AMERICA MOVIL SAB DE CV/
Form 20-F
July 02, 2007
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As filed with the Securities and Exchange Commission on July 2, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

Annual Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2006

Commission file number for securities registered pursuant to Section 12(b) of the Act: 0-32245

Commission file number for securities registered pursuant to Section 12(g) of the Act: 1-16269

AMÉRICA MÓVIL, S.A.B. DE C.V.

(exact name of registrant as specified in its charter)

America Mobile

(translation of registrant s name into English)

United Mexican States

(jurisdiction of incorporation)

Lago Alberto 366, Colonia Anáhuac, 11320 México, D.F., México

(address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:	**Name of each exchange on which registered:**
American Depositary Shares, each representing 20 L Shares, without par value	New York Stock Exchange

L Shares, without par value	New York Stock Exchange (for listing purposes only)

Securities registered pursuant to

Section 12(g) of the Act:
American Depositary Shares, each representing 20 A Shares, without par value

A Shares, without par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the registrant s classes of capital or common stock as of December 31, 2006:

10,859 million	AA Shares
571 million	A Shares
23,872 million	L Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. xYes ¨No

If this report is an annual or transition report, indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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PART I

Item 3. Key Information

SELECTED FINANCIAL DATA

This annual report includes our audited consolidated financial statements as of December 31, 2005 and 2006 and for each of the three years ended December 31, 2004, 2005 and 2006. Our financial statements have been prepared in accordance with Mexican Financial Reporting Standards (Mexican FRS) and are presented in Mexican pesos. The financial statements of our non-Mexican subsidiaries have been adjusted to conform to Mexican FRS and translated to Mexican pesos. See Note 2(a)(ii) to our audited consolidated financial statements.

Mexican FRS differs in certain respects from U.S. GAAP. Note 21 to the audited consolidated financial statements provides a description of the principal differences between Mexican FRS and U.S. GAAP, as they relate to us, a reconciliation to U.S. GAAP of net income and total stockholders equity and a condensed statement of cash flows under U.S. GAAP.

Pursuant to Mexican FRS, in our financial statements and the selected financial information set forth below:

- nonmonetary assets (excluding plant, property and equipment of non-Mexican origin) and stockholders equity are restated for inflation based on the Mexican National Consumer Price Index (*Índice Nacional de Precios al Consumidor*); plant, property and equipment of non-Mexican origin are restated based on the rate of inflation in the country of origin and converted into Mexican pesos using the prevailing exchange rate at the balance sheet date;

- gains and losses in purchasing power from holding monetary liabilities or assets are recognized in income; and

- all financial statements are restated in constant pesos as of December 31, 2006.

The effect of inflation accounting under Mexican FRS has not been reversed in the reconciliation to U.S. GAAP of net income and total stockholders equity, except with respect to the methodology for restatement of imported telephone plant. See Note 21 to our audited consolidated financial statements.

On July 19, 2005, we effected a three-for-one stock split. Unless otherwise noted, all share and per share data in this annual report have been adjusted to reflect the stock split for all periods presented.

On December 13, 2006, our shareholders approved the merger of América Telecom, S.A.B. de C.V., or Amtel , our then controlling shareholder, and its subsidiary Corporativo Empresarial de Comunicaciones, S.A. de C.V., or Corporativo , with us. As a result of the merger, we assumed approximately Ps. 14,426 million in liabilities (principally indebtedness, Ps. 13,895 million) and acquired Ps. 945 million in assets (principally cash, Ps. 815 million) based on Amtel s unaudited financial statements as of October 31, 2006. See Merger with Amtel under Item 4.

In accordance with Mexican FRS, the merger with Amtel has been accounted for on a historical basis similar to a pooling of interest basis and we have adjusted our financial information and selected financial information presented in this annual report to include the assets, liabilities and results of operations of Amtel and its subsidiary for all periods presented. See Note 3 to our audited consolidated financial statements.

References herein to U.S.$ are to U.S. dollars. References herein to pesos, P. or Ps. are to Mexican pesos.

This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the nominal peso

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or constant peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from constant pesos at the exchange rate of Ps. 10.8810 to U.S.$1.00, which was the rate reported by Banco de México for December 29, 2006.

The selected financial and operating information set forth below has been derived in part from our audited consolidated financial statements, which have been reported on by Mancera S.C., a Member Practice of Ernst & Young Global, a public registered firm. The selected financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements.

	As of and for the year ended December 31,					
	2002	2003	2004	2005	2006	2006
			(As adjusted)[1]			
	(millions of constant pesos as of December 31, 2006)[2]					(millions of U.S. dollars)[2]
Income Statement Data:						
Mexican FRS						
Operating revenues	Ps.67,569	Ps.97,195	Ps.144,873	Ps.189,530	Ps.234,222	U.S.$ 21,526
Operating costs and expenses	52,722	76,707	119,378	154,142	175,063	16,089
Depreciation and amortization	9,734	15,695	19,992	22,125	27,132	2,493
Operating income	14,847	20,488	25,495	35,388	59,158	5,437
Comprehensive financing cost (income)	1,335	(2,098)	(2,080)	2,690	27	2
Net income (loss)	5,411	16,911	17,923	31,858	42,816	3,935
Net income (loss) per share:						
Basic[3]	0.14	0.44	0.49	0.89	1.21	0.11
Diluted[3]	0.14	0.44	0.49	0.89	1.21	0.11
Dividends declared per share[4]	0.015	0.020	0.040	0.37	0.063	0.006
Dividends paid per share[5]	0.011	0.015	0.029	0.239	0.063	0.006
Weighted average number of shares outstanding (millions)[6]:						
Basic	39,307	38,421	36,848	35,766	35,459	
Diluted	39,307	38,427	36,860	35,766	35,459	
U.S. GAAP						
Operating revenues[7]	Ps.62,992	Ps.92,525	Ps.136,217	Ps.176,787	Ps.223,141	U.S.$ 20,507
Operating costs and expenses	47,771	71,385	112,028	144,014	165,947	15,251
Depreciation and amortization	9,203	15,356	19,622	24,132	29,190	2,683
Operating income	15,221	21,140	24,189	32,773	57,194	5,256
Comprehensive financing cost (income)	984	(1,927)	(2,570)	135	1,045	96
Net income (loss)	6,829	16,761	18,084	31,834	39,170	3,600
Net income (loss) per share:						
Basic[3]	0.18	0.44	0.49	0.89	1.10	0.10
Diluted[3]	0.18	0.44	0.49	0.89	1.10	0.10

(see footnotes on following page)

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	As of and for the year ended December 31,					
	2002	2003	2004	2005	2006	2006
			(As adjusted)[1]			
	(millions of constant pesos as of December 31, 2006)[2]					(millions of U.S. dollars)[2]
Balance Sheet Data:						
Mexican FRS						
Property, plant and equipment, net	Ps. 71,246	Ps. 80,484	Ps. 91,295	Ps.116,370	Ps.137,918	U.S.$ 12,675
Total assets	133,104	170,018	209,393	240,165	320,699	29,473
Short-term debt and current portion of long-term debt	15,200	15,220	12,364	21,374	25,266	2,322
Long-term debt	45,338	52,187	73,967	65,876	85,819	7,887
Total stockholders equity[8]	52,449	67,236	63,419	75,093	109,635	10,076
Capital stock	35,381	35,330	35,258	35,243	35,234	3,238
Number of outstanding shares (millions)[6][9]						
AA Shares	10,941	10,941	10,941	10,915	10,859	
A Shares	873	837	795	761	571	
L Shares	26,840	26,227	24,263	23,967	23,872	
U.S. GAAP						
Property, plant & equipment, net	Ps. 72,538	Ps. 86,962	Ps.102,263	Ps.131,924	Ps.150,794	U.S.$ 13,859
Total assets	136,574	179,745	223,956	258,775	336,929	30,965
Short-term debt and current portion of long-term debt	15,200	15,220	12,364	21,374	25,266	2,322
Long-term debt	45,338	52,187	73,967	65,876	85,819	7,887
Minority interest	1,385	5,766	1,783	1,063	659	61
Total stockholders equity	51,591	69,444	71,565	88,921	120,394	11,065
Capital stock	35,825	35,775	35,704	35,688	35,679	3,279
Subscriber Data:						
Number of subscribers (in thousands)	31,600	43,725	61,107	93,329	124,776	
Subscriber growth	18.8%	38.4%	39.8%	52.7%	33.7%	

(1) In accordance with Mexican FRS, the merger with Amtel has been accounted for on a historical basis similar to a pooling of interest basis and we have adjusted our financial information and selected financial information presented in this annual report to include the assets, liabilities and results of operations of Amtel and its subsidiary for all periods presented. See Note 3 to our audited consolidated financial statements.

(2) Except per share, share capital and subscriber data.

(3) We have not included net income or dividends on a per ADS basis. Each L Share ADS represents 20 L Shares and each A Share ADS represents 20 A Shares.

(4) Nominal amounts. Figures provided represent the annual dividend declared at the general shareholders meeting.

(5) Nominal amounts. For more information on dividends paid per share translated into U.S. dollars, see Financial Information Dividends under Item 8. Amount in U.S. dollars translated at the exchange rate on each of the respective payment dates.

(6) All share figures have been adjusted retroactively to reflect a reduction in L Shares as a result of our merger with Amtel. See Notes 3 and 18 to our audited consolidated financial statements.

(7) The differences between our Mexican FRS and U.S. GAAP operating revenues include the reclassification of (1) the application of EITF 01-9, Accounting Consideration Given by a Vendor to a Customer , which we have applied to all periods presented in this table and which resulted in a reclassification of certain commissions paid to distributors from commercial, administrative and general expenses under Mexican FRS to reductions in operating revenues under U.S. GAAP, and (2) the application in 2004 of EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, which addresses certain aspects of accounting for sales that involved multiple revenue generating products and/or services sold under a single contractual agreement. See Note 21 to our audited consolidated financial statements.

(8) Includes minority interest.

(9) As of year-end.

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EXCHANGE RATES

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. There can be no assurance that the Mexican government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

Period	High	Low	Average(1)	Period End
2002	10.4250	9.0020	9.7458	10.4250
2003	11.4063	10.1130	10.8463	11.2420
2004	11.6350	10.8050	11.3095	11.1540
2005	11.4110	10.4135	10.8680	10.6275
2006	11.4600	10.4315	10.9023	10.7995
December	10.9860	10.7675		
2007				
January	11.0920	10.7650		
February	11.1575	10.9170		
March	11.1846	11.0130		
April	11.0305	10.9240		
May	10.9308	10.7380		

(1) Average of month-end rates.

On June 29, 2007, the noon buying rate was Ps. 10.7901 to U.S.$1.00.

We will pay any cash dividends in pesos, and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of American Depositary Shares, or ADSs , on conversion by the depositary of cash dividends on the shares represented by such ADSs. Fluctuations in the exchange rate between the peso and the U.S. dollar affect the U.S. dollar equivalent of the peso price of our shares on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A. de C.V.*, or the Mexican Stock Exchange) and, as a result, can also affect the market price of the ADSs.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports to the U.S. Securities and Exchange Commission, or SEC , on Forms 20-F and 6-K, in our annual report to shareholders, in offering circulars and prospectuses, in press releases and other written materials, and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

- projections of operating revenues, net income (loss), net income (loss) per share, capital expenditures, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to acquisitions, competition, regulation and rates;
- statements about our future economic performance or that of Mexico or other countries in which we operate;
- competitive developments in the telecommunications sector in each of the markets where we currently operate;
- other factors or trends affecting the telecommunications industry generally and our financial condition in particular; and
- statements of assumptions underlying the foregoing statements.

We use words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, shoul expressions to identify forward-looking statements, but they are not the only way we identify such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under Risk Factors, include economic and political conditions and government policies in Mexico, Brazil or elsewhere, inflation rates, exchange rates, regulatory developments, technological improvements, customer demand and competition. We cautiot-family:inherit;font-size:10pt;">

(2.4
)

13,371

14,339

(6.8
)

As of

As of

9/30/2016

9/30/2015

% Change

9/30/2016

12/31/2015

% Change
Book Value Per Share

$
38.41

$
38.92

(1.3
)

$
38.41

$
38.84

(1.1

)
Tangible Book Value Per Share

$
25.73

$
26.29

(2.1
)

$
25.73

$
26.13

(1.5
)

(1)
Attributable to Oppenheimer Holdings Inc.

(2)
Amounts have been recast for discontinued operations.

*
Not comparable

1

The U.S. equities markets performed well during the third quarter of 2016 with the S&P 500 returning 3.3%. Much of the gains during the quarter came in July following the market reaction in response to the Brexit vote. Uncertainty continues around global economic growth, China's economy, and the upcoming elections in the U.S. The 10-Year U.S. Treasury yield ended the period at 1.59% up from 1.49% at the end of the second quarter of 2016, reflecting an increased likelihood of the Federal Reserve increasing short-term interest rates by year end.

Albert G. Lowenthal, Chairman and CEO, commented, "Operating results for the period continued to reflect the extremely challenging environment. These challenges included uncertainty around global economic growth, the implications of Brexit, as well as the domestic political environment which collectively weighed on investor confidence. Closer to home, the financial services industry and the Company are facing changes in investor behavior and the accelerating transition from a transaction-based commission model to a fee-based model. The Company is well prepared for this transition as it has offered a fee-based alternative for over a decade. Asset management fees were approximately 55% of our Wealth Management revenues for the nine-month period ended September 30, 2016. The reduction in transaction-based commissions has had a negative impact on the Company's operating results in recent quarters. The lackluster environment also was reflected in lower equity underwriting activities during the period. M&A activity increased during the quarter in both our U.S. and European banking businesses with the pipeline of business looking promising for the fourth quarter of 2016.

During the quarter we continued the build out of our technology platform in our managed product business as well as other technology initiatives that will result in better information and control over our business as the compliance requirements for the investment community continue to evolve. The Company believes that its readiness efforts around implementing the new Department of Labor Fiduciary Rules will position it well as the first phase of the rules go into effect in the second quarter of 2017. During the quarter, the Company also substantially completed the sale of assets of its Oppenheimer Multifamily Housing and Healthcare Finance Inc. business."

Financial Highlights

- Commission revenue was $90.0 million for the third quarter of 2016, a decrease of 11.1% compared with $101.2 million for the third quarter of 2015 due to reduced transaction volumes from retail investors and a lower financial adviser headcount during the third quarter of 2016.
- Advisory fees were $67.5 million for the third quarter of 2016, a decrease of 3.0% compared with $69.6 million for the third quarter of 2015 due to a lower level of client assets under management.
- Investment banking revenue increased 22.6% to $20.3 million for the third quarter of 2016 compared with $16.5 million for the third quarter of 2015 due to higher merger and acquisition advisory fees offset by lower equity underwriting income during the third quarter of 2016.
- Principal transactions revenue increased 113.2% to $4.9 million during the third quarter of 2016 compared with $2.3 million for the third quarter of 2015 as increases in corporate bonds, equities, and firm investments were offset by decreases in municipal and agency bonds as well as the change in the value of auction rate securities.

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Business Segment Results (Unaudited)
('000s)

	For the 3-Months Ended			For the 9-Months Ended		
	9/30/2016	9/30/2015	% Change	9/30/2016	9/30/2015	% Change
Revenue						
Private Client	$127,835	$122,324	4.5	$376,737	$396,039	(4.9)
Asset Management	23,234	23,849	(2.6)	68,978	73,654	(6.3)
Capital Markets	60,703	60,585	0.2	187,292	202,282	(7.4)
Corporate/Other	32	720	(95.6)	5,827	637	814.8
	211,804	207,478	2.1	638,834	672,612	(5.0)
Income (Loss) Before Income Taxes from Continuing Operations						
Private Client	20,137	14,905	35.1	50,799	45,064	12.7
Asset Management	9,380	7,563	24.0	21,851	23,250	(6.0)
Capital Markets	(1,103)	(2,016)	(45.3)	(3,856)	8,342	*
Corporate/Other	(30,224)	(23,025)	31.3	(83,190)	(74,516)	11.6
	$(1,810)	$(2,573)	(29.7)	$(14,396)	$2,140	*

* Not comparable

Private Client

Private Client reported revenue of $127.8 million for the third quarter of 2016, 4.5% higher than the third quarter of 2015 due to higher fees earned on client deposits in the FDIC-insured bank deposit program and positive changes in the cash surrender value of Company-owned life insurance offset by lower retail commissions during the third quarter of 2016. Income before income taxes was $20.1 million for the third quarter of 2016, an increase of 35.1% compared with the third quarter of 2015 due to the aforementioned FDIC-insured bank deposit fees during the third quarter of 2016.

- Client assets under administration were $79.7 billion at September 30, 2016 compared to $78.7 billion at December 31, 2015, an increase of 1.3%.
- Financial adviser headcount was 1,177 at the end of the third quarter of 2016 (1,199 at the end of the second quarter of 2016), down from 1,262 at the end of the third quarter of 2015. The decline in financial adviser headcount has been a result of the Company's attention to productivity and compliance leading to attrition for less productive financial advisers and the elimination of financial advisers who could lead to future compliance-related issues. The decline in headcount has been also related to retirements and normal attrition. The Company expects a further reduction in headcount as the Company addresses the Department of Labor's new overtime rules for exempt employees which go into effect in the fourth quarter of 2016.
- Retail commissions were $54.4 million for the third quarter of 2016, a decrease of 9.0% from the third quarter of 2015 due to reduced transaction volumes from retail investors and a lower financial adviser headcount during the third quarter of 2016.
- Advisory fee revenue on traditional and alternative managed products was $45.2 million for the third quarter of 2016, a decrease of 4.0% over the third quarter of 2015 (see Asset Management below for further information).
- Fees earned on client cash deposits in the FDIC-insured bank deposit program were $9.6 million during the third quarter of 2016 versus $3.3 million for the third quarter of 2015. The increase primarily was due to higher short-term interest rates during the third quarter of 2016.

Asset Management

Asset Management reported revenue of $23.2 million for the third quarter of 2016, 2.6% lower than the third quarter of 2015. Income before income taxes was $9.4 million for the third quarter of 2016, an increase of 24.0% compared with the third quarter of 2015.

- Advisory fee revenue on traditional and alternative managed products was $22.3 million for the third quarter of 2016, a decrease of 0.4% over the third quarter of 2015. Advisory fees are calculated based on the value of client assets under management ("AUM") at the end of the prior quarter which totaled $24.3 billion at June 30, 2016 ($25.6 billion at June 30, 2015) and are allocated to the Private Client and Asset Management business segments.
- AUM increased 3.8% to $24.6 billion at September 30, 2016 compared to $23.7 billion at September 30, 2015, which is the basis for advisory fee billings for the fourth quarter of 2016. The increase in AUM was comprised of asset appreciation of $1.2 billion and net redemption of assets of $0.3 billion.

Capital Markets

Capital Markets reported revenue of $60.7 million for the third quarter of 2016, relatively flat compared with the third quarter of 2015. Loss before income taxes was $1.1 million for the third quarter of 2016, a decrease of 45.3% compared with a loss before income taxes of $2.0 million for the third quarter of 2015.

- Institutional equities commissions decreased 14.7% to $25.0 million for the third quarter of 2016 compared with the third quarter of 2015 due to lower levels of portfolio activity by institutional clients.
- Advisory fees from investment banking activities increased 170.8% to $13.0 million in the third quarter of 2016 compared with the prior year quarter due to an increase in completed mergers and acquisitions activity during the third quarter of 2016.
- Equity underwriting fees decreased 46.2% to $3.5 million for the third quarter of 2016 compared with the prior year quarter due to a significant decrease in equity issuances leading to reduced equity underwriting activity during the third quarter of 2016.
- Revenue from Taxable Fixed Income was $14.4 million for the third quarter of 2016, relatively flat compared with the third quarter of 2015.
- Public Finance and Municipal Trading revenue decreased 46.4% to $3.0 million for the third quarter of 2016 compared with the third quarter of 2015.

Discontinued Operations

During the second and third quarter of 2016, the Company substantially completed the dissolution of its Oppenheimer Multifamily Housing and Healthcare Finance Inc. subsidiary. The following table is a summary of revenue and expenses from discontinued operations for the three and nine months ended September 30, 2016 and 2015:

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(Expressed in thousands)	For the 3-Months Ended 9/30/2016	9/30/2015	For the 9-Months Ended 9/30/2016	9/30/2015
Revenue				
Interest	$112	$ 625	$921	$ 1,674
Principal transactions, net	(2,380)	(5,648)	(9,008)	2,579
Other	4,073	11,081	31,547	21,160
Total revenue	1,805	6,058	23,460	25,413
Expenses				
Compensation and related expenses	573	3,432	4,225	10,108
Communications and technology	40	79	201	275
Occupancy and equipment costs	37	75	399	225
Interest	28	313	408	853
Other	239	1,113	2,630	5,138
Total expenses	917	5,012	7,863	16,599
Income before income taxes	888	1,046	15,597	8,814
Income taxes	475	687	6,235	3,847
Net income from discontinued operations	$413	$ 359	$9,362	$ 4,967

Compensation and Related Expenses

Compensation and related expenses (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled $142.3 million during the third quarter of 2016, an increase of 2.1% compared to the third quarter of 2015. The increase was due to higher incentive, share-based compensation, and deferred compensation expenses offset by lower production-related expenses during the third quarter of 2016. Compensation and related expenses as a percentage of revenue was 67.2% during the third quarter of 2016 compared to 67.1% during the third quarter of 2015.

Non-Compensation Expenses

Non-compensation expenses were $71.3 million during the third quarter of 2016, an increase of 0.8% compared to the same period in 2015 as higher communications and technology costs were offset by lower occupancy and equipment costs during the third quarter of 2016.

Income Taxes

The effective income tax rate from continuing operations for the third quarter of 2016 was 41.5% compared with 55.8% for the third quarter of 2015. The effective income tax rate during the third quarter of 2016 was impacted by the valuation allowance established on deferred tax assets related to net operating losses of a foreign subsidiary offset by the release of reserves taken on uncertain tax positions.

Balance Sheet and Liquidity

- At September 30, 2016, total equity was $516.0 million compared with $525.1 million at December 31, 2015.
- At September 30, 2016, book value per share was $38.41 (compared with $38.84 at December 31, 2015) and tangible book value per share was $25.73 (compared with $26.13 at December 31, 2015).
- The Company’s level 3 assets, primarily auction rate securities, were $91.2 million at September 30, 2016 (compared with $96.2 million at December 31, 2015). The decrease in level 3 assets was primarily due to decreases in interest rate lock commitments offset by increases in auction rate securities.

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Dividend Announcement

The Company today announced a quarterly dividend in the amount of $0.11 per share payable on November 25, 2016 to holders of Class A non-voting and Class B voting common stock of record on November 11, 2016.

Company Information

Oppenheimer Holdings Inc., through its operating subsidiaries, is a leading middle market investment bank and full service broker-dealer that provides a wide range of financial services including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust, and investment management. With roots tracing back to 1881, the firm is headquartered in New York and has 92 offices in 24 states and 5 foreign jurisdictions.

Forward-Looking Statements

This press release includes certain "forward-looking statements" relating to anticipated future performance. For a discussion of the factors that could cause future performance to be different than anticipated, reference is made to Factors Affecting "Forward-Looking Statements" and Part 1A – Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

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Oppenheimer Holdings Inc.
Consolidated Statements of Operations (unaudited)
('000s, except EPS)

	For the 3-Months Ended			For the 9-Months Ended		
	9/30/2016	9/30/2015	% Change	9/30/2016	9/30/2015	% Change
REVENUE						
Commissions	$90,023	$101,243	(11.1)	$286,447	$314,494	(8.9)
Advisory fees	67,452	69,557	(3.0)	199,582	212,766	(6.2)
Investment banking	20,280	16,548	22.6	51,544	72,873	(29.3)
Interest	11,291	13,759	(17.9)	36,340	35,775	1.6
Principal transactions, net	4,922	2,309	113.2	19,117	14,347	33.2
Other	17,836	4,062	339.1	45,804	22,357	104.9
Total revenue	211,804	207,478	2.1	638,834	672,612	(5.0)
EXPENSES						
Compensation and related expenses	142,308	139,314	2.1	432,524	453,943	(4.7)
Communications and technology	17,201	16,396	4.9	52,519	49,775	5.5
Occupancy and equipment costs	14,909	16,083	(7.3)	44,796	47,695	(6.1)
Clearing and exchange fees	5,886	6,909	(14.8)	19,006	19,542	(2.7)
Interest	4,687	4,228	10.9	14,526	12,103	20.0
Other	28,623	27,121	5.5	89,859	87,414	2.8
Total expenses	213,614	210,051	1.7	653,230	670,472	(2.6)
Income (loss) before income taxes	(1,810)	(2,573)	(29.7)	(14,396)	2,140	*
Income taxes	(751)	(1,437)	(47.7)	(7,190)	1,118	*
Net income (loss) from continuing operations	(1,059)	(1,136)	(6.8)	(7,206)	1,022	*
Discontinued operations						
Income from discontinued operations	888	1,046	(15.1)	15,597	8,814	77.0
Income taxes	475	687	(30.9)	6,235	3,847	62.1
Net income from discontinued operations	413	359	15.0	9,362	4,967	88.5
Net income (loss)	(646)	(777)	(16.9)	2,156	5,989	(64.0)
Less net income attributable to non-controlling interest, net of tax	66	131	(49.6)	1,527	883	72.9
Net income (loss) attributable to Oppenheimer Holdings Inc.	$(712)	$(908)	(21.6)	$629	$5,106	(87.7)
Basic earnings (loss) per share attributable to Oppenheimer Holdings Inc.						
Continuing operations	$(0.08)	$(0.08)	—	$(0.54)	$0.07	*
Discontinued operations	0.03	0.01	200.0	0.59	0.30	96.7
Net earnings (loss) per share	$(0.05)	$(0.07)	(28.6)	$0.05	$0.37	(86.5)
Diluted earnings (loss) per share attributable to Oppenheimer Holdings Inc.						
Continuing operations	$(0.08)	$(0.08)	—	$(0.54)	$0.07	*
Discontinued operations	0.03	0.01	200.0	0.59	0.29	103.4
Net earnings (loss) per share	$(0.05)	$(0.07)	(28.6)	$0.05	$0.36	(86.1)

Weighted Average Number of Common Shares Outstanding						
Basic	13,367	13,691	(2.4)	13,371	13,714	(2.5)
Diluted	13,367	13,691	(2.4)	13,371	14,339	(6.8)

*Not comparable

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