

Copa Holdings, S.A.  
Form 20-F  
April 18, 2018  
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As filed with the Securities and Exchange Commission on April 18, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Commission file number: 001-32696**

**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**

**(Jurisdiction of Incorporation or Organization)**

**Avenida Principal y Avenida de la Rotonda, Costa del Este**

**Complejo Business Park, Torre Norte**

**Parque Lefevre, Panama City**

**Panama**

**(Address of Principal Executive Offices)**

**Raul Pascual**

**Complejo Business Park, Torre Norte**

**Parque Lefevre, Panama City, Panama**

**+507 304 2774 (Telephone)**

**+507 304 2535 (Facsimile)**

**(Registrant's Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act**

**Title of Each Class:**  
**Class A Common Stock, without par value**

**Name of Each Exchange On Which Registered**  
**New York Stock Exchange**

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:** At December 31, 2017, there were outstanding 42,123,766 shares of common stock, without par value, of which 31,185,641 were Class A shares and 10,938,125 were Class B shares.

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

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

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

**Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).**    **Yes**    **No**

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

**Large Accelerated Filer**

**Accelerated Filer**

**Non-accelerated Filer**

**Emerging Growth Company**

**Indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.**

**Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:**

**U.S. GAAP      International Financial Reporting Standards as issued      Other**

**by the International Accounting Standards Board**

**If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:**

**Item 17      Item 18**

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

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### **Introduction**

In this annual report on Form 20-F, unless the context otherwise requires, references to **Copa Airlines** are to Compañía Panameña de Aviación, S.A., the unconsolidated operating entity, **Copa Colombia** refers to AeroRepública, S.A.,

**Wingo** refers to the low-cost business model offered by AeroRepública, and references to **Copa**, **Copa Holdings**, **we**, **us** or the **Company** are to Copa Holdings, S.A. and its consolidated subsidiaries. References to **Class A shares** refer to Class A shares of Copa Holdings, S.A.

This annual report 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 segment.

**Block hours** refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

**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 revenues divided by available seat miles.

**Revenue passenger miles** represents the number of miles flown by revenue passengers.

**Revenue passenger kilometers** represents the number of kilometers flown by revenue passengers.

Revenue passengers represents the total number of paying passengers (including all passengers redeeming frequent flyer miles and other travel awards) flown on all flight segments (with each connecting segment being considered a separate flight segment).

Yield represent the average amount one passenger pays to fly one mile.

## **Market Data**

This annual report 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 in this annual report are our audited consolidated statement of financial position as of December 31, 2017 and 2016, and the related audited consolidated statements of profit or loss, comprehensive income or loss, changes in equity and cash flows for the years ended December 31, 2017, 2016 and 2015.

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The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS, as issued by the International Accounting Standards Board, or IASB.

Unless otherwise indicated, all references in the annual report to \$ or dollars refer to U.S. dollars.

**Certain figures included in this annual report 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.**

## **Special Note About Forward-Looking Statements**

This annual report includes forward-looking statements, principally under the captions Risk Factors, Business Overview and Operating and Financial Review and Prospects. 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 annual report, 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;

competition;

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 4.

The words believe, may, will, aim, estimate, continue, anticipate, intend, expect and similar words 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 the date of this annual report 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 annual report 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 annual report.

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****A. Selected Financial Data**

The following table presents summary consolidated financial and operating data for each of the periods indicated. Our consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB and are stated in U.S. dollars. You should read this information in conjunction with our consolidated financial statements included in this annual report and the information under Item 5. Operating and Financial Review and Prospects appearing elsewhere in this annual report.

The summary consolidated financial information as of December 31, 2017, and for the years ended December 31, 2017, 2016 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The summary consolidated financial information has been modified using the updated chart of accounts, resulting in the reclassification of certain lines from our consolidated statements of profit or loss for these periods compared to amounts previously reported. The summary consolidated financial information for the years ended December 31, 2014 and 2013 have been derived from our audited consolidated financial statements for those years (not included herein) after giving similar reclassification adjustments for such years.

**Year Ended December 31, (in thousands of dollars, except share and per share data  
and operating data)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>STATEMENT OF PROFIT OR LOSS DATA</b>					
Operating revenue:					
Passenger revenue	2,462,419	2,155,167	2,185,465	2,638,392	2,535,422
Cargo and mail revenue	55,290	53,989	56,738	60,715	60,872
Other operating revenue	9,847	12,696	11,507	12,218	17,715
Total operating revenues	2,527,556	2,221,852	2,253,710	2,711,325	2,614,009
Operating expenses:					
Fuel	572,746	528,996	603,760	822,130	785,010
	415,147	370,190	373,631	376,193	344,233

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Wages, salaries, benefits and other employees expenses					
Passenger servicing	99,447	86,329	84,327	90,457	81,761
Airport facilities and handling charges	171,040	159,771	148,078	141,594	130,893
Sales and distribution	200,413	193,984	188,961	193,038	198,931
Maintenance, materials and repairs	124,709	121,781	111,178	100,307	93,451
Depreciation and amortization	164,345	159,278	134,888	115,147	137,412
Flight operations	101,647	88,188	86,461	85,183	78,540
Aircraft rentals and other rentals	134,539	138,885	142,177	129,431	106,792
Cargo and courier expenses	7,375	6,099	6,471	7,601	6,525
Other operating and administrative expenses	96,087	92,215	105,484	118,746	130,192
<b>Total operating expenses</b>	<b>2,087,495</b>	<b>1,945,716</b>	<b>1,985,416</b>	<b>2,179,827</b>	<b>2,093,740</b>
Operating profit	440,061	276,136	268,294	531,498	520,269
Non-operating income (expense):					
Finance cost	(35,223)	(37,024)	(33,155)	(29,529)	(30,180)
Finance income	17,939	13,000	25,947	18,066	12,636
Gain (loss) on foreign currency fluctuations	(5,218)	13,043	(440,097)	(6,448)	(22,929)
Net change in fair value of derivatives	2,801	111,642	(11,572)	(117,950)	5,241
Other non-operating income (expense)	(2,337)	(3,982)	(1,632)	2,671	3,533
<b>Total non-operating income (expense), net</b>	<b>(22,038)</b>	<b>96,679</b>	<b>(460,509)</b>	<b>(133,190)</b>	<b>(31,699)</b>
Profit (loss) before taxes	418,023	372,815	(192,215)	398,308	488,570
Income tax expenses	(48,000)	(38,271)	(32,759)	(36,639)	(61,099)
Net profit (loss)	370,023	334,544	(224,974)	361,669	427,471

**Table of Contents****STATEMENT OF FINANCIAL POSITION DATA**

Total cash, cash equivalents and short-term investments	943,900	814,689	684,948	766,603	1,131,689
Accounts receivable, net	118,085	116,100	105,777	122,150	135,056
Total current assets	1,198,488	1,069,391	907,585	1,011,449	1,401,153
Purchase deposits for flight equipment	413,633	250,165	243,070	321,175	327,545
Total property and equipment	2,825,904	2,623,682	2,650,653	2,505,336	2,348,514
Total assets	4,252,931	3,846,113	3,715,476	4,079,612	3,952,764
Long-term debt	876,119	961,414	1,055,183	928,964	913,507
Total equity	2,111,495	1,842,271	1,587,422	2,075,108	1,901,906
Capital stock	101,449	93,440	85,845	81,811	77,123

**CASH FLOW DATA**

Net cash from operating activities	727,332	594,590	316,863	384,892	830,265
Net cash (used in) from investing activities	(578,159)	(179,909)	32,384	21,147	(565,720)
Net cash used in financing activities	(204,756)	(248,625)	(357,466)	(316,420)	(201,268)

**OTHER FINANCIAL DATA**

Underlying net income <sup>(1)</sup>	367,222	201,359	226,002	486,181	436,157
Adjusted EBITDA <sup>(2)</sup>	599,652	556,117	(50,119)	524,918	643,526
Aircraft rentals	116,449	120,841	122,217	112,082	90,233
Operating margin <sup>(3)</sup>	17.4%	12.4%	11.9%	19.6%	19.9%
Weighted average shares used in computing net income per share (basic)	42,418,773	42,358,091	43,861,084	44,381,265	44,388,098
Weighted average shares used in computing net income per share (diluted)	42,418,773	42,363,171	43,868,864	44,393,054	