Shareholder Slate

Daniel S. Loeb

- Daniel S. Loeb is the Chief Executive Officer of Third Point LLC, a New York-based investment management firm he founded in 1995. Third Point employs an event-driven approach to investing in securities across the globe. Immediately before founding Third Point, Mr. Loeb was Vice President of high yield sales at Citigroup. From 1991 to 1993, he was Senior Vice President in the distressed debt department at Jefferies & Co. Mr. Loeb began his career as an Associate in private equity at E.M. Warburg Pincus & Co. in 1984.

- From May 2012 until July 2013, Mr. Loeb was a member of the Board of directors of Yahoo! Inc. He is a Trustee of the United States Olympic Foundation, Mount Sinai Hospital, the Manhattan Institute, and Prep for Prep. He is the Chairman of the Board of Success Academies Charter Schools. He is also a member of the Council on Foreign Relations and the American Enterprise Institute’s National Council. Mr. Loeb graduated with an A.B. in Economics from Columbia University in 1983.

- Mr. Loeb, a leading collector of modern and contemporary art, has been recognized by ARTNews as one of the “200 Top Collectors” each year since 2005. Works from his family collection are frequently included in global museum retrospectives and shows. Mr. Loeb has assembled one of the most extensive collections of work by the artist Martin Kippenberger, many of which were featured in the 2009 exhibition “The Problem Perspective” at the Museum of Modern Art in New York. Mr. Loeb is a Trustee of the Museum of Contemporary Art, Los Angeles.

Over the course of his nearly two decades as an institutional investor, Mr. Loeb has developed a sophisticated understanding of how to create and unlock long-term value for shareholders. As Chief Executive Officer of the Company’s largest shareholder, Mr. Loeb would advocate vocally for stockholders’ interests if elected to the Board. For these reasons, we believe Mr. Loeb is exceptionally qualified to serve as a director of the Company.
Appendix: The Shareholder Slate

Olivier Reza

- Olivier Reza, through Myro Capital L.L.C., is, and has been since 2009, the Chairman of Reza Gem SAS, a private French company that is associated with Alexandre Reza’s jewelry business.

- The Reza jewelry collection is considered one of the most important collections of rare gems and jewelry in the world.

- Mr. Reza is the Founder and Managing Partner of Myro Capital, LLC, which provides management and financial advisory services to family members and associated entities.

- Previously, Mr. Reza served as Managing Director in the Mergers and Acquisitions group at Lazard Freres & Co LLC in New York, where he spent ten years working on transactions totally over $100 billion in industries ranging from industrial to consumer, retail, distribution, metals and mining, oil and gas, pharmaceuticals, and manufacturing.

- Mr. Reza has a Masters degree in corporate and tax law from the University of Pan Theon Assas in Paris and a Masters degree in finance from Institut d’Etudes Politiques de Paris.

Over the course of his career, Mr. Reza has gained valuable finance and transactional experience and has had the opportunity to manage and lead an international jewelry company, developing expertise in cultivating relationships with luxury customers. Mr. Reza personally has been, and continues to be, a very active art collector. For these reasons, we believe Mr. Reza is exceptionally well-qualified to serve as a director of the Company.
Appendix: The Shareholder Slate

Harry J. Wilson

Harry Wilson, the Founder and CEO of MAEVA Group, LLC, is a nationally-recognized expert in corporate restructurings, turnarounds, and transformations and in leading complicated businesses through corporate transitions, as an investor/owner, advisor, or director.

In addition to MAEVA’s active role in transforming companies, Mr. Wilson frequently drives transformational change in his personal capacity as a member of the Board of Directors of companies undergoing major transitions. Currently, Mr. Wilson serves on the board of Visteon Corporation and recently completed service on the boards of Yahoo! and YRC Worldwide. He also served on the board of directors of several other companies earlier in his career. In each of his recent director roles, he was asked to join the board by one or more major investors who wanted his help improving the respective company. Upon joining the board, he worked closely and collaboratively with management and his fellow directors to dramatically change the operations of these businesses and substantially improve their prospects for success. In all three recent public company situations, investors benefited from enormous value creation through Mr. Wilson’s work.

Before founding MAEVA, Mr. Wilson was a Senior Advisor to the US Treasury Department, serving as a senior member of the President’s Automotive Task Force with principal responsibility for the successful restructuring of General Motors. Mr. Wilson was a partner at Silver Point Capital, a prominent credit-oriented investment fund, before serving on the Automotive Task Force.

Additionally, Mr. Wilson is active in philanthropic and policy initiatives. He recently completed a Presidential Appointment to the Advisory Committee of the Pension Benefit Guaranty Corporation and serves on the board of two non-profit organizations: Youth, INC and The Hellenic Initiative.

Mr. Wilson has an A.B. in government, with honors, from Harvard College and an MBA from Harvard Business School.

Throughout his career, Mr. Wilson has worked with companies as an investor, a Board member, and an advisor, to address capital allocation strategies and to substantially enhance operational efficiencies. This experience includes significant time and effort building consensus among management teams, directors, investors and employees to drive major improvements. For these reasons, we believe Mr. Wilson is exceptionally well-qualified to serve as a director of the Company.

Source: Third Point LLC