

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COPA HOLDINGS, S.A.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Republic of Panama
(State or other jurisdiction of incorporation or organization)

4512
(Primary Standard Industrial Classification Code Number)

Not Applicable
(I.R.S. Employer Identification No.)

Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda
Urbanización Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre, Panama City
Panama
(+507 304-2672)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Puglisi & Associates
850 Library Avenue, Suite 204
Newark, Delaware 19711
(1-302-738-6680)

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

David L. Williams
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017

Francesca Lavin
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered⁽¹⁾	Proposed Maximum Offering Price per Share⁽²⁾	Proposed Maximum Aggregate Offering Price⁽¹⁾⁽²⁾	Amount of Registration Fee
Class A common shares, without par value	7,546,875 shares	\$ 22.94	\$ 173,125,312.50	\$ 18,524.41

(1) Includes Class A common shares that the underwriters may purchase solely to cover over-allotments, if any.

(2) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act based on the average high and low prices of the Class A common shares as reported by the New York Stock Exchange on June 13, 2006.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued June , 2006

6,562,500 Shares



Copa Holdings, S.A.

CLASS A COMMON STOCK

The selling shareholder identified in this prospectus is offering 6,562,500 shares of Class A common stock to be sold in this offering.

The Class A shares are listed on the New York Stock Exchange, or NYSE, under the symbol "CPA." On June 13, 2006, the reported last sale price of the Class A shares was \$22.83 per share on the NYSE.

Investing in the company's Class A shares involves risks. See "Risk Factors" beginning on page 13.

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Selling Shareholder</u>
Per share			
Total			

Copa Holdings, S.A. will not receive any proceeds from the sale by the selling shareholder of Class A common stock in this offering.

The selling shareholder has granted the underwriters the right to purchase up to an additional 984,375 shares of Class A common stock to cover any over-allotments.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on , 2006.

Morgan Stanley

Merrill Lynch & Co.

Goldman, Sachs & Co.

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You should rely only on the information contained in this prospectus. Neither we nor the selling shareholder have, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the selling shareholder are, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. This document may only be used where it is legal to sell these securities. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of when this prospectus is delivered or when any sale of the Class A shares occurs. Our business, financial condition, results of operations and prospects may have changed since that date.

In this prospectus, we use the term “Copa Holdings” to refer to Copa Holdings, S.A., “Copa” or “Copa Airlines” to refer to Compañía Panameña de Aviación, S.A., a subsidiary of Copa Holdings, S.A., and “AeroRepública” to refer to AeroRepública, S.A., a subsidiary of Copa Holdings, S.A. The terms “we,” “us” and “our” refer to Copa Holdings, S.A. together with its subsidiaries, except where the context requires otherwise. References to “Class A shares” refer to Class A shares of Copa Holdings, S.A.

This prospectus contains terms relating to operating performance that are commonly used within the airline industry and are defined as follows:

- “Aircraft utilization” represents the average number of block hours operated per day per aircraft for the total aircraft fleet.
- “Available seat miles” or “ASMs” represents the aircraft seating capacity multiplied by the number of miles the seats are flown.
- “Average stage length” represents the average number of miles flown per flight.
- “Block hours” refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.
- “Break-even load factor” represents the load factor that would have resulted in total revenues being equal to total expenses.
- “Load factor” represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger miles by available seat miles).

- “Operating expense per available seat mile” represents operating expenses divided by available seat miles.
- “Operating revenue per available seat mile” represents operating revenues divided by available seat miles.
- “Passenger revenue per available seat mile” represents passenger revenue divided by available seat miles.
- “Revenue passenger miles” represents the number of miles flown by revenue passengers.
- “Revenue passengers” represents the total number of paying passengers (including all passengers redeeming OnePass frequent flyer miles and other travel awards) flown on all flight segments (with each connecting segment being considered a separate flight segment).
- “Yield” represents the average amount one passenger pays to fly one mile.

MARKET DATA

This prospectus contains certain statistical data regarding our airline routes and our competitive position and market share in, and the market size of, the Latin American airline industry. This information has been derived from a variety of sources, including the International Air Transport Association, the U.S. Federal Aviation Administration, the International Monetary Fund and other third-party sources, governmental agencies or industry or general publications. Information for which no source is cited has been prepared by us on the basis of our knowledge of Latin American airline markets and other information available to us. The methodology and terminology used by different sources are not always consistent, and data from different sources are not readily comparable. In addition, sources other than us use methodologies that are not identical to ours and may produce results that differ from our own estimates. Although we have not independently verified the information concerning our competitive position, market share, market size, market growth or other similar data provided by third-party sources or by industry or general publications, we believe these sources and publications are generally accurate and reliable.

PRESENTATION OF FINANCIAL AND STATISTICAL DATA

Included elsewhere in this prospectus are our audited consolidated balance sheets at December 31, 2004 and 2005 and the audited consolidated statements of income, changes in shareholders’ equity and cash flows for the years ended December 31, 2003, 2004 and 2005. Also included herein are our unaudited consolidated interim financial statements as of and for the three-month periods ended March 31, 2005 and 2006. The consolidated financial information as of December 31, 2003 and for the year ended December 31, 2002 has been derived from our audited consolidated financial statements that were prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP and which have not been included in this prospectus. The consolidated financial information as of December 31, 2001 and 2002 and for the year ended December 31, 2001 has been derived from our audited consolidated financial statements that were prepared under International Financial Reporting Standards and adjusted to be presented on a basis consistent with U.S. GAAP and which have not been included in this prospectus.

Our audited and unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP and are stated in U.S. dollars. We began consolidating the results of our AeroRepública operating subsidiary as of its acquisition date on April 22, 2005. Unless otherwise indicated, all references in the prospectus to “\$” or “dollars” refer to U.S. dollars, and all references to “Pesos” or “Ps.” refer to Colombian pesos, the local currency of Colombia.

Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the underwriters’ option to purchase up to 984,375 additional shares of Class A common stock to cover over-allotments.

Certain figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

ENFORCEABILITY OF CIVIL LIABILITIES

Copa Holdings is a corporation (*sociedad anónima*) organized under the laws of the Republic of Panama. Most of our directors and officers and certain of the experts named in this prospectus reside outside of the United States, and all or a substantial portion of the assets of such persons and ours are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, including with respect to matters arising under the Securities Act of 1933, as amended (the "Securities Act"), or to effect the due process necessary to enforce judgments of courts of the United States against us or any of our directors and officers. We have been advised by our Panamanian legal counsel, Galindo, Arias & Lopez, that there is doubt as to the enforceability, in original actions in Panamanian courts, of liabilities predicated solely on the United States federal securities laws. Any judgment rendered by a U.S. court may be enforced in Panama through a suit on the judgment (*exequatur*), would be recognized and accepted by the courts of Panama and would be enforceable by the courts of Panama without a new trial or examination of the merits of the original action, provided due process had been granted to all parties and that the obligation the judgment is seeking to enforce is not illegal or against public policy in Panama.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements, principally under the captions "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Industry" and "Business." We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this prospectus, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Panama and Latin America and particularly in the geographic markets we serve;
- our management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our level of debt and other fixed obligations;
- demand for passenger and cargo air service in the markets in which we operate;
- competitive pressures on pricing;
- our capital expenditure plans;
- changes in the regulatory environment in which we operate;
- changes in labor costs, maintenance costs, fuel costs and insurance premiums;
- changes in market prices, customer demand and preferences and competitive conditions;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy;
- our ability to obtain financing on commercially reasonable terms; and
- the risk factors discussed under "Risk Factors" beginning on page 13.

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The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this prospectus because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this prospectus might not occur and are not guarantees of future performance. Considering these limitations, you should not place undue reliance on forward-looking statements contained in this prospectus.

SUMMARY

This summary highlights selected information about us and the Class A shares being offered by the selling shareholder. It may not contain all of the information that may be important to you. Before investing in the Class A shares, you should read this entire prospectus carefully for a more complete understanding of our business and this offering, including our audited and unaudited financial statements and the related notes and the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview

We are a leading Latin American provider of airline passenger and cargo service through our two principal operating subsidiaries, Copa and AeroRepública. Copa operates from its strategically located position in the Republic of Panama, and AeroRepública provides service primarily within Colombia. Our fleet currently consists of 22 Boeing 737-Next Generation aircraft, two Embraer 190 aircraft, 11 MD-80 aircraft and two DC-9 aircraft (one of which is currently retired). We currently have firm orders for eight Boeing 737-Next Generation and 18 Embraer 190s and purchase rights and options for up to nine additional Boeing 737-Next Generation and 35 additional Embraer 190s.

Copa was established in 1947 and currently offers approximately 92 daily scheduled flights among 30 destinations in 20 countries in North, Central and South America and the Caribbean from its Panama City hub. Copa provides passengers with access to flights to more than 120 other destinations through codeshare arrangements with Continental Airlines Inc., or Continental, pursuant to which each airline places its name and flight designation code on the other's flights. Through its Panama City hub, Copa is able to consolidate passenger traffic from multiple points to serve each destination effectively.

Copa operates a modern fleet of 22 Boeing 737-Next Generation aircraft and two Embraer 190 aircraft with an average age of approximately 3.6 years as of May 31, 2006. To meet its growing capacity requirements, Copa has firm commitments to accept delivery of 21 additional aircraft through 2009 and has purchase rights and options that, if exercised, would allow it to accept delivery of up to 24 additional aircraft through 2009. Copa's firm orders are for eight additional Boeing 737-Next Generation aircraft and 13 additional Embraer 190s, and its purchase rights and options are for up to nine Boeing 737-Next Generation aircraft and up to 15 Embraer 190s.

Copa started its strategic alliance with Continental in 1998. Since then, it has conducted joint marketing and code-sharing arrangements, and participated in the award-winning OnePass frequent flyer loyalty program globally and on a co-branded basis in Latin America. We believe that Copa's co-branding and joint marketing activities with Continental have enhanced its brand in Latin America, and that the relationship with Continental has afforded it cost-related benefits, such as improving purchasing power in negotiations with aircraft vendors and insurers. Copa's alliance and related services agreements with Continental are in effect until 2015.

During the second quarter of 2005, we purchased AeroRepública, a Colombian air carrier that was the second-largest domestic carrier in Colombia in terms of number of passengers carried in 2005, providing predominantly point-to-point service among 12 cities in Colombia and to Copa's Panama City hub. AeroRepública currently operates a fleet of eleven leased MD-80s and two owned DC-9s (one of which is currently retired). As part of its fleet modernization and expansion plan, AeroRepública has firm commitments to accept delivery of five Embraer 190 aircraft through 2007 and purchase rights and options to purchase up to 20 additional Embraer 190 aircraft through 2011.

Since January 2001, we have grown significantly and have established a track record of consistent profitability, recording five consecutive years of increasing earnings. Our total operating revenues have increased from \$290.4 million in 2001 to \$608.6 million in 2005, while our net income has increased from \$14.8 million to \$83.0 million over the same period. Our operating margins also improved from 8.6% in 2001 to 17.9% in 2005.

Our Strengths

We believe our primary business strengths that have allowed us to compete successfully in the airline industry include the following:

- *Our “Hub of the Americas” airport is strategically located.* We believe that Copa’s base of operations at the geographically central location of Tocumen International Airport in Panama City, Panama provides convenient connections to our principal markets in North, Central and South America and the Caribbean, enabling us to consolidate traffic to serve several destinations that do not generate enough demand to justify point-to-point service. Flights from Panama operate with few service disruptions due to weather, contributing to high completion factors and on-time performance. Tocumen International Airport’s sea-level altitude allows our aircraft to operate without performance restrictions that they would be subject to at higher-altitude airports. We believe that Copa’s hub in Panama allows us to benefit from Panama City’s status as a center for financial services, shipping and commerce and from Panama’s stable, dollar-based economy, free-trade zone and growing tourism industry.
- *We focus on keeping our operating costs low.* In recent years, our low operating costs and efficiency have contributed significantly to our profitability. Our operating cost per available seat mile was 8.72 cents in 2004 and 9.30 cents in 2005. Our operating cost per available seat mile excluding costs for fuel and fleet impairment charges was 7.50 cents in 2001, 7.59 cents in 2002, 7.17 cents in 2003, 7.01 cents in 2004, 6.52 cents in 2005 and 6.37 cents for the three months ended March 31, 2006. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations” for a reconciliation of our operating cost per available seat mile when excluding costs for fuel and fleet impairment charges to our operating cost per available seat mile. We believe that our cost per available seat mile reflects our modern fleet, efficient operations and the competitive cost of labor in Panama.
- *Copa operates a modern fleet.* Copa completed the replacement of all of its Boeing 737-200 aircraft in the first quarter of 2005 with Boeing 737-Next Generation aircraft equipped with winglets and other modern cost-saving and safety features. Copa also recently accepted delivery of its first two Embraer 190 aircraft. Over the next four years, Copa intends to enhance its modern fleet through the addition of at least eight additional Boeing 737-Next Generation aircraft and 13 new Embraer 190s. We believe that Copa’s modern fleet contributes to its on-time performance and high completion factor (percentage of scheduled flights not cancelled). We expect our Boeing 737-700s and 737-800s and our new Embraer 190s to offer substantial operational cost savings over the replaced aircraft in terms of fuel efficiency and maintenance costs. AeroRepública is currently implementing a fleet modernization and expansion plan with firm commitments on five new Embraer 190s and options for an additional 20 Embraer 190 aircraft.
- *We believe Copa has a strong brand and a reputation for quality service.* We believe that the Copa brand is associated with value to passengers, providing world-class service and competitive pricing. For the three months ended March 31, 2006, Copa Airline’s statistic for on-time performance was 92.3%, completion factor was 99.7% and baggage handling was 1.2 mishandled bags per 1000 passengers. Our goal is to apply our expertise in these areas to improve AeroRepública’s service statistics to comparable levels. Our focus on customer service has helped to build passenger loyalty. We believe that our brand has also been enhanced through our relationship with Continental, including our joint marketing of the OnePass loyalty program in Latin America, the similarity of our aircraft livery and aircraft interiors and our participation in Continental’s President’s Club lounge program.
- *Our management fosters a culture of teamwork and continuous improvement.* Our management team has been successful at creating a culture based on teamwork and focused on continuous improvement. Each of our employees at Copa has individual objectives based on corporate goals that serve as a basis for measuring performance. When corporate operational and financial targets are met, employees at Copa are eligible to receive bonuses according to our profit sharing program. See “Business—Employees.” We also recognize outstanding performance of individual employees through company-wide recognition, one-time awards, special events and, in the case of our senior management, grants of restricted stock and stock options. Copa’s goal-oriented culture and incentive programs have contributed to a motivated work force that is focused on

satisfying customers, achieving efficiencies and growing profitability. We seek to create a similar culture at AeroRepública.

Our Strategy

Our goal is to continue to grow profitably and enhance our position as a leader in Latin American aviation by providing a combination of superior customer service, convenient schedules and competitive fares, while maintaining competitive costs. The key elements of our business strategy include the following:

- *Expand our network by increasing frequencies and adding new destinations.* We believe that demand for air travel in Latin America is likely to expand in the next decade, and we intend to use our increasing fleet capacity to meet this growing demand. We intend to focus on expanding our operations by increasing flight frequencies on our most profitable routes and initiating service to new destinations. Copa's Panama City hub allows us to consolidate traffic and provide service to certain underserved markets, particularly in Central America and the Caribbean, and we intend to focus on providing new service to regional destinations that we believe best enhance the overall connectivity and profitability of our network. With the addition of Embraer 190 aircraft and growth in overall capacity, we expect to have more flexibility in scheduling our flights for our customers' convenience.
- *Continue to focus on keeping our costs low.* We seek to reduce our cost per available seat mile without sacrificing services valued by our customers as we execute our growth plans. Our goal is to maintain a modern fleet and to make effective use of our resources through efficient aircraft utilization and employee productivity. We intend to reduce our distribution costs by increasing direct sales, including internet and call center sales, as well as improving efficiency through technology and automated processes.
- *Introduce service with new Embraer 190 aircraft.* We believe that the addition of the Embraer 190 aircraft allows us to provide efficient service to new destinations in underserved markets. In addition, we believe that the Embraer 190s enhance our ability to efficiently match our capacity to demand, allowing us to improve service frequencies to currently served markets and to redeploy our higher capacity aircraft to serve routes with greater demand.
- *Emphasize superior service and value to our customers.* We intend to continue to focus on satisfying our customers and earning their loyalty by providing a combination of superior service and competitive fares. We believe that continuing our operational success in keeping flights on time, reducing mishandled luggage and offering convenient schedules to attractive destinations will be essential to achieving this goal. We intend to continue to incentivize our employees to improve or maintain operating and service metrics relating to our customers' satisfaction by continuing our profit sharing plan and employee recognition programs and to reward customer loyalty with the popular OnePass frequent flyer program, upgrades and access to President's Club lounges.
- *Capitalize on opportunities at AeroRepública.* We are seeking to enhance AeroRepública's market share and profitability through a variety of initiatives, including modernizing its fleet, integrating its route network with Copa's and improving overall efficiency. We also seek to increase customer loyalty by making further operational improvements at AeroRepública, such as on-time performance which improved from 70.4% during the six months ended December 31, 2005 to 81.9% during the three months ended March 31, 2006, and in March 2006, we implemented the OnePass frequent flyer program at AeroRepública.

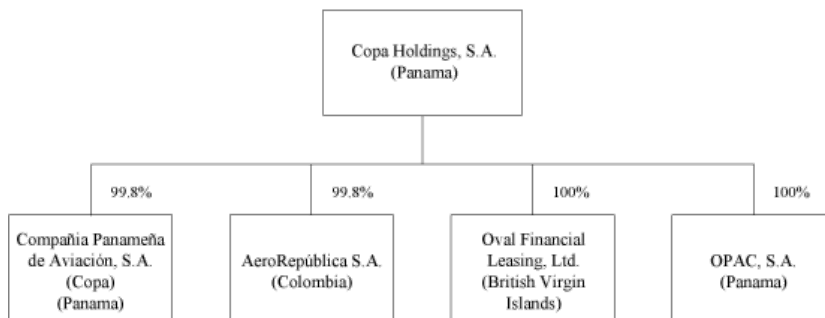
Selling Shareholder

Our equity structure provides for two classes of stock with different voting rights. Class A shares initially have no voting rights except in certain circumstances and Class B shares are entitled to one vote per share on all matters. Continental currently holds approximately 38.4% of our Class A shares, representing approximately 27.3% of our total capital stock. After the completion of this offering, Continental is expected to hold approximately 17.3% of our Class A shares, representing approximately 12.3% of our total capital stock, assuming the underwriters' over-allotment option is not exercised. Corporación de Inversiones Aéreas, S.A., or CIASA, holds all of our Class B shares, representing approximately 29.2% of our total capital stock and all of the voting rights associated with our

capital stock. CIASA is therefore entitled to elect a majority of our directors and to determine the outcome of the voting on substantially all actions that require shareholder approval. See “Description of Capital Stock.”

Our Organizational Structure

The following is an organizational chart showing Copa Holdings and its principal subsidiaries:



* Includes ownership by us held through wholly-owned holding companies organized in the British Virgin Islands.

Copa is our principal airline operating subsidiary that operates out of our hub in Panama and provides passenger service in North, South and Central America and the Caribbean. AeroRepública S.A. is our operating subsidiary that is primarily engaged in domestic air travel within Colombia. Oval Financial Leasing, Ltd. controls the special purpose vehicles that have a beneficial interest in the majority of our aircraft. OPAC, S.A. is a property holding company that owns our former corporate headquarters facility.

Copa Holdings was formed on May 6, 1998 as a corporation (*sociedad anónima*) duly incorporated under the laws of Panama with an indefinite duration. Copa Holdings was organized to be a holding company for Copa and related companies in connection with the acquisition by Continental of its 49% interest in us at that time.

Our principal executive offices are located at Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Panama, and our telephone number is +507 304-2677. The website of Copa is www.copaair.com. AeroRepública maintains a website at www.aerorepublica.com.co. Information contained on, or accessible through, these websites is not incorporated by reference herein and shall not be considered part of this prospectus. Our agent for service in the United States is Puglisi & Associates, 850 Library Avenue, Suite 204, Newark, Delaware 19715, and its telephone number is (302) 738-6680.

The Offering

Issuer	Copa Holdings, S.A.														
Selling shareholder	Continental Airlines, Inc.														
Shares offered	6,562,500 Class A shares, without par value.														
Over-allotment option	The selling shareholder has granted the underwriters the right for a period of 30 days to purchase up to an additional 984,375 Class A shares solely to cover over-allotments, if any.														
Offering price	\$ per Class A share.														
Shares outstanding after the offering	Immediately following the offering (assuming the underwriters' over-allotment option is not exercised), the number of shares of our capital stock will be as shown below: <table border="0" style="margin-left: 40px;"> <tr> <td colspan="2">Class A:</td> </tr> <tr> <td>Public, including management</td> <td style="text-align: right;">25,612,500 shares</td> </tr> <tr> <td>Continental</td> <td style="text-align: right;">5,359,375 shares</td> </tr> <tr> <td>Total Class A shares</td> <td style="text-align: right;">30,971,875 shares</td> </tr> <tr> <td colspan="2">Class B:</td> </tr> <tr> <td>CIASA</td> <td style="text-align: right;">12,778,125 shares</td> </tr> <tr> <td>Total outstanding shares</td> <td style="text-align: right;">43,750,000 shares</td> </tr> </table>	Class A:		Public, including management	25,612,500 shares	Continental	5,359,375 shares	Total Class A shares	30,971,875 shares	Class B:		CIASA	12,778,125 shares	Total outstanding shares	43,750,000 shares
Class A:															
Public, including management	25,612,500 shares														
Continental	5,359,375 shares														
Total Class A shares	30,971,875 shares														
Class B:															
CIASA	12,778,125 shares														
Total outstanding shares	43,750,000 shares														
Voting rights	<p>The holders of the Class A shares have no voting rights except with respect to certain corporate transformations, mergers, consolidations or spin-offs, changes of our corporate purpose, voluntary delistings of the Class A shares from the NYSE, approval of nominations of the independent directors or amendments to the foregoing provisions that adversely affect the rights and privileges of any Class A shares. Under certain circumstances which we believe are not likely in the foreseeable future, each Class A share will entitle its record holder to one vote on all matters on which our shareholders are entitled to vote.</p> <p>Each Class B share is entitled to one vote on all matters for which shareholders are entitled to vote.</p> <p>See "Description of Capital Stock."</p>														
Controlling shareholder	Following this offering, CIASA will continue to beneficially own 100% of our Class B shares which will represent all of the voting power of our capital stock. CIASA will therefore be entitled to elect a majority of our directors and to determine the outcome of the voting on substantially all actions that require shareholder approval.														
Ownership restrictions	Our independent directors have the power under certain circumstances to control or restrict the level of non-Panamanian ownership of our Class B shares and the exercise of voting rights attaching to Class A shares held by non-Panamanian nationals in order to allow us to comply with Panamanian airline ownership and control requirements. See "Description of Capital Stock."														
Tag-along rights	Our board of directors may refuse to register any transfer of shares in which CIASA proposes to sell Class B shares at a price per share that is greater than the average public trading price per share of the Class A shares for the preceding 30 days to an unrelated third party that would,														

	<p>after giving effect to such sale, have the right to elect a majority of the board of directors and direct our management and policies, unless the proposed purchaser agrees to make, as promptly as possible, a public offer for the purchase of all outstanding Class A shares and Class B shares at a price per share equal to the price per share paid for the CIASA shares being sold. However, a proposed purchaser could acquire control of Copa Holdings in a transaction that would not give holders of Class A shares the right to participate, including a sale by a party that had previously acquired control from CIASA, the sale of interests by another party in conjunction with a sale by CIASA, the sale by CIASA of control to more than one party, or the sale of controlling interests in CIASA itself. See “Description of Capital Stock—Tag-Along Rights.”</p>
Use of proceeds	<p>We will not receive any proceeds from the sale of our Class A shares by the selling shareholder.</p>
Dividends	<p>Holders of the Class A and Class B shares will be entitled to receive dividends to the extent they are declared by our board of directors in its absolute discretion. Our Articles of Incorporation provide that all dividends declared by our board of directors will be paid equally with respect to all of the Class A and Class B shares. Our board of directors has adopted a dividend policy that contemplates the annual payment of equal dividends to our Class A and Class B shareholders in an aggregate amount approximately equal to 10% of our consolidated net income for each year. This dividend policy can be amended or discontinued by our board of directors at any time for any reason. See “Dividends and Dividend Policy” and “Description of Capital Stock.”</p>
Lock-up agreements	<p>The selling shareholder has agreed, subject to certain exceptions, not to issue or transfer without the consent of the underwriters, until after the first anniversary (or 90 days solely in the case of the over-allotment shares to the extent such option is not exercised in full or at all) of the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock. The selling shareholder has also agreed, subject to the same exceptions, not to issue or transfer without the consent of CIASA, until after the second anniversary of the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock. In addition, we, our directors and executive officers have agreed, subject to certain exceptions, not to issue or transfer without the consent of the underwriters, until 90 days after the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock. CIASA has agreed, subject to certain exceptions, not to issue or transfer without the consent of the underwriters, until 180 days after the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock.</p>
Listing	<p>The Class A shares trade on the NYSE.</p>
NYSE symbol for the Class A shares	<p>CPA.</p>

Risk factors

See “Risk Factors” beginning on page 13 and the other information included in this prospectus for a discussion of certain important risks you should carefully consider before deciding to invest in the Class A shares.

Expected offering timetable (subject to change):

Commencement of marketing of the offering	Week of June , 2006
Announcement of offer price and allocation of Class A shares	Week of June , 2006
Settlement and delivery of Class A shares	Week of June , 2006

Summary Financial and Operating Data

The following table presents summary consolidated financial and operating data as of the dates and for the periods indicated. Our consolidated financial statements are prepared in accordance with U.S. GAAP and are stated in U.S. dollars. You should read this information in conjunction with our consolidated financial statements included in this prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition" appearing elsewhere in this prospectus.

The summary consolidated financial information as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated financial information as of December 31, 2003 and for the year ended December 31, 2002 has been derived from our audited consolidated financial statements that were prepared under U.S. GAAP and which have not been included in this prospectus. The consolidated financial information as of December 31, 2001 and 2002 and for the year ended December 31, 2001 has been derived from our audited consolidated financial statements that were prepared under International Accounting Standards and adjusted to be presented on a basis consistent with U.S. GAAP and which have not been included in this prospectus.

The summary consolidated financial data as of and for the three months ended March 31, 2005 and 2006 has been derived from our unaudited interim consolidated financial statements for these periods appearing elsewhere in this prospectus. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the operating results to be expected for the entire year ending December 31, 2006 or for any other period.

We acquired 99.8% of the stock of AeroRepública, a Colombian air carrier, and began consolidating its results on April 22, 2005. As a result of this acquisition, our financial information at and for the year ended December 31, 2005 and for the three months ended March 31, 2006 is not comparable to the information at and for the year ended December 31, 2004 and for the three months ended March 31, 2005, respectively.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005(20)	2005	2006
	(in thousands of dollars, except share and per share data and operating data)						
INCOME STATEMENT DATA							
Operating revenue:							
Passenger revenue	\$ 257,918	\$ 269,629	\$ 311,683	\$ 364,611	\$ 565,131	\$ 105,141	\$ 180,358
Cargo, mail and other	32,454	31,008	30,106	35,226	43,443	8,467	11,368
Total operating revenues	290,372	300,637	341,789	399,837	608,574	113,608	191,726
Operating expenses:							
Aircraft fuel	46,514	40,024	48,512	62,549	149,303	21,336	47,110
Salaries and benefits	38,709	39,264	45,254	51,701	69,730	13,385	19,446
Passenger servicing	32,834	33,892	36,879	39,222	50,622	10,431	14,634
Commissions	31,652	28,720	27,681	29,073	45,087	7,481	13,101
Reservations and sales	18,629	16,707	18,011	22,118	29,213	5,725	8,265
Maintenance, materials and repairs	25,369	20,733	20,354	19,742	32,505	4,714	10,287
Depreciation	13,325	13,377	14,040	19,279	19,857	4,739	5,417
Flight operations	13,887	14,567	15,976	17,904	24,943	4,972	7,713
Aircraft rentals	20,106	21,182	16,686	14,445	27,631	4,678	8,861
Landing fees and other rentals	8,451	8,495	10,551	12,155	17,909	3,343	5,555
Other	15,892	19,166	25,977	29,306	32,622	6,827	9,574
Fleet impairment charge(1)	—	13,669	3,572	—	—	—	—
Total operating expenses	265,368	269,796	283,493	317,494	499,422	87,631	149,963
Operating income	25,004	30,841	58,296	82,343	109,152	25,977	41,763

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005(20)	2005	2006
	(in thousands of dollars, except share and per share data and operating data)						
Non-operating income (expense):							
Interest expense	(10,988)	(7,629)	(11,613)	(16,488)	(21,629)	(4,557)	(6,278)
Interest capitalized	1,592	1,114	2,009	963	1,089	143	508
Interest income	701	831	887	1,423	3,584	687	1,262
Other, net(2)	331	(1,490)	2,554	6,063	395	2,196	(909)
Total non-operating expenses, net	(8,364)	(7,174)	(6,163)	(8,039)	(16,561)	(1,531)	(5,417)
Income (loss) before income taxes	16,640	23,667	52,133	74,304	92,591	24,446	36,346
Provision for income taxes	(1,822)	(2,999)	(3,644)	(5,732)	(9,592)	(1,886)	(4,066)
Net income (loss)	14,818	20,668	48,489	68,572	82,999	22,560	32,280
BALANCE SHEET DATA							
Total cash, cash equivalents and short-term investments	\$ 28,385	\$ 34,476	\$ 61,432	\$ 110,943	\$ 114,490	\$ 111,143	\$ 114,819
Accounts receivable, net	30,210	24,006	31,019	27,706	49,492	32,372	58,096
Total current assets	69,040	68,940	103,523	152,087	184,793	158,876	198,919
Purchase deposits for flight equipment	46,540	55,867	45,869	7,190	52,753	23,163	59,673
Total property and equipment	227,717	345,411	480,488	541,211	637,543	553,117	643,308
Total assets	300,121	421,935	591,915	702,050	916,912	721,862	936,429
Long-term debt	111,125	211,698	311,991	380,827	402,954	384,236	393,541
Total shareholders' equity	46,426	67,094	115,583	174,155	245,867	196,715	278,090
CASH FLOW DATA							
Net cash provided by operating activities	\$ 32,997	\$ 55,543	\$ 73,479	\$ 98,051	\$ 119,089	\$ 13,635	\$ 21,100
Net cash used in investing activities	(39,473)	(150,203)	(151,802)	(85,738)	(163,570)	(10,345)	(10,368)
Net cash provided by financing activities	14,466	100,400	105,298	29,755	38,921	2,687	(6,640)
OTHER FINANCIAL DATA							
EBITDA(3)	38,660	42,728	74,890	107,685	129,404	32,912	46,271
Aircraft rentals	20,106	21,182	16,686	14,445	27,631	4,678	8,861
Operating margin(4)	8.6%	10.3%	17.1%	20.6%	17.9%	22.9%	21.8%
Weighted average shares used in computing net income per share(5)	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500
Net income (loss) per share(5)	\$ 0.35	\$ 0.48	\$ 1.13	\$ 1.60	\$ 1.94	\$ 0.53	\$ 0.75

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005(20)	2005	2006
	(in thousands of dollars, except share and per share data and operating data)						
OPERATING DATA							
Revenue passengers carried(6)	1,794	1,819	2,028	2,333	4,361	636(22)	1,321(22)
Revenue passenger miles(7)	1,870	1,875	2,193	2,548	3,831	736(22)	1,155(22)
Available seat miles(8)	2,920	2,847	3,226	3,639	5,368	1,018	1,615
Load factor(9)	64.0%	65.9%	68.0%	70.0%	71.4%	72.3%(22)	71.5%(22)
Break-even load factor(10)	58.7%	54.5%	52.8%	52.6%	57.9%	52.1%(22)	55.8%(22)
Total block hours(11)	59,760	58,112	64,909	70,228	103,628	18,928	31,483
Average daily aircraft utilization(12)	9.1	8.8	9.0	9.3	9.8	9.9	9.7
Average passenger fare	143.8	148.2	153.7	156.3	129.6	165.3(22)	136.5(22)
Yield(13)	13.79	14.38	14.22	14.31	14.75	14.28(22)	15.61(22)
Passenger revenue per ASM(14)	8.83	9.47	9.66	10.02	10.53	10.33	11.17
Operating revenue per ASM(15)	9.94	10.56	10.60	10.99	11.34	11.16	11.87
Operating expenses per ASM (CASM)(16)	9.09	9.48	8.79	8.72	9.30	8.61	9.29
Departures	23,742	23,361	25,702	27,434	48,934	7,096	15,826
Average daily departures	65.0	64.0	70.4	75.0	156.6	78.8	176.2
Average number of aircraft	18.0	18.1	19.8	20.6	31.0	21.2	36.1
Airports served at period end	28	27	28	29	43	29	43
SEGMENT FINANCIAL DATA							
Copa:							
Operating revenue	\$ 290,372	\$ 300,637	\$ 341,789	\$ 399,837	\$ 505,655	\$ 113,608	\$ 151,602
Operating expenses	265,368	269,796	283,493	317,494	402,684	87,631	110,613
Depreciation	13,325	13,377	14,040	19,279	19,242	4,739	5,227
Aircraft rentals	20,106	21,182	16,686	14,445	22,096	4,678	5,858
Interest expense	10,988	7,629	11,613	16,488	19,424	4,557	5,678
Interest capitalized	1,592	1,114	2,009	963	1,089	143	508
Interest income	701	831	887	1,423	3,376	687	1,148
Net income (loss) before tax	16,640	23,667	52,133	74,304	89,745	24,446	37,032
Total assets	300,121	421,935	591,915	702,050	851,075	721,862	879,215
AeroRepública: (21)							
Operating revenue	—	—	—	—	\$ 102,976	—	\$ 40,246
Operating expenses	—	—	—	—	96,839	—	39,472
Depreciation	—	—	—	—	615	—	190
Aircraft rentals	—	—	—	—	5,535	—	3,003
Interest expense	—	—	—	—	2,205	—	600
Interest capitalized	—	—	—	—	—	—	—
Interest income	—	—	—	—	208	—	114
Net income (loss) before tax	—	—	—	—	2,846	—	(686)
Total assets	—	—	—	—	98,091	—	90,740

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005(20)	2005	2006
	(in thousands of dollars, except share and per share data and operating data)						
SEGMENT OPERATING DATA							
Copa:							
Available seat miles(8)	2,920	2,847	3,226	3,639	4,409	1,018	1,216
Load factor(9)	64.0%	65.9%	68.0%	70.0%	73.4%	72.3%	77.6%
Break-even load factor	58.7%	54.5%	52.8%	52.6%	56.8%	52.1%	55.3%
Yield(13)	13.79	14.38	14.22	14.31	14.41	14.28	15.01
Operating revenue per ASM(15)	9.94	10.56	10.60	10.99	11.47	11.16	12.46
CASM(16)	9.09	9.48	8.79	8.72	9.13	8.61	9.09
Average stage length(18)	1,023	1,010	1,028	1,047	1,123	1,115	1,158
On time performance(17)	87.7%	90.5%	91.4%	91.8%	91.7%	94.9%	92.3%
AeroRepública(21)							
Available seat miles(8)	—	—	—	—	950	—	399
Load factor(9)	—	—	—	—	62.0%	—	53.1%
Break even load factor	—	—	—	—	60.8%	—	54.4%
Yield(13)	—	—	—	—	16.61(22)	—	18.32(22)
Operating revenue per ASM(15)	—	—	—	—	10.74	—	10.10
CASM(16)	—	—	—	—	10.10	—	9.90
Average stage length(18)	—	—	—	—	360	—	357
On time performance(19)	—	—	—	—	70.4%	—	81.9%

- Represents impairment losses on our Boeing 737-200 aircraft and related assets. See Note 8 to our consolidated financial statements.
- Consists primarily of changes in the fair value of fuel derivative contracts, foreign exchange gains/losses and gains on sale of Boeing 737-200 aircraft. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to our consolidated financial statements.
- EBITDA represents net income (loss) plus the sum of interest expense, income taxes, depreciation and amortization minus the sum of interest capitalized and interest income. EBITDA is presented as supplemental information because we believe it is a useful indicator of our operating performance and is useful in comparing our operating performance with other companies in the airline industry. However, EBITDA should not be considered in isolation, as a substitute for net income prepared in accordance with U.S. GAAP or as a measure of a company's profitability. In addition, our calculation of EBITDA may not be comparable to other companies' similarly titled measures. The following table presents a reconciliation of our net income to EBITDA for the specified periods:

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands of dollars)						
Net income (loss)	\$ 14,818	\$ 20,668	\$ 48,489	\$ 68,572	\$ 82,999	\$ 22,560	\$ 32,280
Interest expense	10,988	7,629	11,613	16,488	21,629	4,557	6,278
Income taxes	1,822	2,999	3,644	5,732	9,592	1,886	4,066
Depreciation	13,325	13,377	14,040	19,279	19,857	4,739	5,417
Subtotal	40,953	44,673	77,786	110,071	134,077	33,742	48,041
Interest capitalized	(1,592)	(1,114)	(2,009)	(963)	(1,089)	(143)	(508)
Interest income	(701)	(831)	(887)	(1,423)	(3,584)	(687)	(1,262)
EBITDA	38,660	42,728	74,890	107,685	129,404	32,912	46,271

Aircraft rentals represents a significant operating expense of our business. Because we leased several of our aircraft during the periods presented, we believe that when assessing our EBITDA you should also consider the impact of our aircraft rent expense, which was \$20.1 million in 2001, \$21.2 million in 2002, \$16.7 million in 2003, \$14.4 million in 2004, and \$27.6 million in 2005.

- Operating margin represents operating income divided by operating revenues.

- (5) All share and per share amounts have been retroactively restated to reflect the current capital structure described under "Description of Capital Stock" and in the notes to our consolidated financial statements.
- (6) Total number of paying passengers (including all passengers redeeming OnePass frequent flyer miles and other travel awards) flown on all flight segments, expressed in thousands.
- (7) Number of miles flown by scheduled revenue passengers, expressed in millions.
- (8) Aircraft seating capacity multiplied by the number of miles the seats are flown, expressed in millions.
- (9) Percentage of aircraft seating capacity that is actually utilized. Load factors are calculated by dividing revenue passenger miles by available seat miles.
- (10) Load factor that would have resulted in total revenues being equal to total expenses.
- (11) The number of hours from the time an airplane moves off the departure gate for a revenue flight until it is parked at the gate of the arrival airport.
- (12) Average number of block hours operated per day per aircraft for the total aircraft fleet.
- (13) Average amount (in cents) one passenger pays to fly one mile.
- (14) Passenger revenues (in cents) divided by the number of available seat miles.
- (15) Total operating revenues for passenger aircraft related costs (in cents) divided by the number of available seat miles.
- (16) Total operating expenses for passenger aircraft related costs (in cents) divided by the number of available seat miles.
- (17) Percentage of flights that arrive at the destination gate within fifteen minutes of scheduled arrival.
- (18) The average number of miles flown per flight.
- (19) Percentage of flights that depart within fifteen minutes of the scheduled departure time.
- (20) For AeroRepública operating data, this period covers from April 22, 2005 until December 31, 2005 which corresponds to the period that AeroRepública was consolidated in our financial statements.
- (21) We have not included financial information for the three months ended March 31, 2005 which preceded our acquisition of AeroRepública on April 22, 2005.
- (22) AeroRepública has not historically distinguished between revenue passengers and non-revenue passengers. Although we are implementing systems at AeroRepública to record that information, revenue passenger information and other statistics derived from revenue passenger data for the year ended December 31, 2005 and the three months ended March 31, 2006 has been derived from estimates that we believe to be materially accurate.

RISK FACTORS

An investment in our Class A shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Class A shares could decline due to any of these risks, and you may lose all or part of your investment. The risks described below are those known to us and that we currently believe may materially affect us.

Risks Relating to Our Company

Our failure to successfully implement our growth strategy may adversely affect our results of operations and harm the market value of our Class A shares.

We have grown rapidly over the past five years. We intend to continue to grow our fleet, expand our service to new markets and increase the frequency of flights to the markets we currently serve. Achieving these goals is essential in order for our business to benefit from cost efficiencies resulting from economies of scale. We expect to have substantial cash needs as we expand, including cash required to fund aircraft purchases or aircraft deposits as we add to our fleet. We cannot assure you that we will have sufficient cash to fund such projects, and if we are unable to successfully expand our route system, our future revenue and earnings growth would be limited.

When we commence a new route, our load factors tend to be lower than those on our established routes and our advertising and other promotional costs tend to be higher, which may result in initial losses that could have a negative impact on our results of operations as well as require a substantial amount of cash to fund. We also periodically run special promotional fare campaigns, particularly in connection with the opening of new routes. Promotional fares may have the effect of increasing load factors while reducing our yield on such routes during the period that they are in effect. The number of markets we serve and our flight frequencies depend on our ability to identify the appropriate geographic markets upon which to focus and to gain suitable airport access and route approval in these markets. There can be no assurance that the new markets we enter will provide passenger traffic that is sufficient to make our operations in those new markets profitable. Any condition that would prevent or delay our access to key airports or routes, including limitations on the ability to process more passengers, the imposition of flight capacity restrictions, the inability to secure additional route rights under bilateral agreements or the inability to maintain our existing slots and obtain additional slots, could constrain the expansion of our operations.

The expansion of our business will also require additional skilled personnel, equipment and facilities. The inability to hire and retain skilled pilots and other personnel or secure the required equipment and facilities efficiently and cost-effectively may adversely affect our ability to execute our growth strategy. Expansion of our markets and flight frequencies may also strain our existing management resources and operational, financial and management information systems to the point where they may no longer be adequate to support our operations, requiring us to make significant expenditures in these areas. In light of these factors, we cannot assure you that we will be able to successfully establish new markets or expand our existing markets, and our failure to do so could harm our business and results of operations, as well as the value of our Class A shares.

If we fail to successfully integrate the new Embraer 190 aircraft we have agreed to purchase into our operations, our business could be harmed.

In October 2004, Copa announced an order to purchase ten new Embraer 190 aircraft with options for an additional 20 new aircraft. Since then, Copa accepted delivery of two Embraer aircraft in the fourth quarter of 2005 and increased its firm orders for the Embraer 190 aircraft by exercising two of these options in April 2005 and three of these options in April 2006. In March 2006, AeroRepública announced an order to purchase five new Embraer 190 aircraft with options for an additional 20 new aircraft. Acquisition of an all-new type of aircraft, such as the Embraer 190, involves a variety of risks, including:

- difficulties or delays in obtaining the necessary certifications from the aviation regulatory authorities of the countries to which we fly;
- manufacturer's delays in meeting the agreed upon aircraft delivery schedule;

- difficulties in obtaining financing on acceptable terms to complete our purchase of all of the aircraft we have committed to purchase; and
- the inability of the new aircraft and its components to comply with agreed upon specifications and performance standards.

The Embraer 190 is a new aircraft and, although to date we have not had any significant problems with this aircraft, certain other airlines have in the past experienced problems generally associated with it, including difficulties with the software that operates the Embraer avionics system. As a result, we may experience similar or other problems with the Embraer 190s that will be delivered to us which could result in increased costs or service interruptions.

In addition, we also face risks in integrating a second type of aircraft into our existing infrastructure and operations, including, among other things, the additional costs, resources and time needed to hire and train new pilots, technicians and other skilled support personnel. If we fail to successfully take delivery of, place into service and integrate into our operations the new Embraer 190 aircraft, our business, financial condition and results of operations could be harmed.

We are dependent on our alliance with Continental and cannot assure you that it will continue.

We maintain a broad commercial and marketing alliance with Continental that has allowed us to enhance our network and, in some cases, offer our customers services that we could not otherwise offer. If Continental were to experience severe financial difficulties or go bankrupt, our alliance and service agreements may be terminated or we may not realize the anticipated benefits from our relationship with Continental. Continental has incurred significant losses since September 11, 2001, primarily as a result of record high fuel prices and decreased yields. Continental reported a net loss of \$68 million for 2005 and has indicated that losses of the magnitude incurred since September 11, 2001 are not sustainable if they continue. We cannot assure you that Continental's results will improve, or that it will avoid bankruptcy, and as a result we may be materially and adversely affected by a continuing deterioration of Continental's financial condition.

Since we began the alliance in 1998, we have benefited from Continental's support in negotiations for aircraft purchases, insurance and fuel purchases, sharing of "best practices" and engineering support in our maintenance operations, and significant other intangible support. This support has assisted us in our growth strategy, while also improving our operational performance and the quality of our service. Our alliance relationship with Continental is the subject of a grant of antitrust immunity from the U.S. Department of Transportation, or DOT. If our relationship with Continental were to deteriorate, or our alliance relationship were no longer to benefit from a grant of antitrust immunity, or our alliance or services agreements were terminated, our business, financial condition and results of operations would likely be materially and adversely affected. The loss of Copa's codesharing relationship with Continental would likely result in a significant decrease in our revenues. We also rely on Continental's OnePass frequent flyer program that we participate in globally and on a co-branded basis in Latin America, and our business may be adversely affected if the OnePass program does not remain a competitive marketing program. In addition, our competitors may benefit from alliances with other airlines that are more extensive than our alliance with Continental. We cannot predict the extent to which we will be disadvantaged by competing alliances. See "Related Party Transactions."

Continental's economic interest in our continued success can be expected to further decline over time.

In connection with our initial public offering in December 2005, Continental reduced its investment in us from 49% to approximately 27.3% of our capital stock. After giving effect to this offering, Continental is expected to further reduce its investment in us to approximately 12.3% of our capital stock (or 10.0% if the over-allotment option is exercised). Continental can be expected to seek to monetize its remaining investment in us. Continental has certain rights pursuant to a shareholders' agreement among Continental, CIASA and us, including the right to appoint one of our directors so long as our alliance agreement with Continental continues. As a result of Continental's right, following consummation of this offering, to appoint one member of our board of directors and our dependence on the alliance between the airlines, Continental will continue to have the ability to exercise significant influence over us following the offering. Nevertheless, Continental's interests will likely diverge from those of our other shareholders as Continental reduces its investment in us over time. Other than certain exclusivity provisions and a termination event for certain competitive activities contained in our alliance agreement, we do not

have any non-competition agreement with Continental, and as Continental continues to reduce its economic stake in us, it may take actions that are adverse to the interests of the majority of our shareholders. See “Related Party Transactions.”

We operate using a hub-and-spoke model and are vulnerable to competitors offering direct flights between destinations we serve.

The structure of substantially all of our current flight operations (other than those of AeroRepública) generally follows what is known in the airline industry as a “hub-and-spoke” model. This model aggregates passengers by operating flights from a number of “spoke” origins to a central hub through which they are transported to their final destinations. In recent years, many traditional hub-and-spoke operators have faced significant and increasing competitive pressure from low-cost, point-to-point carriers on routes with sufficient demand to sustain point-to-point service. A point-to-point structure enables airlines to focus on the most profitable, high-demand routes and to offer greater convenience and, in many instances, lower fares. With the passage of time, and in particular as demand for air travel in Latin America increases, it is increasingly likely that one or more of our competitors will initiate non-stop service between important destinations that we currently serve through our Panamanian hub. By bypassing our hub in Panama, any non-stop service would be more convenient and possibly less expensive, than our connecting service and could significantly decrease demand for our service to those destinations. We believe that future competition from point-to-point carriers will be directed towards the largest markets that we serve. As a result, the effect of such competition on us could be significant and could have a material adverse effect on our business, financial condition and results of operations.

The Panamanian Aviation Act and certain of the bilateral agreements under which we operate contain Panamanian ownership requirements that are not clearly defined, and our failure to comply with these requirements could cause us to lose our authority to operate in Panama or to the international destinations we serve.

Under Law No. 21 of January 29, 2003, which regulates the aviation industry in the Republic of Panama and which we refer to as the Aviation Act, “substantial ownership” and “effective control” of our airline must remain in the hands of Panamanian nationals. Under certain of the bilateral agreements between Panama and other countries pursuant to which we have the right to fly to those other countries and over their territory, we must continue to have substantial Panamanian ownership and effective control by Panamanian nationals to retain these rights. Neither “substantial ownership” nor “effective control” are defined in the Aviation Act or in the bilateral agreements, and it is unclear how a Panamanian court or, in the case of the bilateral agreements, foreign regulatory authorities might interpret these requirements. In addition, the manner in which these requirements are interpreted may change over time. We cannot predict whether these requirements would be satisfied through ownership and control by Panamanian record holders, or if these requirements would be satisfied only by direct and indirect ownership and control by Panamanian beneficial owners.

At the present time, CIASA, a Panamanian entity, is the record owner of all of our Class B voting shares, representing approximately 29.2% of our total share capital and all of the voting power of our capital stock.

On November 25, 2005, the Executive Branch of the Government of Panama promulgated a decree stating that the “substantial ownership” and “effective control” requirements of the Aviation Act are met if a Panamanian citizen or a Panamanian company is the record holder of shares representing 51% or more of the voting power of the company. Although the decree has the force of law for so long as it remains in effect, it does not supersede the Aviation Act, and it can be modified or superseded at any time by a future Executive Branch decree. Additionally, the decree has no binding effect on regulatory authorities of other countries whose bilateral agreements impose Panamanian ownership and control limitations on us. We cannot assure you that the decree will not be challenged, modified or superseded in the future, or that record ownership of a majority of our Class B shares by Panamanian entities will be sufficient to satisfy the “substantial ownership” requirement of the Aviation Act and the decree. If the Panamanian Civil Aviation Authority (the *Autoridad de Aeronáutica Civil*), which we refer to as the AAC, or a Panamanian court were to determine that “substantial” Panamanian ownership should be determined on the basis of our direct and indirect ownership, we could lose our license to operate our airline in Panama. Likewise, if a foreign regulatory authority were to determine that our direct or indirect Panamanian ownership fails to satisfy the minimum Panamanian ownership requirements for a Panamanian carrier under the applicable bilateral agreement,

we may lose the benefit of that agreement and be prohibited from flying to the relevant country or over its territory. Any such determination would have a material adverse effect on our business, financial condition and results of operations, as well as on the value of the Class A shares.

Our business is subject to extensive regulation which may restrict our growth or our operations or increase our costs.

Our business, financial condition and results of operations could be adversely affected if we or certain aviation authorities in the countries to which we fly fail to maintain the required foreign and domestic governmental authorizations necessary for our operations. In order to maintain the necessary authorizations issued by the AAC and other corresponding foreign authorities, we must continue to comply with applicable statutes, rules and regulations pertaining to the airline industry, including any rules and regulations that may be adopted in the future. We cannot predict or control any actions that the AAC or foreign aviation regulators may take in the future, which could include restricting our operations or imposing new and costly regulations. Also, our fares are technically subject to review by the AAC and the regulators of certain other countries to which we fly, any of which may in the future impose restrictions on our fares.

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between Panama and various other countries, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that existing bilateral agreements between the countries in which our airline operating companies are based and foreign governments will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans. A modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permits to operate to certain airports or destinations or the imposition of other sanctions could also have a material adverse effect. Due to the nature of bilateral agreements, we can fly to many destinations only from Panama. We cannot assure you that a change in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

We plan to continue to increase the scale of our operations and revenues by expanding our presence on new and existing routes. Our ability to successfully implement this strategy will depend upon many factors, several of which are outside our control or subject to change. These factors include the permanence of a suitable political, economic and regulatory environment in the Latin American countries in which we operate or intend to operate and our ability to identify strategic local partners.

The most active government regulator among the countries to which we fly is the U.S. Federal Aviation Administration, or FAA. The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. FAA requirements cover, among other things, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental issues, and increased inspections and maintenance procedures to be conducted on older aircraft. We expect to continue incurring expenses to comply with the FAA's regulations, and any increase in the cost of compliance could have an adverse effect on our financial condition and results of operations. Additional new regulations continue to be regularly implemented by the U.S. Transportation Security Administration, or TSA, as well.

The growth of our operations to the United States and the benefits of our code-sharing arrangements with Continental are dependent on Panama's continued favorable safety assessment.

The FAA periodically audits the aviation regulatory authorities of other countries. As a result of its investigation, each country is given an International Aviation Safety Assessment, or IASA, rating. In May 2001, Panama's IASA rating was downgraded from Category 1 to Category 2 due to alleged deficiencies in Panamanian air safety standards and AAC's capability to provide regulatory oversight. As a result of this downgrade, we were prevented from offering our Copa flights to any new destinations in the United States and from certifying new aircraft for flights to the United States, and Continental was no longer able to codeshare on our flights. In April 2004, after extensive investment by the Panamanian government in the AAC and consultations among Copa, the AAC and U.S. safety officials, Panama's IASA rating was restored to Category 1. We cannot

assure you that the government of Panama, and the AAC in particular, will continue to meet international safety standards, and we have no direct control over their compliance with IASA guidelines. If Panama's IASA rating were to be downgraded in the future, it could prohibit us from increasing service to the United States and Continental would have to suspend the placing of its code on our flights, causing us to lose direct revenue from codesharing as well as reducing flight options to our customers.

We are highly dependent on our hub at Panama City's Tocumen International Airport.

Our business is heavily dependent on our operations at our hub at Panama City's Tocumen International Airport. Substantially all of our Copa flights either depart from or arrive at our hub. The hub-and-spoke structure of our operations is particularly dependent on the on-time arrival of tightly coordinated groupings of flights to ensure that passengers can make timely connections to continuing flights. Like other airlines, we are subject to delays caused by factors beyond our control, including air traffic congestion at airports, adverse weather conditions and increased security measures. Delays inconvenience passengers, reduce aircraft utilization and increase costs, all of which in turn negatively affect our profitability. A significant interruption or disruption in service at Tocumen International Airport could have a serious impact on our business, financial condition and operating results. Also, Tocumen International Airport provides international service to the Republic of Panama's population of approximately 3.0 million, whereas the hub markets of our current competitors tend to be much larger, providing those competitors with a larger base of customers at their hub.

Tocumen International Airport is operated by a corporation that is controlled by the government of the Republic of Panama. We depend on our good working relationship with the quasi-governmental corporation that operates the airport to ensure that we have adequate access to aircraft parking positions, landing rights and gate assignments for our aircraft to accommodate our current operations and future plans for expansion. The corporation that operates Tocumen International Airport does not enter into any formal, written leases or other agreements with airlines that govern rights to use the airport's jetways or aircraft parking spaces. Therefore, in connection with the ongoing or future expansion of the airport, the airport authority could assign new capacity to competing airlines or could reassign resources that are currently used by us to other aircraft operators. Either such event could result in significant new competition for our routes or could otherwise have a material adverse effect on our current operations or ability for future growth.

We are exposed to increases in landing charges and other airport access fees and cannot be assured access to adequate facilities and landing rights necessary to achieve our expansion plans.

We must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges could have a material adverse impact on our results of operations. Passenger taxes and airport charges have also increased in recent years, sometimes substantially. Certain important airports that we use, such as Bogota's El Dorado airport, may be privatized in the near future which is likely to result in significant cost increases to the airlines that use these airports. We cannot assure you that the airports used by us will not impose, or further increase, passenger taxes and airport charges in the future, and any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose slot restrictions during certain periods of the day. We cannot assure you that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services as we are proposing to do. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. Any of these alternatives could have an adverse financial impact on us.

Some of the airports to which we fly impose various restrictions, including limits on aircraft noise levels, limits on the number of average daily departures and curfews on runway use. In addition, we cannot assure you that airports at which there are no such restrictions may not implement restrictions in the future or that, where such

restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

We and our auditors identified a “material weakness” in our internal controls over financial reporting in connection with the preparation of our financial statements under U.S. GAAP, and if we fail to remediate this material weakness and achieve and maintain an effective system of internal controls, we may not be able to accurately report our financial results on a timely basis. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our Class A shares.

In connection with the preparation of our financial statements under U.S. GAAP as of and for the year ended December 31, 2005, we and our auditors identified a material weakness (as defined under standards established by the Public Company Accounting Oversight Board) in our internal controls over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected. Specifically, we found that we did not have appropriate expertise in U.S. GAAP accounting and reporting among our financial and accounting staff to prepare our periodic financial statements without needing to make material corrective adjustments and footnote revisions when those statements are audited or reviewed. In light of this material weakness, in preparing the financial statements included in this prospectus, we performed additional analyses and other post-closing procedures in the course of preparing our financial statements and related footnotes in accordance with U.S. GAAP.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 20-F for the fiscal year ending December 31, 2006, we will be required to furnish a report by our management on our internal control over financial reporting. This report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal controls over financial reporting are effective. We have contracted an additional accounting manager with experience in preparing financial statements under U.S. GAAP, we have engaged an internationally recognized accounting firm to assist us in developing our procedures to comply with the requirements of Section 404 and our management and audit committee are developing other plans to prepare for our compliance with the requirements of Section 404 and to correct the weakness identified above. We will incur incremental costs as a result of these efforts, including increased auditing and legal fees, the magnitude of which we are not able to estimate at this time. We may not be able to effectively and timely implement controls and procedures that adequately respond to Section 404 or other increased regulatory compliance and reporting requirements that will be applicable to us as a public company. We cannot assure you that we will not discover further weaknesses or deficiencies as we continue to develop these procedures. In addition, we cannot assure you that the steps we plan to take or the procedures we plan to implement will be sufficient to ensure that we will be able to prevent or detect any misstatements to our financial statements in the future.

Any failure to implement and maintain the improvements in the controls over our financial reporting, or difficulties encountered in the implementation of these improvements in our controls, could result in a material misstatement to the annual or interim financial statements that would not be prevented or detected or cause us to fail to meet our reporting obligations under applicable securities laws. Any failure to improve our internal controls to address the identified weakness could result in our incurring substantial liability for not having met our legal obligations and could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our Class A shares.

We have significant fixed financing costs and expect to incur additional fixed costs as we expand our fleet.

The airline business is characterized by high leverage, and accordingly we have a high level of indebtedness. We also have significant expenditures in connection with our operating leases and facility rental costs, and substantially all of our property and equipment is pledged to secure indebtedness. For the year ended December 31, 2005, our interest expense and aircraft and facility rental expense under operating leases aggregated \$57.1 million. At March 31, 2006, approximately 62% of our total indebtedness bore interest at fixed rates, and a small portion of

our lease obligations was determined with reference to LIBOR. Accordingly, our financing and rent expense will not decrease significantly if market interest rates decline.

As of May 31, 2006, we had firm commitments to purchase eight Boeing 737-Next Generation and 18 Embraer 190s, with an aggregate manufacturer's list price of approximately \$1.1 billion. We have arranged for financing for a significant portion of the commitment relating to such aircraft and will require substantial capital from external sources to meet our remaining financial commitment. The acquisition and financing of these aircraft will likely result in a substantial increase in our leverage and fixed financing costs. A high degree of leverage and fixed payment obligations could:

- limit our ability in the future to obtain additional financing for working capital or other important needs;
- impair our liquidity by diverting substantial cash from our operating needs to service fixed financing obligations; or
- limit our ability to plan for or react to changes in our business, in the airline industry or in general economic conditions.

Any one of these could have a material adverse effect on our business, financial condition and results of operations.

The cost of refinancing our debt and obtaining additional financing for new aircraft could increase significantly if the Export-Import Bank of the United States does not continue to guarantee our debt.

We currently finance our aircraft through bank loans and, to a lesser extent, operating leases and local bond offerings. In the past, we have obtained most of the financing for our Boeing aircraft purchases from commercial financial institutions utilizing guarantees provided by the Export-Import Bank of the United States. The Export-Import Bank provides guarantees to companies that purchase goods from U.S. companies for export, enabling them to obtain financing at substantially lower interest rates as compared to those that they could obtain without a guarantee. The Export-Import Bank will not be able to provide similar guarantees in connection with financing for our aircraft purchases from Embraer since those aircraft are not exports from the United States. At March 31, 2006, we had \$329.3 million of outstanding indebtedness that is owed to financial institutions under financing arrangements guaranteed by the Export-Import Bank. We cannot predict whether the Export-Import Bank's credit support will continue to be available to us to fund future purchases of Boeing aircraft. The Export-Import Bank may in the future limit its exposure to Panama-based companies, to our airline or to airlines generally, or may encourage us to diversify our credit sources by limiting future guarantees. Similarly, we cannot assure you that we will be able to continue to raise financing from past sources, or from other sources, on terms comparable to our existing financing. We may not be able to continue to obtain lease or debt financing on terms attractive to us, or at all, and if we are unable to obtain financing, we may be forced to modify our aircraft acquisition plans or to incur higher than anticipated financing costs which could have an adverse impact on the execution of our growth strategy and business.

Our existing debt financing agreements and our aircraft operating leases contain restrictive covenants that impose significant operating and financial restrictions on us.

Our aircraft financing loans and operating leases and the instruments governing our other indebtedness contain a number of significant covenants and restrictions that limit our ability and our subsidiaries' ability to:

- create material liens on our assets;
- take certain actions that may impair creditors' rights to our aircraft;
- sell assets or engage in certain mergers or consolidations; and
- engage in other specified significant transactions.

In addition, several of our aircraft financing agreements require us to maintain compliance with specified financial ratios and other financial and operating tests. For example, our access to certain borrowings under our aircraft financing arrangements is conditioned upon our maintenance of minimum debt service coverage and capitalization ratios. See "Management's Discussion and Analysis of Financial Condition and Results of

Operation— Liquidity and Capital Resources.” Complying with these covenants may cause us to take actions that make it more difficult to execute successfully our business strategy, and we may face competition from companies not subject to such restrictions. Moreover, our failure to comply with these covenants could result in an event of default or refusal by our creditors to extend certain of our loans.

If we were to determine that our aircraft, rotatable parts or inventory were impaired, it would have a significant adverse effect on our operating results.

We perform impairment reviews when there are particular risks of impairment or other indicators described in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in order to determine whether we need to reduce the carrying value of our aircraft and related assets with a related charge to our earnings. In addition to the fact that the value of our fleet declines as it ages, the excess capacity that currently exists in the airline industry, airline bankruptcies and other factors beyond our control may further contribute to the decline of the fair market value of our aircraft and related rotatable parts and inventory. If such an impairment does occur, we would be required under U.S. GAAP to write down these assets to their estimated fair market value through a charge to earnings. A significant charge to earnings would adversely affect our financial condition and operating results. In addition, the interest rates on and the availability of certain of our aircraft financing loans are tied to the value of the aircraft securing the loans. If those values were to decrease substantially, our interest rates may rise or the lenders under those loans may cease extending credit to us, either of which could have an adverse impact on our financial condition and results of operations.

We rely on information technology systems, and we may become more dependent on such systems in the future.

We rely upon information technology systems to operate our business and increase our efficiency. We are highly reliant on certain critical systems, such as the Sceptre system for maintenance, the “SHARES” computer reservation and check-in system and our new revenue management system. Other systems are designed to decrease distribution costs through Internet reservations and to maximize cargo distributions. These systems may not deliver their anticipated benefits. Also, in transitioning to new systems we may lose data or experience interruptions in service, which could harm our business.

Our quarterly results can fluctuate substantially, and the trading price of our Class A shares may be affected by such variations.

The airline industry is by nature cyclical and seasonal, and our operating results may vary from quarter to quarter. We tend to experience the highest levels of traffic and revenue in July and August, with a smaller peak in traffic in December and January. In general, demand for air travel is higher in the third and fourth quarters, particularly in international markets, because of the increase in vacation travel during these periods relative to the remainder of the year. We generally experience our lowest levels of passenger traffic in April and May. Given our high proportion of fixed costs, seasonality can affect our profitability from quarter to quarter. Demand for air travel is also affected by factors such as economic conditions, war or the threat of war, fare levels and weather conditions.

Due to the factors described above and others described in this prospectus, quarter-to-quarter comparisons of our operating results may not be good indicators of our future performance. In addition, it is possible that in any quarter our operating results could be below the expectations of investors and any published reports or analyses regarding our company. In that event, the price of our Class A shares could decline, perhaps substantially.

Our reputation and financial results could be harmed in the event of an accident or incident involving our aircraft.

An accident or incident involving one of our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. A short time prior to our acquisition of AeroRepública, one of its aircraft slid off of a runway in an accident without serious injuries to passengers; however, the aircraft was severely damaged and declared a total loss by its insurers. We are required by our creditors and the lessors of our aircraft under our

operating lease agreements to carry liability insurance, but the amount of such liability insurance coverage may not be adequate and we may be forced to bear substantial losses in the event of any future accident. Our insurance premiums may also increase due to an accident or incident affecting one of our aircraft. Substantial claims resulting from an accident in excess of our related insurance coverage or increased premiums would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause the public to perceive us as less safe or reliable than other airlines which could harm our business and results of operations. Our business would also be significantly harmed if the public avoids flying our aircraft due to an adverse perception of the types of aircraft that we operate arising from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft.

Fluctuations in foreign exchange rates could negatively affect our net income.

In 2005, approximately 72% of our expenses and 42% of our revenues were denominated in U.S. dollars. The remainder of our expenses and revenues were denominated in the currencies of the various countries to which we fly, with the largest non-dollar amount denominated in Pesos. As a result of the acquisition of AeroRepública in April 2005, we have an increased exposure to the Colombian Peso. If any of these currencies decline in value against the U.S. dollar, our revenues, expressed in U.S. dollars, and our operating margin would be adversely affected. We may not be able to adjust our fares denominated in other currencies to offset any increases in U.S. dollar-denominated expenses, increases in interest expense or exchange losses on fixed obligations or indebtedness denominated in foreign currency. Copa currently does not hedge the risk of fluctuation in foreign exchange rates, and AeroRepública currently has only limited hedging. We are exposed to exchange rate losses and gains due to the fluctuation in the value of local currencies vis-à-vis the U.S. dollar during the period of time (typically between 1 to 2 weeks) between the time we are paid in local currencies and the time we are able to repatriate the revenues in U.S. dollars.

Our maintenance costs will increase as Copa's fleet ages and as we perform maintenance on AeroRepública's older fleet.

Because the average age of Copa's aircraft was approximately 3.6 years as of May 31, 2006, the fleet requires less maintenance now than it will in the future. We have incurred a low level of maintenance expenses in recent years because most of the parts on Copa's aircraft were still covered under multi-year warranties. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses as our fleet ages and these warranties expire.

AeroRepública's fleet is considerably older than Copa's fleet, having an average age of 20.4 years as of May 31, 2006 (not taking into account our currently retired DC-9 aircraft). The aircraft operated by AeroRepública will likely be less reliable than Copa's newer aircraft and can be expected to require significantly greater expenditures on maintenance which may lead to an overall increase in our consolidated operating expenses.

If we enter into a prolonged dispute with any of our employees, many of whom are represented by unions, or if we are required to increase substantially the salaries or benefits of our employees, it may have an adverse impact on our operations and cash flows.

Approximately 61% of our Copa employees belong to a labor union. There are currently five unions covering our Copa employees based in Panama: the pilots' union; the flight attendants' union; the mechanics' union; the traffic attendants' union; and a generalized union, which represents baggage handlers, aircraft cleaners, counter agents, and other non-executive administrative staff. Copa is scheduled to begin its next negotiations with the pilots' union in mid-2008. Copa entered into new collective bargaining agreements with its general union and its flight attendants' union on October 26, 2005 and April 3, 2006, respectively. After extensive negotiations which did not lead to a mutually satisfactory resolution, Copa and the mechanics' union entered into a government-mandated arbitration, and a collective bargaining agreement was agreed to on March 29, 2006 as a result of such arbitration proceedings. Previously, Copa has not had to resort to arbitration to resolve negotiations with its unions. Collective bargaining agreements in Panama are typically between three and four year terms. We also have union contracts with our Copa employees in Brazil and Mexico. AeroRepública is a party to collective bargaining agreements that cover 95 of AeroRepública's 109 pilots and co-pilots and all of AeroRepública's 176 flight attendants. A strike,

work interruption or stoppage or any prolonged dispute with our employees who are represented by any of these unions could have an adverse impact on our operations. These risks are typically exacerbated during periods of renegotiation with the unions. For example, in 2000 we experienced a brief localized pilots' union work slow-down during contract negotiations that was eventually resolved to our satisfaction. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Employees outside of Panama that are not currently members of unions may also form new unions that may seek further wage increases or benefits.

Our business is labor intensive. We expect salaries, wages and benefits to increase on a gross basis, and these costs could increase as a percentage of our overall costs. If we are unable to hire, train and retain qualified pilots and other employees at a reasonable cost, our business could be harmed and we may be unable to complete our expansion plans.

Our investment in AeroRepública may not generate the benefits we sought when we purchased the company.

In the second quarter of 2005, we purchased AeroRepública, a Colombian airline currently providing point-to-point service among 12 cities in Colombia and to Panama City. AeroRepública's results of operations are highly sensitive to competitive conditions in the Colombian domestic air travel market. AeroRepública's rapid growth in recent years came during a period in which the domestic market leader, Aerovías del Continente Americano S.A. (Avianca), experienced severe financial difficulties that resulted in its bankruptcy and the exit from the market of several other competitors. Avianca has emerged from bankruptcy with new management and an improved financial condition. It is therefore likely that AeroRepública will face stronger competition in the future than it has in recent years, and its prior results may not be indicative of its future performance.

AeroRepública's results of operations are significantly less profitable than those of Copa. During the first three months of 2006, AeroRepública had a net loss of approximately \$746,000 and may have continuing net losses in future fiscal periods. We may not be able to achieve the cost savings and other improvements we seek at AeroRepública, and our failure to do so would harm our consolidated operating margins and results of operations. Our investment in AeroRepública is subject to many risks and uncertainties that will ultimately determine whether the acquisition will increase or reduce our overall profitability. See "Business—AeroRepública."

The integration of AeroRepública into our business may require a significant amount of our management's time and distract our management from our core operations.

Although we believe that our acquisition of AeroRepública represents an attractive opportunity, substantial resources are needed to implement our plan to improve its profitability. Implementation of our plan is subject to many uncertainties and may eventually require us to dedicate a potentially significant portion of our limited management resources to this effort. Inconsistencies in standards, internal controls, procedures, policies, business cultures and compensation structures between Copa and AeroRepública, and the need to implement, coordinate and harmonize various business-specific operating procedures and systems, as well as the financial, accounting, information and other systems of Copa and AeroRepública, may result in substantial costs and may divert a substantial amount of our management's resources from our core international operations. Diversion of Copa's resources could materially and negatively affect our financial condition and results of operations.

Our revenues depend on our relationship with travel agents and tour operators.

In 2005, approximately 58% of our revenues were derived from tickets sold by travel agents or tour operators. We cannot assure you that we will be able to maintain favorable relationships with these ticket sellers. Our revenues could be adversely impacted if travel agents or tour operators elect to favor other airlines or to disfavor us. Our relationship with travel agents and tour operators may be affected by:

- the size of commissions offered by other airlines;
- changes in our arrangements with other distributors of airline tickets; and
- the introduction and growth of new methods of selling tickets.

We rely on third parties to provide our customers and us with facilities and services that are integral to our business.

We have entered into agreements with third-party contractors to provide certain facilities and services required for our operations, such as heavy aircraft and engine maintenance; call center services; and catering, ground handling, cargo and baggage handling, or “below the wing” aircraft services. For example, at airports other than Tocumen International Airport, all of the “below the wing” aircraft services for Copa flights are performed by contractors. AeroRepública contracts ground handling equipment in eleven of the thirteen cities it serves and has contracted labor for “below the wing” tasks in eleven of the thirteen cities. Overhaul maintenance and “C-checks” for Copa are handled by contractors in the United States and Costa Rica, and some line maintenance for Copa is handled at certain airports by contract workers rather than our employees. Substantially all of our agreements with third-party contractors are subject to termination on short notice. The loss or expiration of these agreements or our inability to renew these agreements or to negotiate new agreements with other providers at comparable rates could harm our business and results of operations. Further, our reliance on third parties to provide essential services on our behalf gives us less control over the costs, efficiency, timeliness and quality of those services. A contractor’s negligence could compromise our aircraft or endanger passengers and crew. This could also have a material adverse effect on our business. We expect to be dependent on such agreements for the foreseeable future and if we enter any new market, we will need to have similar agreements in place.

We depend on a limited number of suppliers for our aircraft and engines.

One of the elements of our business strategy is to save costs by operating a simplified aircraft fleet. Copa currently operates the Boeing 737-700/800 Next Generation aircraft powered by CFM 56-7B engines from CFM International and the Embraer 190, powered by General Electric CF 34-10 engines. AeroRepública has firm commitments to accept delivery of five Embraer 190 aircraft with options to purchase an additional 20 Embraer 190 aircraft. We currently intend to continue to rely exclusively on these aircraft for the foreseeable future. If any of Boeing, Embraer, CFM International or GE Engines were unable to perform their contractual obligations, or if we are unable to acquire or lease new aircraft or engines from aircraft or engine manufacturers or lessors on acceptable terms, we would have to find another supplier for a similar type of aircraft or engine.

If we have to lease or purchase aircraft from another supplier, we could lose the benefits we derive from our current fleet composition. We cannot assure you that any replacement aircraft would have the same operating advantages as the Boeing 737-700/800 Next Generation or Embraer 190 aircraft that would be replaced or that Copa could lease or purchase engines that would be as reliable and efficient as the CFM 56-7B and GE CF34-10. We may also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities. Our operations could also be harmed by the failure or inability of Boeing, Embraer, CFM International or GE Engines to provide sufficient parts or related support services on a timely basis.

Our business would be significantly harmed if a design defect or mechanical problem with any of the types of aircraft that we operate were discovered that would ground any of our aircraft while the defect or problem was corrected, assuming it could be corrected at all. The use of our aircraft could be suspended or restricted by regulatory authorities in the event of any actual or perceived mechanical or design problems. Our business would also be significantly harmed if the public began to avoid flying with us due to an adverse perception of the types of aircraft that we operate stemming from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft. Carriers that operate a more diversified fleet are better positioned than we are to manage such events.

We are dependent on key personnel.

Our success depends to a significant extent upon the efforts and abilities of our senior management team and key financial, commercial, operating and maintenance personnel. In particular, we depend on the services of our senior management team, including Pedro Heilbron, our Chief Executive Officer, Victor Vial, our Chief Financial Officer, Lawrence Ganse, our Chief Operating Officer, Jorge Isaac García, our Vice-President, Commercial, and Daniel Gunn, our Vice-President, Planning. We have no employment agreements or non-competition agreements in place with members of our senior management team other than Mr. Heilbron, our Chief Executive Officer.

Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect upon our business, operating results and financial condition.

Risks Relating to the Airline Industry

The airline industry is highly competitive.

We face intense competition throughout our route network. Overall airline industry profit margins are low and industry earnings are volatile. Airlines compete in the areas of pricing, scheduling (frequency and flight times), on-time performance, frequent flyer programs and other services. We compete with a number of other airlines that currently serve the routes on which we operate, including Grupo TACA, American Airlines Inc. and Avianca. Some of our competitors, such as American Airlines, have larger customer bases and greater brand recognition in the markets we serve outside Panama, and some of our competitors have significantly greater financial and marketing resources than we have. Airlines based in other countries may also receive subsidies, tax incentives or other state aid from their respective governments, which are not provided by the Panamanian government. The commencement of, or increase in, service on the routes we serve by existing or new carriers could negatively impact our operating results. Likewise, competitors' service on routes that we are targeting for expansion may make those expansion plans less attractive.

We must constantly react to changes in prices and services offered by our competitors to remain competitive. The airline industry is highly susceptible to price discounting, particularly because airlines incur very low marginal costs for providing service to passengers occupying otherwise unsold seats. Carriers use discount fares to stimulate traffic during periods of lower demand to generate cash flow and to increase market share. Any lower fares offered by one airline are often matched by competing airlines, which often results in lower industry yields with little or no increase in traffic levels. Price competition among airlines in the future could lead to lower fares or passenger traffic on some or all of our routes, which could negatively impact our profitability. Grupo TACA lowered many of its fares over a year ago in an effort to generate higher demand, and we were forced to respond by adjusting our fares to remain competitive on the affected routes. We cannot assure you that Grupo TACA or any of our other competitors will not undercut our fares in the future or increase capacity on routes in an effort to increase their respective market shares as they have done in the past. Although we intend to compete vigorously and to assert our rights against any predatory conduct, such activity by other airlines could reduce the level of fares or passenger traffic on our routes to the point where profitable levels of operations could not be maintained. Due to our smaller size and financial resources compared to several of our competitors, we may be less able to withstand aggressive marketing tactics or fare wars engaged in by our competitors should such events occur.

We may face increasing competition from low-cost carriers offering discounted fares.

Traditional hub-and-spoke carriers in the United States and Europe have in recent years faced substantial and increasing competitive pressure from low-cost carriers offering discounted fares. The low-cost carriers' operations are typically characterized by point-to-point route networks focusing on the highest demand city pairs, high aircraft utilization, single class service and fewer in-flight amenities. As evidenced by the operations of Gol Intelligent Airlines Inc., or Gol, in Brazil and several new low-cost carriers planning to start service in Mexico, among others, the low-cost carrier business model appears to be gaining acceptance in the Latin American aviation industry. As a result, we may face new and substantial competition from low-cost carriers in the future which could result in significant and lasting downward pressure on the fares we charge for flights on our routes.

Significant changes or extended periods of high fuel costs or fuel supply disruptions could materially affect our operating results.

Fuel costs constitute a significant portion of our total operating expenses, representing approximately 17.1% of our operating expenses in 2003, 19.7% in 2004, 29.9% in 2005 and 31.4% in the three months ended March 31, 2006. Our fuel prices increased very significantly in 2005 and are likely to increase further, perhaps significantly. As a result, substantial increases in fuel costs may materially and adversely affect our operating results. Jet fuel costs have been subject to wide fluctuations as a result of increases in demand, sudden disruptions in and other concerns

about global supply, as well as market speculation. Both the cost and availability of fuel are subject to many economic, political, weather, environmental and other factors and events occurring throughout the world that we can neither control nor accurately predict, including international political and economic circumstances such as the political instability in major oil-exporting countries in Latin America, Africa and Asia. Although we have entered into hedging agreements for a portion of Copa's fuel needs through the first five months of 2007 to hedge against fuel price volatility, these agreements provide only limited protection against future increases in the price of fuel, and we may discontinue such agreements in the future. Our current or future arrangements will not be adequate to protect us from further increases in the price of fuel, and fuel prices are likely to increase above their current levels and may do so in the near future. Indeed, numerous market experts and analysts have predicted that fuel prices can be expected to increase further, perhaps significantly, from their already high levels. If a future fuel supply shortage were to arise as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or OPEC, a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, a further delay in the restart of the Gulf Coast refineries as a result of weather disruptions, the continued unrest in Iraq, other conflicts in the Middle East or otherwise, higher fuel prices or further reductions of scheduled airline services could result. Significant increases in fuel costs would materially and negatively affect our operating results. We cannot assure you that we would be able to offset any increases in the price of fuel by increasing our fares.

Because the airline industry is characterized by high fixed costs and relatively elastic revenues, airlines cannot quickly reduce their costs to respond to shortfalls in expected revenue.

The airline industry is characterized by low gross profit margins, high fixed costs and revenues that generally exhibit substantially greater elasticity than costs. The operating costs of each flight do not vary significantly with the number of passengers flown and, therefore, a relatively small change in the number of passengers, fare pricing or traffic mix could have a significant effect on operating and financial results. These fixed costs cannot be adjusted quickly to respond to changes in revenues and a shortfall from expected revenue levels could have a material adverse effect on our net income.

Airline bankruptcies could adversely affect the industry.

Since September 11, 2001 several air carriers have sought to reorganize under Chapter 11 of the United States Bankruptcy Code, including some of our competitors such as Avianca and Delta. Successful completion of such reorganizations could present us with competitors with significantly lower operating costs derived from labor, supply and financing contracts renegotiated under the protection of the Bankruptcy Code. For example, Avianca emerged from bankruptcy with a significantly improved financial condition. In addition, air carriers involved in reorganizations have historically undertaken substantial fare discounting in order to maintain cash flows and to enhance continued customer loyalty. Such fare discounting could further lower yields for all carriers, including us. Further, the market value of aircraft would likely be negatively impacted if a number of air carriers seek to reduce capacity by eliminating aircraft from their fleets.

The 2001 terrorist attacks on the United States have adversely affected, and any additional terrorist attacks or hostilities would further adversely affect, the airline industry by decreasing demand and increasing costs.

The terrorist attacks in the United States on September 11, 2001 had a severe adverse impact on the airline industry. Airline traffic in the United States fell dramatically after the attacks and decreased less severely throughout Latin America. Our revenues depend on the number of passengers traveling on our flights. Therefore, any future terrorist attacks or threat of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations or otherwise and any related economic impact could result in decreased passenger traffic and materially and negatively affect our business, financial condition and results of operations.

The airline industry experienced increased costs following the 2001 terrorist attacks. Airlines have been required to adopt additional security measures and may be required to comply with more rigorous security guidelines in the future. Premiums for insurance against aircraft damage and liability to third parties increased substantially, and insurers could reduce their coverage or increase their premiums even further in the event of additional terrorist attacks, hijackings, airline crashes or other events adversely affecting the airline industry abroad.

or in Latin America. In the future, certain aviation insurance could become unaffordable, unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lessors or applicable government regulations. While governments in other countries have agreed to indemnify airlines for liabilities that they might incur from terrorist attacks or provide low-cost insurance for terrorism risks, the Panamanian government has not indicated an intention to provide similar benefits to us. Increases in the cost of insurance may result in both higher airline ticket prices and a decreased demand for air travel generally, which could materially and negatively affect our business, financial condition and results of operations.

The negative impact on the airline industry of the current global state of affairs, including the aftermath of the Iraq war and the threat of another outbreak of a communicable disease, may continue or possibly worsen.

The combination of continued instability in the aftermath of the Iraq war and the public's concerns about the possibility of an outbreak of a disease that can be spread by fellow commercial air passengers (such as avian flu or Severe Acute Respiratory Syndrome) has continued to have a negative impact on the public's willingness to travel by air. It is impossible to determine if and when such adverse effects will abate and whether they will further decrease demand for air travel, which could materially and negatively affect our business, financial condition and results of operations.

Risks Relating to Panama and our Region

Our performance is heavily dependent on economic conditions in the countries in which we do business.

Passenger demand is heavily cyclical and highly dependent on global and local economic growth, economic expectations and foreign exchange rate variations. In the past, we have been negatively impacted by poor economic performance in certain emerging market countries in which we operate. Any of the following developments in the countries in which we operate could adversely affect our business, financial condition and results of operations:

- changes in economic or other governmental policies;
- changes in regulatory, legal or administrative practices; or
- other political or economic developments over which we have no control.

Additionally, a significant portion of our revenues is derived from discretionary and leisure travel which are especially sensitive to economic downturns. A worsening of economic conditions could result in a reduction in passenger traffic, and leisure travel in particular, which in turn would materially and negatively affect our financial condition and results of operations. Any perceived weakening of economic conditions in this region could likewise negatively affect our ability to obtain financing to meet our future capital needs in international capital markets.

We are highly dependent on conditions in Panama.

A substantial portion of our assets are located in the Republic of Panama, a significant proportion of our customers are Panamanian, and substantially all of Copa's flights operate through our hub at Tocumen International Airport. As a result, we depend on economic and political conditions prevailing from time to time in Panama. Panama's economic conditions in turn highly depend on the continued profitability and economic impact of the Panama Canal. Control of the Panama Canal and many other assets were transferred from the United States to Panama in 1999 after nearly a century of U.S. control. Although the Panamanian government is democratically elected and the Panamanian political climate is currently stable, we cannot assure you that current conditions will continue. If the Panamanian economy experiences a recession or a reduction in its economic growth rate, or if Panama experiences significant political disruptions, our business, financial condition and results of operations could be materially and negatively affected.

We have paid low taxes in the past, and any increase in the taxes we or our shareholders pay in Panama or the other countries where we do business would adversely affect the value of our Class A shares.

We cannot assure you that we will not be subject to additional taxes in the future or that current taxes will not be increased. Our provision for income taxes was \$3.6 million, \$5.7 million and \$9.6 million in the years ended

December 31, 2003, 2004 and 2005, which represented an effective income tax rate of 7.0%, 7.7% and 10.4% for the respective periods. We are subject to local tax regulations in each of the jurisdictions where we operate, the great majority of which are related to the taxation of income. In six of the countries to which we fly, we do not pay any income taxes, because we do not generate income under the laws of those countries either because they do not have income tax or because of treaties or other arrangements those countries have with Panama. In the remaining countries, we pay income tax at a rate ranging from 25% to 35% of income. Different countries calculate income in different ways, but they are typically derived from sales in the applicable country multiplied by our net margin or by a presumed net margin set by the relevant tax legislation. The determination of our taxable income in several countries is based on a combination of revenues sourced to each particular country and the allocation of expenses of our operations to that particular country. The methodology for multinational transportation company sourcing of revenue and expense is not always specifically prescribed in the relevant tax regulations, and therefore is subject to interpretation by both us and the respective taxing authorities. Additionally, in some countries, the applicability of certain regulations governing non-income taxes and the determination of our filing status are also subject to interpretation. We cannot estimate the amount, if any, of potential tax liabilities that might result if the allocations, interpretations and filing positions used by us in our tax returns were challenged by the taxing authorities of one or more countries. The low rate at which we pay income tax has been critical to our profitability in recent years and if it were to increase, our financial performance and results of operations would be materially and adversely affected.

In the past, our expenses attributable to operations in Panama have consistently exceeded our revenues attributable to operations in Panama. As a result, we have typically experienced losses for Panamanian income tax purposes and were not subject to any income tax obligations. Beginning in 2004, we adopted an alternate method of calculating income tax in Panama. Under this alternative method, allocation of revenues for operations in Panama is based on a general territorial principle, not specifically defined in the tax regulations. If the Panamanian tax authorities do not agree with our methods of allocating revenues, we may be subject to additional tax liability. Airlines in Panama are currently not subject to any taxes relating specifically to the airline industry other than the 4% tax collected from passengers on tickets sold in Panama for the benefit of the Panamanian Tourism Bureau.

Panama has historically afforded favorable tax treatment to investors in publicly held companies and has exempted capital gains on the sale of shares registered with the National Securities Commission, or NSC, and sold in an exchange or other organized market. From time to time, however, the Panamanian legislature considers amendments to Panama's favorable tax regime. For example, a proposed law was recently presented to the Legislative Assembly that would have imposed a tax on the sales of shares on exchanges outside of Panama, including the NYSE. Although this proposal was revised within a week of its initial presentation so as not to apply to the sale of shares registered with the NSC, which includes our shares, we cannot assure you that changes to Panama's current tax regime will not be implemented in the future. Any future change in the Panamanian tax law increasing the taxes payable by us or by investors in our shares could have a material adverse effect on the demand for, and the market value of, our Class A shares.

Political unrest and instability in Colombia may adversely affect our business and the market price of our Class A shares.

We completed our acquisition of AeroRepública in the second quarter of 2005. Almost all of AeroRepública's scheduled operations are conducted within Colombia. As a result, AeroRepública's results of operations are highly sensitive to macroeconomic and political conditions prevailing in Colombia, which have been highly volatile and unstable and may continue to be so for the foreseeable future. In addition, terrorism and violence have plagued Colombia in the past. Continuing guerrilla activity could cause political unrest and instability in Colombia, which could adversely affect AeroRepública's financial condition and results of operations. The threat of terrorist attacks could impose additional costs on us, including enhanced security to protect our aircraft, facilities and personnel against possible attacks as well as increased insurance premiums. As a result, we may encounter significant unanticipated problems at AeroRepública which could have a material adverse effect on our consolidated financial condition and results of operations.

Risks Relating to Our Class A Shares

The value of our Class A shares may be adversely affected by ownership restrictions on our capital stock and the power of our board of directors to take remedial actions to preserve our operating license and international route rights by requiring sales of certain outstanding shares or issuing new stock.

Pursuant to the Panamanian Aviation Act, as amended and interpreted to date, and certain of the bilateral treaties affording us the right to fly to other countries, we are required to be “substantially owned” and “effectively controlled” by Panamanian nationals. Our failure to comply with such requirements could result in the loss of our Panamanian operating license and/or our right to fly to certain important countries. Our Articles of Incorporation (*Pacto Social*) give special powers to our independent directors to take certain significant actions to attempt to ensure that the amount of shares held in us by non-Panamanian nationals does not reach a level which could jeopardize our compliance with Panamanian and bilateral ownership and control requirements. If our independent directors determine it is reasonably likely that we will be in violation of these ownership and control requirements and our Class B shares represent less than 10% of our total outstanding capital stock (excluding newly issued shares sold with the approval of our independent directors committee), our independent directors will have the power to issue additional Class B shares or Class C shares with special voting rights solely to Panamanian nationals. See “Description of Capital Stock.”

If any of these remedial actions are taken, the trading price of the Class A shares may be materially and adversely affected. An issuance of Class C shares could have the effect of discouraging certain changes of control of Copa Holdings or may reduce any voting power that the Class A shares enjoy prior to the Class C share issuance. There can be no assurance that we would be able to complete an issuance of Class B shares to Panamanian nationals. We cannot assure you that restrictions on ownership by non-Panamanian nationals will not impede the development of an active public trading market for the Class A shares, adversely affect the market price of the Class A shares or materially limit our ability to raise capital in markets outside of Panama in the future.

Our controlling shareholder has the ability to direct our business and affairs, and its interests could conflict with yours.

All of our Class B shares, representing approximately 29.2% of the economic interest in Copa Holdings and all of the voting power of our capital stock, are owned by CIASA. CIASA is in turn controlled by a group of Panamanian investors. In order to comply with the Panamanian Aviation Act, as amended and interpreted to date, we have amended our organizational documents to modify our share capital so that CIASA will continue to exercise voting control of Copa Holdings. CIASA will not be able to transfer its voting control unless control of our company will remain with Panamanian nationals. CIASA will maintain voting control of the company so long as CIASA continues to own a majority of our Class B shares and the Class B shares continue to represent more than 10% of our total share capital (excluding newly issued shares sold with the approval of our independent directors committee). Even after CIASA ceases to own the majority of the voting power of our capital stock, CIASA may continue to control our board of directors indirectly through its control of our Nominating and Corporate Governance Committee. As the controlling shareholder, CIASA may direct us to take actions that could be contrary to your interests and under certain circumstances CIASA will be able to prevent other shareholders, including you, from blocking these actions. Also, CIASA may prevent change of control transactions that might otherwise provide you with an opportunity to dispose of or realize a premium on your investment in our Class A shares.

The Class A shares will only be permitted to vote in very limited circumstances and may never have full voting rights.

The holders of Class A shares have no right to vote at our shareholders’ meetings except with respect to corporate transformations of Copa Holdings, mergers, consolidations or spin-offs of Copa Holdings, changes of corporate purpose, voluntary delistings of the Class A shares from the NYSE, the approval of nominations of our independent directors and amendments to the foregoing provisions that adversely affect the rights and privileges of any Class A shares. The holders of Class B shares have the power, subject to our shareholders’ agreement with Continental, to elect the board of directors and to determine the outcome of all other matters to be decided by a vote of shareholders. Class A shares will not have full voting rights unless the Class B shares represent less than 10% of

our total capital stock (excluding newly issued shares sold with the approval of our independent directors committee). See “Description of Capital Stock.” We cannot assure you that the Class A shares will ever carry full voting rights.

Substantial future sales of our Class A shares by Continental or CIASA after this offering could cause the price of the Class A shares to decrease.

CIASA owns all of our Class B shares, and those Class B shares will be converted into Class A shares if they are sold to non-Panamanian investors. In connection with our initial public offering in December 2005, Continental and CIASA reduced their ownership of our total capital stock from 49% to approximately 27.3% and from 51% to approximately 29.2%, respectively. CIASA holds registration rights with respect to a significant portion of its shares pursuant to a registration rights agreement entered into in connection with our initial public offering. The market price of our Class A shares could drop significantly if Continental or CIASA further reduces its investment in us, other significant holders of our shares sell a significant number of shares or if the market perceives that Continental, CIASA or other significant holders intend to sell them. In connection with this offering, Continental has agreed, subject to certain exceptions, not to issue or transfer without the consent of the underwriters, until the first anniversary of the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock, or any securities convertible into, or exchangeable for, shares of our capital stock. Continental has also agreed not to make any demand for, or exercise any right with respect to, the registration of any Class A shares or any security convertible into or exercisable or exchangeable for Class A shares until one year after the date of this prospectus. In addition, Continental has agreed, subject to the same exceptions, not to issue or transfer without the consent of CIASA, until the second anniversary of the date of this prospectus, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock. Nevertheless, these lock-up agreements can be waived at any time and, in any event, after these lock-up agreements expire, Continental will not be restricted from selling its shares in the public market.

Holders of our common stock are not entitled to preemptive rights, and as a result you may experience substantial dilution upon future issuances of stock by us.

Under Panamanian law and our organizational documents, holders of our Class A shares are not entitled to any preemptive rights with respect to future issuances of capital stock by us. Therefore, unlike companies organized under the laws of many other Latin American jurisdictions, we will be free to issue new shares of stock to other parties without first offering them to our existing shareholders. In the future we may sell Class A or other shares to persons other than our existing shareholders at a lower price than the shares being sold in this offering, and as a result you may experience substantial dilution of your interest in us.

You may not be able to sell our Class A shares at the price or at the time you desire because an active or liquid market for the Class A shares may not develop.

Our Class A shares are listed on the NYSE. During the three months ended March 31, 2006, the average daily trading volume for our Class A shares as reported by the NYSE was approximately 212,477 shares. We cannot predict whether an active liquid public trading market for our Class A shares will be sustained. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for our investors. The liquidity of a securities market is often affected by the volume of shares publicly held by unrelated parties.

Our board of directors may, in its discretion, amend or repeal our dividend policy. You may not receive the level of dividends provided for in the dividend policy or any dividends at all.

Our board of directors has adopted a dividend policy that provides for the payment of dividends to shareholders equal to approximately 10% of our annual consolidated net income. Our board of directors may, in its sole discretion and for any reason, amend or repeal this dividend policy. Our board of directors may decrease the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our common stock, if any, will depend on, among other things, our results of operations, cash

requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our board of directors may deem relevant. See “Dividend Policy.”

To the extent we pay dividends to our shareholders, we will have less capital available to meet our future liquidity needs.

Our board of directors has adopted a dividend policy that provides for the payment of dividends to shareholders equal to approximately 10% of our annual consolidated net income. The aviation industry has cyclical characteristics, and many international airlines are currently experiencing difficulties meeting their liquidity needs. Also, our business strategy contemplates substantial growth over the next several years, and we expect such growth will require a great deal of liquidity. To the extent that we pay dividends in accordance with our dividend policy, the money that we distribute to shareholders will not be available to us to fund future growth and meet our other liquidity needs.

Our Articles of Incorporation impose ownership and control restrictions on our company which ensure that Panamanian nationals will continue to control us and that these restrictions operate to prevent any change of control or some transfers of ownership in order to comply with the Aviation Act and other bilateral restrictions.

Under the Panamanian Aviation Act, as amended and interpreted to date, Panamanian nationals must exercise “effective control” over the operations of the airline and must maintain “substantial ownership.” These phrases are not defined in the Aviation Act itself and it is unclear how a Panamanian court would interpret them. The share ownership requirements and transfer restrictions contained in our Articles of Incorporation, as well as the dual-class structure of our voting capital stock are designed to ensure compliance with these ownership and control restrictions. See “Description of Capital Stock.” These provisions of our Articles of Incorporation may prevent change of control transactions that might otherwise provide you with an opportunity to realize a premium on your investment in our Class A shares. They also ensure that Panamanians will continue to control all the decisions of our company for the foreseeable future.

The protections afforded to minority shareholders in Panama are different from and more limited than those in the United States and may be more difficult to enforce.

Under Panamanian law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes is less developed under Panamanian law than under U.S. law and there are different procedural requirements for bringing shareholder lawsuits, including shareholder derivative suits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company. In addition, Panamanian law does not afford minority shareholders as many protections for investors through corporate governance mechanisms as in the United States and provides no mandatory tender offer or similar protective mechanisms for minority shareholders in the event of a change in control. While our Articles of Incorporation provide limited rights to holders of our Class A shares to sell their shares at the same price as CIASA in the event that a sale of Class B shares by CIASA results in the purchaser having the right to elect a majority of our board, there are other change of control transactions in which holders of our Class A shares would not have the right to participate, including the sale of interests by a party that had previously acquired Class B shares from CIASA, the sale of interests by another party in conjunction with a sale by CIASA, the sale by CIASA of control to more than one party, or the sale of controlling interests in CIASA itself.

Developments in Latin American countries and other emerging market countries may cause the market price of our Class A shares to decrease.

The market value of securities issued by Panamanian companies may be affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in emerging market countries outside Latin America may differ significantly from economic conditions in Panama and Colombia or elsewhere in Latin America, investors’ reactions to developments

in these other countries may have an adverse effect on the market value of securities of Panamanian issuers or issuers with significant operations in Latin America. As a result of economic problems in various emerging market countries in recent years (such as the Asian financial crisis of 1997, the Russian financial crisis of 1998 and the Argentine financial crisis in 2001), investors have viewed investments in emerging markets with heightened caution. Crises in other emerging market countries may hamper investor enthusiasm for securities of Panamanian issuers, including our shares, which could adversely affect the market price of our Class A shares.

USE OF PROCEEDS

We will not receive any proceeds from the sale of our Class A shares by the selling shareholder.

DIVIDENDS AND DIVIDEND POLICY

The payment of dividends on our shares is subject to the discretion of our board of directors. Under Panamanian law, we may pay dividends only out of retained earnings and capital surplus. So long as we do not default in our payments under our loan agreements, there are no covenants or other restrictions on our ability to declare and pay dividends. Our Articles of Incorporation provide that all dividends declared by our board of directors will be paid equally with respect to all of the Class A and Class B shares. See “Description of Capital Stock—Dividends.”

Our board of directors has adopted a dividend policy that provides for the payment of approximately 10% of our annual consolidated net income to shareholders as a dividend to be declared at our annual shareholders’ meeting and paid shortly thereafter. Our board of directors may, in its sole discretion and for any reason, amend or discontinue the dividend policy. Our board of directors may change the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our common stock, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our board of directors may deem relevant.

On May 11, 2006, our board of directors declared an annual dividend of \$0.19 per share payable June 15, 2006 to shareholders of record as of May 31, 2006 which will represent in an aggregate dividend payment of \$8.3 million. In addition, we paid an extraordinary dividend of \$10 million to our shareholders in December 2004 and another extraordinary dividend of \$10 million in June 2005. Prior to the December 2004 dividend payment, we had not paid a dividend since the formation of Copa Holdings in 1998.

MARKET INFORMATION

Our Class A shares have been listed on the New York Stock Exchange, or NYSE, under the symbol “CPA” since December 14, 2005. The following table sets forth, for the periods indicated, the high and low closing sale prices for the Class A shares on the NYSE for the periods indicated.

	<u>Low</u>	<u>High</u>
2005		
Fourth quarter ⁽¹⁾	\$ 20.00	\$ 27.30
Last Six Months		
January 2006	\$ 22.20	\$ 27.10
February 2006	\$ 20.90	\$ 23.75
March 2006	\$ 21.10	\$ 23.20
April 2006	\$ 21.20	\$ 23.13
May 2006	\$ 21.15	\$ 23.80
June 2006 ⁽²⁾	\$ 22.83	\$ 24.25

Source: FactSet Research Systems

(1) Period beginning December 14, 2005 through December 31, 2005.

(2) Period through June 13, 2006.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, short-term debt, long-term debt and total capitalization at April 30, 2006 on an actual basis. As we will receive no proceeds from the sale of the Class A shares by the selling shareholder, there will be no change in our overall capitalization as a result of this offering. You should read this table in conjunction with “Selected Financial and Operating Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the related notes included elsewhere in this prospectus. None of our indebtedness is guaranteed by a third party.

	<u>At April 30, 2006</u>
	<u>Actual</u>
	<u>(in thousands)</u>
Cash and cash equivalents	\$ 102,514
Indebtedness:	
<i>Copa</i>	
Secured indebtedness due through 2017	413,387
Unsecured indebtedness due through 2006	27,503
<i>AeroRepública</i>	
Secured indebtedness due through 2012	14,635
Unsecured indebtedness due through 2010	4,792
Shareholders’ equity:	
Class A shares (without par value)	19,813
Class B shares (without par value)	9,410
Additional paid in capital	303
Retained earnings	261,487
Accumulated other comprehensive loss	(2,527)
Total shareholders’ equity	<u>288,486</u>
Total capitalization	<u>748,802</u>

SELECTED FINANCIAL AND OPERATING DATA

The following table presents summary consolidated financial and operating data as of the dates and for the periods indicated. Our consolidated financial statements are prepared in accordance with U.S. GAAP and are stated in U.S. dollars. You should read this information in conjunction with our consolidated financial statements included in this prospectus and “Management’s Discussion and Analysis of Results of Operations and Financial Condition” appearing elsewhere in this prospectus.

The summary consolidated financial information as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated financial information as of December 31, 2003 and for the year ended December 31, 2002 has been derived from our audited consolidated financial statements that were prepared under U.S. GAAP and which have not been included in this prospectus. The consolidated financial information as of December 31, 2001 and 2002 and for the year ended December 31, 2001 has been derived from our audited consolidated financial statements that were prepared under International Accounting Standards and adjusted to be presented on a basis consistent with U.S. GAAP and which have not been included in this prospectus.

The summary consolidated financial data as of and for the three months ended March 31, 2005 and 2006 has been derived from our unaudited interim consolidated financial statements for these periods appearing elsewhere in this prospectus. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the operating results to be expected for the entire year ending December 31, 2006 or for any other period.

We acquired 99.8% of the stock of AeroRepública, a Colombian air carrier, and began consolidating its results on April 22, 2005. As a result of this acquisition, our financial information at and for the year ended December 31, 2005 and for the three months ended March 31, 2006 is not comparable to the information at and for the year ended December 31, 2004 and for the three months ended March 31, 2005, respectively.

	Year Ended December 31,					Three Months Ended March 31,	
	2001	2002	2003	2004	2005(20)	2005	2006
	(in thousands of dollars, except share and per share data and operating data)						
INCOME STATEMENT DATA							
Operating revenue:							
Passenger revenue	\$ 257,918	\$ 269,629	\$ 311,683	\$ 364,611	\$ 565,131	\$ 105,141	\$ 180,358
Cargo, mail and other	32,454	31,008	30,106	35,226	43,443	8,467	11,368
Total operating revenues	290,372	300,637	341,789	399,837	608,574	113,608	191,726
Operating expenses:							
Aircraft fuel	46,514	40,024	48,512	62,549	149,303	21,336	47,110
Salaries and benefits	38,709	39,264	45,254	51,701	69,730	13,385	19,446
Passenger servicing	32,834	33,892	36,879	39,222	50,622	10,431	14,634
Commissions	31,652	28,720	27,681	29,073	45,087	7,481	13,101
Reservations and sales	18,629	16,707	18,011	22,118	29,213	5,725	8,265
Maintenance, materials and repairs	25,369	20,733	20,354	19,742	32,505	4,714	10,287
Depreciation	13,325	13,377	14,040	19,279	19,857	4,739	5,417
Flight operations	13,887	14,567	15,976	17,904	24,943	4,972	7,713
Aircraft rentals	20,106	21,182	16,686	14,445	27,631	4,678	8,861
Landing fees and other rentals	8,451	8,495	10,551	12,155	17,909	3,343	5,555
Other	15,892	19,166	25,977	29,306	32,622	6,827	9,574

	Year Ended December 31,					Three Months Ended	
	2001	2002	2003	2004	2005(20)	March 31,	
	2005	2006					
	(in thousands of dollars, except share and per share data and operating data)						
Fleet impairment charge(1)	—	13,669	3,572	—	—	—	—
Total operating expenses	265,368	269,796	283,493	317,494	499,422	87,631	149,963
Operating income	25,004	30,841	58,296	82,343	109,152	25,977	41,763
Non-operating income (expense):							
Interest expense	(10,988)	(7,629)	(11,613)	(16,488)	(21,629)	(4,557)	(6,278)
Interest capitalized	1,592	1,114	2,009	963	1,089	143	508
Interest income	701	831	887	1,423	3,584	687	1,262
Other, net(2)	331	(1,490)	2,554	6,063	395	2,196	(909)
Total non-operating expenses, net	(8,364)	(7,174)	(6,163)	(8,039)	(16,561)	(1,531)	(5,417)
Income (loss) before income taxes	16,640	23,667	52,133	74,304	92,591	24,446	36,346
Provision for income taxes	(1,822)	(2,999)	(3,644)	(5,732)	(9,592)	(1,886)	(4,066)
Net income (loss)	14,818	20,668	48,489	68,572	82,999	22,560	32,280
BALANCE SHEET DATA							
Total cash, cash equivalents and short-term investments	\$ 28,385	\$ 34,476	\$ 61,432	\$ 110,943	\$ 114,490	\$ 111,143	\$ 114,819
Accounts receivable, net	30,210	24,006	31,019	27,706	49,492	32,372	58,096
Total current assets	69,040	68,940	103,523	152,087	184,793	158,876	198,919
Purchase deposits for flight equipment	46,540	55,867	45,869	7,190	52,753	23,163	59,673
Total property and equipment	227,717	345,411	480,488	541,211	637,543	553,117	643,308
Total assets	300,121	421,935	591,915	702,050	916,912	721,862	936,429
Long-term debt	111,125	211,698	311,991	380,827	402,954	384,236	393,541
Total shareholders' equity	46,426	67,094	115,583	174,155	245,867	196,715	278,090
CASH FLOW DATA							
Net cash provided by operating activities	\$ 32,997	\$ 55,543	\$ 73,479	\$ 98,051	\$ 119,089	\$ 13,635	\$ 21,100
Net cash used in investing activities	(39,473)	(150,203)	(151,802)	(85,738)	(163,570)	(10,345)	(10,368)
Net cash provided by financing activities	14,466	100,400	105,298	29,755	38,921	2,687	(6,640)
OTHER FINANCIAL DATA							
EBITDA(3)	38,660	42,728	74,890	107,685	129,404	32,912	46,271
Aircraft rentals	20,106	21,182	16,686	14,445	27,631	4,678	8,861
Operating margin(4)	8.6%	10.3%	17.1%	20.6%	17.9%	22.9%	21.8%
Weighted average shares used in computing net income per share(5)	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500
Net income (loss) per share(5)	\$ 0.35	\$ 0.48	\$ 1.13	\$ 1.60	\$ 1.94	\$ 0.53	\$ 0.75
OPERATING DATA							
Revenue passengers carried(6)	1,794	1,819	2,028	2,333	4,361	636(22)	1,321(22)
Revenue passenger miles(7)	1,870	1,875	2,193	2,548	3,831	736(22)	1,155(22)
Available seat miles(8)	2,920	2,847	3,226	3,639	5,368	1,018	1,615
Load factor(9)	64.0%	65.9%	68.0%	70.0%	71.4%	72.3%(22)	71.5%(22)
Break-even load factor(10)	58.7%	54.5%	52.8%	52.6%	57.9%	52.1%(22)	55.8%(22)

	Year Ended December 31,					Three Months Ended	
	2001	2002	2003	2004	2005(20)	March 31,	
	(in thousands of dollars, except share and per share data and operating data)						
Total block hours(11)	59,760	58,112	64,909	70,228	103,628	18,928	31,483
Average daily aircraft utilization(12)	9.1	8.8	9.0	9.3	9.8	9.9	9.7
Average passenger fare	143.8	148.2	153.7	156.3	129.6	165.3(22)	136.5(22)
Yield(13)	13.79	14.38	14.22	14.31	14.75	14.28(22)	15.61(22)
Passenger revenue per ASM(14)	8.83	9.47	9.66	10.02	10.53	10.33	11.17
Operating revenue per ASM(15)	9.94	10.56	10.60	10.99	11.34	11.16	11.87
Operating expenses per ASM (CASM)(16)	9.09	9.48	8.79	8.72	9.30	8.61	9.29
Departures	23,742	23,361	25,702	27,434	48,934	7,096	15,826
Average daily departures	65.0	64.0	70.4	75.0	156.6	78.8	176.2
Average number of aircraft	18.0	18.1	19.8	20.6	31.0	21.2	36.1
Airports served at period end	28	27	28	29	43	29	43
SEGMENT FINANCIAL DATA							
Copa:							
Operating revenue	\$ 290,372	\$ 300,637	\$ 341,789	\$ 399,837	\$ 505,655	\$ 113,608	\$ 151,602
Operating expenses	265,368	269,796	283,493	317,494	402,684	87,631	110,613
Depreciation	13,325	13,377	14,040	19,279	19,242	4,739	5,227
Aircraft rentals	20,106	21,182	16,686	14,445	22,096	4,678	5,858
Interest expense	10,988	7,629	11,613	16,488	19,424	4,557	5,678
Interest capitalized	1,592	1,114	2,009	963	1,089	143	508
Interest income	701	831	887	1,423	3,376	687	1,148
Net income (loss) before tax	16,640	23,667	52,133	74,304	89,745	24,446	37,032
Total assets	300,121	421,935	591,915	702,050	851,075	721,862	879,215
AeroRepública:(21)							
Operating revenue	—	—	—	—	\$ 102,976	—	\$ 40,246
Operating expenses	—	—	—	—	96,839	—	39,472
Depreciation	—	—	—	—	615	—	190
Aircraft rentals	—	—	—	—	5,535	—	3,003
Interest expense	—	—	—	—	2,205	—	600
Interest capitalized	—	—	—	—	—	—	—
Interest income	—	—	—	—	208	—	114
Net income (loss) before tax	—	—	—	—	2,846	—	(686)
Total assets	—	—	—	—	98,091	—	90,740
SEGMENT OPERATING DATA							
Copa:							
Available seat miles(8)	2,920	2,847	3,226	3,639	4,409	1,018	1,216
Load factor(9)	64.0%	65.9%	68.0%	70.0%	73.4%	72.3%	77.6%
Break-even load factor	58.7%	54.5%	52.8%	52.6%	56.8%	52.1%	55.3%
Yield(13)	13.79	14.38	14.22	14.31	14.41	14.28	15.01
Operating revenue per ASM(15)	9.94	10.56	10.60	10.99	11.47	11.16	12.46
CASM(16)	9.09	9.48	8.79	8.72	9.13	8.61	9.09
Average stage length(18)	1,023	1,010	1,028	1,047	1,123	1,115	1,158
On time performance(19)	87.7%	90.5%	91.4%	91.8%	91.7%	94.9%	92.3%
AeroRepública:(21)							
Available seat miles(8)	—	—	—	—	950	—	399
Load factor(9)	—	—	—	—	62.0%	—	53.1%

	Year Ended December 31,					Three Months Ended	
	2001	2002	2003	2004	2005(20)	March 31,	2006
	(in thousands of dollars, except share and per share data and operating data)						
Break even load factor	—	—	—	—	60.8%	—	54.4%
Yield(13)	—	—	—	—	16.61(22)	—	18.32(22)
Operating revenue per ASM(15)	—	—	—	—	10.74	—	10.10
CASM(16)	—	—	—	—	10.10	—	9.90
Average stage length(18)	—	—	—	—	360	—	357
On time performance(19)	—	—	—	—	70.4%	—	81.9%

- (1) Represents impairment losses on our Boeing 737-200 aircraft and related assets. See Note 8 to our consolidated financial statements.
- (2) Consists primarily of changes in the fair value of fuel derivative contracts, foreign exchange gains/losses and gains on sale of Boeing 737-200 aircraft. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our consolidated financial statements.
- (3) EBITDA represents net income (loss) plus the sum of interest expense, income taxes, depreciation and amortization minus the sum of interest capitalized and interest income. EBITDA is presented as supplemental information because we believe it is a useful indicator of our operating performance and is useful in comparing our operating performance with other companies in the airline industry. However, EBITDA should not be considered in isolation, as a substitute for net income prepared in accordance with U.S. GAAP or as a measure of a company’s profitability. In addition, our calculation of EBITDA may not be comparable to other companies’ similarly titled measures. The following table presents a reconciliation of our net income to EBITDA for the specified periods:

	Year Ended December 31,					Three Months Ended	
	2001	2002	2003	2004	2005	March 31,	2006
	(in thousands of dollars)						
Net income (loss)	\$ 14,818	\$ 20,668	\$ 48,489	\$ 68,572	\$ 82,999	\$ 22,560	\$ 32,280
Interest expense	10,988	7,629	11,613	16,488	21,629	4,557	6,278
Income taxes	1,822	2,999	3,644	5,732	9,592	1,886	4,066
Depreciation	13,325	13,377	14,040	19,279	19,857	4,739	5,417
Subtotal	40,953	44,673	77,786	110,071	134,077	33,742	48,041
Interest capitalized	(1,592)	(1,114)	(2,009)	(963)	(1,089)	(143)	(508)
Interest income	(701)	(831)	(887)	(1,423)	(3,584)	(687)	(1,262)
EBITDA	38,660	42,728	74,890	107,685	129,404	32,912	46,271

Aircraft rentals represents a significant operating expense of our business. Because we leased several of our aircraft during the periods presented, we believe that when assessing our EBITDA you should also consider the impact of our aircraft rent expense, which was \$20.1 million in 2001, \$21.2 million in 2002, \$16.7 million in 2003, \$14.4 million in 2004, and \$27.6 million in 2005.

- (4) Operating margin represents operating income divided by operating revenues.
- (5) All share and per share amounts have been retroactively restated to reflect the current capital structure described under “Description of Capital Stock” and in the notes to our consolidated financial statements.
- (6) Total number of paying passengers (including all passengers redeeming OnePass frequent flyer miles and other travel awards) flown on all flight segments, expressed in thousands.
- (7) Number of miles flown by scheduled revenue passengers, expressed in millions.
- (8) Aircraft seating capacity multiplied by the number of miles the seats are flown, expressed in millions.
- (9) Percentage of aircraft seating capacity that is actually utilized. Load factors are calculated by dividing revenue passenger miles by available seat miles.
- (10) Load factor that would have resulted in total revenues being equal to total expenses.
- (11) The number of hours from the time an airplane moves off the departure gate for a revenue flight until it is parked at the gate of the arrival airport.
- (12) Average number of block hours operated per day per aircraft for the total aircraft fleet.
- (13) Average amount (in cents) one passenger pays to fly one mile.
- (14) Passenger revenues (in cents) divided by the number of available seat miles.
- (15) Total operating revenues for passenger aircraft related costs (in cents) divided by the number of available seat miles.

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- (16) Total operating expenses for passenger aircraft related costs (in cents) divided by the number of available seat miles.
- (17) Percentage of flights that arrive at the destination gate within fifteen minutes of scheduled arrival.
- (18) The average number of miles flown per flight.
- (19) Percentage of flights that depart within fifteen minutes of the scheduled departure time.
- (20) For AeroRepública operating data, this period covers from April 22, 2005 until December 31, 2005 which corresponds to the period that AeroRepública was consolidated in our financial statements.
- (21) We have not included financial information for the three months ended March 31, 2005 which preceded our acquisition of AeroRepública on April 22, 2005.
- (22) AeroRepública has not historically distinguished between revenue passengers and non-revenue passengers. Although we are implementing systems at AeroRepública to record that information, revenue passenger information and other statistics derived from revenue passenger data for the year ended December 31, 2005 and the three months ended March 31, 2006 has been derived from estimates that we believe to be materially accurate.

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

Overview

We are a leading Latin American provider of airline passenger and cargo service through our two principal operating subsidiaries, Copa and AeroRepública. Copa operates from its strategically located position in the Republic of Panama, and AeroRepública provides service primarily within Colombia. Our fleet currently consists of 22 Boeing 737-Next Generation aircraft, two Embraer 190 aircraft, 11 MD-80 aircraft and two DC-9 aircraft (one of which is currently retired). We currently have firm orders for eight Boeing 737-Next Generation and 18 Embraer 190s, and purchase rights and options for up to nine additional Boeing 737-Next Generation and 35 additional Embraer 190s.

Copa was established in 1947, and currently offers approximately 92 daily scheduled flights among 30 destinations in 20 countries in North, Central and South America and the Caribbean from its Panama City hub. Copa provides passengers with access to flights to more than 120 other destinations through codeshare arrangements with Continental pursuant to which each airline places its name and flight designation code on the other's flights. Through its Panama City hub, Copa is able to consolidate passenger traffic from multiple points to serve each destination effectively.

Copa operates a modern fleet of 22 Boeing 737-Next Generation aircraft and two Embraer 190 aircraft with an average age of approximately 3.6 years as of May 31, 2006. To meet its growing capacity requirements, Copa has firm commitments to accept delivery of 21 additional aircraft through 2009 and has purchase rights and options that, if exercised, would allow it to accept delivery of up to 24 additional aircraft through 2009. Copa's firm orders are for eight additional Boeing 737-Next Generation aircraft and 13 additional Embraer 190s, and its purchase rights and options are for up to nine Boeing 737-Next Generation aircraft and up to 15 Embraer 190s.

Copa started its strategic alliance with Continental in 1998. Since then, it has conducted joint marketing and code-sharing arrangements, and participated in the award-winning OnePass frequent flyer loyalty program globally and on a co-branded basis in Latin America. We believe that Copa's co-branding and joint marketing activities with Continental have enhanced its brand in Latin America, and that the relationship with Continental has afforded it cost-related benefits, such as improving purchasing power in negotiations with aircraft vendors and insurers. Copa's alliance and related services agreements with Continental are in effect until 2015.

During the second quarter of 2005, we purchased AeroRepública S.A., a Colombian air carrier that according to the Colombian Civil Aviation Administration, *Unidad Especial Administrativa de Aeronáutica Civil*, was the second-largest domestic carrier in Colombia in terms of number of passengers carried in 2005, providing predominantly point-to-point service among 12 cities in Colombia and to Copa's Panama City hub. AeroRepública currently operates a fleet of eleven leased MD-80s and two owned DC-9s (one of which is currently retired). As part of its fleet modernization and expansion plan, AeroRepública has firm commitments to accept delivery of five Embraer 190 aircraft through 2007 and purchase rights and options to purchase up to 20 additional Embraer 190 aircraft through 2011.

Fuel is our single largest operating expense and, as a result, our results of operations are likely to continue to be materially affected by the cost of fuel as compared with prior periods. Prices for jet fuel have risen significantly in 2005 and remained at historically high levels during the first quarter of 2006. Copa's fuel cost increased from \$1.01 per gallon during 2003 to \$1.32 per gallon in 2004, \$1.87 per gallon in 2005 and \$1.96 per gallon for the three-month period ended March 31, 2006. To date, we have managed to offset some of the increases in fuel prices with higher load factors, fuel surcharges and fare increases. In addition, we entered into hedging agreements with respect to approximately 15% of Copa's fuel needs for 2005 and have hedged approximately 13% of Copa's projected fuel needs for 2006 and approximately 5% of the needs for the first five months of 2007. We will continue to evaluate various hedging strategies, and we may enter into additional hedging agreements in the future.

Our 2005 acquisition of AeroRepública has affected the comparability of our recent results of operations.

On April 22, 2005 we acquired an initial 85.6% equity ownership interest in AeroRepública which was followed by subsequent acquisitions increasing our total ownership interest in AeroRepública to 99.8% as of March 31, 2006. The total purchase price we paid for our investment in AeroRepública, including acquisition costs, was \$23.4 million. According to the Colombian Civil Aviation Administration, *Unidad Especial Administrativa de Aeronáutica Civil*, in 2005 AeroRepública was the second-largest domestic carrier in Colombia in terms of number of passengers carried, providing service among 12 cities in Colombia and Panama City with a point-to-point route network.

We began to consolidate AeroRepública's results of operations in our consolidated financial statements beginning April 22, 2005. For the year ended December 31, 2005 and the three months ended March 31, 2006 and for future periods, we are reporting AeroRepública's operations as a separate segment in our financial statements and the related notes. See Note 5 to our unaudited financial statements and Note 14 to our audited financial statements included elsewhere in this prospectus for segment data for AeroRepública for the three months ended March 31, 2006 and the year ended December 31, 2005. As a result of this acquisition and our consolidation of AeroRepública's results as of April 22, 2005, our financial information at and for the year ended December 31, 2005 and for the three months ended March 31, 2006 is not comparable to the information at and for the year ended December 31, 2004 and for the three months ended March 31, 2005, respectively.

Regional Economic Environment

Our historical financial results have been, and we expect them to continue to be, materially affected by the general level of economic activity and growth of per capita disposable income in North, South and Central America and the Caribbean (drivers of our passenger revenue) and the volume of trade between countries in the region (the principal driver of our cargo revenue).

According to data from *The Preliminary Overview of the Economies of Latin America and the Caribbean*, an annual United Nations publication prepared by the Economic Development Division, the economy of Latin America (including the Caribbean) grew by approximately 5.5% in 2004 and 1.9% in 2003, while the region's per capita gross domestic product is estimated to have risen by approximately 4% in 2004. According to data from the International Monetary Fund, in the sub-regions we serve gross domestic product rose in 2005 (in real terms) by approximately 4.2% in the Mercosur countries, 6.3% in the Andean region, 3.8% in Central America and 5.9% in the Caribbean, with each region continuing to build on gains made during 2004 of approximately 6.0% in the Mercosur countries, 7.8% in the Andean region, 3.9% in Central America and 2.3% in the Caribbean. As is often the case, the regional economic performance was closely tied to developments in the international economy. World economic activity increased in 2005, resulting in estimated global GDP growth of approximately 4.8% (versus 4.0% in 2004). In recent years, the Panamanian economy has closely tracked the Latin American economy as a whole, and in 2005 the Panamanian economy grew in real terms by approximately 5.5% (versus 7.6% in 2004), according to the International Monetary Fund's estimates. Inflation in Panama rose approximately 2.9% in 2005 (versus 0.5% in 2004). Additionally, the Colombian economy has experienced relatively stable growth. According to the International Monetary Fund estimates, the Colombian gross domestic product grew by approximately 3.9% in 2003, 4.8% in 2004 and by 5.1% in 2005, with inflation (as indicated by the consumer price index) rising by approximately 7.1% in 2003, 5.9% in 2004 and 5.0% in 2005.

Revenues

We derive our revenues primarily from passenger transportation which represents approximately 93% of our revenues, with approximately 7% derived from cargo and other revenues.

We recognize passenger revenue when transportation is provided and when unused tickets expire. Passenger revenues reflect the capacity of our aircraft on the routes we fly, load factor and yield. Our capacity is measured in terms of available seat miles (ASMs) which represents the number of seats available on our aircraft multiplied by the number of miles the seats are flown. Our usage is measured in terms of revenue passenger miles (RPMs) which is the number of revenue passengers multiplied by the miles these passengers fly. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing RPMs by ASMs. Yield is the

average amount that one passenger pays to fly one mile. We use a combination of approaches, taking into account yields, flight load factors and effects on load factors of connecting traffic, depending on the characteristics of the markets served, to arrive at a strategy for achieving the best possible revenue per available seat mile, balancing the average fare charged against the corresponding effect on our load factors.

We recognize cargo revenue when transportation is provided. Our other revenue consists primarily of excess baggage charges, ticket change fees and charter flights.

Overall demand for our passenger and cargo services is highly dependent on the regional economic environment in which we operate, including the GDP of the countries we serve and the disposable income of the residents of those countries. We believe that approximately 50% of our passengers travel at least in part for business reasons, and the growth of intraregional trade greatly affects that portion of our business. The remaining 50% of our passengers are tourists or travelers visiting friends and family.

The following table sets forth our capacity, load factor and yields for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005	2005	2006
<i>Copa Segment</i>					
Capacity (in available seat miles, in millions)	3,225.9	3,639.4	4,409.1	1,081.1	1,216.3
Load factor	68.0%	70.0%	73.4%	72.3%	77.6%
Yield (in cents)	14.22	14.31	14.41	14.28	15.01
<i>AeroRepública Segment</i> (1)					
Capacity (in available seat miles, in millions)	—	—	950.0	—	398.7
Load factor	—	—	62.0%	—	53.1%
Yield (in cents)(2)	—	—	16.61	—	18.32

(1) Since April 22, 2005.

(2) AeroRepública has not historically distinguished between revenue passengers and non-revenue passengers. While we are implementing systems at AeroRepública to record that information, revenue passenger information and other statistics derived from revenue passenger data for the year ended December 31, 2005 and the three months ended March 31, 2006 has been derived from estimates that we believe to be materially accurate.

Seasonality

Generally, our revenues from and profitability of our flights peak during the northern hemisphere's summer season in July and August and again during the December and January holiday season. Given our high proportion of fixed costs, this seasonality is likely to cause our results of operations to vary from quarter to quarter.

Operating Expenses

The main components of our operating expenses are aircraft fuel, salaries and benefits, passenger servicing, commissions, aircraft maintenance, reservations and sales and aircraft rent. A common measure of per unit costs in the airline industry is cost per available seat mile (CASM) which is generally defined as operating expenses divided by ASMs.

Aircraft fuel. The price we pay for aircraft fuel varies significantly from country to country primarily due to local taxes. While we purchase aircraft fuel at all the airports to which we fly, we attempt to negotiate fueling contracts with companies that have a multinational presence in order to benefit from volume purchases. During 2005, as a result of the location of its hub, Copa purchased approximately 50% of its aircraft fuel in Panama, where it was able to obtain better prices due to volume discounts. Copa has over eleven suppliers of aircraft fuel across its network. In some cases we tanker fuel in order to minimize our cost by fueling in airports where fuel prices are lowest. Our aircraft fuel expenses are variable and fluctuate based on global oil prices. From 2002 to 2005, the price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and

quoted in U.S. dollars, increased by 116.8% from \$26.15 per barrel to \$56.70 per barrel. On March 31, 2006, the price was \$66.63 per barrel. Historically, we have not hedged a significant portion of our fuel costs. We entered into hedging agreements with respect to approximately 15% of Copa's fuel needs for 2005 and 13% for 2006 and approximately 5% of Copa's projected fuel needs for the first five months of 2007. Additionally, because our derivatives have historically not qualified as hedges for financial reporting purposes in accordance with Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities," changes in the fair value of our derivative contracts are recorded currently, rather than in the period in which the hedged fuel is consumed, and recorded as a component of "Other, net" within non-operating income (expense) in our statement of operations. We may enter into additional hedging agreements in the future. Although AeroRepública does not currently have a hedging policy, we may implement one in the future.

Aircraft Fuel Data

	2001	2002	2003	2004	2005	Three Months Ended March 31, 2006
<i>Copa Segment</i>						
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	\$ 0.95	\$ 0.86	\$ 1.01	\$ 1.32	\$ 1.87	\$ 1.96
Gallons consumed (in thousands)	46,669	44,788	48,444	50,833	58,924	16,368
Available seat miles (in millions)	2,920	2,847	3,226	3,639	4,409	1,216
Gallons per ASM (in hundredths)	1.60	1.57	1.50	1.40	1.34	1.35
<i>AeroRepública Segment⁽¹⁾</i>						
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	—	—	—	—	\$ 2.12	\$ 2.08
Gallons consumed (in thousands)	—	—	—	—	17,887	7,080
Available seat miles (in millions)	—	—	—	—	950	399
Gallons per ASM (in hundredths)	—	—	—	—	1.88	1.78

(1) Since April 22, 2005.

Salaries and benefits. Salaries and benefits expenses have historically increased at the rate of inflation and by the growth in the number of our employees. In some cases, we have adjusted salaries of our employees to correspond to changes in the cost of living in the countries where these employees work. We do not increase salaries based on seniority.

Passenger servicing expenses. Our passenger servicing expenses consist of expenses for liability insurance, baggage handling, catering, in-flight entertainment and other costs related to aircraft and airport services. These expenses are generally directly related to the number of passengers we carry or the number of flights we operate.

Commissions. Our commission expenses consist primarily of payments for ticket sales made by travel agents and commissions paid to credit card companies. Travel agents receive base commissions, not including back-end incentive programs, ranging from 0% to 9% depending on the country. The weighted average rate for these commissions during 2005 was 4.9%. During the last few years we have reduced our commission expense per available seat mile as a result of an industry-wide trend of paying lower commissions to travel agencies and by increasing the proportion of our sales made through direct channels. We expect this trend to continue as more of our customers become accustomed to purchasing through our call center and through the internet. While increasing direct sales may increase the commissions we pay to credit card companies, we expect that the savings from the corresponding reduction in travel agency commissions will more than offset this increase. In recent years, base commissions paid to travel agents have decreased significantly. At the same time, we have encouraged travel agencies to move from standard base commissions to incentive compensation based on sales volume and fare types.

Maintenance, material and repair expenses. Our maintenance, material and repair expenses consist of aircraft repair and charges related to light and heavy maintenance of our aircraft, including maintenance materials. Maintenance and repair expenses, including overhaul of aircraft components, are charged to operating expenses as incurred. With an average age of only 3.6 years as of May 31, 2006, our Copa fleet requires a low level of maintenance compared to the older fleets of some of our competitors. We also currently incur lower maintenance expenses on our Boeing and Embraer aircraft because a significant number of our aircraft parts remain under multi-year warranties. As the age of our fleet increases and when our warranties expire, our maintenance expenses will increase. We only conduct line maintenance internally and outsource heavy maintenance to independent third party contractors. In 2003, we negotiated with GE Engine Services a maintenance cost per hour program for the repair and maintenance of our CFM-56 engines which power our Boeing 737 Next Generation fleet. Our engine maintenance costs are also aided by the sea-level elevation of our hub and the use of winglets which allow us to operate the engines on our Boeing 737-700s with lower thrust thus putting less strain on the engines.

All maintenance for AeroRepública's DC-9s and line maintenance for the MD-80s is performed by AeroRepública's in-house maintenance staff. Heavy maintenance for the MD-80s is performed by FAA-certified third-party aviation maintenance companies.

Aircraft rent. Our aircraft rental expenses are generally fixed by the terms of our operating lease agreements. Currently, six of Copa's operating leases have fixed rates which are not subject to fluctuations in interest rates and the seventh is tied to LIBOR. All of AeroRepública's operating leases have fixed rates which are not subject to fluctuations in interest rates. Our aircraft rent expense also includes rental payments related to our wet-leasing of freighter aircraft to supplement our cargo operations.

Reservations and sales expenses. Our reservations and sales expenses arise primarily from payments to global distribution systems, such as Amadeus and Sabre, that list our flight offerings on reservation systems around the world. These reservation systems tend to raise their rates periodically, but we expect that if we are successful in encouraging our customers to purchase tickets through our direct sales channels, these costs will decrease as a percentage of our operating costs. A portion of our reservations and sales expense is also comprised of our licensing payments for the SHARES reservation and check-in management software we use, which is not expected to change significantly from period to period.

Flight operations and landing fees and other rentals are generally directly related to the number of flights we operate.

Other include publicity and promotion expenses, expenses related to our cargo operations, technology related initiatives and miscellaneous other expenses.

Taxes

We are subject to income tax in Panama based on the principle of territoriality. Beginning in 2004, we adopted an alternate method of calculating tax in Panama. Based on Article 121 of Executive Decree 170 of 1993, as amended in 1996, income for international transportation companies is calculated based on a territoriality method that determines gross revenues earned in Panama by applying the percentage of miles flown within the Panamanian territory against total revenues. Under this method, loss carry forwards cannot be applied to offset tax liability. Prior to 2004, our Panamanian taxable income was estimated using revenues from passengers originating in or destined for Panama which typically resulted in losses for purposes of Panamanian corporate income tax. Dividends from our Panamanian subsidiaries, including Copa, are separately subject to a ten percent tax if such dividends can be shown to be derived from Panamanian income that has not been otherwise taxed.

We are also subject to local tax regulations in each of the jurisdictions where we operate, the great majority of which are related to the taxation of our income. In some of the countries to which we fly, we do not pay any income taxes because we do not generate income under the laws of those countries either because they do not have income tax or due to treaties or other arrangements those countries have with Panama. In the remaining countries, we pay income tax at a rate ranging from 25% to 35% of our income attributable to those countries. Different countries calculate our income in different ways, but they are typically derived from our sales in the applicable country multiplied by our net margin or by a presumed net margin set by the relevant tax legislation. It is possible that we

may become subject to tax in jurisdictions in which, for prior years, we had not been subject to tax and that, in the future, we may become subject to increased taxes in the countries to which we fly.

AeroRepública's taxes are based on Colombian income tax legislation which calculates tax based on the higher of the "ordinary" and "presumptive" income. "Ordinary" income is defined as the company's operating results under Colombian GAAP, and "presumptive" income is defined as 6% of net assets under Colombian GAAP.

We paid taxes totaling approximately \$2.4 million in 2003, \$4.3 million in 2004 and \$7.4 million in 2005.

Internal Controls

In connection with the preparation of our financial statements under U.S. GAAP as of and for the year ended December 31, 2005, we and our auditors identified a material weakness (as defined under standards established by the Public Company Accounting Oversight Board) in our internal control over financial reporting. Specifically, we found that we did not have appropriate expertise in U.S. GAAP accounting and reporting among our financial and accounting staff to prepare our periodic financial statements without needing to make material corrective adjustments and footnote revisions when those statements are audited or reviewed. This ineffective control over the application of U.S. GAAP in relation to our business could result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. In light of this material weakness, in preparing the financial statements in connection with our initial public offering, we performed additional analyses and other post-closing procedures in the course of preparing our financial statements and related footnotes in accordance with U.S. GAAP so that management would be able to come to the conclusion that those financial statements fairly presented, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our Annual Report on Form 20-F for the fiscal year ending December 31, 2006, we will be required to furnish a report by our management on our internal control over financial reporting. This report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal controls over financial reporting are effective. We have contracted an additional accounting manager with experience in preparing financial statements under U.S. GAAP, we have engaged an internationally recognized accounting firm to assist us in developing our procedures to comply with the requirements of Section 404, and our management and audit committee are developing other plans to prepare for our compliance with the requirements of Section 404 and to correct the weakness identified above. We expect that these plans may include hiring additional personnel with appropriate levels of U.S. GAAP experience and accounting expertise, requiring further education and training in U.S. GAAP for our existing personnel and engaging outside resources to assist in the design and implementation of procedures for the testing of our internal controls. We will incur incremental costs as a result of these efforts, including increased auditing and legal fees, the magnitude of which we are not able to estimate at this time.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires our management to adopt accounting policies and make estimates and judgments to develop amounts reported in our consolidated financial statements and related notes. We strive to maintain a process to review the application of our accounting policies and to evaluate the appropriateness of the estimates required for the preparation of our consolidated financial statements. We believe that our estimates and judgments are reasonable; however, actual results and the timing of recognition of such amounts could differ from those estimates. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or better information.

Critical accounting policies and estimates are defined as those that are reflective of significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions. For a discussion of these and other accounting policies, see Note 1 to our annual consolidated financial statements.

Revenue recognition. Passenger revenue is recognized when transportation is provided rather than when a ticket is sold. The amount of passenger ticket sales not yet recognized as revenue is reflected in the "Air traffic

liability” line on our consolidated balance sheet. Tickets whose fares have expired and/or are more than one year old are recognized as passenger revenue.

Cargo and mail services revenue are recognized when we provide the shipping services and thereby complete the earning process. Other revenue is primarily comprised of excess baggage charges, commissions earned on tickets sold for flights on other airlines and charter flights and is recognized when transportation or service is provided.

Frequent flyer program. We participate in Continental’s frequent flyer program “OnePass,” through which our passengers receive all the benefits and privileges offered by the OnePass program. Continental is responsible for the administration of the OnePass program. Under the terms of our frequent flyer agreement with Continental, OnePass members receive OnePass frequent flyer mileage credits for travel on Copa and AeroRepública, and we pay Continental a per mile rate for each mileage credit granted by Continental, at which point we have no further obligation. The amounts due to Continental under this agreement are expensed by us as the mileage credits are earned.

Impairment of long-lived assets. We record impairment losses on long-lived assets used in operations, consisting principally of property and equipment, when events or changes in circumstances indicate, in management’s judgment, that the assets might be impaired and that the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of non-recoverable assets is reduced to fair value if it is lower than carrying value. Our estimates of fair value represent our best estimate based on industry trends and reference to market rates and transactions and are subject to change. We recognized impairment losses on our Boeing 737-200 aircraft of \$3.6 million during the year ended December 31, 2003.

Goodwill and indefinite-lived purchased intangible assets. We review goodwill and purchased intangible assets with indefinite lives, all of which relate to our acquisition of AeroRepública, for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets* (“SFAS No. 142”). The provisions of SFAS No. 142 require that a two-step impairment test be performed on goodwill. In the first step, we compare the fair value of the AeroRepública reporting unit to its carrying value. If the fair value of the AeroRepública reporting unit exceeds the carrying value of its net assets, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets of the AeroRepública reporting unit exceeds its fair value, then we must perform the second step of the impairment test in order to determine the implied fair value of the AeroRepública reporting unit’s goodwill. If the carrying value of the goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. SFAS No. 142 also requires that the fair value of the purchased intangible assets with indefinite lives be estimated and compared to the carrying value. We recognize an impairment loss when the estimated fair value of the intangible asset is less than the carrying value. Determining the fair value of a reporting unit or an indefinite-lived purchased intangible asset is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Derivative instruments used for aircraft fuel. In the past, we have periodically entered into crude oil call options, jet fuel zero cost collars, and jet fuel swap contracts to provide for short to mid-term hedge protection (generally three to eighteen months) against sudden and significant increases in jet fuel prices, while simultaneously ensuring that we are not competitively disadvantaged in the event of a substantial decrease in the price of jet fuel. These derivatives have historically not qualified as hedges for financial reporting purposes in accordance with Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Accordingly, changes in the fair value of such derivative contracts, which amounted to \$0.2 million in 2005, (\$0.9) million in 2004 and \$0.2 million in 2003, were recorded as a component of “Other, net” within “Other non-operating income (expense)”. The fair value of hedge contracts amounted to \$0.3 million at December 31, 2005 and \$0.2 million at December 31, 2004, and was recorded in the “Other current assets” line of our consolidated balance sheet.

Maintenance and repair costs. Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expenses as incurred. Engine overhaul costs covered by power-by-the-hour arrangements are paid and expensed as incurred, on the basis of hours flown per contract. Under the terms of our power-by-the-hour agreements, we pay a set dollar amount per engine hour flown on a monthly basis and the third-party vendor assumes the obligation to repair the engines at no additional cost to us, subject to certain specified exclusion

Additionally, although our aircraft lease agreements specifically provide that we, as lessee, are responsible for maintenance of the leased aircraft, we do, under certain of our existing lease agreements, pay maintenance reserves to aircraft and engine lessors that are to be applied towards the cost of future maintenance events. These reserves are calculated based on a performance measure, such as flight hours, and are specifically to be used to reimburse third-party providers that furnish services in connection with maintenance of our leased aircraft. If there are sufficient funds on deposit to pay the invoices submitted, they are paid. However, if amounts on deposit are insufficient to cover the invoices, we must cover the shortfall because, as noted above, we are legally responsible for maintaining the lease aircraft. Under four of our existing aircraft lease agreements, if there are excess amounts on deposit at the expiration of the lease, the lessor is entitled to retain any excess amounts. The maintenance reserves paid under our lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, we maintain the right to select any third-party maintenance provider. Therefore, we record these amounts as prepaid maintenance within Other Assets on our balance sheet and then recognize maintenance expense when the underlying maintenance is performed, in accordance with our maintenance accounting policy. Any excess amounts retained by the lessor upon the expiration of the lease, which are not expected to be material, would be recognized as additional aircraft rental expense at that time.

Results of Operation

The following table shows each of the line items in our income statements for the periods indicated as a percentage of our total operating revenues for that period:

	Year Ended December 31,			Three Months Ended March 31,	
	2003	2004	2005(1)	2005(2)	2006
Operating revenues:					
Passenger revenue	91.2%	91.2%	92.9%	92.5%	94.1%
Cargo, mail and other	8.8%	8.8%	7.1%	7.5%	5.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Aircraft fuel	(14.2)%	(15.6)%	(24.5)%	(18.8)%	(24.6)%
Salaries and benefits	(13.2)%	(12.9)%	(11.5)%	(11.8)%	(10.1)%
Passenger servicing	(10.8)%	(9.8)%	(8.3)%	(9.2)%	(7.6)%
Commissions	(8.1)%	(7.3)%	(7.4)%	(6.6)%	(6.8)%
Reservation and sales	(5.3)%	(5.5)%	(4.8)%	(5.0)%	(4.3)%
Maintenance, materials and repairs	(6.0)%	(4.9)%	(5.3)%	(4.1)%	(5.4)%
Depreciation	(4.1)%	(4.8)%	(3.3)%	(4.2)%	(2.8)%
Flight operations	(4.7)%	(4.5)%	(4.1)%	(4.4)%	(4.0)%
Aircraft rentals	(4.9)%	(3.6)%	(4.5)%	(4.1)%	(4.6)%
Landing fees and other rentals	(3.1)%	(3.0)%	(2.9)%	(2.9)%	(2.9)%
Other	(7.6)%	(7.3)%	(5.4)%	(6.0)%	(5.0)%
Fleet impairment charges	(1.0)%	0.0%	0.0%	0.0%	0.0%
Total	(82.9)%	(79.4)%	(82.1)%	(77.1)%	(78.2)%
Operating income	17.1%	20.6%	17.9%	22.9%	21.8%
Non-operating income (expenses):					
Interest expense	(3.4)%	(4.1)%	(3.6)%	(4.0)%	(3.3)%
Interest capitalized	0.6%	0.2%	0.2%	0.1%	0.3%
Interest income	0.3%	0.4%	0.6%	0.6%	0.7%
Other, net	0.7%	1.5%	0.1%	1.9%	(0.5)%
Total	(1.8)%	(2.0)%	(2.7)%	(1.3)%	(2.8)%
Income/(loss) before income taxes	15.3%	18.6%	15.2%	21.5%	19.0%
Income taxes	(1.1)%	(1.4)%	(1.6)%	(1.7)%	(2.1)%
Net income	14.2%	17.1%	13.6%	19.9%	16.8%

(1) Includes results from our AeroRepública segment for the period from April 22, 2005 to December 31, 2005.

(2) Does not include results from AeroRepública as it was acquired on April 22, 2005.

Three Months Ended March 31, 2006 Compared to Three Months Ended March 31, 2005**Operating revenue**

Consolidated revenue for the three months ended March 31, 2006 totaled \$191.7 million, a 68.8% increase over operating revenue of \$113.6 million in the same period in 2005, mainly due to the consolidation of

\$40.2 million of operating revenues from AeroRepública and a 33.4% increase in Copa Airlines' operating revenues.

Copa segment operating revenue

Copa Airlines' operating revenues for the three months ended March 31, 2006 totaled \$151.6 million, a 33.4% increase over operating revenues of \$113.6 million in the same period in 2005. This increase was primarily due to a 34.6% increase in passenger revenue.

Passenger revenue. For the three months ended March 31, 2006, passenger revenue totaled \$141.6 million, a 34.6% increase over passenger revenue of \$105.1 million in the same period in 2005. This increase resulted primarily from the addition of capacity (ASMs increased 19.5% during the three months ended March 31, 2006 compared to the same period in 2005), higher overall load factor (load factor increased from 72.3% during the three months ended March 31, 2005 to 77.6% during the three months ended March 31, 2006), and a 5.1% increase in passenger yield during the three months ended March 31, 2006 compared to the same period in 2005.

Cargo, mail and other. Cargo, mail and other totaled \$10.0 million in the three months ended March 31, 2006, an 18.5% increase over cargo, mail and other of \$8.5 million in the three months ended March 31, 2005. This increase was primarily the result of higher cargo rates.

AeroRepública segment operating revenue

During the three months ended March 31, 2006, AeroRepública generated operating revenues of \$40.2 million.

Operating expenses

For the three months ended March 31, 2006, growth in Copa Airlines' operations, higher fuel prices, and the consolidation of \$39.5 million of operating expenses from AeroRepública resulted in consolidated operating expenses totaling \$150.0 million, a 71.1% increase over operating expenses of \$87.6 million for the three months ended March 31, 2005. Excluding the consolidation of AeroRepública, operating expenses increased \$23.0 million or 26.2% compared to the three months ended March 31, 2005.

For the three months ended March 31, 2006 our operating expenses per available seat mile excluding aircraft fuel was 6.37 cents, a 2.2% decrease over operating expenses per available seat mile excluding aircraft fuel of 6.51 cents in the three months ended March 31, 2005. Aircraft fuel per available seat mile was 2.92 cents for the three months ended March 31, 2006, compared to 2.10 cents for the three months ended March 31, 2005. For the three months ended March 31, 2006, our total operating expenses per available seat mile was 9.29 cents, a 7.9% increase over operating expenses per available seat mile of 8.61 cents in the three months ended March 31, 2005.

The following are the major variances on a consolidated basis:

Aircraft fuel. For the three months ended March 31, 2006, aircraft fuel totaled \$47.1 million, a 120.8% increase over aircraft fuel of \$21.3 million in the three months ended March 31, 2005. This was primarily a result of a 28.0% increase in average fuel costs, higher fuel consumption as a result of increased capacity and the consolidation of \$14.6 million of AeroRepública's aircraft fuel expenses.

Salaries and benefits. For the three months ended March 31, 2006, salaries and benefits totaled \$19.4 million, a 45.3% increase over salaries and benefits of \$13.4 million in the three months ended March 31, 2005. This increase was primarily a result of an overall increase in operating headcount due to the increased capacity of Copa Airlines and our consolidation of \$4.0 million of AeroRepública's salaries and benefit expenses.

Passenger servicing. For the three months ended March 31, 2006, passenger servicing totaled \$14.6 million, a 40.3% increase over passenger servicing of \$10.4 in the three months ended March 31, 2005. This increase was primarily a result of an increase in Copa Airlines' capacity, an increase in on-board passengers and our consolidation of \$2.7 million of AeroRepública's passenger servicing expenses.

Commissions. For the three months ended March 31, 2006, commissions totaled \$13.1 million, a 75.1% increase over commissions of \$7.5 million in the three months ended March 31, 2005. This increase was primarily a

result of higher passenger revenue in Copa Airlines and our consolidation of \$3.9 million of AeroRepública's commission expenses.

Maintenance, material and repairs. For the three months ended March 31, 2006, maintenance, material and repairs totaled \$10.3 million, a 118.2% increase over maintenance, material and repairs of \$4.7 million in the three months ended March 31, 2005. This increase was primarily a result of an increase in Copa Airlines' capacity and the consolidation of \$4.6 million of AeroRepública's maintenance expenses.

Aircraft rentals. For the three months ended March 31, 2006, aircraft rentals totaled \$8.9 million, an 89.4% increase over aircraft rentals of \$4.7 million in the three months ended March 31, 2005. This increase was primarily a result of two additional leased Boeing 737-Next Generation aircraft at Copa Airlines and the consolidation of \$3.0 million of AeroRepública's leasing expenses.

The remaining operating expenses totaled \$36.5 million in the three months ended March 31, 2006, an increase of \$10.9 million over \$25.6 million in the three months ended March 31, 2005 of which \$6.6 million resulted from our consolidation of AeroRepública.

Copa segment operating expenses

The breakdown of operating expenses per available seat mile is as follows:

	Three Months Ended March 31,		Percent Change
	2005	2006	
	(in cents)		
Operating Expenses per ASM:			
Salaries and benefits	1.31	1.27	(3.4)%
Passenger servicing	1.02	0.99	(3.7)%
Commissions	0.73	0.75	2.5%
Reservation and sales	0.56	0.56	(1.0)%
Maintenance, materials and repairs	0.46	0.47	1.1%
Depreciation	0.47	0.43	(7.7)%
Flight operations	0.49	0.53	8.1%
Aircraft rentals	0.46	0.48	4.8%
Landing fees and other rentals	0.33	0.35	5.5%
Other	0.67	0.60	(9.8)%
Total operating expenses per ASM before aircraft fuel	6.51	6.43	(1.3)%
Aircraft fuel	2.10	2.67	27.4%
Total operating expenses per ASM	<u>8.61</u>	<u>9.09</u>	<u>5.6%</u>

Copa Airlines operating expenses per available seat mile increased 5.6% to 9.09 cents in the three months ended March 31, 2006, compared to the three months ended March 31, 2005. Excluding fuel, operating expenses per available seat mile decreased 1.3% from 6.51 cents in the three months ended March 31, 2005 to 6.43 in the three months ended March 31, 2006.

Aircraft fuel. For the three months ended March 31, 2006 aircraft fuel totaled \$32.5 million, a 52.2% increase over aircraft fuel expense of \$21.3 million in the same period in 2005. This increase was primarily a result of a 27.7% increase in the average price per gallon of jet fuel (\$1.95 in the three months ended March 31, 2006 compared to \$1.52 in the three months ended March 31, 2005) and the consumption of 18.9% more fuel due to a 19.5% increase in capacity. Aircraft fuel per available seat mile increased approximately 27.4% primarily due to the 27.7% increase in average fuel cost per gallon during this three-month period.

Salaries and benefits. For the three months ended March 31, 2006, salaries and benefits totaled \$15.4 million, a 15.4% increase over salaries and benefits of \$13.4 million in the same period in 2005. This increase was primarily a result of an overall increase in headcount at period end in the three months ended March 31, 2006 versus the same

period end in the three months ended March 31, 2005, mainly to cover increased operations. Salaries and benefits per available seat mile decreased by 3.4%.

Passenger servicing. Passenger servicing totaled \$12.0 million for the three months ended March 31, 2006, a 15.1% increase over passenger servicing of \$10.4 million in the three months ended March 31, 2005. This increase was primarily a result of Copa Airlines' 19.5% increase in capacity and 25.1% increase in on-board passengers. Passenger servicing per available seat mile decreased by 3.7% as a result of fixed costs being spread over a higher number of available seat miles.

Commissions. Commissions totaled \$9.2 million for the three months ended March 31, 2006, a 22.5% increase over commissions of \$7.5 million in the three months ended March 31, 2005. This increase was primarily a result of a 34.6% increase in passenger revenue, partially offset by lower average commissions' rate. Commissions per available seat mile increased by 2.5%.

Maintenance, materials and repairs. Maintenance, materials and repairs totaled \$5.7 million in the three months ended March 31, 2006, a 20.7% increase over maintenance, materials and repairs of \$4.7 million in the three months ended March 31, 2005. This increase was primarily a result of a 20.6% increase in block hours. Maintenance, materials and repair per available seat mile increased by 1.1%.

Reservations and sales. Reservations and sales totaled \$6.8 million, an 18.2% increase over reservation and sales of \$5.7 million in the three months ended March 31, 2005. This increase was primarily a result of a 34.6% increase in passenger revenue and a 2.5% increase in average rates related to global distribution systems. Reservations and sales expenses per available seat mile decreased by 1.0%.

Aircraft rentals. Aircraft rentals totaled \$5.9 million in the three months ended March 31, 2006, a 25.2% increase over aircraft rentals of \$4.7 million in the three months ended March 31, 2005. This increase was a result of the addition of two leased Boeing 737-Next Generation aircraft with delivery months of February 2005 and May 2005. Aircraft rentals per available seat mile increased 4.8% as a result of the higher average lease rate of the two aircraft received.

Depreciation. Depreciation totaled \$5.2 million in the three months ended March 31, 2006, a 10.3% increase over depreciation of \$4.7 million in the three months ended March 31, 2005. This increase was primarily related to depreciation of two new Embraer 190 aircraft acquired in the fourth quarter of 2005. Depreciation per available seat mile decreased by 7.7%.

Flight operations, landing fees and other rentals. Combined, flight operations, landing fees and other rentals increased from \$8.3 million in the three months ended March 31, 2005 to \$10.6 million in the same period in the three months ended March 31, 2006, primarily a result of Copa Airlines' 19.5% increase in capacity.

Other. Other expenses totaled \$7.4 million in the three months ended March 31, 2006, a 7.8% increase over other expenses of \$6.8 million in the three months ended March 31, 2005. Other expenses per available seat mile decreased by 9.8% as a result of administrative expenses growing slower than capacity.

AeroRepública segment operating expenses

During the three months ended March 31, 2006, AeroRepública generated operating expenses of \$39.5 million.

Non-operating income (expense)

Consolidated non-operating expenses totaled \$5.4 million in the three months ended March 31, 2006, an increase of \$3.9 million over non-operating expenses of \$1.5 million in the three months ended March 31, 2005, primarily attributable to higher interest expenses and lower other non-operating income.

Copa segment non-operating income (expense)

Interest expense. Interest expenses totaled \$5.7 million in the three months ended March 31, 2006, a 24.6% increase over interest expense of \$4.6 million in the three months ended March 31, 2005, resulting from a higher average debt balance carried and higher average interest rates. The average effective interest rates for Copa

Airlines' debt also increased by 0.65% from 4.42% during the three months ended March 31, 2005 to 5.07% during the the three months ended March 31, 2006. At the end of the three months ended March 31, 2006 approximately 64% of Copa Airlines' outstanding debt was fixed at an average effective rate of 4.46%

Other, net. Other, net income totaled \$0.1 million in the three months ended March 31, 2006 versus other, net income of \$2.2 million in the three months ended March 31, 2005.

AeroRepública segment non-operating income (expense)

During the three months ended March 31, 2006, AeroRepública generated non-operating expenses of \$1.5 million.

Year 2005 Compared to Year 2004

Our consolidated net income 2005 totaled \$83.0 million, a 21.0% increase over net income of \$68.6 million in 2004. We had consolidated operating income of \$109.2 million in 2005, a 32.6% increase over operating income of \$82.3 million in 2004. Our consolidated operating margin in 2005 was 17.9%, a decrease of 2.7 percentage points over an operating margin of 20.6% in 2004, primarily as a result of higher fuel prices and our consolidation of AeroRepública's results from its acquisition on April 22, 2005.

Operating revenue

Our consolidated revenue totaled \$608.6 million in 2005, a 52.2% increase over operating revenue of \$399.8 million in 2004 due to increases in our Copa segment's passenger and cargo revenues, and the consolidation of \$103.0 million in operating revenues from our AeroRepública segment.

Copa segment operating revenue

Copa's operating revenue totaled \$505.7 million in 2005, a 26.5% increase over operating revenue of \$399.8 million in 2004 due to increases in both passenger and cargo revenues.

Passenger revenue. Passenger revenue totaled \$466.1 million in 2005, a 27.8% increase over passenger revenue of \$364.6 million in 2004. This increase resulted primarily from the addition of capacity (ASMs increased by 21.2% in 2005 as compared to 2004) that resulted from an increase in departures and, to a lesser extent, longer average stage length and the addition of larger aircraft. Revenues also increased due to our higher overall load factor (load factor increased from 70.1% in 2004 to 73.4% in 2005) during the period and the simultaneous increase in passenger yield, which rose by 0.8% to 14.41 cents in 2005.

Cargo, mail and other. Cargo, mail and other totaled \$39.6 million in 2005, a 12.4% increase over cargo, mail and other of \$35.2 million in 2004. This increase was primarily the result of higher cargo revenue resulting from an increase in belly space capacity available, and to a lesser extent higher other operating revenue from excess baggage fees.

AeroRepública segment operating revenue

Since April 22, 2005, the date on which we began consolidating AeroRepública's results, AeroRepública generated operating revenues of \$103.0 million.

Operating expenses

Our consolidated operating expenses totaled \$499.4 million in 2005, a 57.3% increase over operating expenses of \$317.5 million in 2004 that was primarily attributable to the growth of our operations, higher fuel costs, and the consolidation of \$96.8 million in operating expenses from our AeroRepública segment.

In 2005, our operating expenses per available seat mile excluding aircraft fuel was 6.52 cents, a 6.9% decrease over operating expenses per available seat mile excluding aircraft fuel of 7.01 cents in 2004. Aircraft fuel per available seat mile was 2.78 cents in 2005, compared to 1.72 cents in 2004. In 2005 our total operating expenses per

available seat mile was 9.30 cents, a 6.6% increase over operating expenses per available seat mile of 8.72 cents in 2004.

An overview of the major variances on a consolidated basis follows:

Aircraft fuel. Aircraft fuel totaled \$149.3 million in 2005, a 138.7% increase over aircraft fuel of \$62.5 million in 2004. This increase was primarily a result of higher fuel costs, higher fuel consumption, and the consolidation of \$38.4 million in AeroRepública's aircraft fuel expenses.

Salaries and benefits. Salaries and benefits totaled \$69.7 million in 2005, a 34.9% increase over salaries and benefits of \$51.7 million in 2004. This increase was primarily a result of an overall increase in headcount and the consolidation of \$11.0 million in AeroRepública salaries and benefits expenses.

Passenger servicing. Passenger servicing totaled \$50.6 million in 2005, a 29.1% increase over passenger servicing of \$39.2 million in 2004. This increase was primarily a result of an increase in Copa's capacity, an increase in Copa's on-board passengers, and the consolidation of \$5.5 million in AeroRepública passenger servicing expenses.

Commissions. Commissions totaled \$45.1 million in 2005, a 55.1% increase over commissions of \$29.1 million in 2004. This increase was primarily a result of higher passenger revenue and the consolidation of \$9.5 million in AeroRepública commission expenses.

The remaining operating expenses totaled \$184.7 million in 2005, an increase of \$49.7 million in 2004, of which \$32.4 million corresponded to the consolidation of AeroRepública.

Copa segment operating expenses

The breakdown of operating expenses per available seat mile is as follows:

	Year Ended		Percent
	December 31,		
	2004	2005	Change
	(in cents)		
Operating Expenses per ASM:			
Salaries and benefits	1.42	1.33	(6.2)%
Passenger servicing	1.08	1.02	(4.9)%
Commissions	0.80	0.81	1.0%
Reservation and sales	0.61	0.57	(5.6)%
Maintenance, materials and repairs	0.54	0.48	(10.8)%
Depreciation	0.53	0.44	(17.6)%
Flight operations	0.49	0.50	1.0%
Aircraft rentals	0.40	0.50	26.2%
Landing fees and other rentals	0.33	0.34	0.9%
Other	0.81	0.62	(22.4)%
Total operating expenses per ASM before aircraft fuel	7.01	6.62	(5.5)%
Aircraft fuel	1.72	2.51	46.3%
Total operating expenses per ASM	<u>8.72</u>	<u>9.13</u>	<u>4.7%</u>

Aircraft fuel. Aircraft fuel totaled \$110.9 million in 2005, a 77.3% increase over aircraft fuel of \$62.5 million in 2004. This increase was primarily a result of a 54.0% increase in the average price per gallon of jet fuel (\$1.84 in 2005 compared to \$1.19 in 2004) and the consumption of 15.9% more fuel due to a 10.8% increase in departures and an increase in average stage length. These increases were partially offset by our newer, more fuel-efficient aircraft. Aircraft fuel per available seat mile increased by approximately 46.3% due to the increase in average fuel cost per gallon.

Salaries and benefits. Salaries and benefits totaled \$58.8 million in 2005, a 13.7% increase over salaries and benefits of \$51.7 million in 2004. This increase was primarily a result of an overall increase of 12.5% in headcount at period end in 2005 versus the same period end in 2004, mainly to cover increased operations. Salaries and benefits per available seat mile decreased by 6.2%.

Passenger servicing. Passenger servicing totaled \$45.2 million in 2005, a 15.2% increase over passenger servicing of \$39.2 million in 2004. This increase was primarily a result of Copa's 21.2% increase in capacity and an increase of 20.2% in on-board passengers. Passenger servicing per available seat mile decreased by 4.9% as a result of fixed costs being spread over a higher number of available seat miles.

Commissions. Commissions totaled \$35.6 million in 2005, a 22.3% increase over commissions of \$29.1 million in 2004. This increase was primarily a result of higher passenger revenue. Commissions per available seat mile increased by 1.0%.

Reservations and sales. Reservations and sales totaled \$25.3 million in 2005, a 14.4% increase over reservations and sales of \$22.1 million in 2004. This increase was primarily a result of a 31.3% increase in charges related to global distribution systems resulting from a 20.1% increase in on-board passengers and a 9.5% increase in average rates. Reservations and sales expenses per available seat mile decreased by 5.6%.

Maintenance, materials and repairs. Maintenance, materials and repairs totaled \$21.3 million in 2005, a 8.1% increase over maintenance, materials and repairs of \$19.7 million in 2004. This decrease was a result of lower overhaul related costs and lower average maintenance costs due to the replacement of the older Boeing 737-200s. Maintenance, materials and repair per available seat mile decreased by 10.8% primarily as a result of the lower cost associated with the newer Boeing 737-Next Generation fleet.

Depreciation. Depreciation totaled \$19.2 million in 2005, a negligible decrease over depreciation of \$19.3 million in 2004, as the higher depreciation attributable to our acquisition of two new Embraer 190 aircraft in 2005 was partially offset by lower depreciation expenses related to non-aircraft related assets. Depreciation per available seat mile decreased by 17.6%.

Aircraft rentals. Aircraft rentals totaled \$22.1 million in 2005, a 53.0% increase over aircraft rentals of \$14.4 million in 2004. This increase was a result of three additional leased Boeing 737-Next Generation aircraft in December 2004, February 2005 and May 2005. Aircraft rentals per available seat mile increased by 26.2% as a result of the higher average lease rate of the three aircraft received.

Flight operations and landing fees and other rentals. Combined, flight operations and landing fees and other rentals increased from \$30.1 million in 2004 to \$36.8 million in 2005, primarily as a result of Copa's 21.2% increase in capacity.

Other. Other expenses totaled \$27.5 million in 2005, a 6.0% decrease over other expenses of \$29.3 million in 2004. This increase was primarily a result of a 17.0% increase in OnePass frequent flyer miles earned by customers during the period, as well as other miscellaneous administrative expenses such as software licenses and legal expenses. Other expenses per available seat mile decreased by 22.4% as result of administrative expenses growing slower than capacity.

AeroRepública segment operating expenses

Since April 22, 2005, the date on which we began consolidating AeroRepública's results, AeroRepública generated operating expenses of \$96.8 million.

Non-operating income (expense)

Our consolidated non-operating expenses totaled \$16.6 million in 2005, a 106.0% increase over non-operating expenses of \$8.0 million in 2004 that was primarily attributable to the consolidation of \$3.3 million in non-operating expenses from our AeroRepública segment and higher expenses related to our initial public offering in 2005.

Copa segment non-operating income (expense)

Non-operating expense totaled \$13.2 million in 2005, a 64.5% increase over non-operating expense of \$8.0 million in 2004, attributable primarily to higher interest expense partially offset by higher interest income and lower other non-operating income.

Interest expense. Interest expense totaled \$19.4 million in 2005, a 17.8% increase over interest expense of \$16.5 million in 2004, primarily resulting from higher interest rates. The average effective interest rates on our debt also increased by 29 basis points from 4.21% during 2004 to 4.50% during 2005. At period's end, approximately 65% of our outstanding debt was fixed at an average effective rate of 4.46%.

Interest capitalized. Interest capitalized totaled \$1.1 million in 2005, a 13.1% increase over interest capitalized of \$1.0 million in 2004, resulting from higher average interest rates on debt relating to pre-delivery payments on aircraft.

Interest income. Interest income totaled \$3.4 million in 2005, a 137.2% increase over interest income of \$1.4 million in 2004. This increase was mainly a result of our higher average cash balance over the year and higher interest rates during the period.

Other, net. Other, net income totaled \$1.7 million in 2005, a 71.4% decrease over other, net income of \$6.1 million in 2004. This decrease was primarily the result of approximately \$3.7 million in expenses related to our initial public offering in 2005.

Year 2004 Compared to Year 2003

Our net income for 2004 was \$68.6 million, a 41.4% increase over net income of \$48.5 million in 2003. We had operating income of \$82.3 million in 2004, a 41.2% increase over operating income of \$58.3 million in 2003. Our operating margin in 2004 was 20.6%, an increase of 3.5 percentage points over an operating margin of 17.1% in 2003.

Operating revenue

Our operating revenue totaled \$399.8 million in 2004, a 17.0% increase over operating revenue of \$341.8 million in 2003 due to increases in both passenger and cargo revenues.

Passenger revenue. Passenger revenue totaled \$364.6 million in 2004, a 17.0% increase over passenger revenue of \$311.7 million in 2003. This increase resulted primarily from the addition of capacity (ASMs increased by 12.8% in 2004 as compared to 2003) that resulted from an increase in departures and, to a lesser extent, an increase in average departures per aircraft, higher average stage length and the addition of larger aircraft. Revenues also increased due to our higher overall load factor (load factor increased from 68.0% in 2003 to 70.0% in 2004) during the period and the simultaneous increase in passenger yield, which rose by 0.7% to 14.31 cents in 2004. A general increase in passenger demand for air travel in 2004, in part as a result of growing Latin American and U.S. economies, allowed us to increase both capacity and load factor without affecting yields.

Cargo, mail and other. Cargo, mail and other totaled \$35.2 million in 2004, a 17.0% increase over cargo, mail and other of \$30.1 million in 2003. This increase was primarily the result of higher cargo revenue primarily resulting from an increase in belly space capacity available as we replaced four Boeing 737-200s with larger Boeing 737-Next Generation aircraft during 2004, plus the full year effect of four Boeing 737-Next Generation aircraft received in the second half of 2003. There was also a general increase in demand for courier services in the region during 2004.

Operating expenses

Operating expenses totaled \$317.5 million in 2004, a 12.0% increase over operating expenses of \$283.5 million in 2003. The increase in operating expenses was primarily attributable to a 12.0% increase in capacity, an increase

in the average cost of jet fuel and an increase in salaries and benefits expenses. The breakdown of operating expenses per available seat mile is as follows:

	Year Ended December 31,		Percent Change
	2003	2004	
	(in cents)		
Operating expenses per ASM:			
Salaries and benefits	1.40	1.42	1.3%
Passenger servicing	1.14	1.08	(5.7)%
Commissions	0.86	0.80	(6.9)%
Reservation and sales	0.56	0.61	8.8%
Depreciation	0.44	0.53	21.7%
Maintenance, materials and repairs	0.63	0.54	(14.0)%
Flight operations	0.50	0.49	(0.7)%
Aircraft rentals	0.52	0.40	(23.3)%
Landing fees and other rentals	0.33	0.33	2.1%
Other	0.81	0.81	0.0%
Total operating expenses per ASM before aircraft fuel and fleet impairment charges	7.17	7.01	(2.3)%
Aircraft fuel	1.50	1.72	14.3%
Total operating expenses per ASM before fleet impairment charges	8.68	8.72	0.5%
Fleet impairment charges	0.11	0.00	N/A
Total operating expenses per ASM	8.79	8.72	(0.7)%

Aircraft fuel. Aircraft fuel totaled \$62.5 million in 2004, a 28.9% increase over aircraft fuel of \$48.5 million in 2003. This increase was primarily a result of a 22.7% increase in the average price per gallon of jet fuel (\$1.19 in 2004 compared to \$0.97 in 2003) and the consumption of 4.9% more fuel due to a 6.7% increase in departures. These increases were partially offset by our newer, more fuel-efficient aircraft. Aircraft fuel per available seat mile increased by approximately 14.3% due to the increase in average fuel cost per gallon.

Salaries and benefits. Salaries and benefits totaled \$51.7 million in 2004, a 14.2% increase over salaries and benefits of \$45.3 million in 2003. This increase was primarily a result of the full year effect of employees hired throughout 2003, higher performance bonuses paid as a result of our improved operating results and an overall increase of 4.3% in full-time equivalent employees at period end from 2003 to 2004, mainly to cover increased operations. Salaries and benefits per available seat mile increased by 1.3%.

Passenger servicing. Passenger servicing totaled \$39.2 million in 2004, a 6.4% increase over passenger servicing of \$36.9 million in 2003. This increase was primarily a result of our 12.8% increase in capacity and an increase of 15.0% in on-board passengers. Passenger servicing per available seat mile decreased by 5.7% as a result of fixed costs being spread over a higher number of available seat miles.

Commissions. Commissions totaled \$29.1 million in 2004, a 5.0% increase over commissions of \$27.7 million in 2003. This increase was primarily a result of higher passenger revenue, partially offset by lower average commissions. Commissions per available seat mile decreased by approximately 6.9% due to lower average commissions and more direct sales.

Reservations and sales. Reservations and sales totaled \$22.1 million in 2004, a 22.8% increase over reservations and sales of \$18.0 million in 2003. This increase was a result of a 15.0% increase in on-board passengers, a 5.7% increase in average rates charged by global distribution systems and the cost of terminating our relationship with a General Sales Agent in Puerto Rico. Reservations and sales expenses per available seat mile increased by 8.8%.

Depreciation. Depreciation totaled \$19.3 million in 2004, a 37.3% increase over depreciation of \$14.0 million in 2003. This increase was primarily due three new Boeing 737-Next Generation aircraft acquired in 2004 and

the full year effect of four Boeing 737-Next Generation aircraft acquired in 2003. Depreciation per available seat mile increased by 21.7%.

Maintenance, materials and repairs. Maintenance, materials and repairs totaled \$19.7 million in 2004, a 3.0% decrease over maintenance, materials and repairs of \$20.4 million in 2003. This decrease was a result of the replacement of four Boeing 737-200 aircraft with newer Boeing 737-Next Generation and the full year effect of disposing of two Boeing 737-200 aircraft in 2003, partially offset by beginning of the airframe overhaul schedule for the first four of our Boeing 737-Next Generation aircraft. Maintenance, materials and repair per available seat mile decreased by 14.0%.

Aircraft rentals. Aircraft rentals totaled \$14.4 million in 2004, a 13.4% decrease over aircraft rentals cost of \$16.7 million in 2003. This decrease resulted from new aircraft leases with better rates as we experienced the effect of four lease contracts we renegotiated in 2003. Aircraft rentals per available seat mile decreased by 23.3% due to higher capacity and the lower lease rates.

Flight operations and landing fees and other rentals. As a group, flight operations and landing fees and other rentals increased from \$26.5 million in 2003 to \$30.1 million in 2004, or 13.3%, primarily as a result of our 12.8% increase in capacity.

Other. Other expenses totaled \$29.3 million in 2004, a 12.8% increase over other expenses of \$26.0 million in 2003. This increase was primarily due to technology initiatives related to improving our telecommunications capabilities, non-recurring expenses related to our evaluation of a potential acquisition that we chose not to pursue and a 9.0% increase in publicity and promotion resulting from higher OnePass frequent flyer miles earned by customers. Other expenses per available seat mile remained unchanged.

Non-operating income (expense)

Non-operating expense totaled \$8.0 million in 2004, a 30.4% increase over non-operating expense of \$6.2 million in 2003, attributable primarily to greater interest expense partially offset by higher interest income and other non-operating income.

Interest expense. Interest expense totaled \$16.5 million in 2004, a 42.0% increase over interest expense of \$11.6 million in 2003, resulting from a higher amount of debt related to a greater number of owned aircraft. The average effective interest rates on our debt also increased by 57 basis points from 3.64% during 2003 to 4.21% during 2004. At the end of 2004, we had approximately 77% of our outstanding debt fixed at an effective rate of 4.47%.

Interest capitalized. Interest capitalized totaled \$1.0 million in 2004, a 52.1% decrease over interest capitalized of \$2.0 million in 2003, resulting from lower average debt relating to pre-delivery payments on aircraft.

Interest income. Interest income totaled \$1.4 million in 2004, a 60.4% increase over interest income of \$0.9 million in 2003. This increase was mainly a result of our higher average cash balance over the year and higher prevailing interest rates during 2004.

Other, net. Other, net income totaled \$6.1 million in 2004, a 137.4% increase over other, net income of \$2.6 million in 2003. This increase was the result of non-recurring adjustments and a gain of \$1.1 million resulting from the sale of two Boeing 737-200 aircraft, partially offset by a decrease in the market value of fuel hedge instruments of \$0.9 million.

Quarterly Results of Operations

The following table sets forth, for each of our last five quarters, selected data from our statement of income as well as other financial data and operating statistics. The information for each of these quarters is unaudited and has been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus.

	Three Months Ended				
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006
(in thousands of dollars, except share and per share data and operating data)					
INCOME STATEMENT DATA					
Operating revenue	\$ 113,608	\$ 137,374	\$ 177,947	\$ 179,645	\$ 191,726
Operating expenses	87,631	117,083	141,874	152,834	149,963
Depreciation	4,739	4,996	5,109	5,013	5,417
Interest expense	4,557	5,152	6,046	5,874	6,278
Interest capitalized	143	201	313	432	508
Interest income	687	673	940	1,284	1,262
Net income before tax	24,446	17,986	31,172	18,987	36,346
Net income	22,560	15,111	27,675	17,653	32,280
OTHER FINANCIAL DATA					
EBITDA ⁽¹⁾	32,912	27,260	41,074	28,158	46,271
Aircraft rentals	4,678	7,236	7,437	8,280	8,861
Operating margin	22.9%	14.8%	20.3%	14.9%	21.8
Weighted average shares used in computing net income per share ⁽²⁾	42,812,500	42,812,500	42,812,500	42,812,500	42,812,500
Net income (loss) per share ⁽²⁾	\$ 0.53	\$ 0.35	\$ 0.65	\$ 0.41	\$ 0.75
OPERATING DATA					
Revenue passenger miles	736	875	1,131	1,088	1,155
Available seat miles	1,018	1,266	1,535	1,549	1,615
Load factor	72.3%	69.1%	73.7%	70.2%	71.5%
Break-even load factor	52.1%	58.1%	58.4%	60.9%	55.7%
Yield	14.28	14.49	14.73	15.30	15.61
Passenger revenue per ASM	10.33	10.02	10.86	10.75	11.17
Operating revenue per ASM	11.16	10.85	11.60	11.59	11.87
Operating expenses per ASM	8.61	9.25	9.25	9.86	9.29
SEGMENT FINANCIAL DATA					
Copa:					
Operating revenue	113,608	115,955	137,690	138,402	151,602
Operating expenses	87,631	96,260	106,941	111,852	110,613
Depreciation	4,739	4,770	4,833	4,900	5,227
Aircraft rentals	4,678	5,831	5,882	5,705	5,858
Interest expense	4,557	4,691	4,940	5,236	5,678
Interest capitalized	143	201	313	432	508
Interest income	687	656	851	1,182	1,148
Net income before tax	24,446	18,360	27,823	19,116	37,032
AeroRepública (since April 22, 2005):					
Operating revenue	—	21,419	40,257	41,300	40,246
Operating expenses	—	20,823	34,933	41,083	39,472
Depreciation	—	226	276	113	190
Aircraft rentals	—	1,405	1,555	2,575	3,003
Interest expense	—	461	1,106	638	600
Interest capitalized	—	—	—	—	—
Interest income	—	17	89	102	114
Net income (loss) before tax	—	(374)	3,349	(130)	(686)

(1) EBITDA represents net income (loss) plus the sum of interest expense, income taxes, depreciation and amortization minus the sum of interest capitalized and interest income. EBITDA is presented as supplemental information because we believe it is a useful indicator of our operating performance and is useful in comparing our operating performance with other airlines. However, EBITDA should not be

considered in isolation, as a substitute for net income prepared in accordance with U.S. GAAP or as a measure of a company's profitability. In addition, our calculation of EBITDA may not be comparable to other companies' similarly titled measures. The following table presents a reconciliation of our net income to EBITDA for the specified periods:

	Three Months Ended				
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006
	(in thousands of dollars)				
Net income (loss)	\$ 22,560	\$ 15,111	\$ 27,675	\$ 17,653	\$ 32,280
Interest expense	4,557	5,152	6,046	5,874	6,278
Income taxes	1,886	2,875	3,497	1,334	4,066
Depreciation	4,739	4,996	5,109	5,013	5,417
Subtotal	<u>33,742</u>	<u>28,134</u>	<u>42,327</u>	<u>29,874</u>	<u>48,041</u>
Interest capitalized	(143)	(201)	(313)	(432)	(508)
Interest income	(687)	(673)	(940)	(1,284)	(1,262)
EBITDA	<u><u>32,912</u></u>	<u><u>27,260</u></u>	<u><u>41,074</u></u>	<u><u>28,158</u></u>	<u><u>46,271</u></u>

(2) All share and per share amounts have been retroactively restated to reflect the current capital structure described under "Description of Capital Stock" and in the notes to our consolidated financial statements.

Liquidity and Capital Resources

In recent years, we have been able to meet our working capital requirements through cash from our operations. Our capital expenditures, which consist primarily of aircraft purchases, are funded through a combination of our cash from operations and long-term financing. From time to time, we finance pre-delivery payments related to our aircraft with medium-term financing in the form of bonds privately placed with commercial banks. Our accounts receivable at December 31, 2005 increased by \$21.8 million compared with December 31, 2004, primarily as a result of the consolidation of \$15.3 million of AeroRepública's receivables and growth in operating revenues.

Our cash, cash equivalents and short-term investments at December 31, 2005 remained near the prior year's level at \$114.5 million. Our cash, cash equivalents and short-term investments increased to \$114.8 million at March 31, 2006. At March 31, 2006 we had available credit lines totaling \$38.5 million under which there were no amounts outstanding.

Operating Activities

We rely primarily on cash flows from operations to provide working capital for current and future operations. For the first three months of 2006, cash flow from operating activities totaled \$21.1 million. Cash flows from operating activities totaled \$119.1 million in 2005, \$98.1 million in 2004, and \$73.5 million in 2003. The increase in operating cash flows over these periods was primarily due to the growth of our business.

Investing Activities

During the first three months of 2006, capital expenditures were \$4.4 million and were primarily related to the acquisition of aircraft components. During 2005, capital expenditures were \$63.3 million, which consisted primarily of expenditures related to our purchase of two Embraer 190 aircraft. During 2004, capital expenditures were \$65.8 million, which consisted primarily of expenditures related to our purchase of three Boeing 737-Next Generation aircraft. During 2003, capital expenditures were \$112.2 million, which consisted primarily of expenditures related to our purchase of four Boeing 737-Next Generation aircraft and one CFM 56-7B spare engine.

Financing Activities

Financing activities during the first three months of 2006 consisted primarily of the issuance of \$4.9 million in commercial debt by AeroRepública, primarily related to the refinancing of existing liabilities, and the repayment of \$11.6 million in long-term debt.

Financing activities during 2005 consisted of \$68.4 million, primarily to the financing of two Embraer 190 aircraft, \$27.5 million related to the financing of aircraft pre-delivery payments through privately-placed bonds, the repayment of \$46.9 million in long-term debt and \$10.1 million in dividends declared and paid.

Financing activities during 2004 consisted primarily of financing for three Boeing 737-Next Generation aircraft for \$101.2 million (\$35.7 million of the proceeds of which were used to redeem privately-placed bonds used for pre-delivery payments related to those aircraft), the financing for aircraft pre-delivery payments with \$6.4 million of privately-placed bonds, the repayment of \$32.1 million in long-term debt and \$10.0 million in dividends declared and paid.

Financing activities during 2003 consisted primarily of financing for four Boeing 737-Next Generation aircraft and a spare engine for \$140.7 million (\$35.2 million of the proceeds of which were used to redeem privately-placed bonds used for pre-delivery payments related to those aircraft), the financing for aircraft pre-delivery payments with \$21.7 million of privately-placed bonds and the repayment of \$22.0 million in long-term debt.

We have generally been able to arrange medium-term financing for pre-delivery payments through loans with commercial banks through a private issuance of bonds. Although we believe that financing on similar terms should be available for our future aircraft pre-delivery payments, we may not be able to secure such financing on terms attractive to us.

We have financed the acquisition of fifteen Boeing 737-Next Generation aircraft and three spare engines through syndicated loans provided by international financial institutions with the support of partial guarantees issued by the Export-Import Bank of the United States, or Ex-Im, with repayment profiles of 12 years. The Ex-Im guarantees support 85% of the net purchase price and are secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of Ex-Im. The documentation for each loan follows standard market forms for this type of financing, including standard events of default. Our Ex-Im supported financings amortize on a quarterly basis, are denominated in dollars and originally bear interest at a floating rate linked to LIBOR. Our Ex-Im guarantee facilities typically offer an option to fix the applicable interest rate. We have exercised this option with respect to \$285.8 million as of March 31, 2006 at an average weighted interest rate of 4.46%. The remaining \$43.5 million bears interest at an average weighted interest of LIBOR plus 0.03%. At March 31, 2006, the total amount outstanding under our Ex-Im-supported financings totaled \$329.3 million.

We effectively extend the maturity of our Boeing aircraft financing to 15 years through the use of a "Stretched Overall Amortization and Repayment," or SOAR, structure which provides serial draw-downs calculated to result in a 100% loan accreting to a recourse balloon at the maturity of the Ex-Im guaranteed loan. The SOAR portions of our facilities require us to maintain certain financial covenants, including an EBITDAR to fixed charge ratio, a net debt to capitalization ratio and minimum net worth. To comply with the first ratio, our EBITDA plus aircraft rent expense, or EBITDAR, for the prior year must be at least 2.5 times our fixed charge expenses (including interest, commission, fees, discounts and other finance payments) for that year. To comply with the second ratio, our tangible net worth shall be at least five times our long-term obligations. Third, our tangible net worth must be at least \$50 million. As of March 31, 2006, we complied with all required covenants. We also pay a commitment fee on the unutilized portion of our SOAR loans.

We also typically finance approximately 10% of the purchase price of our Boeing aircraft through commercial loans which totaled \$62.2 million as of March 31, 2006. Under the commercial loan agreements for aircraft received in 2002, we are required to comply with four specific financial covenants. The first covenant requires our EBITDAR for the prior year to be at least 1.9 times our finance charge expenses (including interest, commission, fees, discounts and other finance payments) for the first year of the agreement and 2.0 times our finance charge expenses for the remainder of the agreement. The second covenant limits our net borrowings to 92% of our capitalization during the first two years, 90% during the next two years and 85% during the last six years of the agreement. The third covenant requires our tangible net worth to be at least \$30 million for the first two years, \$70 million for the next three years and \$120 million for the last four years of the agreement. The last covenant requires us to maintain a minimum of \$30 million in available cash (including cash equivalents and committed credit facilities) for the first five years and \$50 million for the last five years of the agreement. As of March 31, 2006 we complied with all required covenants.

Our Embraer aircraft purchases are not eligible for Ex-Im guaranteed financing. We arranged financing for the six Embraer aircraft to be delivered through the end of 2006, having obtained a commitment for senior term loan facilities in the amount of approximately \$134 million from PK AirFinance US, Inc., an affiliate of General Electric. The loans have a term of twelve years.

Upon our acquisition of AeroRepública, we arranged a commercial credit facility in the amount of \$15.0 million, primarily to refinance existing liabilities and to provide AeroRepública with working capital. This facility was divided in two tranches of \$5.0 million and \$10.0 million with maturities of three and five years, respectively. This facility is secured by credit card receivables. The facility required AeroRepública to maintain certain financial covenants such as a financial debt to EBITDAR ratio of less than 4.5. AeroRepública is currently in negotiations with lenders to restructure the existing two tranche facility into a one tranche facility with more favorable terms in the amount of approximately \$15 million which will be backed by a guarantee from Copa Holdings, S.A. The new facility under negotiation will include revised covenants which under the current facility are not being met by AeroRepública as of December 31, 2005. AeroRepública received a waiver from the lending institution through July 2006.

Capital resources. We finance our aircraft through long term debt and operating lease financings. Although we expect to finance future aircraft deliveries with a combination of similar debt arrangements and financing leases, we may not be able to secure such financing on attractive terms. To the extent we cannot secure financing, we may be required to modify our aircraft acquisition plans or incur higher than anticipated financing costs. We expect to meet our operating obligations as they become due through available cash and internally generated funds, supplemented as necessary by short-term credit lines.

We have placed firm orders with The Boeing Company for eight Boeing 737-Next Generation aircraft and we have purchase rights for an additional nine Boeing 737-Next Generation aircraft. We have also placed firm orders with Embraer for 18 Embraer 190 aircraft and we have options to purchase an additional 35 Embraer 190 aircraft. The schedule for delivery of our firm orders is as follows: ten in 2006, eight in 2007, six in 2008 and two in 2009. We meet our pre-delivery deposit requirements for our Boeing 737-Next Generation aircraft by paying cash, or by using medium-term borrowing facilities and/or vendor financing for deposits required 24 to 6 months prior to delivery. Pre-delivery deposits for our Embraer 190 aircraft are required 18, 12 and 6 months prior to delivery. We fund these deposits with our own cash.

Contractual Obligations

Our non-cancelable contractual obligations at March 31, 2006 included the following:

	At March 31, 2006						Thereafter
	Total	Rest of 2006	2007	2008	2009	2010	
	(in thousands of dollars)						
Aircraft and engine purchase commitments	\$ 769,001	\$ 252,133	\$ 302,959	\$ 171,961	\$ 41,948	\$ —	\$ —
Aircraft operating leases	134,989	24,834	31,941	28,791	22,483	12,600	14,340
Other operating leases	20,322	2,670	2,674	2,448	2,365	2,356	7,809
Short-term debt and long-term debt ⁽¹⁾	564,751	75,901	56,259	54,132	50,550	47,211	280,698
Total	\$ 1,489,063	\$ 355,538	\$ 393,833	\$ 257,332	\$ 117,346	\$ 62,167	\$ 302,847

(1) Includes actual interest and estimated interest for floating-rate debt based on December 31, 2005 rates.

Most contract leases include renewal options. Non-aircraft related leases have renewable terms of one year, and their respective amounts included in the table below have been estimated through 2010, but we cannot estimate amounts with respect to those leases for later years. Our leases do not include residual value guarantees.

Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet and we have no other off-balance sheet arrangements. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

Quantitative and Qualitative Disclosures about Market Risk

The risks inherent in our business are the potential losses arising from adverse changes to the price of fuel, interest rates and the U.S. dollar exchange rate.

Aircraft Fuel. Our results of operations are affected by changes in the price and availability of aircraft fuel. To manage the price risk, we use crude oil option contracts, zero cost collars and swap agreements. Market risk is estimated as a hypothetical 10% increase in the December 31, 2005 cost per gallon of fuel. Based on projected 2006 fuel consumption, such an increase would result in an increase to aircraft fuel expense of approximately \$17.6 million in 2006, not taking into account our derivative contracts. We currently have hedged approximately 15% of Copa's projected 2006 fuel requirements and 5% of Copa's projected fuel consumption from January 1, 2007 to May 31, 2007. All existing hedge contracts settle by May 2007. We may enter into additional hedging agreements in the future to reduce volatility in our fuel expenses.

Interest. Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments and operating leases and on interest income generated from our cash and investment balances. If interest rates average 10% more in 2006 than they did during 2005, our interest expense would increase by approximately \$0.6 million and the fair value of our debt would decrease by approximately \$5.8 million. If interest rates average 10% less in 2006 than they did in 2005, our interest income from cash equivalents would decrease by approximately \$0.4 million and the fair value of our debt would increase by approximately \$6.1 million. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate debt and cash equivalent balances at December 31, 2005.

Foreign Currencies. The majority of our obligations are denominated in U.S. dollars. Since Panama uses the U.S. dollar as legal tender, the majority of our operating expenses are also denominated in U.S. dollars. Our foreign exchange risk is limited as approximately 42% of our revenues are in U.S. dollars. While a significant part of our revenues are in foreign currency, no single currency represented more than 6% of our operating revenues in 2005, except for the Colombian Peso which represented 24%. Generally, our exposure to most of these foreign currencies is limited to the period of up to two weeks between the completion of a sale and the repatriation to Panama in dollars.

2005 Revenues and Expenses Breakdown by Currency

	<u>Revenue</u>	<u>Expense</u>
Argentinian Peso	4.3%	2.5%
Brazilian Real	5.9%	3.0%
Colombian Peso	24.3%	12.6%
Costa Rican Colon	3.7%	1.8%
Mexican Peso	4.2%	2.0%
U.S. Dollar	42.2%	71.9%
Venezuelan Bolivar	3.9%	1.7%
Other ⁽¹⁾	11.6%	4.5%

(1) Chilean Peso, Dominican Peso, Guatemalan Quetzal, Jamaican Dollar, Honduran Lempira, Haitian Gourde.

As a result of the acquisition of AeroRepública in April 2005, we have an increased exposure to the Colombian Peso than that noted in the table above. AeroRepública's revenues from April 22, 2005 to December 31, 2005 represent 16.9% of total consolidated revenues.

Outlook: Remainder of 2006

We seek to expand our Copa Airlines operation by adding frequencies and new routes with the addition of six new aircraft to our fleet, including two Boeing-737 Next Generation and four Embraer 190 aircraft. New routes for 2006 include Maracaibo, Venezuela; Montevideo, Uruguay; San Pedro Sula, Honduras; Port of Spain, Trinidad and Tobago; Manaus, Brazil; and Santiago, Dominican Republic. For the remainder of 2006, we expect to continue to concentrate on keeping our operating costs low and pursuing ways to make our operations more efficient.

We intend to continue to apply our know-how to improve the operations at AeroRepública. As part of our plan to modernize AeroRepública's fleet, we currently expect to take delivery of four Embraer aircraft in late 2006. We seek to make further improvements at AeroRepública, including a continued focus on on-time performance, a renovation of aircraft interiors, further integration of Copa's and AeroRepública's network through codesharing agreements and improvement of overall efficiency.

We expect jet fuel prices will continue to be high in 2006 and expect to continue evaluating fuel hedging programs to help protect us against short-term movements in crude oil prices. We also expect interest rates to increase during the rest of 2006 which would increase the amount of interest expense related to the 38% of our debt that bears interest at floating rates.

We expect our consolidated capacity to increase by approximately 21% in the last seven months of 2006 compared to our consolidated capacity at May 31, 2006, primarily as a result of six new aircraft scheduled to be received by Copa in the last seven months of 2006.

BUSINESS

Overview

We are a leading Latin American provider of airline passenger and cargo service through our two principal operating subsidiaries, Copa and AeroRepública. Copa operates from its strategically located position in the Republic of Panama, and AeroRepública provides service primarily within Colombia. Our fleet currently consists of 22 Boeing 737-Next Generation aircraft, two Embraer 190 aircraft, 11 MD-80 aircraft and two DC-9 aircraft (one of which is currently retired). We currently have firm orders for eight Boeing 737-Next Generation and 18 Embraer 190s, and purchase rights and options for up to nine additional Boeing 737-Next Generation and 35 additional Embraer 190s.

Copa was established in 1947 and currently offers approximately 92 daily scheduled flights among 30 destinations in 20 countries in North, Central and South America and the Caribbean from its Panama City hub. Copa provides passengers with access to flights to more than 120 other destinations through codeshare arrangements with Continental pursuant to which each airline places its name and flight designation code on the other's flights. Through its Panama City hub, Copa is able to consolidate passenger traffic from multiple points to serve each destination effectively.

Copa operates a modern fleet of 22 Boeing 737-Next Generation aircraft and two Embraer 190 aircraft with an average age of approximately 3.6 years as of May 31, 2006. To meet its growing capacity requirements, Copa has firm commitments to accept delivery of 21 additional aircraft through 2009 and has purchase rights and options that, if exercised, would allow it to accept delivery of up to 24 additional aircraft through 2009. Copa's firm orders are for eight additional Boeing 737-Next Generation aircraft and 13 additional Embraer 190s, and its purchase rights and options are for up to nine Boeing 737-Next Generation aircraft and up to 15 Embraer 190s.

Copa started its strategic alliance with Continental in 1998. Since then, it has conducted joint marketing and code-sharing arrangements, and participated in the award-winning OnePass frequent flyer loyalty program globally and on a co-branded basis in Latin America. We believe that Copa's co-branding and joint marketing activities with Continental have enhanced its brand in Latin America, and that the relationship with Continental has afforded it cost-related benefits, such as improving purchasing power in negotiations with aircraft vendors and insurers. Copa's alliance and related services agreements with Continental are in effect until 2015.

During the second quarter of 2005, we purchased AeroRepública, a Colombian air carrier that was the second-largest domestic carrier in Colombia in terms of number of passengers carried in 2005, providing predominantly point-to-point service among 12 cities in Colombia and to Copa's Panama City hub. AeroRepública currently operates a fleet of eleven leased MD-80s and two owned DC-9s (one of which is currently retired). As part of its fleet modernization and expansion plan, AeroRepública has firm commitments to accept delivery of five Embraer 190 aircraft through 2007 and purchase rights and options to purchase up to 20 additional Embraer 190 aircraft through 2011.

Since January 2001, we have grown significantly and have established a track record of consistent profitability, recording five consecutive years of increasing earnings. Our total operating revenues have increased from \$290.4 million in 2001 to \$608.6 million in 2005, while our net income has increased from \$14.8 million to \$83.0 million over the same period. Our operating margins also improved from 8.6% in 2001 to 17.9% in 2005.

Our Strengths

We believe our primary business strengths that have allowed us to compete successfully in the airline industry include the following:

- *Our "Hub of the Americas" airport is strategically located.* We believe that Copa's base of operations at the geographically central location of Tocumen International Airport in Panama City, Panama provides convenient connections to our principal markets in North, Central and South America and the Caribbean, enabling us to consolidate traffic to serve several destinations that do not generate enough demand to justify point-to-point service. Flights from Panama operate with few service disruptions due to weather, contributing to high completion factors and on-time performance. Tocumen International Airport's sea-level altitude allows our aircraft to operate without performance restrictions that they would be subject to at

higher-altitude airports. We believe that Copa's hub in Panama allows us to benefit from Panama City's status as a center for financial services, shipping and commerce and from Panama's stable, dollar-based economy, free-trade zone and growing tourism industry.

- *We focus on keeping our operating costs low.* In recent years, our low operating costs and efficiency have contributed significantly to our profitability. Our operating cost per available seat mile was 8.72 cents in 2004 and 9.30 cents in 2005. Our operating cost per available seat mile excluding costs for fuel and fleet impairment charges was 7.50 cents in 2001, 7.59 cents in 2002, 7.17 cents in 2003, 7.01 cents in 2004, 6.52 cents in 2005 and 6.37 cents for the three months ended March 31, 2006. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" for a reconciliation of our operating cost per available seat mile when excluding costs for fuel and fleet impairment charges to our operating cost per available seat mile. We believe that our cost per available seat mile reflects our modern fleet, efficient operations and the competitive cost of labor in Panama.
- *Copa operates a modern fleet.* Copa completed the replacement of all of its Boeing 737-200 aircraft in the first quarter of 2005 with Boeing 737-Next Generation aircraft equipped with winglets and other modern cost-saving and safety features. Copa also recently accepted delivery of its first two Embraer 190 aircraft. Over the next four years, Copa intends to enhance its modern fleet through the addition of at least eight additional Boeing 737-Next Generation aircraft and 13 new Embraer 190s. We believe that Copa's modern fleet contributes to its on-time performance and high completion factor (percentage of scheduled flights not cancelled). We expect our Boeing 737-700s and 737-800s and our new Embraer 190s to offer substantial operational cost savings over the replaced aircraft in terms of fuel efficiency and maintenance costs. AeroRepública is currently implementing a fleet modernization and expansion plan with firm commitments on five new Embraer 190s and options for an additional 20 Embraer 190 aircraft.
- *We believe Copa has a strong brand and a reputation for quality service.* We believe that the Copa brand is associated with value to passengers, providing world-class service and competitive pricing. For the three months ended March 31, 2006, Copa Airline's statistic for on-time performance was 92.3%, completion factor was 99.7% and baggage handling was 1.2 mishandled bags per 1000 passengers. Our goal is to apply our expertise in these areas to improve AeroRepública's service statistics to comparable levels. Our focus on customer service has helped to build passenger loyalty. We believe that our brand has also been enhanced through our relationship with Continental, including our joint marketing of the OnePass loyalty program in Latin America, the similarity of our aircraft livery and aircraft interiors and our participation in Continental's President's Club lounge program.
- *Our management fosters a culture of teamwork and continuous improvement.* Our management team has been successful at creating a culture based on teamwork and focused on continuous improvement. Each of our employees at Copa has individual objectives based on corporate goals that serve as a basis for measuring performance. When corporate operational and financial targets are met, employees at Copa are eligible to receive bonuses according to our profit sharing program. See "Business—Employees." We also recognize outstanding performance of individual employees through company-wide recognition, one-time awards, special events and, in the case of our senior management, grants of restricted stock and stock options. Copa's goal-oriented culture and incentive programs have contributed to a motivated work force that is focused on satisfying customers, achieving efficiencies and growing profitability. We seek to create a similar culture at AeroRepública.

Our Strategy

Our goal is to continue to grow profitably and enhance our position as a leader in Latin American aviation by providing a combination of superior customer service, convenient schedules and competitive fares, while maintaining competitive costs. The key elements of our business strategy include the following:

- *Expand our network by increasing frequencies and adding new destinations.* We believe that demand for air travel in Latin America is likely to expand in the next decade, and we intend to use our increasing fleet capacity to meet this growing demand. We intend to focus on expanding our operations by increasing flight frequencies on our most profitable routes and initiating service to new destinations. Copa's Panama City hub allows us to consolidate traffic and provide service to certain underserved markets, particularly in Central

America and the Caribbean, and we intend to focus on providing new service to regional destinations that we believe best enhance the overall connectivity and profitability of our network. With the addition of Embraer 190 aircraft and growth in overall capacity, we expect to have more flexibility in scheduling our flights for our customers' convenience.

- *Continue to focus on keeping our costs low.* We seek to reduce our cost per available seat mile without sacrificing services valued by our customers as we execute our growth plans. Our goal is to maintain a modern fleet and to make effective use of our resources through efficient aircraft utilization and employee productivity. We intend to reduce our distribution costs by increasing direct sales, including internet and call center sales, as well as improving efficiency through technology and automated processes.
- *Introduce service with new Embraer 190 aircraft.* We believe that the addition of the Embraer 190 aircraft allows us to provide efficient service to new destinations in underserved markets. In addition, we believe that the Embraer 190s enhance our ability to efficiently match our capacity to demand, allowing us to improve service frequencies to currently served markets and to redeploy our higher capacity aircraft to serve routes with greater demand.
- *Emphasize superior service and value to our customers.* We intend to continue to focus on satisfying our customers and earning their loyalty by providing a combination of superior service and competitive fares. We believe that continuing our operational success in keeping flights on time, reducing mishandled luggage and offering convenient schedules to attractive destinations will be essential to achieving this goal. We intend to continue to incentivize our employees to improve or maintain operating and service metrics relating to our customers' satisfaction by continuing our profit sharing plan and employee recognition programs and to reward customer loyalty with the popular OnePass frequent flyer program, upgrades and access to President's Club lounges.
- *Capitalize on opportunities at AeroRepública.* We are seeking to enhance AeroRepública's market share and profitability through a variety of initiatives, including modernizing its fleet, integrating its route network with Copa's and improving overall efficiency. We also seek to increase customer loyalty by making further operational improvements at AeroRepública, such as on-time performance which improved from 70.4% during the six months ended December 31, 2005 to 81.9% during the three months ended March 31, 2006, and in March 2006, we implemented the OnePass frequent flyer program at AeroRepública.

History

Copa was established in 1947 by a group of Panamanian investors and Pan American World Airways, which provided technical and economic assistance as well as capital. Initially, Copa served three domestic destinations in Panama with a fleet of three Douglas C-47 aircraft. In the 1960s, Copa began its international service with three weekly flights to cities in Costa Rica, Jamaica and Colombia using a small fleet of Avro 748s and Electra 188s. In 1971, Pan American World Airways sold its stake in Copa to a group of Panamanian investors who retained control of the airline until 1986. During the 1980s, Copa suspended its domestic service to focus on international flights.

In 1986, CIASA purchased 99% of Copa, which was controlled by the group of Panamanian shareholders who currently control CIASA. From 1992 until 1998, Copa was a part of a commercial alliance with Grupo TACA's network of Central American airline carriers. In 1997, together with Grupo TACA, Copa entered into a strategic alliance with American Airlines. After a year our alliance with American was terminated by mutual consent. In May 1998, CIASA sold a 49% stake in Copa Holdings to Continental and entered into an extensive alliance agreement with Continental providing for code-sharing, joint marketing, technical ex-changes and other cooperative initiatives between the airlines.

Since 1998, we have grown and modernized our fleet while improving customer service and reliability. In 1999, we received our first Boeing 737-700s and in 2003 we received our first Boeing 737-800s. In the first quarter of 2005, we completed our fleet renovation program and discontinued use of our last Boeing 737-200s. Since 1998, Copa has expanded from 24 destinations in 18 countries to 30 destinations in 20 countries. We plan to continue our expansion in the future, and we plan to almost double our fleet over the next five years.

AeroRepública

We acquired 85.6% of AeroRepública on April 22, 2005 and another 14.2% in a series of transactions ending in the second half of 2005. We carried out the acquisition by purchasing substantially all of the equity ownership interest in AeroRepública from its several former shareholders for an aggregate purchase price of approximately \$23.4 million, including acquisition costs. According to the Colombian Civil Aviation Administration, *Unidad Especial Administrativa de Aeronáutica Civil*, AeroRepública is the second largest passenger air carrier in Colombia, with a market share of approximately 25% of the domestic traffic in Colombia in 2005 and approximately 1,238 employees.

Our goal is to achieve growth at AeroRepública through a combination of increasing Colombian domestic passenger traffic volume and increasing market share, particularly in the business travelers segment. We believe that Copa's operational coordination with AeroRepública may create additional passenger traffic in our existing route network by providing Colombian passengers more convenient access to the international destinations served through our Panama hub.

Since our acquisition, AeroRepública's on-time performance has improved from 70.4% during the period from the date of our acquisition to December 31, 2005 to 81.9% during the three months ended March 31, 2006. We have centralized certain administrative functions common to Copa and AeroRepública, including information technology, corporate planning and internal audits. We have also implemented e-ticketing at AeroRepública, and AeroRepública now participates in the OnePass frequent flyer loyalty program. Looking ahead, we seek to continue aircraft interior renovations in our AeroRepública aircraft and complete our fleet renovation program.

We believe that AeroRepública's revenues were approximately \$87 million for 2003 and approximately \$118 million for 2004. We also believe that during those years AeroRepública operated with very low net operating margins and experienced a net loss in 2003. However, in the course of our due diligence investigations in connection with the purchase, we and our external accounting advisors discovered certain inconsistencies in AeroRepública's accounting and internal controls that caused us to believe that its published financial statements as prepared under Colombian GAAP may not have accurately reflected its results of operations for the years covered. Since we acquired AeroRepública, we have retained an internationally recognized accounting firm to assist us in the maintenance of accounting records, perform additional analyses and post-closing procedures necessary for the preparation of AeroRepública's financial statements and provide other assistance in areas in which AeroRepública had insufficient internal resources. Additionally, our accounting personnel have been directly involved in the preparation and review of AeroRepública's financial information consolidated into our financial statements subsequent to the acquisition. As a result, we believe the financial information of AeroRepública that is consolidated into our financial statements has been prepared in accordance with U.S. GAAP and that our interim financial statements for the periods subsequent to our acquisition of AeroRepública are materially correct. Our management and audit committee have developed plans for the remediation of the deficiencies in AeroRepública's internal controls. These plans include additional oversight by our accounting personnel, further education and training in U.S. GAAP for AeroRepública's existing personnel and engaging outside resources to assist in the design and implementation of additional internal controls. We expect to continue to carry out these plans during the next year in connection with our initial assessment of our internal control over financial reporting as of December 31, 2006, as required by Section 404 of the Sarbanes-Oxley Act of 2002. The consolidation of AeroRepública into our results of operations has substantially increased our revenues and decreased our operating margins and is likely to do so for the foreseeable future.

Industry

In Latin America, the scheduled passenger service market consists of three principal groups of travelers: strictly leisure, business and travelers visiting friends and family. Leisure passengers and passengers visiting friends and family typically place a higher emphasis on lower fares, whereas business passengers typically place a higher emphasis on flight frequency, on-time performance, breadth of network and service enhancements, including loyalty programs and airport lounges.

According to data from the International Air Transport Association, or IATA, Latin America comprised approximately 8.2% of worldwide passengers flown in 2005, or 105 million passengers. A significant percentage of this traffic consisted of passengers flying between the United States and Latin America.

The Central American aviation market is dominated by international traffic. According to data from IATA, international traffic represented more than 69.2% of passengers carried and 84.4% of passenger miles flown in Central America in 2005. International passenger traffic is concentrated between North America and Central America. This segment represented 73.3% of international passengers flown in Central America in 2005, compared to 18.1% for passengers flown between Central America and South America and 8.6% for passengers flown between Central American countries. Total passengers flown on international flights in Central America grew by 26.0% in 2005, and load factors on international flights to and from Central America were 72.8% on average.

Domestic traffic, or flights within Central American countries, represented approximately 30.8% of passengers carried and 15.6% of passenger miles flown in 2005. Average load factors on domestic flights within Central America were 66.6% in 2005. The chart below details passenger traffic in 2005.

2005 IATA Traffic Results							
	Passengers Carried (Thousands)	Change (%)	Passenger Miles (Millions)	Change (%)	ASMs (Million)	Change (%)	Load Factor
International Scheduled Service							
North America — Central America	18,922	4.1%	27,855	1.2%	37,718	(2.1)%	73.9%
North America — South America	19,377	10.4%	37,171	11.4%	51,486	6.6%	72.2%
Central America — South America	4,666	17.2%	8,951	28.2%	12,601	26.1%	71.0%
Within Central America	2,214	(5.6)%	1,090	(16.9)%	1,712	(27.4)%	63.6%
Within South America	8,595	21.8%	10,862	12.3%	14,771	7.2%	73.5%
Domestic Scheduled Service							
Central America	11,487	(4.4)%	6,992	(3.7)%	16,900	(7.7)%	66.6%
South America	40,183	19.7%	20,657	18.4%	48,010	13.9%	69.2%

Panama serves as a hub for connecting passenger traffic between major North American, South American, Caribbean and Central American markets.

Accordingly, passenger traffic to and from Panama is significantly influenced by economic growth in surrounding regions. Major passenger traffic markets in North America, South America and Central America experienced growth in their GDP in 2005 on both an absolute and per capita basis. Real GDP in our two most important markets also grew in 2004, increasing by 7.6% in Panama and 4.0% in Colombia in 2004. In 2005, real GDP increased by 5.5% in Panama and by 5.1% in Colombia, according to the International Monetary Fund's estimates.

	GDP		GDP per Capita
	2005 GDP Current Prices (US\$bn)	2005 Real GDP (% Growth)	2005 GDP per Capita Current Prices (US\$)
Brazil	792.7	2.3%	4,315.7
Argentina	181.7	9.2%	4,802.1
Chile	114.0	6.3%	7,040.3
Mexico	768.4	3.0%	7,297.6
Colombia	122.3	5.1%	2,742.5
Panama	15.2	5.5%	4,722.2
USA	12,485.7	3.5%	42,101.3

Source: International Monetary Fund, World Economic Outlook Database, April 2006; real GDP growth calculated in local currency

Panama has benefitted from a stable economy with moderate inflation and steady GDP growth. According to World Bank estimates, from 1999 to 2003 Panama's real GDP grew at an average annual rate of 2.9% while inflation

averaged 0.6% per year. The service sector represents approximately 76% of total real GDP in Panama, a higher percentage of GDP than the service sector represents in most other Latin American countries. The World Bank currently estimates Panama's population to be approximately 3.2 million in 2004, an increase of approximately 3.3% from 3.1 million in 2003, with the majority of the population concentrated in Panama City, where our hub at Tocumen International Airport is located. We believe the combination of a stable, service-oriented economy and steady population growth has helped drive our domestic origin and destination passenger traffic. The World Bank estimates that annual aircraft departures in Panama increased by approximately 5.1% from 25,700 in 2003 to 27,000 in 2004.

Domestic travel within Panama primarily consists of individuals visiting families as well as domestic and foreign tourist visiting the countryside. Most of this travel is done via ground transportation, and its main flow is to and from Panama City, where most of the economic activity and population is concentrated. Demand for domestic air travel is growing and relates primarily to leisure travel from foreign and local tourist. The market is served primarily by two local airlines, Turismo Aereo and Aeroperlas, which operate turbo prop aircraft generally with less than 50 seats. These airlines do not offer international service and operate in the domestic terminal of Panama City, which is located 30 minutes by car from Tocumen International Airport.

Colombia is the third largest country in Latin America in terms of population, with a population of approximately 45 million in 2004 according to the World Bank, and has a land area of approximately 440,000 square miles. Colombia's GDP was approximately \$122.3 billion in 2005, and per capita income was approximately \$2,742 (current prices) according to the International Monetary Fund. Colombia's geography is marked by the Andean mountains and an inadequate road and rail infrastructure, making air travel a convenient and attractive transportation alternative. Colombia shares a border with Panama, and for historic, cultural and business reasons it represents a significant market for many Panamanian businesses.

Route Network and Schedules

Copa

As of March 31, 2006, Copa provided regularly scheduled flights to 30 cities in North, Central and South America and the Caribbean. Substantially all of our Copa flights operate through our hub in Panama which allows us to transport passengers and cargo among a large number of destinations with service which is more frequent than if each route were served directly.

We believe our hub-and-spoke model is the most efficient way for us to operate our business since most of the origination/destination city pairs we serve do not generate sufficient traffic to justify a point-to-point service. Also, since we serve many countries, it would be very difficult to obtain the bilateral route rights necessary to operate a competitive point-to-point system.

We schedule a morning bank and an evening bank of flights, with flights timed to arrive at the hub at approximately the same time and to depart a short time later. Over the next few years, as our hub expands to allow us to de-peak our schedules and with the addition of two new banks to our hub, we intend to increase the number of destinations and frequencies. Operating more banks during the day will increase our asset utilization and allow us to utilize the employees at our hub more efficiently since periods of low activity without arriving or departing flights at the hub will be shorter. Additional banks will also give us the opportunity to provide more frequent service to many destinations, allow some passengers more convenient connections and increase the flexibility of scheduling flights throughout our route network.

The following table sets forth certain information with respect to our route system based on our flight schedule in effect as of March 31, 2006:

Number of Passengers Carried

Region	ASMs per Week	Year Ended December 31,		
		2003	2004	2005
North America	22,961,778	335,294	395,497	487,852
Central America	8,900,633	655,726	741,295	855,491
South America	49,098,742	799,057	884,298	1,120,355
Caribbean	13,614,008	265,660	290,372	339,975

As a part of our strategic relationship with Continental, Copa provides flights through code-sharing arrangements to over 120 other destinations. Copa also provides flights through its tactical and regional code-sharing arrangements with AeroRepública, Mexicana, Gol and Gulfstream International Airlines.

In addition to increasing the frequencies to destinations we already serve, Copa's business strategy is also focused on adding new destinations across Latin America, the Caribbean and North America in order to increase the attractiveness of our Hub of the Americas at Tocumen International Airport hub for intra-American traffic. We currently plan to introduce new destinations and to increase frequencies to many of the destinations that Copa currently serves. The addition of the Embraer 190 aircraft, together with the Boeing 737-Next Generation aircraft, allows us to improve our service by increasing frequencies and service to new destinations with the right-sized aircraft.

Our plans to introduce new destinations and increase frequencies depend on the allocation of route rights, a process over which we do not have direct influence. Route rights are allocated through negotiations between the government of Panama and the governments of countries to which we intend to increase flights. If we are unable to obtain route rights, we will exercise the flexibility within our route network to re-allocate capacity as appropriate.

We do not currently provide any domestic service in the Republic of Panama, choosing instead to focus entirely on international traffic. We divide our sales and marketing into the following regions: North America; South America; Central America (excluding Panama); the Caribbean; and Panama. The following table shows our sales generated in each of these regions.

Revenue by Region

Region	Year Ended December 31,		
	2003	2004	2005
North America ⁽¹⁾	15.2%	16.6%	17.2%
South America	38.1%	37.2%	39.6%
Central America ⁽²⁾	34.6%	34.3%	31.6%
Caribbean ⁽³⁾	12.1%	11.9%	11.6%

(1) The United States, Canada and Mexico.

(2) Includes Panama.

(3) Cuba, Dominican Republic, Haiti, Jamaica, Puerto Rico

AeroRepública

AeroRepública currently provides scheduled service to the following cities in Colombia:

Destinations Served	Date Service Commenced	Departures Scheduled per Week⁽¹⁾	Number of Passengers Carried During the Year Ended December 31, 2005
Barranquilla	Jun 1995	26	102,252
Bogotá	Jun 1993	259	985,391
Bucaramanga	May 1995	20	84,025
Cali	Jun 1993	61	275,731
Cartagena	Jun 1993	50	193,255
Cúcuta	Nov 2005	14	5,347
Leticia	Nov 1993	7	31,667
Medellín	Oct 1994	69	213,758
Montería	Jul 1994	14	64,107
Panama	Dec 2005	14	4,839
Pereira	Mar 2003	14	40,500
San Andrés	Jun 1993	33	179,746
Santa Marta	Jun 1993	15	74,696

(1) As of March 31, 2006.

In addition to the destinations described above, AeroRepública periodically operates charter flights to Margarita Island, Venezuela; Havana, Cuba; Punta Cana, Dominican Republic and Montego Bay, Jamaica.

AeroRepública was granted the authorization to fly regular services to Panama City from Cali, Medellín, Cartagena and San Andrés, Colombia. As a result, AeroRepública added international service to its schedule in December 2005, with daily flights to Panama City from Medellín and Cartagena, Colombia. We expect that AeroRepública's new service on these routes will provide feeder traffic and complement Copa's existing service out of Panama City. In addition, AeroRepública started operations on the routes from Cali, Medellín and Bogotá to Cúcuta in December 2005 and November 2005, respectively. While AeroRepública retains the right to operate the Cali to Medellín route, service was temporarily discontinued in January 2006.

AeroRepública was also granted the authorization to fly between Pereira and Panama, Pereira and San José (Costa Rica), Panama and San José (Costa Rica) and San Andrés and San José (Costa Rica). AeroRepública has applied for authorization to fly routes between Bogotá and Panamá and Bogotá and Armenia (Colombia). In addition to code-sharing with Copa, AeroRepública also has code-sharing agreements with Air Plus Comet, which provides AeroRepública the ability to offer expanded international service to its customers. Colombia has open-skies agreements with the Andean Pact (*Comunidad Andina*) nations of Bolivia, Ecuador, Peru and Venezuela.

Airline Operations**Passenger Operations**

Passenger revenues accounted for approximately \$466.1 million or 92.2% of Copa's total revenues in 2005, all earned from international routes. Leisure traffic, which makes up close to half of Copa's total traffic, tends to coincide with holidays, school vacations and cultural events and peaks in July and August and again in December and January. Despite these seasonal variations, Copa's overall traffic pattern is relatively stable due to the constant influx of business travelers. Approximately 40% of Copa passengers regard Panama City as their destination or origination point, and most of the remaining passengers pass through Panama City in transit to other points on our route network.

AeroRepública's business is more concentrated on passenger service, which in 2005 accounted for approximately 96.2% of its total revenues. The majority of AeroRepública's customers are leisure travelers and travelers

visiting friends and family, and traffic is heaviest during the vacation months of July, August and the holiday season in December.

Cargo Operations

In addition to our passenger service, we make efficient use of extra capacity in the belly of our aircraft by carrying cargo. Copa's cargo business generated revenues of approximately \$24.1 million in 2003, \$28.2 million in 2004 and \$31.0 million in 2005, representing 7.0%, 7.0% and 6.1%, respectively, of Copa's operating revenues. We sold our remaining dedicated Boeing 737-200 Freighter aircraft in April 2002. However, we still wet-lease freighter capacity from time to time to reliably meet our cargo customers' needs. In 2005, our cargo business consisted of approximately 75.6% in courier and freight; 22.4% in wet leases; and 2.0% in mail service. Of these sub-categories of service, courier traffic has shown the most growth, and we expect that in the future it will constitute a larger share of our cargo business.

Pricing and Revenue Management

Copa

Copa has designed its fare structure to balance its load factors and yields in a way that it believes will maximize profits on its flights. Copa also maintains revenue management policies and procedures that are intended to maximize total revenues, while remaining generally competitive with those of our major competitors.

Copa charges slightly more for tickets on higher-demand routes, tickets purchased on short notice and other itineraries suggesting a passenger would be willing to pay a premium. This represents strong value to Copa's business customers, who can count on competitive rates when flying with Copa. The number of seats Copa offers at each fare level in each market results from a continual process of analysis and forecasting. Past booking history, seasonality, the effects of competition and current booking trends are used to forecast demand. Current fares and knowledge of upcoming events at destinations that will affect traffic volumes are included in Copa's forecasting model to arrive at optimal seat allocations for its fares on specific routes. Copa uses a combination of approaches, taking into account yields, flight load factors and effects on load factors of continuing traffic, depending on the characteristics of the markets served, to arrive at a strategy for achieving the best possible revenue per available seat mile, balancing the average fare charged against the corresponding effect on our load factors. Copa recently replaced its Revenue Management software with Airmax, a more sophisticated revenue management system designed by Sabre.

During 2002, Copa purchased an automated pricing system from SMG Technologies that allows it to efficiently monitor its competitors' published, unpublished and web fares and easily file fares with automated services. This gives Copa the time to publish competitive fares to and from points in the United States that it serves via its code-share agreement with Continental and to analyze the impact of any change on revenue. The system was fully implemented in February 2004.

AeroRepública

Improvements are being made to AeroRepública's revenue management, pricing capabilities and systems that we expect will be completely in place by early 2006. We are in the process of implementing the Airmax revenue management system in AeroRepública.

Relationship with Continental Airlines

In recent years, many airlines have sought to form marketing alliances with other carriers. Such alliances generally provide for code-sharing, frequent flyer reciprocity, coordinated scheduling of flights of each alliance member to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an opportunity for the airline to increase traffic on flight segments which connect with those of the alliance partners.

In May 1998, Continental entered into an alliance agreement, as well as related services, frequent flyer participation, trademark and other agreements with Copa. These agreements were initially signed for a period of ten years. Copa amended and restated the major agreements in November 2005 and extended them through 2015. Continental's continued ownership of our shares is not a condition to the ongoing effectiveness of these agreements. We have started to involve AeroRepública in some aspects of Copa's alliance with Continental, beginning with AeroRepública's participation in the OnePass frequent flyer loyalty program. Our alliance with Continental currently enjoys antitrust immunity in the United States which allows us to coordinate pricing, scheduling and joint marketing initiatives. In an effort to maximize the benefit from the relationship, Continental and Copa work together on the following initiatives:

Product Positioning. Since the start of the alliance with Continental, Copa has introduced a new image to align itself more tangibly with the U.S. carrier. Copa's color scheme, logo, aircraft interior and staff uniforms are similar to Continental's. With initiatives such as the introduction of Copa's business class product *Clase Ejecutiva* and a smoke-free cabin, the Copa "in-flight" product was modeled on Continental's. Furthermore, Copa's business class passengers enjoy access to Continental's President's Club business lounges, and Copa jointly operates a co-branded President's Club lounge with Continental at Tocumen International Airport.

Copa has also fully adopted Continental's OnePass frequent flyer program and rolled out a co-branded joint product in much of Latin America which has enabled it to develop brand loyalty among its travelers. The co-branding of the OnePass loyalty programs has helped it by leveraging the brand recognition that Continental already enjoyed across Latin America and enabling the two airlines to compete more effectively against regional competitors such as Grupo TACA and the oneworld alliance represented by American Airlines and LAN Airlines.

Continental is currently sponsoring Copa's proposed association with the Sky Team global alliance network, which also includes Delta, Northwest, Aeromexico, Air France, Alitalia, KLM, Korean Air, AeroFlot and CSA Czech.

Code-sharing. We currently place the Copa designator code on Continental operated flights from Panama to Houston and Panama to Newark. In addition, Continental flights carrying the Copa code operate to over 120 other Continental destinations, primarily through Continental's gateways in Houston and Newark. Continental's flights from Guatemala City and Managua City to Houston, and from Guatemala City to Newark also carry Copa's code. In May 2001, the DOT awarded Copa antitrust immunity for our code-share agreement, allowing Copa to deepen the alliance through, among other things, coordinating schedules and pricing. The downgrading of the Panamanian AAC to IASA's Category 2 in 2001, although no reflection on Copa's own safety standards, resulted in the suspension of its code-share status with Continental until Category 1 status was restored in April 2004. See "—Safety."

Aircraft Maintenance & Flight Safety. Continental and Copa have been cooperating closely to fully integrate both airlines' maintenance programs. Continental and Copa's maintenance programs for the Boeing 737-Next Generation are identical. We share Continental's Sceptre inventory management software which allows Copa to pool spare parts with the larger airline and we rely on Continental to provide engineering support for maintenance projects. We have also been able to take advantage of Continental's purchasing power and negotiate more competitive rates for spare parts and third-party maintenance work.

Sales & Revenue Management. The two airlines have implemented a co-branding of our city ticket offices, or CTOs, throughout Latin America, and as a result both now enjoy greater access to this important direct sales channel at little incremental cost. Joint corporate and travel agency incentive programs are in place. Also, a new revenue management system and team were introduced at Copa under the direct management of experts brought in from Continental. We believe that we benefit from Continental's experience in distribution costs and channel strategy studies, and management as a whole is gaining an intangible benefit from the high level of cooperation with Continental.

Information Technology. By leveraging Continental's expertise and experience, we have implemented several important information technology systems, such as the Sceptre system for maintenance and the "SHARES" computer reservation system. In November 2000, we transitioned from the SABRE reservation and airport check-in system to "SHARES" in an effort to maintain commonality with Continental.

Fleet Modernization. All of Copa's Boeing aircraft share nearly identical configurations to Continental's configurations. We have also been able to take advantage of Continental's greater purchasing power with its suppliers, including Boeing, thus enabling us to negotiate lower purchase prices for these new aircraft.

Sales, Marketing and Distribution

Copa

Sales and Distribution. Approximately 75% of sales during 2004 were through travel agents and other airlines while approximately 25% were direct sales via our CTOs, our call centers, our airport counters or our website. Travel agents receive base commissions, not including back-end incentive payments, ranging from 0% to 12% depending on the country. The weighted average rate for these commissions during 2005 was 4.9%. In recent years, base commissions have decreased significantly in most markets as more efficient back-end incentive programs have been implemented to reward selected travel agencies that exceed their sales targets.

Travel agents obtain airline travel information and issue airline tickets through global distribution systems, or GDSs, that enable them to make reservations on flights from a large number of airlines. GDSs are also used by travel agents to make hotel and car rental reservations. Copa participates actively in all major international GDSs, including SABRE, Amadeus, Galileo and Worldspan. In return for access to these systems, Copa pays transaction fees that are generally based on the number of reservations booked through each system.

Copa has a sales and marketing network consisting of 78 domestic and international ticket offices, including airport and city ticket offices. Copa has 17 CTOs co-branded with Continental. During the year ended December 31, 2005, approximately 21% and 4% of its sales were booked through its ticket counters and its call centers, respectively.

E-tickets, a key component of our sales efforts through the Internet and Copa's call centers, was launched at the end of 2002 and, by December 2003, E-Ticketing for direct sales, non-revenue passengers (company business, elite reward travel and promotional travel), as well as American Airlines and Continental interline tickets had been implemented. E-tickets for travel agencies was implemented in the second quarter of 2004.

The call center that operates Copa's reservations and sales services handles calls from Panama as well as most other countries Copa flies to. Such centralization has resulted in a significant increase in telephone sales as it efficiently allowed for improvements in service levels such as 24-hour-a-day, 7-days-a-week service.

Copa encourages the use of direct Internet bookings by its customers because it is Copa's most efficient distribution channel. During mid 2002, Copa signed a contract with Amadeus to use their booking engine to facilitate ticket purchases on www.copaair.com and launched the system on January 6, 2003. The cost of each booking via the website is roughly 25% the cost of a regular travel agency booking. In 2004, Copa purchased a new booking engine in order to further reduce distribution costs; 2.3% of its 2005 sales were made via the website. Copa's goal is to channel more of its total sales through the website.

Advertising and Promotional Activities. Our advertising and promotional activities include the use of television, print, radio and billboards, as well as targeted public relation events in the cities where we fly. We believe that the corporate traveler is an important part of our business, and we particularly promote our service to these customers by conveying the reliability, convenience and consistency of our service and offering value-added services such as convention and conference travel arrangements, as well as our Business Rewards loyalty program for our frequent corporate travelers. We also promote package deals among the destinations where we fly through combined efforts with selected hotels and travel agencies.

AeroRepública

AeroRepública successfully implemented the OnePass frequent flyer program in March 2006. AeroRepública also implemented e-ticket host in January 2006 and expects to implement e-ticket interline with Copa and e-ticket with Amadeus during the second quarter of 2006, to complement its call center, 26 city ticket offices and 12 airport ticket offices. We believe e-ticketing will improve passenger convenience and reduce commission costs. In 2005,

approximately 76% of AeroRepública's sales were made through travel agencies and 24% were made directly to passengers.

Competition

We face intense competition throughout our route network. Overall airline industry profit margins are low and industry earnings are volatile. Airlines compete in the areas of pricing, scheduling (frequency and flight times), on-time performance, frequent flyer programs and other services. Copa competes with a number of other airlines that currently serve the routes on which we operate, including Grupo TACA, American Airlines Inc. and Avianca. Some of our competitors, such as American Airlines, have larger customer bases and greater brand recognition in the markets we serve outside Panama, and some of our competitors have significantly greater financial and marketing resources than we have. Airlines based in other countries may also receive subsidies, tax incentives or other state aid from their respective governments, which are not provided by the Panamanian government. The commencement of, or increase in, service on the routes we serve by existing or new carriers could negatively impact our operating results. Likewise, competitors' service on routes that we are targeting for expansion may make those expansion plans less attractive. We must constantly react to changes in prices and services offered by our competitors to remain competitive.

Traditional hub-and-spoke carriers in the United States and Europe have in recent years faced substantial and increasing competitive pressure from low-cost carriers offering discounted fares. The low-cost carriers' operations are typically characterized by point-to-point route networks focusing on the highest demand city pairs, high aircraft utilization, single class service and fewer in-flight amenities. As evidenced by the operations of Gol in Brazil and several new low-cost carriers planning to start service in Mexico, among others, the "low-cost carrier" business model appears to be gaining acceptance in the Latin American aviation industry, and we may face new and substantial competition from low-cost carriers in the future.

The main source of competition to Copa, and our alliance with Continental, comes from the multinational Grupo TACA and American Airlines, the U.S. airline with the largest Latin American route network. Colombian carrier Avianca is also a significant competitor.

Grupo TACA's strategy has been to develop three hubs at San Jose, Costa Rica, San Salvador, El Salvador and Lima, Peru, which serve more than 40 cities in 19 countries and compete with Copa's hub at Tocumen International Airport. Grupo TACA primarily operates a fleet of Airbus A319 and A320 aircraft and they have announced their intent to take delivery of a significant number of new Airbus aircraft between now and December 2009. We have routes to several of the Central American republics where Grupo TACA has established service, including Managua, Nicaragua, San Jose, Costa Rica and Guatemala.

American Airlines also offers significant competition. American attracts strong brand recognition throughout the Americas and is able to attract brand loyalty through its "AAdvantage" frequent flyer program. American Airlines competes through its hubs at Miami and San Juan, Puerto Rico. American Airlines was a founding member of the oneworld global marketing alliance.

LAN Airlines is another oneworld member that offers service to more than 50 destinations, primarily in Latin America. LAN Airlines is comprised of LAN Chile, LAN Peru, LAN Ecuador, LAN Argentina, LAN Cargo and LAN Express. While we do not compete directly with LAN Airlines on many of our current routes, LAN Airlines has grown rapidly over the past several years and may become a significant competitor in the future.

Copa is also introducing service to and from destinations where the local airline is less viable and competitive, such as the Dominican Republic (Santo Domingo and Santiago de los Caballeros), Ecuador (Quito and Guayaquil) and Venezuela (Maracaibo). Several smaller airlines also compete in Central America, such as Tikal Jets.

Copa has also established itself as a significant player on traffic to and from Colombia, with strong market share on routes to and from Barranquilla, Bogotá, Cali, Cartagena, Medellín and San Andres. AeroRepública competes more directly with Avianca and other Colombian carriers in the Colombian domestic market. Avianca emerged from U.S. bankruptcy protection, after being purchased by Brazil's Synergy Group. The new owners of Avianca have announced their intention to increase Avianca's market share and transform Bogotá into a major international aviation hub which, if successful, will compete directly with our hub at Tocumen International

Airport. We cannot predict whether Avianca will become more competitive under its new management, or if their increased operations from Bogotá will prove successful. The other Colombian carriers against which AeroRepública competes, Aires, Aerolíneas de Antioquia and the state-owned airline Satena, collectively accounted for approximately 21% of the domestic Colombian market in 2005. Airlines that seek to compete in the Colombian air transportation market face substantial barriers to entry, as the Colombian government requires an airline to operate at least five aircraft and comply with extensive filing and certification requirements before it becomes eligible to receive domestic route rights on certain Colombian routes between major cities. In addition, the number of air carriers offering service on any route is currently regulated by the Colombian Aviation Authority.

With respect to our cargo operations, we will continue to face competition from all of the major airfreight companies, most notably DHL, which has a cargo hub operation at Tocumen International Airport.

Aircraft

Copa

As of May 31, 2006, Copa operated a fleet consisting of 24 aircraft, including 18 Boeing 737-700 Next Generation aircraft, four Boeing 737-800 Next Generation aircraft and two Embraer 190 aircraft. Copa currently has firm orders to purchase eight additional Boeing 737-Next Generation aircraft and thirteen Embraer 190s. Copa also has options for an additional 15 Embraer 190s and purchase rights for an additional nine Boeing 737-Next Generation aircraft.

The current composition of the Copa fleet as of May 31, 2006 is more fully described below:

	Number of Aircraft			Average Term of Lease Remaining (Years)	Average Age (Years)	Seating Capacity
	Total	Owned	Leased			
Boeing 737-700	18	12	6	4.8	4.4	124
Boeing 737-800	4	3	1	6.5	2.0	155
Embraer 190	2	2	—	—	0.5	96
Total	24	17	7	5.0	3.6	—

As of May 31, 2006, the Copa fleet consisted of 18 Boeing 737-700s (six of which we leased), four Boeing 737-800s (one of which we leased) and two Embraer 190 aircraft. We expect our Copa fleet to continue to center on the Boeing 737-700 model, although we expect to continue to add Boeing 737-800s to our fleet to cover high-demand routes and Embraer 190s to serve underserved markets as well as fly additional frequencies where we believe excess demand exists. The table below describes the expected size of our Copa fleet at the end of each year set forth below, assuming delivery of all aircraft for which we currently have firm orders but not taking into account any aircraft for which we have options and purchase rights:

Aircraft Type	2006	2007	2008	2009
737-700	20	20	20	20
737-800(1)	4	6	8	10
Embraer 190	6	11	15	20
Total Fleet	30	37	43	50

(1) We have the flexibility to choose between the Boeing 737-700 or the Boeing 737-800 aircraft for most of the 737-700 aircraft deliveries scheduled after 2006.

The Boeing 737-700 and Boeing 737-800 aircraft currently in our Copa fleet are fuel-efficient and suit our operations well for the following reasons:

- They have simplified maintenance procedures.
- They require just one type of standardized training for our crews.
- They have one of the lowest operating costs in their class.

Our focus on profitable operations means that we periodically review our fleet composition. As a result, our fleet composition changes over time when we conclude that adding other types of aircraft will help us achieve this goal. The introduction of any new type of aircraft to our fleet is only done if, after careful consideration, we determine that such a step will improve our profitability. In line with this philosophy, after conducting a careful cost-benefit analysis, we decided to add the Embraer 190 aircraft because its combination of smaller size and highly efficient operating characteristics made it the ideal aircraft to serve new mid-sized markets and to increase frequency to existing destinations. The Embraer 190 incorporates advanced design features, such as integrated avionics, fly-by-wire flight controls, and efficient CF34-10 engines made by General Electric. The Embraer E190 is expected to have a range of approximately 2,000 nautical miles enabling it to fly to a wide range of destinations from short-haul to certain medium-haul destinations. We have configured Copa's Embraer aircraft with a business class section similar to the business class section we have on our Boeing 737-Next Generation aircraft.

Through several special purpose vehicles, we currently have beneficial ownership of 17 of our aircraft, including two Embraer 190s. In addition, we lease six of our Boeing 737-700s and one of our Boeing 737-800s under long-term operating lease agreements that have an average remaining term of 60 months. Leasing some of our aircraft provides us with flexibility to change our fleet composition if we consider it to be in our best interests to do so. We make monthly rental payments, some of which are based on floating rates, but are not required to make termination payments at the end of the lease. Currently, we do not have purchase options in any of our lease agreements. Under our operating lease agreements, we are required in some cases to maintain maintenance reserve accounts and in other cases to make supplemental rent payments at the end of the lease that are calculated with reference to the aircrafts' maintenance schedule. In either case, we must return the aircraft in the agreed upon condition at the end of the lease term. Title to the aircraft remains with the lessor. We are responsible for the maintenance, servicing, insurance, repair and overhaul of the aircraft during the term of the lease.

To better serve the growing number of business travelers, we introduced business class (*Clase Ejecutiva*) in November of 1998. Our business class service features twelve luxury seats in the Boeing 737-700s with a 38-inch pitch, upgraded meal service, special check-in desks, bonus mileage for full-fare business class passengers and access to VIP lounges. Our Boeing 737-800s are configured with 14 business class seats. Our Embraer 190s have 10 business class seats in a three abreast configuration and 38-inch pitch.

Each of our Boeing 737-Next Generation aircraft is powered by two CFM International Model CFM 56-7B engines. We currently have three spare engines for service replacements and for periodic rotation through our fleet.

AeroRepública

AeroRepública's fleet consists of two owned DC-9s (one of which is currently retired), five leased MD-81s, four leased MD-82s and two leased MD-83s with an average age in excess of 20 years. All of AeroRepública's fleet is configured as a single class, with the MD fleet having an average capacity of 157 seats and the DC-9 fleet having an average capacity of 110 seats. In the first quarter of 2006, we placed firm orders for five Embraer 190 aircraft with purchase rights and options for up to 20 additional Embraer aircraft. Delivery of four Embraer 190 aircraft is expected in late 2006. The configuration of AeroRepública's Embraer 190 will be single class with a capacity of 106 passengers.

Maintenance

Copa

The maintenance performed on our Copa aircraft can be divided into two general categories: line and heavy maintenance. Line maintenance consists of routine, scheduled maintenance checks on our aircraft, including pre-flight, daily and overnight checks, "A-checks" and any diagnostics and routine repairs. Most of Copa's line maintenance is performed by Copa's own highly experienced technicians at our base in Panama. Some line maintenance is also carried out at the foreign stations by Copa employees or third-party contractors. Heavy maintenance consists of more complex inspections and overhauls, including "C-checks," and servicing of the aircraft that cannot be accomplished during an overnight visit. Maintenance checks are performed as defined by the aircraft manufacturer. These checks are based on the number of hours or calendar months flown. We contract with certified outside maintenance providers, such as Goodrich Aviation Technical Services, Inc. in Everett, Washington, which is certified as an authorized repair station by the FAA and the AAC, for heavy aircraft maintenance services. Copa also has an exclusive long-term contract with GE Engines whereby they will perform maintenance on all of its CFM-56 engines. There were no heavy maintenance events in 2005. When possible, Copa attempts to schedule heavy maintenance during its lower-demand season in April, May, October and November.

Copa employs over 200 maintenance professionals, including engineers, supervisors, technicians and mechanics, who perform maintenance in accordance with maintenance programs that are established by the manufacturer and approved and certified by international aviation authorities. Every mechanic is trained in factory procedures and goes through our own rigorous in-house training program. Every mechanic is licensed by the AAC and approximately 22 of our mechanics are also licensed by the FAA. Copa's safety and maintenance procedures are reviewed and periodically audited by the aircraft manufacturer, the AAC, the FAA, IATA and, to a lesser extent, every foreign country to which its flies. Copa's maintenance facility at Tocumen International Airport has been certified by the FAA as an approved repair station, and each year the FAA inspects its facilities to renew the certification. Copa's aircraft are initially covered by warranties that have a term of four years, resulting in lower maintenance expenses during the period of coverage. As part of the purchase agreement for the new Embraer 190s, several of Copa's mechanics are enrolled in a comprehensive factory training course on the maintenance program for the Embraer 190s. All of Copa's mechanics will eventually be trained to perform line maintenance on the Embraer 190s. As part of the purchase agreement for the new Embraer 190s, all of Copa's mechanics have been qualified in Embraer maintenance procedures through a comprehensive factory training course as well as local on the job training in order to perform line maintenance on the Embraer 190s.

AeroRepública

All maintenance for AeroRepública's DC-9s and line maintenance for the MD-80s is performed by AeroRepública's in-house maintenance staff, while C-checks on the MD-80s are performed by FAA certified third-party aviation maintenance companies. All of AeroRepública's maintenance and safety procedures are performed according to Boeing standards (certified by the FAA), and certified by the Aeronautica Civil of Colombia and BVQI, the institute that issues ISO quality certificates. All of AeroRepública's maintenance personnel are licensed by the Aeronautica Civil of Colombia.

Safety

We place a high priority on providing safe and reliable air service. Copa has uniform safety standards and safety-related training programs that cover all of its operations. In particular, Copa periodically evaluates the skills, experience and safety records of its pilots in order to maintain strict control over the quality of its pilot crews. All of Copa's pilots participate in training programs, some of which are sponsored by aircraft manufacturers, and all are required to undergo recurrent training two times per year. We have a full time program of Flight Data Analysis (FOQA) wherein the flight data from every Copa flight is analyzed for safety or technical anomalies. During 2005, Copa completed a Line Operations Safety Audit under contract with University of Texas researchers. Copa also recently successfully completed our IATA Operational Safety Audit (IOSA).

In the last ten years, Copa has had no accidents or incidents involving major injury to passengers, crew or aircraft. Over thirteen years ago, we lost one aircraft and all of its passengers in an accident believed to have been caused by failure of a navigation instrument. Just prior to our acquisition of AeroRepública, one of its planes slid off of a runway in an accident without serious injuries to passengers; however, the aircraft was severely damaged and declared a total loss by its insurers.

The FAA periodically audits the aviation regulatory authorities of other countries. As a result of their investigation, each country is given an International Aviation Safety Assessment, or IASA, rating. In May 2001, Panama's IASA rating was downgraded from Category 1 to Category 2 due to alleged deficiencies in the Panamanian government's air safety standards and AAC's capability to provide regulatory oversight. As a result of this downgrade, we were prevented from adding flights to new destinations in the United States and from certifying new aircraft for flights to the United States, and Continental was prevented from placing its code on our flights. On April 14, 2004, the FAA upgraded the IASA rating for Panama from "Category 2" to "Category 1," which indicates a strong level of confidence in the safety regulation of the AAC. The return to Category 1 allowed Continental to reestablish placing its code on our flights and allowed us to add new U.S. destinations to our network.

In order to recover Category 1 status, the Panamanian government passed a new law regulating aviation; and the AAC issued new regulations compliant with standards of the International Civil Aviation Organization, or ICAO. FAA inspectors and ICAO advisors were hired to help with training; and the government approved a budget of \$14 million for the AAC to comply with various regulations of ICAO.

Airport Facilities

We believe that our hub at Panama City's Tocumen International Airport (PTY) is an excellent base of operations for the following reasons:

- Panama's consistently temperate climate is ideal for airport operations. For example, Tocumen was closed and unavailable for flight operations for a total of less than two hours in each of 2004 and 2005.
- Tocumen is the only airport in Central America with two operational runways. Also unlike some other regional airports, we are currently not constrained by a lack of available gates/parking positions at Tocumen, and there is ample room to expand Tocumen.
- From Panama's central location, our 124-seat Boeing 737-700s can efficiently serve long-haul destinations in South American cities such as Santiago, Chile; Buenos Aires, Argentina; and São Paulo, Brazil as well as short-haul destinations in Central and South America.
- Travelers can generally make connections easily through Tocumen because of its manageable size and Panama's policies accommodating in-transit passengers.

Tocumen International Airport is operated by an independent corporate entity established by the government, where stakeholders have a say in the operation and development of the airport. A Copa executive, as a representative of the Panamanian Airline Association, holds a seat on the board of this airport operator. The law that created this entity also provided for a significant portion of revenues generated at Tocumen to be used for airport expansion and improvements. We do not have any formal, written agreements with the airport management that govern access fees, landing rights or allocation of terminal gates. We rely upon our good working relationship with the airport's management and the Panamanian government to ensure that we have access to the airport resources we need at prices that are reasonable.

We have worked closely with the airport's management and consulted with the IATA infrastructure group to provide plans and guidance for Phase I of an airport expansion that will provide up to eight new gate positions with jet bridges, six new remote parking positions, expand retail areas and improve the baggage-handling facilities. The government has authorized \$70 million to cover the costs of this expansion. In April 2004, Leo A. Daly, an American company whose experience includes the renovation of the Miami, Dallas and Washington, D.C. (Reagan) airports, won the bid to remodel and expand the terminal. Work on Phase I is expected to be completed in the third

quarter of 2006. We are considering an increased role for Copa in facilitating a planned Phase II of the airport expansion that would add another five gates to the airport.

We provide all of our own ground services and handling of passengers and cargo at Tocumen International Airport. In addition, we provide services to several of the principal foreign airlines that operate at Tocumen. At most of the foreign airports where we operate, foreign airport services companies provide all of our support services other than sales, counter services and some minor maintenance.

We lease a variety of facilities at Tocumen, including our maintenance hangar and our operations facilities in the airport terminal. From our System Operations Control Center located within our corporate headquarters building, we dispatch, track and direct our aircraft throughout the hemisphere and respond to operational contingencies as necessary. We generally cooperate with the airport authority to modify the lease terms as necessary to account for capital improvements and expansion plans. Currently, our elite passengers have access to a President's Club at the airport, which is jointly operated with Continental and was opened in March 2000. The President's Club will be expanded to approximately twice its current size as part of the Tocumen International Airport expansion project.

Bogota's El Dorado Airport is AeroRepública's main operating terminal. It is also Colombia's main international and domestic terminal, with two operational runways. El Dorado is undergoing a privatization process in which improvements are expected to the passenger and cargo terminals. AeroRepública currently leases a variety of facilities at El Dorado, including counters, maintenance and administrative and dispatch areas.

Fuel

Fuel costs are extremely volatile, as they are subject to many global economic, geopolitical, weather, environmental and other factors that we can neither control nor accurately predict. Due to its inherent volatility, aircraft fuel has historically been our most unpredictable unit cost. Concurrent with the world's economic recovery, demand for oil has surged, especially in fast-growing China. This increase in demand coupled with limited refinery capacity and instability in oil-exporting countries has led to a rapid increase in prices. When combined with the relative weakness of the U.S. dollar, the currency in which oil is traded, these factors have caused a record high price for oil in nominal dollar terms.

Aircraft Fuel Data

	2001	2002	2003	2004	2005	Three Months Ended March 31, 2006
Copa						
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	\$ 0.95	\$ 0.86	\$ 1.01	\$ 1.32	\$ 1.87	\$ 1.96
Gallons consumed (in thousands)	46,669	44,788	48,444	50,833	58,924	16,368
Available seat miles (in millions)	2,920	2,847	3,226	3,639	4,409	1,216
Gallons per ASM (in hundredths)	1.60	1.57	1.50	1.40	1.34	1.35
AeroRepública⁽¹⁾						
Average price per gallon of jet fuel into plane (excluding hedge) (in U.S. dollars)	—	—	—	—	\$ 2.12	\$ 2.08
Gallons consumed (in thousands)	—	—	—	—	17,887	7,080
Available seat miles (in millions)	—	—	—	—	950	399
Gallons per ASM (in hundredths)	—	—	—	—	1.88	1.78

(1) Since April 22, 2005.

Since 2004, the price of jet fuel has continued to climb. During 2005, Copa paid an average price, including plane charges, of \$1.87 per gallon of jet fuel, a 41.8% increase from 2004's rate of \$1.32 per gallon. On a per unit basis, Copa's consumption did not increase in line with the rise in the cost of jet fuel due to the replacement of older, less fuel efficient Boeing 737-200s with new Boeing 737-Next Generation aircraft. Based on our experience, the Boeing 737-Next Generation family is 15-20% more fuel efficient than first generation Boeing 737 models. During the month ended March 31, 2006, Copa paid an average of \$1.96 per gallon for jet fuel and AeroRepública paid an average of \$2.08 per gallon for jet fuel.

We believe that fuel prices are likely to increase in the future and may do so in the near future. In 2005, we hedged 15% of our requirements through the use of swap and zero-cost collar transactions. We have hedged approximately 13% of Copa's anticipated fuel needs for 2006 and approximately 5% of Copa's projected fuel consumption from January 1, 2007 to May 31, 2007. Although AeroRepública does not currently have a hedging policy, we may implement one in the future. We will continue to evaluate various hedging strategies, and we may enter into additional hedging agreements in the future. Any prolonged increase in the price of jet fuel will likely materially and negatively affect our business, financial condition and results of operation.

AeroRepública is supplied by two fuel providers. The price for fuel is fixed by the Colombian government on a monthly basis based on international fuel indices.

Employees

We believe that our growth potential and the achievement of our results-oriented corporate goals are directly linked to our ability to attract, motivate and maintain the best professionals available in the airline business. In order to help retain our employees, we encourage open communication channels between our employees and management. Our CEO meets quarterly with all of our Copa employees in Panama in town hall-style meetings during which he explains the company's performance and encourages feedback from attendees. A similar presentation is made by our senior executives at each of our foreign stations. Our compensation strategy reinforces our determination to

retain talented and highly motivated employees and is designed to align the interests of our employees with our shareholders through profit-sharing.

Our profit-sharing program at Copa reflects our belief that our employees will remain dedicated to our success if they have a stake in that success. We identify key performance drivers within each employee's control as part of our annual objectives plan, or "Path to Success." Typically, we pay bonuses in February based on our performance during the preceding calendar year. For members of management, 75% of the bonus amount is based on our performance as a whole and 25% is based on the achievement of individual goals. Bonuses for non-management employees is based on the company's performance, and is typically a multiple of the employee's weekly salary. For 2005, the non-management employees received five or six weeks' salary, depending on their position. The bonus payments are at the discretion of our compensation committee. We typically make accruals each month for the expected annual bonuses which are reconciled to actual payments at their dispersal in February.

We maintain generally good relations with our union and non-union employees and have not experienced work stoppages for the past twenty years. Approximately 76% of Copa's employees are located in Panama, while the remaining 24% are distributed among our stations. Copa's employees can be categorized as follows:

	December 31,					March 31,
	2001	2002	2003	2004	2005	2006
Pilots	178	192	220	224	235	242
Flight attendants	334	330	349	372	448	442
Mechanics	154	203	209	189	200	213
Customer service agents, reservation agents, ramp and other	1,248	1,299	1,382	1,470	1,626	1,589
Management and clerical	367	429	480	499	587	650
Total employees	<u>2,281</u>	<u>2,453</u>	<u>2,640</u>	<u>2,754</u>	<u>3,096</u>	<u>3,136</u>

We provide training for all of our employees including technical training for our pilots, dispatchers, flight attendants and other technical staff. In addition, we provide recurrent customer service training to frontline staff, as well as leadership training for managers. We recently invested in a Level B flight simulator for 737-Next Generation training that will serve 80% of our initial training, transition and upgrade training and 100% of our recurrent training needs relating to that aircraft.

Approximately 61% of Copa's employees are unionized. There are currently five unions covering our Copa employees in Panama: the pilots' union (SIPAC); the flight attendants' union (SIPANAB); the mechanics' union (SINTECMAP); the traffic attendants' union (UTRACOPA); and a generalized union, SIELAS, which represents ground personnel, messengers, drivers, counter agents and other non-executive administrative staff. Copa is scheduled to begin negotiations with the pilots' union in mid-2008. Copa entered into new collective bargaining agreements with its general union and its flight attendants' union on October 26, 2005 and April 3, 2006, respectively. After extensive negotiations which did not lead to a mutually satisfactory resolution, Copa and the mechanics' union entered into a government-mandated arbitration and a collective bargaining agreement was agreed to on March 29, 2006 as a result of such arbitration proceeding. Previously, we have not had to resort to arbitration to resolve negotiations with our unions. Collective bargaining agreements in Panama typically extend for four years. We also have agreements with our Copa employees in São Paulo, Brazil and Mexico. We have traditionally experienced good relations with our unions, and we generally agree to terms in line with the economic environment affecting Panama, our company and the airline industry generally. Approximately 8% of Copa's employees work part-time.

AeroRepública's pilots and flight attendants are represented by two separate unions. The pilots' union, *Asociación Colombiana de Aviadores Civiles* (ACDAC), represents 96 of AeroRepública's 112 pilots and co-pilots. The flight attendants' union, *Asociación Colombiana de Auxiliares de Vuelo* (ACAV), represents all of AeroRepública's 178 flight attendants. Contracts with both unions were signed or affirmed in May 2005 with customary increases in wages and benefits that provide for annual salary increases of two percent in addition to adjustments to reflect inflation. The agreement with the pilots' union will be in effect until the end of 2006, and the agreement with

the flight attendants' union will be in effect until March 2008. In general our relationships with the labor unions representing AeroRepública's employees are believed to be good as reflected by the agreements reached this year.

Insurance

We maintain passenger liability insurance in an amount consistent with industry practice, and we insure our aircraft against losses and damages on an "all risks" basis. We have obtained all insurance coverage required by the terms of our leasing and financing agreements. We believe our insurance coverage is consistent with airline industry standards and appropriate to protect us from material loss in light of the activities we conduct. No assurance can be given, however, that the amount of insurance we carry will be sufficient to protect us from material losses. We have negotiated lower premiums on our Copa insurance policies by leveraging the purchasing power of our alliance partner, Continental. Our Copa operations are insured under Continental's joint insurance policy with Northwest Airlines. We maintain separate insurance policies for our AeroRepública operations.

Intellectual Property

We believe that the Copa brand has strong value and indicates superior service and value in the Latin American travel industry. We have registered the trademarks "Copa" and "Copa Airlines" with the trademark office in Panama and have filed requests for registration in other countries, including the United States. We license certain brands, logos and trade dress under the trademark license agreement with Continental related to our alliance. We will have the right to continue to use our current logos on our aircraft for up to five years after the end of the alliance agreement term. AeroRepública's has registered its name as a trademark in Colombia for the next ten years, and plans to register its trademark in Panama, Ecuador, Venezuela and Peru.

We operate a number of software products under licenses from our vendors, including our booking engine, our automated pricing system from SMG Technologies, our SABRE revenue management software and our Cargo Management system. Under our agreements with Boeing, we also use a large amount of Boeing's proprietary information to maintain our aircraft. The loss of these software systems or technical support information from Boeing could negatively affect our business.

Properties

Headquarters

We have recently moved into a newly built headquarters building located six miles away from Tocumen International Airport. We have leased five floors consisting of approximately 104,000 square feet of the building from Desarrollo Inmobiliario del Este, S.A., an entity controlled by the same group of investors that controls CIASA, under a 10-year lease at a rate of \$106,000 per month during the first three years, \$110,000 per month from year 4 to year 6, \$113,000 from year 7 to year 9 and \$116,000 per month in year 10, which we believe to be a market rate. We are in the process of selling our previous headquarters building in Panama City and currently expect to complete the sale in 2006.

Other property

At Tocumen International Airport, we lease a maintenance hangar, operations offices in the terminal, counter space, parking spaces and other operational properties from the entity that manages the airport. We pay approximately \$91,000 per month for this leased property. Around Panama City, we also lease various office spaces, parking spaces and other properties from a variety of lessors, for which we pay approximately \$9,000 per month in the aggregate.

In each of our destination cities, we also lease space at the airport for check-in, reservations and airport ticket office sales, and we lease space for CTOs in more than 25 of those cities.

AeroRepública

AeroRepública leases most of its airport and city ticket offices. Owned properties include one city ticket office, a warehouse close to the airport and one floor in a high-rise building in downtown Bogota.

Environmental

Our operations are covered by various local, national, and international environmental regulations. These regulations cover, among other things, emissions into the atmosphere, disposal of solid waste and aqueous effluents, aircraft noise and other activities that result from the operation of aircraft. Our aircraft comply with all environmental standards applicable to their operations as described in this prospectus. We have hired a consulting firm to conduct an environmental audit of our hanger and support facilities at the Tocumen International Airport to determine what, if any, measures we need to implement in order to satisfy the Panamanian effluent standards and the General Environmental Law at those facilities. A base line study of our effluents has been completed. We plan to implement all measures required for compliance once the audit is finalized, notwithstanding the lapse of the grace period set forth in the regulations. Additionally, the Panamanian Civil Aviation Code (RAC) contains certain environmental provisions that are similar to those set forth in the General Environmental Law regarding effluents, although such provisions do not contain compliance grace periods. In the event the AAC determines that our facilities do not currently meet the RAC standards, we could be subject to a fine. The measures that will be implemented pursuant to the environmental audit that is underway will also satisfy the requirements of the RAC. We have installed a water treatment plant to serve part of our facilities and seek to finalize the audit and have any other remediation measures that may be required in operation by the end of 2007. While we do not believe that compliance with these regulations will expose us to material expenditures, compliance with these or other environmental regulations, whether new or existing, that may be applicable to us in the future could increase our costs. In addition, failure to comply with these regulations could adversely affect us in a variety of ways, including adverse effects on our reputation.

Litigation

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to the operation of our business. While legal proceedings are inherently uncertain, we believe that the outcome of the proceedings to which we are currently a party are not likely to have a material adverse effect on our financial position, results of operations and cash flows. The Antitrust Administrative Agency (*Comisión de Libre Competencia y Asuntos del Consumidor*, or CLICAC), together with a group of travel agencies, has filed an antitrust lawsuit against Copa, Continental, American Airlines, Grupo TACA and Delta Airlines in the Panamanian Commercial Tribunal alleging monopolistic practices in reducing travel agents' commissions. The outcome of this lawsuit is still uncertain and may take several years. We believe that in the worst scenario the airlines could be required to pay up to \$20 million. In addition, ACES, a now-defunct Colombian airline, filed an antitrust lawsuit against Copa, Avianca and SAM, alleging monopolistic practices in relation to their code-sharing agreements. This case is currently in the discovery period and could take several years to be resolved. If Copa, Avianca and/or SAM were found at fault and in breach of antitrust legislation, they could be potentially liable for up to \$11 million.

REGULATION

Panama

Panamanian law requires airlines providing commercial services in Panama to hold an Operation Certificate and an Air Transportation License/Certificate issued by the AAC. The Air Transportation Certificate specifies the routes, equipment used, capacity, and the frequency of flights. This certificate must be updated every time Copa acquires new aircraft, or when routes and frequencies to a particular destination are modified.

Panamanian law also requires that the aircraft operated by Copa be registered with the Panamanian National Aviation Registrar kept by the AAC, and that the Panamanian National Aviation authority certify the airworthiness of each aircraft in Copa's fleet. This requirement does not apply to AeroRepública's aircraft which are registered in Colombia. Copa's aircraft must be re-certified every year.

The government of the Republic of Panama does not have an equity interest in our company. Panamanian government officials have typically worked closely with us to establish policies that benefit both our company and the country. Bilateral agreements signed by the government of Panama have protected our operational position and route network, allowing us to have in Panama a significant hub to transport intraregion traffic within and between the Americas and the Caribbean. All international fares are filed and technically subject to the approval of the Panamanian government. Historically, we have been able to modify ticket prices on a daily basis to respond to market conditions.

We cooperated with the government of Panama to restore the country's Category 1 status after it was downgraded to Category 2 in early May 2001 by the FAA, a status that is important both to the operations of Copa as an airline and the general perception of Panama as a country, particularly in view of the fact that a major initiative is in place to boost tourism in Panama. The country's Category 1 status was restored April 2004. In meeting the requirements for Category 1 status, the Panamanian government approved \$14 million for the AAC to comply with various regulations of the ICAO, and AAC personnel are currently receiving training on Embraer airworthiness certification so they will continue to be qualified to evaluate our pilots and aircraft.

Our status as a private carrier means that we are not required under Panamanian law to serve any particular route and are free to withdraw service from any of the routes we currently serve as we see fit, subject to bilateral agreements. We are also free to determine the frequency of service we offer across our route network without any minimum frequencies imposed by the Panamanian authorities.

The most significant restriction on our company imposed by the Panamanian Aviation Act, as amended and interpreted to date, is that Panamanian nationals must exercise "effective control" over the operations of the airline and must maintain "substantial ownership." These phrases are not defined in the Aviation Act itself and it is unclear how a Panamanian court would interpret them. The share ownership requirements and transfer restrictions contained in our Articles of Incorporation, as well as the structure of our capital stock described under the caption "Description of Capital Stock," are designed to ensure compliance with these ownership and control restrictions created by the Aviation Act. While we believe that our ownership structure complies with the ownership and control restrictions of the Aviation Act as interpreted by a recent decree by the Executive Branch, we cannot assure you that a Panamanian court would share our interpretation of the Aviation Act or the decree or that any such interpretations would remain valid for the entire time you hold our Class A shares.

Although the Panamanian government does not currently have the authority to dictate the terms of our service, the government is responsible for negotiating the bilateral agreements with other nations that allow us to fly to other countries. Several of these agreements require Copa to remain "effectively controlled" and "substantially owned" by Panamanian nationals in order for us to use the rights conferred by the agreements. Such requirements are analogous to the Panamanian aviation law described above that requires Panamanian control of our business.

During 1997, several Central American countries (including Panama) and the United States signed an open-skies agreement allowing carriers from each country to initiate service in any other. There is no bilateral agreement between Panama and either El Salvador or Costa Rica, the nations in which Grupo TACA has its principal hubs. Panama only has reciprocity agreements with these countries at present.

Antitrust regulation, enforcement

In 1996, the Republic of Panama enacted antitrust legislation, which regulates industry concentration and vertical anticompetitive practices and prohibits horizontal collusion. The Consumer Protection and Free Trade Authority is in charge of enforcement and may impose fines only after a competent court renders an adverse judgment. The law also provides for direct action by any affected market participant or consumer, independently or through class actions. The law does not provide for the granting of antitrust immunity, as is the case in the United States. In February 2006, the antitrust legislation was amended to increase the maximum fines that may be assessed for violations to \$1,000,000 for *per se* violations and \$250,000 for relative violations of antitrust law.

Noise regulations effects

Panama has adopted Annex 16 of the ICAO regulations and the noise abatement provisions of ICAO, through Book XIV of the Panamanian Civil Aviation Regulations (RAC). Thus, articles 227-229 of Book XIV of the RAC require aircraft registered in Panama to comply with at least Stage 2 noise requirements, and all aircraft registered for the first time with the Panamanian Civil Aviation Authority after January 1, 2003, to comply with Stage 3 noise restrictions. Currently, all the airplanes we operate or have on order meet the most stringent noise requirements established by both ICAO and the AAC.

Colombia

The Colombian aviation market is heavily regulated by the Colombian Civil Aviation Administration, *Unidad Especial Administrativa de Aeronáutica Civil*, or *Aeronautica Civil*. Colombia is a Category 1 country under the FAA's IASA program. With respect to domestic aviation, airlines must present feasibility studies to secure specific route rights, and no airline may serve the city pairs with the most traffic unless that airline has at least five aircraft with their airworthiness certificates in force. In addition, Aeronautica Civil sets minimum and maximum fares for each route and a maximum number of competing airlines for each route based on the size of the city pairs served. Airlines in Colombia must also add a surcharge for fuel to their ticket prices. Passengers in Colombia are also entitled by law to compensation in cases of delays in excess of four hours, over-bookings and cancellations. Currently, the Cali, Cartagena and Barranquilla airports are under private management arrangements, as well as the runways of El Dorado Airport in Bogotá. However, the government has stated its intention of privatizing other airports in order to finance necessary expansion projects and increase the efficiency of operations, which may lead to increases in landing fees and facility rentals at those airports.

AeroRepública may not have as much productive cooperation with the Colombian government over the negotiation of route rights with other countries as we may enjoy in Panama. Colombia has open-skies agreements with Aruba and the Andean Pact (*Comunidad Andina*) nations of Bolivia, Ecuador, Peru, and Venezuela. AeroRepública has been recently granted the use of 17 of the 56 available route rights for service by Colombian carriers between Colombia and Panama and, as a result, began scheduled service between the two countries in late 2005. There are currently no route rights available to the United States from Colombia.

U.S. Airline Regulation

Operations to the United States by non-U.S. airlines, such as Copa, are subject to Title 49 of the U.S. Code, under which the DOT, the FAA and the TSA exercise regulatory authority. The U.S. Department of Justice also has jurisdiction over airline competition matters under the federal antitrust laws.

Authorizations and Licenses. The DOT has jurisdiction over international aviation with respect to the United States and related route authorities, subject to review by the President of the United States. The DOT also has jurisdiction with respect to unfair practices and methods of competition by airlines and related consumer protection matters. We are authorized by the DOT to engage in scheduled and charter air transportation services, including the transportation of persons, property (cargo) and mail, or combinations thereof, between points in Panama and points in the United States and beyond (via intermediate points in other countries). We hold the necessary authorizations from the DOT in the form of a foreign air carrier permit, an exemption authority and statements of authorization to conduct our current operations to and from the United States. The exemption authority was granted by the DOT in February 1998. This exemption authority was due to expire in February 2000. However, the authority remains in

effect by operation of law under the terms of the Administrative Procedure Act pending final DOT action on the application we filed to renew the authority on January 3, 2000. There can be no assurance that the DOT will grant the application. Our foreign air carrier permit has no expiration date.

Our operations to the United States are also subject to regulation by the FAA with respect to safety matters, including aircraft maintenance and operations, equipment, aircraft noise, ground facilities, dispatch, communications, personnel, training, weather observation, air traffic control and other matters affecting air safety. The FAA requires each foreign air carrier serving the United States to obtain operational specifications pursuant to Part 129 of its regulations and to meet operational criteria associated with operating specified equipment on approved international routes. We believe that we are in compliance in all material respects with all requirements necessary to maintain in good standing our operations specifications issued by the FAA. The FAA can amend, suspend, revoke or terminate those specifications, or can suspend temporarily or revoke permanently our authority if we fail to comply with the regulations, and can assess civil penalties for such failure. A modification, suspension or revocation of any of our DOT authorizations or FAA operating specifications could have a material adverse effect on our business. The FAA also conducts safety audits and has the power to impose fines and other sanctions for violations of airline safety regulations. We have not incurred any material fines related to operations.

Security. On November 19, 2001, the U.S. Congress passed, and the President signed into law, the Aviation and Transportation Security Act, also referred to as the Aviation Security Act. This law federalized substantially all aspects of civil aviation security and created the TSA to which the security responsibilities previously held by the FAA were transitioned. The TSA is an agency of the Department of Homeland Security. The Aviation Security Act requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security required under the Aviation Security Act is provided in part by a \$2.50 per segment passenger security fee for flights departing from the U.S., subject to a \$10 per roundtrip cap; however, airlines are responsible for costs incurred to meet security requirements beyond those provided by the TSA. There is no assurance this fee will not be raised in the future as the TSA's costs exceed the revenue it receives from these fees. The current administration has proposed to raise this fee to \$5.50, which is subject to approval by the U.S. Congress. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for airlines and their passengers. Since the events of September 11, 2001, the U.S. Congress has mandated and the TSA has implemented numerous security procedures and requirements that have imposed and will continue to impose burdens on airlines, passengers and shippers.

Noise Restrictions. Under the Airport Noise and Capacity Act of 1990, or ANCA, and related FAA regulations, aircraft that fly to the United States must comply with certain Stage 3 noise restrictions, which are currently the most stringent FAA operating noise requirements. All of our Copa aircraft meet the Stage 3 requirement.

FAA regulations also require compliance with the Traffic Alert and Collision Avoidance System, approved airborne windshear warning system and aging aircraft regulations. Our fleet meets these requirements.

Proposed Laws and Regulations. Additional U.S. laws and regulations have been proposed from time to time that could significantly increase the cost of airline operations by imposing additional requirements or restrictions on airlines. There can be no assurance that laws and regulations currently enacted or enacted in the future will not adversely affect our ability to maintain our current level of operating results.

Other Jurisdictions

We are also subject to regulation by the aviation regulatory bodies which set standards and enforce national aviation legislation in each of the jurisdictions to which we fly. These regulators may have the power to set fares, enforce environmental and safety standards, levy fines, restrict operations within their respective jurisdictions or any other powers associated with aviation regulation. We cannot predict how these various regulatory bodies will perform in the future and the evolving standards enforced by any of them could have a material adverse effect on our operations.

MANAGEMENT

Name	Position	Age
Pedro Heilbron	Chief Executive Officer	48
Victor Vial	Chief Financial Officer	40
Lawrence Ganse	Senior Vice-President of Operations	62
Jorge Isaac Garcíá	Vice-President, Commercial	46
Daniel Gunn	Vice-President of Planning	38
Jaime Aguirre	Vice President of Maintenance	43
Vidalía de Casado	Vice President of Passenger Services	49
Alexander Gianareas	Senior Director of Human Resources	53
Roberto Junguito Pombo	Chief Executive Officer of AeroRepública	36

Mr. Pedro Heilbron has been our Chief Executive Officer for 18 years. He received an MBA from George Washington University and a B.A. from Holy Cross. Mr. Heilbron is a Member of the Board of Governors of IATA and an Alternate Member of the Board of Directors of Banco Continental de Panama, S.A.

Mr. Victor Vial has been our Chief Financial Officer since 2000. From 1995 until 2000, Mr. Vial served as our Director of Planning. Prior to his service at Copa, Mr. Vial was a Senior Financial Analyst for HBO-Time Warner. Mr. Vial holds a B.B.A. in International Business from George Washington University.

Captain Lawrence Ganse has been our Senior Vice-President of Operations and Chief Operating Officer since 2000. Captain Ganse has 39 years of experience in the airline industry, including management positions at TWA, Northwest Airlines, and, most recently, Grupo TACA in El Salvador. Captain Ganse received a B.B.A. in Aviation Administration from the University of Miami and an M.B.A. in Management Science from California State University at Hayward.

Mr. Jorge Isaac Garcíá has been our Vice-President, Commercial since 1999. He has also served as our Vice-President of Maintenance and as our Assistant to the President. Prior to joining Copa, he was a Project Director at Petroleos Delta. Mr. Garcia received a B.S. in Mechanical Engineering from Worcester Polytechnic Institute and an M.B.A. from Boston College.

Mr. Daniel Gunn has been our Vice-President of Planning and Alliances since 2002. He joined Copa in 1999 and has served as our Director of Alliances and Senior Director of Planning and Alliances. Prior to joining Copa, he spent five years with American Airlines holding positions in Finance, Real Estate and Alliances. Mr. Gunn received a B.A. in Business & Economics from Wheaton College and an M.B.A. with an emphasis in Finance and International Business from the University of Southern California.

Mr. Jaime Aguirre has been our Vice President of Maintenance since 2002. Prior to that, he served as our Director of Engineering and Quality Assurance. Before joining Copa, Mr. Aguirre was the Technical Services Director at Avianca, S.A. Mr. Aguirre received a B.S. in Mechanical Engineering from Los Andes University, a Master of Engineering with an emphasis on Engineering Management from Javeriana University and is currently pursuing an M.B.A. from the University of Louisville.

Ms. Vidalía de Casado has been our Vice-President of Passenger Services since 1995. She joined Copa in 1989 and served as our Passenger Services Manager from 1989 to 1995. Prior to joining Copa, she spent seven years with Air Panama Internacional, S.A. Ms. de Casado received a B.S. in Business from Universidad Latina and an M.B.A. from the University of Louisville.

Mr. Alexander Gianareas has been our Senior Director of Human Resources since 2001. Prior to joining Copa, he was the Director of Organizational Effectiveness for the Panama Canal Commission. Mr. Gianareas received a B.S. in Electrical Engineering from Cornell University and an M.B.A. from Nova Southeastern.

Mr. Roberto Junguito Pombo joined our company on November 8, 2005 as the Chief Executive Officer of our AeroRepública operating subsidiary. Mr. Junguito previously spent two years with Avianca, holding positions as the Vice President of Planning, Chief Operating Officer and Chief Restructuring Officer. Avianca declared bankruptcy in March 2003. Mr. Junguito received a B.S. in Industrial Engineering at the Universidad de Los Andes,

an M.A. in International Studies from the Joseph H. Lauder Institute of the University of Pennsylvania and an M.B.A. with an emphasis on finance from the Wharton School of the University of Pennsylvania.

The business address for all of our senior management is c/o Copa Airlines, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre Panama City, Panama.

Board of Directors

Name	Position	Age
Pedro Heilbron	Chief Executive Officer and Director	48
Stanley Motta	Chairman and Director	60
Oswaldo Heilbron	Director	79
Jaime Arias	Director	70
Ricardo Alberto Arias	Director	66
Alberto C. Motta, Jr.	Director	59
Mark Erwin	Director	50
George Mason	Director	59
Roberto Artavia Loria	Director	46
José Castañeda Velez	Director	61

Mr. Stanley Motta has been one of the directors of Copa Airlines since 1986 and a director of Copa Holdings, since it was established in 1998. Since 1990, he has served as the President of Motta Internacional, S.A. an international importer of alcohol, cosmetics, jewelry and other consumer goods. Mr. Motta is the brother of our director, Alberto C. Motta Jr. He serves on the boards of directors of Motta Internacional, S.A., Banco Continental de Panama, S.A., ASSA Compañía de Seguros, S.A., Televisora Nacional, S.A., Inversiones Bahía, Ltd. and GBM Corporation. Mr. Motta is a graduate of Tulane University.

Mr. Oswaldo Heilbron has been one of the directors of Copa Airlines since 1986 and a director of Copa Holdings, since it was established in 1998. He is Treasurer of Banco Continental de Panama, S.A. Mr. Heilbron is the father of Mr. Pedro Heilbron, our chief executive officer. He serves on the boards of directors of CIASA, Desarrollo Costa Del Este, S.A., Harinas Panama, S.A., Televisora Nacional, S.A., Petroleos Delta, S.A., SSA Panama Inc. and Banco Continental de Panama, S.A.

Mr. Jaime Arias has been one of the directors of Copa Airlines since 1983 and a director of Copa Holdings, since it was established in 1998. He is a founding partner of Galindo, Arias & Lopez, the law firm passing on the validity of the shares offered by this prospectus. Mr. Arias holds a B.A. from Yale University, a J.D. from Tulane University and legal studies at the University of Paris, Sorbonne. He serves as an advisor to the President of the Republic of Panama and serves on the boards of directors of Televisora Nacional, S.A., ASSA Compañía de Seguros, S.A., Empresa General de Inversiones, S.A., Compañía General de Petróleos, S.A., Banco Continental de Panama, S.A. and Bac International Bank, Inc.

Mr. Ricardo Arias has been one of the directors of Copa Airlines since 1985 and a director of Copa Holdings, since it was established in 1998. He is a founding partner of Galindo, Arias & Lopez, the law firm passing on the validity of the shares offered by this prospectus. Mr. Arias currently serves as Panama's ambassador to the United Nations. Mr. Arias holds a B.A. in international relations from Georgetown University, an LL.B. from the University of Puerto Rico and an LL.M. from Yale Law School. He serves on the boards of directors of Banco General, S.A. and Empresa General de Inversiones, S.A., which is the holding company that owns Banco General S.A., and Empresa General de Petróleos, S.A. Mr. Arias is also listed as a principal or alternate director of several subsidiary companies of Banco General, S.A. and Empresa General de Inversiones, S.A.,

Mr. Alberto Motta, Jr. has been one of the directors of Copa Airlines since 1983 and a director of Copa Holdings, since it was established in 1998. He is a Vice President of Inversiones Bahía, Ltd. Mr. Motta attended the University of Hartwick. He is the brother of Mr. Stanley Motta. He also serves on the boards of directors of Motta Internacional, S.A., Grupo Financiero Continental, S.A., Inversiones Costa del Este, S.A., ASSA Compañía de

Seguros, S.A., Petroleos Delta, S.A., Productos Toledanos, S.A., Financiera Automotriz, S.A., Televisora Nacional, S.A., Hotel Miramar Inter-Continental and Industrias Panama Boston, S.A.

Mr. Mark Erwin has been one of the directors of Copa Airlines and Copa Holdings since 2004. He is the Senior Vice President—Asia/Pacific and Corporate Development of Continental Airlines and the President and Chief Executive Officer and serves on the board of directors of Continental Micronesia, Inc., the wholly owned western Pacific subsidiary of Continental Airlines, Inc. Mr. Erwin held the position of Senior Vice President of Airport Services of Continental Airlines, Inc. from 1995 through 2002.

Mr. George Mason has been one of the directors of Copa Holdings since 1999. He was the Senior Vice President for Technical Operations of Continental Airlines, Inc. from 1996 until his retirement in 2003. He has held officer level positions at Piedmont Airlines, Inc., USAir and Midway Airlines. He is a graduate of Grove City College and the University of Pittsburgh.

Mr. Roberto Artavia Loria is one of the independent directors of Copa Holdings. He is currently Chief Executive Officer of INCAE Business School, Chairman of Asociacion MarViva de Costa Rica and Protector of Viva Trust. Mr. Artavia Loria is also an advisor to the Interamerican Development Bank and to the governments of nine countries in Latin America, and a strategic advisor to Purdy Motor, S.A., Grupo Nacion and FUNDESA. Mr. Artavia Loria serves on the board of directors of INCAE Business School, Foundation for Management Education in Central America, Asociacion MarViva de Costa Rica, Viva Trust, Global Foundation for Management Development, Compañia Cervecera de Nicaragua, SUMAQ Alliance OBS de Costa Rica and OBS Americas.

Mr. José Castañeda Velez is one of the independent directors of Copa Holdings. He is currently director of MMG Bank Corporation. Previously, Mr. Castaneda Velez was the chief executive officer of Banco Latinoamericano de Exportaciones, S.A.—BLADDEX and has held managerial and officer level positions at Banco Río de la Plata, Citibank, N.A., Banco de Credito del Peru and Crocker National Bank. He is a graduate of the University of Lima.

Our board of directors currently meets quarterly. Additionally, informal meetings with Continental are held on an ongoing basis, and are supported by quarterly formal meetings of an “Alliance Steering Committee,” which directs and reports on the progress of the Copa and Continental Alliance. Our board of directors is focused on providing our overall strategic direction and as a result is responsible for establishing our general business policies and for appointing our executive officers and supervising their management.

Currently, our board of directors is comprised of ten members. We expect to add an additional independent director to the board of directors shortly after this offering. The additional independent director will be appointed by the Nominating and Corporate Governance Committee of the board. Members of our board of directors serve two-year terms and may be reelected. The number of directors elected each year will alternate between six directors and five directors. Messrs. Pedro Heilbron, Osvaldo Heilbron, Ricardo Arias, Mark Erwin, and Roberto Artavia were each re-elected to two-year terms at our annual shareholders’ meeting held on May 12, 2006. Our charter does not have a mandatory retirement age for our directors.

Pursuant to contractual arrangements with us and CIASA, Continental is entitled to designate two of our directors for so long as it owns at least 19% of our common stock and is entitled to designate one of our directors for so long as our alliance agreement remains in effect. After giving effect to this offering, Continental will be entitled to designate one of our directors.

Corporate Governance

The NYSE requires that corporations with shares listed on the exchange comply with certain corporate governance standards. As a foreign private issuer, we are only required to comply with certain NYSE rules relating to audit committees and periodic certifications to the NYSE. The NYSE also requires that we provide a summary of the significant differences between our corporate governance practices and those that would apply to a U.S. domestic issuer. We believe the following to be the significant differences between our corporate governance practices and those that would typically apply to a U.S. domestic issuer under the NYSE corporate governance rules.

In addition, companies that are registered in Panama are required to disclose whether or not they comply with certain corporate governance guidelines and principles that are recommended by the National Securities Commission (*Comisión Nacional de Valores, or CNV*). Statements below referring to Panamanian governance standards reflect these voluntary guidelines set by the CNV rather than legal requirements or standard national practices. Our Class A shares will be registered with the CNV, and we will comply with the CNV's disclosure requirements.

NYSE Standards

Director Independence.

Majority of board of directors must be independent. §303A.01

Executive Sessions. *Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03*

Nominating/corporate governance committee. *Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04*

Compensation committee. *Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05*

Equity compensation plans. *Equity compensation plans require shareholder approval, subject to limited exemptions.*

Our Corporate Governance Practice

Panamanian corporate governance standards recommend that one in every five directors should be an independent director. The criteria for determining independence under the Panamanian corporate governance standards differs from the NYSE rules. In Panama, a director would be considered independent as long as the director does not directly or indirectly own 5% or more of the issued and outstanding voting shares of the company, is not involved in the daily management of the company and is not a spouse or related to the second degree by blood or marriage to the persons named above.

Our Articles of Incorporation require us to have three independent directors as defined under the NYSE rules. There are no mandatory requirements under Panamanian law that a company should hold, and we currently do not hold, such executive sessions.

Panamanian corporate governance standards recommend that registered companies have a nominating committee composed of three members of the board of directors, at least one of which should be an independent director, plus the chief executive officer and the chief financial officer. In Panama, the majority of public corporations do not have a nominating or corporate governance committee.

Our Articles of Incorporation require that we maintain a Nominating and Corporate Governance Committee with at least one independent director until the first shareholders' meeting to elect directors after such time as the Class A shares are entitled to full voting rights.

Panamanian corporate governance standards recommend that the compensation of executives and directors be overseen by the nominating committee but do not otherwise address the need for a compensation committee.

While we maintain a compensation committee that operates under a charter as described by the NYSE governance standards, currently one of the members of that committee is independent.

Under Panamanian law, shareholder approval is not required for equity compensation plans.

NYSE Standards

Code of Ethics. *Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers.* §303A.10

Our Corporate Governance Practice

Panamanian corporate governance standards do not require the adoption of specific guidelines as contemplated by the NYSE standards, although they do require that companies disclose differences between their practices and a list of specified practices recommended by the CNV.

We have not adopted a set of corporate governance guidelines as contemplated by the NYSE, although we will be required to comply with the disclosure requirement of the CNV.

Panamanian corporate governance standards recommend that registered companies adopt a code of ethics covering such topics as its ethical and moral principles, how to address conflicts of interest, the appropriate use of resources, obligations to inform of acts of corruption and mechanism to enforce the compliance with established rules of conduct.

We have adopted a code of ethics applicable to our senior management, including our chief executive officer, our chief financial officer and our chief accounting officer, as well as to other employees.

Committees of the Board of Directors

Audit Committee. Our Audit Committee is responsible for the coordination of the internal audit process, appointment of the independent auditors and presenting to the board of directors its opinion with respect to the financial statements and the areas that are subject to an audit process. Messrs. José Castañeda and Roberto Artavia are the current members of our Audit Committee, and Mr. José Castañeda is the chairman of the audit committee as well as our audit committee financial expert. We expect that our third independent director will also be a member of the audit committee.

Compensation Committee. Our Compensation Committee is responsible for the selection process of the Chief Executive Officer and the evaluation of all executive officers (including the CEO), recommending the level of compensation and any associated bonus. Messrs. Stanley Motta, Jaime Arias and José Castañeda are the members of our Compensation Committee, and Mr. Stanley Motta is the Chairman of the Compensation Committee.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee is responsible for developing and recommending criteria for selecting new directors, overseeing evaluations of the board of directors, its members and committees of the board of directors and handling other matters that are specifically delegated to the compensation committee by the board of directors from time to time. Our charter documents require that there be at least one independent member of the Nominating and Corporate Governance Committee until the first shareholders' meeting to elect directors after such time as the Class A shares are entitled to full voting rights. Messrs. Ricardo Arias, Osvaldo Heilbron and Roberto Artavia are the members of our Nominating and Corporate Governance Committee, and Mr. Ricardo Arias is the Chairman of the Nominating and Corporate Governance Committee.

Independent Directors Committee. Our Independent Directors Committee is created by our Articles of Incorporation and consists of any directors that the board of directors determines from time to time meet the independence requirements of the NYSE and the Securities Act. Our Articles of Incorporation provide that there will be three independent directors at all times, subject to certain exceptions. Under our Articles of Incorporation, the Independent Directors Committee must approve:

- any transactions in excess of \$5 million between us and our controlling shareholders,
- the designation of certain primary share issuances that will not be included in the calculation of the percentage ownership pertaining to the Class B shares for purposes of determining whether the Class A shares should be converted to voting shares under our Articles of Incorporation, and
- the issuance of additional Class B shares or Class C shares to ensure Copa Airline's compliance with aviation laws and regulations.

The Independent Directors Committee shall also have any other powers expressly delegated by the Board of Directors. Under the Articles of Incorporation, these powers can only be changed by the Board of Directors acting as a whole upon the written recommendation of the Independent Directors Committee. The Independent Directors Committee will only meet regularly until the first shareholders' meeting at which the Class A shareholders will be entitled to vote for the election of directors and afterwards at any time that Class C shares are outstanding. All decisions of the Independent Directors Committee shall be made by a majority of the members of the committee. See "Description of Capital Stock."

Compensation

In 2005, we paid an aggregate of approximately \$2.42 million in cash compensation to our executive officers. We have not set aside any funds for future payments to executive officers.

The Compensation Committee of our board of directors has approved increases in salaries and one time restricted stock bonuses for certain executive officers and eliminated the existing Long Term Retention Plan. The restricted stock awards are granted pursuant to a new equity-based long-term incentive compensation plan that was adopted in March 2006. The plan provides for awards to our executive officers, certain key employees and non-employee directors. The plan provides for the grant of restricted stock, stock options and certain other equity-based awards. A number of shares equal to five percent of our aggregate outstanding shares as of December 14, 2005 has been reserved for future issuances that will be granted to our employees. This includes a grant of restricted stock awards under the plan to our executive officers that have an aggregate value of \$18.8 million. The restricted stock awards granted to our named executive officers under the plan consist of approximately 890,625 shares of restricted stock, which will vest over five years in yearly installments equal to 15% of the awarded stock on each of the first three anniversaries of the offering, 25% on the fourth anniversary and 30% on the fifth anniversary. We also intend to pay \$3 million to management that will be tied to an agreement not to compete with us in the future. We also granted a small amount of restricted stock having an aggregate value of approximately \$989,063, to each of our managers, officers and key employees that are not on our senior management team which will vest on March 28, 2008. The Compensation Committee plans to make additional equity based awards under the plan from time to time, including additional restricted stock and stock option awards. While the Compensation Committee will retain discretion to vary the exact terms of future awards, we anticipate that future employee restricted stock and stock option awards granted pursuant to the plan after the offering will generally vest over a three year period and the stock options will carry a ten year term.

Members of our board of directors that are not officers of either Copa or Continental receive \$25,000 per year plus expenses incurred to attend our board of directors meetings. In addition, members of committees of the board of directors receive \$1,000 per committee meeting, with the chairman of the audit committee receiving \$2,000 per meeting of the audit committee. All of the members of our board of directors and their spouses receive benefits to travel on Copa flights as well.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information relating to the beneficial ownership of our Class A shares as of June 8, 2006 by each person known to us to beneficially own 5% or more of our common shares and all our directors and officers as a group.

	Class A Shares Beneficially Owned Prior to the Offering		Class A Shares Beneficially Owned After the Offering	
	Shares	(%)(1)	Shares	(%)(1)
CIASA(2)	—	—	—	—
Continental*(3)	11,921,875	38.4%	5,359,375	17.3%
Executive officers and directors as a group (18 persons)	829,625	2.8%	829,625	2.8%
Total	<u>30,971,875</u>	<u>100%</u>	<u>30,971,875</u>	<u>100%</u>

* Selling shareholder.

(1) Based on a total of 30,034,375 Class A shares outstanding.

(2) CIASA owns 100% of the Class B shares of Copa Holdings before and after the offering, representing 29.2% of our total capital stock.

(3) Based on a Schedule 13G filed with the Securities and Exchange Commission, dated February 2, 2006, in which Continental reported that it had sole voting and dispositive power over 11,921,875 of Class A shares.

CIASA currently owns 100% of the Class B shares of Copa Holdings. After the completion of this offering, CIASA will continue to own 100% of the Class B shares of Copa Holdings, representing all of the voting power of our capital stock. CIASA is controlled by a group of Panamanian investors representing several prominent families in Panama. This group of investors has historically acted together in a variety of business activities both in Panama and elsewhere in Latin America, including banking, insurance, real estate, telecommunications, international trade and commerce and wholesale. Members of the Motta, Heilbron and Arias families and their affiliates beneficially own approximately 90% of CIASA's shares. Our Chief Executive Officer, Mr. Pedro Heilbron, and several of our directors, including Messrs. Stanley Motta and Alberto C. Motta Jr., Mr. Osvaldo Heilbron, Mr. Jaime Arias and Mr. Ricardo Alberto Arias as a group hold beneficial ownership of approximately 78% of CIASA's shares. This ownership includes 33.4% of the shares of CIASA acquired by Messrs. Stanley Motta and Alberto C. Motta Jr., Mr. Osvaldo Heilbron, Mr. Jaime Arias, Mr. Ricardo Alberto Arias, Mr. Pedro Heilbron and other CIASA shareholders in June 2005 from the controlling shareholders of Copa's principal Latin American competitor in a transaction valued at approximately \$60,000,000.

The holders of more than 78% of the issued and outstanding stock of CIASA have entered into a shareholders' agreement providing that the parties to the agreement will vote all of their shares in CIASA together as a group on all matters concerning CIASA's holdings of Class B shares. Additionally, the shareholders' agreement restricts transfers of CIASA shares to non-Panamanian nationals. Messrs. Stanley Motta and Alberto C. Motta Jr. together exercise effective control of CIASA.

One of our directors, Mr. Erwin, is an officer of Continental and may be deemed to share beneficial ownership with Continental of our Class A shares held by Continental, but Mr. Erwin disclaims such beneficial ownership.

The address of CIASA is Corporación de Inversiones Aéreas, S.A., c/o Campaña Panameña de Aviación, S.A., Boulevard Costa del Este, Avenida Principal y Avenida de la Rotonda, Urbanización Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Panama. The address of Continental is Continental Airlines, Inc., 1600 Smith Street, Houston, Texas 77002.

RELATED PARTY TRANSACTIONS

Agreements with the Selling Shareholder

Shareholders' Agreement

Copa Holdings is a party to the amended and restated shareholders' agreement with CIASA and Continental entered into in connection with our initial public offering. The amended and restated shareholders' agreement provides for, among other things:

- a right of each of CIASA and Continental to designate a certain number of directors to our board of directors for so long as they hold a certain amount of our common stock. Of the 11 members of our board, CIASA initially had the right to designate six directors and Continental initially had the right to designate two directors, with the remaining three directors being "independent" under the rules of the New York Stock Exchange. Upon consummation of this offering, Continental will have the right to designate one of our directors and CIASA will have the right to designate seven of our directors;
- certain limitations on transfers of our common stock by CIASA or Continental;
- subject to certain exceptions, a right of first offer in favor of CIASA to purchase any shares of our common stock Continental proposes to sell to any third party; and
- the ability of Continental to "tag-along" their shares of our common stock to certain sales of common stock by CIASA to non-Panamanians or, in the case of certain sales of Class B stock by CIASA to Panamanians, to receive additional registration rights with respect to the shares they would otherwise have been able to sell.

In connection with this offering, Continental entered into a lock-up agreement with CIASA which restricts its sale of common stock, without the prior written consent of CIASA and subject to certain other exceptions, until the second anniversary of the date of this prospectus.

A material uncured breach of the Shareholders' Agreement by CIASA or Copa Holdings will trigger rights of Continental in the Alliance Agreement, Services Agreement and Frequent Flyer Agreement to terminate those agreements as described below.

Registration Rights Agreement

Copa Holdings is party to an amended and restated registration rights agreement with CIASA and Continental pursuant to which CIASA and Continental were entitled to certain demand and piggyback rights with respect to the registration and sale of our common stock held by them after this offering. The registration rights agreement initially permitted each of CIASA and Continental to make up to two demands on us to register certain shares of common stock held by them. Continental has used one of its two demand rights in connection with this offering. Upon consummation of this offering, Continental will no longer have the right to register any of our class A shares that it holds except in the event that CIASA reduces its investment in us to a level below that of Continental's ownership in us. One half of the registration expenses incurred in connection with the first demand registration requested after the date hereof, which expenses exclude underwriting discounts and commissions, will be paid ratably by each security holder participating in such offering in proportion to the number of their shares that are included in the offering, and the balance of such expenses will be paid by the Copa Holdings for such demand registrations. Thereafter, all such expenses will be paid ratably by each security holder participating in such offering in proportion to the number of their shares that are included in the offering. In connection with this offering, Continental entered into a lock-up agreement with the underwriters which restrict its sale of our common stock until the first anniversary of the date of this prospectus.

In addition, under the registration rights agreement, in connection with a registered underwritten offering, CIASA has agreed, if required by the underwriters of such offering, not to effect any sale or distribution of any securities of Copa Holdings for a period of up to 180 days after the effective date of such registration, so long as we have agreed to cause other holders of any securities of ours purchased from us (at any time other than in a public offering) to so agree.

A material uncured breach of the registration rights agreement by CIASA or Copa Holdings will trigger rights of Continental in the alliance agreement, services agreement and frequent flyer agreement to terminate those agreements as described below.

Commercial Agreements with Continental

Our alliance relationship with Continental is governed by several interrelated agreements between Copa and Continental. Each of the agreements as amended and restated will expire only upon three years' written notice by one of the airlines to the other, which may not be given before May 2012. Other events of termination are set forth in the descriptions of the major alliance-related agreements set forth below.

Alliance Agreement. Under our alliance agreement with Continental, both airlines agree to continue their codesharing relationship with extensions as they feel are appropriate and to work to maintain our antitrust immunity with the DOT. In order to support the codesharing relationship, the alliance agreement also contains provisions mandating a continued frequent flyer relationship between the airlines, setting minimum levels of quality of service for the airlines and encouraging cooperation in marketing and other operational initiatives. Continental and Copa are prohibited by the alliance agreement from entering into commercial agreements with certain classes of competing airlines, and the agreement requires both parties to include each other, as practicable, in their commercial relationships with other airlines. Other than by expiration as described above, the agreement is also terminable by an airline in cases of, among other things, uncured material breaches of the alliance agreement by the other airline, bankruptcy of the other airline, termination of the services agreement for breach by the other airline, termination of the frequent flyer participation agreement without entering into a successor agreement by the other airline, termination by Continental upon the material unremedied breach of the shareholders agreement or the registration rights agreement by CIASA or Copa Holdings, termination by Copa upon the material unremedied breach of the shareholders agreement or the registration rights agreement by Continental, certain competitive activities, certain changes of control of either of the parties and certain significant operational service failures by the other airline.

Services Agreement. Under the services agreement, both airlines agree to provide to each other certain services over the course of the agreement at the providing carrier's incremental cost, subject to certain limitations. Services covered under the agreement include consolidating purchasing power for equipment purchases and insurance coverage, sharing management information systems, pooling maintenance programs and inventory management, joint training and employee exchanges, sharing the benefits of other purchase contracts for goods and services, telecommunications and other services. Other than by expiration as described above, the agreement is also terminable by an airline in cases of, among other things, uncured material breaches of the alliance agreement by the other airline, bankruptcy of the other airline, termination of the services agreement for breach by the other airline, termination of the frequent flyer participation agreement without entering into a successor agreement by the other airline, termination by Continental upon the material unremedied breach of the shareholders agreement or the registration rights agreement by CIASA or Copa Holdings, termination by Copa upon the material unremedied breach of the shareholders agreement or the registration rights agreement by Continental, certain changes of control of either of the parties and certain significant operational service failures by the other airline.

Frequent Flyer Participation Agreement. Under the frequent flyer participation agreement, we participate in Continental's OnePass frequent flyer global program and on a co-branded basis in Latin America. Customers in the program receive credit for flying on segments operated by us, which can be redeemed for award travel on our flights and those of other partner airlines. The agreement also governs joint marketing agreements under the program, settlement procedures between the airlines and revenue-sharing under bank card affinity relationships. Further, if the Services Agreement is terminated or expires, the compensation structure of the frequent flyer program will be revised to be comparable to other of Continental's frequent flyer relationships. We also have the right under the agreement to participate on similar terms in any successor program operated by Continental. Other than by expiration as described above, the agreement is also terminable by an airline in cases of, among other things, uncured material breaches of the alliance agreement by the other airline, bankruptcy of the other airline, termination of the services agreement for breach by the other airline, termination of the frequent flyer participation agreement without entering into a successor agreement by the other airline, termination by Continental upon the material unremedied breach of the shareholders agreement or the registration rights agreement by CIASA or Copa Holdings, termination by Copa upon the material unremedied of the shareholders agreement or the registration rights agreement by Continental, certain changes of control of either of the parties and certain significant operational service failures by the other airline.

Trademark License Agreement. Under the trademark license agreement, we have the right to use a logo incorporating a globe design that is similar to the globe design of Continental's logo. We also have the right to use Continental's trade dress, aircraft livery and certain other Continental marks under the agreement that allow us to more closely align our overall product with our alliance partner. The trademark license agreement is coterminous with the Alliance Agreement and can also be terminated for breach. In most cases, we will have a period of five years after termination to cease to use the marks on our aircraft, with less time provided for signage and other uses of the marks or in cases where the agreement is terminated for a breach by us.

Agreements with our controlling shareholders and their affiliates

Our directors and controlling shareholders have many other commercial interests within Panama and throughout Latin America. We have commercial relationships with several of these affiliated parties from which we purchase goods or services, as described below. In each case we believe our transactions with these affiliated parties are at arms' length and on terms that we believe reflect prevailing market rates.

Banco Continental de Panama, S.A.

We have a strong commercial banking relationship with Banco Continental de Panama, S.A., a bank with approximately \$2.5 billion in assets and which is controlled by our controlling shareholders. As of December 31, 2005, we owed Banco Continental de Panama, S.A., approximately \$25.7 million under short to medium term financing arrangements made to fund aircraft pre-payments and for part of the commercial loan tranche of one of our Ex-Im facilities. We also maintain general lines of credit and time deposit accounts with Banco Continental.

ASSA Compañía de Seguros, S.A.

Panamanian law requires us to maintain our insurance policies through a local insurance company. We have contracted with ASSA, an insurance company controlled by our controlling shareholders, to provide substantially all of our insurance. ASSA has, in turn, reinsured almost all of the risks under those policies with insurance companies around the world. The net payment to ASSA, after taking into account the reinsurance of these risks, is approximately \$30,000 per year.

Petróleos Delta, S.A.

In July 2005, we entered into a contract with Petróleos Delta, S.A. to supply our jet fuel needs. The price we pay under this contract is based on the two week average of the U.S. Gulf Coast Waterborne Mean index plus local taxes, certain third-party handling charges and a handling charge to Delta which is expected to aggregate between \$2.5 million and \$3 million per year assuming we maintain a rate of fuel consumption comparable to expected volumes for 2005. The contract has a one year term that automatically renews for one year periods unless terminated by one of the parties. While our controlling shareholders do not hold a controlling equity interest in Petróleos Delta, S.A., one of our executive officers, Jorge Garcia, previously served as a Project Director at Petróleos Delta, S.A., one of our directors, Alberto Motta Jr., serves on its board of directors, one of our directors, Osvaldo Heilbron, serves on the board of directors of Empresa General de Petróleos, S.A., the holding company that owns Petróleos Delta, S.A., and one of our directors, Ricardo Arias, serves on the board of directors of Empresa General de Inversiones, S.A., the holding company that owns Empresa General de Petróleos, S.A.

Desarrollo Inmobiliario del Este, S.A.

We recently moved our headquarters to a new location six miles away from Tocumen International Airport later this year. We are leasing five floors consisting of approximately 104,000 square feet of the building from Desarrollo Inmobiliario del Este, S.A., an entity controlled by the same group of investors that controls CIASA, under a 10-year lease at a rate of \$106,000 per month during the first three years, \$110,000 per month from year 4 to year 6, \$113,000 from year 7 to year 9 and \$116,000 per month in year 10, which we believe to be a market rate.

Galindo, Arias & Lopez

Most of our legal work, including passing on the validity of the shares offered by this prospectus, is carried out by the law firm Galindo, Arias & Lopez. Messrs. Jaime Arias and Ricardo Alberto Arias, partners of Galindo, Arias & Lopez, are indirect shareholders of CIASA and serve on our board of directors.

Other Transactions

We also purchase most of the alcohol and some of the other beverages served on our aircraft from Motta Internacional, S.A. and Global Brands, S.A., both of which are controlled by our controlling shareholders. We do not have any formal contracts for these purchases, but pay wholesale prices based on price lists periodically submitted by those importers. We pay approximately \$0.4 million per year to these entities.

Our telecommunications services have been provided by Telecarrier, Inc. since February 2003. Some of the controlling shareholders of CIASA have a controlling interest in Telecarrier, Inc. Additionally, one of our directors, Ricardo Arias, serves on the board of directors of Empresa General de Inversiones, a holding company that has a minority interest in Telecarrier, Inc. Payments to Telecarrier, Inc. totaled \$0.4 million, \$0.4 million and \$0.2 million in 2005, 2004 and 2003, respectively.

The advertising agency that we use in Panama, Rogelio Diaz Publicidad (RDP), is owned by the brother-in-law of our chief executive officer. Gross invoices for all services performed through RDP total approximately \$1.3 million annually.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of Copa Holding's capital stock and a brief summary of certain significant provisions of Copa Holding's Articles of Incorporation. This description contains all material information concerning the common stock but does not purport to be complete. For additional information regarding the common stock, reference is made to the Articles of Incorporation, a copy of which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

For purposes of this section only, reference to "our" or "the company" shall refer only to Copa Holdings and references to "Panamanians" shall refer to those entities or natural persons that are considered Panamanian nationals under the Panamanian Aviation Act, as it may be amended or interpreted.

Common Stock

Our authorized capital stock consists of 80 million shares of common stock without par value, divided into Class A shares, Class B shares and Class C shares. As of May 31, 2006, we had 30,971,875 Class A shares, 12,778,125 Class B shares and no Class C shares outstanding. Class A and Class B shares have the same economic rights and privileges, including the right to receive dividends, except as described in this section.

Class A Shares

The holders of the Class A shares are not entitled to vote at our shareholders' meetings, except in connection with the following specific matters:

- a transformation of Copa Holdings into another corporate type;
- a merger, consolidation or spin-off of Copa Holdings;
- a change of corporate purpose;
- voluntarily delisting Class A shares from the NYSE;
- approving the nomination of Independent Directors nominated by our board of director's Nominating and Corporate Governance Committee following our next annual general shareholders meeting; and
- any amendment to the foregoing special voting provisions adversely affecting the rights and privileges of the Class A shares.

At least 30 days prior to taking any of the actions listed above, we must give notice to the Class A and Class B shareholders of our intention to do so. If requested by shareholders representing at least 5% of our outstanding shares, the board of directors shall call an extraordinary shareholders' meeting to approve such action. At the extraordinary shareholders' meeting, shareholders representing a majority of all of the outstanding shares must approve a resolution authorizing the proposed action. For such purpose, every holder of our shares is entitled to one vote per share. See "—Shareholders Meetings."

The Class A shareholders will acquire full voting rights, entitled to one vote per Class A share on all matters upon which shareholders are entitled to vote, if in the future our Class B shares ever represent fewer than 10% of the total number of shares of our common stock and the Independent Directors Committee shall have determined that such additional voting rights of Class A shareholders would not cause a triggering event referred to below. In such event, the right of the Class A shareholders to vote on the specific matters described in the preceding paragraph will no longer be applicable. The 10% threshold described in the first sentence of this paragraph will be calculated without giving effect to any newly issued shares sold with the approval of the Independent Directors Committee.

At such time, if any, as the Class A shareholders acquire full voting rights, the Board of Directors shall call an extraordinary shareholders' meeting to be held within 90 days following the date as of which the Class A shares are entitled to vote on all matters at our shareholders' meetings. At the extraordinary shareholders' meeting, the shareholders shall vote to elect all eleven members of the board of directors in a slate recommended by the Nominating and Governance Committee. The terms of office of the directors that were serving prior to the extraordinary shareholders' meeting shall terminate upon the election held at that meeting.

Class B Shares

Every holder of Class B shares is entitled to one vote per share on all matters for which shareholders are entitled to vote. Class B shares will be automatically converted into Class A shares upon the registration of transfer of such shares to holders which are not Panamanian as described below under “—Restrictions on Transfer of Common Stock; Conversion of Class B Shares.”

Class C Shares

Upon the occurrence and during the continuance of a triggering event described below in “—Aviation Rights Protections,” the Independent Directors Committee of our board of directors, or the board of directors as a whole if applicable, are authorized to issue Class C shares to the Class B holders pro rata in proportion to such Class B holders’ ownership of Copa Holdings. The Class C shares will have no economic value and will not be transferable, but will possess such voting rights as the Independent Directors Committee shall deem necessary to ensure the effective control of the company by Panamanians. The Class C shares will be redeemable by the company at such time as the Independent Directors Committee determines that such a triggering event shall no longer be in effect. The Class C shares will not be entitled to any dividends or any other economic rights.

Objects and Purposes

Copa Holdings is principally engaged in the investment in airlines and aviation-related companies and ventures, although our Articles of Incorporation grant us general powers to engage in any other lawful business, whether or not related to any of the specific purposes set forth in the Articles of Incorporation.

Restrictions on Transfer of Common Stock; Conversion of Class B Shares

The Class B shares may only be held by Panamanians, and upon registration of any transfer of a Class B share to a holder that does not certify that it is Panamanian, such Class B share shall automatically convert into a Class A share. Transferees of Class B shares will be required to deliver to us written certification of their status as a Panamanian as a condition to registering the transfer to them of Class B shares. Class A shareholders will not be required or entitled to provide such certification. If a Class B shareholder intends to sell any Class B shares to a person that has not delivered a certification as to Panamanian nationality and immediately after giving effect to such proposed transfer the outstanding Class B shares would represent less than 10% of our outstanding stock (excluding newly issued shares sold with the approval of our Independent Directors Committee), the selling shareholder must inform the board of directors at least ten days prior to such transfer. The Independent Directors Committee may determine to refuse to register the transfer if the Committee reasonably concludes, on the basis of the advice of a reputable external aeronautical counsel, that such transfer would be reasonably likely to cause a triggering event as described below. After the first shareholders’ meeting at which the Class A shareholders are entitled to vote for the election of our directors, the role of the Independent Directors described in the preceding sentence shall be exercised by the entire board of directors acting as a whole.

Also, the board of directors may refuse to register a transfer of stock if the transfer violates any provision of the Articles of Incorporation.

Tag-along Rights

Our board of directors may refuse to register any transfer of shares in which CIASA proposes to sell Class B shares pursuant to a sale at a price per share that is greater than the average public trading price per share of the Class A shares for the preceding 30 days to an unrelated third party that would, after giving effect to such sale, have the right to elect a majority of the board of directors and direct our management and policies, unless the proposed purchaser agrees to make, as promptly as possible, a public offer for the purchase of all outstanding Class A shares and Class B shares at a price per share equal to the price per share paid for the shares being sold by CIASA. While our Articles of Incorporation provide limited rights to holders of our Class A shares to sell their shares at the same price as CIASA in the event that a sale of Class B shares by CIASA results in the purchaser having the right to elect a majority of our board, there are other change of control transactions in which holders of our Class A shares would not have the right to participate, including the sale of interests by a party that had previously acquired Class B shares

from CIASA, the sale of interests by another party in conjunction with a sale by CIASA, the sale by CIASA of control to more than one party, or the sale of controlling interests in CIASA itself.

Aviation Rights Protections

As described in “Regulation—Panama,” the Panamanian Aviation Act, including the related decrees and regulations, and the bilateral treaties between Panama and other countries that allow us to fly to those countries require that Panamanians exercise “effective control” of Copa and maintain “significant ownership” of the airline. The Independent Directors Committee have certain powers under our Articles of Incorporation to ensure that certain levels of ownership and control of Copa Holdings remain in the hands of Panamanians upon the occurrence of certain triggering events referred to below.

In the event that the Class B shareholders represent less than 10% of the total share capital of the company (excluding newly issued shares sold with the approval of our Independent Directors Committee) and the Independent Directors Committee determines that it is reasonably likely that Copa’s or Copa Holdings’ legal ability to engage in the aviation business or to exercise its international route rights will be revoked, suspended or materially inhibited in a manner which would materially and adversely affect the company, in each case as a result of such non-Panamanian ownership (each a triggering event), the Independent Directors Committee may take either or both of the following actions:

- authorize the issuance of additional Class B shares to Panamanians at a price determined by the Independent Directors to reflect the current market value of such shares or
- authorize the issuance to Class B shareholders such number of Class C shares as the Independent Directors Committee, or the board of directors if applicable, deems necessary and with such other terms and conditions established by the Independent Directors Committee that do not confer economic rights on the Class C shares.

Dividends

The payment of dividends on our shares is subject to the discretion of our board of directors. Under Panamanian law, we may pay dividends only out of retained earnings and capital surplus. Our Articles of Incorporation provide that all dividends declared by our board of directors will be paid equally with respect to all of the Class A and Class B shares. Our board of directors has adopted a dividend policy that provides for the payment of approximately 10% of our annual consolidated net income to Class A and Class B shareholders. Our board of directors may, in its sole discretion and for any reason, amend or discontinue the dividend policy. Our board of directors may change the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends.

Shareholder Meetings

Ordinary Meetings

Our Articles of Incorporation require us to hold an ordinary annual meeting of shareholders within the first five months of each fiscal year. The ordinary annual meeting of shareholders is the corporate body that elects the board of directors, approves the annual financial statements of Copa Holdings and approves any other matter that does not require an extraordinary shareholders’ meeting. Shareholders representing at least 5% of the issued and outstanding common stock entitled to vote may submit proposals to be included in such ordinary shareholders meeting, provided the proposal is submitted at least 45 days prior to the meeting.

Extraordinary Meetings

Extraordinary meetings may be called by the board of directors when deemed appropriate. Ordinary and extraordinary meetings must be called by the board of directors when requested by shareholders representing at least 5% of the issued shares entitled to vote at such meeting. Only matters that have been described in the notice of an extraordinary meeting may be dealt with at that extraordinary meeting.

Vote required

Resolutions are passed at shareholders meetings by the affirmative vote of a majority of those shares entitled to vote at such meeting and present or represented at the meeting.

Notice and Location

Notice to convene the ordinary annual meeting or extraordinary meeting is given by publication in at least one national newspaper in Panama and at least one national newspaper widely read in New York City not less than 30 days in advance of the meeting. We publish such official notices in a national journal recognized by the NYSE.

Shareholders' meetings are to be held in Panama City, Panama unless otherwise specified by the board of directors.

Quorum

Generally, a quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing a simple majority of the issued shares eligible to vote on any actions to be considered at such meeting. If a quorum is not present at the first meeting and the original notice for such meeting so provides, the meeting can be immediately reconvened on the same day and, upon the meeting being reconvened, shareholders present or represented at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented.

Proxy Representation

Our Articles of Incorporation provide that, for so long as the Class A shares do not have full voting rights, each holder, by owning our Class A shares, grants a general proxy to the Chairman of our board of directors or any person designated by our Chairman to represent them and vote their shares on their behalf at any shareholders' meeting, provided that due notice was made of such meeting and that no specific proxy revoking or replacing the general proxy has been received from such holder prior to the meeting in accordance with the instructions provided by the notice.

Other Shareholder Rights

As a general principle, Panamanian law bars the majority of a corporation's shareholders from imposing resolutions which violate its articles of incorporation or the law, and grants any shareholder the right to challenge, within 30 days, any shareholders' resolution that is illegal or that violates its articles of incorporation or by-laws, by requesting the annulment of said resolution and/or the injunction thereof pending judicial decision. Minority shareholders representing at least 5% of all issued and outstanding shares have the right to require a judge to call a shareholders' meeting and to appoint an independent auditor (revisor) to examine the corporate accounting books, the background of the company's incorporation or its operation.

Shareholders have no pre-emptive rights on the issue of new shares.

Our Articles of Incorporation provide that directors will be elected in staggered two-year terms, which may have the effect of discouraging certain changes of control.

Listing

Our Class A shares are listed on the NYSE under the symbol "CPA." The Class B shares and Class C shares will not be listed on any exchange unless the board of directors determines that it is in the best interest of the company to list the Class B shares on the Panama Stock Exchange.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A shares is Mellon Investor Services LLC. Until the board of directors otherwise provides, the transfer agent for our Class B shares and any Class C shares is Galindo, Arias &

Lopez which maintains the share register for each class in Panama. Transfers of Class B shares must be accompanied by a certification of the transferee that such transferee is Panamanian.

Summary of Significant Differences between Shareholders' Rights and Other Corporate Governance Matters Under Panamanian Corporation Law and Delaware Corporation Law

Copa Holdings is a Panamanian corporation (*sociedad anónima*). The Panamanian corporation law was originally modeled after the Delaware General Corporation Law. As such, many of the provisions applicable to Panamanian and Delaware corporations are substantially similar, including (1) a director's fiduciary duties of care and loyalty to the corporation, (2) a lack of limits on the number of terms a person may serve on the board of directors, (3) provisions allowing shareholders to vote by proxy and (4) cumulative voting if provided for in the articles of incorporation. The following table highlights the most significant provisions that materially differ between Panamanian corporation law and Delaware corporation law.

<u>Panama</u>	<u>Delaware</u>
<p><i>Conflict of Interest Transactions.</i> Transactions involving a Panamanian corporation and an interested director or officer are initially subject to the approval of the board of directors. At the next shareholders' meeting, shareholders will then have the right to disapprove the board of directors' decision and to decide to take legal actions against the directors or officers who voted in favor of the transaction.</p>	<p><i>Conflict of Interest Transactions.</i> Transactions involving a Delaware corporation and an interested director of that corporation are generally permitted if: (1) the material facts as to the interested director's relationship or interest are disclosed and a majority of disinterested directors approve the transaction; (2) the material facts are disclosed as to the interested director's relationship or interest and the stockholders approve the transaction; or (3) the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee of the board of directors or the stockholders.</p>
<p><i>Terms.</i> Panamanian law does not set limits on the length of the terms that a director may serve. Staggered terms are allowed but not required.</p>	<p><i>Terms.</i> The Delaware General Corporation Law generally provides for a one-year term for directors. However, the directorships may be divided into up to three classes with up to three-year terms, with the years for each class expiring in different years, if permitted by the articles of incorporation, an initial by-law or a by-law adopted by the shareholders.</p>
<p><i>Number.</i> The board of directors must consist of a minimum of three members, which could be natural persons or legal entities.</p>	<p><i>Number.</i> The board of directors must consist of a minimum of one member.</p>
<p><i>Authority to take Actions.</i> In general, a simple majority of the board of directors is necessary and sufficient to take any action on behalf of the board of directors.</p>	<p><i>Authority to take Actions.</i> The articles of incorporation or by-laws can establish certain actions that require the approval of more than a majority of directors.</p>

Panama

Delaware

Shareholder Meetings and Voting Rights

Quorum. The quorum for shareholder meetings must be set by the articles of incorporation or the by-laws. If the articles of incorporation and the notice for a given meeting so provide, if quorum is not met a new meeting can be immediately called and quorum shall consist of those present at such new meeting.

Action by Written Consent. Panamanian law does not permit shareholder action without formally calling a meeting.

Quorum. For stock corporations, the articles of incorporation or bylaws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one- third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.

Action by Written Consent. Unless otherwise provided in the articles of incorporation, any action required or permitted to be taken at any annual meeting or special meeting of stockholders of a corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and noted.

Other Shareholder Rights

Shareholder Proposals. Shareholders representing 5% of the issued and outstanding capital of the corporation have the right to require a judge to call a general shareholders' meeting and to propose the matters for vote.

Appraisal Rights. Shareholders of Panamanian corporation do not have the right to demand payment in cash of the judicially determined fair value of their shares in connection with a merger or consolidation involving the corporation. Nevertheless, in a merger, the majority of shareholders could approve the total or partial distribution of cash, instead of shares, of the surviving entity.

Shareholder Derivative Actions. Any shareholder, with the consent of the majority of the shareholders, can sue on behalf of the corporation, the directors of the corporation for a breach of their duties of care and loyalty to the corporation or a violation of the law, the articles of incorporation or the by-laws.

Shareholder Proposals. Delaware law does not specifically grant shareholders the right to bring business before an annual or special meeting. If a Delaware corporation is subject to the SEC's proxy rules, a shareholder who owns at least \$2,000 in market value, or 1% of the corporation's securities entitled to vote, may propose a matter for a vote at an annual or special meeting in accordance with those rules.

Appraisal Rights. Delaware law affords shareholders in certain cases the right to demand payment in cash of the judicially-determined fair value of their shares in connection with a merger or consolidation involving their corporation. However, no appraisal rights are available if, among other things and subject to certain exceptions, such shares were listed on a national securities exchange or designated national market system or such shares were held of record by more than 2,000 holders.

Shareholder Derivative Actions. Subject to certain requirements that a shareholder make prior demand on the board of directors or have an excuse not to make such demand, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation against officers,

Panama

Delaware

Inspection of Corporate Records. Shareholders representing at least 5% of the issued and outstanding shares of the corporation have the right to require a judge to appoint an independent auditor to examine the corporate accounting books, the background of the company's incorporation or its operation.

Panamanian corporations may include in their articles of incorporation or by-laws classified board and super-majority provisions.

Panamanian corporation law's anti-takeover provisions apply only to companies that are (1) registered with the CNV for a period of six months before the public offering, (2) have over 3,000 shareholders, and (3) have a permanent office in Panama with full time employees and investments in the country for more than \$1,000,000.

These provisions are triggered when a buyer makes a public offer to acquire 5% or more of any class of shares with a market value of at least \$5,000,000. In sum, the buyer must deliver to the corporation a complete and accurate statement that includes (1) the name of the company, the number of the shares that the buyer intends to acquire and the purchase price; (2) the identity and background of the person acquiring the shares; (3) the source and amount of the funds or other goods that will be used to pay the purchase price; (4) the plans or project the buyer has once it has acquired the control of the company; (5) the number of shares of the company that the buyer already has or is a beneficiary of and those owned by any of its directors, officers, subsidiaries, or partners or the same, and any transactions made regarding the shares in the last 60 days; (6) contracts, agreements, business relations or negotiations regarding securities issued by the company in which the buyer is a party; (7) contract, agreements,

directors and third parties. An individual may also commence a class action suit on behalf of himself and other similarly-situated stockholders if the requirements for maintaining a class action under the Delaware General Corporation Law have been met. Subject to equitable principles, a three-year period of limitations generally applies to such shareholder suits against officers and directors.

Inspection of Corporate Records. A shareholder may inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to a person's interest as a shareholder.

Anti-takeover Provisions

Delaware corporations may have a classified board, super-majority voting and shareholders' rights plan.

Unless Delaware corporations specifically elect otherwise, Delaware corporations may not enter into a "business combination," including mergers, sales and leases of assets, issuances of securities and similar transactions, with an "interested stockholder," or one that beneficially owns 15% or more of a corporation's voting stock, within three years of such person becoming an interested shareholder unless:

- (1) the transaction that will cause the person to become an interested shareholder is approved by the board of directors of the target prior to the transactions;
- (2) after the completion of the transaction in which the person becomes an interested shareholder, the interested shareholder holds at least 85% of the voting stock of the corporation not including shares owned by persons who are directors and also officers of interested shareholders and shares owned by specified employee benefit plans; or
- (3) after the person becomes an interested shareholder, the business combination is approved by the board of directors of the corporation and holders of at least 66.67% of the outstanding voting stock, excluding shares held by the interested shareholder.

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business relations or negotiations between the buyer and any director, officer or beneficiary of the securities; and (8) any other significant information. This declaration will be accompanied by, among other things, a copy of the buyer's financial statements.

If the board of directors believes that the statement does not contain all required information or that the statement is inaccurate, the board of directors must send the statement to the CNV within 45 days from the buyer's initial delivery of the statement to the CNV. The CNV may then hold a public hearing to determine if the information is accurate and complete and if the buyer has complied with the legal requirements. The CNV may also start an inquiry into the case, having the power to decide whether or not the offer may be made.

Regardless of the above, the board of directors has the authority to submit the offer to the consideration of the shareholders. The board should only convene a shareholders' meeting when it deems the statement delivered by the offeror to be complete and accurate. If convened, the shareholders' meeting should take place within the next 30 days. At the shareholders' meeting, two-thirds of the holders of the issued and outstanding shares of each class of shares of the corporation with a right to vote must approve the offer and the offer is to be executed within 60 days from the shareholders' approval. If the board decides not to convene the shareholders' meeting within 15 days following the receipt of a complete and accurate statement from the offeror, shares may then be purchased. In all cases, the purchase of shares can take place only if it is not prohibited by an administrative or judicial order or injunction.

The law also establishes some actions or recourses of the sellers against the buyer in cases the offer is made in contravention of the law.

Previously Acquired Rights

In no event can the vote of the majority shareholders deprive the shareholders of a corporation of previously-acquired rights. Panamanian jurisprudence and doctrine has established that the majority shareholders cannot amend the articles of incorporation and deprive minority shareholders of previously-acquired rights nor impose upon them an agreement

No comparable provisions exist under Delaware law.

Panama

Delaware

that is contrary to those articles of incorporation.

Once a share is issued, the shareholders become entitled to the rights established in the articles of incorporation and such rights cannot be taken away, diminished nor extinguished without the express consent of the shareholders entitled to such rights. If by amending the articles of incorporation, the rights granted to a class of shareholders is somehow altered or modified to their disadvantage, those shareholders will need to approve the amendment unanimously.

INCOME TAX CONSEQUENCES

United States

The following summary describes the material United States federal income tax consequences of the ownership and disposition of our Class A shares as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below) that hold our Class A shares as capital assets for United States federal income tax purposes (generally, property held for investment). This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a bank;
- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our Class A shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose “functional currency” is not the United States dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. This discussion, to the extent that it states matters of United States federal income tax law or legal conclusions and subject to the qualifications herein, represents the opinion of Simpson Thacher & Bartlett LLP, our United States counsel.

If a partnership holds our Class A shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Class A shares, you should consult your tax advisors.

If you are considering the purchase, ownership or disposition of our Class A shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, “United States Holder” means a holder of our Class A shares that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

Taxation of Dividends

Distributions on the Class A shares (including amounts withheld to reflect Panamanian withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

With respect to non-corporate United States investors, certain dividends received in taxable years beginning before January 1, 2011 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation generally is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our Class A shares, which are listed on the NYSE, are readily tradable on an established securities market in the United States. There can be no assurance, however, that our Class A shares will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules to your particular circumstances.

Subject to certain conditions and limitations, Panamanian withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the Class A shares will be treated as income from sources outside the United States and will generally constitute passive income. Further, in certain circumstances, if you:

- have held Class A shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the Class A shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the Class A shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the Class A shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange (as discussed below under “—Taxation of Capital Gains”). Consequently, such distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and you would generally not be able to use the foreign tax credit arising from any Panamanian withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, we do not intend to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Passive Foreign Investment Company

We do not believe that we are a passive foreign investment company (a “PFIC”) for United States federal income tax purposes (or that we were one in 2005), and we expect to operate in such a manner so as not to become a PFIC. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the Class A shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Further, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2011, if we are a PFIC in the taxable year in which such dividends are paid or the preceding taxable year. Our United States counsel expresses no opinion with respect to our statements of belief and expectation contained in this paragraph.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or redemption of a Class A share in an amount equal to the difference between the amount realized for the Class A share and your tax basis in the Class A share. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

Information reporting and backup withholding

In general, information reporting will apply to dividends in respect of our Class A shares and the proceeds from the sale, exchange or redemption of our Class A shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Panamanian Taxation

The following is a discussion of the material Panamanian tax considerations to holders of Class A shares under Panamanian tax law, and is based upon the tax laws and regulations in force and effect as of the date hereof, which may be subject to change. This discussion, to the extent it states matters of Panamanian tax law or legal conclusions and subject to the qualifications herein, represents the opinion of Galindo, Arias & Lopez, our Panamanian counsel.

General principles

Panama’s income tax regime is based on territoriality principles, which define taxable income only as that revenue which is generated from a source within the Republic of Panama, or for services rendered outside of Panama, but which, by their nature, are intended to directly benefit the local commercial activities of individuals or corporations which operate within its territory. Said taxation principles have governed the Panamanian fiscal regime for decades, and have been upheld through judicial and administrative precedent.

Taxation of dividends

Distributions by Panamanian corporations, whether in the form of cash, stock or other property, are subject to a 10% withholding tax for the portion of the distribution that is attributable to Panamanian sourced income, as defined pursuant to the territoriality principles that govern Panamanian tax law. Distributions made by a holding company which correspond to dividends paid by its subsidiary for which the dividend tax was paid, are not subject to any further withholding under Panamanian law. Therefore, distributions on the Class A shares being offered would not

be subject to withholding taxes to the extent that said distributions are attributable to dividends received from any of our subsidiaries.

Taxation of capital gains

As long as the Class A shares are registered with the CNV and are sold through an organized market, Panamanian taxes on capital gains will not apply either to Panamanians or other countries' nationals. As part of this offering process, we will register the Class A shares, with both the New York Stock Exchange and the CNV.

Other Panamanian taxes

There are no estate, gift or other taxes imposed by the Panamanian government that would affect a holder of the Class A shares, whether such holder were Panamanian or a national of another country.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and the selling shareholder has agreed to sell to them the number of shares indicated below:

<u>Underwriter</u>	<u>Number of Class A Shares</u>
Morgan Stanley & Co. Incorporated	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Total	

The underwriters are offering the Class A shares subject to their acceptance of the Class A shares from the selling shareholder and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Class A shares offered by this prospectus are subject to the approval of specified legal matters by their counsel and to other conditions. The underwriters are obligated to take and pay for all of the Class A shares offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the Class A shares covered by the underwriters' over-allotment option described below, unless and until the option is exercised.

The underwriters initially propose to offer part of the Class A shares directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ a share under the public offering price. After the initial offering of the Class A shares, the offering price and other selling terms may from time to time be varied by the representatives.

The selling shareholder has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 984,375 additional Class A shares at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Class A shares offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional Class A shares as the number listed next to the underwriter's name in the preceding table bears to the total number of Class A shares listed next to the names of all underwriters in the preceding table.

As joint book-running managers on behalf of the underwriting syndicate, Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated will be responsible for recording a list of potential investors that have expressed an interest in purchasing shares of common stock as part of this offering.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of Class A shares offered by them.

The selling shareholder, Copa Holdings, Copa Holdings' directors and executive officers and CIASA have agreed that, without the prior written consent of the representatives of the underwriters, Copa Holdings and they will not, until the first anniversary after the date of this prospectus (or 180 days in the case of CIASA and 90 days in the case of Copa Holdings and Copa Holdings' directors and executive officers):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any Class A shares or any securities convertible into or exercisable or exchangeable for Class A shares; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Class A shares,

whether any transaction described above is to be settled by delivery of Class A shares or such other securities, in cash or otherwise. Copa Holdings and each such person also agrees that, without the prior written consent of the representatives on behalf of the underwriters, they will not, during the one year period after the date of this prospectus (or 180 or 90 days, as applicable), make any demand for, or exercise any right with respect to, the registration of any Class A shares or any security convertible into or exercisable or exchangeable for Class A shares. In addition, the selling shareholder has agreed that, without the prior written consent of CIASA and subject to the same exceptions, not to issue or transfer, until the second anniversary of the date of this prospectus, any shares of Copa Holdings' capital stock, any options or warrants to purchase shares of Copa Holdings' capital stock or any securities convertible into or exchangeable for shares of Copa Holdings' capital stock.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of Class A shares to the underwriters;
- after 90 days, the sale of any Class A shares held by Continental and subject to the over-allotment option, to the extent such option is not exercised in full or at all;
- the sale of Class A shares held by Continental pursuant to its tag-along rights in its Shareholders' Agreement with CIASA;
- transactions by any person other than Copa Holdings relating to Class A shares or other securities acquired in open market transactions after the completion of the offering of the Class A shares; or
- any existing employee benefits plan.

The twelve-month restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the twelve-month (or 180 or 90 days, as applicable) restricted period, Copa Holdings issues an earnings release or material news event relating to Copa Holdings occurs, or
- prior to the expiration of the twelve-month (or 180 or 90 days, as applicable) restricted period, Copa Holdings announces that it will release earnings results during the 16 day period beginning on the last day of the twelve-month (or 180 or 90 days, as applicable) period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the twelve-month period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The following table shows the underwriting discounts and commissions that the selling shareholder is to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional Class A shares.

	Paid by the Selling Shareholder	
	No Exercise	Full Exercise
Per Class A Share		
Total		

In order to facilitate the offering of the Class A shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A shares. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing Class A shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of Class A shares compared to the price available under the over-allotment option. The underwriters may also sell Class A shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing Class A shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A shares in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the Class A shares, the underwriters may bid for, and purchase, shares of Class A shares in the open market.

Finally, the underwriters may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Class A shares in this offering, if the representatives repurchase previously distributed Class A shares in transactions to cover short positions or to stabilize the price of the Class A shares. Any of these activities may stabilize or maintain the market price of the Class A shares above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Each of the underwriters has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Class A shares other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Class A shares would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the FSMA) by Copa Holdings;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Class A shares in circumstances in which Section 21(1) of the FSMA does not apply to Copa Holdings; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Class A shares in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area (the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a Relevant Member State), each of the underwriters has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Class A shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Class A shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Class A shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Class A shares to the public” in relation to any Class A shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Class A shares to be offered so as to enable an investor to decide to purchase or subscribe the Class A shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Class A shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Class A shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Class A shares

which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Class A shares may not be circulated or distributed, nor may the Class A shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Class A shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Class A shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Class A shares have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any Class A shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Copa Holdings and the selling shareholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments the underwriters may be required to make because of any of these liabilities.

From time to time, certain of the underwriters have provided, and may provide in the future, investment banking, commercial banking and other financial services to Copa Holdings and Continental for which they have received and may continue to receive customary fees and commissions.

Under U.S. federal securities laws, Continental, as the selling shareholder, may be deemed to be an underwriter.

EXPENSES OF THE OFFERING

We estimate that the total expenses in connection with this offering, other than underwriting discounts and commissions, will be as follows:

<u>Expenses</u>	<u>Amount</u>	<u>Percentage of Net Proceeds of This Offering (%)</u>
Securities and Exchange Commission registration fee	\$ 18,524.41	*
NYSE supplemental listing fee	36,225.00	*
National Association of Securities Dealers, Inc. filing fee	18,189.88	*
Printing and engraving expenses	86,000.00	*
Legal fees and expenses	300,000.00	*
Accountant fees and expenses	75,000.00	*
Miscellaneous costs	50,000.00	*
<u>Total</u>	<u>\$ 583,939.29</u>	<u>*</u>

* We will not receive any of the net proceeds of this offering.

All amounts in the table are estimated except the Securities and Exchange Commission registration fee, the NYSE listing fee and the NASD filing fee.

Pursuant to the Registration Rights Agreement among CIASA, Continental and ourselves, Continental is required to pay (i) all of the underwriting commissions, filing fees, listing fees and legal fees and expenses (other than that of our independent certified public accountant and of our counsel) and (ii) 50% of all other expenses incurred by us in connection with this offering. The total underwriting discounts and commissions that the selling shareholder will be required to pay will be approximately \$ million or % of the gross proceeds of this offering.

VALIDITY OF SECURITIES

The validity of the Class A shares and other matters governed by Panamanian law will be passed upon for us and the underwriters by Galindo, Arias & Lopez, Panama City, Panama. Certain matters of New York law will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. Messrs. Jaime Arias and Ricardo Alberto Arias, partners of Galindo, Arias & Lopez, are indirect shareholders of CIASA and serve on our board of directors.

EXPERTS

Our consolidated financial statements and schedule at December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, appearing in this prospectus and registration statement have been audited by Ernst & Young, Panama, independent registered public accounting firm, as set forth in their reports and are included in reliance upon Ernst & Young's reports given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Commission a registration statement (including amendments and exhibits to the registration statement) on Form F-1 under the Securities Act. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, we are required to file reports and other information with the Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the Public Reference Room of the Commission at 100 F Street, N.W., Washington D.C. 20549, and copies of the materials may be obtained there at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains an Internet website at www.sec.gov, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we intend to furnish our shareholders with annual reports containing financial statements audited by our independent auditors and to make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We plan to file quarterly financial statements with the SEC within two months of the first three quarters of our fiscal year, and we will file annual reports on Form 20-F within the time period required by the SEC, which is currently six months from December 31, the end of our fiscal year.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND SHAREHOLDERS
COPA HOLDINGS, S. A.

We have audited the accompanying consolidated balance sheets of Copa Holdings, S. A. and its subsidiaries (“the Company”) as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst and Young

Panama City, Republic of Panama
April 28, 2006

COPA HOLDINGS, S. A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2005	2004
(In US\$ thousands, except share and per share data)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 94,106	\$ 99,666
Short-term investments	20,384	11,277
Total cash, cash equivalents and short-term investments	114,490	110,943
Accounts receivable, net of allowance for doubtful accounts of \$4,911 and \$2,622 as of December 31, 2005 and 2004, respectively	49,044	27,706
Accounts receivable from related parties	448	—
Expendable parts and supplies, net of allowance for obsolescence of \$9 and \$1,739 as of December 31, 2005 and 2004, respectively	4,070	2,333
Prepaid expenses	13,502	8,403
Other current assets	3,239	2,702
Total Current Assets	184,793	152,087
Long-term Investments	26,175	3,948
Property and Equipment:		
Owned property and equipment:		
Flight equipment	628,876	593,825
Other	35,899	27,233
	664,775	621,058
Less: Accumulated depreciation	(79,985)	(87,037)
	584,790	534,021
Purchase deposits for flight equipment	52,753	7,190
Total Property and Equipment	637,543	541,211
Other Assets:		
Prepaid pension asset	1,261	1,153
Goodwill	20,512	—
Other intangible asset	31,298	—
Other assets, net	15,330	3,651
Total Other Assets	68,401	4,804
Total Assets	\$ 916,912	\$ 702,050

COPA HOLDINGS, S. A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS—(Continued)

	As of December 31,	
	2005	2004
	(In US\$ thousands, except share and per share data)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 67,905	\$ 30,573
Accounts payable	44,848	25,335
Accounts payable to related parties	7,750	3,733
Air traffic liability	85,673	53,423
Taxes and interest payable	27,450	16,269
Accrued expenses payable	14,780	12,848
Other current liabilities	5,573	830
Total Current Liabilities	253,979	143,011
Non-Current Liabilities:		
Long-term debt	402,954	380,827
Post employment benefits liability	1,283	1,158
Other long-term liabilities	8,790	1,310
Deferred tax liabilities	4,039	1,589
Total Non-Current Liabilities	417,066	384,884
Total Liabilities	671,045	527,895
Shareholders' Equity:		
Class A common stock—30,034,375 shares authorized, issued, and outstanding	19,813	19,813
Class B common stock—12,778,125 shares authorized, issued, and outstanding	9,410	9,410
Retained earnings	217,862	144,932
Accumulated other comprehensive loss	(1,218)	—
Total Shareholders' Equity	245,867	174,155
Total Liabilities and Shareholders' Equity	\$ 916,912	\$ 702,050

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2005	2004	2003
	(In US\$ thousands, except share and per share data)		
Operating Revenue:			
Passenger revenue	\$ 565,131	\$ 364,611	\$ 311,683
Cargo, mail and other	43,443	35,226	30,106
	<u>608,574</u>	<u>399,837</u>	<u>341,789</u>
Operating Expenses:			
Aircraft fuel	149,303	62,549	48,512
Salaries and benefits	69,730	51,701	45,254
Passenger servicing	50,622	39,222	36,879
Commissions	45,087	29,073	27,681
Maintenance, material and repairs	32,505	19,742	20,354
Reservations and sales	29,213	22,118	18,011
Aircraft rentals	27,631	14,445	16,686
Flight operations	24,943	17,904	15,976
Depreciation	19,857	19,279	14,040
Landing fees and other rentals	17,909	12,155	10,551
Other	32,622	29,306	25,977
Fleet impairment charges	—	—	3,572
	<u>499,422</u>	<u>317,494</u>	<u>283,493</u>
Operating Income	109,152	82,343	58,296
Non-operating Income (Expense):			
Interest expense	(21,629)	(16,488)	(11,613)
Interest capitalized	1,089	963	2,009
Interest income	3,584	1,423	887
Other, net	395	6,063	2,554
	<u>(16,561)</u>	<u>(8,039)</u>	<u>(6,163)</u>
Income before Income Taxes	92,591	74,304	52,133
Provision for Income Taxes	9,592	5,732	3,644
Net Income	\$ 82,999	\$ 68,572	\$ 48,489
Earnings per Share:			
Basic and diluted	\$ 1.94	\$ 1.60	\$ 1.13
Shares used for computation	42,812,500	42,812,500	42,812,500

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock (No-par value)		Issued Capital		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Class A	Class B	Class A	Class B			
	(In US\$ thousands, except share and per share data)						
At December 31, 2002	30,034,375	12,778,125	\$ 19,813	\$ 9,410	\$ 37,871		\$ 67,094
Net Income			—	—	48,489		48,489
At December 31, 2003	30,034,375	12,778,125	19,813	9,410	86,360	—	115,583
Net Income			—	—	68,572		68,572
Dividends declared			—	—	(10,000)		(10,000)
At December 31, 2004	30,034,375	12,778,125	19,813	9,410	144,932	—	174,155
Net Income			—	—	82,999		82,999
Other comprehensive loss:							
Foreign currency translation			—	—	—	(1,218)	(1,218)
Total comprehensive income							81,781
Dividends Declared			—	—	(10,069)		(10,069)
At December 31, 2005	<u>30,034,375</u>	<u>12,778,125</u>	<u>\$ 19,813</u>	<u>\$ 9,410</u>	<u>\$ 217,862</u>	<u>\$ (1,218)</u>	<u>\$ 245,867</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2005	2004	2003
	(In US\$ thousands)		
Cash flows from operating activities			
Net income	\$ 82,999	\$ 68,572	\$ 48,489
Adjustments for:			
Deferred income taxes	(885)	(519)	447
Depreciation	19,857	19,279	14,040
(Gain) / Loss on sale of property and equipment	(1,340)	(1,125)	—
Fleet impairment charge	—	—	3,572
Provision for doubtful accounts	812	1,026	2,154
Provision for obsolescence of expendable parts and supplies	3	6	938
Derivative instruments mark to market	(165)	945	(207)
Changes in:			
Accounts receivable	(11,252)	2,287	(9,167)
Accounts receivable from related parties	(448)	—	—
Other current assets	278	(3,317)	(2,130)
Other assets	(9,321)	(1,430)	(402)
Accounts payable	(4,330)	25	295
Accounts payable to related parties	4,017	1,089	1,063
Air traffic liability	27,759	6,200	8,809
Other liabilities	11,105	5,013	5,578
Net cash provided by operating activities	119,089	98,051	73,479
Cash flows from investing activities			
Acquisition of investments	(48,294)	(38,082)	—
Proceed from redemption of investments	20,658	30,639	19
Restricted cash	(3,698)	582	82
Advance payments on aircraft purchase contracts	(49,461)	(16,314)	(41,232)
Acquisition of property and equipment	(63,296)	(65,764)	(112,181)
Disposal of property and equipment	2,803	3,201	1,510
Purchase of AeroRepublica, net of acquired cash	(22,282)	—	—
Net cash flows used in investing activities	(163,570)	(85,738)	(151,802)
Cash flows from financing activities			
Proceeds from loans and borrowings	68,416	101,198	140,732
Payments on loans and borrowings	(46,929)	(32,125)	(21,969)
Issuance of bonds	27,503	6,357	21,736
Redemption of bonds	—	(35,675)	(35,201)
Dividends declared and paid	(10,069)	(10,000)	—
Net cash flows provided by financing activities	38,921	29,755	105,298

	Year Ended December 31,		
	2005	2004	2003
	(In US\$ thousands)		
Net (decrease) increase in cash and cash equivalents	(5,560)	42,068	26,975
Cash and cash equivalents at January 1st	99,666	57,598	30,623
Cash and cash equivalents at December 31	\$ 94,106	\$ 99,666	\$ 57,598
Supplemental disclosure of cash flow information			
Interest paid, net of amount capitalized	\$ 21,126	\$ 16,021	\$ 10,449
Income taxes paid	7,411	4,286	2,400

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

Copa Holdings, S. A. (“the Company”) is a leading Latin American provider of international airline passenger and cargo services. The Company was incorporated according to the laws of the Republic of Panama. The Company owns 99.8% of the shares of Compañía Panameña de Aviación, S. A. (“Copa”), 100% of the shares of Oval Financial Leasing, Ltd. (“OVAL”), OPAC, S. A. (“OPAC”), and 99.7% of the shares of AeroRepública, S.A. (“AeroRepública”).

Copa, the Company’s core operation, is incorporated according to the laws of the Republic of Panama and provides international air transportation for passengers, cargo and mail. Copa operates from its Panama City hub in the Republic of Panama, from where it offers approximately 92 daily scheduled flights among 30 destinations in 20 countries in North, Central and South America and the Caribbean. Additionally, Copa provides passengers with access to flights to more than 120 other international destinations through codeshare agreements with Continental Airlines, Inc. (“Continental”) and other airlines. The Company has a broad commercial alliance with Continental which includes joint marketing, code-sharing arrangements, participation in Continental’s OnePass frequent flyer loyalty program and access to Continental’s VIP lounge program, President’s Club, along with other benefits such as improved purchasing power in negotiations with service providers, aircraft vendors and insurers. As of December 31, 2005, Copa operated a fleet of 24 aircraft with an average age of 3.2 years; consisting of 22 modern Boeing 737-Next Generation aircraft and two (2) Embraer 190 aircraft. OVAL is incorporated according to the laws of the British Virgin Islands, and controls the special-purpose vehicles that have a beneficial interest in 17 aircraft, with a carrying value of \$531 million, all of which are leased to Copa. The aircraft are pledged as collateral for the obligation of the special-purpose vehicles, which are all consolidated by the Company for financial reporting purposes; however, the creditors of the special-purpose vehicles have no recourse to the general credit of the Company or Copa. OPAC is incorporated according to the laws of the Republic of Panama, and owns the old corporate headquarters building located in Panama City.

Additionally, during 2005 the Company purchased 99.7% of AeroRepública, a domestic Colombian air carrier, which is incorporated according to the laws of the Republic of Colombia and operates a fleet of eleven leased MD-80s and two owned DC-9s as of December 31, 2005 (See Note 2).

On December 15, 2005, the Company concluded the initial public listing on the New York Stock Exchange (“NYSE”) and its principal shareholders sold 18,112,500 shares of Class A common stock held by them. Cost related to this initial public listing amounted \$3.7 million which are included as a component of “Other, net” within Non-operating income (expense) in the Consolidated Statements of Income.

A substantial portion of the Company’s assets are located in the Republic of Panama, a significant proportion of the Company’s customers are Panamanian, and substantially all of the Company’s flights operate through its hub at Tocumen International Airport in Panama City. As a result, the Company depends on economic and political conditions prevailing from time to time in Panama.

As used in these Notes to Consolidated Financial Statements, the terms “the Company”, “we”, “us”, “our” and similar terms refer to Copa Holdings, S.A. and, unless the context indicates otherwise, its consolidated subsidiaries.

1. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles for financial reporting using the U.S. Dollar as the reporting currency.

Principles of Consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred from the Company. All intercompany accounts, transactions and profits arising from consolidated entities have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks, short-term time deposits, asset-backed commercial paper and securities, and U.S. agency securities with original maturities of three months or less when purchased.

Investments

The Company invests in short-term time deposits, asset-backed commercial paper and securities, and U.S. government agency securities with original maturities of more than three months but less than one year. Additionally, the Company invests in long-term time deposits and U.S. government agency securities with maturities greater than 365 days. These investments are classified as short-term and long-term investments respectively, in the accompanying Consolidated Balance Sheets. All of these investments are classified as held-to-maturity securities, and are stated at their amortized cost, since the Company has determined that it has the intent and ability to hold the securities to maturity. Restricted cash is classified within long-term investments, and are primarily held as collateral for letters of credit.

Expendable Parts and Supplies

Expendable parts and supplies for flight equipment are carried at average acquisition cost and are expensed when used in operations. An allowance for obsolescence is provided over the remaining estimated useful life of the related aircraft, plus an allowance for expendable parts currently identified as excess to reduce the carrying cost to net realizable value. These allowances are based on management estimates, which are subject to change.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Property and Equipment

Property and equipment are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Jet aircraft, jet engines and aircraft rotables are assumed to have an estimated residual value of 15% of original cost; other categories of property and equipment are assumed to have no residual value. The estimated useful lives for property and equipment are as follows:

	<u>Years</u>
Building	40
Jet aircraft	25 to 30
Jet engines	10 to 30
Ground property and equipment	10
Furniture, fixture, equipment and others	5 to 10
Software rights and licenses	3 to 8
Aircraft rotables	7 to 30
Leasehold improvements	Lesser of remaining lease term or useful life

Measurement of Impairment of Long-Lived Assets

The Company records impairment losses on long-lived assets used in operations, consisting principally of property and equipment, when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Cash flow estimates are based on historical results adjusted to reflect the Company's best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value if lower than carrying value. Estimates of fair value represent the Company's best estimate based on industry trends and reference to market rates and transactions and are subject to change.

Revenue Recognition

Passenger Revenue

Passenger revenue is recognized when transportation is provided rather than when a ticket is sold. The amount of passenger ticket sales not yet recognized as revenue is reflected as "Air traffic liability" in the Consolidated Balance Sheets. Tickets whose fares have expired and/or are one year old are recognized as passenger revenue. A significant portion of the Company's ticket sales are processed through major credit card companies, resulting in accounts receivable which are generally short-term in duration and typically collected prior to when revenue is recognized. The Company believes that the credit risk associated with these receivables is minimal.

Cargo and Mail Services Revenue

Cargo and mail services revenue are recognized when the Company provides the shipping services and thereby completes the earning process.

Other Revenue

Other revenue is primarily comprised of excess baggage charges, commissions earned on tickets sold for flights on other airlines and charter flights, and is recognized when transportation or service is provided.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Frequent Flyer Program

The Company participates in Continental's "OnePass" frequent flyer program, for which the Company's passengers receive all the benefits and privileges offered by the OnePass program. Continental is responsible for the administration of the OnePass program. Under the terms of the Company's frequent flyer agreement with Continental, OnePass members receive OnePass frequent flyer mileage credits for travel on Copa and the Company pays Continental a per mile rate for each mileage credit granted by Continental, at which point the Company has no further obligation. The amounts due to Continental under this agreement are expensed by the Company as the mileage credits are earned.

Passenger Traffic Commissions

Passenger traffic commissions are recognized as expense when the transportation is provided and the related revenue is recognized. Passenger traffic commissions paid but not yet recognized as expense are included in "Prepaid expenses" in the accompanying Consolidated Balance Sheets.

Foreign Currency Transactions and Translation

The Company's functional currency is the U.S. Dollar, the legal tender in Panama. Assets and liabilities in foreign currencies are translated at end-of-period exchange rates, except for non-monetary assets, which are translated at equivalent U.S. dollar costs at dates of acquisition and maintained at historical rate. Operations are translated at average exchange rates in effect during the period. Foreign exchange gains and losses are included as a component of "Other, net" within Non-operating income (expense) in the Consolidated Statements of Income.

The financial statements of AeroRepública are measured using the Colombian Peso as the functional currency; adjustments to translate those statements into U.S. Dollars are recorded in other comprehensive income.

In 2005, approximately 72% of the Company's expenses and 42% of the Company's revenues were denominated in U.S. Dollars. The remainder of the Company's expenses and revenues were denominated in the currencies of the various countries to which the Company flies, with the largest non-dollar amount denominated in Colombian pesos. The Company currently does not hedge the risk of fluctuations in foreign exchange rates; generally, its exposure to foreign currencies is limited to a period of up to two weeks, from the time a sale is completed to the time funds are repatriated into U.S. Dollars.

Maintenance and Repair Costs

Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expenses as incurred. Engine overhaul costs covered by power-by-the-hour arrangements are paid and expensed as incurred, on the basis of hours flown per the contract. Maintenance reserves paid to aircraft lessors in advance of the performance of major maintenance activities are recorded as prepaid maintenance within Other Assets and then recognized as maintenance expense when the underlying maintenance is performed.

Employee Profit Sharing

The Company sponsors a profit-sharing program for both management and non-management personnel. For members of management, profit-sharing is based on a combination of the Company's performance as a whole and the achievement of individual goals. Profit-sharing for non-management employees is based solely on the Company's performance. The Company accrues each month for the expected profit-sharing, which is paid annually in February. Amounts accrued for the Company's profit-sharing program as of December 31, 2005 and 2004 were \$5.8 million and \$5.5 million, respectively.

Advertising Costs

Advertising costs are expensed when incurred. The Company recognized as advertising expense \$3.7 million, \$2.8 million, and \$3.4 million in 2005, 2004 and 2003, respectively.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income Taxes

Deferred income taxes are provided under the liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Goodwill and Intangibles

The Company performs impairment testing, in accordance with SFAS No. 142, “*Goodwill and Other Intangible Assets*”, of goodwill separately from impairment testing of indefinite-lived intangibles. The Company tests goodwill for impairment, at least annually on December 31, by reviewing the book value compared to the fair value at the reporting segment level and tests individually indefinite-lived intangibles, at least annually, by reviewing the individual book values compared to the fair value. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. Assumptions used in the Company’s impairment evaluations are consistent with internal projections and operating plans. We did not recognize any material impairment charges for goodwill or intangibles assets during the years presented.

Reclassifications

Certain reclassifications have been made in the prior years’ consolidated financial statements amounts and related note disclosures to conform with the current year’s presentation.

2. *Acquisition of AeroRepública*

On April 22, 2005, the Company acquired a controlling ownership interest in AeroRepública, a Colombian domestic airline. According to the Colombian Civil Aviation Administration, Unidad Especial Administrativa de Aeronáutica Civil, in 2005 AeroRepública was the second-largest domestic carrier in Colombia in terms of number of passengers carried, providing service to 11 cities in Colombia with a point-to-point route network. As of the acquisition date AeroRepública operated a fleet of seven (7) leased MD-80s and two (2) owned DC-9s. The acquisition of AeroRepública represents an attractive opportunity to increase the Company’s access and visibility to Colombia, one of the largest airline passenger markets in Latin America with more than 45 million inhabitants, and to improve AeroRepública’s operational and financial performance. Colombia shares a border with Panama, and for historic, cultural and business reasons it represents a significant market for many Panamanian businesses. Management believes that operational coordination with AeroRepública may create additional passenger traffic in the Company’s existing route network by providing Colombian passengers more convenient access to the international destinations served through the Company’s Panama hub.

The results of AeroRepública’s operations have been included in the Company’s Consolidated Financial Statements beginning April 22, 2005, the date the Company acquired an initial 85.56% equity ownership interest in AeroRepública and gained control of AeroRepública. The initial acquisition was followed by subsequent acquisitions increasing the total equity ownership interest in AeroRepública to 99.7% as of December 31, 2005. The total purchase price paid through December 31, 2005 of \$23.4 million, including acquisition costs, was negotiated individually with each of the respective selling parties and, largely due to the factors described above, resulted in the recognition of goodwill. The Company funded these acquisitions with a combination of existing cash and short-term investments.

Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets of AeroRepública based on their fair values as of the dates of acquisition. Independent valuation specialists conducted an independent valuation in order to assist management in determining the fair values of a significant portion of these assets. The work performed by the independent valuation specialists has been considered in management’s estimates of the fair values reflected in the Consolidated Financial Statements. This

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

final valuation was based on the actual net tangible and intangible assets of AeroRepública that existed as of the date of acquisition.

The following table summarizes the Company's estimates of the fair value of the assets acquired and liabilities assumed at the date of acquisition (in millions).

Assets:	
Cash and cash equivalents	\$ 1.1
Accounts receivable	10.7
Prepaid expenses	2.6
Other current assets	4.7
Property, plant & equipment	4.8
Goodwill	20.1
Intangibles	30.6
Other non-current assets	4.1
Total assets acquired	\$ 78.7
Liabilities:	
Accounts payable	\$ 23.3
Air traffic liability	4.4
Accrued liabilities	7.6
Debt	10.2
Deferred tax liability	3.3
Other liabilities	6.5
Total liabilities assumed	\$ 55.3
Net assets acquired	\$ 23.4

Of the total estimated purchase price, approximately \$50.7 million has been allocated to goodwill and intangible assets with indefinite lives. Goodwill, approximately \$20.1 million, represents the excess of the purchase price of the acquired business over the fair value of the underlying net tangible and intangible assets and is recorded in the AeroRepública segment. Intangible assets with indefinite lives consist primarily of the fair value allocated to the routes and the AeroRepública trade name, valued at \$25.7 million and \$4.9 million, respectively.

AeroRepública's domestic route network within Colombia was determined to have an indefinite useful life as the access to each domestic city is limited to a set number of airline carriers in addition to requiring the necessary permits to operate within Colombia. The permit to fly into each city does not have a set expiration date. The AeroRepública trade name was determined to have an indefinite useful life due to several factors and considerations, including the brand awareness and market position, customer recognition and loyalty and the continued use of the AeroRepública brand. In the event that the Company determines that the value of goodwill or intangible assets with indefinite lives has become impaired, the Company will incur an accounting charge for the amount of impairment during the period in which the determination is made.

During December 2005 and April 2006, the Company invested an additional \$8.0 million and \$2.0 million in AeroRepública, respectively, in exchange for 4.7 million and 1.2 million new shares of AeroRepública, respectively. As a result of these transactions the Company's total investment increased to \$33.4 million.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents pro forma financial information as if the acquisition had occurred as of the beginning of each period presented. The pro forma financial information is not intended to represent or be indicative of the combined results which would have occurred had the transaction actually been consummated on the date indicated above and should not be taken as representative of the consolidated results of operations which may occur in the future (in millions except share data).

	Year Ended	
	December 31,	
	2005	2004
	(Unaudited)	
Pro forma		
Total Revenue	\$ 646.3	\$ 513.0
Operating Income	106.3	90.8
Income before income taxes	92.4	78.5
Net income	\$ 83.0	\$ 70.3
Net income per share:		
Basic and diluted	\$ 1.94	\$ 1.64

3. Long-Term Debt

At December 31, long-term debt consisted of the following (in millions):

	2005	2004
Long-term fixed rate debt	\$ 292.5	\$ 318.7
(Secured fixed rate indebtedness due through 2017)		
Effective rates ranged from 3.98% to 8.96%		
Long-term variable rate debt	150.9	92.7
(Secured variable rate indebtedness due through 2017)		
Effective rates ranged from 4.15% to 19.35%		
Private bond issuances	27.5	—
(Unsecured variable rate indebtedness due in 2006)		
Weighted average rate of 7.22%, as of December 31, 2005)		
Sub-total	470.9	411.4
Less current maturities	67.9	30.6
Long-term debt less current maturities	<u>\$ 403.0</u>	<u>\$ 380.8</u>

Maturities of long-term debt for the next five years are as follows (in millions):

Year ending December 31,	
2006	\$ 67.9
2007	\$ 35.9
2008	\$ 35.4
2009	\$ 33.6
2010	\$ 31.9
Thereafter	\$ 266.2

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2005 and 2004, the Company had \$337.1 million and \$368.1 million of outstanding indebtedness, respectively, that is owed to financial institutions under financing arrangements guaranteed by the Export-Import Bank of the United States. The Export-Import Bank guarantees support 85% of the net purchase price of the aircraft and are secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of Export-Import Bank.

The Company's Export-Import Bank supported financings are amortized on a quarterly basis, are denominated in dollars and originally bear interest at a floating rate linked to LIBOR. The Export-Import Bank guaranteed facilities typically offer an option to fix the applicable interest rate. The Company has exercised this option with respect to \$292.5 million as of December 31, 2005.

The Company effectively extends the maturity of its aircraft financing to 15 years through the use of a "Stretched Overall Amortization and Repayment," or SOAR, structure which provides serial draw-downs calculated to result in a 100% loan accreting to a recourse balloon at the maturity of the Export-Import Bank guaranteed loan which totaled \$23.0 million as of December 31, 2005.

The Company also typically finances portion of the purchase price of the Boeing aircraft through commercial loans which totaled \$20.6 million as of December 31, 2005.

During 2005, the Company secured a senior term loan facility in the amount of \$134 million with PK AirFinance US, Inc., an affiliate of General Electric, for the purchase of six (6) Embraer 190 aircraft. The loans have a term of twelve years. During 2005, the Company utilized \$43.8 million of this facility upon the delivery of two Embraer 190 aircraft, the remainder of the facility will be drawn during 2006.

During 2005, the Company issued private bonds in the amount of \$27.5 million to fund advance delivery payments of two (2) Boeing 737-700 aircraft having delivery months of May and June 2006. The Company has granted, for the benefit of the bondholders, a first priority security interest in the rights, title and interest over the two (2) Boeing 737-700 aircraft. Interest on the bonds is paid on March 31, June 30, September 30, and December 31 with the balance of the bonds to be repaid upon delivery of the aircraft for which the advance payments related.

See description of AeroRepública's debt in Note 12.

Assets, primarily aircraft, subject to agreements securing the Company's indebtedness amounted to \$536.1 million and \$508.4 million as of December 31, 2005 and 2004 respectively.

4. Investments

The Company invests in time deposits, asset-backed commercial paper and securities, and U.S. government agency securities. These investments are classified within short-term and long-term investments in the accompanying Consolidated Balance Sheets. Investments are classified as held-to-maturity securities since the Company has the intent and the ability to hold them until maturity. These investments are stated at their amortized cost which is essentially the same as their fair value. Long-term investments mature within three (3) years. Restricted cash classified within long-term investments, held in time deposits, amounted to \$7.7 million and \$3.9 million as of December 31, 2005 and 2004, respectively.

5. Leases

The Company leases certain aircraft and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, sales offices, maintenance facilities, training centers and general offices. Most contract leases include renewal options. Non-aircraft related leases, primarily held with local governments, generally have renewable terms of one year. In certain cases, the rental payments during the renewal periods would be greater than the current payments. Because the lease renewals are not considered to be reasonably assured, as defined in SFAS No. 13, "Accounting for Leases", the rental payments that would be due during the renewal periods are not included in the determination of rent expense until the leases are renewed. Leasehold

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

improvements are amortized over the contractually committed lease term, which does not include the renewal periods. The Company's leases do not include residual value guarantees.

At December 31, 2005, the scheduled future minimum lease payments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows (in millions):

Year ending December 31,	Operating Leases	
	Aircraft	Non-Aircraft
2006	\$ 33.4	\$ 3.6
2007	31.9	2.7
2008	28.8	2.4
2009	22.5	2.4
2010	12.6	2.3
Later years	14.3	7.8
Total minimum lease payments	<u>\$ 143.5</u>	<u>\$ 21.2</u>

Total rent expense was \$35.4 million, \$20.0 million and \$21.6 million for the years ended December 31, 2005, 2004 and 2003, respectively.

6. Financial Instruments and Risk Management

Fuel Price Risk Management

The Company periodically enters into crude oil call options, jet fuel zero cost collars, and jet fuel swap contracts to provide for short to mid-term hedge protection (generally three to eighteen months) against sudden and significant increases in jet fuel prices, while simultaneously ensuring that the Company is not competitively disadvantaged in the event of a substantial decrease in the price of jet fuel. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company's derivatives have historically not qualified as hedges for financial reporting purposes in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, changes in the fair value of such derivative contracts, which amounted to \$0.2 million, (\$0.9) million and \$0.2 million in years 2005, 2004 and 2003 respectively, were recorded as a component of "Other, net" within Non-operating income (expense). The fair value of hedge contracts amounted to \$0.3 million and \$0.2 million at December 31, 2005 and 2004, respectively, and was recorded in "Other current assets" in the Consolidated Balance Sheets. The Company's purchases of jet fuel are made substantially from one supplier.

As of December 31, 2005, the Company held derivative instruments on 10% of its projected 2006 fuel consumption, as compared with derivatives held on 12% of actual fuel consumed in 2005.

Debt

The fair value of the Company's debt with a carrying value of \$470.9 million and \$411.4 million as of December 31, 2005 and 2004, respectively, was approximately \$469.0 million and \$438.5 million. These estimates were based on the discounted amount of future cash flows using the Company's current incremental rate of borrowing for a similar liability.

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Financial Instruments

The carrying amounts of cash, cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to their short-term nature.

7. Issued Capital and Corporate Reorganization

On November 23, 2005, the Company's Board of Directors approved a reorganization of the Company's capital stock. Following the reorganization, the Company's authorized capital stock consists of 80 million shares of common stock without par value, divided into Class A shares, Class B shares and Class C shares. Immediately following the reorganization, there were 30,034,375 Class A shares outstanding, 12,778,125 Class B shares outstanding, all owned by CIASA (a Panamanian entity), and no Class C shares outstanding. The reorganization did not impact the operations or financial condition of the Company in any respect and, as such, does not result in a new basis of accounting. All share and per share information for all periods presented have been restated to give retroactive effect to the reorganization. Class A and Class B shares have the same economic rights and privileges, including the right to receive dividends, except that the holders of the Class A shares are not entitled to vote at the Company's shareholders' meetings, except in connection with a transformation of the Company into another corporate type; a merger, consolidation or spin-off of the Company; a change of corporate purpose; voluntarily delisting Class A shares from the NYSE; approving the nomination of independent directors nominated by the Company's Board of Director's Nominating and Corporate Governance Committee; and any amendment to the foregoing special voting provisions adversely affecting the rights and privileges of the Class A shares.

The Class A shareholders will acquire full voting rights, entitled to one vote per Class A share on all matters upon which shareholders are entitled to vote, if in the future the Company's Class B shares ever represent fewer than 10% of the total number of shares of the Company's common stock outstanding and the Independent Directors Committee of the Company's Board of Directors (the "Independent Directors Committee") shall have determined that such additional voting rights of Class A shareholders would not cause a triggering event referred to below. In such event, the right of the Class A shareholders to vote on the specific matters described in the preceding paragraph will no longer be applicable. At such time, if any, as the Class A shareholders acquire full voting rights, the Board of Directors shall call an extraordinary shareholders' meeting to be held within 90 days following the date as of which the Class A shares are entitled to vote on all matters at the Company's shareholders' meetings. At the extraordinary shareholders' meeting, the shareholders shall vote to elect all eleven members of the Board of Directors in a slate recommended by the Nominating and Governance Committee. The terms of office of the directors that were serving prior to the extraordinary shareholders' meeting shall terminate upon the election held at that meeting.

Every holder of Class B shares is entitled to one vote per share on all matters for which shareholders are entitled to vote. Class B shares will be automatically converted into Class A shares upon the registration of transfer of such shares to holders which are not Panamanian.

The Class C shares will have no economic value and will not be transferable, but will possess such voting rights as the Independent Directors Committee shall deem necessary to ensure the effective control of the Company by Panamanians. The Class C shares will be redeemable by the Company at such time as the Independent Directors Committee determines that a triggering event, as discussed below, shall no longer be in effect. The Class C shares will not be entitled to any dividends or any other economic rights.

The Panamanian Aviation Act, including the related decrees and regulations, which regulates the aviation industry in the Republic of Panama, requires that "substantial ownership" and "effective control" of Copa remain in the hands of Panamanian nationals. Under certain of the bilateral treaties between Panama and other countries pursuant to which the Company has the right to fly to those other countries and over their territory, the Company must continue to have substantial Panamanian ownership and effective control to retain these rights. Neither "substantial ownership" nor "effective control" are defined in the Panamanian Aviation Act or in the bilateral treaties, and it is unclear how a Panamanian court or, in the case of the bilateral treaties, foreign regulatory

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authorities might interpret these requirements. On November 25, 2005, the Executive Branch of the Government of Panama promulgated a decree stating that the “substantial ownership” and “effective control” requirements of the Panamanian Aviation Act are met if a Panamanian citizen or a Panamanian company is the record holder of shares representing 51% or more of the voting power of the Company. Although the decree has the force of law for so long as it remains in effect, it does not supersede the Panamanian Aviation Act, and it can be modified or superseded at any time by a future Executive Branch decree. Additionally, the decree has no binding effect on regulatory authorities of other countries whose bilateral agreements impose Panamanian ownership and control limitations on the Company. In the event that the Class B shareholders represent less than 10% of the total share capital of the Company (excluding newly issued shares sold with the approval of the Independent Directors Committee) and the Independent Directors Committee determines that it is reasonably likely that the Company’s legal ability to engage in the aviation business or to exercise its international route rights will be revoked, suspended or materially inhibited in a manner which would materially and adversely affect the Company, in each case as a result of such non-Panamanian ownership (each a triggering event), the Independent Directors Committee may authorize the issuance of additional Class B shares to Panamanians at a price determined by the Independent Directors to reflect the current market value of such shares and/or authorize the issuance to Class B shareholders such number of Class C shares as the Independent Directors Committee, or the Board of Directors if applicable, deems necessary and with such other terms and conditions established by the Independent Directors Committee that do not confer economic rights on the Class C shares.

On December 15, 2005, the Company’s primary shareholders, Continental and CIASA, concluded the initial public listing of the Company on the NYSE and selling 18,112,500 shares of Class A common stock at \$20.00 per share previously held by these shareholders. Proceeds of \$344.1 million, net of the commissions and discounts of \$18.1 million, were received directly by the selling shareholders with no proceeds being received by the Company.

8. Income Taxes

The Company pays taxes in the Republic of Panama and in other countries in which it operates, based on regulations in effect in each respective country. The Company’s revenues come principally from foreign operations and according to the Panamanian Fiscal Code these foreign operations are not subject to income tax in Panama.

In the past, the Company’s expenses attributable to operations in Panama have consistently exceeded the revenue attributable to operations in Panama. As a result, the Company typically experienced losses for Panamanian income tax purposes and did not recognize any Panamanian income tax obligations through the year ended December 31, 2003. Beginning in 2004, the Company adopted an alternate method of calculating income tax in Panama. Under this alternative method, based on Article 121 of the Panamanian Fiscal Code, income for international transportation companies is calculated based on a territoriality method that determines gross revenues earned in Panama by applying the percentage of miles flown within the Panamanian territory against total revenues. Under this method, loss carry forwards cannot be applied to offset tax liability. Dividends from the Company’s Panamanian subsidiaries, including Copa Airlines, are separately subject to a ten percent tax if such dividends can be shown to be derived from income from sources in Panama.

The Company is also subject to local tax regulations in each of the jurisdictions where it operates, the great majority of which are related to the taxation of income. In some of the countries to which the Company flies, the Company does not pay any income taxes because it does not generate taxable income under the laws of those countries or because of treaties or other arrangements those countries have with Panama. In the remaining countries, the Company pays income tax at a rate ranging from 25% to 35% of income. Different countries calculate income in different ways, but they are typically derived from sales in the applicable country multiplied by the Company’s net margin or by a presumed net margin set by the relevant tax legislation. The determination of the Company’s taxable income in several countries is based on a combination of revenues sourced to each particular country and the allocation of expenses of the Company’s operations to that particular country. The methodology for multinational transportation company sourcing of revenue and expense is not always specifically prescribed in the relevant tax

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regulations, and therefore is subject to interpretation by both the Company and the respective taxing authorities. Additionally, in some countries, the applicability of certain regulations governing non-income taxes and the determination of the filing status of the Company are also subject to interpretation. The Company cannot estimate the amount, if any, of the potential tax liabilities that might result if the allocations, interpretations and filing positions used by the Company in its income tax returns were challenged by the taxing authorities of one or more countries.

Under a reciprocal exemption confirmed by a bilateral agreement between Panama and the United States the Company is exempt from the U.S. source transportation income tax derived from the international operation of aircraft.

The provision for income taxes recorded in the Consolidated Statements of Income was as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Panama			
Current	\$ 0.8	\$ 0.7	—
Deferred	—	—	—
Foreign			
Current	7.9	5.5	3.2
Deferred	0.9	(0.5)	0.4
Total	<u>\$ 9.6</u>	<u>\$ 5.7</u>	<u>\$ 3.6</u>

The Company paid taxes of \$7.4 million, \$4.3 million and \$2.4 million in years 2005, 2004 and 2003, respectively.

Pretax income, based on the Copa Airlines' internal route profitability measures, related to Panamanian operations was \$32.3 million, \$25.5 million, and \$23.5 million in 2005, 2004, and 2003, respectively, and related to foreign operations was \$60.3 million, \$48.8 million, and \$28.6 million in 2005, 2004, and 2003, respectively.

AeroRepública's benefit from operating loss carryforwards amounted to \$1.8 million as of December 31, 2005. The benefit from operating loss carryforwards are available for a period of seven (7) years from when they were realized.

Income tax returns for all companies incorporated in the Republic of Panama are subject to review by tax authorities up to the last three (3) years, including the year ended December 31, 2005 according to current tax regulations. For other countries where the Company operates, it is subject to review by their respective tax authorities for periods ranging from the last two (2) to six (6) years.

The amount of income tax expense incurred in Panama prior to 2004 varies from the Panamanian statutory rate because of the excess of Panamanian source expenses over Panamanian source revenues, and, beginning in 2004, the tax varies from the statutory rate because of the Panamanian gross tax election. Income taxes outside of Panama are generally determined on the basis of net income or revenue, and all of the countries have rates that vary from the Panamanian statutory rate.

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The reconciliations of income tax computed at the Panamanian statutory tax rate to income tax expense for the years ended December 31 are as follows (in millions):

	Amount			Percentage		
	2005	2004	2003	2005	2004	2003
Provision for income taxes at Panamanian statutory rates	\$ 27.8	\$ 22.3	\$ 15.6	30.0%	30.0%	30.0%
Panamanian gross tax election	(8.9)	(6.9)	—	(9.6)%	(9.3)%	—
Impact of excess of Panamanian source expenses over Panamanian source revenues	—	—	(7.0)	—	—	(13.5)%
Difference in Panamanian statutory rates and non-Panamanian statutory rates	(9.3)	(9.7)	(5.0)	(10.0)%	(13.0)%	(9.5)%
Provision for income taxes	<u>\$ 9.6</u>	<u>\$ 5.7</u>	<u>\$ 3.6</u>	<u>10.4%</u>	<u>7.7%</u>	<u>7.0%</u>

Deferred income taxes are provided under the liability method and reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Significant components of the Company's deferred tax liabilities and assets are as follows (in millions):

	2005	2004
Deferred tax liabilities		
Maintenance reserves	\$ (1.5)	\$ (1.5)
Pension obligation	(0.1)	(0.2)
Other assets	(1.1)	—
Others	(1.3)	—
Total deferred tax liabilities	<u>(4.0)</u>	<u>(1.7)</u>
Deferred tax assets		
Post-employment benefit obligation	0.1	0.1
Allowance for doubtful receivables	0.8	—
Expendable parts and supplies	1.1	—
Prepaid expenses	0.5	—
Others	0.3	—
Total deferred tax assets	<u>2.8</u>	<u>0.1</u>
Net deferred tax liabilities	<u>\$ (1.2)</u>	<u>\$ (1.6)</u>

The Company's deferred tax assets recognized in the Consolidated Balance Sheets, within other current assets, for AeroRepública segment was \$2.7 million for 2005.

9. Employee Benefit Plans

The Company, in accordance with Panamanian labor laws, is required to establish and fund both a severance fund and a termination indemnity plan.

The Company contributes to the Severance Fund based on 1.92% of applicable wages paid annually. Upon cessation of the labor relationship, regardless of cause, the company is required to pay the employee the amount accumulated up to the cessation of the labor relationship. This plan is accounted for as a defined benefit pension

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plan under SFAS No. 87, “Employers’ Accounting for Pensions”, whereby pension benefit expense is recognized over the employees’ approximate service periods.

The Company contributes to the Termination Indemnity Plan based on 0.33% of total applicable wages paid annually. Upon cessation of the labor relationship due to termination, the Company is required to pay 6.54% of applicable wages earned over the duration of the employment period of the terminated employee. This plan is accounted for as a post-employment benefit plan under SFAS No. 112, “Employers’ Accounting for Postemployment Benefits”, whereby post-employment benefit expense is recognized over the employees’ approximate service periods.

In Panama, all employees are covered by one or more of these plans. In Colombia, all employees hired before April 1, 1994 are covered by a defined benefit pension plan. The benefits under these plans are based on years of service and an employee’s accumulated compensation. Pension obligations are measured as of December 31 of each year.

Panama Pension and Post Employment Plans

Pension Plan

The following table sets forth the defined benefit pension plan’s change in projected benefit obligation (in millions) at December 31:

	<u>2005</u>	<u>2004</u>
Accumulated benefit obligation	\$ 2.6	\$ 2.2
Projected benefit obligation at beginning of year	\$ 2.5	\$ 2.1
Service cost	0.3	0.3
Interest cost	0.1	0.1
Actuarial losses	0.2	0.2
Benefits paid	(0.2)	(0.2)
Projected benefit obligation at end of year	<u>\$ 2.9</u>	<u>\$ 2.5</u>

The following table sets forth the defined benefit pension plan’s change in the fair value of plan assets (in millions) at December 31:

	<u>2005</u>	<u>2004</u>
Fair value of plan assets at beginning of year	\$ 2.9	\$ 2.4
Actual return on plan assets	0.0	0.1
Employer contributions	0.7	0.6
Benefits paid	(0.2)	(0.2)
Fair value of plan assets at end of year	<u>\$ 3.4</u>	<u>\$ 2.9</u>

Pension cost recognized in the accompanying Consolidated Balance Sheets at December 31 is computed as follows (in millions):

	<u>2005</u>	<u>2004</u>
Funded status of the plan—net over funded	\$ 0.5	\$ 0.4
Unrecognized net actuarial loss	0.8	0.8
Net asset recognized	<u>\$ 1.3</u>	<u>\$ 1.2</u>

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The following actuarial assumptions were used to determine the actuarial present value of projected benefit obligation at December 31:

	<u>2005</u>	<u>2004</u>
Weighted average assumed discount rate	5.50%	5.75%
Weighted average rate of compensation increase	3.25%	3.50%

Net periodic benefit expense for the years ended December 31 included the following components
(in millions):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Service cost	\$ 0.3	\$ 0.3	\$ 0.2
Interest cost	0.1	0.1	0.1
Expected return on plan assets	(0.1)	(0.1)	(0.1)
Net periodic benefit expense	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>

The following actuarial assumptions were used to determine the net periodic benefit expense for the year ended December 31:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Weighted average assumed discount rate	5.75%	6.25%	6.75%
Expected long-term rate of return on plan assets	4.00%	4.00%	4.00%
Weighted average rate of compensation increase	3.50%	4.00%	4.50%

The Company's discount rate is determined based upon the review of high quality corporate bond rates, the change in these rates during the year, and year-end rate levels.

The Company holds its Seniority Premium funds with Profuturo, a Panamanian pension fund management company backed by various banks and insurance companies. The Seniority Premium is invested in Proahorro, a conservative fund which invests in instruments such as savings accounts (2.58%) and time deposits (97.4%), with return on funds amounting to 4.4% in 2005. The expected return on plan assets is based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions.

Estimated future contribution and benefit payments, which reflect expected future service, for the years ended December 31, are as follows (in millions):

Future contribution payments:	
2006	\$ 0.6
Future benefit payments:	
2006	\$ 0.5
2007	\$ 0.5
2008	\$ 0.5
2009	\$ 0.5
2010	\$ 0.4
Remaining five years	\$ 2.1

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Post-employment Benefit Plan

For the years ended December 31, 2005, 2004, and 2003, total expense for the post-employment benefits was \$0.4 million, \$0.4 million, and \$0.3 million, respectively.

Colombia Pension Plan

Pension Plan

Colombian labor laws require that employers establish pension plan for its employees. AeroRepública, based on this labor laws, had establish two (2) defined benefit pension plans. All employees hired before April 1, 1994 are covered by one of these defined benefit pension plans, the future pension plan or the pension bond plan. Additionally, AeroRepública has a pension which is paid to widows. There are 9 members covered under these programs.

The Company's unfunded benefit obligation recognized, within other long term liabilities, for these plans is \$0.3 million at December 31, 2005.

10. *Fleet Impairment Charges*

In light of the impairment charge recorded in 2002, the downward pressure realized on the value of Boeing 737-200's thereafter, and the ongoing distress in the industry, the Company re-evaluated the value of its Boeing 737-200 aircraft, rotatable and expendable parts in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in 2003. The Company determined that the undiscounted future cash flows to be derived by the fleet were not sufficient to recover the carrying value of the fleet and therefore an impairment to their value existed. As a result, the Company recorded an impairment charge in fiscal 2003 to write the aircraft down to their estimated fair value.

The Company estimated the undiscounted future cash flows to be derived from the Boeing 737-200 fleet based on historical results adjusted to reflect its best estimate of future market and operating conditions. Estimates of the undiscounted future cash flows were not sufficient to recover the carrying values of the Boeing 737-200 aircraft in 2003. As a result, the net carrying values of impaired aircraft and related items not recoverable were reduced to their respective fair value and an impairment charge of \$3.6 million was recognized in 2003. Estimates of fair value represent the Company's best estimate based on industry trends and reference to market rates.

In 2004, the Company entered into a sales agreement for its remaining Boeing 737-200 aircraft. Gains on the sale of the aircraft of \$1.1 million in each of 2004 and 2005 are included within Non-operating income (expense). In 2005, the Company sold parts related to its Boeing 737-200, resulting in a gain of \$0.3 million which is also included within Non-operating income (expense).

11. *Related Party Transactions*

The following is a summary of significant related party transactions that occurred during 2005, 2004 and 2003. Except as otherwise discussed, the payments to and from the related parties in the ordinary course of business were based on prevailing market rates.

Continental Airlines. Since 1998, Continental has implemented a comprehensive commercial and services alliance with COPA. Key elements of the alliance include: similar brand images, code sharing, co-branding of the OnePass frequent flyer program in Latin America, joint construction and operation of the Panama Presidents Club VIP lounge, joint purchasing, maintenance and engineering support and a number of other marketing, sales and service initiatives.

As a result of these activities, the Company paid Continental \$16.9 million, \$14.1 million, and \$13.5 million in 2005, 2004 and 2003, respectively, and Continental paid COPA \$16.1 million, \$12.3 million, and \$14.1 million in

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2005, 2004 and 2003, respectively. The Company owed Continental \$2.3 million and \$3.3 million at December 31, 2005 and 2004, respectively. The services provided are considered normal to the daily operations of both airlines.

Banco Continental de Panamá, S.A. ("Banco Continental"). The Company has a strong commercial banking relationship with Banco Continental, which is controlled by the Company's controlling shareholders. The Company obtains financing from Banco Continental under short- to medium-term financing arrangements to fund aircraft pre-payments and for part of the commercial loan tranche of one of the Company's Export-Import Bank facilities. The Company also maintains general lines of credit and time deposit accounts with Banco Continental.

Interest payments to Banco Continental totaled \$1.6 million, \$1.1 million and \$0.7 million in 2005, 2004 and 2003, respectively, and the Company received \$1.0 million, \$1.1 million, and \$0.5 million in 2005, 2004 and 2003, respectively. The debt balance outstanding at December 31 amounted to \$25.7 million and \$15.3 million in 2005 and 2004, respectively. These amounts are included in "Current maturities of long-term debt" and "Long-term debt" in the Consolidated Balance Sheets.

ASSA Compañía de Seguros, S.A. ("ASSA"). Panamanian law requires the Company to maintain its insurance policies through a local insurance company. The Company has contracted ASSA, an insurance company controlled by the Company's controlling shareholders, to provide substantially all of its insurance. ASSA has, in turn, reinsured almost all of the risks under those policies with insurance companies in North America. The net payment to ASSA, after taking into account the reinsurance of these risks totaled \$0.03 million in each of 2005, 2004 and 2003.

Petróleos Delta, S.A. ("Delta Petroleum"). During 2005, the Company entered into a contract with Petróleos Delta, S.A. to supply its jet fuel needs. The price agreed to under this contract is based on the two week average of the U.S. Gulf Coast Waterborne Mean index plus local taxes, certain third-party handling charges and a handling charge to Delta. The contract has a one year term that automatically renews for one year period unless terminated by one of the parties. While the Company's controlling shareholders do not hold a controlling equity interest in Petróleos Delta, S.A., one of the Company's executive officers, Jorge Garcia, previously served as a Project Director at Petróleos Delta, S.A. and one of the Company's directors, Alberto Motta, served on its board of directors. Payments to Petróleos Delta totaled \$26.5 million from August to December of 2005.

Desarrollo Inmobiliario del Este, S.A. ("Desarrollo Inmobiliario"). During January 2006, the Company moved into its new headquarters, a recently constructed building located six miles away from Tocumen International Airport. The Company leases five floors consisting of approximately 104,000 square feet of the building from Desarrollo Inmobiliario, an entity controlled by the same group of investors that controls CIASA, under a ten-year lease at a rate of \$0.1 million per month. Payments to Desarrollo Inmobiliario del Este, S.A. totaled \$0.6 million in 2005.

Galindo, Arias & Lopez. Most of the Company's legal work, including passing on the validity of the shares offered, is carried out by the law firm Galindo, Arias & Lopez. Certain partners of Galindo, Arias & Lopez are indirect shareholders of CIASA and serve on the Company's Board of Directors. Payments to Galindo, Arias & Lopez totaled \$0.3 million, \$0.1 million and \$0.2 million in 2005, 2004 and 2003, respectively.

Other Transactions. The Company purchases most of the alcohol and other beverages served on its aircraft from Motta Internacional, S.A. and Global Brands, S.A., both of which are controlled by the Company's controlling shareholders. The Company does not have any formal contracts for these purchases, but pays wholesale prices based on price lists periodically submitted by those importers. The Company paid \$0.4 million, \$0.4 million and \$0.5 million in 2005, 2004 and 2003, respectively.

The Company's telecommunications and other data services have been provided by Telecarrier, Inc. since February 2003. Some of the controlling shareholders of CIASA have a controlling interest in Telecarrier, Inc. Payments to Telecarrier, Inc. totaled \$0.4 million, \$0.4 million and \$0.2 million in 2005, 2004 and 2003, respectively.

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12. Commitments and Contingencies

Aircraft Commitments

The Company has a purchase contract with Boeing for 17 Boeing 737-Next Generation aircraft, under which the Company has seven (7) firm orders and ten (10) purchase rights. Additionally, the Company has a purchase contract with Embraer for 28 Embraer 190 aircraft, under which the Company has ten (10) firm orders and 18 purchase options. The firm orders have an approximate value of \$719.3 million based on the aircraft list price, including estimated amounts for contractual price escalation and pre-delivery deposits.

During 2006, the Company entered into agreements to execute three (3) Embraer 190 purchase options as well as one (1) Boeing 737-Next Generation purchase right, and additional firm commitments to purchase five (5) Embraer 190 aircraft to be operated by its AeroRepública subsidiary. These additional firm orders have an approximate value of \$357.5 million based on the aircraft list price, including estimated amounts for contractual price escalation and pre-delivery deposits.

The following table summarizes the Company's firm orders (in millions):

	<u>Expected Firm Order Deliveries</u>	<u>Total</u>
2006	8	\$ 308.8
2007	10	400.9
2008	6	245.6
2009	2	121.5
	<u>26</u>	<u>\$ 1,076.8</u>

Covenants

As a result of the various contracts entered into by the Company to finance Boeing 737-Next Generation aircraft that are guaranteed by the Export - Import Bank of the United States, the Company is required to comply with certain financial covenants. These financing covenants, among other things requires us to maintain, EBITDAR to fixed charge ratio of at least 2.5 times, a tangible net worth of at least 5 times the long-term obligations, minimum tangible net worth of \$50 million, EBITDAR for the prior year to be at least 1.9 times the finance charge expenses for the first year of the agreement and 2.0 times the finance charge expenses for the remainder of the agreement, net borrowings no more than 92% of the Company's capitalization during the first two years, 90% during the next two years and 85% during the last six years of the agreement, tangible net worth of at least \$30 million for the first two years, \$70 million for the next three years and \$120 million for the last five years of the agreement, and to maintain a minimum of \$30 million in available cash for the first five years and \$50 million for the last five years of the agreement.

As of December 31, 2005, the Company was in compliance with all required covenants.

A commercial credit facility requires AeroRepública to maintain certain financial covenants such as a financial debt to EBITDAR ratio of less than 4.5. The Company is currently in negotiations with this institution to restructure the existing two (2) tranche facilities with a one (1) tranche facility at more favorable terms in the amount of approximately \$15 million which will be backed by a guarantee from Copa Holdings, S.A. The new facility under negotiation will include revised covenants which under the current facility are not being met by AeroRepública as of December 31, 2005; AeroRepública received a waiver from the institution through July 2006.

If, upon the termination of the waiver noted above, the covenants are still not being met and no other recourse exists with this institution, the Company would provide the funds necessary to repay the debt via other long-term borrowings or from non-working capital funds.

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Labor Unions

Approximately 48% of the Company's 4,340 employees are unionized. There are currently seven (7) union organizations; five (5) covering employees in Panama and two (2) covering employees in Colombia.

The five (5) unions covering employees in Panama include: the pilots' union (SIPAC); the flight attendants' union (SIPANAB); the mechanics' union (SINTECMAP); the traffic attendants' union (UTRACOPA); and a generalized union (SIELAS), which represents ground personnel, messengers, drivers, counter agents and other non-executive administrative staff. The two (2) unions covering employees in Colombia include: the pilots' union (ACDAC) and the traffic attendant's union (ACAV).

The Company finalized negotiations with SIELAS in 2005, and in early 2006, it finalized negotiations with SIPANAB and an arbitration proceeding with SINTECMAP; extending current agreements with each of these labor unions for an additional period of four (4) years.

Lines of Credit for Working Capital and Letters of Credit

The Company maintained available facilities for working capital with several banks with year-end available balances of \$38.5 million and \$9.4 million at December 31, 2005 and 2004, respectively.

The Company maintained available facilities for letters of credit with several banks with outstanding balances of \$13.7 million and \$10.8 million at December 31, 2005 and 2004, respectively. These letters of credit are pledged for aircraft rentals, maintenance and guarantees for airport facilities.

In June 2005, the Company and The International Finance Corporation entered into an agreement for a \$15.0 million revolving line of credit available for working capital purposes. This line of credit facility includes commitment fees of 0.50%, plus availability fees of 0.25%.

In September 2005, the Company and Banco Continental entered into an agreement for a \$15.0 million revolving line of credit available for working capital purposes. There are no commitment fees or availability fees on this line of credit facility.

Upon acquisition of AeroRepública, the Company arranged a commercial credit facility in the amount of \$15.0 million, primarily to refinance existing liabilities and to provide AeroRepública with working capital. This facility was divided in two (2) tranches of \$5.0 million and \$10.0 million with maturities of three (3) and five (5) years, respectively. This facility is secured by credit card receivables.

Termination of General Sales Agent

The Company historically outsourced sales functions in some outstations through agreements with general sales agents. Over the past few years, the Company has been discontinuing existing agreements in order to reduce distribution costs and take direct control over these functions. As a result of this process, the Company terminated general sales agent agreements in 2004 and 2003. In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", the Company recorded, within other operating expenses, provisions amounting to \$1.3 million and \$1.0 million in the years ending December 31, 2004 and 2003 respectively, when the general sales agreements were terminated.

Payments relating to the termination of the general sales agent agreements amounted to \$1.3 million, \$2.9 million, and \$0.1 million in 2005, 2004 and 2003, respectively.

The Company has no remaining GSA agreements with significant termination contingencies.

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13. Subsequent Events

Restricted Stock Awards

In connection with the Company's 2005 initial public offering, the Company's Board of Directors approved one time restricted stock bonuses to executive officers, managers, certain key employees and non-employee directors. The restricted stock awards will be granted pursuant to a new equity-based long-term incentive compensation plan that the Company adopted in conjunction with the initial public offering, which provides for grants of restricted stock, stock options and certain equity-based awards.

On March 28, 2006, the Company granted approximately 937,500 shares of restricted stock awards which will vest over periods ranging from two (2) to five (5) years. The Company estimates the 2006 compensation cost related to this plan will be \$2.5 million.

Dividend distribution (Unaudited)

On May 11, 2006, the Company's Board of Directors approved a dividend distribution of approximately \$8.3 million, which represents 10% of the 2005 net income. This distribution is expected to be paid in June 2006.

Debt (Unaudited)

On May 15, 2006, the Company entered into a loan agreement for \$34.2 million to finance a portion of advanced delivery payments on two Boeing 737-800 aircraft with delivery months of August and November 2007. The Company has granted, for the benefit of the borrower, a first priority security interest in the rights, title and interest over these aircraft.

14. Segment Reporting

Prior to the acquisition of AeroRepública on April 22, 2005, the Company had one reportable segment. Upon the acquisition of AeroRepública, as discussed in Note 2, the Company determined it has two reportable segments, the Copa segment and the AeroRepública segment, primarily because: (1) management evaluates the financial and operational results of the Copa segment and AeroRepública segment separately for internal reporting and management performance evaluation purposes; and (2) management intends to allow AeroRepública's existing management to continue operating the airline as a point-to-point Colombian carrier, without significant integration into the Copa network. The accounting policies of the segments are the same as those described in Note 1, "Summary of Significant Accounting Policies". General corporate and other assets are allocated to the Copa segment.

Operating information for the Copa segment and the AeroRepública segment for the period ended December 31, 2005 (which includes the results of AeroRepública only from the date of acquisition) is as follow (in millions):

	<u>December 31, 2005</u>
Operating Revenues:	
Copa Segment	\$ 505.7
AeroRepública segment	103.0
Eliminations	(0.1)
Consolidated	<u>\$ 608.6</u>

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>December 31, 2005</u>
Depreciation:	
Copa Segment	\$ 19.3
AeroRepública segment	0.6
Consolidated	<u>\$ 19.9</u>
Aircraft Rentals:	
Copa Segment	\$ 22.1
AeroRepública segment	5.5
Consolidated	<u>\$ 27.6</u>
Operating income:	
Copa Segment	\$ 103.0
AeroRepública segment	6.1
Consolidated	<u>\$ 109.1</u>
Interest expense:	
Copa Segment	\$ (18.3)
AeroRepública segment	(2.2)
Consolidated	<u>\$ (20.5)</u>
Interest income:	
Copa Segment	\$ 3.4
AeroRepública segment	0.2
Consolidated	<u>\$ 3.6</u>
Income before income taxes:	
Copa Segment	\$ 89.8
AeroRepública segment	2.8
Consolidated	<u>\$ 92.6</u>
Total Assets at End of Period:	
Copa Segment	\$ 851.1
AeroRepública segment	98.1
Eliminations	(32.3)
Consolidated	<u>\$ 916.9</u>

COPA HOLDINGS, S. A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Information concerning operating revenue by principal geographic area for the period ended December 31 is as follow (in millions):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
North America	\$ 86.9	\$ 66.3	\$ 51.9
Central America and Caribbean	125.3	104.2	90.7
South America	303.2	148.8	130.4
Panama	93.2	80.5	68.8
Total operating revenue	<u>\$ 608.6</u>	<u>\$ 399.8</u>	<u>\$ 341.8</u>

We attribute revenue among the geographical areas based upon point of sales. Our tangible assets and capital expenditures consist primarily of flight and related ground support equipment, which is mobile across geographic markets and, therefore, has not been allocated.

COPA HOLDINGS, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2006 (Unaudited)	As of December 31, 2005
	(In US\$ thousands, except share and per share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 98,198	\$ 94,106
Short-term investments	16,621	20,384
Total cash, cash equivalents and short-term investments	114,819	114,490
Accounts receivable, net of allowance for doubtful accounts of \$5,662 as of March 31, 2006 and \$4,911 as of December 31, 2005	57,358	49,044
Accounts receivable from related parties	738	448
Expendable parts and supplies, net of allowance for obsolescence and \$10 as of March 31, 2006 and \$9 as of December 31, 2005	4,930	4,070
Prepaid expenses	17,517	13,502
Other current assets	3,557	3,239
Total Current Assets	198,919	184,793
Long-term investments	29,124	26,175
Property and Equipment:		
Owned property and equipment:		
Flight equipment	631,129	628,876
Other equipment	37,882	35,899
	669,011	664,775
Less: Accumulated depreciation	(85,376)	(79,985)
	583,635	584,790
Purchase deposits for flight equipment	59,673	52,753
Total Property and Equipment	643,308	637,543
Other Assets:		
Net pension asset	1,355	1,261
Goodwill	20,461	20,512
Intangible asset	31,220	31,298
Other assets	12,042	15,330
Total Other Assets	65,078	68,401
Total Assets	\$ 936,429	\$ 916,912
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 70,678	\$ 67,905
Accounts payable	36,352	44,848
Accounts payable to related parties	7,635	7,750
Air traffic liability	85,796	85,673
Taxes and interest payable	27,122	27,450
Accrued expenses payable	18,842	14,780
Other current liabilities	3,601	5,573
Total Current Liabilities	250,026	253,979
Non-Current Liabilities:		
Long-term debt	393,541	402,954
Post employment benefits liability	1,404	1,283
Other long-term liabilities	8,059	8,790
Deferred tax liabilities	5,309	4,039
Total Non-Current Liabilities	408,313	417,066
Total Liabilities	658,339	671,045
Shareholders' Equity:		
Class A common stock—30,034,375 shares authorized, issued and outstanding	19,813	19,813
Class B common stock—12,778,125 shares authorized, issued, and outstanding	9,410	9,410
Retained earnings	250,142	217,862
Accumulated other comprehensive (loss)	(1,275)	(1,218)
Total Shareholders' Equity	278,090	245,867
Total Liabilities and Shareholders' Equity	\$ 936,429	\$ 916,912

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
	(In US\$ thousands, except share and per share data)	
Operating Revenue:		
Passenger revenue	\$ 180,358	\$ 105,141
Cargo, mail and other	11,368	8,467
	<u>191,726</u>	<u>113,608</u>
Operating Expenses:		
Aircraft fuel	47,110	21,336
Salaries and benefits	19,446	13,385
Passenger servicing	14,634	10,431
Commissions	13,101	7,481
Maintenance, material and repairs	10,287	4,714
Reservations and sales	8,265	5,725
Aircraft rentals	8,861	4,678
Flight operations	7,713	4,972
Depreciation	5,417	4,739
Landing fees and other rentals	5,555	3,343
Other	9,574	6,827
	<u>149,963</u>	<u>87,631</u>
Operating Income	41,763	25,977
Non-operating Income (Expense):		
Interest expense	(6,278)	(4,557)
Interest capitalized	508	143
Interest income	1,262	687
Other, net	(909)	2,196
	<u>(5,417)</u>	<u>(1,531)</u>
Income before Income Taxes	36,346	24,446
Provision for Income Taxes	4,066	1,886
Net Income	\$ 32,280	\$ 22,560
Earnings per Share:		
Basic and diluted	\$ 0.75	\$ 0.53
Shares used for basic computation	42,812,500	42,812,500
Shares used for diluted computation	42,837,193	42,812,500

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	<u>Common Stock</u> <u>(No-par value)</u>		<u>Issued Capital</u>		<u>Retained</u> <u>Earnings</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u>	<u>Total</u>
	<u>Class A</u>	<u>Class B</u>	<u>Class A</u>	<u>Class B</u>		<u>Loss</u>	
	(In US\$ thousands, except share and per share data)						
At December 31, 2004	30,034,375	12,778,125	19,813	9,410	144,932	—	174,155
Net Income					82,999		82,999
Other comprehensive loss:							
Foreign currency translation						(1,218)	(1,218)
Total comprehensive income							81,781
Dividends Declared					(10,069)		(10,069)
At December 31, 2005	<u>30,034,375</u>	<u>12,778,125</u>	<u>\$ 19,813</u>	<u>\$ 9,410</u>	<u>\$ 217,862</u>	<u>\$ (1,218)</u>	<u>\$ 245,867</u>
Net Income					32,280		32,280
Other comprehensive loss:							
Foreign currency translation						(57)	(57)
Total comprehensive income							32,223
At March 31, 2006 (Unaudited)	<u>30,034,375</u>	<u>12,778,125</u>	<u>\$ 19,813</u>	<u>\$ 9,410</u>	<u>\$ 250,142</u>	<u>\$ (1,275)</u>	<u>\$ 278,090</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

COPA HOLDINGS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	(Unaudited)
	(In US\$ thousands)	
Cash flows from operating activities		
Net income	\$ 32,280	\$ 22,560
Adjustments for:		
Deferred income taxes	1,271	(27)
Depreciation	5,417	4,739
(Gain)/Loss on sale of property and equipment	—	(525)
Provision for doubtful accounts	876	260
Allowance for obsolescence of expendable parts and supplies	—	1
Derivative instruments mark to market	(325)	(644)
Changes in:		
Accounts receivable	(9,189)	(4,780)
Accounts receivable from related parties	(290)	(146)
Other current assets	(4,870)	(1,280)
Other assets	3,267	(1,115)
Accounts payable	(8,497)	(2,003)
Accounts payable to related parties	(115)	691
Air traffic liability	123	(4,199)
Other liabilities	1,152	103
Net cash provided by operating activities	21,100	13,635
Cash flows from investing activities		
Acquisition of investments	(5,499)	—
Proceed from redemption of investments	6,313	5,777
Restricted cash	—	(2)
Advance payments on aircraft purchase contracts	(6,920)	(15,982)
Acquisition of property and equipment	(4,424)	(938)
Disposal of property and equipment	162	800
Net cash flows used in investing activities	(10,368)	(10,345)
Cash flows from financing activities		
Proceeds from loans and borrowings	4,972	—
Payments on loans and borrowings	(11,612)	(8,065)
Issuance of bonds	—	10,752
Net cash flows (used in) provided by financing activities	(6,640)	2,687
Net increase in cash and cash equivalents	4,092	5,977
Cash and cash equivalents at beginning of period	94,106	99,666
Cash and cash equivalents at end of period	\$ 98,198	\$ 105,643

COPA HOLDINGS, S.A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Corporate Information

Copa Holdings, S. A. (“the Company”) is a leading Latin American provider of international airline passenger and cargo services. The Company was incorporated according to the laws of the Republic of Panama. The Company owns 99.8% of the shares of Compañía Panameña de Aviación, S. A. (“Copa”), 100% of the shares of Oval Financial Leasing, Ltd. (“OVAL”), OPAC, S. A. (“OPAC”), and 99.7% of the shares of AeroRepública, S.A. (“AeroRepública”).

Copa, the Company’s core operation, is incorporated according to the laws of the Republic of Panama and provides international air transportation for passengers, cargo and mail. Copa operates from its Panama City hub in the Republic of Panama, from where it offers approximately 92 daily scheduled flights among 30 destinations in 20 countries in North, Central and South America and the Caribbean. Additionally, Copa provides passengers with access to flights to more than 120 other international destinations through codeshare agreements with Continental Airlines, Inc. (“Continental”) and other airlines. The Company has a broad commercial alliance with Continental which includes joint marketing, code-sharing arrangements, participation in Continental’s OnePass frequent flyer loyalty program and access to Continental’s VIP lounge program, President’s Club, along with other benefits such as improved purchasing power in negotiations with service providers, aircraft vendors and insurers. As of March 31, 2006, Copa operated a fleet of 24 aircraft with an average age of 3.5 years; consisting of 22 modern Boeing 737-Next Generation aircraft and two (2) Embraer 190 aircraft. OVAL is incorporated according to the laws of the British Virgin Islands, and controls the special-purpose vehicles that have a beneficial interest in 17 aircraft with a carrying value of \$531.0 million, all of which are leased to Copa. The aircraft are pledged as collateral for the obligation of the special-purpose vehicles, which are all consolidated by the Company for financial reporting purposes; however, the creditors of the special-purpose vehicles have no recourse to the general credit of the Company or Copa. OPAC is incorporated according to the laws of the Republic of Panama, and owns the old corporate headquarters building located in Panama City.

Additionally, during 2005 the Company purchased 99.7% of AeroRepública, a domestic Colombian air carrier, which is incorporated according to the laws of the Republic of Colombia and operates a fleet of eleven leased MD-80s and two owned DC-9s as of March 31, 2006.

On December 15, 2005, the Company concluded the initial public listing on the New York Stock Exchange (“NYSE”) and its principal shareholders sold 18,112,500 shares of Class A common stock held by them.

As used in these Notes to Consolidated Financial Statements, the terms “the Company”, “we”, “us”, “our” and similar terms refer to Copa Holdings, S.A. and, unless the context indicates otherwise, its consolidated subsidiaries.

1. Basis of Presentation

These unaudited consolidated interim financial statements were prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting using the U.S. Dollar as the reporting currency. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2005.

2. Stock Compensation Plan

Restricted Stock Awards

In connection with the Company’s 2005 initial public listing, the Company’s Board of Directors approved one time restricted stock bonuses to executive officers, managers, certain key employees and non-employee directors. The restricted stock awards will be granted pursuant to a new equity-based long-term incentive compensation plan

COPA HOLDINGS, S.A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)

that the Company adopted in conjunction with the initial public listing, which provides for grants of restricted stock, stock options and certain other equity-based awards.

On March 28, 2006, the Compensation Committee of our Board of Directors approved 937,500 shares of the restricted stock awards under two plans. The first plan consists of 890,625 shares which will vest over five (5) years in yearly installments equal to 15% on each of the first three anniversaries of the grant, 25% on the fourth anniversary and 30% on the fifth anniversary. Under the second plan, 46,875 shares will vest on the second anniversary of the grant. The Company adopted Statement of Financial Accounting Standard No. 123(R), "*Share-Based Payment (revised 2004)*", which requires it to account as an expense all employee services received in share-based payment transactions, using a fair-value-based method. The Company estimates the 2006 compensation cost related to this plan will be \$2.5 million. No compensation expense has been recognized for the three months period ended March 31, 2006, as the effect was immaterial.

Compensation cost related to restricted stock awards not yet recognized on the Consolidated Statements of Income is approximately \$19.8 million and the weighted averaged period remaining under the two plans is 4.71 years.

3. Commitments and Contingencies

Aircraft Commitments

The Company has a purchase contract with Boeing for 17 Boeing 737-Next Generation aircraft, under which the Company has seven (7) firm orders and ten (10) purchase rights. Additionally, the Company has a purchase contract with Embraer for 28 Embraer 190 aircraft, under which the Company has ten (10) firm orders and 18 purchase options. The firm orders have an approximate value of \$719.3 million based on the aircraft list price, including estimated amounts for contractual price escalation and pre-delivery deposits.

During 2006, the Company entered into agreements to execute three (3) Embraer 190 purchase options as well as one (1) Boeing 737-Next Generation purchase right, and additional firm commitments to purchase five (5) Embraer 190 aircraft to be operated by its AeroRepública subsidiary. These additional firm orders have an approximate value of \$357.5 million based on the aircraft list price, including estimated amounts for contractual price escalation and pre-delivery deposits.

The following table summarizes the Company's firm orders (in millions):

	<u>Expected Firm Order Deliveries</u>	<u>Total</u>
2006	8	\$ 308.8
2007	10	400.9
2008	6	245.6
2009	2	121.5
	<u>26</u>	<u>\$ 1,076.8</u>

Covenants

As a result of the various contracts entered into by the Company to finance Boeing 737-Next Generation aircraft that are guaranteed by the Export—Import Bank of the United States, the Company is required to comply with certain financial covenants. These financing covenants, among other things requires us to maintain, EBITDAR to fixed charge ratio of at least 2.5 times, a tangible net worth of at least 5 times the long-term obligations, minimum tangible net worth of \$50 million, EBITDAR for the prior year to be at least 1.9 times the finance charge expenses for the first year of the agreement and 2.0 times the finance charge expenses for the remainder of the agreement, net borrowings no more than 92% of the Company's capitalization during the first two years, 90% during the next two

COPA HOLDINGS, S.A. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)

years and 85% during the last six years of the agreement, tangible net worth of at least \$30 million for the first two years, \$70 million for the next three years and \$120 million for the last five years of the agreement, and to maintain a minimum of \$30 million in available cash for the first five years and \$50 million for the last five years of the agreement.

As of March 31, 2006, the Company was in compliance with all required covenants.

A commercial credit facility requires AeroRepública to maintain certain financial covenants such as a financial debt to EBITDAR ratio of less than 4.5. The Company is currently in negotiations with this institution to restructure the existing two (2) tranche facilities with a one (1) tranche facility at more favorable terms in the amount of approximately \$15 million which will be backed by a guarantee from Copa Holdings, S.A. The new facility under negotiation will include revised covenants which under the current facility are not being met by AeroRepública as of December 31, 2005; AeroRepública received a waiver from the institution through July 2006.

If, upon the termination of the waiver noted above, the covenants are still not being met and no other recourse exists with this institution the Company would provide the funds necessary to repay the debt via other long-term borrowings or from non-working capital.

Labor Unions

Approximately 48% of the Company's 4,340 employees are unionized. There are currently seven (7) union organizations; five (5) covering employees in Panama and two (2) covering employees in Colombia.

The five (5) unions covering employees in Panama include: the pilots' union (SIPAC); the flight attendants' union (SIPANAB); the mechanics' union (SINTECMAP); the traffic attendants' union (UTRACOPA); and a generalized union (SIELAS), which represents ground personnel, messengers, drivers, counter agents and other non-executive administrative staff. The two (2) unions covering employees in Colombia include: the pilots' union (ACDAC) and the traffic attendant's union (ACAV).

In early 2006, the Company finalized negotiations with SIPANAB and an arbitration proceeding with SINTECMAP; extending current agreements with each of these labor unions for an additional period of four (4) years.

Letters of Credit

During the first quarter 2006, the Company obtained new facilities for letters of credit with several banks of \$10.0 million. These letters of credit are pledged for aircraft rentals, maintenance and guarantees for airport facilities.

4. *Subsequent events*

AeroRepública

On April 2006, the Company invested an additional \$2.0 million in AeroRepública in exchange for 1.2 million new shares of AeroRepública. As a result of these transactions the Company's total investment increased to \$33.4 million.

Dividend distribution

On May 11, 2006, the Company's Board of Directors approved a dividend distribution of approximately \$8.3 million, which represents 10% of the 2005 net income. This distribution is expected to be paid in June 2006.

COPA HOLDINGS, S.A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)

Debt

On May 15, 2006, the Company entered into a loan agreement for \$34.2 million to finance a portion of advanced delivery payments on two Boeing 737-800 aircraft with delivery months of August and November 2007. The Company has granted, for the benefit of the borrower, a first priority security interest in the rights, title and interest over these aircraft.

5. Segment Reporting

Prior to the acquisition of AeroRepública on April 22, 2005, the Company had one reportable segment. Upon the acquisition of AeroRepública, the Company determined it has two reportable segments, the Copa segment and the AeroRepública segment, primarily because: (1) management evaluates the financial and operational results of the Copa segment and AeroRepública segment separately for internal reporting and management performance evaluation purposes; and (2) management intends to allow AeroRepública's existing management to continue operating the airline as a point-to-point Colombian carrier, without significant integration into the Copa network. General corporate and other assets are allocated to the Copa segment.

Operating information for the Copa segment and the AeroRepública segment for the period ended March 31, 2006 is as follow (in millions):

	Three Months Ended March 31, 2006 (Unaudited)
Operating Revenues:	
Copa Segment	\$ 151.6
AeroRepública segment	40.2
Eliminations	(0.1)
Consolidated	<u>\$ 191.7</u>
Depreciation:	
Copa Segment	\$ 5.2
AeroRepública segment	0.2
Consolidated	<u>\$ 5.4</u>
Aircraft Rentals:	
Copa Segment	\$ 5.9
AeroRepública segment	3.0
Consolidated	<u>\$ 8.9</u>
Operating income:	
Copa Segment	\$ 41.0
AeroRepública segment	0.8
Consolidated	<u>\$ 41.8</u>
Interest expense:	
Copa Segment	\$ (5.2)
AeroRepública segment	(0.6)
Consolidated	<u>\$ (5.8)</u>

COPA HOLDINGS, S.A. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)

	Three Months Ended March 31, 2006	
	(Unaudited)	
Interest income:		
Copa Segment	\$	1.2
AeroRepública segment		0.1
Consolidated	\$	1.3
Income (loss) before income taxes:		
Copa Segment	\$	37.0
AeroRepública segment		(0.7)
Consolidated	\$	36.3
Total Assets at End of Period:		
Copa Segment	\$	879.2
AeroRepública segment		90.7
Eliminations		(33.5)
Consolidated	\$	936.4

Information concerning operating revenue by principal geographic area for the period ended March 31 is as follow (in millions):

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	
North America	\$ 27.2	\$ 19.1
Central America and Caribbean	33.1	28.2
South America	103.2	43.5
Panama	28.2	22.8
Total operating revenue	\$ 191.7	\$ 113.6

We attribute revenue among the geographical areas based upon point of sales. Our tangible assets and capital expenditures consist primarily of flight and related ground support equipment, which is mobile across geographic markets and, therefore, has not been allocated.



PART II
INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 6. Indemnification of Directors and Officers

According to the Registrant's Articles of Incorporation and so far as may be permitted by the Law, every Director or Officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto, including any liability incurred by him in defending any proceeding which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is rendered in his favor (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute/regulation for relief from liability in respect of any such act or omission in which relief is granted to him by a court of law or similar tribunal. The Registrant intends to enter into indemnity agreements with its directors and officers and to purchase insurance for the benefit of the directors and officers prior to the offering.

Item 7. Recent Sales of Unregistered Securities

None.

Item 8. Exhibits

(a) The following documents are filed as part of this Registration Statement:

- 1.1 Form of Underwriting Agreement
- 3.1** English translation of the Articles of Incorporation (*Pacto Social*) of the Registrant
- 5.1 Opinion of Galindo, Arias & Lopez, Panamanian legal counsel of the Registrant, as to the legality of the Class A shares
- 8.1 Opinion of Galindo, Arias & Lopez, as to tax matters
- 8.2 Opinion of Simpson Thacher & Bartlett LLP, as to tax matters
- 10.1** Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
- 10.2** Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of One Boeing Model 737-71Q Aircraft, Manufacturer's Serial No. 29047
- 10.3** Aircraft Lease Amendment Agreement dated as of May 21, 2004 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
- 10.4** Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048
- 10.5** Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048
- 10.6** Aircraft Lease Amendment Agreement dated as of May 21, 2003 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29048
- 10.7** Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.8** Letter Agreement No. 1 dated as of November 18, 1998 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607

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- 10.9** Letter Agreement No. 2 dated as of March 8, 1999 to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.10** Lease Extension and Amendment Agreement dated as of April 30, 2003, to Aircraft Lease Agreement, dated November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 28607
- 10.11** Aircraft Lease Agreement, dated as of November 18, 1998, between Aviation Financial Services Inc. and Compañía Panameña de Aviación, S.A., Boeing Model 737-700 Aircraft, Serial No. 30049
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- 10.15** Aircraft Lease Agreement, dated as of November 30, 2003, between International Lease Finance Corporation and Compañía Panameña de Aviación, S.A., New B737-700 or 800, Serial No. 30676
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- 10.17** Aircraft Lease Agreement dated as of December 23, 2004, between Wells Fargo Bank Northwest, N.A. and Compañía Panameña de Aviación, S.A., in respect of Boeing B737- 800 Aircraft, Serial No. 29670
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- 10.21** Aircraft General Terms Agreement, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A.
- 10.22** Purchase Agreement Number 2191, dated November 25, 1998, between The Boeing Company and Copa Holdings, S.A., Inc. relating to Boeing Model 737-7V3 & 737-8V3 Aircraft
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10.30**	Supplemental Agreement No. 8 dated as of April 15, 2005 to Purchase Agreement Number 2191 between The Boeing Company and Copa Holdings, S.A.
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10.33**	Form of Amended and Restated Alliance Agreement between Continental Airlines, Inc. and Compañía Panameña de Aviación, S.A.
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10.35	Form of Second Amended and Restated Shareholders' Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
10.36**	Form of Guaranteed Loan Agreement
10.37	Form of Amended and Restated Registration Rights Agreement among Copa Holdings, S.A., Corporación de Inversiones Aéreas, S.A. and Continental Airlines, Inc.
10.38**	Form of Copa Holdings, S.A. 2005 Stock Incentive Plan
10.39**	Form of Copa Holdings, S.A. Restricted Stock Award Agreement
10.40**	Form of Indemnification Agreement with the Registrant's directors
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10.42†	Embraer 190 Purchase Agreement COM 0028-06 dated February 2006 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Copa Holdings, S.A. relating to Embraer 190LR aircraft
10.43†	Letter Agreement COM 0029-06 to the Embraer Agreement dated February 2006 between Embraer—Empresa Brasileira de Aeronáutica S.A. and Copa Holdings, S.A. relating to Embraer 190LR aircraft
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23.1	Consent of Ernst & Young, Panama
23.2	Consent of Galindo, Arias & Lopez, Panamanian legal counsel of the Registrant (included in Exhibit 5.1)
23.3	Consent of Simpson Thacher & Bartlett LLP, United States legal counsel of the Registrant (included in Exhibit 8.2)
24.1	Powers of Attorney (included in the signature pages to this registration statement)

** Previously filed with the SEC as an exhibit and incorporated by reference from our Registration Statement on Form F-1, filed November 28, 2005, as amended on December 1, 2005 and December 13, 2005, File No. 333-129967.

† Portions of the exhibit will be omitted pursuant to a request for confidential treatment.

(b) Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

Description	Balance at Beginning of Year	Additions Charged To Expense	Deductions from Reserves	Balance at End of Year
(in thousands)				
2005				
Allowance for Doubtful Accounts	\$ 4,713 ^(a)	\$ 812	\$ (614) ^(b)	\$ 4,911
Allowance for Obsolescence of Expendable Parts and Supplies	1,739	3	1,733	9
General Sales Agent Contract Termination Reserves	1,300	0	1,300	0
2004				
Allowance for Doubtful Accounts	\$ 3,046	\$ 1,026	\$ (1,450) ^(b)	\$ 2,622
Allowance for Obsolescence of Expendable Parts and Supplies	1,733	6	—	1,739
General Sales Agent Contract Termination Reserves	2,885	1,300	(2,885)	1,300
2003				
Allowance for Doubtful Accounts	\$ 2,936	\$ 2,154	\$ (2,045) ^(b)	\$ 3,046
Allowance for Obsolescence of Expendable Parts and Supplies	796	938	—	1,733
General Sales Agent Contract Termination Reserves	2,031	954	(100)	2,885

(a) Includes \$2,091 initial balance of AeroRepública as of April 22, 2005.

(b) Doubtful accounts written off.

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND SHAREHOLDERS
COPA HOLDINGS, S.A.

We have audited the consolidated financial statements of Copa Holdings, S.A. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, and have issued our report thereon dated April 28, 2006 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedule listed in Item 8(b) of Form F-1 of this Registration Statement. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young

Panama City, Republic of Panama
April 28, 2006

Item 9. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 of this Registration Statement, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby also undertakes that:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement at the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Panama City, Panama, on June 15, 2006.

COPA HOLDINGS, S.A.

By: /s/ PEDRO HEILBRON
Name: Pedro Heilbron
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Pedro Heilbron and Victor Vial, and each of them, individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, in connection with this Registration Statement, including to sign in the name and on behalf of the undersigned, this Registration Statement and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462 under the U.S. Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons on June 15, 2006 in the capacities indicated:

<u>Name</u>	<u>Title</u>
<u>/s/ PEDRO HEILBRON</u> Pedro Heilbron	Director and Chief Executive Officer (Principal Executive Officer)
<u>/s/ VICTOR VIAL</u> Victor Vial	Chief Financial Officer (Principal Financial Officer)
<u>/s/ ADRIAN THIEL</u> Adrian Thiel	Director - Financial Reporting and Accounting (Principal Accounting Officer)
<u>/s/ STANLEY MOTTA</u> Stanley Motta	Chairman and Director
<u>/s/ OSVALDO HEILBRON</u> Osvaldo Heilbron	Director
<u>/s/ JAIME ARIAS</u> Jaime Arias	Director
<u>/s/ RICARDO ALBERTO ARIAS</u> Ricardo Alberto Arias	Director

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<u>Name</u>	<u>Title</u>
<u>/s/ ALBERTO C. MOTTA, JR.</u> Alberto C. Motta, Jr.	Director
<u>/s/ MARK ERWIN</u> Mark Erwin	Director
<u>/s/ GEORGE MASON</u> George Mason	Director
<u>/s/ ROBERTO ARTAVIA LORIA</u> Roberto Artavia Loria	Director
<u>/s/ JOSÉ CASTAÑEDA VELEZ</u> José Castañeda Velez	Director
<u>/s/ DONALD PUGLISI</u> Donald Puglisi	Authorized Representative in the United States

EXHIBIT INDEX

Exhibit No.	Description
1.1	Form of Underwriting Agreement
3.1**	English translation of the Articles of Incorporation (<i>Pacto Social</i>) of the Registrant
5.1	Opinion of Galindo, Arias & Lopez, Panamanian legal counsel of the Registrant, as to the legality of the Class A shares
8.1	Opinion of Galindo, Arias & Lopez, as to tax matters
8.2	Opinion of Simpson Thacher & Bartlett LLP, as to tax matters
10.1**	Aircraft Lease Agreement, dated as of October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
10.2**	Letter Agreement dated as of November 6, 1998 amending Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of One Boeing Model 737-71Q Aircraft, Manufacturer's Serial No. 29047
10.3**	Aircraft Lease Amendment Agreement dated as of May 21, 2004 to Aircraft Lease Agreement, dated October 1, 1998, between First Security Bank and Compañía Panameña de Aviación, S.A., in respect of Boeing Model 737-71Q Aircraft, Serial No. 29047
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† Portions of the exhibit will be omitted pursuant to a request for confidential treatment.

SHARES

COPA HOLDINGS, S.A.

CLASS A COMMON STOCK, NO PAR VALUE

UNDERWRITING AGREEMENT

_____, 2006

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Merrill Lynch, Pierce, Fenner & Smith Incorporated
4 World Financial Center, North Tower
New York, New York 10080

Dear Ladies and Gentlemen:

Continental Airlines, Inc. (the "SELLING SHAREHOLDER") proposes to sell to the several Underwriters named in Schedule I hereto (the "UNDERWRITERS"), an aggregate of shares of Class A Common Stock, without par value (the "FIRM SHARES") of Copa Holdings, S.A., a Panamanian corporation (the "COMPANY"). Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MERRILL LYNCH"), shall act as representatives (the "REPRESENTATIVES") of the several Underwriters.

The Selling Shareholder also proposes to sell to the several Underwriters not more than an additional shares of Class A Common Stock, without par value, of the Company (the "ADDITIONAL SHARES") if and to the extent that you, as Representatives, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such Additional Shares granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES." The outstanding shares of Class A Common Stock, without par value, of the Company, are hereinafter referred to as the "COMMON STOCK."

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement on Form F-1 (File No. 333-), including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES ACT"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares (or if no prospectus is delivered to confirm sales, the corresponding form of prospectus referred to in Rule 173 under the Securities Act) is hereinafter referred to as the "PROSPECTUS." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, "FREE WRITING PROSPECTUS" has the meaning set forth in Rule 405 under the Securities Act and "TIME OF SALE PROSPECTUS" means the preliminary

prospectus, together with the free writing prospectuses, if any, as each are identified in Schedule II hereto and the price to the public and the number of shares on the cover page of the Prospectus, considered together. As used herein, the terms "Registration Statement," "preliminary prospectus," "Time of Sale Prospectus" and Prospectus shall include the documents, if any, incorporated by reference therein. The terms "SUPPLEMENT," "AMENDMENT," and "AMEND" as used herein with respect to the Time of Sale Prospectus or any free writing prospectus shall include all documents subsequently filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), that are incorporated by reference therein.

1. Representations and Warranties of the Company and Compania Panamena de Aviacion, S.A. Each of the Company and Compania Panamena de Aviacion, S.A. ("COPA AIRLINES") represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the Company's knowledge, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein or by a Selling Shareholder expressly for use in the preparation of the answers therein to Item 7 of Form 20-F pursuant to Item 4(a) of Form F-1.

(c) The Company is not an "ineligible issuer," as defined in Rule 405 of the Securities Act, in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required

to file, pursuant to Rule 433(d) under the Securities Act or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) The Company has been duly incorporated, is validly existing as a corporation (sociedad anonima) in good standing under the laws of the Republic of Panama ("Panama"), has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing or to have such power an authority would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e) Each subsidiary of the Company (including Copa Airlines) has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing or to have such power and authority would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company (with the exception of the minority interests therein, as described in the Time of Sale Prospectus), free and clear of all liens and similar encumbrances, except as described in the Time of Sale Prospectus.

(f) This Agreement has been duly authorized, executed and delivered by the Company and Copa Airlines.

(g) The authorized capital stock of the Company conforms in all material respects as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(h) The shares of Common Stock (including the Shares to be sold by the Selling Shareholders) have been duly authorized and are validly issued, fully paid and non-assessable.

(i) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of (i) the certificate of incorporation or by-laws of the Company, (ii) any agreement or other instrument binding upon the Company or any of its subsidiaries or (iii) applicable law or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except in the case of (ii) and (iii), as would not have a material adverse effect

on the Company and its subsidiaries, taken as a whole. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except (i) such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares or (ii) such as would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the Company's ability to perform its obligations under the Agreement.

(j) The execution and delivery by Copa Airlines of, and the performance by Copa Airlines of its obligations under, this Agreement will not contravene any provision of (i) the certificate of incorporation or by-laws of Copa Airlines, (ii) any agreement or other instrument binding upon Copa Airlines or (iii) applicable law or any judgment, order or decree of any governmental body, agency or court having jurisdiction over Copa Airlines, except in the case of (ii) and (iii), as would not have a material adverse effect on Copa Airlines. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by Copa Airlines of its obligations under this Agreement, except (i) such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares or (ii) such as would not have a material adverse effect on Copa Airlines or on Copa Airlines' ability to perform its obligations under the Agreement.

(k) There has not occurred any material adverse change in the condition, financial or otherwise, or in the earnings, business, operations or prospects of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(l) There are no legal or governmental proceedings pending or, to the Company's knowledge, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required. The Time of Sale Prospectus does not contain any description of the foregoing matters that is materially different from those contained in the Prospectus.

(m) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) Neither the Company nor Copa Airlines is, and immediately after giving effect to the offering and sale of the Shares neither of them will be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(o) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of

human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except in each case where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) that would, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) There are no contracts, agreements or understandings either between the Company or Copa Airlines and any person granting such person the right to require the Company or Copa Airlines to file a registration statement under the Securities Act with respect to any securities of the Company or Copa Airlines or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except as contemplated in the registration rights agreement by and among the Company, Corporacion de Inversiones Aereas, S.A. ("CIASA") and the Selling Shareholder dated December 14, 2005.

(r) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively; and (iv) there has been no prohibition or suspension of the operation of either the Company's or Copa Airlines' aircraft, including, but not limited to, as a result of action taken by the Panamanian Department of Civil Aviation (the Autoridad de Aeronautica Civil) (the "AAC") or other applicable bodies in the other jurisdictions in which Copa Airlines or AeroRepublica S.A. ("AEROREPUBLICA") operates, except as would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(s) The Company and its subsidiaries have good and marketable title to all real property and good and marketable title to all personal property owned by them that is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property or do not materially interfere with

the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases except as are not material or do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(t) The Company and its subsidiaries own or have the valid right to use, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, except where the failure to so own or have the right to use would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(u) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(v) The Company and each of its subsidiaries and its owned and leased properties, including its airplanes, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(w) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses except where the failure to so possess would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(x) Except as described in the Time of Sale Prospectus, the Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) no change in the Company's internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company's internal control over financial reporting.

(y) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(z) There are no contracts, agreements or understandings between either the Company or any of its subsidiaries and any person that would give rise to a valid claim against either the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(aa) The Company's auditor and the Audit Committee of its Boards of Directors have not been advised of (i) any significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data, (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls and (iii) any material weaknesses in internal controls identified by the Company's auditors other than as described in the Time of Sale Prospectus; and since the date of the most recent evaluation of the Company's disclosure controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly and adversely affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, other than as described in the Time of Sale Prospectus.

(bb) The Company is a "foreign private issuer," as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT").

(cc) As of the date hereof, the Company and each of its subsidiaries, as well as the directors and officers of the Company, are each in compliance in all material respects with all applicable to the Company effective provisions of the Sarbanes-Oxley Act of 2002 in effect and

applicable as of the date hereof and the rules and regulations of the Commission and the New York Stock Exchange (the "NYSE") promulgated thereunder as of the date hereof.

(dd) Ernst & Young, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Exchange Act and the rules and regulations of the Commission thereunder.

(ee) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Except as disclosed in the Prospectus, the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting.

(ff) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective, except as described in the Prospectus.

(gg) Each of the Company and Copa Airlines has the power to submit, and pursuant to Section 16 of this Agreement has legally, validly, effectively and irrevocably submitted, to the jurisdiction of the courts of the State of New York and of the United States sitting in the Borough of Manhattan and has the power to designate, appoint and empower, and pursuant to Section 16 of this Agreement, has legally, validly and effectively designated, appointed and empowered an agent for service of process in any suit or proceeding arising out of or relating to this Agreement.

(hh) The Shares have been (i) admitted for listing and trading on the NYSE and (ii) registered with the National Securities Commission of Panama (the Comision Nacional de Valores).

(ii) The audited consolidated financial statements as of and for the period ending December 31, 2005 and the unaudited consolidated financial statements as of and for the period ending March 31, 2006, included in each of the Time of Sale Prospectus and the Prospectus, together with the related notes and schedules, present fairly in all material respects the financial position of each of the Company and its subsidiaries as at the dates indicated and the results of operations and statement of changes in financial position of each of the Company and its subsidiaries for the periods specified; such financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis during the periods involved (except as otherwise disclosed therein); the other financial and statistical data set forth in the Prospectus are accurately presented in all material respects and prepared, where applicable, on a basis consistent with the

financial statements and books and records of each of the Company and its subsidiaries; and neither the Company nor its subsidiaries has any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not disclosed in the Time of Sale Prospectus or the Prospectus.

(jj) Neither the Company nor any of its subsidiaries has sustained, since the date of the last audited financial statements, any material loss or interference with its business from fire, explosion, flood or other calamity, regardless of whether covered by insurance.

(kk) Any statistical and market-related data included in each of the Time of Sale Prospectus and Prospectus are based on or derived from sources that each of the Company and Copa Airlines believes to be reasonably reliable and accurate, and the Company or Copa Airlines has obtained the written consent to the use of such data from such sources to the extent required.

(ll) All tax returns required to be filed by each of the Company and its subsidiaries in all applicable jurisdictions have been filed, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from either the Company or any of its subsidiaries have been paid, other than those being contested in good faith and for which adequate reserves have been provided, except as otherwise described in the Time of Sale Prospectus or where the failures to so file or so pay would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(mm) Except as described in the Time of Sale Prospectus, there is no tax, duty, levy, impost, deduction, charge or withholding imposed by Panama or any political subdivision thereof or taxing authority therein either (i) on or by virtue of the execution, delivery, performance or enforcement of this Agreement or of any other document to be furnished hereunder or thereunder by the Company or Copa Airlines, or (ii) on any payment to be made pursuant to this Agreement.

(nn) Neither the Company nor any of its subsidiaries has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in the Time of Sale Prospectus, except where such termination or non-renewal would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and no such termination or non-renewal has been threatened by either the Company or any of its subsidiaries, or, to the best of each of the Company's and Copa Airlines' knowledge, by any other party to any such contract or agreement.

(oo) This Agreement is in proper legal form under the laws of Panama for the enforcement thereof in Panama against the Company and Copa Airlines, and it is not necessary in order to ensure the legality, validity, enforcement or admissibility into evidence of this Agreement in Panama that this Agreement be filed or recorded with any court or other authority in Panama or that any tax or fee be paid in Panama on or in respect of this Agreement or any other document, other than court costs, including (without limitation) filing fees and deposits to secure judgments, except that, with respect to enforcement or admissibility into evidence (i) the

signatures of the parties thereto signing outside Panama shall have been notarized by a notary public licensed as such under the law of the place of signing and the signature of such notary public shall have been legalized by the relevant Panamanian Consulate or by an apostille, and (ii) this Agreement shall have been translated into Spanish by a licensed translator in Panama.

(pp) The audiovisual presentation made available to the public by the Company at [<http://www.retailroadshow.com/sys/launch.asp?k=83038106716> through a link on the Company's website at <http://www.copaair.com/nuestraempresa/noticias/noticia.aspx?id=67>] is a "bona fide electronic roadshow" for purposes of Rule 433(d)(8)(ii) of the Securities Act, and such presentation, when taken together with the Time of Sale Prospectus, does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in such presentation or Time of Sale Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter expressly for use therein.

2. Representations and Warranties of the Selling Shareholder. The Selling Shareholder represents and warrants to and agrees with each of the Underwriters that:

(a) Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, furnished to you before first use, the Selling Shareholder has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(b) This Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

(c) The execution and delivery by the Selling Shareholder of, and the performance by the Selling Shareholder of its obligations under, this Agreement will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or by-laws of the Selling Shareholder, or (iii) any agreement or other instrument binding upon the Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Selling Shareholder, except for such contraventions in the case of (i) and (iii) as would not have a material adverse effect on the Company or its subsidiaries, taken as a whole, or on the Selling Shareholder's ability to consummate the transactions contemplated hereby. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Selling Shareholder of its obligations under this Agreement, except (i) such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares and (ii) as would not have a material adverse effect on the Company or its subsidiaries, taken as a whole, or on the Selling Shareholder's ability to consummate the transactions contemplated hereby.

(d) The Selling Shareholder owns, and on the Closing Date will own, the Shares to be sold by the Selling Shareholder free and clear of all security interests, claims, liens, equities or

other encumbrances and has, and on the Closing Date will have, the legal right and power, and all authorizations and approvals required by law, to enter into this Agreement and to sell, transfer and deliver the Shares to be sold by the Selling Shareholder.

(e) Upon payment for the Shares to be sold by the Selling Shareholder pursuant to this Agreement, delivery of such Shares, as directed by the Underwriters, to Cede & Co. ("CEDE") or such other nominee as may be designated by the Depository Trust Company ("DTC"), registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code (the "UCC")) to such Shares), (A) DTC shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares and (C) no action based on any "adverse claim", within the meaning of Section 8-102 of the UCC, to such Shares may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, the Selling Shareholder may assume that when such payment, delivery and crediting occur, (x) such Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the UCC and (z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(f) Upon payment for the Shares to be sold to the Underwriters by the Selling Shareholder pursuant to this Agreement, all right, title and interest in the Shares will be transferred to the Underwriters free and clear of all security interests, claims, liens, equities or other encumbrances.

(g) The Selling Shareholder has no knowledge that the representations and warranties of the Company and Copa Airlines contained in Section 1 are not true and correct, is familiar with the Registration Statement and Prospectus and has no knowledge of any untrue statement of material fact or omission to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Selling Shareholder is not prompted by any information concerning the Company or its subsidiaries that is not set forth in the Time of Sale Prospectus to sell its Shares pursuant to this Agreement. The liability of the Selling Shareholder for a breach of the representations and warranties contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(h) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will

not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 2(h) apply only to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to the Selling Shareholder that is furnished to the Company in writing by the Selling Shareholder expressly for use therein. The liability of the Selling Shareholder for a breach of representations and warranties contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(i) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, the Selling Shareholder will deliver to the Representatives prior to or at the Closing Date a properly completed and executed U.S. Treasury Department Form W-9 (or other applicable form or statement specified by the U.S. Treasury Department regulations in lieu thereof).

(j) Except as disclosed by the Selling Shareholder in writing to the Representatives, neither the Selling Shareholder nor any of his, her or its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article 1(q) of the By-laws of the National Association of Securities Dealers, Inc. (the "NASD")), any member firm of the NASD.

3. Agreements to Sell and Purchase. The Selling Shareholder hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Selling Shareholder at \$_____ a share (the "PURCHASE PRICE") the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Selling Shareholder agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least two business days after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "OPTION CLOSING DATE"), each Underwriter agrees, severally and not jointly, to purchase the number of

Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each of the Company and the Selling Shareholder hereby agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending 90 days (or one year in the case of the Selling Shareholder) after the date of the Prospectus, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, or (b) after 90 days, the sale of any Additional Shares by the Selling Shareholder to the extent such shares were not sold in full or at all pursuant to Section 3 hereof, or (c) the sale of shares of Common Stock held by the Selling Shareholder pursuant to its tag-along rights in its Shareholders' Agreement with CIASA, or (d) transactions by the Selling Shareholder relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions or (e) any existing employee benefits plan. In addition, the Selling Shareholder, agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending one year after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The Selling Shareholder consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of any Shares held by the Selling Shareholder except in compliance with the foregoing restrictions. Notwithstanding the foregoing, if (1) during the last 17 days of the 90-day (or one year, as applicable) restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 90-day (or one year, as applicable) restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 90-day (or one year, as applicable) period, the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. The Company shall promptly notify the Representatives of any earnings release, news or event that may give rise to an extension of the initial 90-day (or one year, as applicable) restricted period.

4. Terms of Public Offering. The Selling Shareholder is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon

after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Selling Shareholder is further advised by you that the Shares are to be offered to the public initially at \$_____ a share (the "PUBLIC OFFERING PRICE") and to certain dealers selected by you at a price that represents a concession not in excess of \$_____ a share under the Public Offering Price.

5. Payment and Delivery. Payment for the Firm Shares to be sold by the Selling Shareholder shall be made to the Selling Shareholder in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on _____, 2006 or at such other time on the same or such other date, not later than _____, 2006 as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE."

Payment for any Additional Shares shall be made to the Selling Shareholder in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 3 or at such other time on the same or on such other date, in any event not later than _____, 2006, as shall be designated in writing by you.

The Firm Shares and Additional Shares shall be registered in the name of Cede. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. Conditions to the Underwriters' Obligations. The obligations of the Selling Shareholder to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:00 p.m. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company and Copa Airlines, to the effect set forth in Section 6(a) above and to the effect that the representations and warranties of each of the Company and Copa Airlines contained in this Agreement are true and correct as of the Closing Date and that each of the Company and Copa Airlines has complied in all material respects with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Galindo, Arias & Lopez, special outside counsel for each of the Company, Copa Airlines and the Selling Shareholder, dated the Closing Date, to the effect that:

(i) the Company and each of its Panamanian subsidiaries has been duly incorporated, is validly existing as a corporation in good standing under the laws of Panama, has all requisite power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in Panama in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole;

(ii) the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus;

(iii) the issued shares of Common Stock (including the Shares to be sold by the Selling Shareholder) have been duly and validly authorized and issued and are fully paid and non-assessable;

(iv) all of the issued shares of capital stock of each Panamanian subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company (with the exception of the minority interests therein, as described in the Prospectus), free and clear of all liens, encumbrances, equities or claims;

(v) the Selling Shareholder owns, and on the Closing Date will own, the Shares to be sold by it free and clear of all security interests, claims, liens, equities or other encumbrances and has, and on the Closing Date will have, the legal right and power, and all authorizations and approvals required by law, to enter into this Agreement and to sell, transfer and deliver the Shares to be sold by it;

(vi) this Agreement has been duly authorized, executed and delivered by each of the Company and Copa Airlines;

(vii) assuming this Agreement has been duly authorized, executed and delivered by each of the other parties thereto, this Agreement is a valid and binding obligation of each of the Company and Copa Airlines, enforceable against the Company and Copa Airlines in accordance with its terms;

(viii) the execution and delivery by each of the Company and Copa Airlines of, and the performance by each of the Company and Copa Airlines of its respective obligations under, this Agreement will not contravene any provision of applicable law or the Pacto Social (Articles of Incorporation) of the Company or Copa Airlines or, to the best of such counsel's knowledge, any agreement or other instrument binding upon any of the Company or any subsidiaries that is material to any of the Company and its subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary;

(ix) no consent, approval, authorization or order of, or qualification with, any governmental body or agency in Panama is required for the performance by any of the Company, Copa Airlines or the Selling Shareholder of its respective obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares;

(x) the statements relating to Panamanian legal matters, documents or proceedings included in (A) the Time of Sale Prospectus and the Prospectus under the captions "Business--Litigation," "Regulation--Panama," "Description of Capital Stock," "Certain Income Tax Consequences--Other Panamanian Taxes" and "Underwriting" and (B) the Registration Statement in Items 6 and 7, in each case fairly summarize in all material respects such matters, documents or proceedings;

(xi) to the best of such counsel's knowledge and after due inquiry in Panama, there are no actions, suits or proceedings by or before any arbitrator or governmental body pending or threatened against or affecting the Company or any of its subsidiaries which, if adversely determined, could reasonably be expected to, individually or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus;

(xi) upon payment to the Selling Shareholder for the Shares to be sold to the Underwriters by the Selling Shareholder, pursuant to this Agreement, all right, title and interest in such Shares will be transferred to the Underwriters free and clear of all security interests, claims, liens, equities or other encumbrances;

(xii) Copa Airlines possesses the governmental licenses in Panama necessary to conduct its commercial airline operations as described in the Prospectus under the caption "Regulations," and Copa Airlines is in compliance with the terms and conditions of all such governmental licenses, except where the failure to so comply would not, singly or in the aggregate, have a material adverse effect on either the Company or Copa Airlines; and all of the governmental licenses are valid and in full force and effect, except where the invalidity of such governmental licenses or the failure of such governmental licenses to be in full force and effect would not, singly or in the aggregate, have a material adverse effect on either the Company or Copa Airlines, in all cases except as disclosed in the Time of Sale Prospectus; and

(xiii) nothing has come to the attention of such counsel that causes such counsel to believe that (A) the Registration Statement or the Prospectus included therein (except for the financial statements and financial schedules and other financial data included therein, as to which such counsel need not express any belief) at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (B) the Time of Sale Prospectus (except for the financial statements and financial schedules and other financial data included therein, as to which such counsel need not express any belief) as of the date of this Agreement or as amended or supplemented, if applicable, as of the Closing Date contained or contains any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (C) the Prospectus (except for the financial statements and financial schedules and other financial data included therein, as to which such counsel need not express any belief) as of its date or as amended or supplemented, if applicable, as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Underwriters shall have received on the Closing Date an opinion of Simpson Thacher & Bartlett LLP, outside United States counsel for the Company and Copa Airlines, dated the Closing Date, to the effect that:

(i) this Agreement has been duly executed and delivered by each of the Company and Copa Airlines under the law of the State of New York;

(ii) assuming this Agreement has been duly authorized by the each of the Company and Copa Airlines and duly authorized, executed and delivered by each of the other parties thereto, this Agreement is a valid and binding obligation of the Company

and Copa Airlines, enforceable against each of the Company and Copa Airlines in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law), (iii) an implied covenant of good faith and fair dealing and (iv) the effects of the possible judicial application of foreign laws or foreign governmental or judicial action affecting creditors' rights;

(iii) the execution and delivery by each of the Company and Copa Airlines and the performance by each of the Company and Copa Airlines of its obligations under this Agreement will not violate any U.S. federal or New York statute or any rule or regulation that has been issued pursuant to any U.S. federal or New York statute and will not breach the terms of any agreement identified on a schedule to such opinion;

(iv) no consent, approval, registration or qualification of or with any U.S. federal or New York governmental agency is required for the performance by either the Company or Copa Airlines of its obligations under this Agreement, except for the registration under the Securities Act and the Exchange Act of the Shares, and such consents, approvals, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(v) the statements made in the Time of Sale Prospectus and the Prospectus under the caption "Income Tax Consequences--United States," insofar as they purport to constitute summaries of matters of U.S. federal tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects;

(vi) neither the Company nor Copa Airlines is an investment company within the meaning of or subject to regulations under the Investment Company Act of 1940, as amended;

(vii) assuming such submission to jurisdiction is valid under the laws of Panama, under the laws of the State of New York relating to submission to personal jurisdiction, each of the Company and Copa Airlines has, pursuant to Section 16 of this Agreement, submitted to the personal jurisdiction of the courts of the State of New York and of the United States sitting in the Borough of Manhattan in any action arising out of or relating to this Agreement, has to the fullest extent permitted by law waived any objection to the venue of a proceeding in any such court, and has appointed CT Corporation as its authorized agent for the purpose described in Section 16 hereof, and service of process effected on such agent in the manner set forth in Section 16 hereof will be effective to confer valid personal jurisdiction over the Company in any such action; and

(viii) (A) such counsel advises that the Registration Statement, as of its effective date, and the Prospectus, as of its date (except for the financial statements and financial schedules and other financial data contained therein or omitted therefrom, as to which such counsel need not express any opinion) appear on their face to be appropriately responsive in all material respects to the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder, and (B) nothing has come to the attention of such counsel that causes such counsel to believe that (1) the Registration Statement (except for the financial statements and financial schedules and other financial data contained therein or omitted therefrom, as to which such counsel need not express any belief) at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (2) the Time of Sale Prospectus considered together with the number of shares and price to public on the cover page of the Prospectus (except for the financial statements and financial schedules and other financial data contained therein or omitted therefrom, as to which such counsel need not express any belief) as of the date of this Agreement contained any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (3) the Prospectus (except for the financial statements and financial schedules and other financial data contained therein or omitted therefrom, as to which such counsel need not express any belief) as of its date or as amended or supplemented, if applicable, of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Underwriters shall have received on the Closing Date an opinion of Vinson & Elkins LLP, counsel for the Selling Shareholder, dated the Closing Date, to the effect that:

(i) assuming this Agreement has been duly authorized, executed and delivered by each of the parties thereto, this Agreement is a valid and binding obligation of the Selling Shareholder, enforceable against the Selling Shareholder in accordance with its terms subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing;

(ii) the execution and delivery by the Selling Shareholder of, and the performance by the Selling Shareholder of its obligations under, this Agreement will not violate any U.S. federal or New York statute or any rule or regulation that has been issued pursuant to any U.S. federal or New York statute except for any violation that would not have a material adverse effect on the Selling Shareholder's performance of its obligations under this Agreement;

(iii) no consent, approval, registration or qualification of or with any U.S. federal or New York governmental agency is required for the performance by the Selling Shareholder with its obligations under this Agreement, except for the registration under the Securities Act and the Exchange Act of the Shares, and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters except for any violation that would not have a material adverse effect on the Selling Shareholder's performance of its obligations under this Agreement; and

(iv) assuming the Selling Shareholder has full power, right and authority to sell the Shares to be sold by the Selling Shareholder upon the payment and transfer contemplated by the Underwriting Agreement, the Underwriters will acquire a security entitlement with respect to the Shares sold by the Selling Shareholder and no action based on an adverse claim may be asserted against the Underwriters.

(f) The Underwriters shall have received on the Closing Date an opinion of [Ivette Franco] in-house counsel for the Company and Copa Airlines, dated the Closing Date, to the effect that:

(i) the Company and each of its subsidiaries has been duly incorporated, is validly existing as a corporation in good standing under the laws of Panama, has all requisite power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole

(ii) there are no actions, suits or proceedings by or before any arbitrator or governmental body pending or threatened against or affecting the Company or any of its subsidiaries which, if adversely determined, could reasonably be expected to, individually or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus; and

(iii) Copa Airlines possesses the governmental licenses necessary to conduct its commercial airline operations as described in the Prospectus under the caption "Regulations," and Copa Airlines is in compliance with the terms and conditions of all such governmental licenses, except where the failure to so comply would not, singly or in the aggregate, have a material adverse effect on either the Company or Copa Airlines; and all of the governmental licenses are valid and in full force and effect, except where the invalidity of such governmental licenses or the failure of such governmental licenses to be in full force and effect would not, singly or in the aggregate, have a material adverse effect on either the Company or Copa Airlines, in all cases except as disclosed in the Time of Sale Prospectus.

(g) The Underwriters shall have received on the Closing Date an opinion of [Jennifer Vogel], Senior Vice-President and General Counsel for the Selling Shareholder, dated the Closing Date, to the effect that:

(i) this Agreement has been duly authorized by the Selling Shareholder and has been duly executed and delivered by the Selling Shareholder

(ii) the execution and delivery by the Selling Shareholder of, and the performance by the Selling Shareholder of its obligations under, this Agreement will not contravene any provision of the organizational documents of the Selling Shareholder or any agreement or other instrument binding upon the Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Selling Shareholder except for any violation that would not be reasonably expected to have a material adverse effect on the Selling Shareholder's performance of its obligations under this Agreement;

(iii) no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Selling Shareholder of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the States of the United States or securities laws of other jurisdictions in connection with the offer and sale of the Shares (as to which such counsel expresses no comment or opinion) or have been obtained or effected under the Securities Act or Exchange Act or in connection with the listing of the Shares on the NYSE or the failure of which to be obtained would not reasonably be expected to have a material adverse effect on the Selling Shareholder's performance of its obligations under this Agreement; and

(iv) the Selling Shareholder owns, and on the Closing Date will own, the Shares to be sold by it free and clear of all liens and similar encumbrances and has, and on the Closing Date will have, the legal right and corporate power, and all authorizations and approvals required by law, to enter into this Agreement and to sell, transfer and deliver the Shares to be sold by it.

(h) The Underwriters shall have received on the Closing Date an opinion of Arias, Fabrega & Fabrega, Panamanian counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 6(c)(iv), 6(c)(vi), 6(c)(x) (but only as to the statements in each of the Time of Sale Prospectus and the Prospectus under "Description of Capital Stock" and "Underwriting") and 6(c)(xiv) above.

(i) The Underwriters shall have received on the Closing Date an opinion of Cleary Gottlieb Steen & Hamilton LLP, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in Sections 6(c)(x) (but only as to the statements in the Prospectus under "Underwriting") and letter covering the matters referred to in 6(d)(viii) above.

(j) With respect to Section 6(c)(xiv) above, Galindo, Arias & Lopez and Arias, Fabrega & Fabrega, with respect to Section 6(d)(viii) above, Simpson Thacher & Bartlett LLP, Vinson & Elkins LLP and Cleary Gottlieb Steen & Hamilton LLP may state that their opinions and beliefs are based upon their participation in the preparation of the Registration Statement, Time of Sale Prospectus and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to Section 6(d) above, Simpson Thacher & Bartlett LLP may rely upon with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of the parties hereto contained herein and in other documents and instruments. With respect to Section 6(e) above, Vinson & Elkins LLP may rely upon opinion or opinions of in-house counsel for the Selling Shareholder and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of the parties hereto contained herein and in other documents and instruments.

(k) The opinions of Galindo, Arias & Lopez, Simpson Thacher & Bartlett LLP and Vinson & Elkins LLP described in Sections 6(c), 6(d) and 6(e) above shall be rendered to the Underwriters at the request of the Company or the Selling Shareholder and shall so state therein.

(l) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Ernst & Young independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(m) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and CIASA, certain other shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(n) The Selling Shareholder shall have entered into a lock-up agreement substantially consistent with Section 3 hereof with CIASA for the period ending two years after the date of the Prospectus.

(o) The listing of the Shares on the NYSE shall be in full force and effect.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

7. Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, six signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 4:00 p.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(e) or 7(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and to make such modifications as you may reasonably suggest, and file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder without the consent of such Underwriter and the Representatives.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred

to in Rule 173(a) under the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) under the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) under the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request, provided that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve month period ending December 31, 2007 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) To use its best efforts to maintain in full force and effect the listing of the Shares on the NYSE, including the filing with the NYSE of all required documents and notices for non-U.S. companies that have securities that are traded on the NYSE.

(j) To file any documents or reports with respect to the Shares required to be filed with the National Securities Commission of Panama (the Comision Nacional de Valores) in the time period required for such filing.

(k) To make available to the holders of the Shares and the Representatives, (A) after the end of each fiscal year, an annual report (in English) that will include a review of operations and annual audited consolidated financial statements (including consolidated balance sheets, statements of income, statements of change in shareholders' equity and statements of cash flow) with an opinion by an independent accountant and prepared in conformity with U.S. GAAP; and (B) after the end of each of the first three quarterly periods of each fiscal year, unaudited consolidated financial information prepared in accordance with U.S. GAAP, equivalent in substance to the information that would be required to be filed on Form 10-Q, if the Company were required to file quarterly reports on Form 10-Q.

8. Expenses. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel, the Company's accountants and counsel for the Selling Shareholder in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the NASD, (v) all costs and expenses incident to listing the Shares on the NYSE, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depository, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, lodging expenses of the representatives and officers of the Company and any such consultants, the Company's pro rata share of travel expenses, and the Company's pro rata cost of any aircraft chartered in connection with the road show, (ix) the document production charges and expenses associated with printing this Agreement and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in Section 10 entitled "Indemnity and Contribution" and the last paragraph of Section 12 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Company and the Selling Shareholder may otherwise have for the allocation of such expenses among themselves.

9. Covenant of the Underwriters. Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such

Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter and not to use or refer to any free writing prospectus without the prior written consent of the Company.

10. Indemnity and Contribution. (a) The Company and Copa Airlines, jointly and severally, agree to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, any "issuer free writing prospectus" as defined in Rule 433(d) of the Securities Act relating to the Shares or any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter, expressly for use therein.

(b) The Selling Shareholder agrees to indemnify and hold harmless each Underwriter and the Company, each person, if any, who controls the Company, Copa Airlines or any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus, any "issuer free writing prospectus" as defined in Rule 433(d) of the Securities Act relating to the Shares or any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to the Selling Shareholder furnished in writing to the Company by or on behalf of the Selling Shareholder expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any "issuer free writing prospectus" as defined in Rule 433(d) of the Securities Act relating to the Shares or any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act or the Prospectus or any amendment or supplement thereto. The liability of the Selling Shareholder under the indemnity agreement contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholder, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or the Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any "issuer free writing prospectus" as defined in Rule 433(d) of the Securities Act relating to the Shares or any "issuer information" filed or required to be filed pursuant to Rule 433(d) of the Securities Act, the Prospectus or any amendments or supplements thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 10(a), 10(b), or 10(c) such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing, but the omission to so notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party, and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a actual or potential differing interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize in writing the indemnified party to employ separate counsel at the expense of the indemnifying party. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 16 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section, (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Selling Shareholder and all persons, if any, who control the Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred.

In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by the Representatives. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Shareholder and such control persons of the Selling Shareholder, such firm shall be designated in writing by the Selling Shareholder. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, such consent not to be unreasonably withheld, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) To the extent the indemnification provided for in Section 10(a), 10(b) or 10(c) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 10(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholder on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each of the Company and the Selling Shareholder and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company or the Selling Shareholder, as the case may be, on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Shareholder or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 10 are several in proportion to the respective number of

Shares they have purchased hereunder, and not joint. The liability of the Selling Shareholder under the contribution agreement contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price of the Shares sold by the Selling Shareholder under this Agreement.

(f) The Company, Copa Airlines, the Selling Shareholder and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 10(e) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 10 and the representations, warranties and other statements of the Company, Copa Airlines and the Selling Shareholder contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, any Selling Shareholder or any person controlling any Selling Shareholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

11. Termination. The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the NYSE, the American Stock Exchange or the Nasdaq National Market (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over the counter market (iii) material disruption in securities settlement, payment or clearance services in the United States or Panama shall have occurred, (iv) a change or development involving a prospective change in Panamanian taxation affecting the Company, the Shares or the transfer thereof shall have occurred, which makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus (v) any moratorium on commercial banking activities shall have been declared by Federal, New York State or Panamanian authorities or (vi) there shall have occurred any outbreak or escalation of

hostilities, or any change in financial, political or economic conditions or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (vi), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

12. Effectiveness; Defaulting Underwriters. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares that such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares that such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 12 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you, the Company and the Selling Shareholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholder. In any such case either you, the Company or the Selling Shareholder shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company or the Selling Shareholder to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company or the Selling Shareholder shall be unable to perform its obligations under this Agreement, the

Company or the Selling Shareholder will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

13. Entire Agreement. (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company and the Underwriters with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

14. Counterparts. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

16. Submission to Jurisdiction; Appointment of Agent for Service. (a) The Company irrevocably submits to the non-exclusive jurisdiction of the courts of the State of the New York and of the United States sitting in the Borough of Manhattan over any suit, action or proceeding arising out of or relating to this Agreement, the Prospectus, the Registration Statement or the offering of the Shares. The Company irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity (on the grounds of sovereignty or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives, to the fullest extent permitted by law, such immunity in respect of any such suit, action or proceeding.

(b) Copa Airlines irrevocably submits to the non-exclusive jurisdiction of the courts of the State of the New York and of the United States sitting in the Borough of Manhattan over any suit, action or proceeding arising out of or relating to this Agreement and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to

the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that Copa Airlines has or hereafter may acquire any immunity (on the grounds of sovereignty or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or its property, Copa Airlines irrevocably waives, to the fullest extent permitted by law, such immunity in respect of any such suit, action or proceeding.

(c) Each of the Company and Copa Airlines hereby irrevocably appoints CT Corporation, with offices at 111 Eighth Ave., New York, New York 10011 as its agent for service of process in any suit, action or proceeding described in the preceding paragraph and agrees that service of process in any such suit, action or proceeding may be made upon it at the office of such agent. Each of the Company and Copa Airlines waives, to the fullest extent permitted by law, any other requirements of or objections to personal jurisdiction with respect thereto. Each of the Company and Copa Airlines represents and warrants that such agent has agreed to act as the Company's and Copa Airlines' agent for service of process, and each of the Company and Copa Airlines agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect.

17. Taxes. All payments to be made by the Company, Copa Airlines and the Selling Shareholder under this Agreement shall be paid free and clear of and without deduction or withholding for or on account of, any present or future taxes, levies or imposts by Panama or by any department, agency or other political subdivision or taxing authority thereof or therein, and all interest, penalties or similar liabilities with respect thereto (collectively, "TAXES"). If any Taxes are required by law to be deducted or withheld in connection with such payments, the Company, Copa Airlines and the Selling Shareholder will increase the amount paid so that the net amount received by the Underwriters equals the amount that would have been received in the absence of such deduction or withholding.

18. No Fiduciary Duty. Each of the Company and the Selling Shareholders acknowledges that in connection with the offering of the Shares: (a) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company, the Selling Shareholder or any other person, (b) the Underwriters owe the Company and the Selling Shareholder only those duties and obligations set forth in this Agreement and (c) the Underwriters may have interests that differ from those of the Company and the Selling Shareholder. Each of the Company and the Selling Shareholder waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

19. Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

20. Notices. All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of the Representatives: Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New

York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department and Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, North Tower, New York, New York 10080, Attention: Global Origination Counsel, Fax: 212-449-3207; if to the Company shall be delivered, mailed or sent to Avenida Principal y Avenida de la Rotonda, Costa del Este, Complejo Business Park, Torre Norte, Parque Lefevre, Panama City, Panama, Attention: Pedro Heilbron, Fax: 507-227-1952; and if to the Selling Shareholder shall be delivered, mailed or sent to 1600 Smith Street, Houston, Texas 77002, Attention: Mark Erwin, with a copy to the office of General Counsel.

Very truly yours,
Copa Holdings, S.A.

By: -----
Name: -----
Title: -----

Compania Panamena de Aviacion, S.A

By: -----
Name: -----
Title: -----

The Selling Shareholder:

By: Continental Airlines, Inc.

By: -----
Name: -----
Title: -----

Accepted as of the date hereof.

Morgan Stanley & Co. Incorporated
Goldman, Sachs & Co.

Acting severally on behalf of
themselves and the several
Underwriters named in Schedule I
hereto

By: Morgan Stanley & Co. Incorporated

By: -----
Name: -----
Title: -----

By: Merrill Lynch, Pierce, Fenner &
Smith Incorporated

By: -----
Name: -----
Title: -----

SCHEDULE I

UNDERWRITER

NUMBER OF FIRM SHARES TO BE
PURCHASED

Morgan Stanley & Co. Incorporated
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Goldman, Sachs & Co.

Total:

=====

SCHEDULE II

TIME OF SALE PROSPECTUS

1. Preliminary Prospectus issued _____, 2006
2. Free Writing Prospectuses: None

[FORM OF LOCK-UP LETTER](1)

_____, 2006

Morgan Stanley & Co. Incorporated
 1585 Broadway
 New York, New York 10036

Merrill Lynch, Pierce, Fenner & Smith Incorporated
 4 World Financial Center, North Tower
 New York, New York 10080

Dear Ladies and Gentlemen:

The undersigned understands that Morgan Stanley & Co. Incorporated ("MORGAN STANLEY") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MERRILL LYNCH" and, together with Morgan Stanley, the "REPRESENTATIVES") propose to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") with Copa Holdings, S.A. a Panamanian corporation (the "COMPANY"), providing for the public offering (the "PUBLIC OFFERING") by the several Underwriters, including Morgan Stanley and Merrill Lynch (the "UNDERWRITERS") as the representatives (the "REPRESENTATIVES") of the several Underwriters, of _____ shares (the "SHARES") of Class A Common Stock, without par value, of the Company (the "COMMON STOCK").

To induce the Underwriters that may participate in the Public Offering to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the Public Offering (the "PROSPECTUS"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) transactions relating to shares of Common Stock or other securities acquired in open market

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 (1) Period will be 90 days for other shareholders and directors and officers of the Company, 180 days for CIASA and one year for Continental.

transactions after the completion of the Public Offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other securities acquired in such open market transactions and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the restricted period referred to in the foregoing sentence. In addition, the undersigned agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 90 days after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

If:

(1) during the last 17 days of the 90-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or

(2) prior to the expiration of the 90-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 90-day period;

the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

The undersigned shall not engage in any transaction that may be restricted by this agreement during the 34-day period beginning on the last day of the initial 90-day restricted period unless the undersigned requests and receives prior written confirmation from the Company or the Representatives on behalf of the Underwriters that the restrictions imposed by this agreement have expired.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

Whether or not the Public Offering actually occurs depends on a number of factors, including market conditions. Any Public Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

Very truly yours,

(Name)

(Address)

(LETTERHEAD OF GALINDO, ARIAS & LOPEZ)

Copa Holdings, S.A.
Boulevard Costa del Este
Business Park Complex,
North Tower, 4th Floor
Costa del Este
Panama City, Republic of Panama

June 15, 2006

RE: LEGAL OPINION REGARDING THE VALIDITY OF THE SHARES ISSUED BY COPA HOLDINGS, S.A.

Ladies and Gentlemen:

We act as Panamanian counsel for Copa Holdings, S.A. (the "Company"), a corporation duly organized and existing under the laws of Panama, in connection with the offer and proposed sale of the Company's Class A Common Stock, without par value, of which 6,562,500 shares will be sold by Continental Airlines, in accordance with the Underwriting Agreement to be entered into among the Company, the Selling Shareholder and a group of underwriters represented by Morgan Stanley & Co. Incorporated, Merrill Lynch, and Pierce, Fenner & Smith Incorporated (the "Representatives"). An additional 984,375 shares may be sold by Continental Airlines in connection with the over-allotment option, as contemplated by the Company's Registration Statement on Form F-1 (No.333-____), filed with the SEC on June 15, 2006 (as amended, the "Registration Statement"). Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Underwriting Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of the Registration Statement, the Prospectus, the Articles of Incorporation, the power of attorney and other such documents, corporate records and other instruments as we have deemed necessary or advisable for the purpose of rendering this opinion. We have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies or facsimiles.

Based upon the foregoing, we are of the opinion that the Company's Class A shares are duly and validly authorized, legally issued, fully paid and non-assessable.

We are qualified to practice law in the Republic of Panama and accordingly, express no legal opinion herein based upon any other laws other than the laws of Panama.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to us under the captions "Validity of Securities" and "Enforcement of Civil Liabilities" in the Prospectus constituting a part of the Registration Statement.

Yours Very Truly,

/s/ GALINDO, ARIAS & LOPEZ

GALINDO, ARIAS & LOPEZ

[LETTERHEAD OF GALINDO, ARIAS & LOPEZ]

June 15, 2006

Copa Holdings, S.A.
Boulevard Costa del Este
Avenida Principal y Avenida de la Rotonda
Urbanizacion Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre
Panama City, Republic of Panama

RE: LEGAL OPINION REGARDING THE PANAMANIAN TAX CONSEQUENCES FOR CLASS A SHAREHOLDERS IN ACCORDANCE WITH THE OFFER AND SALE OF SHARES OF COPA HOLDINGS, S.A. WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION.

Ladies and Gentlemen:

We act as Panamanian counsel for Copa Holdings, S.A. (the "Company") a corporation duly organized and existing under the laws of Panama, in connection with the Registration Statement on Form F-1 to be filed by the Company with the U.S. Securities and Exchange Commission on June 15, 2006 relating to the offer and sale of the Company's Class A shares.

We confirm that we have reviewed the information in the prospectus included in the Registration Statement under the caption "Income Tax Consequences -- Panamanian Taxation" and that, in our opinion, the statements included therein, insofar as they relate to the Panamanian tax consequences currently applicable to holders of Class A Shares, address the material tax consequences of the ownership and disposition of the Class A shares and are accurate and complete in all material respects.

In rendering this opinion, we expressly incorporate in this opinion the statements set forth under the caption "Income Tax Consequences -- Panamanian Taxation" in the prospectus included in the Registration Statement, including the limitations on the matters covered by that section set forth therein.

Our opinion expressed in this paragraph is limited to the laws of the Republic of Panama and is based upon existing provisions of laws and regulations thereunder and administrative and judicial interpretations thereof, including existing interpretations thereof of the Economy and Finance Ministry, as of the date hereof, all of which are subject to subsequent, different interpretations and applications with effect from the date of effectiveness of the underlying laws and regulations.

We are furnishing this opinion letter to you in connection with the filing of the Registration Statement. This opinion is limited to the matters expressly stated herein and does not extend to, and is not to be read as extended by implication to, any other matter in connection with the Registration Statement or the transactions or documents referred to therein.

We hereby consent to the use of this opinion as an Exhibit to the Registration Statement and to the use of our name in the Registration Statement. In giving this consent, we do not thereby concede that we are within the category of persons whose consent is required by the U.S. Securities Act of 1933, as amended, or the general rules and regulations promulgated thereunder.

This opinion will be governed by and construed in accordance with the laws of the Republic of Panama in effect on the date hereof. We are qualified to practice law in the Republic of Panama and accordingly, express no legal opinion herein based upon any other laws other than the laws of Panama.

Yours Very Truly,

/s/ GALINDO, ARIAS & LOPEZ

GALINDO, ARIAS & LOPEZ

June 15, 2006

Copa Holdings, S.A.
Boulevard Costa del Este
Avenida Principal y Avenida de la Rotonda
Urbanizacion Costa del Este
Complejo Business Park, Torre Norte
Parque Lefevre, Panama City
Panama

Ladies and Gentlemen:

We have acted as United States counsel to Copa Holdings, S.A., a corporation (sociedad anonima) duly incorporated under the laws of Panama (the "Company"), in connection with the preparation and filing by the Company with the Securities and Exchange Commission of the Registration Statement on Form F-1 dated June 15, 2006 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to 7,546,875 shares of Class A common stock.

We have examined the Registration Statement (File No. 333-) filed by the Company under the Securities Act. In addition, we have examined, and have relied as to matters of fact upon, forms of the documents delivered to you at the closing, and upon originals, or duplicates or certified or conformed copies, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and

representatives of the Company, and have made such other and further investigations, as we have deemed necessary or appropriate as a basis for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents. We have assumed that any documents will be executed by the parties in the forms provided to and reviewed by us.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, and in the Registration Statement, we hereby confirm our opinion set forth in the Registration Statement under the caption "Income Tax Consequences--United States".

We do not express any opinion herein concerning any law other than the federal tax law of the United States.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement and to the reference to our firm under the heading "Income Tax Consequences--United States" in the Registration Statement.

Very truly yours,

/s/ SIMPSON THACHER & BARTLETT LLP

SIMPSON THACHER & BARTLETT LLP

SECOND AMENDED AND RESTATED

SHAREHOLDERS AGREEMENT

among

CORPORACION DE INVERSIONES AEREAS, S.A.,

CONTINENTAL AIRLINES, INC.

and

COPA HOLDINGS, S.A.

June __, 2006

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SECOND AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This Second Amended and Restated Shareholders Agreement (this "Agreement") of Copa Holdings, S.A., a corporation (sociedad anonima) duly organized and validly existing under the laws of Panama (the "Company"), is made and entered into as of June __, 2006, by and among the Company, Corporacion de Inversiones Aereas, S.A., a corporation (sociedad anonima) duly organized and validly existing under the laws of Panama ("CIASA"), and Continental Airlines, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware ("Continental" and, together with CIASA, the "Shareholders").

RECITALS

WHEREAS, the Company owns, directly or indirectly, substantially all of the issued and outstanding capital stock of Compania Panamena de Aviacion, S.A., a corporation (sociedad anonima) duly organized and validly existing under the laws of Panama ("COPA"), Oval Financial Leasing, Ltd., a corporation duly organized and validly existing under the laws of the British Virgin Islands ("Oval"), AeroRepublica S.A., a corporation (sociedad anonima) duly organized and validly existing under the laws of Colombia ("AeroRepublica"), and OPAC, S.A., a corporation (sociedad anonima) duly organized and validly existing under the laws of Panama ("OPAC" and, together with COPA, AeroRepublica, Oval and the Company's other subsidiaries, the "Operating Companies");

WHEREAS, the Company and the Shareholders entered into a shareholders agreement, dated May 12, 1998 (the "Old Shareholders Agreement"), in connection with a Stock Purchase Agreement, dated as of May 8, 1998 (the "Stock Purchase Agreement"), pursuant to which CIASA owned 76,500 shares of Class A common stock, without par value (the "Old Class A Shares"), of the Company, and Continental owned 73,500 shares of Class B common stock, without par value (the "Old Class B Shares" and, together with the Class A Shares, the "Old Shares"), of the Company;

WHEREAS, COPA and Continental have entered into an Amended and Restated Services Agreement (the "Services Agreement") and an Amended and Restated Alliance Agreement (the "Alliance Agreement"), each dated as of November 23, 2005, pursuant to which COPA and Continental agreed to cooperate with each other in connection with certain aspects of COPA's and Continental's air transportation business;

WHEREAS, in order to facilitate a public offering (the "Initial Public Offering") of a portion of their Shares (hereinafter defined), in November 2005, the Shareholders recapitalized the Company to, among other things, replace the Old Shares with a new series of Class A shares, without par value (the "Class A Shares"), which do not have voting rights except in certain circumstances described in the Company's Pacto Social, as amended, and a new series of Class B shares, without par value (the "Class B Shares" and, together with the Class A Shares, the "Shares"), entitled to one vote per share;

WHEREAS, the Shareholders and the Company entered into an Amended and Restated Shareholders Agreement, dated as of November 23, 2005 (the "Amended and Restated Shareholders Agreement"), to modify certain provisions of the Old Shareholders Agreement;

WHEREAS, on the date hereof the Shareholders are entering into an amended and restated registration rights agreement, substantially in the form attached as Exhibit A hereto (the "Registration Rights Agreement"), with respect to the Class A Shares held by Continental and the Class B Shares held by CIASA; and

WHEREAS, the Shareholders believe it to be in the best interests of themselves and the Company that the agreements contained herein be adopted in order to amend and restate the Amended and Restated Shareholders Agreement and promote the harmonious management of the Company;

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements and covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

MANAGEMENT OF THE COMPANY; BOARD OF DIRECTORS

Section 1.1. Board of Directors. The business and affairs of the Company shall be managed and controlled by the Board of Directors of the Company in a manner consistent with this Agreement and the Company's Pacto Social.

Section 1.2. Composition of Board of Directors.

(a) The Shareholders agree that, effective as of the date hereof, the Board of Directors of the Company (the "Board of Directors") shall consist of eleven (11) members (each, a "Director") and shall have the following composition: seven (7) Directors elected from candidates nominated by CIASA at its sole option ("CIASA Directors"); one (1) Director elected from candidates nominated by Continental at its sole option (the "Continental Director"); and three (3) Directors who shall be "independent" (the "Independent Directors") under the rules of the New York Stock Exchange (the "NYSE"); provided that the number of Continental Directors shall be automatically decreased to zero at such time as Continental, together with its Permitted Transferees, owns less than 19% of the total outstanding shares and the Alliance Agreement has expired or been terminated. Each of the Shareholders agrees to vote, or act by written consent with respect to, any Shares beneficially owned by it that are entitled to vote, at each annual or special meeting of stockholders of the Company at which Directors are to be elected or to take all actions by written consent in lieu of any such meeting as are necessary, to cause the CIASA Directors, the Continental Director and the Independent Directors to be elected to the Board of Directors as provided in this Section 1.2. Each of the Shareholders agrees to use its best efforts to cause the election of each such designee to the Board of Directors, including nominating such individuals to be elected as members of the Board of Directors. Further, the Company agrees that, if at any time there is a vacancy on the Board of Directors and as a result thereof the Board of Directors includes fewer CIASA Directors or Continental Directors than CIASA or Continental are entitled to nominate at such time, then the Company shall nominate or appoint, as the case may be, the person designated by CIASA or Continental, as the case may be, to fill such vacancy and, in the event of a shareholders vote, shall recommend to shareholders such individual's election to the Board. In addition, at any time when there is no Continental Director

on the Board of Directors and Continental is entitled to appoint a member of the Board of Directors, at Continental's request, the Company shall invite an individual designated by Continental at such time to attend all board meetings (including telephonic meetings) as a non-voting observer and review all actions taken by the Board of Directors without a meeting, and shall provide such individual, at the same time as provided to Directors, all materials provided to Directors in connection with such meetings or actions taken without a meeting.

(b) The Shareholders shall, at CIASA's option, adjust the size of the Board of Directors and/or replace one or more CIASA Directors with new Independent Directors to the extent hereafter required to comply with applicable law or the rules of the NYSE; provided that any such adjustments shall not impair Continental's rights pursuant to Section 1.2(a) (it being understood that the mere adjustment of the size of the board shall not be deemed an impairment of Continental's rights).

Section 1.3. Meetings; Quorum; Required Vote.

(a) Meetings of the Board of Directors shall be held at least quarterly. Unless a majority of Directors otherwise agrees, meetings of the Board of Directors shall be held in Panama.

(b) Unless every Director otherwise agrees or waives such requirement or unless a fixed date is established for regular meetings, notice in writing of any meeting of the Board of Directors must be received by each Director no less than fourteen (14) days prior to the date on which such meeting is scheduled to occur.

(c) Attendance in person or by telephone of at least a majority of the Directors or their respective alternate Directors shall be required to constitute a quorum at a meeting of the Board of Directors, except where the Pacto Social of the Company may require a greater number.

(d) Unless otherwise specified in this Agreement, all matters shall require a simple majority vote of all Directors present at the meeting.

Section 1.4. Removal; Vacancies.

(a) Either Shareholder may dismiss its nominated directors with or without cause, and, upon the occurrence of any such dismissal, the other Shareholders shall vote accordingly in favor of, and shall use all reasonable efforts to implement promptly, such dismissal. In addition, any Director may resign at any time by giving written notice to the Shareholder that nominated such Director and to the Secretary of the Board of Directors and filing such notice with the Public Registry in Panama. The Secretary of the Board of Directors shall provide notice of any such resignation to the other Shareholders and the other Directors within two days of receiving such resignation. Such resignation shall take effect on the date shown on or specified in such notice or, if such notice is not dated, at the date of the receipt of such notice by the Secretary of the Board of Directors. No acceptance of such resignation shall be necessary to make it effective.

(b) If the position of a CIASA Director or the Continental Director becomes vacant for any reason (including dismissal by the Shareholder nominating such Director), the remaining Directors shall vote (and if necessary the Shareholders shall cause their Shares to be voted) to elect as Director a person nominated by the Shareholder entitled to fill such vacant position and to replace the departed Director on any Committees on which he served. Notwithstanding the foregoing, if the position of the Continental Director becomes vacant as a result of the provisions of Section 1.2(a) of this Agreement, the remaining Directors shall vote (and if necessary the Shareholders shall cause their Shares to be voted) to elect as Director a person nominated by a majority of the remaining Directors to fill such vacant position and to replace the departed Director on any Committees on which he or she served.

ARTICLE II

DISPOSITIONS, SALES AND TRANSFERS OF SHARES; RIGHT OF FIRST OFFER; TAG-ALONG RIGHTS

Section 2.1. Transfers. No Shareholder shall directly or indirectly sell, assign, transfer or otherwise dispose of, or pledge, mortgage, hypothecate, give, create a security interest in or lien on, place in trust (voting or otherwise), transfer by operation of law or in any way subject to any claims, options, charges, whether or not voluntarily, any Shares (or any beneficial interest in such Shares) to or with any other person or entity (including, without limitation, by operation of law) (collectively, a "Transfer") without complying with this Article II; provided that the restrictions of this Article II shall not apply to any "Permitted Transfer" which shall be defined as any sale, assignment or transfer (i) by a Shareholder to any wholly-owned subsidiary of that Shareholder (provided the selling, assigning or transferring Shareholder agrees in writing to remain bound by the terms of this Agreement and such wholly-owned subsidiary agrees in writing to be bound by the terms of this Agreement), (ii) to an Affiliate of CIASA (provided CIASA agrees in writing to remain bound by the terms of this Agreement and such Affiliate agrees in writing to be bound by the terms of this Agreement), (iii) to the shareholders of CIASA as of the date hereof or any Affiliate or Family Member thereof (provided that CIASA agrees in writing to remain bound by the terms of this Agreement and such transferee agrees in writing to be bound by the terms of this Agreement) or (iv) by Continental to a person owning a majority of the voting power of Continental's capital stock (a "Controlling Continental Shareholder") (provided Continental agrees in writing to remain bound by the terms of this Agreement and such person agrees in writing to be bound by the terms of this Agreement). Each person or entity referred to in sections (i) through (iv) of this Section 2.1 shall be a "Permitted Transferee"; provided that, for the avoidance of doubt, any trust subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and established to fund retirement or pension benefits for employees of corporations, trades, or business that are under common control with Continental pursuant to sections 414(b) and 414(c) of the Internal Revenue Code of 1986, as amended and/or the ERISA benefit plan associated with such trust (any such trust or plan, a "Continental Plan") shall not be considered a Permitted Transferee, and a Transfer to such Continental Plan shall not be considered a Permitted Transfer. For purposes of this Agreement, an "Affiliate" of a person means an entity controlled by such person where control means ownership of a majority of both the economic interest in and voting power for such entity.

For purposes of this Agreement, a "Family Member" of a person is the spouse of such person or a parent, sibling or descendent of such person (or a spouse thereof) or a trust established for the benefit of any of the foregoing. Any Shareholder making a Permitted Transfer must notify the other Shareholder in writing prior to completing such Permitted Transfer.

Section 2.2. Prohibited Transfers. For so long as CIASA and its Affiliates own, directly or indirectly, more than 50% of the Company's voting stock, neither Shareholder shall effect or agree to effect a Transfer (other than pursuant to (i) a Widely Distributed Public Offering, (ii) a Transfer to a Continental Plan, or (iii) a Permitted Block Trade (A) to the knowledge of the Transferring Shareholder, has not been entered into directly or indirectly with any airline or any subsidiary of an airline, (B) that has not otherwise been structured for the purpose of avoiding this Section 2.2 and (C) in which any underwriter or broker acknowledges that such underwriter or broker is familiar with the restrictions of this Section 2.2) without the prior written consent of the other Shareholder, which shall not be unreasonably withheld, if such Transfer would result in any airline or an Affiliate of an airline that is not as of the date of this Agreement a direct holder of Shares holding Shares. As used in this Agreement, "Widely Distributed Public Offering" means any public offering of Shares to five (5) or more purchasers, none of which are, to the knowledge of Continental or any underwriters, directly or indirectly affiliated with each other or any Shareholder and none of which are acting as a "group" (as defined in Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended), in which no one purchaser acquires more than 20% of the total number of Shares sold in such offering.

Section 2.3. Right of First Offer.

(a) In the event that Continental or a Permitted Transferee of Continental (together, for purposes of this Section 2.3, the "Continental Seller") intends to Transfer any Shares (other than pursuant to (i) a Permitted Transfer, (ii) a public offering of shares registered with the U.S. Securities and Exchange Commission pursuant to the Registration Rights Agreement or (iii) a Transfer pursuant to Section 2.4), it shall first give written notice to CIASA stating its intention to make such Transfer and the number of Shares proposed to be Transferred (the "Offered Securities"). Notwithstanding the foregoing, the Continental Seller shall not be required to give CIASA any such notice, and the provisions of this Section 2.3 shall not be applicable, on any date on which CIASA, together with its Permitted Transferees, owns less than 10.0% of the total outstanding Shares.

(b) Unless the proposed Transfer is a Permitted Block Trade in accordance with the terms of Section 2.3(d), upon receipt of the notice described in Section 2.3(a), CIASA may elect to, and if CIASA so elects the Continental Seller shall, negotiate in good faith, for a period of up to thirty (30) days (such 30-day period, the "Offer Period") from the date of the receipt by CIASA of such notice, the terms of a transaction in which CIASA will acquire all of the Offered Securities. The Continental Seller shall be under no obligation to accept any offer made by CIASA during the Offer Period. An offer made by CIASA shall not be considered to be an offer for purposes of the remainder of this Section 2.3 unless it is a bona fide offer made in good faith and subject only to such conditions as are customary for offers of such type and, in the good faith judgment of the Continental Seller, reasonably capable of being satisfied and consummated within sixty (60) days of the date of such offer.

(c) If CIASA offers to purchase all of the Offered Securities and does not reach a definitive agreement with the Continental Seller during the Offer Period to purchase all of the Offered Securities, the Continental Seller shall have the right, for a period of 180 days from the earlier of (i) the expiration of the Offer Period and (ii) the date on which the Continental Seller shall have received written notice from CIASA stating that CIASA does not intend to exercise its right to offer to purchase all of the Offered Securities, to enter into an agreement to transfer all (but not less than all) of the Offered Securities to any third person at a price that is at least 10% greater than the price offered by CIASA in its last offer. For purposes of this Section 2.3, in any Transfer to a Continental Plan, including any contribution of Shares or any beneficial interest in Shares, the purchase price per Share shall be deemed to be the value set forth in a valuation report issued to an independent fiduciary of the Continental Plan by an independent third party appraiser that includes a reasonable level of detail regarding the valuation method used by such appraiser to value such Shares or interests therein. If the Continental Seller intends to accept during such period an offer to Transfer all of the Offered Securities to any third person at a price that is not at least 10% greater than the price offered by CIASA in its last offer, then the Continental Seller shall give notice (the "Second Notice") in writing to CIASA specifying the number of Offered Securities proposed to be Transferred, the proposed sale price, the name and address of the proposed transferee as well as all other terms and conditions in connection with the proposed Transfer and shall enclose a copy of the offer received with respect thereto. During the three business days (such three-business-day period, the "Second Offer Period") following receipt of the Second Notice, CIASA shall have an irrevocable and exclusive option, but in no way an obligation, to agree to purchase all (but not less than all) of such Offered Securities on the same terms and subject to the same conditions as specified in the Second Notice, except that the closing date of any such agreement by CIASA to purchase shall occur no later than thirty (30) days after the expiration of the Second Offer Period. In the event that CIASA elects to exercise such option, the Continental Seller and CIASA shall promptly consummate the purchase and sale of such Offered Securities. In the event that the Second Offer Period has elapsed without CIASA having exercised such option, the Continental Seller shall have the right to consummate the proposed Transfer on the terms and conditions set forth in the Second Notice within thirty (30) days from the earlier of (i) the expiration of the Second Offer Period and (ii) the date on which the Continental Seller shall have received written notice from CIASA stating that CIASA does not intend to exercise its option to purchase all of such Offered Securities. If CIASA does not make an offer to purchase all of the Offered Securities during the Offer Period, the Continental Seller shall have the right, for a period of 180 days from the earlier of (i) the expiration of the Offer Period and (ii) the date on which the Continental Seller shall have received written notice from CIASA stating that CIASA does not intend to exercise its right to offer to purchase all of the Offered Securities, to enter into an agreement to transfer all (but not less than all) of the Offered Securities to any third person.

(d) Notwithstanding Sections 2.3(b) and (c) above, if (i) immediately after giving effect to any proposed Transfer by a Continental Seller described in Section 2.3(a), Continental and its Permitted Transferees would continue to own Registrable Securities (as defined in the Registration Rights Agreement) and (ii) the proposed Transfer will be a Permitted Block Trade (as defined below) in accordance with this Section 2.3(d), the Continental Seller shall provide the written notice referred to in Section 2.3(a) no fewer than fourteen (14) days prior to the date on which the Continental Seller desires to sell the Offered Securities (the "Proposed Sale Date") and this Section 2.3(d) shall apply to the proposed Transfer of the Offered

Securities in lieu of Sections 2.3(b) and (c). In such event, at least four days but not more than seven days prior to the Proposed Sale Date, the Continental Seller shall invite CIASA in writing to make a written offer to purchase all of the Offered Securities (the "CIASA Bid"). The Continental Seller must receive the written CIASA Bid by 6:00 p.m., Central Standard Time, on the second full business day following the date of CIASA's receipt of Continental's written invitation to make an offer. If the Continental Seller accepts the CIASA Bid, CIASA shall purchase the Offered Securities pursuant to the CIASA Bid no more than thirty (30) days following the Continental Seller's acceptance of the CIASA Bid or on such other date as the Continental Seller and CIASA may agree. If the Continental Seller wishes to reject the CIASA Bid it shall do so in writing and, if it does so by 6:00 p.m., Central Standard Time, on the second full business day following its receipt of the CIASA Bid, the Continental Seller may sell no less than 70% of the Offered Securities in a block trade or similar transaction (a "Permitted Block Trade"); provided that (i) the Permitted Block Trade is consummated within seven (7) days of the Continental Seller's rejection of the CIASA Bid, (ii) the Offered Securities are purchased by at least four (4) purchasers that are not, to the knowledge of Continental or any underwriters, directly or indirectly affiliated with one another or with Continental or the Continental Seller and none of which are acting as a "group" (as defined in Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended) ("Unaffiliated Purchasers"), (iii) no single Unaffiliated Purchaser directly or indirectly acquires or will beneficially own as a result of the Permitted Block Trade more than the lesser of 50% of the Offered Securities and 5% of the total outstanding Shares, (iv) the purchase price paid by each of the Unaffiliated Purchasers for the Offered Securities is at least 95% of the price offered by CIASA pursuant to the CIASA Bid and (v) the other terms and conditions relating to the timing or value of consideration of the Permitted Block Trade are not more favorable in any material respect to any of the Unaffiliated Purchasers than the terms and conditions relating to the timing or value of consideration offered by CIASA in the written CIASA bid. Any Transfer that does not satisfy each of the requirements described in (i) through (v) of this Section 2.3(d) shall not constitute a Permitted Block Trade and shall remain subject to the offer procedures set forth in Sections 2.3(b) and (c).

(e) If any portion of a price offered by CIASA or another purchaser for the Offered Securities is proposed to be paid in a form other than cash, such portion shall be deemed to consist of the amount of cash equal to the fair market value of such non-cash consideration as reasonably determined by the Continental Seller, in the case of non-cash consideration offered by CIASA, and by CIASA, in the case of non-cash consideration offered by another person; provided that the Continental Seller may specify in any notice described in Section 2.3(a) that the Offered Securities shall only be available to CIASA or another purchaser for cash. Any transfer to a Continental Plan shall be deemed to be a Transfer for cash.

(f) If CIASA and the Continental Seller do not reach an agreement to transfer the Offered Securities to CIASA in accordance with the provisions of this Section 2.3 and the Continental Seller shall not have transferred the Offered Securities to a third person in accordance with the provisions of this Section 2.3, the provisions of this Article II shall again apply in connection with any subsequent Transfer of all or any portion of such Offered Securities.

Section 2.4. Tag Along Rights. (a) Continental shall have the rights set out in Sections 2.4(b) and 2.4(c) only with respect to a sale of Shares by CIASA or a Permitted

Transferee of CIASA (other than (i) Permitted Transfers, (ii) Transfers in a public offering of shares registered with the U.S. Securities and Exchange Commission pursuant to the Registration Rights Agreement or (iii) Transfers of Class B Shares to a Panamanian (as defined in the Registration Rights Agreement) (a "Triggering Sale") pursuant to a bona fide offer (the "Bona Fide Offer") to acquire such Shares made by one or more third-parties (the "Offeror") that would result in CIASA, together with its Permitted Transferees, beneficially owning a percentage of the total outstanding Shares lower than the percentage of the total outstanding Shares beneficially owned at such time by Continental.

(b) In the event of a Triggering Sale by CIASA or a Permitted Transferee of CIASA (together, for purposes of this Section 2.4, the "CIASA Seller"), the CIASA Seller shall provide Continental with written notice of its election to accept the Bona Fide Offer, which notice shall set forth the name and address of the Offeror and the principal terms of the Bona Fide Offer. Upon receipt of such notice, Continental shall have thirty (30) days to irrevocably elect to sell a certain number of its Class A Shares to the Offeror on the terms and subject to the conditions set forth in Section 2.4(c) hereof; provided that the sale contemplated by the Bona Fide Offer closes. The number of Class A Shares that Continental shall have the right to sell to the Offeror shall be equal to the number of Shares being sold by the CIASA Seller; provided that if CIASA, together with its Permitted Transferees, beneficially owns more than the number of Shares beneficially owned at such time by Continental immediately prior to the Triggering Sale, Continental shall have the right to sell the number of Shares being sold by the CIASA Seller minus the number of Shares held by CIASA and Permitted Transferees of CIASA in excess of the number of Shares beneficially owned at such time by Continental. If the sale contemplated by the Bona Fide Offer does not close, or the CIASA Seller does not sell enough of its Shares to cause a Triggering Sale, the notice provided pursuant to this Section 2.4(b) shall be deemed to have been withdrawn and the rights and obligations of Continental shall continue to be governed by this Section 2.4. Failure by Continental to make an election pursuant to this Section 2.4(b) within the 30-day election period shall constitute an election to decline to sell pursuant to Section 2.4(c).

(c) If Continental elects to sell its Class A Shares pursuant to Section 2.4(b), it shall take all lawful action reasonably requested by the Offeror to complete the sale contemplated by the Bona Fide Offer, including, without limitation, the surrender to the Offeror of any stock certificates representing such shares properly endorsed for transfer to the Offeror against payment of the sale price for such shares, and if so reasonably requested by the Offeror, the execution of all sale and other agreements in the form requested; provided that Continental shall not be required to make any representation, warranty, or commitment in any such agreement except representations and warranties as to Continental's power and authority to transfer such shares free and clear of all liens and encumbrances, Continental's unencumbered title to such shares, and the absence of any litigation, laws or agreements which would impede the transfer of such shares. The consideration to be paid for Continental's Shares to be sold pursuant to the Bona Fide Offer shall be greater than or equal value to the consideration to be paid for CIASA's Shares sold pursuant to the Bona Fide Offer (in both cases, expressed on a per share basis).

(d) In addition to the rights described in this Section 2.4, Continental shall have the registration rights described in Section 2.3 of the Registration Rights Agreement at any

time that a CIASA Seller sells any Shares to a Panamanian (as defined in the Registration Rights Agreement).

Section 2.5. Continental Lockup. Continental has requested that the Company enter into an underwriting agreement, dated as of June __, 2006 (the "Underwriting Agreement"), with Morgan Stanley & Co. Incorporated ("Morgan Stanley") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") providing for the public offering (the "Public Offering") by the several Underwriters, including Morgan Stanley and Merrill Lynch (the "Underwriters") as the representatives of the several Underwriters, of 7,546,875 shares (the "Shares") of Class A Common Stock, without par value, of the Company, which includes an additional 984,375 shares to cover any over-allotments (the "Over-allotment Shares" and, together, the "Common Stock"). To induce CIASA to continue its efforts in connection with the Public Offering, Continental hereby agrees that, without the prior written consent of CIASA, it will not, during the period commencing on the date hereof and ending two years (or 90 days solely in the case of the Over-Allotment Shares if the over-allotment is not exercised) after the date of the final prospectus relating to the Public Offering (the "Prospectus"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) transactions relating to Shares or other securities acquired in open market transactions after the completion of the Public Offering, provided that no filing under Section 16(a) of the Exchange Act shall be required or shall be voluntarily made in connection with subsequent sales of Shares or other securities acquired in such open market transactions and (ii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of Shares, shall be required or shall be voluntarily made during the restricted period referred to in the foregoing sentence. In addition, the undersigned agrees that, without the prior written consent of CIASA, it will not, during the period commencing on the date hereof and ending two years after the date of the Prospectus, make any demand for or exercise any right with respect to, the registration of any Shares or any security convertible into or exercisable or exchangeable for Shares. Continental also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of Continental's shares of Common Stock except in compliance with the foregoing restrictions. Notwithstanding the foregoing, the provisions of this Section 2.5 shall not apply to any sale, transfer or other disposition of shares by Continental pursuant to Section 2.4 above.

ARTICLE III
MISCELLANEOUS

Section 3.1. Termination. This Agreement shall terminate without further action: (i) on the dissolution and liquidation of the Company; (ii) by mutual consent of CIASA and Continental; and (iii) at such time as either Shareholder (including any Permitted Transferee) shall cease to own any Shares. This Agreement shall terminate at the option of CIASA upon written notice to Continental if a significant competitor of COPA, foreign or domestic, other than

Northwest Airlines or its affiliates, acquires majority ownership of, or majority voting control of, Continental.

Section 3.2. Successors and Assigns. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the respective successors and assigns of the Shareholders; provided that the benefit of this Agreement may not be assigned or transferred in whole or in part by any Shareholder without the prior written consent of the other Shareholder except to a Controlling Continental Shareholder (subject to Section 2.1(iv) and provided the Controlling Continental Shareholder agrees in writing to be bound by the terms of this Agreement). Nothing in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective permitted successors and assigns any rights, remedies or obligations under or by reason of this Agreement.

Section 3.3. Entire Agreement. This Agreement, taken together with the Pacto Social of the Company, the Services Agreement, the Alliance Agreement and the Registration Rights Agreement between COPA and Continental, and the Contingency Agreement, dated the date hereof, among the parties hereto, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and thereof and supersedes all prior agreements and understandings relating to such subject matter.

Section 3.4. Severability. Should any part of this Agreement for any reason be declared invalid, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed, or agreed to abide or be governed by, the remaining portion of the Agreement without including therein any such part, parts, or portion which may, for any reason, be hereafter declared invalid.

Section 3.5. Language. The English language version of this Agreement shall be the official version thereof.

Section 3.6. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of Panama.

Section 3.7. Arbitration. (a) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the International Chamber of Commerce Court of International Arbitration (the "ICC") in accordance with the International Arbitration Rules of the ICC. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) The number of arbitrators shall be three, one of whom shall be appointed by each of the parties and the third of whom shall be selected by mutual agreement, if possible, within 30 days of the selection of the second arbitrator and thereafter by the ICC (in which case the third arbitrator shall not be a citizen of Panama or the United States) and the place of arbitration shall be Panama City, Panama. The language of the arbitration shall be English, but documents or testimony may be submitted in any other language if a translation is provided.

(c) The arbitrators will have no authority to award punitive damages or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms of the Agreement.

(d) Either party may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved. Either party may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved.

Section 3.8. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and shall be deemed to have been duly given on the date of delivery (i) if delivered personally, (ii) if delivered by Federal Express or other next-day courier service, (iii) if delivered by registered or certified mail, return receipt requested, postage prepaid, or (iv) if sent by telecopier (with written confirmation of receipt) or electronic mail; provided that a copy is mailed by next-day courier, registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or to such other person or at such other address and telecopier numbers as may be designated in writing by the party to receive such notice.

(i) If to the Company or CIASA:

Corporacion de Inversiones Aereas, S.A.
c/o Campania Panamena de Aviacion, S.A.
Ave. Justo Arosemena y Calle 39 Apdo
Panama 1, Panama
Attention: Pedro Heilbron
Facsimile No.: +507 227-1952

with copies to:

Galindo, Arias y Lopez
Edif. Omanco
Apartado 8629
Panama 5, Panama
Attention: Jaime A. Arias C.
Facsimile No.: + 507 263-5335

and

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
United States of America
Attn: David L. Williams
Facsimile No.: (212) 455-2502

(ii) If to Continental:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
United States of America
Attn: Senior Vice President - Asia/Pacific and Corporate Development
Facsimile No.: (713) 324-3099

with copies to:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
United States of America
Attn: Senior Vice President and General Counsel
Facsimile No.: (713) 324-5161

Section 3.9. Headings. The Article, Section and paragraph headings herein and table of contents hereto are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

Section 3.10. Modification, Amendment or Clarification. At any time, the parties hereto may modify, amend or clarify the intent of this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties.

Section 3.11. Counterparts. For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. Each party hereto shall adhere any necessary stamp taxes to its respective counterpart.

Section 3.12. Constructive Termination. To the extent permitted by applicable law, a Shareholder and the Permitted Transferees of such Shareholder shall be relieved of their obligations, but shall retain their rights, under this Agreement after giving the other Shareholder sixty-days' written notice of the occurrence of a material breach by such other Shareholder of a material provision of this Agreement that remains uncured during such sixty (60)-day notice period.

Section 3.13. Remedies. Subject to Section 3.7, any Shareholder having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. In addition, in the case of a material breach of this Agreement, the Shareholders shall have the rights to terminate the Alliance Agreement or the Services Agreement as described in and in accordance with those agreements.

Section 3.14. Shareholder Meeting. The Company shall provide Continental with notice of each meeting of shareholders of the Company, as if Continental were a shareholder entitled to vote at such meeting.

IN WITNESS WHEREOF, the parties hereto have duly executed the Agreement as of the date first written above.

COPA HOLDINGS, S.A.

By:

Name: Pedro Heilbron
Title: Chief Executive Officer

CORPORACION DE INVERSIONES AEREAS, S.A.

By:

Name: Stanley Motta
Title: Director

CONTINENTAL AIRLINES, INC.

By:

Name: Gerald Laderman
Title: Senior Vice President - Finance and Treasurer

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

dated as of June ____, 2006

among

COPA HOLDINGS, S.A.,

CORPORACION DE INVERSIONES AEREAS, S.A.

and

CONTINENTAL AIRLINES, INC.

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AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT ("Agreement"), dated as of June ___[insert closing date of offering], 2006, by and among Copa Holdings, S.A., a corporation (sociedad anonima) organized under the laws of the Republic of Panama (the "Company"), Corporacion de Inversiones Aereas, S.A., a corporation (sociedad anonima) organized under the laws of Panama ("CIASA"), and Continental Airlines, Inc., a corporation organized under the laws of the State of Delaware ("Continental"). Each of the Company, CIASA and Continental may be referred to as a "Party" and collectively they may be referred to as the "Parties".

WITNESSETH:

WHEREAS, the Company, CIASA and Continental have entered into an Underwriting Agreement, dated June ___, 2006 (the "Underwriting Agreement"), among the Company, Continental, and Morgan Stanley & Co. Incorporated and Merrill Lynch & Co., as representatives of the underwriters named therein (collectively, the "Underwriters"), pursuant to which the Underwriters are offering up to 7,546,875 Class A shares of the Company owned by Continental to investors as described in a registration statement on Form F-1 (File No. 333-___) filed by the Company with the SEC (as defined below) (the "Offering");

WHEREAS, in connection with the Offering, the Company, CIASA and Continental entered into a Second Amended and Restated Shareholders Agreement, dated the date hereof (the "Shareholders Agreement");

WHEREAS, immediately after the Offering, Continental will continue to own 5,359,375 Class A shares (or 4,375,000 Class A shares if the over-allotment option is exercised) of the Company, and CIASA will continue to own 12,778,125 Class B shares of the Company; and

WHEREAS, in connection with the Shareholders Agreement, the Company has agreed to provide the rights set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual premises, covenants and agreements of the parties hereto, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

SECTION 1. DEFINITIONS.

1.1. Defined Terms.

As used in this Agreement, the following terms shall have the following meanings:

"Adverse Disclosure" means public disclosure of material non-public information, disclosure of which, in the Board's good faith judgment, after consultation with independent outside counsel to the Company, (i) would be required to be made in any Registration Statement filed by the Company so that such Registration Statement would not be

false or misleading in any material respect; (ii) would not be required to be made at such time but for the filing or publication of such Registration Statement and (iii) the Company has a bona fide business purpose for not disclosing publicly.

"Affiliates" has the meaning set forth in the Shareholders Agreement.

"Agreement" has the meaning set forth in the preamble hereto.

"Board" means the Board of Directors or other supervisory committee or body of the Company or any other entity, as applicable.

"Class A shares" means the Class A shares, no par value, of the Company.

"Class B shares" means the Class B shares, no par value, of the Company.

"Company" has the meaning set forth in the preamble hereto.

"Company Sale" has the meaning set forth in Section 2.2(a).

"Demand Notice" has the meaning set forth in Section 2.1(c).

"Demand Registration" has the meaning set forth in Section 2.1(a).

"Demand Registration Statement" has the meaning set forth in Section 2.1(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Holder" means any holder of Registrable Securities who is a party hereto or who succeeds to rights hereunder pursuant to Section 3.4.

"Law" means, as applicable, any and all (i) U.S. and foreign (including, without limitation, Panama) laws, ordinances, regulations, whether federal, provincial, state or local, (ii) codes, standards, rules, requirements and criteria issued under any U.S. or foreign (including, without limitation, Panama) laws, ordinances or regulations, whether federal, provincial, state or local and (iii) judgments.

"NASD" means the National Association of Securities Dealers, Inc.

"NYSE" means the New York Stock Exchange.

"Offer" means an offer to persons in the United States to acquire Registrable Securities.

"Panama" means the Republic of Panama.

"Panamanian" means any person or entity constituting a "Panamanian" within the meaning of Article III of the Company's Pacto Social.

"Panamanian Law" means any statute, act, order, rule or regulation enacted by any Panamanian governmental authority or agency.

"Panamanian Listing Authority" means the Comision Nacional de Valores of the Republic of Panama.

"Party" and "Parties" have the meaning set forth in the recitals.

"Permitted Transferees" or "Permitted Transfer" has the meaning set forth in Section 2.1 of the Shareholders Agreement.

"Piggyback Registration" has the meaning set forth in Section 2.2(a).

"Prospectus" means the prospectus included in any Registration Statement, including any preliminary Prospectus, all amendments and supplements to such prospectus, including post-effective amendments and all other material incorporated by reference in such prospectus.

"Registrable Securities" means from time to time (i) with respect to Continental, the excess, if any, of all Class A shares of the Company held by Continental and by Holders that are Permitted Transferees of Continental over the number of Class B shares held by CIASA at such time (it being understood that on the date hereof Continental has no Registrable Securities), (ii) with respect to CIASA, the excess, if any, of all Class B shares of the Company held by CIASA and by Holders that are Permitted Transferees of CIASA over the number of Class A shares held by Continental at such time (it being understood that on the date hereof CIASA has 7,418,750 Registrable Securities (or 8,403,125 Registrable Securities if the over-allotment option is exercised)) and (iii) with respect to each of Continental and CIASA and their respective Permitted Transferees, any securities that may be issued or distributed or be issuable in respect of any Registrable Securities by way of conversion, dividend, stock split or other distribution, merger, consolidation, exchange, recapitalization or reclassification or similar transaction; provided that (a) the number of Class A shares constituting Registrable Securities shall be reduced by the number of Class A shares sold or otherwise transferred to a person that is not a Permitted Transferee permitted by Section 3.4, and the number of Class B shares constituting Registrable Securities shall be reduced by the number of Class B shares sold or otherwise transferred to a person that is not a Permitted Transferee permitted by Section 3.4; (b) the number of Registrable Securities shall be increased from time to time in accordance with Section 2.3; and (c) that any such Registrable Securities shall cease to be Registrable Securities to the extent (1) a Registration Statement with respect to the sale of such Registrable Securities has been declared effective under the Securities Act and such Registrable Securities have been disposed of in accordance with the plan of distribution set forth in such Registration Statement and/or Prospectus in each case in accordance with applicable laws or (2) such Registrable Securities have been distributed pursuant to Rule 144 (or any similar provisions then in force) under the Securities Act or any other exemption from registration under applicable Law.

"Registration" means registration with the SEC with respect to the Company's securities for offer and sale to the public under a Registration Statement. The term "Register" shall have a correlative meaning.

"Registration Expenses" has the meaning set forth in Section 2.9.

"Registration Statement" means any registration statement of the Company filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

"Restricted Securities" means any shares of the Company held by CIASA or Continental that are not Registrable Securities.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Shelf Registration Statement" means a "shelf" registration statement of the Company that covers certain shares of the Company described in Section 2.3 on an appropriate form under Rule 415 under the Securities Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and any document incorporated by reference therein.

"Underwritten Offering" means a Registration in which Registrable Securities of the Company are sold to an underwriter or underwriters for reoffering to the public or in which an underwriter or underwriters commit to acquire such securities if and to the extent they are not acquired by third parties.

1.2. General Interpretive Principles. Whenever used in this Agreement, except as otherwise expressly provided or unless the context otherwise requires, any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders. The name assigned this Agreement and the section captions used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. Unless otherwise specified, the terms "hereof," "herein" and similar terms refer to this Agreement as a whole (including the exhibits, schedules and disclosure statements hereto), and references herein to Sections refer to Sections of this Agreement.

SECTION 2. REGISTRATION RIGHTS.

2.1. Demand Registrations.

(a) Demand by Holders. Subject to the limitations set forth herein, so long as either is a Holder, Continental or CIASA may make a written request to the Company for Registration of all or part of the outstanding shares of Registrable Securities held by such Holder and any other Holders of Registrable Securities. Any such requested Registration shall hereinafter be referred to as a "Demand Registration." A request for a Demand Registration shall specify the aggregate amount of Registrable Securities to be Registered. The Company

shall file as expeditiously as reasonably possible a Registration Statement relating to such Demand Registration (a "Demand Registration Statement") and shall use its reasonable best efforts to file and effect the Registration under applicable Law.

(b) Limitation on Demand Registrations. In no event shall the Company be required to effect and complete (i) more than two (2) Demand Registrations requested by or CIASA pursuant to Section 2.1(a) (but subject to CIASA's right to request additional Demand Registrations pursuant to Section 2.1(f)), (ii) more than one (1) Demand Registration requested by Continental pursuant to Section 2.1(a) (but subject to Continental's right to request additional Demand Registrations pursuant to Section 2.1(f), 2.3(a) and 2.3(b)(iii)), (iii) more than one Demand Registration in any twelve-month period or (iv) any Demand Registration that would register the lesser of \$50 million of the Shares and 5% of the total Shares of the Company; provided that if, subsequent to the last sale by a Holder of its Registrable Securities, the Company issues any Shares and, as a consequence of such issuance, such Holder's remaining Registrable Securities cease to constitute at least 5% of the total Shares of the Company, then the limitation set forth in this Section 2.1(b)(iii) shall not apply to one further Demand Registration by such Holder if such Holder would otherwise continue to have such right.

(c) Notice of Demand to Other Holders. Promptly upon receipt of any request for a Demand Registration pursuant to Section 2.1(a) (but in no event more than 15 business days thereafter), the Company shall deliver a written notice of any such Registration request specifying the number of Registrable Securities requested to be registered and the intended method of distribution of the Registrable Securities (a "Demand Notice") to all other Holders of Registrable Securities, and the Company shall include in such Demand Registration all additional Registrable Securities of other Holders with respect to which the Company has received written requests for inclusion therein within 20 days after the date on which the Demand Notice has been delivered. All requests made pursuant to this Section 2.1(c) shall specify the class and aggregate amount of Registrable Securities to be registered.

(d) Delay in Filing; Suspension of Registration. If the filing, initial effectiveness, publication or continued use of a Demand Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving prompt written notice of such action to the Holders, delay the filing, publication or initial effectiveness of, or suspend use of, the Demand Registration Statement (a "Demand Suspension"); provided that such Demand Suspensions shall not extend for more than 90 days in any twelve-month period. Any Demand Suspension pursuant to this Section 2.1(d) shall not be effective unless each director and executive officer subject to Section 16(b) of the Exchange Act is prohibited from making purchases and sales during such Demand Suspension by reason of the existence of material non-public information that would trigger an Adverse Disclosure. In the case of a Demand Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above. The Company shall immediately (i) notify the Holders upon the termination of any Demand Suspension, (ii) amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission therein and (iii) furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as the Holders may reasonably request. The Company represents that, as of the date hereof, it has no

knowledge of any circumstance that would reasonably be expected to cause it to exercise its rights under this Section 2.1(d).

(e) Underwritten Offering. If the Holder requesting the Demand Registration so elects, the offering of Registrable Securities pursuant to a Demand Registration shall be in the form of an Underwritten Offering. If any offering pursuant to a Demand Registration involves an Underwritten Offering, such initiating Holder shall have the right to select the underwriter or underwriters to administer the offering; provided that such underwriter or underwriters shall be reasonably acceptable to the Company.

(f) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter or underwriters of a proposed Underwritten Offering of Registrable Securities included in a Demand Registration informs the Company or the Holders of such Registrable Securities that, in its or their opinion, the number of securities requested to be included in such Demand Registration exceeds the number which can be sold in (or during the time of) such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or on the market for the securities offered, then the number of Registrable Securities to be included in such Demand Registration shall be reduced and allocated as follows: (i) first, any securities that the Company proposes to sell and (ii) second, among the Holders in proportion to their respective equity ownership in the Company at the time of the offering. If, as a consequence of any such determination occurring during the final Demand Registration available to such Holder pursuant to Section 2.1(b)(i), the initiating Holder sells fewer Registrable Securities in such Demand Registration than such Holder requested to be included, such Holder shall be entitled to one additional Demand Registration.

(g) Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate form of the SEC, (i) as shall be selected by the Company and as shall be deemed appropriate by counsel for the Company and (ii) as shall permit the disposition of such Registrable Securities in accordance with the intended method or methods of disposition specified in such Holders' requests for such Registration. Notwithstanding the foregoing, if, pursuant to a Demand Registration, (x) the Company proposes to effect Registration by filing a Registration Statement on Form F-3 (or any successor or similar short-form registration statement), (y) such Registration is in connection with an Underwritten Offering and (z) the managing underwriter or underwriters shall advise the Company in writing that, in its or their opinion, the use of another form of registration statement is of material importance to the success of such proposed offering, then such Registration shall be effected on such other form.

2.2. Piggyback Registrations.

(a) Participation. If the Company at any time proposes to file or publish a Registration Statement under the Securities Act with respect to any offering of its securities for its own account or for the account of any other Persons (other than (i) a Registration under Section 2.1(a) pursuant to which notice is delivered pursuant to Section 2.1(c), (ii) pursuant to a registration right granted by the Company as part of a bona fide financing by the Company structured as a private placement of securities (other than common stock or warrants to purchase common stock) to be followed, within 270 days of the consummation thereof, by the filing of a registration statement with respect to such securities or (iii) a Registration on Form F-4 or S-8 or

any similar or successor form to such Forms (such registration pursuant to clause (iii), a "Company Sale")), then, as soon as practicable (but in no event less than 30 days prior to the proposed date of filing or publishing, as the case may be, such Registration Statement), the Company shall give written notice of such proposed filing to all Holders of Registrable Securities, and such notice shall offer the Holders of such Registrable Securities the opportunity, subject to Section 2.2(b), to Register under such Registration Statement such number of Registrable Securities as each such Holder may request in writing (a "Piggyback Registration"). Pursuant and subject to Section 2.2(b), the Company shall include in such Registration Statement all such Registrable Securities with respect to which the Company has received written requests for inclusion within 20 days after the date on which the Company has delivered its written notice, including, if necessary, filing with the SEC a post-effective amendment or a supplement to such Registration Statement or the related Prospectus or any document incorporated therein by reference or filing any other required document or otherwise supplementing or amending such Registration Statement, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Registration Statement or by the Securities Act, any state securities or blue sky laws, or any rules and regulations thereunder; provided that if at any time after giving written notice of its intention to Register any securities and prior to the effective date of the Registration Statement filed in connection with such Registration, the Company shall determine for any reason not to Register or to delay Registration of such securities, the Company may, at its election, give written notice of such determination to each Holder of Registrable Securities and, thereupon, (i) in the case of a determination not to Register, shall be relieved of its obligation to Register any Registrable Securities in connection with such Registration (but not from its obligation, if any, under Section 2.9 to pay Registration Expenses in connection therewith) and (ii) in the case of a determination to delay Registering, shall be permitted to delay Registering any Registrable Securities, for the same period as the delay in Registering such other securities. If the offering pursuant to such Registration Statement is to be underwritten, then each Holder making a request for a Piggyback Registration pursuant to this Section 2.2(a) must, and the Company shall make such arrangements with the underwriters so that each such Holder may, participate, subject to Section 2.2(b), in such Underwritten Offering. If the offering pursuant to such Registration Statement is to be on any other basis, then each Holder making a request for a Piggyback Registration pursuant to this Section 2.2(a) must, and the Company will make such arrangements so that each such Holder may, participate, subject to Section 2.2(b), in such offering on such basis. Each Holder of Registrable Securities shall be permitted to withdraw all or part of such Holder's Registrable Securities from a Piggyback Registration at any time prior to the Company's request for acceleration of the effective date thereof.

(b) Priority of Piggyback Registration. If the managing underwriter or underwriters of any proposed Underwritten Offering of a class of Registrable Securities included in a Piggyback Registration informs the Company or the Holders of such class of Registrable Securities that, in its or their opinion, the number of securities of such class which such Holders and any other Persons intend to include in such offering exceeds the number which can be sold in (or during the time of) such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or on the market for the securities offered, then the number of securities to be included in such Registration as so determined by the managing underwriter or underwriters (the "Included Securities") shall be allocated as follows:

(i) first, any securities that the Company proposes to sell; (ii) second, among the Holders in proportion to their respective equity ownership in the Company at the time of the offering.

2.3. Sales by CIASA to Independent Panamanians. (a) If at any time CIASA or Permitted Transferees of CIASA shall sell Class B shares to a Panamanian who is not a Permitted Transferee (an "Independent Panamanian") and immediately after giving effect thereto CIASA, together with its Permitted Transferees, collectively beneficially own fewer than the total number of outstanding shares of the Company beneficially owned at such time by Continental and its Permitted Transferees (i) the total number of Registrable Securities, if any, held by Continental shall be increased to include all Class A shares then owned by Continental, (ii) Continental may sell any Shares that become Registrable Securities pursuant to this Section 2.3(a) pursuant to the Shelf Registration Statement described in Section 2.3(b) below and (iii) the number of Demand Registrations that Continental has a right to request pursuant to Section 2.1 shall increase by one.

(b) CIASA and the Company agree that:

(i) At such time as CIASA or a Permitted Transferee of CIASA enters into serious negotiations to sell such number of Class B shares to an Independent Panamanian that would result in CIASA and Permitted Transferees of CIASA collectively beneficially owning less than the total number of outstanding shares of the Company beneficially owned at such time by Continental, CIASA shall use its reasonable best efforts to cause the Company, and the Company shall use its reasonable best efforts, to file as soon as possible a Shelf Registration Statement providing for the registration of a number of Registrable Securities held by Continental equal to the increased number of Restricted Securities that shall be become Registrable Securities pursuant to Sections 2.3(a) and such other securities as the Company may deem appropriate and to have such Shelf Registration Statement declared effective by the SEC.

(ii) The Company agrees to use its reasonable best efforts to keep any Shelf Registration Statement required under Section 2.3(b) continuously effective until all the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement (the "Shelf Effectiveness Period"). The Company further agrees to supplement or amend the Shelf Registration Statement and the related Prospectus if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or by any other rules and regulations thereunder for shelf registration or if reasonably requested by a Holder of Registrable Securities with respect to information relating to such Holder, and to use its reasonable best efforts to cause any such amendment to become effective and such Shelf Registration Statement and Prospectus to become usable as soon as thereafter practicable.

(iii) If any Shelf Registration Statement required by this Section 2.3(b), (i) has not been declared effective within 75 days of the consummation of the triggering sale to an Independent Panamanian contemplated by Section 2.3(a) or

(ii) becomes effective and thereafter either ceases to be effective or the Prospectus contained therein ceases to be usable, in each case during the Shelf Effectiveness Period, and such failure to remain effective or usable exists for more than 75 days (whether or not consecutive) in any 12-month period, then the number of Demand Registrations that Continental has a right to request pursuant to Section 2.1 shall be increased by one.

(iv) If CIASA sells any of its Class B shares to an Independent Panamanian under circumstances that require the Company to file the Shelf Registration Statement pursuant to this Section 2.3, then Continental may use the Shelf Registration Statement at any time to sell such increased number of Registrable Securities as were granted pursuant to this Section 2.3.

2.4. Registered Offerings of CIASA Shares other than Registrable Securities. In addition to the rights granted to Continental by Section 2.2, if at any time the Company proposes to file a Registration Statement with respect to Restricted Securities held by CIASA, then, as soon as practicable (but in no event less than 20 days prior to the proposed date of filing such Registration Statement), the Company shall give written notice of such proposed filing to Continental and shall offer Continental the opportunity to register under such Registration Statement such number of Restricted Securities held by Continental equal to the number of CIASA's Restricted Securities that are proposed to be registered under such Registration Statement.

2.5. Black-out Periods.

(a) The Company shall not be obligated to file any Registration Statement pursuant to Section 2.1 during the period (A) commencing with the date on which either (1) the Company previously received a request to file a Registration Statement pursuant to Section 2.1 or (2) the Company, pursuant to Section 2.2 or 2.4, previously or simultaneously notified the Holders of Registrable Securities of its intention to file a Registration Statement (in either case, such Registration Statement being hereinafter referred to as the "Preceding Registration Statement") and (B) ending with the earliest of (1) if such Preceding Registration Statement has not become effective, 180 days following the filing of such Preceding Registration Statement, (2) if such Preceding Registration Statement has not been filed, 270 days after notification of intention to file, (3) if such Preceding Registration Statement has become effective, 180 days after such Preceding Registration Statement has become effective (subject to any period (which shall not exceed 120 days) after such Preceding Registration Statement becomes effective, which the managing Underwriter has designated as the minimum period during which the Company and the Holders shall not engage in any new registered offerings) and (4) the date of abandonment by the Company of its intention to file such Preceding Registration Statement or the date of withdrawal of the request under Section 2.1 by the Party making the request.

2.6. No Inconsistent Agreements. Except for the Underwriting Agreement, the Company is not currently a party to any agreement with respect to its securities which is inconsistent with the rights granted to the Holders of Registrable Securities by this Agreement. No other registration rights have been granted or will be granted in connection with the Initial Public Offering.

2.7. Registration Procedures.

(a) In connection with the Company's Registration obligations under Sections 2.1, 2.2 and 2.3, the Company will use its reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities by the Holders in accordance with the intended method or methods of distribution thereof under the Securities Act, or other applicable Law, as expeditiously as reasonably practicable, and in connection therewith the Company will:

(i) (A) prepare the required Registration Statement, Prospectus or other applicable required registration and/or listing documents including all exhibits and financial statements required under applicable law to be filed therewith (such documents, collectively "Registration Documents"), and such Registration Documents shall comply as to form with the requirements of the applicable form and include all financial statements required by the SEC to be filed therewith and all information reasonably requested by the lead managing Underwriter or sole Underwriter, if applicable, to be included therein, (B) use its reasonable best efforts to cause such Registration Statement to become effective and remain effective, (C) use its reasonable best efforts to not take any action that would cause a Registration Statement to contain a material misstatement or omission or to be not effective and usable for resale of Registrable Securities during the period that such Registration Statement is required to be effective and usable, and (D) cause each Registration Statement and the related Prospectus and any amendment or supplement thereto, as of the effective date of such Registration Statement, amendment or supplement (x) to comply in all material respects with any requirements of the Securities Act and the rules and regulations of the SEC and (y) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Before filing a Registration Statement or publishing a Prospectus or any other applicable registration documents, or any amendments or supplements thereto, furnish to the underwriters, if any, and to the Holders of the Registrable Securities covered by such Registration Statement, copies of all documents filed with an applicable regulatory authority in conformity with the requirements of the Securities Act or any other applicable Law;

(ii) prepare and file with the SEC such amendments and post-effective amendments to such Registration Statement and supplements to the Prospectus as may be necessary to keep such Registration effective for the period of time required by this Agreement;

(iii) notify the participating Holders of Registrable Securities and the managing underwriter or underwriters, if any, and furnish to each Holder of Registrable Securities and to each underwriter of an Underwritten Offering of Registrable Securities, if any, without charge, as many copies of the relevant documents including the Prospectus, any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities;

(iv) use its reasonable best efforts to prevent or obtain the withdrawal of any stop order or other order suspending the use of any preliminary or final Prospectus;

(v) on or prior to the date on which the applicable Registration Statement is declared effective or is published, use its reasonable best efforts to register or qualify, and

cooperate with the selling Holders of Registrable Securities, the managing underwriter or underwriters, if any, and their respective counsel, in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of each state of the United States and other jurisdiction as any such selling Holder or managing underwriter or underwriters, if any, or their respective counsel reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to keep such registration or qualification in effect for so long as such Registration Statement remains in effect and so as to permit the continuance of sales and dealings in such jurisdictions for as long as may be necessary to complete the distribution of the Registrable Securities covered by the Registration Statement; provided that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(vi) cooperate with the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends;

(vii) use its reasonable best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(viii) obtain for delivery to the Holders of Registrable Securities being registered and to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company dated the effective date of the Registration Statement or, in the event of an Underwritten Offering, the date of the closing under the underwriting agreement, in customary form, scope and substance, which counsel and opinions shall be reasonably satisfactory to such Holders or underwriters, as the case may be, and their respective counsel;

(ix) in the case of an Underwritten Offering, obtain for delivery to the Company and the managing underwriter or underwriters, with copies to the Holders of Registrable Securities included in such Registration, a comfort letter from the Company's independent certified public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the managing underwriter or underwriters reasonably request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(x) cooperate with each seller of Registrable Securities and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the NASD;

(xi) provide and cause to be maintained in the United States or Panama, as applicable, a transfer agent and registrar for all Registrable Securities covered by the applicable Registration Statement from and after a date not later than the effective date of such Registration Statement;

(xii) cause all Registrable Securities covered by the applicable Registration Statement to be listed on each securities exchange on which any of the Company's securities are then listed or quoted and on each inter-dealer quotation system on which any of the Company's securities are then quoted;

(xiii) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by a representative appointed by the majority of the Holders of each class of Registrable Securities covered by the applicable Registration Statement, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by such Holders or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available to discuss the business of the Company and to supply all information reasonably requested by any such Person in connection with such Registration Statement as shall be necessary to enable them to exercise their due diligence responsibility pursuant to the requirements of applicable Law; and

(xiv) (A) within a reasonable time prior to the filing of any Registration Statement, any Prospectus, any amendment to a Registration Statement or amendment or supplement to a Prospectus, provide copies of such document to the Holders of Registrable Securities and to counsel to such Holders and to the underwriter or underwriters of an Underwritten Offering of Registrable Securities, if any; and

(B) if reasonably requested by any Holder selling Registrable Securities pursuant to a Registration Statement, as promptly as reasonably practicable, incorporate in a Prospectus supplement or post-effective amendment to such Registration Statement such information as such Holder shall, on the basis of a written opinion of nationally recognized counsel experienced in such matters, determine to be required to be included therein by applicable law and make any required filings of such Prospectus supplement or such post-effective amendment as required by applicable law; provided that the Company shall not be required to take any actions under this Section 2.7(xiv)(B) that are not, in the reasonable opinion of counsel for the Company, required by applicable law; and fairly consider such other reasonable changes in any such document prior to or after the filing thereof as the counsel to the Holders or the underwriter or the underwriters may request and not file any such document in a form to which Holders of a majority of the Registrable Securities being sold by all Holders in such offering or any underwriter shall reasonably object; and make such of the representatives of the Company as shall be reasonably requested by the Holders of Registrable Securities being registered or any underwriter available for discussion of such document;

(C) within a reasonable time prior to the filing of any document which is to be incorporated by reference into a Registration Statement or a Prospectus, provide copies of such document to counsel for the Holders; fairly consider such reasonable changes in such document prior to or after the filing thereof as counsel for such Holders or such underwriter shall request; and make such of the representatives of the Company as shall be reasonably requested by such counsel available for discussion of such document; and

(xv) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first month after the effective date of the Registration Statement, which earnings statement shall meet the requirements of the Securities Act.

(b) The Company may require each seller of Registrable Securities as to which any Registration is being effected to furnish to the Company such information regarding the distribution of such securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time reasonably request in writing. Each Holder of Registrable Securities agrees to furnish such information to the Company and to cooperate with the Company as reasonably necessary to enable the Company to comply with the provisions of this Agreement.

(c) The Company shall advise each of the Holders and, if requested by any such person, confirm such advice in writing (which advice pursuant to clauses (ii) through (v) of this Section 2.7(c) shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when any Registration Statement and any amendment thereto has been filed with the Commission and when such Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to any Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of any Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the making of any changes in any Registration Statement or the prospectus included therein in order that the statements therein are not misleading and do not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(d) Each Holder agrees that, upon receipt of any notice from the Company pursuant to Section 2.7(c)(ii) through (v), such Holder will discontinue disposition of any Registrable Securities until such Holder's receipt of copies of a supplemental or amended prospectus or until advised in writing (the "Advice") by the Company that the use of the applicable prospectus may be resumed. In the event the Company shall give any such notice, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered

by such Registration Statement either receives the copies of the supplemented or amended Prospectus or receives Advice.

2.8. Underwritten Offerings.

(a) Underwriting Agreements. If requested by the underwriters for any Underwritten Offering, the Company shall enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the Company, and the underwriters. Such agreement shall contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnities generally to the effect and to the extent of those provided in Section 3.1. The Holders of any Registrable Securities to be included in any Underwritten Offering by such underwriters shall enter into such underwriting agreement at the request of the Company. The Holders of Registrable Securities to be distributed by such Underwriters shall be parties to such Underwriting Agreement and may, at their option, require that all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters also be made to and for the benefit of such Holders and any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Holders. No Holder shall be required in any such underwriting agreement to make any representations or warranties to, or agreements with, the Company or the underwriters other than representations, warranties or agreements regarding such Holder, such Holder's Registrable Securities, such Holder's intended method of distribution and any representations required by law.

(b) Participation in Underwritten Registrations. No Person may participate in any Underwritten Offering hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

(c) Piggyback by Holders in Underwritten Primary Offerings. If the Company at any time proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more Underwriters, then the Holders of Registrable Securities to be distributed by such Underwriters pursuant to Piggyback Rights shall be parties to the Underwriting Agreement between the Company and such Underwriters and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such Underwriters under such underwriting agreement be conditions precedent to the obligations of such holders of Registrable Securities. Any such Holder of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the Underwriters other than representations, warranties or agreements regarding such Holder, such Holder's Registrable Securities and such Holder's intended method of distribution and any other representation required by law.

(d) Holdback Agreements. (i) Each Holder of Registrable Securities agrees, if so required by the managing Underwriter, that it will agree to "Holdbacks" to the extent that (A) such Holdbacks apply to the Company and Holders of all other Registrable Securities on equal or more restrictive terms and (B) such Holdbacks were limited to one hundred eighty (180) days after any underwritten registration pursuant to Section 2.1 or 2.2 has become effective or after any sale under a Registration Statement required by Section 2.3. For the purpose of this Agreement, to "Holdback" is to refrain from selling, making any short sale of, loaning, granting any option for the purchase of, effecting any public sale or distribution of or otherwise disposing of any securities of the Company, except as part of such underwritten registration, whether or not such holder participates in such registration. Each Holder of Registrable Securities agrees that the Company may instruct its transfer agent to place stop transfer notations in its records to enforce such Holdbacks.

(ii) The Company agrees (A) if so required by the managing Underwriter, that it would be subject to the same Holdbacks as the holders of Registrable Securities, except pursuant to registrations on Form F-4, S-8, S-14 or S-15 or any successor or similar forms thereto, and (B) to cause each holder of its securities or any securities convertible into or exchangeable or exercisable for any of such securities, in each case purchased from the Company at any time after the date of this Agreement (other than in a public offering) to agree to such Holdbacks.

2.9. Registration Expenses. In the case of the first Demand Registration requested under this Agreement after the date hereof, 50% of the Company's expenses incident to the Company's performance of or compliance with this Agreement will be paid by the Company and the remaining 50% will be paid ratably by all Holders in proportion to the number of their respective Registrable or Restricted Securities, as the case may be, that are included in such Registration. In the case of all Registrations other than the first such Demand Registration, all such expenses shall be paid ratably by all Holders (including the Company) in proportion to the number of their respective Registrable or Restricted Securities, as the case may be, that are included in such Registration. The expenses incident to the Company's performance of or compliance with this Agreement, include, without limitation, (i) all fees and expenses (other than registration and filing fees) associated with filings required to be made with the SEC, the NASD, the NYSE or the Panamanian Listing Authority, (ii) all fees and expenses in connection with compliance with state securities or "Blue Sky" laws, (iii) all translating, printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company or other similar depository institution and of printing prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and cold comfort letters required by or incident to such performance); (v) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (vi) all fees and expenses (other than listing fees) incurred in connection with the listing of the Registrable Securities on any securities exchange or quotation of the Registrable Securities on any inter-dealer quotation system, (vii) all applicable rating agency fees with respect to the Registrable Securities and (viii) all fees and expenses of any special experts or other Persons retained by the Company in connection with any Registration. Notwithstanding the foregoing, the Company shall not be required to pay, or

reimburse any person for, any (i) registration or filing fees associated with filings required to be made with any governmental or listing authority or (ii) fees and disbursements of underwriters or the Holders (including the fees of their respective counsel). Any expenses not payable by the Company shall be paid by the Holders of Registrable Securities in proportion to their number of Registrable Securities included in such Registration.

2.10. Rules 144 and 144A.

The Company shall timely file the reports required to be filed by it under the Securities Act and the Exchange Act (including but not limited to the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c) of Rule 144 adopted by the Commission under the Securities Act) and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, will, upon the request of any holder of Registrable Securities, make publicly available other information) and will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with the requirements of this Section 2.10.

SECTION 3. MISCELLANEOUS.

3.1. Indemnification.

(a) Indemnification by Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder of Registrable Securities, its Affiliates and their respective partners, officers, directors, shareholders, employees and advisors and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons from and against any and all losses, claims, damages, liabilities, judgments (or actions or proceedings in respect thereof, whether or not such indemnified party is a party thereto) and expenses, joint or several (including reasonable costs of investigation and legal expenses) (each, a "Loss" and collectively "Losses") arising out of or based upon (A) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), (B) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, (C) any other violation by the Company of the Securities Act, the Exchange Act or any state securities law or of any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law applicable to the Company and relating to any action or inaction required of the Company in connection with any registration of Registrable Shares, or (D) any violation or alleged violation of the securities Law of Panama; provided that the Company shall not be liable to any particular indemnified party in any such case to the extent that any such Loss arises out of or is based upon

an untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in any such case made in any such Registration Statement in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in the preparation thereof, provided further that the Company shall not be liable to any Person who participates as an Underwriter in the offering or sale of Registrable Securities or to any other Person, if any, who controls such Underwriter within the meaning of the Securities Act, in any such case to the extent that any such Losses arise out of such Person's failure to send or give a copy of the final Offering Document, as the same may be then supplemented or amended, within the time required by the Securities Act or other applicable foreign securities Laws to the Person asserting the existence of an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final Offering Document. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party and shall survive the transfer of such securities by such Holder.

(b) Indemnification by the Selling Holder of Registrable Securities.

Each selling Holder of Registrable Securities agrees (severally and not jointly) to indemnify and hold harmless, to the full extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act and the Exchange Act) from and against any Losses resulting from any untrue statement of a material fact or any omission of a material fact required to be stated in the Registration Statement under which such Registrable Securities were Registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission is made in reliance upon and in conformity with information furnished in writing by such selling Holder to the Company specifically for inclusion in such Registration Statement and has not been corrected in a subsequent writing prior to or concurrently with the sale of the Registrable Securities to the Person asserting such loss, claim, damage, liability or expense. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the proceeds received by such Holder under the sale of the Registrable Securities giving rise to such indemnification obligation. Each Holder also shall indemnify any underwriters of the Registrable Securities, their officers and directors and each person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Company.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that any Person entitled to

indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (i) the indemnifying party has agreed in writing to pay such fees or expenses, (ii) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (iii) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or (iv) in the reasonable judgment of any such Person, based upon advice of its counsel, a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent, but such consent may not be unreasonably withheld; provided that an indemnifying party shall not be required to consent to any settlement involving the imposition of equitable remedies or involving the imposition of any material obligations on such indemnifying party other than financial obligations for which such indemnified party will be indemnified hereunder. If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action without the consent of the indemnified party. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time from all such indemnified party or parties unless (x) the employment of more than one counsel has been authorized in writing by the indemnified party or parties, (y) an indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other indemnified parties or (z) a conflict or potential conflict exists or may exist (based on advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(d) Contribution. The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities. If for any reason the indemnification provided for in paragraphs (a) and (b) of this Section 3.1 is unavailable to an indemnified party or insufficient to hold it harmless as contemplated by paragraphs (a) and (b) of this Section 3.1, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to

information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information concerning the matter with respect to which the claim was asserted and opportunity to correct or prevent such untrue statement or omission. Notwithstanding anything in this Section 3.1(d) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 3.1(d) to contribute any amount in excess of the amount by which the net proceeds received by such indemnifying party from the sale of Registrable Securities in the offering to which the Losses of the indemnified parties relate exceeds the amount of any damages which such indemnifying party has otherwise been required to pay by reason of such untrue statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.1(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. If indemnification is available under this Section 3.1, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Sections 3.1(a) and 3.1(b) without regard to the relative fault of said indemnifying parties or indemnified party.

3.2. Remedies. It is hereby agreed and acknowledged that it will be impossible to measure in money the damage that would be suffered if the parties fail to comply with any of the obligations herein imposed on them and that in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled (in addition to any other remedy to which it may be entitled in law or in equity) to injunctive relief, including, without limitation, specific performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law. In addition, in the case of a material breach of this Agreement, CIASA or Continental, as applicable, shall have the rights to terminate the Alliance Agreement or the Services Agreement as described in and in accordance with those agreements.

3.3. Notices. All notices, other communications or documents provided for or permitted to be given hereunder, shall be made in writing and shall be given either personally by hand-delivery, by facsimile transmission, or by air courier guaranteeing overnight delivery:

(a) if to the Company or to CIASA:

Copa Holdings, S.A.
Avenida Justo Arosmena y Calle 39
Panama 1
Panama
Facsimile: +507 227-1952
Attention: Pedro Heilbron

with copies to:

Galindo, Arias y Lopez
Edif. Omanco

Apartado 8629
Panama 5
Panama
Facsimile: +507 263-5335
Attention: Jaime A. Arias C.

and to:

Simpson Thacher & Bartlett LLP
425 Lexington Ave.
New York, New York 10017
United States of America
Facsimile: (212) 445-2502
Attention: David L. Williams

(b) if to Continental:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
United States of America
Facsimile: (713) 324-3099
Attention: Senior Vice President - Asia/Pacific and Corporate
Development

with copies to:

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002
United States of America
Facsimile: (713) 324-5161
Attention: Senior Vice President and General Counsel

Each Holder, by written notice given to the Company in accordance with this Section 3.3 may change the address to which notices, other communications or documents are to be sent to such Holder. All notices, other communications or documents shall be deemed to have been duly given: (i) at the time delivered by hand, if personally delivered; (ii) when receipt is acknowledged in writing by addressee, if by facsimile transmission and (iii) on the first business day with respect to which a reputable air courier guarantees delivery; provided that notices of a change of address shall be effective only upon receipt.

3.4. Successors, Assigns and Transferees.

The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the respective successors and assigns of Continental and CIASA; provided that the benefit of this Agreement may not be assigned or transferred in whole or in part by Continental

or CIASA without the prior written consent of the other Party unless such assignment or transfer is by a Party to a Permitted Transferee and such Permitted Transfer is made in accordance with the terms of Section 2.1 of the Shareholders Agreement; and provided, further, that no such assignment shall be binding upon or obligate the Company to any such Permitted Transferee unless and until the Company shall have received (i) notice of such assignment as herein provided, (ii) a written agreement by the assigning or transferring party, in form and substance reasonably satisfactory to the Company, to remain bound by the terms of this Agreement and (iii) a written agreement of the Permitted Transferee, in form and substance reasonably satisfactory to the Company, to be bound by the terms of this Agreement.

3.5. Recapitalizations, Exchanges, etc., Affecting Registrable Securities. The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the Registrable Securities, to any and all securities or capital stock of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or in substitution of such Registrable Securities, by reason of any dividend, split, issuance, reverse split, combination, recapitalization, reclassification, merger, consolidation or otherwise.

3.6. Governing Law; Arbitration.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED WITHIN THE STATE.

(b) (i) Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered in accordance with the International Arbitration Rules of the International Chamber of Commerce Court of International Arbitration (the "ICC"). Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(ii) The number of arbitrators shall be three, one of whom shall be appointed by each of the parties and the third of whom shall be selected by mutual agreement, if possible, within 30 days of the selection of the second arbitrator and thereafter by the ICC (in which case the third arbitrator shall not be a citizen of Panama or the United States) and the place of arbitration shall be Miami, Florida. The language of the arbitration shall be English, but documents or testimony may be submitted in any other language if a translation is provided.

(iii) The arbitrators will have no authority to award punitive damages or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms of the Agreement.

(iv) Either party may make an application to the arbitrators seeking injunctive relief to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved. Either party may apply to any court having jurisdiction hereof and seek injunctive relief in order to maintain the status quo until such time as the arbitration award is rendered or the controversy is otherwise resolved.

3.7. Headings. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

3.8. Severability. Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained therein.

3.9. Amendment; Waiver.

(a) This Agreement may not be amended or modified and waivers and consents to departures from the provisions hereof may not be given, except by an instrument or instruments in writing making specific reference to this Agreement and signed by the Company, the Holders of a majority of Registrable Securities then outstanding and, so long as they are Holders, Continental and CIASA. Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any amendment, modification, waiver or consent authorized by this Section 3.9(a), whether or not such Registrable Securities shall have been marked accordingly.

(b) The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

3.10. Counterparts. This Agreement may be executed in any number of separate counterparts and by the parties hereto in separate counterparts each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the date first written above.

COPA HOLDINGS, S.A.

By: _____
Name: _____
Title: _____

CORPORACION DE INVERSIONES AEREAS, S.A.

By: _____
Name: _____
Title: _____

CONTINENTAL AIRLINES, INC.

By: _____
Name: _____
Title: _____

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL
TREATMENT

EMBRAER 190

PURCHASE AGREEMENT COM 0028-06

BETWEEN

EMBRAER - EMPRESA BRASILEIRA

DE AERONAUTICA S.A.

AND

COPA HOLDINGS, S.A.

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ATTACHMENTS

"A" - AIRCRAFT SPECIFIC CONFIGURATION, FINISHING AND REGISTRATION MARKS

"B" - FERRY EQUIPMENT AND PRODUCT SUPPORT PACKAGE

"C" - WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP

"D" - PRICE ESCALATION FORMULA

"E" - **Material Redacted**

"F" - **Material Redacted**

"G" - **Material Redacted**

"H" - PERFORMANCE GUARANTEE

THIS AGREEMENT IS ENTERED INTO THIS ____ DAY OF FEBRUARY, 2006, BY AND BETWEEN EMBRAER - EMPRESA BRASILEIRA DE AERONAUTICA S.A. AND COPA HOLDINGS, S.A., FOR THE PURCHASE AND SALE OF EMBRAER AIRCRAFT.

THE SALE COVERED BY THIS AGREEMENT SHALL BE GOVERNED SOLELY BY THE TERMS AND CONDITIONS HEREIN SET FORTH, AS WELL AS BY THE PROVISIONS SET FORTH IN THE ATTACHMENTS HERETO.

THIS AGREEMENT SHALL NOT BE EFFECTIVE UNLESS AND UNTIL IT IS SIGNED BY AN AUTHORIZED OFFICER OF COPA HOLDINGS, S.A. AND EXECUTED BY TWO AUTHORIZED OFFICERS OF EMBRAER - EMPRESA BRASILEIRA DE AERONAUTICA S.A.

1. DEFINITIONS

For the purpose of this Agreement, the following definitions are hereby adopted by the Parties and, unless otherwise expressly provided, the singular includes the plural, the masculine includes the feminine and neutral genders:

- 1.1 "Actual Delivery Date" shall mean, with respect to each Aircraft, the date on which Buyer obtains title to that Aircraft in accordance with Article 7.
- 1.2 "AD's" shall mean Airworthiness Directives issued by either the CTA or the Air Authority, in connection with and with respect to the Aircraft.
- 1.3 "Agreement" or "Purchase Agreement" shall mean this Purchase Agreement DCT-.../2006 together with all attachments, supplements and exhibits hereto, all as modified and amended from time to time.
- 1.4 "Air Authority" shall mean the Unidad Administrativa Especial de Aviacion Civil ("UAEAC") of Colombia, or a successor from time to time charged with the administration of civil aviation in Colombia.
- 1.5 "Aircraft Basic Price" shall mean the Aircraft price, as defined in Article 3.1.
- 1.6 "Aircraft Purchase Price" shall mean, in respect of an Aircraft, the Aircraft Basic Price, escalated up to the Contractual Delivery Date of such Aircraft in accordance with and by application of the Escalation Formula.
- 1.7 "Aircraft" shall mean the EMBRAER 190LR aircraft (certification designation ERJ 190-100 LR) (the "EMBRAER 190 Aircraft"), manufactured by Embraer according to the

Preliminary Technical Description
PTD-190/195-Rev.5 dated March 2005, (which,
although not attached hereto, are
incorporated herein by reference) and the
Aircraft Specific Configurations, Finishing
and Registration Marks described in the
Attachment "A", for sale to Buyer pursuant
to this Agreement, equipped with two engines
GE CF-34-10E6A1, manufactured by General
Electric Company, all cases in the condition
and configuration required hereunder, and
shall include Firm Aircraft and Option
Aircraft unless the context requires
otherwise.

- 1.8 "Buyer" shall mean Copa Holdings, S.A., a company with its address c/o Ave. Principal y Ave. Rotonda, Complejo Business Park, North Tower, Costa del Este, Panama City, Rep of Panama.
- 1.9 "Business Day(s)" shall mean a day other than a Saturday or Sunday on which banks are open for business in Sao Jose dos Campos, Sao Paulo, Rio de Janeiro, New York and Panama.
- 1.10 "Contractual Delivery Date" shall mean the delivery date referred to in Article 5.
- 1.11 "CTA" shall mean the Aerospace Technical Center of the Brazilian Ministry of Aeronautics.
- 1.12 "Day(s)" shall mean natural calendar day(s).
- 1.13 "Embraer" shall mean Embraer - Empresa Brasileira de Aeronautica S.A., a Brazilian corporation with its principal place of business at Av. Brigadeiro Faria Lima, 2170 - Putim, Sao Jose dos Campos, Sao Paulo, Brazil.
- 1.14 "Escalation Formula" shall mean the escalation formula contained in Attachment "D".
- 1.15 "Firm Aircraft" shall mean the firm order Aircraft referred to in Article 2.1
- 1.16 "Initial Deposit" shall mean the initial non-refundable deposit referred to in Article 4.1.1.
- 1.17 "Major Changes" shall mean the changes to the design or approved specification of the Aircraft, as defined in Article 11.2.2.
- 1.18 "Mandatory Service Bulletins" shall mean the service bulletins applicable to the Aircraft, which are issued by Embraer to implement the AD's

referred to under Article 11.4.

- 1.19 "Minor Changes" shall mean the changes to the design of the Aircraft defined as per the terms and conditions of Article 11.2.1.
- 1.20 "Option Aircraft Basic Price" shall mean the unit price of the Option Aircraft, as per the terms and conditions of Article 21.2.
- 1.20 "Option Aircraft Initial Deposit" shall mean the initial deposit referred to under Article 21.1.
- 1.21 "Option Aircraft Purchase Price" shall mean the Option Aircraft Basic Price escalated in accordance with and by application of the Escalation Formulas ****Material Redacted**** as per the terms and conditions of Article 21.3.
- 1.22 "Option Aircraft" shall be the additional Aircraft that Buyer shall have the option to purchase as per the terms of Article 21.
- 1.23 "Parties" shall mean Embraer and Buyer.
- 1.24 "Product Support Package" shall mean the products and Services to be provided by Embraer as per Article 13.
- 1.25 "Scheduled Inspection Date" shall mean the date on which a certain Aircraft hereunder is available for inspection and acceptance by and subsequent delivery to Buyer, as per the terms and conditions of Article 7.1.
- 1.26 "Services" shall mean the familiarization and on-site support for the Aircraft, part of the Product Support Package, as specified in Attachment "B".
- 1.27 "Technical Publications" shall mean the technical documentation pertaining and related to the Aircraft as listed in Exhibit 1 to Attachment "B".
- 1.28 "USD" or "US\$" shall mean the legal currency of the United States of America.
- 1.29 "Working Day(s)" shall mean a day, other than Saturday, Sunday, or holiday, on which Embraer in Sao Jose dos Campos, SP, Brazil is open for business.

References to Articles or Attachments in the main body of this Purchase Agreement shall be deemed to be references to Articles of or Attachments to this Agreement, respectively, except as the context requires otherwise.

2. SUBJECT

Subject to the terms and conditions of this Agreement:

- 2.1 Embraer shall sell and deliver and Buyer shall purchase and take delivery of five (5) Firm Aircraft;
- 2.2 Embraer shall provide to Buyer the Services and the Technical Publications; and
- 2.3 Buyer shall have the option to purchase up to ten (10) Option Aircraft, in accordance with Article 21.

3. PRICE

- 3.1 Buyer agrees to pay Embraer, in United States dollars, the Aircraft Basic Price of USD **Material Redacted** for each Aircraft **Material Redacted**.
- 3.2 The Services and Technical Publications are to be provided **Material Redacted** to Buyer. Additional technical publications as well as other services shall be billed to Buyer in accordance with Embraer's rates prevailing at the time Buyer places a purchase order for such additional technical publications or other services.
- 3.3 The Aircraft Basic Price shall be escalated according to the Escalation Formula. Such price as escalated shall be the Aircraft Purchase Price and it will be provided to Buyer **Material Redacted** prior to each Aircraft Contractual Delivery Date.

4. PAYMENT

- 4.1 The prices specified in the previous Article shall be paid by Buyer by wire transfer in immediately available United States dollars funds, to a bank account to be timely informed by Embraer to Buyer, as follows:
 - 4.1.1 A non-refundable Initial Deposit of **Material Redacted** per Firm Aircraft is due and payable **Material Redacted**.
 - 4.1.2 A **Material Redacted** percent **Material Redacted**) **Material Redacted** progress payment in respect of each Aircraft **Material Redacted**, is due and payable **Material Redacted** prior to the relevant Aircraft Contractual Delivery Date**Material Redacted**.
 - 4.1.3 A **Material Redacted** progress payment in respect of each Aircraft **Material Redacted**, is due and payable **Material Redacted** prior to such relevant Aircraft Contractual Delivery Date**Material Redacted**.
 - 4.1.4 A **Material Redacted** progress payment in respect of each Aircraft **Material Redacted**, is due and payable **Material Redacted** prior to each relevant Aircraft Contractual Delivery Date**Material Redacted**.

4.1.5 The balance of the Aircraft Purchase Price in respect of an Aircraft, shall become due and payable upon acceptance of such Aircraft by Buyer.

4.2 Late Payments:

In respect of any amounts which are or may become due and payable pursuant to Articles 4.1.1 through and including 4.1.4 which amounts are not paid within ****Material Redacted**** and payable as set forth in Article 4.1, interest shall accrue on the relevant amount at the rate of ****Material Redacted**** per annum (the "Default Rate") following the Due Date and ending on the date the relevant amount is received by EMBRAER In respect of accounts which may become due and payable pursuant to Article 4.1.5, interest shall accrue thereon at the rate set forth herein above. Without prejudice to Embraer's rights set forth in Article 4.3 below, interest accrued will be invoiced by Embraer on a monthly basis, beginning one month after ****Material Redacted****, and payment thereof shall be made by Buyer in accordance with the instructions contained therein.

4.3 Termination for failure to make payments:

Without prejudice to the payment of interest on late payments set forth above, should Buyer fail to make any payment on or before the due date, Embraer shall have the right, at its sole discretion, to either (i) postpone, the relevant Aircraft Contractual Delivery Date; or (ii) terminate this Agreement in relation to the affected Aircraft in accordance with Article 20.3, if such failure shall not have been cured within ****Material Redacted**** Days after the date on which Embraer has issued a written notice to Buyer of such failure.

4.4 Net payments:

4.4.1 All payments to be made by Buyer under this Agreement shall be made without set-off or withholding whatsoever (except for Embraer Taxes, as defined in Article 17). If Buyer is obliged by law to make any deduction or withholding from any such payment (other than for Embraer Taxes), the amount due from Buyer in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Embraer receives a net amount equal to the amount Embraer would have received had no such deduction or withholding been required to be made.

4.5 Payment Date

Unless otherwise agreed by the Parties in writing, payment of the amounts referred in Articles 4.1.2, 4.1.3, and 4.1.4 shall be made by Buyer on ****Material Redacted**** Day of the month on which each of such payments is due.

5. DELIVERY

5.1 Aircraft: Subject to payment in accordance with Article 4 and the provisions of Articles 7 and 9, the Aircraft shall be tendered by Embraer to Buyer in the condition required hereunder, by means of a written notice, for inspection, acceptance and subsequent delivery in Fly Away Factory condition (i.e., Ex works (Incoterms 2000), with the

Aircraft to be flown away by Buyer), at Sao Jose dos Campos, State of Sao Paulo, Brazil, according to the following schedule:

Aircraft Number	Contractual Delivery Date
1	**Material Redacted**
2	**Material Redacted**
3	**Material Redacted**
4	**Material Redacted**
5	**Material Redacted**
6.	**Material Redacted**

6. CERTIFICATION

6.1 By **Material Redacted**, the EMBRAER 190LR model aircraft shall be type certified by the Brazilian Airworthiness Authority (CTA) and type validated by (a) USA FAA in accordance with 14 CFR FAR 25 Amendment 25-84 effective 10 July 1995 and (b) by the Air Authority, provided that any items that are under Buyer / an operator's regulatory responsibility pursuant to the Air Authority operational requirements and are not otherwise required to be provided by Embraer under this Agreement, shall be Buyer's responsibility.

6.2 The Aircraft shall be delivered to Buyer in conformity with **Material Redacted** and with the requirements set forth herein. Embraer will provide Buyer with an export certificate of airworthiness issued by CTA, which will certify that, as of the date of its issuance, the Aircraft has been inspected and found to conform in all respects to the CTA / UAEAC approved Type Design and in a condition **Material Redacted**. The condition of the Aircraft on delivery and the documentation delivered with the Aircraft, including the above mentioned export certificate of airworthiness, shall **Material Redacted**. Subject to the above, it shall be Buyer's responsibility to obtain such certificate of airworthiness for and the registration of the Aircraft, at Buyer's sole expense. **Material Redacted**.

7. ACCEPTANCE AND TRANSFER OF OWNERSHIP

7.1 Unless Buyer is notified of any delay in delivery in accordance with and in conformity with the terms and conditions of this Agreement, the Aircraft shall be delivered in accordance with all of the provisions and schedules specified in Article 5 and otherwise in such condition as required under this Agreement. Embraer shall give Buyer **Material Redacted** Days advance facsimile notice of the date on which Embraer considers that each Aircraft will be ready for inspection, acceptance and subsequent delivery. Upon successful completion of ground and flight tests performed by Embraer, Buyer will receive a written confirmation of the Scheduled Inspection Date, on which date Buyer shall promptly start inspecting such Aircraft.

7.2 Buyer shall have up to **Material Redacted** Days, as necessary, to inspect and conduct an acceptance flight of each Aircraft prior to its delivery. Embraer will provide the fuel

and insurance for the Aircraft's acceptance flight in accordance with Embraer insurance policy.

- 7.3 If Buyer finds an Aircraft acceptable, Buyer shall promptly pay any and all amounts then due and payable pursuant to this Agreement, including but not limited to all amounts referred to under Articles 4.1, 4.2, 7.8 and 8 as applicable and accept delivery of such Aircraft, whereupon the necessary title and risk transfer documents shall be executed and exchanged in order to effect title transfer, subject to all express warranties set forth in this Agreement that by their terms survive delivery.
- 7.4 Buyer may decline to accept an Aircraft, which does not materially comply with the requirements of Article 6, the specification set forth in Attachment "A" or is not in an airworthy condition. For the purposes of ****Material Redacted**** an Aircraft shall be deemed not to be materially compliant when one or more of the Aircraft characteristics identified in Article 11.2.1 ****Material Redacted**** are adversely affected by such non-compliance vis-a-vis the specification set forth in Attachment A.
- 7.5 If Buyer declines to accept an Aircraft, Buyer shall immediately give Embraer written notice including its reasons for such refusal and Embraer shall have ****Material Redacted**** Days, commencing on the first Working Day after receipt of such notice, to take all necessary actions in order to resubmit the Aircraft to Buyer for re-inspection.
- 7.6 Buyer shall be allowed ****Material Redacted**** Days to re-inspect the Aircraft, starting immediately upon receipt of notice from Embraer that all necessary actions were taken. The period required for inspection as well as the one mentioned in Article 7.5 shall not be considered as part of the ****Material Redacted**** Day grace period provided for in Article 9.2.1. In the event Buyer declines to accept an Aircraft after ****Material Redacted****, the Parties shall convene promptly after final refusal to accept the Aircraft in order to negotiate possible solutions. If within ****Material Redacted**** Days counted from the date in which Embraer receives notice of such final refusal to accept the Aircraft, Embraer and Buyer fail to reach an agreement, then ****Material Redacted****.
- 7.7 Should Buyer fail to perform the acceptance and accept transfer of title to an Aircraft ****Material Redacted**** provided for and in accordance with this Article 7, Embraer shall be entitled, at its reasonable discretion, to either re-negotiate the terms of this Agreement with Buyer or terminate this Agreement with regard to the affected Aircraft pursuant to Article 20.3. ****Material Redacted****.
- 7.8 Notwithstanding the provisions of Article 7.7 and in addition to Embraer's rights pursuant to Article 20.3 and ****Material Redacted**** should Buyer fail to perform the acceptance and transfer of title to the Aircraft within the time period specified in Articles 7.2, 7.5 and 7.6, as applicable, ****Material Redacted**** interest will accrue at the rate of ****Material Redacted**** over the unpaid balance of the relevant Aircraft Purchase Price, prorated from the ****Material Redacted****. Without prejudice to Embraer's rights set forth in Article 7.7, interest accrued will be invoiced by Embraer on a monthly basis, beginning one month after the date on which the Aircraft acceptance or transfer of title

should have been performed, and payment thereof shall be made by Buyer in accordance with the instructions contained therein.

8. STORAGE CHARGE

8.1 A storage charge equal to USD**Material Redacted** per Day shall be charged by Embraer to Buyer commencing on:

8.1.1 Buyer's failure to perform inspection or re-inspection of an Aircraft, per the date or time period properly specified in writing by Embraer, according to Articles 5 and/or 7, as applicable.

8.1.2 Buyer's acceptance of an Aircraft when Buyer defaults in the fulfillment of any payment due and in taking title to such Aircraft promptly thereafter.

8.1.3 Buyer's failure to remove an Aircraft from Embraer's facilities after title transfer has occurred.

8.2 If however, Buyer notifies Embraer in writing **Material Redacted** Days in advance of its expected delay in the performance of its obligations set forth in Articles 8.1.1, 8.1.2 and 8.1.3, the storage charge shall commence on the **Material Redacted** Day after the occurrence of the events set forth in Articles 8.1.1, 8.1.2 or 8.1.3, as applicable.

8.3 In the event that an Aircraft Contractual Delivery Date must be extended by Embraer from that which is designated in Article 5, due to Buyer's failure to perform any action or provide any information contemplated by this Agreement other than the ones specified in Article 8.1, the storage charge shall commence on the **Material Redacted** Day after the Contractual Delivery Date relative to such Aircraft.

8.4 Buyer shall pay the storage charge as set forth in Articles 8.1. or 8.3, as applicable, in United States dollars, per each month of delay or prorated for part thereof, within **Material Redacted** Days after the presentation of each invoice by Embraer.

9. DELAYS IN DELIVERY

9.1 Excusable Delays:

9.1.1 Embraer shall not be held liable or be found in default for any delays in the delivery of an Aircraft or in the performance of any act to be performed by Embraer under this Agreement, resulting from, but not restricted to, the following events or occurrences (hereinafter referred to as "Excusable Delays"): (a) force majeure (including, but not limited to acts of God, war or state of war, civil war, insurrection, fire, accident, explosion, flood, act of government, requisition, strike, labor disputes causing cessation or interruption of work, including but not limited to walkouts, sick-outs, protests or slowdowns), (b) inability despite due and all commercially reasonable efforts to procure any materials, equipment, accessories, parts or means of transport, or (c) any delay resulting from any

failure by Buyer to perform any action or provide any information contemplated by this Agreement or, (d) delays resulting from any other cause to the extent it is beyond Embraer's control or does not result from Embraer's fault or negligence.

9.1.2 Within ****Material Redacted**** Days after the occurrence of any Excusable Delay, Embraer undertakes to send a written notice to Buyer including a description of the details involved and an estimate of the effects expected upon the timing of the performance of its contractual obligations.

9.1.3 Any such delays shall extend the time for delivery of an Aircraft ****Material Redacted**** by the same number of Days required for the cause of delay to be remedied, subject in all cases to the provisions of Article 9.1.4. Embraer undertakes to use all commercially reasonable efforts to avoid or remove any cause of Excusable Delay and to minimize its effect on the Contractual Delivery Date of an Aircraft ****Material Redacted****.

9.1.4 If the cause of such Excusable Delay is such as to last longer than ****Material Redacted**** Days or to render the performance of this Agreement impossible, then Buyer shall have the right to terminate this Agreement without liability to either Party, except as provided for in Article 20.2.

9.1.5 ****Material Redacted****.

9.2 Non-Excusable Delays:

9.2.1 If the delivery of an Aircraft is delayed for any reason that does not constitute an Excusable Delay (hereinafter a "Non-excusable Delay") by more than ****Material Redacted**** Days after the Contractual Delivery Date for such Aircraft, Buyer will be entitled to claim from Embraer and Embraer shall pay to Buyer liquidated damages equal to ****Material Redacted****, up to the date that the Aircraft is available for inspection and acceptance by, and delivery to Buyer in conformity herewith, it being understood that such liquidated damages will not, in any event, exceed ****Material Redacted**** and that it will only be due and payable by Embraer to Buyer within five (5) Business Days after Buyer pays to Embraer the total Aircraft Purchase Price, ****Material Redacted****.

9.2.2 Upon the occurrence of any event, which constitutes a Non-excusable Delay in delivery of an Aircraft, Embraer undertakes to send a written notice to Buyer, within ****Material Redacted****, including a description of the delay and an estimate of the effects expected upon the delivery of the Aircraft.

9.2.3 It is agreed between the Parties that if, with respect to a delayed Aircraft, Embraer does not receive a claim for liquidated damages pursuant to Article 9.2.1, from Buyer, within ****Material Redacted**** Days after the Actual Delivery Date of such Aircraft, Buyer shall be deemed to have fully waived its right to such liquidated damages.

9.2.4 ****Material Redacted****

9.3 ****Material Redacted****Delay Due to Loss or Structural Damage of the Aircraft:

Should any Aircraft be destroyed or damaged before acceptance to the extent that it becomes commercially useless, Buyer may, ****Material Redacted**** either take a replacement Aircraft at a later delivery date to be agreed by the Parties, or terminate this Agreement with respect to such Aircraft by notice to Embraer given in accordance with Article 23, without any liability to either Party. If this Agreement is terminated ****Material Redacted****, such termination shall discharge the Parties from all obligations and liabilities of the Parties hereunder with respect to such Aircraft and Services, ****Material Redacted****.

10. INSPECTION AND QUALITY CONTROL

10.1 In order to effect inspection and acceptance of the Aircraft as set forth in Article 7, Buyer shall send one or more authorized representatives to Embraer's facilities in order to verify that the Aircraft was manufactured in accordance with the procedures, specifications and other requirements specified in this Agreement and according to all applicable quality control standards.

10.2 Buyer shall communicate to Embraer the names of its authorized representatives, by means of written notice, at least thirty (30) Days prior to the earliest delivery date specified in Article 5.

10.3 Such representatives, or other representatives indicated by Buyer, shall be authorized and duly empowered to sign the acceptance and documents and accept delivery of the Aircraft pursuant to Article 7.

10.4 For the purposes subject of this Article 10, Embraer shall provide communication facilities (telephone and facsimile) for Buyer's authorized representatives, as well as the necessary tools, measuring devices, test equipment and technical assistance as may be necessary to perform acceptance tests.

10.5 Buyer's authorized representatives shall observe Embraer's administrative rules and instructions while at Embraer's facilities.

10.6 Buyer's authorized representative shall be allowed exclusively in those areas related to the subject matter of this Article 10 and Buyer furthermore agrees to hold harmless Embraer from and against all and any kind of liabilities in respect to such representatives, for whom Buyer is solely and fully responsible under all circumstances and in any instance.

11. CHANGES

11.1 In addition to the requirements of Article 6, each Aircraft will comply with the standards defined in Attachment "A" and shall incorporate all modifications which are classified as AD's mandatory by CTA or the Air Authority as provided in Article 11.4, or those agreed upon by Buyer and Embraer in accordance with this Article.

11.2 The Parties hereby agree that changes can be made by Embraer in the design of the Aircraft, the definition of which and its respective classification shall be in compliance to the Aircraft type specification, as follows:

11.2.1 Minor Changes: defined as those modifications which shall not adversely affect the Aircraft in any of the following characteristics:

11.2.2 **Material Redacted** Major Changes: defined as those modifications which affect at least one of the topics mentioned in Article 11.2.1.

11.3 Embraer shall have the right, but not the obligation (except to the extent required by the CTA or applicable Aviation Authorities), to incorporate Minor Changes in the Aircraft still in the production line at its own cost, without the prior consent of Buyer.

11.4 Embraer shall convey those Major Changes that are classified as AD's by means of service bulletins approved by the Air Authority and/or CTA, as appropriate. Service bulletins that implement such ADs shall be referred to as Mandatory Service Bulletins. Embraer shall incorporate Mandatory Service Bulletins as follows:

11.4.1 Compliance required before Actual Delivery Date: Embraer shall incorporate Mandatory Service Bulletins at Embraer's expense in a reasonable period of time if the compliance time for such Mandatory Service Bulletins is before the Actual Delivery Date. Embraer shall not be liable for **Material Redacted** resulting from incorporation of Mandatory Service Bulletins when the Aircraft has already passed the specific production stage affected by the incorporation of said change.

11.4.2 Compliance required after Actual Delivery Date: During the applicable Aircraft warranty coverage periods as specified in Attachment "C", Embraer shall provide parts kits for Mandatory Service Bulletins that are issued either (i) before the relevant Aircraft's Actual Delivery Date but with a compliance time after such date or (ii) after the relevant Aircraft's Actual Delivery Date. Such kits shall be provided **Material Redacted**, excluding **Material Redacted** labor charges for installation of such Mandatory Service Bulletins **Material Redacted**. Embraer shall not be liable for any downtime of delivered Aircraft that may be necessary for the incorporation of any changes. When flight safety is affected, such changes shall be immediately incorporated. If warranty coverage is not available or applicable pursuant to Attachment "C", the provisions of Article 11.5 shall apply.

For the avoidance of doubt, the **Material Redacted** shall **Material Redacted** pursuant to **Material Redacted**.

11.5 Major changes, (other than those which are AD's mandatory per Article 11.4), any change developed by Embraer as product improvement and any change required by Buyer, including those changes required by either the UAEAC as a consequence of alterations, amendments and/or innovations of its present applicable regulations, shall be considered as optional and, pursuant to Buyer's request, the corresponding cost proposals

shall be submitted by Embraer to Buyer for consideration and approval. Should Buyer not approve any such change, it shall not be incorporated in the Aircraft.

11.6 Any Major Change to the Aircraft, made in accordance with the foregoing paragraphs, which affect the provisions of Attachment "A", shall be incorporated in said Attachment by means of an amendment.

11.7 Except as concerns AD's and Minor Changes, the Aircraft shall, on the Scheduled Inspection Date, comply with the terms and conditions of Attachment "A" as from time to time amended pursuant to Article 11.6. Determination of such compliance shall be made by Buyer pursuant to Article 7.

12. WARRANTY

The materials, design and workmanship relative to the Aircraft subject to this Agreement, will be warranted in accordance with the terms and conditions specified in Attachment "C". If Buyer intends to place the Aircraft on lease to another Party or to assign, transfer or novate the rights and obligations except as specified in Article 14, it is Buyer's responsibility to obtain the prior written consent of Embraer, which consent shall not be unreasonably withheld or delayed, as well as to provide Embraer written notice of any changes as to Buyer's designated lessee or assignee complying with item 5 of Attachment "C".

13. PRODUCT SUPPORT PACKAGE

Embraer shall supply to Buyer the Product Support Package described in Article 2 of Attachment "B", which includes Embraer's spare parts policy, the Technical Publications and the Services.

14. ASSIGNMENT

Buyer's rights and obligations hereunder may not be assigned, transferred or novated without the prior written consent of Embraer, which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Buyer may immediately before delivery assign the rights to take delivery of an Aircraft and Buyer's rights pursuant to ****Material Redacted**** to any related person or entities or to any trust created by it or such persons or to any financing party whether by way of security in connection with the financing or the sale/leaseback of any Aircraft to be operated by AeroRepublica, S.A.

Embraer's rights and obligations hereunder may not be assigned or delegated without the prior written consent of Buyer, which shall not be unreasonably withheld or delayed.

15. RESTRICTIONS AND PATENT INDEMNITY

This sale does not include the transfer of designs, copyrights, patents, and other similar rights to Buyer. Embraer warrants that the Aircraft and all systems, accessories, equipment, items and parts manufactured by or at the direction or utilizing designs of Embraer do not infringe any patent, copyright or other proprietary right of any person.

Subject to Buyer's duty to promptly advise Embraer of any alleged infringement (it being understood that any failure to so notify Embraer shall only relieve Embraer of its obligations pursuant hereto to the extent of actual prejudice suffered by Embraer as a direct result of such failure), Embraer shall indemnify, defend, protect and hold Buyer harmless with respect to any claims, suits, actions, judgments, liabilities, damages and costs, including reasonable attorney fees and expenses arising out of or in connection with any actual or alleged infringement by any Aircraft or any system, accessory, equipment, item or part installed on any Aircraft at the time of delivery of such Aircraft or thereafter, at Embraer's direction. In the event of any such infringement, and in addition to the foregoing obligations of Embraer, Embraer shall promptly, at its sole option and expense, either: (i) procure for Buyer the right to use the system, accessory or equipment or part; (ii) replace such system accessory, equipment or part with a non-infringing item or part; or (iii) modify such system, accessory, equipment or part to make it non-infringing.

This indemnity shall not apply to Buyer-furnished equipment, nor to aircraft engines or APUs, nor to any system, accessory, equipment or part that was not manufactured to Embraer's detailed design, nor to any system, accessory, equipment or part manufactured to Embraer's detailed design without Embraer's consent.

16. MARKETING PROMOTIONAL RIGHTS

Embraer shall have the right to show for marketing purposes, free of any charge, the image of Buyer's Aircraft, painted with Buyer's colors and emblems, affixed in photographs, drawings, films, slides, audiovisual works, models or any other medium of expression (pictorial, graphic, and sculptural works), through all mass communications media such as billboards, magazines, newspaper, television, movie, theaters, as well as in posters, catalogues, models and all other kinds of promotional material. **Material Redacted** Embraer **Material Redacted**. In the event such Aircraft is sold to or operated by or for another company or person, Embraer shall be entitled to disclose such fact, as well as to continue to show the image of the Aircraft, free of any charge, for marketing purposes, either with the original. If accepted, said prohibition, however, shall in no way apply to the promotional materials or pictorial, graphic or sculptural works already existing or to any contract for the display of such materials or works already binding Embraer at the time of receipt of the notification. **Material Redacted**.

17. TAXES

Embraer shall pay all taxes **Material Redacted** as may be imposed under Brazilian laws. All other taxes, **Material Redacted** as may be imposed on the transactions subject of this Agreement, shall be borne by Buyer.

18. APPLICABLE LAW

This Agreement shall be construed in accordance with and its performance shall be governed by the laws of the State of New York, USA without regard to any conflict of law rules other than General Obligations Law 5-1401 and 5-1402.

19. JURISDICTION

All disputes arising in connection with this Agreement shall be finally settled in the courts of the United States District Court for the Southern District of New York located in the county of New York, provided that if such court lacks jurisdiction, disputes shall be resolved in the state courts for the state of New York sitting in the Borough of Manhattan, City of New York. The Parties hereby waive any other court of Jurisdiction that may be competent for settlement of disputes arising from this Agreement.

Material Redacted

20. TERMINATION

20.1 Should either Party fail to perform its obligations hereunder, the other Party shall be entitled to give notice of such failure and to require that such failure be remedied within the period specified in that notice, which period shall not be less than **Material Redacted** Days. Should such failure not be remedied within the period so specified, then the Party who gave notice of such failure shall be entitled to terminate this Agreement **Material Redacted**. The foregoing provision shall not apply in any circumstance where a specific right of termination is made available hereunder or will be made available hereunder upon the expiration of a specific period of time. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY IN ANY CIRCUMSTANCE UNDER THIS AGREEMENT FOR ANY CONSEQUENTIAL OR PUNITIVE DAMAGES WHICH MAY ARISE OUT OF, OR BE CONNECTED TO, ANY BREACH OR DEFAULT UNDER OF ANY TERM, CONDITION, COVENANT, WARRANTY, OR PROVISION OF THIS AGREEMENT, AND WHICH EITHER PARTY WOULD OTHERWISE BE ENTITLED TO UNDER ANY APPLICABLE LAW, INCLUDING BUT NOT LIMITED TO ANY CLAIMS SOUNDING IN CONTRACT, TORT, EQUITY OR STATUTE.

20.2 Buyer and Embraer shall have the right to terminate this Agreement in respect to the relevant Aircraft, upon the occurrence of any Excusable Delay of **Material Redacted** Days or longer, unless otherwise agreed in writing by the Parties, and Buyer shall have the right to terminate this Agreement in respect to the relevant Aircraft upon the occurrence of any Non-excusable Delay of **Material Redacted** Days or longer after the relevant Aircraft Contractual Delivery Date, such rights to be exercisable by written notice from one Party to the other to such effect no earlier than such **Material Redacted** Day, as applicable. Upon receipt of such notice of termination by Buyer or Embraer, as the case may be, **Material Redacted**. It is hereby agreed by the Parties that, in either case, no other indemnity shall be due by Embraer to Buyer.

Material Redacted

20.3 If Buyer terminates this Agreement before the Actual Delivery Date of an Aircraft (except as provided in Article 20.1 and 20.2) or if Embraer terminates this Agreement in relation to an Aircraft, pursuant to Articles 4.3 or 7.7, Buyer shall pay to Embraer (i)

damages in an amount equal to ****Material Redacted****. For these purposes Embraer may ****Material Redacted****. It is hereby agreed by the Parties that upon the receipt by Embraer of the amounts set forth above, no other indemnity shall be due by Buyer to Embraer.

****Material Redacted****

20.4 If Buyer terminates this Agreement in respect to an Aircraft pursuant to Article 7.6, Embraer, shall ****Material Redacted**** with no other penalty or indemnity being due by Embraer to Buyer in this case.

****Material Redacted****

20.5 ****Material Redacted****

21. OPTION FOR THE PURCHASE OF ADDITIONAL AIRCRAFT

Buyer shall have the option to purchase ten (10) additional Option Aircraft, to be delivered in accordance with the following Option Aircraft contractual delivery date:

Option Aircraft	Contractual Delivery Month	Exercise Date	Option Aircraft	Contractual Delivery Month	Exercise Date
1	**Material Redacted**	**Material Redacted**	6	**Material Redacted**	**Material Redacted**
2	**Material Redacted**	**Material Redacted**	7	**Material Redacted**	**Material Redacted**
3	**Material Redacted**	**Material Redacted**	8	**Material Redacted**	**Material Redacted**
4	**Material Redacted**	**Material Redacted**	9	**Material Redacted**	**Material Redacted**
5	**Material Redacted**	**Material Redacted**	10	**Material Redacted**	**Material Redacted**

The Option Aircraft will be supplied in accordance with the following terms and conditions:

21.1 ****Material Redacted**** is due and payable by Buyer to Embraer in accordance with ****Material Redacted****.

21.2 The unit basic price of the Option Aircraft shall be equal to the unit Aircraft Basic Price, provided that such Option Aircraft be delivered within the delivery period above mentioned and in the same configuration, specification and installations specified in Attachment "A", as it is written on the date of signature of this Agreement, determining the Option Aircraft Basic Price.

- 21.3 The unit basic price of each relevant Option Aircraft above mentioned shall be escalated according to the escalation formula subject of Attachment "D", determining the Option Aircraft Purchase Price.
- 21.4 The payment of the Option Aircraft Purchase Price shall be made according to the following:
- 21.4.1 **Material Redacted** shall apply ** Material Redacted**
- 21.4.2 A progress payment of **Material Redacted** percent (**Material Redacted**%) of the unit Option Aircraft Basic Price less the relevant Option Aircraft Initial Deposit is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
- 21.4.3 A progress payment of **Material Redacted** percent (**Material Redacted**%) of the unit Option Aircraft Basic Price is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
- 21.4.4 A progress payment of **Material Redacted** percent (**Material Redacted**%) of the unit Option Aircraft Basic Price is due and payable **Material Redacted** prior to each relevant Option Aircraft contractual delivery date.
- 21.4.5 The balance of each relevant Option Aircraft Purchase Price is due and payable upon acceptance of each relevant Option Aircraft by Buyer.
- 21.4.6 The provisions of Article 4.3 through 4.5 shall apply mutatis-mutandis, to the payments to be made by Buyer towards the Option Aircraft.
- 21.5 Buyer has the option to purchase the Option Aircraft **Material Redacted**. Exercise of each **Material Redacted** shall be accomplished by means of a written notice from Buyer delivered to Embraer by mail, return receipt requested, express delivery or facsimile, no later than the "Exercise Date" **Material Redacted** otherwise **Material Redacted**.
- On the **Material Redacted** Exercise Date, Buyer shall inform Embraer **Material Redacted** will be exercised or not. In the event on the Exercise Date Buyer elects to not exercise **Material Redacted**, Buyer's options **Material Redacted**.
- If, however, in the Exercise Date Buyer elects to exercise its option **Material Redacted**, Buyer will **Material Redacted**, provided **Material Redacted** in Embraer's **Material Redacted**.
- 21.6 If the options are confirmed by Buyer as specified above, (a) an amendment to this Agreement shall be executed by and between the Parties within thirty (30) Days following the Option Aircraft option exercise date, setting forth the terms and conditions

applicable to, if any, exclusively to the Option Aircraft and (b) the
Material Redacted.

21.7 For the avoidance of any doubt, the terms and conditions contained in this Agreement shall also apply to any exercised Option Aircraft, with the exception that the product support package to be applied to the exercised Option Aircraft shall be as described in Article 2 of Attachment "B".

21.8 **Material Redacted**

22. INDEMNITY

Buyer agrees to indemnify and hold harmless Embraer and Embraer's officers, agents, employees and assignees from and against all liabilities, damages, losses, judgments, claims and suits, including costs and expenses incident thereto, which may be suffered by, accrued against, be charged to or recoverable from Embraer and/or Embraer's officers, agents, employees and assignees by reason of loss or damage to property or by reason of injury or death of any person resulting from or in any way connected with the performance of services by employees, representatives or agents of Embraer for or on behalf of Buyer related to Aircraft delivered by Embraer to Buyer, including, but not limited to, technical operations, maintenance, and training services and assistance performed while on the premises of Embraer or Buyer, while in flight on Buyer-owned Aircraft or while performing any other service, at any place, in conjunction with the Aircraft operations of Buyer, except to the extent caused by Embraer's willful misconduct or gross negligence.

23. NOTICES

All notices permitted or required hereunder shall be in writing in the English language and sent, by recognized international courier service or facsimile, to the attention of the Director of Contracts as to Embraer and of the CEO as to Buyer, to the addresses indicated below or to such other address as either Party may, by written notice, designate to the other. All notices shall be deemed to have been duly made, given and received, only when properly addressed (as set forth below): (i) on the date received by personal delivery; or (ii) on the date received when deposited with a internationally recognized courier service; or (iii) five business days after sending, when sent via Certified Mail, Return Receipt Request; or (iv) upon receipt when sent via facsimile (with a second copy sent via Mail) to the facsimile number set forth below and a confirmation of receipt is received by the sending Party:

23.1 EMBRAER:

EMBRAER - Empresa Brasileira de Aeronautica S.A.
Av. Brigadeiro Faria Lima, 2170
12.227-901 Sao Jose dos Campos - SP - Brasil
Telephone: (+55 12) 3927-1410
Facsimile: (+55 12) 3927-1257

23.2 BUYER:

COPA HOLDINGS, S.A.
Complejo Business Park - North Tower
Costa del Este
Panama City, Panama
Fax: 507-304-2672

24. CONFIDENTIALITY

Neither Buyer nor Embraer shall disclose the terms of this Agreement except as needed to its officers, employees, auditors, insurers (brokers) and legal advisors and except (a) as required by law or legal process, (b) to a prospective financing party in connection with the financing of Aircraft (limited to assignable provisions), or (c) with the prior written consent of the other party. In addition, Buyer and Embraer may disclose the terms of this Agreement to shareholders who hold more than ten percent (10%) of their respective common shares, provided that (i) such shareholders are not, in the case of Buyer, competitors or affiliates of competitors of Embraer in the business of manufacturing aircraft, or in the case of Embraer, competitors or affiliates of competitors of Buyer or any affiliate of either Buyer or AeroRepublica, S.A. in the business of a scheduled airline, and (ii) such shareholders, to the extent not officers of a Party shall have executed a confidentiality agreement with the other Party. Without limiting the foregoing, in the event either Party is legally required to disclose the terms of this Agreement, each Party agrees to exert its best efforts to request confidential treatment of the articles and conditions of this Agreement relevantly designated by the other as confidential.

25. SEVERABILITY

If any provision or part of a provision of this Agreement or any of the Attachments shall be, or be found by any authority or court of competent jurisdiction to be, illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Agreement, all of which shall remain in full force and effect.

26. NON-WAIVER

Except as otherwise specifically provided to the contrary in this Agreement, any Party's refrain from exercising any claim or remedy provided for herein shall not be deemed a waiver of such claim or remedy, and shall not relieve the other Party from the performance of such obligation at any subsequent time or from the performance of any of its other obligations hereunder.

27. INTEGRATED AGREEMENT

All attachments and exhibits referred to or delivered in connection with this Agreement and/or attached hereto are, by such reference or attachment, incorporated in this Agreement to the same extent as if fully set forth herein.

28. NEGOTIATED AGREEMENT

Buyer and Embraer agree that this Agreement, including all of its Attachments, has been the subject of discussion and negotiation and is fully understood by the Parties, and that the rights, obligations and other mutual agreements of the Parties contained in this Agreement are the result of such complete discussion and negotiation between the Parties.

29. WAIVER OF JURY TRIAL

EACH OF EMBRAER AND BUYER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE BOTH PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT.

30. WAIVER OF IMMUNITY

To the extent that either party may in any jurisdiction in which proceedings may at any time be taken for the determination of any question arising under or for the enforcement of this Agreement be entitled to claim or otherwise be accorded for itself or its respective property, assets or revenues immunity from suit or attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction, there may be attributed to either party, or its respective property, assets or revenues such immunity (whether or not claimed), both Parties hereby irrevocably agree not to claim and waive such immunity to the fullest extent permitted by the law of such jurisdiction.

31. PAYMENTS IN US DOLLARS

All amounts to be paid hereunder shall be paid in United States dollars ("Dollars"), in immediately available funds. The specifications of Dollars in this transaction is of the essence. The obligations of either party in respect of payments to be made hereunder shall not be discharged by an amount paid in another currency, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on prompt conversion to Dollars under normal banking procedures does not yield the amount of Dollars owing to the party receiving the same. If a party receives an amount in respect of the other party's liability under this Agreement or if such liability is converted into a claim, proof, judgment or order in a currency other than Dollars, the party liable for payment will indemnify the party to whom payment is to be made an independent obligation against any loss arising out of or as a result of such receipt or conversion. If the amount received by such party, when converted into Dollars (at the market rate at which the receiving party is able on the relevant date to purchase Dollars in New York with that other currency) is less than the amount owed in Dollars the party liable for such payment hereunder will, forthwith on demand, pay to the party entitled to receive such payment an amount in Dollars equal to the deficit.

32. COUNTERPARTS

This Agreement may be signed by the Parties in any number of separate counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which when taken together shall constitute one and the same instrument.

33. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the Parties with respect to the matters contained herein and supersedes all previous and connected negotiations, representations and agreements between the Parties, whether in writing or other form. This Agreement may not be altered, amended or supplemented except by a written instrument executed by the Parties.

ATTACHMENT "A"
AIRCRAFT CONFIGURATION

1. STANDARD AIRCRAFT

The EMBRAER 190 Aircraft shall be manufactured according to the standard configuration specified in Embraer's Technical Description TD-190 Rev.6 dated as of December **Material Redacted**.

2. OPTIONAL EQUIPMENT

2.1 OPTIONS TO STANDARD AVIONICS CONFIGURATION

Material Redacted

2.2 OPTIONAL SYSTEM/OTHER EQUIPMENT

a) GE CF34-10E6A1 Engines

b) LR Version

Material Redacted

2.3 INTERIOR OPTIONAL ITEMS

Material Redacted

Material Redacted

Material Redacted

3. FINISHING

The Aircraft will be delivered to Buyers as follows:

3.1 EXTERIOR FINISHING:

The fuselage of the Aircraft shall be painted according to Buyer's designated colors and paint scheme which shall be supplied to Embraer by Buyer on or before **Material Redacted** months prior to the relevant Aircraft Contractual Delivery Date.

The wings and the horizontal stabilizer shall be supplied in the standard colors, i.e., gray BAC707.

3.2 INTERIOR FINISHING:

Buyer shall inform Embraer on or before **Material Redacted** months prior to the relevant Aircraft Contractual Delivery Date of its choice of materials and colors of all and any item of interior finishing such as seat covers, carpet, floor lining on galley areas, side walls and overhead lining, galley lining and curtain. The above-mentioned schedule for definition of interior finishing shall only be applicable if Buyer selects its materials from the choices offered by and available at Embraer. In case Buyer opts to use different materials and or patterns, such schedule shall be **Material Redacted** by the time Buyer informs Embraer its intention to use such different materials and patterns.

3.3 BUYER FURNISHED AND BUYER INSTALLED EQUIPMENT (BFE AND BIE):

Buyer may choose to have carpets, tapestries, seat covers and curtain fabrics supplied to Embraer for installation in the Aircraft as BFE. Materials shall conform to the required standards and comply with all applicable regulations and airworthiness requirements. Delays in the delivery of BFE equipment or quality restrictions that prevent the installation thereof in the time frame required by the Aircraft manufacturing process shall entitle Embraer to either delay the delivery of the Aircraft or present the Aircraft to Buyer

ATTACHMENT "A"
AIRCRAFT CONFIGURATION

without such BFE, in which case Buyer ****Material Redacted**** of the Aircraft **** Material Redacted****. All BFE equipment shall be delivered to Embraer in DDP - Embraer facilities in Sao Jose dos Campos, SP, Brazil (Incoterms 2000) conditions.

The Aircraft galleys have provisions for the following BIE items that, unless timely agreed by the Parties, are not supplied or installed by Embraer: Trolleys, ovens, coffee makers, hot jugs and standard units.

The following items will be BFE and shall be provided by Buyer in the conditions stated herein: demo vest, demo mask, trolleys and coffee maker.

4. REGISTRATION MARKS AND TRANSPONDER CODE

The Aircraft shall be delivered to Buyer with the registration marks painted on them. The registration marks and the transponder code shall be supplied to Embraer by Buyer no later than ninety (90) Days before each relevant Aircraft Contractual Delivery Date.

IT IS HEREBY AGREED AND UNDERSTOOD BY THE PARTIES THAT IF THERE IS ANY CONFLICT BETWEEN THE TERMS OF THIS ATTACHMENT "A" AND THE TERMS OF THE PRELIMINARY TECHNICAL DESCRIPTION ABOVE REFERRED, THE TERMS OF THIS ATTACHMENT "A" SHALL PREVAIL.

****Material Redacted****

****Material Redacted****

ATTACHMENT B
FERRY EQUIPMENT AND PRODUCT SUPPORT PACKAGE

1. FERRY EQUIPMENT AND ASSISTANCE

- 1.1 If it is necessary for any ferry equipment to be installed by Embraer for the ferry flight of any Aircraft between Brazil and Colombia, Embraer will make available a standard ferry equipment to Buyer (hereinafter the "Kit"), at **Material Redacted**, except as set forth below. In this case, Buyer shall immediately upon its arrival in Colombia, remove the Kit from the Aircraft and return it to Embraer in Brazil at **Material Redacted**, including the necessary insurance.

If Embraer provides the Kit to Buyer and if the Kit is either utilized, whether totally or not, or if the Kit is not returned by Buyer, complete and in the same condition **Material Redacted** as it was delivered to Buyer, Buyer shall pay Embraer the **Material Redacted**.

In such case, the original Kit shall become the property of Buyer, and Buyer shall make the above mentioned payment to Embraer upon presentation of a sight draft by Embraer.

- 1.2 Embraer shall make a representative available on board of the first two (2) Firm Aircraft during their ferry flight in order to assist the Buyer's flight crew in the communication with Brazilian custom clearances and Aircraft refueling individuals and to assist in obtaining support from Embraer in case any such support becomes necessary during the Brazilian portion of the ferry flight. Such representative shall remain on board of the Aircraft until the last stop in Brazilian territory. Any other arrangement shall be requested by Buyer no less than thirty (30) Business Days prior to the relevant Aircraft Contractual Delivery Date and shall be contingent upon the concurrence of Embraer at its sole criteria, such concurrence not to be unreasonably withheld.

2. PRODUCT SUPPORT PACKAGE

2.1 MATERIAL SUPPORT

2.1.1 SPARES POLICY

Embraer guarantees the supply of spare parts, ground support equipment and tooling, except engines and its accessories, hereinafter referred to as "Spare(s)", for the Aircraft for a period of **Material Redacted** years after **Material Redacted** delivery of the last aircraft of the same type **Material Redacted**. Except as may otherwise be expressly set forth herein, such Spares shall be supplied according to the prevailing availability, sale conditions, delivery schedule and effective price on the date of acceptance by Embraer of the purchase order. The Spares may be supplied either by Embraer in Brazil or through its subsidiaries or distribution centers located abroad.

2.1.2 RSPL

As soon as reasonably practicable, but no later than **Material Redacted** months prior to the first Aircraft delivery date, Embraer shall present to Buyer a

recommended Spare provisioning list (the "RSPL"). The objective of the RSPL is to provide Buyer with a detailed list of Spares that will be reasonably necessary to support the initial operation and maintenance of the Aircraft by Buyer. Such recommendation will be made in consultation with Buyer and be based on the experience of Embraer and on the operational parameters established by Buyer considering the entire EMBRAER 190 fleet composed by the Aircraft subject of this Agreement, and the EMBRAER 190 aircraft subject of Purchase Agreement DCT-006/2003. Buyer shall be fully responsible for the administration of such Spares.

Embraer will provide a qualified team to attend pre-provisioning conferences as necessary to discuss Buyer requirements and the RSPL as well as any available spare parts support programs offered by Embraer. Such meeting shall be held at a mutually agreed upon place and time.

Buyer may elect to acquire all the items contained in the RSPL or to combine a partial acquisition of the RSPL items with a participation in the special spare parts support programs, available from Embraer.

Buyer may acquire the items contained in the RSPL directly from Embraer or directly from Embraer's vendors. For the items contained in the RSPL that Buyer elects to purchase directly from Embraer (the "IP Spares"), Buyer must place a purchase order with Embraer on or before **Material Redacted** Days prior to the first Aircraft Contractual Delivery Date in order to have the IP Spares available in stock by **Material Redacted**. For purchase orders placed by Buyer out of the schedule set forth above, the IP Spares shall be provided to Buyer in accordance with the quoted lead times. Embraer will deliver the IP Spares in **Material Redacted** condition, at the port of clearance indicated by Embraer.

As requested by Buyer, but in no case **Material Redacted**, Embraer will update the data of the RSPL incorporating engineering and price changes. Embraer will maintain a master copy of the RSPL updated until **Material Redacted**.

2.1.3 CREDIT FOR SURPLUS IP SPARES

Embraer offers to Buyer a program for certain surplus IP Spares manufactured by Embraer and which were recommended in writing by Embraer limited to the quantities, part numbers and serial numbers (if applicable) identified in the relevant invoices. Such program will provide terms no less favorable than the following:

- a. Credit Program: During the period commencing **Material Redacted** years after delivery of the first Aircraft under the Purchase Agreement of which this is an Attachment and ending **Material Redacted** years after such delivery, Embraer will, upon receipt of a written request and subject

to the exceptions and conditions in this paragraph "a", and in paragraphs "b", "c", "d" and "e" of this section, offer a credit for new and unused IP Spares manufactured by Embraer (i) which have been supplied by Embraer as IP Spares for the Aircraft subject of this Agreement and (ii) which are surplus to Buyer's needs. Such credit may be used toward the purchase of Spares manufactured by Embraer, Technical Publications or Services (excluding training) offered by Embraer.

- b. EXCEPTIONS: Embraer will not issue credits for IP Spares which were purchased by Buyer in excess of or differently from the Spares recommended in writing by Embraer to Buyer by the IPL as initial provisioning for the Aircraft (as amended from time to time by agreement of the Parties) and for IP Spares which have become obsolete or have been superseded by another part as a result of (i) Buyer's modification of an Aircraft for which the IP Spares were purchased; (ii) Embraer design improvements (except for IP Spares which have become obsolete because of a defect in design); (iii) IP Spares which are shelf-life limited; (iv) damaged IP Spares; or (v) IP Spares that were not stored in accordance with OEM guidelines.
- c. CREDIT VALUES: The credit for each IP Spare to be issued by Embraer will be: ****Material Redacted**** an amount equal to ****Material Redacted****.
- d. DELIVERY OF SURPLUS IP SPARES: IP Spares for which a credit has been requested shall be delivered by Buyer, freight and insurance prepaid, to Embraer's plant in Sao Jose dos Campos, SP, Brazil, or any other destination as Embraer may reasonably designate. All returned IP Spares are subject to Embraer's quality control inspection and acceptance. All IP Spares which are rejected by Embraer's quality control and/or are included in the exceptions set forth in paragraph a.1 hereinabove, will be returned to Buyer at Buyer's expense, no credit being due in this case.
- e. CREDIT ISSUE: After Embraer's acceptance of those IP Spares suitable for the credit program, under the terms of this Agreement, Embraer will notify the available credit amount to Buyer and provide all relevant information as to credit utilization.

2.1.4 OTHER SPARES SERVICES

AOG services: Embraer will maintain a call center for the AOG (Aircraft On Ground) services, twenty four (24) hours a day, seven (7) days a week. All the contacts with the call center can be made through TOLL FREE numbers (phone and fax) and e-mail. Embraer will also maintain the regular direct lines (phone and fax), in case of failures. The information concerning TOLL FREE, regular lines and e-mail address can be obtained through the Customer Account Manager designated to Buyer by Embraer or through Embraer's Customer Service offices.

Embraer will deliver parts under AOG from the nearest location to Buyer's facilities, provided that the part is available at this location at the moment of the request **Material Redacted**.

Other than AOG orders, Buyer may expedite spare parts orders as spare parts critical orders (imminent AOG or work stoppage situation) or as spare parts routine expedite orders (urgent stock replenishment - "USR"). Embraer will deliver expedite spare parts ordered, within the following lead times:

	Material Redacted	**Material Redacted**	**Material Redacted**
	-----	-----	-----
Material Redacted	**Material Redacted**	**Material Redacted**	**Material Redacted**
Material Redacted	**Material Redacted**	**Material Redacted**	**Material Redacted**
Material Redacted	**Material Redacted**	**Material Redacted**	**Material Redacted**

Routine and/or Critical Spares: Embraer will deliver routine and/or critical Spares (other than AOG Spares) **Material Redacted**, depending on where the purchase order was placed with or otherwise agreed between Embraer and Buyer. Routine and/or critical Spares shall be delivered according to their lead times, depending upon the purchase order priority and with the respective authorized release certificate or any similar document issued by a duly authorized person.

Upon receipt of an order from Buyer, according to the above referred terms, Embraer shall send to Buyer the shipping information (airwaybill number and flight date and number) after receipt of such information from the freight forwarder indicated by Buyer in the shipping instructions provided to Embraer by Buyer in the relevant order.

2.2 AIRCRAFT TECHNICAL PUBLICATIONS:

2.2.1 AIRCRAFT PUBLICATIONS

Embraer shall supply, at **Material Redacted**, copies of operational and maintenance publications applicable thereto, in the English language and in the quantities as specified in Exhibit "1" to this Attachment "B". Such publications are issued under the applicable specification **Material Redacted**.

The revision service for these publications is provided, **Material Redacted**, including mailing services (except for air cargo shipping) and the software license fee for the CD ROM, **Material Redacted**.

2.2.2 VENDOR ITEMS PUBLICATIONS

With respect to vendor items installed in the Aircraft which have their own publications, Buyer will receive them in the quantity specified in Exhibit "1" to this Attachment "B", in their original content and printed form, directly from the suppliers, which are also responsible to keep them continuously updated through a direct communication system with Buyer.

- 2.2.3 Within **Material Redacted** months prior to the Contractual Delivery Date of the first Aircraft, Embraer shall **Material Redacted**, and Buyer shall **Material Redacted** before the first Aircraft Contractual Delivery Date, **Material Redacted**.
- 2.2.4 The Parties further understand and agree that in the event Buyer elects not to take all or any one of the publications above mentioned, or revisions thereof, no refund or other financial adjustment of the Aircraft Basic Price will be made since such publications are offered at no charge to Buyer.

2.3 SERVICES

Embraer shall provide familiarization programs and on-site support for the Aircraft (the "Services") in accordance with the terms and conditions described below:

2.3.1 Familiarization Programs:

- a. Familiarization program specified below is being offered at **Material Redacted**, except for **Material Redacted**. The familiarization programs shall be conducted in accordance with the customer's training program and with all applicable regulations and requirements of the FAA.
- b. Notwithstanding the eventual use of the term "training" in this paragraph 2.3.1, the intent of this program is solely to familiarize Buyer's pilots, mechanics, employees or representatives, duly qualified per the governing body in the country of Buyer's operation, with the operation and maintenance of the Aircraft. It is not the intent of Embraer to provide basic training ("ab-initio") to any representatives of Buyer.

Any trainee appointed by Buyer for participation in any of the familiarization programs shall be duly qualified per the governing body in the country of Buyer's operation and fluent in the English language as all training will be conducted in, and all training material will be presented in, such language. Pilots and mechanics shall also have previous experience in the operation and maintenance, as applicable, of jet aircraft or, as a minimum, of twin-engined turboprop aircraft. Neither Embraer nor training provider make any representation or give any guarantee regarding the successful completion of any training program by Buyers trainees, for which Buyer is solely responsible.

- c. The familiarization program, as applicable, shall occur prior to ****Material Redacted**** Aircraft Actual Delivery Date as it shall be previously agreed upon by Buyer and Embraer. Buyer must give written notification to Embraer ****Material Redacted**** Days in advance of Buyer's expected training schedule, including the full name and identification of each attendee. Substitutions will not be accepted for training within this period. Should Buyer not take all or any portion of the familiarization program for an Aircraft on or before ****Material Redacted**** months following the Actual Delivery Date of such Aircraft, Buyer shall be deemed to have fully waived its rights to such service, no refund or indemnity being due by Embraer to Buyer in this case.
- d. All familiarization programs shall be provided by Embraer or its qualified designated representative ****Material Redacted**** or in such other location as Embraer or training provider may reasonably designate.
- e. The part of the pilot familiarization program relative to the ground school shall be provided, ****Material Redacted**** as may be agreed by Embraer and Buyer. ****Material Redacted****. The familiarization program referred to above covers:
 - e.1. One (1) Pilot Familiarization Program for up to ****Material Redacted**** pilots per Aircraft including (i) ground familiarization as regards Aircraft systems, weight and balance, performance and normal/emergency procedures and, (ii) flight simulator training in a ****Material Redacted**** simulator in accordance with the Air Authority's approved Flight Operations Training Program. ****Material Redacted****.
 - e.2. One (1) maintenance familiarization course for up to ****Material Redacted**** qualified mechanics ****Material Redacted****. This course shall consist of classroom familiarization with Aircraft systems and structures and shall be in accordance with ATA specification 104, level III.
 - e.3. One (1) Flight Attendant Familiarization Course for up to ****Material Redacted****. This course shall consist of classroom familiarization, including a general description of Aircraft and systems to be used by flight attendants. ****Material Redacted****.
 - e.4. ****Material Redacted****
 - e.5. ****Material Redacted****
- f. ****Material Redacted****

- g. If requested, Embraer through its field support representative referred to in Article 2.3.2 below, may demonstrate the procedures described in the classroom, subject to Buyer's Aircraft availability.
- h. Buyer shall be solely responsible for submitting its training programs to the Air Authority for approval. Embraer shall give Buyer reasonable assistance in such process.
- i. The presence of Buyer's authorized trainees shall be allowed exclusively in those areas related to the subject matter hereof and Buyer agrees to hold harmless Embraer from and against all and any kind of liabilities in respect of such trainees to the extent permitted by law.
- j. ****Material Redacted****
- k. ****Material Redacted****

Any other service will be subject to a specific agreement to be negotiated by the Parties and will be charged by Embraer accordingly.

2.3.2 ****Material Redacted**** support:

- a. Embraer shall indicate at its sole discretion, and provide ****Material Redacted**** to Buyer, the services of a field support representative ("FSR") ****Material Redacted****
- b. ****Material Redacted****
- c. FSR shall assist and advise Buyer on the Aircraft maintenance during its initial operation and act as liaison between Buyer and Embraer.
- d. FSR shall assist and advise Buyer on the Aircraft maintenance during its initial operation and act as liaison between Buyer and Embraer.
- e. At no charge to Embraer, Buyer shall provide such FSR with communication services (telephone, facsimile) as well as office space and facilities at Buyer's main maintenance base, and Buyer shall also (a) arrange all necessary work permits and airport security clearances required for Embraer employees, to permit the accomplishment of the services mentioned in this item 2.3.2, in due time; and (b) obtain all necessary custom clearances both to enter and depart from Buyer's country for Embraer's employees and their personal belongings and professional tools.
- f. During the ****Material Redacted****, Buyer shall permit, as required, reasonable access to the maintenance and operation facilities as well as to the data and files of Buyer's Aircraft fleet during normal business hours. It is hereby agreed and understood that Buyer shall make available at the

office designated for permanence of the FSR, one (1) set of updated Technical Publications as referred to in Article 2.2 above, it being Buyer's responsibility to perform the revision services in order to maintain such publications updated within the period **Material Redacted**

- g. Buyer shall bear all **Material Redacted**. These expenses shall be borne by Embraer **Material Redacted**.
- h. Without a previous written authorization from Embraer, FSR shall not participate in test flights or flight demonstrations. In case Buyer obtains such previous authorization, Buyer shall include the FSR in Buyer's insurance policy. Embraer reserves the right to halt the services mentioned in this item 2.3.2, should any of the following situations occur at Buyer's base (for the duration of such situation): a) there is a labor dispute or work stoppage in progress; b) war or war like operations, riots or insurrections; c) any conditions which is dangerous to the safety or health of Embraer's employee; or d) the government of Buyer's country refuses permission to Embraer's employee to enter the country.
- i. The Parties further understand and agree that in the event Buyer elects not to take all or any portion of the **Material Redacted** support provided for herein, **Material Redacted**. Any other additional **Material Redacted** support shall depend on mutual agreement between the Parties and shall be charged by Embraer accordingly.
- j. The presence of FSR shall be allowed exclusively in those areas related to the subject matter hereof and Embraer agrees to hold harmless Buyer from and against all and any kind of liabilities in respect of such FSR to the extent permitted by law, **Material Redacted**
- k. **Material Redacted**

2.4 PRODUCT SUPPORT PACKAGE FOR THE OPTION AIRCRAFT

The product support package for the exercised Option Aircraft shall be limited to **Material Redacted**.

Material Redacted

EXHIBIT "1" TO ATTACHMENT B -- TECHNICAL PUBLICATIONS LIST

The quantity of technical publications covering Aircraft operation and maintenance shall be delivered to Buyer in accordance with the following list:

OPERATIONAL SET

Title	
1. Airplane Flight Manual (AFM)(*)	**Material Redacted**
2. Weight & Balance Manual (WB)(*)	**Material Redacted**
3. Airplane Operations Manual (AOM)(*)	**Material Redacted**
4. Quick Reference Handbook (QRH)(*)	**Material Redacted**
5. Dispatch Deviation Procedures Manual (DDPM)(*)	**Material Redacted**
6. Supplementary Performance Manual (SPM)(*)	**Material Redacted**
7. Operational Bulletins Set (OB)	**Material Redacted**
8. Standard Operating Procedures Manual (SOPM)	**Material Redacted**
9. Flight Attendant Manual (FAM)	**Material Redacted**

MAINTENANCE SET

Title	
10. Aircraft Maintenance Manual (AMM) (***)	**Material Redacted**
11. Aircraft Illustrated Parts Catalog (AIPC) (***)	**Material Redacted**
12. Fault Isolation Manual (FIM) (***)	**Material Redacted**
13. Non Destructive Testing Manual (NDI) (***)	4 **Material Redacted**
14. Maintenance Planning Document (MPD) (****)	**Material Redacted**
15. Wiring Manual (WM) (***)	**Material Redacted**
16. Structural Repair Manual (SRM) (***)	**Material Redacted**
17. Service & Information Bulletins Set (SB/IB)	**Material Redacted**
18. Service Newsletters (SNL)	**Material Redacted**
19. Parts Information Letter (PIL)	**Material Redacted**

- 20. System Schematic Manual (SSM) (***) **Material Redacted**
- 21. Instructions for Ground Fire Extinguishing and Rescue (IGFER) (****)
- 22. Airport Planning Manual (APM) (****)
- 23. Illustrated Tool & Equipment Manual (ITEM) (****) **Material Redacted**
- 24. Task Card System CDRom (TCS) (***) **Material Redacted**
- 25. Ramp Maintenance Manual (RMM) (***) **Material Redacted**
- 26. Power plant Build-up Manual (PPBM)(**) **Material Redacted**
- 27. Corrosion Prevention Manual (CPM) (***)
- 28. Component Maintenance Manual (CMM) (**) **Material Redacted**
- 29. Airplane Recovery Manual (ARM) (****) **Material Redacted**
- 30. Maintenance Facility and Equipment Planning (MFEP) (****) **Material Redacted**
- 31. Standard Wiring Practices Manual (SWPM) (****) **Material Redacted**
- 32. Standard Manual (SM) **Material Redacted**
- 33. Consumable Products Catalog (CPC) **Material Redacted**
- 34. Maintenance Review Board Report (MRB) **Material Redacted**

Material Redacted

EXHIBIT "2" TO ATTACHMENT B -- INSURANCE SPECIAL CLAUSE

Buyer shall include the following endorsements in its Hull and Comprehensive Airline Liability insurance policies:

1. Hull All Risks Policy, including War, Hi-jacking and Other Perils.

"It is hereby understood and agreed that Insurers agree to waive rights of subrogation against Embraer with regard to the insured Aircraft.

This endorsement shall not operate to prejudice Insurer's rights of recourse against Embraer - Empresa Brasileira de Aeronautica S.A. as manufacturer, repairer, supplier or servicing agent where such right of recourse would have existed had this endorsement not been effected under this Policy."

2. Comprehensive Airline Liability Policy, based on the AVN53 - Additional Insured Endorsement

"It is hereby understood and agreed that Embraer - Empresa Brasileira de Aeronautica S.A. including any business entity owned by or subsidiaries to Embraer, and all partners, executive officers, employees and stock holders, are added as Additional Insureds only with respect to the operation of the Aircraft by the Named Insured.

This endorsement does not provide coverage for any Additional Insured with respect to claims arising out of its legal liability as manufacturer, repairer, supplier or servicing agent and shall not operate to prejudice Insurer's right of recourse against any Additional Insured as manufacturer, repairer, supplier or servicing agent."

3. Notwithstanding anything to the contrary as specified in the Policy or any endorsement thereof, the coverages stated in Articles 1 and 2 above, shall not be cancelled or modified by the Insurer, without 48 hours advance written notice to Embraer to such effect.

This Endorsement attaches to and forms part of Policy No. _____, and is effective from the ____ day of _____, 200_."

ATTACHMENT "C"
WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP

1. Embraer, subject to the conditions and limitations hereby expressed, warrants the Aircraft subject of the Purchase Agreement to which this will be an Attachment, as follows:
 - a. For a period of ****Material Redacted**** months from the date of delivery to Buyer, such Aircraft will be free from:
 - Defects in materials, workmanship and manufacturing processes in relation to parts manufactured by Embraer or by its subcontractors holding an Embraer part number;
 - Defects inherent to the design of the aircraft and its parts designed or manufactured by Embraer or by its subcontractors holding an Embraer part number.
 - b. For a period of ****Material Redacted**** months from the date of delivery to Buyer, such Aircraft will be free from:
 - Defects in operation of vendor (Embraer's supplier) manufactured parts, not including the Engines, Auxiliary Power Unit (APU) and their accessories ("Vendor Parts"), as well as failures of mentioned parts due to incorrect installation or installation not complying with the instructions issued or approved by their respective manufacturers.
 - Defects due to non-conformity of Vendor Parts to the technical specification referred to in the Purchase Agreement of the aircraft.

Once the above-mentioned periods have expired, Embraer will transfer to Buyer the original Warranty issued by the vendors, to the extent the same remains in effect and shall provide Buyer with reasonable assistance in enforcing its rights in respect thereof.

2. Embraer, subject to the conditions and limitations hereby expressed, warrants that:
 - a. All spare parts or ground support equipment, not including Engines, APU and their Accessories, which have been manufactured by Embraer or by its subcontractors holding an Embraer part number, which will permit their particular identification and which have been sold by Embraer or its representatives will, for a period of ****Material Redacted**** months from the date of the invoice, be free from defects of design, material, workmanship, manufacturing processes and defects inherent to the design of the above mentioned parts or ground support equipment.
 - b. All spare parts or ground support equipment, which have been designed and manufactured by vendors, not including Engines, APU and their related accessories, and stamped with a serial number which will permit their particular identification and which have been sold by Embraer or its representatives will, for a period of ****Material Redacted**** months from the date of the invoice, be free from malfunction, defect of material and manufacture.
3. The obligations of Embraer as expressed in this Warranty are limited to replace or repair ****Material Redacted****, depending solely upon its own judgment, the parts that are returned to Embraer or its representatives within a period of ****Material Redacted**** Days after the occurrence of the defect, at Buyer's expense (including but not limited to, freight, insurance, taxes and customs duties), adequately packed, provided that such components are actually defective and that the defect has occurred within the periods stipulated in this certificate. Should the defective part not be returned to Embraer within

ATTACHMENT "C"
WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP

such ****Material Redacted**** Days period, Embraer shall have the right, at its sole discretion, to deny the warranty claim.

NOTE: Notification of any defect claimed under this item 3 must be given to Embraer within ****Material Redacted**** Days after such defect is found.

All parts ****Material Redacted****.

Parts supplied to Buyer as replacement for defective parts are warranted for the balance of the warranty period still available from the original warranty of the exchanged parts.

4. Embraer will accept no warranty claims under any of the circumstances listed below:
 - a. When the Aircraft has been subjected to experimental flights (not including ****Material Redacted**** undertaken at the request of Embraer), or in any other way not in conformity with the flight manual or the airworthiness certificate, or subjected to any manner of use in contravention of applicable navigation or other regulations and rules of either the government authorities of whatever country in which the aircraft is operated or I.C.A.O.;
 - b. When the Aircraft or any of its parts have been altered or modified by Buyer, without prior approval from Embraer or from the manufacturer of the parts through a service bulletin, ****Material Redacted****;
 - c. Whenever the Aircraft or any of its parts have been involved in an accident (other than an accident unrelated to the claim for which coverage is sought), or when parts either defective or not complying to manufacturer's design or specification have been used ****Material Redacted****;
 - d. Whenever parts have had their identification marks, designation, seal or serial number altered or removed;
 - e. In the event of negligence, misuse or maintenance services done on the aircraft, or any of its parts not in accordance with the respective maintenance manual;
 - f. In cases of deterioration, wear, breakage, damage or any other defect resulting from the use of inadequate packing methods when returning items to Embraer or its representatives.
5. This Warranty does not apply to defects presented by expendable items, whose service life or maintenance cycle is lower than the warranty period, and to materials or parts subjected to deterioration.
6. The Warranty hereby expressed is established between Embraer and Buyer, and it cannot be transferred or assigned to others, unless by written consent of Embraer or according to Article 14 of the Purchase Agreement of which this is an Attachment.
7. THE WARRANTIES, OBLIGATIONS AND LIABILITIES OF EMBRAER AND REMEDIES OF BUYER SET FORTH IN THIS WARRANTY CERTIFICATE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND BUYER HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF EMBRAER AND ANY ASSIGNEE OF EMBRAER AND ALL OTHER RIGHTS, CLAIMS AND REMEDIES OF BUYER AGAINST EMBRAER OR ANY ASSIGNEE OF EMBRAER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY NON-CONFORMANCE OR DEFECT OR FAILURE OR ANY OTHER REASON IN ANY AIRCRAFT OR OTHER ITEM DELIVERED UNDER THE

ATTACHMENT "C"
WARRANTY CERTIFICATE - MATERIAL AND WORKMANSHIP

PURCHASE AGREEMENT OF WHICH THIS IS AN ATTACHMENT, INCLUDING DATA, DOCUMENT, INFORMATION OR SERVICE, INCLUDING BUT NOT LIMITED TO:

- a. ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS;
- b. ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE;
- c. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OR OTHER RELATED CAUSES OF EMBRAER OR ANY ASSIGNEE OF EMBRAER, WHETHER ACTIVE, PASSIVE OR IMPUTED; AND
- d. ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO ANY AIRCRAFT, FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO ANY AIRCRAFT OR FOR ANY OTHER DIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

For the **Material Redacted**.

8. No representative or employee of Embraer is authorized to establish any other warranty than the one hereby expressed, nor to assume any additional obligation, relative to the matter, in the name of Embraer and therefore any such statements eventually made by, or in the name of Embraer, shall be void and without effect.

ATTACHMENT "D"
PRICE ESCALATION FORMULA

Material Redacted

** 3 pages **

ATTACHMENT "E"
MATERIAL REDACTED

Material Redacted

2 Pages

ATTACHMENT "H"
PERFORMANCE GUARANTEE

1. GUARANTEES

Embraer, subject to the conditions and limitations hereby expressed, and considering the Aircraft EMBRAER 190 LR version, equipped with Embraer furnished General Electric CF34-10E6A1 engines, guarantees that each Aircraft on the relevant Actual Delivery Date shall comply with the following performance:

1.1 CRUISE SPECIFIC AIR RANGE

The cruise specific air range at a gross weight of ****Material Redacted**** lb (****Material Redacted**** kg) in a standard day (ISA), at an altitude of ****Material Redacted**** ft, at ****Material Redacted**** KTAS using not more than maximum cruise thrust, shall not be less than the guarantee value:

Nominal: ****Material Redacted**** NAM/lb

Guarantee: ****Material Redacted**** NAM/lb

1.2 WEIGHT GUARANTEE

1.2.1 Maximum Take-Off Weight (MTOW) of the Aircraft shall not be less than ****Material Redacted**** lb.

1.2.2 Maximum Landing Weight (MLW) of the Aircraft shall not be less than ****Material Redacted**** lb.

1.2.3 Maximum Zero Fuel Weight (MZFW) of the Aircraft shall not be less than ****Material Redacted**** lb.

1.2.4 Maximum Equipped Empty Weight (EEW) for the Aircraft in Buyer configuration as defined in the table below is guaranteed not to exceed ****Material Redacted**** lb (****Material Redacted**** kg).

****Material Redacted****

****3 pages****

2. AIRCRAFT CONFIGURATION

2.1 The guarantees stated above are based on the Aircraft configuration as defined in the Technical Description TD-190 Rev.6 dated as of December 2005, plus specific Buyer configuration options as defined at Attachment "A" to the Purchase Agreement, (hereinafter referred to as the "Detail Specification"). If necessary, appropriate adjustment to this Aircraft Performance Guarantees shall be made for changes in such Detail Specification (including but not limited to Buyer requests for changes, Proposal of Major Changes or any other changes mutually agreed upon between the Buyer and Embraer) approved in writing by the Buyer and Embraer. Embraer shall account for such adjustments in its evidence of compliance with the guarantees. Any ****Material Redacted**** this ****Material Redacted****.

In the event that after the date of this Agreement any unforeseen change is made to any law, governmental regulation or mandatory requirement, or in the application of any such law, governmental regulation or requirement that affects

ATTACHMENT "H"
PERFORMANCE GUARANTEE

the certification basis for the Aircraft, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Aircraft Performance Guarantee shall be appropriately modified to reflect any such change.

- 2.2 The performance guarantees of ****Material Redacted**** shall be adjusted by Embraer for the following in its evidence of compliance with such guarantees:
- a) Changes to the Detail Specification including change requested by Buyer, Major Changes (as defined in the Purchase Agreement) or any other changes mutually agreed upon between the Buyer and Embraer.
 - b) The difference between the component weight allowances given in the appropriate section of the Detail Specification and the actual weights.

3. GUARANTEE CONDITIONS

- 3.1 All guaranteed performance data are based on the ICAO International Standard Atmosphere (ISA) unless otherwise specified. Altitudes are pressure altitudes.
- 3.2 Unless otherwise specified, the CTA Certification Basis regulations are specified in the Aircraft Type Certificate Data Sheet.
- 3.3 The ****Material Redacted**** include ****Material Redacted****.
- 3.4 The ****Material Redacted**** are based on ****Material Redacted****.
- 3.5 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound and a fuel density of 6.7 lb per Gallon.

4. PARTIES' OBLIGATIONS ACCORDING TO THIS GUARANTEE

- 4.1 During the Aircraft acceptance to be performed by Buyer in accordance with Article 7 of the Purchase Agreement, Buyer shall check the Aircraft performance specified in Article 1 of this Attachment H ****Material Redacted****.
- 4.2 Embraer's obligations in respect to the guarantees stated in Article 1 of this Attachment H, are limited to Buyer's right to ****Material Redacted****, should it be reasonably verified that such Aircraft during the acceptance procedure specified in Article 7 of the Purchase Agreement, cannot comply with the performances guaranteed hereunder after Embraer has had an opportunity to cure such deficiencies in accordance with Article 7 of the Purchase Agreement.
- 4.3 In case during the above mentioned acceptance procedure, it is proven that the Aircraft performance does not comply with the performances specified in Article 1 of this Attachment H, ****Material Redacted****.
- 4.4 Upon acceptance of the Aircraft by Buyer, all obligations of Embraer regarding the Aircraft performance guarantees shall cease.

5. GUARANTEE COMPLIANCE

- 5.1 Compliance with the guarantees of ****Material Redacted**** shall be based on the conditions specified in that Articles, the Aircraft configuration contained in Attachment "A" to the Purchase Agreement and the guarantee conditions of Article 3 above.
- 5.2 Compliance with the takeoff and landing performance guarantees shall be based on the CTA approved Airplane Flight Manual for the Aircraft.

ATTACHMENT "H"
PERFORMANCE GUARANTEE

- 5.3 Compliance with the ****Material Redacted**** shall be established by calculations based on the comparison mentioned in Article 4.1 above.
- 5.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with the performance guarantee.
- 5.5 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the appropriate approved weight and balance manual, or associated document or report.

6. EXCLUSIVE GUARANTEES

- 6.1 The only performance guarantees applicable to the Aircraft are those set forth in this document. The performance guarantees set forth herein are established between Buyer and Embraer and may not be transferred or assigned to others, unless by previous written consent of Embraer.
- 6.2 THE GUARANTEES, OBLIGATIONS AND LIABILITIES OF Embraer, AND REMEDIES OF Buyer SET FORTH IN THIS PERFORMANCE GUARANTEE ARE EXCLUSIVE AND IN SUBSTITUTION FOR, AND Buyer HEREBY WAIVES, RELEASES AND RENOUNCES, ALL OTHER RIGHTS, CLAIMS, DAMAGES AND REMEDIES OF Buyer AGAINST EMBRAER OR ANY ASSIGNED OF EMBRAER, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO AIRCRAFT PERFORMANCE.
- 6.3 The terms and conditions of this performance guarantee do not alter, modify or impair, in any way, the terms and conditions of Attachment "C" (Aircraft Warranty Certificate) to the Purchase Agreement or other express warranties in the Purchase Agreement.

ANNEX 1 TO ATTACHMENT "H" - PERFORMANCE GUARANTEE

****Material Redacted****

****5 pages****

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL
TREATMENT

LETTER AGREEMENT COM 0029-06

Material Redacted

12 pages

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED
SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT

Supplemental Agreement No. 9

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of March 16, 2006 by and
between THE BOEING COMPANY, a Delaware corporation with its principal office in
Seattle, Washington, (Boeing) and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated
November 25, 1998 (the Agreement), as amended and supplemented, relating to
Boeing Model 737-7V3 and 737-8V3 aircraft (the Aircraft); and

WHEREAS, Customer and Boeing have come to agreement on the purchase and
sale of one 737-8V3 Aircraft with a scheduled delivery month of October 2009;
and

WHEREAS, Boeing and Buyer have mutually agreed to amend the Agreement to
incorporate the effect of these and certain other changes;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the
parties agree to amend the Agreement as follows:

1. Table of Contents, Tables and Exhibits:

- 1.1. Remove and replace, in its entirety the "Table of Contents", with the
"Table of Contents" attached hereto and hereby made a part of the
Agreement, to reflect the changes made by this Supplemental Agreement.
- 1.2. Table 1-5 entitled "Aircraft Information Table for Model 737-8V3
Aircraft" is attached hereto to reflect the scheduled delivery months
for the 737 Aircraft with schedule delivery month of October 2009.

2. Letter Agreements: No. 6-1162-LAJ-982R2 entitled ****Material Redacted**** to include our agreement on Electronic Flight Bag and extension of first advance payment date to April 3, 2006 and Letter Agreement No. 6-1162-RLL-3852 entitled "737-800 Aircraft Performance Guarantees" are attached hereto and hereby made a part of the Agreement.

The Purchase Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

Boeing and Customer have each caused this Supplemental Agreement to be duly executed as of the day and year first written above.

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4. Payment	SA 3
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B. Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS	
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CS1. Customer Support Variables	SA 3
EE1. Engine Escalation/Engine Warranty and Patent Indemnity	
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2191-01 Demonstration Flight Waiver	
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2191-03 Seller Purchased Equipment	
RESTRICTED LETTER AGREEMENTS	
6-1162-DAN-0123 Performance Guarantees	
6-1162-DAN-0124 **Material Redacted**	
6-1162-DAN-0155 **Material Redacted**	
6-1162-DAN-0156 Year 2000 Ready Software, Hardware and Firmware	
6-1162-DAN-0157 Miscellaneous Matters	
61162-MJB-0017 **Material Redacted**	

6-1162-MJB-0030 **Material Redacted**
6-1162-LAJ-874R **Material Redacted**
6-1162-LAJ-874R1 **Material Redacted**
6-1162-LAJ-874R2 **Material Redacted**
6-1162-LAJ-982 **Material Redacted**
6-1162-LAJ-982R2 **Material Redacted**
6-1162-RLL-3852 737-800 Performance Guarantees

SA 9

SUPPLEMENTAL AGREEMENTS DATED AS OF:

Supplemental Agreement No. 1 June 29, 2001
Supplemental Agreement No. 2 December 21, 2001
Supplemental Agreement No. 3 June 14, 2002
Supplemental Agreement No. 4 December 20, 1002
Supplemental Agreement No. 5 October 31, 2003
Supplemental Agreement No. 6 September 9, 2004
Supplemental Agreement No. 7 December 9, 2004
Supplemental Agreement No. 8 April 15, 2005
Supplemental Agreement No. 9 March 16, 2006

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-LAJ-982R2

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Subject: **Material Redacted**

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-MJB-0017. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. In consideration of the Aircraft orders, Boeing provides the following to Customer.

1. **Material Redacted**
 Material Redacted
2. **Material Redacted**
3. **Material Redacted**
4. **Material Redacted**
5. **Material Redacted**
6. **Material Redacted**
7. **Material Redacted**
8. **Material Redacted**
9. **Material Redacted**
10. **Material Redacted**
11. **Material Redacted**
12. **Material Redacted**
13. **Material Redacted**

14. ****Material Redacted****
15. ****Material Redacted****
16. ****Material Redacted****
17. Confidentiality. Customer understands that certain commercial and financial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

THE BOEING COMPANY
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-RLL-3852

COPA HOLDINGS, S.A.
Apartado 1572
Avenida Justo Arosemena y Calle 39
Panama 1, Panama

Subject: 737-800 Aircraft Performance Guarantees

Reference: Purchase Agreement No. 2191 (the Purchase Agreement) between The Boeing Company (Boeing) and COPA HOLDINGS, S.A. (Customer) relating to Model 737 aircraft (the Aircraft)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Boeing agrees to provide Customer with the performance guarantees in the Attachment. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

Customer agrees not to disclose this Letter Agreement, attachments, or any other information related to this Letter Agreement without prior written consent by Boeing.

MODEL 737-800 PERFORMANCE GUARANTEES
FOR COPA (COMPANIA PANAMENA DE AVIACION S.A.)

SECTION	CONTENTS
-----	-----
1	AIRCRAFT MODEL APPLICABILITY
2	FLIGHT PERFORMANCE
3	MANUFACTURER'S EMPTY WEIGHT
4	AIRCRAFT CONFIGURATION
5	GUARANTEE CONDITIONS
6	GUARANTEE COMPLIANCE
7	EXCLUSIVE GUARANTEES

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to the 737-800 Aircraft equipped with Boeing furnished CFM56-7B26 engines.

2 FLIGHT PERFORMANCE

CRUISE RANGE

The still air range at an initial cruise altitude of 35,000 feet on a standard day at 0.78 Mach number, starting at a gross weight of 169,000 pounds and consuming 35,000 pounds of fuel, and using not more than maximum cruise thrust (except maximum climb thrust may be used during a step climb) and using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL: 2,805 Nautical Miles
TOLERANCE: -55 Nautical Miles
GUARANTEE: 2,750 Nautical Miles

Conditions and operating rules:

A step climb or multiple step climbs of 4,000 feet altitude may be used when beneficial to minimize fuel burn.

3 MANUFACTURER'S EMPTY WEIGHT

The Manufacturer's Empty Weight (MEW) is guaranteed not to exceed the value in Section 03-60-00 of Detail Specification D6-38808-43-1, Revision C plus two percent.

4 AIRCRAFT CONFIGURATION

- 4.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in Revision C of Detail Specification D6-38808-43-1 (hereinafter referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.
- 4.2 The Manufacturer's Empty Weight guarantee of Section 3 will be adjusted by Boeing for the following in its evidence of compliance with the guarantees:

(1) Changes to the Detail Specification or any other changes mutually agreed upon between the Customer and Boeing or otherwise allowed by the Purchase Agreement.

(2) The difference between the component weight allowances given in Appendix IV of the Detail Specification and the actual weights.

5 GUARANTEE CONDITIONS

5.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

5.2 The FAA Regulations (FAR) referred to in this Attachment are, unless otherwise specified, the 737-800 Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 33, dated March 8, 2002.

5.3. In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 5.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.

5.4 The cruise range guarantee includes allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. Normal electrical power extraction shall be defined as not less than a 50 kilowatts total electrical load. Normal operation of the air conditioning system shall be defined as pack switches in the "Auto" position, the temperature control switches in the "Auto" position that results in a nominal cabin temperature of 75 degrees F, and all air conditioning systems operating normally. This operation allows a maximum cabin pressure differential of 8.35 pounds per square inch at higher altitudes, with a nominal Aircraft cabin ventilation rate of 3,300 cubic feet per minute including passenger cabin recirculation (nominal recirculation is 47 percent). The APU is turned off unless otherwise specified.

5.5 The cruise range guarantee is based on an Aircraft center of gravity location of 26.2 percent of the mean aerodynamic chord.

5.6 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of 18,580 BTU per pound.

6 GUARANTEE COMPLIANCE

- 6.1 Compliance with the guarantees of Sections 2 and 3 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 4 and the guarantee conditions of Section 5.
- 6.2 Compliance with the cruise range guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 6.3 Compliance with the Manufacturer's Empty Weight guarantee shall be based on information in the "Weight and Balance Control and Loading Manual - Aircraft Report."
- 6.4 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 6.5 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

7 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

TABLE 1-5
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTOW:	737-8V3	174,200 pounds
ENGINE MODEL/THRUST:	CFM56-7B26	26,400 pounds
AIRFRAME PRICE:		\$58,854,000
OPTIONAL FEATURES:		\$ 3,635,800

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$62,489,800

ENGINE PRICE (PER AIRCRAFT):		\$ 0
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$62,489,800
		=====
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 0
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,900,000
REFUNDABLE DEPOSIT/AIRCRAFT AT PROPOSAL ACCEPT:		\$ 90,000

DETAIL SPECIFICATION:	D6-38808-1 Rev C, dated 5-4-05	
AIRFRAME PRICE BASE YEAR/ESCALATION FORMULA:	Jul-04	ECI-MFG/CPI
ENGINE PRICE BASE YEAR/ESCALATION FORMULA:	N/A	N/A

AIRFRAME ESCALATION DATA:	
BASE YEAR INDEX (ECI):	166.1
BASE YEAR INDEX (CPI):	184.1

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS. 5%	TOTAL 30%
Oct-2009	1	1.1921	36550	\$76,759,000	\$677,590	\$3,070,360	\$3,837,950	\$23,027,700
Total:	1							

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

Supplemental Agreement No. 10

to

Purchase Agreement No. 2191

between

The Boeing Company

and

COPA Holdings, S.A., Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT entered into as of May 8, 2006 by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington (Boeing), and COPA HOLDINGS, S.A., INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2191 dated November 25, 1998 (the Agreement), as amended and supplemented, relating to Boeing Model 737-7V3 and 737-8V3 aircraft (the Aircraft); and

****Material Redacted****

WHEREAS, Boeing and Buyer have mutually agreed to amend the Agreement to incorporate the effect of these and certain other changes;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. Table of Contents, Tables and Exhibits:
2. Remove and replace, in its entirety the "Table of Contents", with the "Table of Contents" attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.
3. ****Material Redacted****
4. ****Material Redacted****
5. Remove and replace, in its entirety, Exhibit D to the AGTA entitled "Escalation Adjustment Airframe and Optional Features" and replace with Exhibit AE-1 entitled "Escalation

Adjustment Airframe and Optional Features" as Supplemental Exhibit AEI to Purchase Agreement Number 2191 attached hereto and hereby made a part of the Agreement, to reflect the changes made by this Supplemental Agreement.

The Purchase Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

Boeing and Customer have each caused this Supplemental Agreement to be duly executed as of the day and year first written above.

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1-2 Aircraft Information Table for Model 737-8V3 Aircraft	SA 5
1-3 Aircraft Information Table for Model 737-7V3 Aircraft	SA 7
1-4 Aircraft Information Table for Model 737-7V3 Aircraft	SA 10
1-5 Aircraft Information Table for Model 737-8V3 Aircraft	SA 10
EXHIBIT	
A-1 Aircraft Configuration for Model 737-7V3 Aircraft	SA 3
A-2 Aircraft Configuration for Model 737-8V3 Aircraft	SA 3
B. Aircraft Delivery Requirements and Responsibilities	SA 3
SUPPLEMENTAL EXHIBITS	
AE1. Escalation Adjustment Airframe and Optional Features	SA 10
BFE1. BFE Variables	SA 3
CS1. Customer Support Variables	SA 3
EE1. Engine Escalation/Engine Warranty and Patent Indemnity	
SLP 1. Service Life Policy Components	

LETTER AGREEMENTS

2191-01 Demonstration Flight Waiver
 2191-02 Escalation Sharing
 2191-03 Seller Purchased Equipment

RESTRICTED LETTER AGREEMENTS

6-1162-DAN-0123 Performance Guarantees
 6-1162-DAN-0124 **Material Redacted**
 6-1162-DAN-0155 **Material Redacted**
 6-1162-DAN-0156 Year 2000 Ready Software, Hardware and Firmware
 6-1162-DAN-0157 Miscellaneous Matters
 6-1162-MJB-0017 **Material Redacted**
 6-1162-MJB-0030 **Material Redacted**
 6-1162-LAJ-874R **Material Redacted**
 6-1162-LAJ-874R1 **Material Redacted**
 6-1162-LAJ-874R2 **Material Redacted**
 6-1162-LAJ-982 **Material Redacted**
 6-1162-LAJ-982R2 **Material Redacted**
 6-1162-RLL-3852 737-800 Performance Guarantees

SA 9

SUPPLEMENTAL AGREEMENTS

DATED AS OF:

 Supplemental Agreement No. 1 June 29, 2001
 Supplemental Agreement No. 2 December 21, 2001
 Supplemental Agreement No. 3 June 14, 2002
 Supplemental Agreement No. 4 December 20, 2002
 Supplemental Agreement No. 5 October 31, 2003
 Supplemental Agreement No. 6 September 9, 2004
 Supplemental Agreement No. 7 December 9, 2004
 Supplemental Agreement No. 8 April 15, 2005
 Supplemental Agreement No. 9 March 16, 2006
 Supplemental Agreement No. 10 May 8, 2006

TABLE 1-4
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTOW:	737-700	154,500
ENGINE MODEL:	CFM56-7B22	
AIRFRAME PRICE:		\$47,784,000
OPTIONAL FEATURES:		\$ 3,517,000

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$51,301,000
ENGINE PRICE (PER AIRCRAFT):		\$ 0
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$51,301,000
		=====
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 0
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,800,000
REFUNDABLE DEPOSIT/AIRCRAFT AT PROPOSAL ACCEPT:		\$ 90,000
DETAIL SPECIFICATION:	D6-38808-42-1 (4/30/2004)	
AIRFRAME PRICE BASE YEAR/ ESCALATION FORMULA:	Jul-04	ECI-MFG/CPI
ENGINE PRICE BASE YEAR/ ESCALATION FORMULA:	N/A	N/A
AIRFRAME ESCALATION DATA:		
BASE YEAR INDEX (ECI):		166.1
BASE YEAR INDEX (CPI):		184.1

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS 5%	TOTAL 30%
Nov-2007	1	1.1176	35067	\$59,346,000	\$503,460	\$2,373,840	\$2,967,300	\$17,803,800
May-2008	1	1.1346	35125	\$60,248,000	\$512,480	\$2,409,920	\$3,012,400	\$18,074,400
Nov-2008	1	1.1511	35126	\$61,125,000	\$521,250	\$2,445,000	\$3,056,250	\$18,337,500
May-2009	1	1.1682	35127	\$62,033,000	\$530,330	\$2,481,320	\$3,101,650	\$18,609,900
Total:	4							

TABLE 800S
AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTOW:	737-800	174,200
ENGINE MODEL:	CFM56-7B26	
AIRFRAME PRICE:		\$58,854,000
OPTIONAL FEATURES:		\$ 3,774,500

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$62,628,500
ENGINE PRICE (PER AIRCRAFT):		\$ 0
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$62,628,500
		=====
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 0
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,900,000
REFUNDABLE DEPOSIT/AIRCRAFT AT PROPOSAL ACCEPT:		\$ 90,000

DETAIL SPECIFICATION:	D6-38808-43-1 (4/30/2004)	
AIRFRAME PRICE BASE YEAR/ ESCALATION FORMULA:	Jul-04	ECI-MFG/CPI
ENGINE PRICE BASE YEAR/ ESCALATION FORMULA:	N/A	N/A
AIRFRAME ESCALATION DATA:		
BASE YEAR INDEX (ECI):		166.1
BASE YEAR INDEX (CPI):		184.1

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
				AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS 5%	TOTAL 30%
Ago-2007	1	1.1101	\$71,633,000	\$626,330	\$2,865,320	\$3,581,650	\$21,489,900
May-2008	1	1.1176	\$72,117,000	\$631,170	\$2,884,680	\$3,605,850	\$21,635,100
Ago-2008	1	1.1427	\$73,737,000	\$647,370	\$2,949,480	\$3,686,850	\$22,121,100
Nov-2008	1	1.1511	\$74,279,000	\$652,790	\$2,971,160	\$3,713,950	\$22,283,700
May-2009	1	1.1682	\$75,383,000	\$663,830	\$3,015,320	\$3,769,150	\$22,614,900
Total:	5						

TABLE 1-5
 AIRCRAFT DELIVERY, DESCRIPTION, PRICE AND ADVANCE PAYMENTS

AIRFRAME MODEL/MTOW:	737-8V3	174,200 pounds
ENGINE MODEL/THRUST	CFM56-7B26	26,400 pounds
AIRFRAME PRICE:		\$58,854,000
OPTIONAL FEATURES:		\$ 3,635,800

SUB-TOTAL OF AIRFRAME AND FEATURES:		\$62,489,800
ENGINE PRICE (PER AIRCRAFT):		\$ 0
AIRCRAFT BASIC PRICE (EXCLUDING BFE/SPE):		\$62,489,800
		=====
BUYER FURNISHED EQUIPMENT (BFE) ESTIMATE:		\$ 0
SELLER PURCHASED EQUIPMENT (SPE) ESTIMATE:		\$ 1,900,000
REFUNDABLE DEPOSIT/AIRCRAFT AT PROPOSAL ACCEPT:		\$ 90,000

DETAIL SPECIFICATION:	D6-38808-1Rev C, dated 5-4-05	
AIRFRAME PRICE BASE YEAR/ ESCALATION FORMULA:	Jul-04	ECI-MFG/CPI
ENGINE PRICE BASE YEAR/ ESCALATION FORMULA:	N/A	N/A
AIRFRAME ESCALATION DATA:		
BASE YEAR INDEX (ECI):		166.1
BASE YEAR INDEX (CPI):		184.1

DELIVERY DATE	NUMBER OF AIRCRAFT	ESCALATION FACTOR (AIRFRAME)	MANUFACTURER SERIAL NUMBER	ESCALATION ESTIMATE ADV PAYMENT BASE PRICE PER A/P	ADVANCE PAYMENT PER AIRCRAFT (AMTS. DUE/MOS. PRIOR TO DELIVERY):			
					AT SIGNING 1%	24 MOS. 4%	21/18/12/9/6 MOS 5%	TOTAL 30%
Ago-2007	1	1.1101	35068	\$71,479,000	\$624,790	\$2,859,160	\$3,573,950	\$21,443,700
Oct-2009	1	1.1921	36550	\$76,759,000	\$677,590	\$3,070,360	\$3,837,950	\$23,027,700
Total:	2							

ESCALATION ADJUSTMENT

AIRFRAME AND OPTIONAL FEATURES

between

THE BOEING COMPANY

and

COPA HOLDINGS, S.A.

Supplemental Exhibit AEI to Purchase Agreement Number 2191

(FOR MODEL 737-600, 737-700, 737-800, 737-900, THE AIRFRAME PRICE INCLUDES
THE ENGINE PRICE AT ITS BASIC THRUST LEVEL.)

P.A. No. 2191

AE1-

SA-10

1. FORMULA

Airframe and Optional Features price adjustments (Airframe Price Adjustment) are used to allow prices to be stated in current year dollars at the signing of this Purchase Agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

$$P(a) = (P)(L + M) - P$$

Where:

P(a) = Airframe Price Adjustment. (For Models 737-600, 737-700, 737-800, 737-900, the Airframe Price includes the Engine Price at its basic thrust level.)

L = .65 x (ECI ----- where ECI(b) is the base year index (as set forth in Table 1 of this Purchase Agreement)
ECI(b))

M = .35 x (CPI ----- where CPI(b) is the base year index (as set forth in Table 1 of this Purchase Agreement)
CPI(b))

P = Airframe Price plus Optional Features Price (as set forth in Table 1 of this Purchase Agreement).

ECI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics Employment Cost Index Manufacturing - Total Compensation (BLS Series ID ECU12402I), calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the month of scheduled delivery of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the first quarter will be used for the months of January, February and March; the value released for the second quarter will be used for the months of April, May and June; the value released for the third quarter will be used for the months of July, August and September; the value released for the fourth quarter will be used for the months of October, November and December.

CPI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index (BLS Series ID CUUR0000SA0), calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the month of scheduled delivery of the applicable Aircraft.

As an example, for an Aircraft scheduled to be delivered in the month of July, the months June, July and August of the preceding year will be utilized in determining the value of ECI and CPI.

- Note:
- i. In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.
 - ii. .65 is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.
 - iii. .35 is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.
 - iv. The denominators (base year indices) are the actual average values actual average values are calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the 11th, 12th and 13th months prior to the airframe base year. The applicable base year and corresponding denominator is provided by Boeing in Table I of this Purchase Agreement.
 - v. The final value of Pa will be rounded to the nearest dollar.
 - vi. The Airframe Price Adjustment will not be made if it will result in a decrease in the Aircraft Basic Price.

2. VALUES TO BE UTILIZED IN THE EVENT OF UNAVAILABILITY.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and CPI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such Aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within 24 months after delivery of the Aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment; such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of the Aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an Aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and CPI values as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 In the event escalation provisions are made non-enforceable or otherwise rendered void by any agency of the United States Government, the parties agree, to the extent they may lawfully do so, to equitably adjust the Aircraft Price of any affected Aircraft to reflect an allowance for increases or decreases consistent with the applicable provisions of paragraph 1 of this Supplemental Exhibit AEI in labor compensation and material costs occurring since August of the year prior to the price base year shown in the Purchase Agreement.

2.4 If within 12 months of Aircraft delivery, the published index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Airframe Price Adjustment will be re-calculated using the revised index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A credit memorandum or supplemental invoice will be issued for the Airframe Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of credit memorandum or supplemental invoice.

Note: i. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to the first day of the scheduled delivery month of an Aircraft will be used to determine the ECI and CPI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the Aircraft invoice at the time of delivery. The values will be considered final and no Airframe Price Adjustments will be made after Aircraft delivery for any subsequent changes in published Index values, subject always to paragraph 2.4 above.

ii. The maximum number of digits to the right of the decimal after rounding utilized in any part of the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to 5 or greater.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated April 28, 2006, in the Registration Statement (Form F-1) and related Prospectus of Copa Holdings, S.A. for the registration of shares of its Class A common stock.

/s/ Ernst & Young

Panama City, Republic of Panama
June 14, 2006

