

November 8, 2017

Copa Holdings Reports Net Income of \$103.8 million and EPS of \$2.45 for the Third Quarter of 2017

Excluding special items, adjusted net income came in at \$100.8 million, or EPS of \$2.38 per share

PANAMA CITY, Nov. 8, 2017 /PRNewswire/ -- Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the third quarter of 2017 (3Q17). The terms "Copa Holdings" and "the Company" refer to the consolidated entity. The following financial information, unless otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). See the accompanying reconciliation of non-IFRS financial information to IFRS financial information included in the financial tables section of this earnings release. Unless otherwise stated, all comparisons with prior periods refer to the third quarter of 2016 (3Q16).

OPERATING AND FINANCIAL HIGHLIGHTS

- ┆ Copa Holdings reported net income of US\$103.8 million for 3Q17 or earnings per share (EPS) of US\$2.45, compared to net income of US\$74.0 million or earnings per share of US\$1.75 in 3Q16.
- ┆ Excluding special items, the Company would have reported an adjusted net income of US\$100.8 million, or adjusted EPS of US\$2.38, compared to an adjusted net income of US\$55.3 million or adjusted EPS of US\$1.30 in 3Q16. Special items include a non-cash gain of US\$2.9 million in 3Q17 and US\$19.2 million in 3Q16 related to the mark-to-market of fuel hedge contracts.
- ┆ Operating income for 3Q17 came in at US\$119.1 million, representing a 56% increase over operating income of US\$76.4 million in 3Q16, as a result of 13% additional capacity, a 2.4% increase in unit revenue per available seat mile (RASM), and a 3.2% decrease in unit costs. Operating margin for 3Q17 came in at 18.1%, compared to an operating margin of 13.4% in 3Q16.
- ┆ Total revenues for 3Q17 increased 15.6% to US\$657.2 million. Yield per passenger mile increased 1.3% to 12.0 cents and RASM came in at 10.6 cents, 2.4% above 3Q16.
- ┆ For 3Q17, consolidated passenger traffic grew 14.9% while consolidated capacity grew 13.0%. As a result, consolidated load factor for the quarter increased 1.5 percentage points to 85.7%.
- ┆ Operating cost per available seat mile (CASM) decreased 3.2%, from 8.9 cents in 3Q16 to 8.6 cents in 3Q17. CASM excluding fuel costs decreased 1.2%, from 6.4 in 3Q16 to 6.3 cents 3Q17.
- ┆ Cash, short-term and long-term investments ended 3Q17 at US\$971.5 million, representing 40% of the last twelve months' revenues.
- ┆ Copa Airlines faced several operational challenges during the quarter, including severe weather, natural disasters and other external factors that affected the company's financial results for the quarter and the operation of its hub in Panama City. These events caused many flight cancelations and delays; as a result, the airline's Completion Factor and On-Time Performance came in lower than usual, at 98.5% and 82.9%, respectively.

Subsequent Events

- ┆ Copa Holdings will pay its fourth quarter dividend of US\$0.75 per share, on December 15, 2017, on all outstanding Class A and Class B shares, to stockholders of record as of November 30, 2017.

Consolidated Financial & Operating Highlights	3Q17	3Q16	Variance vs. 3Q16	2Q17	Variance vs. 2Q17
Revenue Passengers Carried ('000)	2,518	2,231	12.9%	2,262	11.3%
RPMs (mm)	5,330	4,637	14.9%	4,766	11.8%
ASMs (mm)	6,221	5,506	13.0%	5,796	7.3%
Load Factor	85.7%	84.2%	1.5 p.p.	82.2%	3.4 p.p.
Yield	12.0	11.9	1.3%	11.8	2.1%
PRASM (US\$ Cents)	10.3	10.0	3.1%	9.7	6.4%
RASM (US\$ Cents)	10.6	10.3	2.4%	10.0	5.9%
CASM (US\$ Cents)	8.6	8.9	-3.2%	8.5	1.2%
CASM Excl. Fuel (US\$ Cents)	6.3	6.4	-1.2%	6.3	0.3%

Fuel Gallons Consumed (Millions)	80.0	70.9	12.8%	74.1	7.9%
Avg. Price Per Fuel Gallon (US\$ Dollars)	1.82	1.98	-8.0%	1.77	3.3%
Average Length of Haul (Miles)	2,117	2,079	1.8%	2,107	0.5%
Average Stage Length (Miles)	1,300	1,192	9.1%	1,259	3.2%
Departures	32,593	30,737	6.0%	31,092	4.8%
Block Hours	108,930	97,077	12.2%	102,435	6.3%
Average Aircraft Utilization (Hours)	11.7	10.5	11.7%	11.2	4.6%
Operating Revenues (US\$ mm)	657.2	568.3	15.6%	578.1	13.7%
Operating Income (US\$ mm)	119.1	76.4	55.9%	83.0	43.6%
Operating Margin	18.1%	13.4%	4.7 p.p.	14.4%	3.7 p.p.
Net Income (US\$ mm)	103.8	74.0	40.2%	63.0	64.8%
Adjusted Net Income (US\$ mm) ⁽¹⁾	100.8	55.3	82.4%	62.8	60.6%
EPS - Basic and Diluted (US\$)	2.45	1.75	40.0%	1.49	64.7%
Adjusted EPS - Basic and Diluted (US\$) ⁽¹⁾	2.38	1.30	82.2%	1.48	60.5%
# of Shares - Basic and Diluted ('000)	42,430	42,374	0.1%	42,419	0.0%

⁽¹⁾ Adjusted Net Income and Adjusted EPS for 3Q17, 3Q16 and 2Q17 exclude non-cash charges/gains associated with the mark-to-market of fuel hedges and 3Q16 also excludes the impact of the Venezuelan currency devaluations.

Note: Attached to this press release is a reconciliation of non-IFRS financial measures to the comparable IFRS measures.

FULL 3Q17 EARNINGS RELEASE AVAILABLE FOR DOWNLOAD AT: <http://investor.shareholder.com/copa/results.cfm>

3Q17 EARNINGS RESULTS CONFERENCE CALL AND WEBCAST

Date: Nov 9, 2017
Time: 11:00 AM US ET (11:00 AM Local Time)
Conference telephone number: 877-293-5456 (US Domestic Callers)
707-287-9357 (International Callers)
Webcast: <http://investor.shareholder.com/copa/events.cfm>
Speakers: Pedro Heilbron, Chief Executive Officer
José Montero, Chief Financial Officer

About Copa Holdings

Copa Holdings is a leading Latin American provider of passenger and cargo services. The Company, through its operating subsidiaries, provides service to 75 destinations in 31 countries in North, Central and South America and the Caribbean with one of the youngest and most modern fleets in the industry, consisting of 101 aircraft: 80 Boeing 737NG aircraft and 21 EMBRAER-190s. For more information visit: www.copa.com.

CONTACT: Copa Holdings S.A.

Investor Relations:

Ph: 011 507 304-2774
www.copa.com (IR section)

This release includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement. The risks and uncertainties relating to the forward-looking statements in this release are among those disclosed in Copa Holdings' filed disclosure documents and are subject to change without prior notice

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Copa Holdings, S.A.
Income Statement - IFRS
(US\$ Thousands)

	Unaudited	Unaudited	%	Unaudited	%
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	3Q17	3Q16*	Change	2Q17	Change
Operating Revenues					
Passenger revenue	641,244	550,524	16.5%	561,696	14.2%
Cargo and mail revenue	13,600	13,390	1.6%	13,994	-2.8%
Other operating revenue	2,325	4,372	-46.8%	2,398	-3.0%
Total Operating Revenue	657,169	568,286	15.6%	578,087	13.7%
Operating Expenses					
Fuel	145,968	140,567	3.8%	130,878	11.5%
Wages, salaries, benefits and other employees' expenses	103,775	92,039	12.8%	99,603	4.2%
Passenger servicing	27,008	21,998	22.8%	22,883	18.0%
Airport facilities and handling charges	45,222	40,705	11.1%	42,614	6.1%
Sales and distribution	50,157	47,813	4.9%	48,942	2.5%
Maintenance, materials and repairs	39,777	32,514	22.3%	27,404	45.2%
Depreciation and amortization	41,847	35,525	17.8%	40,572	3.1%
Flight operations	26,535	23,190	14.4%	25,999	2.1%
Aircraft rentals and other rentals	33,382	34,454	-3.1%	33,614	-0.7%
Cargo and courier expenses	1,801	1,565	15.0%	1,892	-4.8%
Other operating and administrative expenses	22,569	21,494	5.0%	20,727	8.9%
Total Operating Expense	538,041	491,865	9.4%	495,127	8.7%
Operating Profit	119,128	76,421	55.9%	82,960	43.6%
Non-operating Income (Expense):					
Finance cost	(8,639)	(9,682)	-10.8%	(8,938)	-3.3%
Finance income	4,801	3,505	36.9%	4,249	13.0%
Gain (loss) on foreign currency fluctuations	593	(352)	n/m	(2,858)	-120.7%
Net change in fair value of derivatives	2,946	19,225	-84.7%	175	n/m
Other non-operating (income) expense	(616)	(2,445)	-74.8%	(190)	224.7%
Total Non-Operating Income/(Expense)	(916)	10,251	-108.9%	(7,561)	-87.9%
Profit before taxes	118,212	86,672	36.4%	75,399	56.8%
Income tax expense	14,416	12,654	13.9%	12,401	16.2%
Net Profit	103,796	74,018	40.2%	62,997	64.8%

EPS - Basic and Diluted	2.45	1.75	40.0%	1.49	64.7%
Shares - Basic and Diluted	42,429,841	42,374,430	0.1%	42,419,150	0.0%

* During 2017, the Company implemented a business, planning and financial consolidation system, which resulted in a new classification of the chart of accounts. Prior periods have been reclassified for ease of comparison.

Copa Holdings, S. A. and subsidiaries
Balance Sheet - IFRS
(US\$ Thousands)

	September 30 2017 (Unaudited)	December 31 2016 Audited
ASSETS		
<u>Current Assets</u>		
Cash and cash equivalents	249,593	331,687
Restricted cash and cash equivalents	-	-
Short-term investments	565,994	483,002
Total cash, cash equivalents and short-term investments	815,587	814,689
Accounts receivable, net	141,173	113,408
Accounts receivable from related parties	391	499
Expendable parts and supplies, net	78,952	74,502

Prepaid expenses	40,540	58,370
Other current assets	8,487	7,650
TOTAL CURRENT ASSETS	1,085,130	1,069,118
Long-term investments	155,953	953
Long-term accounts receivable	2,267	1,957
Long-term prepaid expenses	29,102	26,398
Property and equipment, net	2,780,271	2,623,682
Intangible, net	77,275	69,502
Net pension asset	4,495	8,826
Deferred tax assets	17,225	18,339
Other Non-Current Assets	31,592	27,064
TOTAL NON-CURRENT ASSETS	3,098,180	2,776,721
TOTAL ASSETS	4,183,310	3,845,839

LIABILITIES AND EQUITY

Current Liabilities:		
Current maturities of long-term debt	261,167	222,718
Accounts payable	109,732	104,590
Accounts payable to related parties	11,432	8,680
Air traffic liability	469,478	395,580
Frequent flyer deferred revenue	42,977	35,368
Taxes and interest payable	93,337	68,483
Employee benefits obligations	42,991	41,707
Income tax payable	2,845	1,401
Other Current Liabilities	2,045	4,385
TOTAL CURRENT LIABILITIES	1,036,004	882,912
Long-term debt	918,642	961,414
Other long - term liabilities	132,529	114,268
Deferred tax Liabilities	53,493	44,974
TOTAL NON-CURRENT LIABILITIES	1,104,664	1,120,656
TOTAL LIABILITIES	2,140,668	2,003,568

EQUITY

Issued Capital		
Class A - 33,778,404 issued and 31,185,641 outstanding	21,030	20,988
Class B - 10,938,125 shares issued and outstanding	7,466	7,466
Additional Paid-In Capital	71,123	64,986
Treasury Stock	(136,388)	(136,388)
Retained Earnings	1,812,092	1,552,547
Net Income	269,178	334,544
Other Comprehensive Income	(1,859)	(1,872)
TOTAL EQUITY	2,042,642	1,842,271
TOTAL LIABILITIES AND EQUITY	4,183,310	3,845,839

* During 2017, the Company implemented a business, planning and financial consolidation system, which resulted in a new classification of the chart of accounts. Prior periods have been reclassified for ease of comparison.

Copa Holdings, S. A. and subsidiaries
Consolidated Statement of Cash Flows
For the nine months ended September 30,
(In US\$ thousands)

	2017	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities	522,527	384,822	236,743
Cash flow used in investing activities	(344,088)	(170,057)	(39,658)
Cash flow used in financing activities	(260,533)	(197,677)	(282,982)
Net (decrease) increase in cash and cash equivalents	(82,094)	17,088	(85,897)
Cash and cash equivalents at January 1	331,687	204,715	207,437
Cash and cash equivalents at September 30	\$ 249,593	\$ 221,803	\$ 121,540

Short-term investments	565,994	540,502	484,242
Long-term investments *	155,953	954	428,259
Restricted cash and cash equivalents **	-	10,128	48,702
Total cash and cash equivalents and investments at September 30	\$ 971,540	\$ 773,387	\$ 1,082,743

* Long-term investments include \$427 million at September 2015 of cash in Venezuela.

** Restricted cash corresponds to a margin calls to secure derivative financial instruments transactions.

Copa Holdings, S.A.

NON-IFRS FINANCIAL MEASURE RECONCILIATION

This press release includes the following non IFRS financial measures: CASM Excluding Fuel, Adjusted Net Income and Adjusted EPS. This supplemental information is presented because we believe it is a useful indicator of our operating performance and is useful in comparing our performance with other companies in the airline industry. These measures should not be considered in isolation, and should be considered together with comparable IFRS measures, in particular operating income and net income. The following is a reconciliation of these non-IFRS financial measures to the comparable IFRS measures:

Reconciliation of Adjusted Net Income and Adjusted EPS

	3Q17	3Q16	2Q17
Net profit as Reported	\$103,796	\$74,018	\$62,997
Special Items (adjustments):			
Gain (loss) due to devaluation of Venezuelan Bolivar		(484)	
Net change in fair value of derivatives	2,946	19,225	175
Adjusted Net Income	<u>\$100,850</u>	<u>\$55,278</u>	<u>\$62,822</u>
Shares used for Computation (in thousands)			
Basic and Diluted	<u>42,430</u>	<u>42,374</u>	<u>42,419</u>
Adjusted earnings per share - Basic and Diluted	<u>2.38</u>	<u>1.30</u>	<u>1.48</u>

Reconciliation of Operating Costs per ASM Excluding Fuel (CASM Excl. Fuel)

	3Q17	3Q16	2Q17
Operating Costs per ASM as Reported	8.6	8.9	8.5
Aircraft fuel per ASM	(2.3)	(2.6)	(2.3)
Operating Costs per ASM excluding fuel	<u>6.3</u>	<u>6.4</u>	<u>6.3</u>

View original content: <http://www.prnewswire.com/news-releases/copa-holdings-reports-net-income-of-1038-million-and-eps-of-245-for-the-third-quarter-of-2017-300552270.html>

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