

August 3, 2016

Copa Holdings Reports Financial Results for the Second Quarter of 2016

Excluding special items, adjusted net income came in at \$21.5 million, or Adj. EPS of \$0.51

PANAMA CITY, Aug. 3, 2016 /PRNewswire/ -- Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the second quarter of 2016 (2Q16). The terms "Copa Holdings" or "the Company" refer to the consolidated entity. The following financial information, unless otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). See the accompanying reconciliation of non-IFRS financial information to IFRS financial information included in the financial tables section of this earnings release. Unless otherwise stated, all comparisons with prior periods refer to the second quarter of 2015 (2Q15).

OPERATING AND FINANCIAL HIGHLIGHTS

- ┆ Copa Holdings reported net income of US\$54.5 million for 2Q16, or diluted earnings per share (EPS) of US\$1.29. Excluding special items, Copa Holdings would have reported an adjusted net income of \$21.5 million, or \$0.51 per share, a 47.6% decrease over adjusted net income of US\$41.0 million or US\$0.93 per share for 2Q15.
- ┆ Operating income for 2Q16 came in at US\$34.2 million, a 30.5% decrease over operating income of US\$49.2 million in 2Q15. Operating margin for the period came in at 6.9%, compared to 9.1% in 2Q15, as a result of lower unit revenues partially offset by lower unit costs.
- ┆ Operating results for the quarter were affected by realized fuel hedge losses of US\$21.2 million, compared to US\$21.3 million in 2Q15. Excluding these realized fuel hedge losses, operating margin for the quarter would have been 11.2% for 2Q16, and 13.1% for 2Q15.
- ┆ For 2Q16, passenger traffic (RPMs) increased 6.2% on a 0.4% capacity contraction. As a result, consolidated load factor came in at 78.3%, or 4.9 percentage points above 2Q15.
- ┆ Total revenues decreased 8.2% to US\$494.4 million, as Yield per passenger mile decreased 14.0% to 11.3 cents. Operating revenue per available seat mile (RASM) decreased 7.7% to 9.3 cents.
- ┆ Operating cost per available seat mile (CASM) decreased 5.5%, from 9.1 cents in 2Q15 to 8.6 cents in 2Q16, mainly due to lower jet fuel costs. CASM excluding fuel increased 1% to 6.3 cents.
- ┆ Cash, short-term and long-term investments ended 2Q16 at US\$764.7 million, an increase of US\$40.8 million versus 1Q16, which represents 36% of the last twelve months' revenues.
- ┆ Copa Holdings took delivery of one Boeing 737-800 aircraft, ending the quarter with a consolidated fleet of 101 aircraft.
- ┆ In June, Copa Airlines inaugurated service to two new destinations, Chiclayo in Perú and Holguín, our third city in Cuba.
- ┆ For 2Q16, Copa Holdings reported consolidated on-time performance of 86.5% and a flight-completion factor of 99.8%, maintaining its position among the best in the industry.

SUBSEQUENT EVENTS

- ┆ On July 1st Copa Airlines inaugurated its third new destination for 2016, Rosario, Argentina.
- ┆ Copa Holdings will pay its third quarter dividend of US\$0.51 per share on September 15, 2016, on all outstanding Class A and Class B shares, to stockholders of record as of August 31, 2016.

Consolidated Financial & Operating Highlights	2Q16	2Q15	% Change	1Q16	% Change
Revenue Passengers Carried ('000)	2,020	1,868	8.1%	2,120	-4.7%
RPMs (mm)	4,178	3,933	6.2%	4,307	-3.0%
ASMs (mm)	5,335	5,359	-0.4%	5,566	-4.1%
Load Factor	78.3%	73.4%	4.9 p.p.	77.4%	0.9 p.p.
Yield	11.3	13.2	-14.0%	12.5	-9.3%
PRASM (US\$ Cents)	8.9	9.7	-8.2%	9.7	-8.2%
RASM (US\$ Cents)	9.3	10.0	-7.7%	10.0	-7.4%
CASM (US\$ Cents)	8.6	9.1	-5.5%	8.3	3.7%
CASM Excl. Fuel (US\$ Cents)	6.3	6.2	1.0%	6.2	2.1%
Breakeven Load Factor	66.6%	61.9%	4.7 p.p.	56.5%	10.1 p.p.
Adjusted Breakeven Load Factor ⁽¹⁾	73.7%	60.2%	13.5 p.p.	65.0%	8.7 p.p.
Fuel Gallons Consumed (Millions)	69.4	67.9	2.1%	71.7	-3.3%
Avg. Price Per Fuel Gallon (US\$ Dollars)	1.81	2.30	-21.3%	1.68	7.4%
Average Length of Haul (Miles)	2,068	2,105	-1.8%	2,031	1.8%

Average Stage Length (Miles)	1,194	1,243	-3.9%	1,223	-2.3%
Departures	30,313	30,094	0.7%	31,518	-3.8%
Block Hours	95,171	95,694	-0.5%	97,632	-2.5%
Average Aircraft Utilization (Hours)	10.4	10.8	-3.5%	10.7	-2.8%
Operating Revenues (US\$ mm)	494.4	538.4	-8.2%	557.1	-11.2%
Operating Income (US\$ mm)	34.2	49.2	-30.5%	94.1	-63.7%
Operating Margin	6.9%	9.1%	-2.2 p.p.	16.9%	-10.0 p.p.
Net Income (US\$ mm)	54.5	64.1	-14.9%	115.5	-52.8%
Adjusted Net Income (US\$ mm) ⁽¹⁾	21.5	41.0	-47.6%	69.9	-69.3%
EPS - Basic and Diluted (US\$)	1.29	1.46	-11.1%	2.74	-52.8%
Adjusted EPS - Basic and Diluted (US\$) ⁽¹⁾	0.51	0.93	-45.2%	1.66	-69.3%
# of Shares - Basic and Diluted ('000)	42,117	44,038	-4.4%	42,109	0.0%

⁽¹⁾Adjusted Breakeven Load Factor, Adjusted Net Income and Adjusted EPS for 2Q16, 2Q15, and 1Q16 exclude non-cash charges/gains associated with mark-to-market of fuel hedges, and also exclude charges/gains related to the Venezuelan currency.

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

FULL 2Q16 EARNINGS RELEASE AVAILABLE FOR DOWNLOAD AT: <http://investor.shareholder.com/copa/results.cfm>

2Q16 EARNINGS RESULTS CONFERENCE CALL AND WEBCAST

Date: Aug 4, 2016
Time: 11:00 AM US ET (10:00 AM Local Time)
Conference telephone number: 877-293-5456 (US Domestic Callers)
707-287-9357 (International Callers)
Webcast: <http://investor.shareholder.com/copa/events.cfm>
Speakers: Pedro Heilbron, Chief Executive Officer
José Montero, Chief Financial Officer

About Copa Holdings:

Copa Holdings is a leading Latin American provider of passenger and cargo services. The Company, through its operating subsidiaries, provides service to 74 destinations in 31 countries in North, Central and South America and the Caribbean with one of the youngest and most modern fleets in the industry, consisting of 101 aircraft: 78 Boeing 737NG aircraft and 23 EMBRAER-190s. For more information visit: www.copa.com.

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www.copaair.com (IR section)

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

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Copa Holdings, S.A.

Income Statement - IFRS

(US\$ Thousands)

	Unaudited 2Q16	Unaudited 2Q15	% Change	Unaudited 1Q16	% Change
Operating Revenues					
Passenger Revenue	472,931	517,508	-8.6%	537,695	-12.0%
Cargo, mail and other	21,518	20,846	3.2%	19,376	11.1%
Total Operating Revenue	494,449	538,354	-8.2%	557,072	-11.2%
Operating Expenses					
Aircraft fuel	125,260	155,908	-19.7%	120,549	3.9%
Salaries and benefits	69,065	69,204	-0.2%	73,683	-6.3%
Passenger servicing	63,560	63,315	0.4%	60,498	5.1%

Commissions	20,642	20,383	1.3%	20,980	-1.6%
Reservations and sales	23,881	22,033	8.4%	26,037	-8.3%
Maintenance, material and repairs	26,190	27,999	-6.5%	29,412	-11.0%
Depreciation	34,815	33,855	2.8%	34,388	1.2%
Flight operations	30,540	32,605	-6.3%	31,932	-4.4%
Aircraft rentals	30,833	30,034	2.7%	30,809	0.1%
Landing fees and other rentals	14,046	14,889	-5.7%	13,302	5.6%
Other	21,434	18,973	13.0%	21,390	0.2%
Total Operating Expense	460,266	489,197	-5.9%	462,980	-0.6%
Operating Income	34,183	49,157	-30.5%	94,091	-63.7%
Non-operating Income (Expense):					
Interest expense	(9,147)	(8,372)	9.2%	(9,301)	-1.7%
Interest income	3,238	5,789	-44.1%	2,777	16.6%
Other, net	32,025	24,657	29.9%	39,362	-18.6%
Total Non-Operating Income/(Expense)	26,117	22,074	18.3%	32,838	-20.5%
Income before Income Taxes	60,299	71,231	-15.3%	126,929	-52.5%
Provision for Income Taxes	5,772	7,134	-19.1%	11,474	-49.7%
Net Income	54,527	64,097	-14.9%	115,456	-52.8%

EPS - Basic and Diluted	1.29	1.46	-11.1%	2.74	-52.8%
Shares - Basic and Diluted	42,117,261	44,037,684	-4.4%	42,109,094	0.0%

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 207,617	\$ 204,715
Restricted cash and cash equivalents	20,787	64,228
Short-term investments	535,484	416,005
Total cash, cash equivalents and short-term investments	763,888	684,948
Accounts receivable, net of allowance for doubtful accounts	123,088	105,135
Accounts receivable from related parties	576	642
Expendable parts and supplies, net of allowance for obsolescence	68,698	62,247
Prepaid expenses	44,950	48,667
Other current assets	9,405	5,946
Total Current Assets	1,010,605	907,585
Long-term investments	856	861
Property and Equipment:		
Owned property and equipment:		
Flight equipment	3,080,513	3,030,361
Other equipment	120,427	121,205
	3,200,940	3,151,566
Less: Accumulated depreciation	(795,669)	(743,983)
	2,405,271	2,407,583
Purchase deposits for flight equipment	222,514	243,070
Total Property and Equipment	2,627,785	2,650,653
Other Assets:		
Net pension asset	8,130	6,050
Goodwill	20,380	20,380
Intangible asset	52,483	49,046

Deferred tax Assets	16,870	12,708
Other assets	52,931	68,193
Total Other Assets	150,794	156,377
Total Assets	\$ 3,790,040	\$ 3,715,476

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:

Current maturities of long-term debt	\$ 214,667	\$ 245,514
Accounts payable	88,845	94,741
Accounts payable to related parties	10,810	5,605
Air traffic liability	384,813	352,110
Frequent flyer deferred revenue	25,893	18,884
Taxes and interest payable	87,759	67,242
Accrued expenses payable	66,820	82,948
Other current liabilities	50,545	118,623
Total Current Liabilities	930,152	985,667

Non-Current Liabilities:

Long-term debt	1,035,440	1,055,183
Other long-term liabilities	69,170	54,339
Deferred tax liabilities	39,151	32,865
Total Non-Current Liabilities	1,143,761	1,142,387

Total Liabilities

2,073,913	2,128,054
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Shareholders' Equity:

Class A - 33,477,536 issued and 31,111,310 outstanding	20,988	20,924
Class B - 10,938,125 shares issued and outstanding	7,466	7,466
Additional paid in capital	59,072	57,455
Treasury Stock	(136,388)	(136,388)
Retained earnings	1,765,765	1,638,733
Accumulated other comprehensive income (loss)	(776)	(768)
Total Shareholders' Equity	1,716,127	1,587,422
Total Liabilities and Shareholders' Equity	\$ 3,790,040	\$ 3,715,476

Copa Holdings, S. A. and subsidiaries

Consolidated Statement of Cash Flows

For the six months ended June 30,

(In US\$ thousands)

	2016 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Cash flow from operating activities	267,049	194,620	273,835
Cash flow (used in) from investing activities	(124,608)	(59,718)	(47,520)
Cash flow used in financing activities	(139,539)	(166,017)	(193,322)
Net increase (decrease) in cash and cash equivalents	2,902	(31,115)	32,993
Cash and cash equivalents at January 1	204,715	221,443	139,110
Cash and cash equivalents at June 30	\$ 207,617	\$ 190,328	\$ 172,103
Short-term investments *	535,484	410,000	723,808
Long-term investments **	856	526,132	253,875
Restricted cash and cash equivalents ***	20,787	27,260	52,425
Total cash and cash equivalents and investments at June 30	\$ 764,744	\$ 1,153,720	\$ 1,202,211

* Short-term investments include \$264 million of cash in Venezuela at June 2014.

** Long-term investments include \$435 million and \$253 million at June 2015 and 2014 of cash in Venezuela, respectively.

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

NON-IFRS FINANCIAL MEASURE RECONCILIATION

This press release includes the following non IFRS financial measures: Adjusted Breakeven Load Factor, CASM Excluding

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

Reconciliation of Net Income Excluding Special Items	2Q16	2Q15	1Q16
Net income as Reported	\$54,527	\$64,097	\$115,456
Special Items (adjustments):			
Unrealized gain (loss) on fuel hedging instruments	40,644	23,409	27,432
(Loss) gain due to devaluation of Venezuelan Bolivar	(7,607)	(294)	18,134
Adjusted Net Income	<u>\$21,490</u>	<u>\$40,982</u>	<u>\$69,890</u>
Shares used for Computation (in thousands)			
Basic and Diluted	<u>42,117</u>	<u>44,038</u>	<u>42,109</u>
Adjusted earnings per share - Basic and Diluted	<u>0.51</u>	<u>0.93</u>	<u>1.66</u>
Reconciliation of Operating Costs per ASM Excluding Fuel and Special Items	2Q16	2Q15	1Q16
Operating Costs per ASM as Reported	8.6	9.1	8.3
Aircraft fuel per ASM	(2.3)	(2.9)	(2.2)
Operating Costs per ASM excluding fuel	<u>6.3</u>	<u>6.2</u>	<u>6.2</u>
Reconciliation of Breakeven Load Factor Excluding Special Items	2Q16	2Q15	1Q16
Total Operating Expenses, Non-Operating Results and Provision for Income Taxes	<u>439,922</u>	<u>474,258</u>	<u>441,616</u>
Breakeven Load Factor	<u>66.6%</u>	<u>61.9%</u>	<u>56.5%</u>
Special Items (adjustments):			
Unrealized gain (loss) on fuel hedging instruments	40,644	23,409	27,432
(Loss) gain due to devaluation of Venezuelan Bolivar	(7,607)	(294)	18,134
Total Operating Expenses, Non-Operating Results and Provision for Income Taxes excluding special items	<u>\$472,959</u>	<u>\$497,372</u>	<u>\$487,182</u>
Adjusted Breakeven Load Factor (Excluding Special items)	<u>73.7%</u>	<u>60.2%</u>	<u>65.0%</u>

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/copa-holdings-reports-financial-results-for-the-second-quarter-of-2016-300308820.html>

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