

Copa Holdings, S.A.  
Form 6-K  
August 07, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**Report on Form 6-K dated For the month of August, 2014**

**Copa Holdings, S.A.**

(Translation of Registrant's Name Into English)

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

**Urbanización Costa del Este**

**Complejo Business Park, Torre Norte**

**ParqueLefevre**

**Panama City, Panama**

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(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F  Form 40-F

(Indicate by check whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes  No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b);82-  
\_\_\_\_\_)

Enclosure: 2Q14 Earnings Release

Copa Holdings Reports Net Income of US\$118.2 Million and EPS of US\$2.66 for the Second Quarter of 2014

*Excluding special items, adjusted net income came in at \$115.9 million, or EPS of \$2.61 per share*

**Panama City, Panama** --- August 6, 2014. Copa Holdings, S.A. (NYSE: CPA), today announced financial results for the second quarter of 2014 (2Q14). 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 financial tables section of this earnings release. Unless otherwise stated, all comparisons with prior periods refer to the second quarter of 2013 (2Q13).

## **OPERATING AND FINANCIAL HIGHLIGHTS**

Copa Holdings reported net income of US\$118.2 million for 2Q14, or diluted earnings per share (EPS) of US\$2.66. § Excluding special items, Copa Holdings would have reported an adjusted net income of \$115.9 million, or \$2.61 per share, a 36.4% increase over adjusted net income of US\$85.0 million and US\$1.92 per share for 2Q13.

Operating income for 2Q14 came in at US\$131.2 million, a 34.3% increase over operating income of US\$97.7 § million in 2Q13. Operating margin for the period came in at 19.5%, compared to 16.5% in 2Q13, as a result of higher unit revenues.

Total revenues increased 13.8% to US\$673.6 million. Yield per passenger mile increased 1.6% to 16.6 cents and § operating revenue per available seat mile (RASM) increased 3.7% to 13.3 cents. However, adjusting for a 10.9% increase in length of haul, yields increased 6.9% and RASM increased 9.2%.

§ For 2Q14, passenger traffic (RPMs) grew 12.7% on a 9.7% capacity expansion. As a result, consolidated load factor came in at 77.3%, or 2.0 percentage points above 2Q13.

§ Operating cost per available seat mile (CASM) remained unchanged at 10.7 cents from 2Q13. However, CASM, § excluding fuel costs, decreased 0.9% to 6.6 cents.

§ Cash, short term and long term investments ended 2Q14 at US\$1.15 billion, representing 42% of the last twelve § months' revenues. Of this amount, 46% is in Venezuela pending repatriation due to government currency controls.

During the month of June, Copa Airlines received payment of US\$43.3 million from CENCOEX (“Centro Nacional de Comercio Exterior”) in Venezuela. The funds corresponded to repatriation requests from January and February 2013 and were honored at an exchange rate of 6.30 bolivars per dollar.

§ During the second quarter, Copa Airlines took delivery of two Boeing 737-800 aircraft. As a result, Copa Holdings ended the quarter with a consolidated fleet of 93 aircraft.

§ For 2Q14, Copa Holdings reported consolidated on-time performance of 89.5% and a flight-completion factor of 99.8%, maintaining its position among the best in the industry.

### **SUBSEQUENT EVENTS**

§ During July 2014, Copa Airlines signed a letter of intent agreeing to lease three new Boeing 737-800 aircraft and take delivery of these aircraft in August, October, and November of 2015.

§ Copa Holdings will pay its third quarter dividend of US\$0.96 per share on September 15, 2014, on all outstanding Class A and Class B shares, to stockholders of record as of August 29, 2014.

| <b>Consolidated Financial &amp; Operating Highlights</b> | <b>2Q14</b> | <b>2Q13</b> | <b>% Change</b> | <b>1Q14</b> | <b>% Change</b> |
|--|-------------|-------------|-----------------|-------------|-----------------|
| Revenue Passengers Carried ('000)                        | 1,890       | 1,861       | 1.6%            | 2,032       | -6.9%           |
| RPMs (mm)  | 3,916       | 3,475       | 12.7%           | 3,917       | 0.0%            |
| ASMs (mm)  | 5,067       | 4,618       | 9.7%            | 5,015       | 1.0%            |
| Load Factor  | 77.3%       | 75.3%       | 2.0 p.p.        | 78.1%       | -0.8 p.p.       |
| Yield  | 16.6        | 16.4        | 1.6%            | 17.7        | -5.9%           |
| PRASM (US\$ Cents)                                       | 12.8        | 12.3        | 4.3%            | 13.8        | -6.9%           |
| RASM (US\$ Cents)  | 13.3        | 12.8        | 3.7%            | 14.2        | -6.6%           |
| CASM (US\$ Cents)  | 10.7        | 10.7        | 0.0%            | 10.7        | 0.0%            |
| CASM Excl. Fuel (US\$ Cents)                             | 6.6         | 6.7         | -0.9%           | 6.6         | 1.3%            |
| Breakeven Load Factor <sup>(1)</sup>                     | 60.8%       | 61.6%       | -0.8 p.p.       | 57.6%       | 3.2 p.p.        |
| Fuel Gallons Consumed (Millions)                         | 65.9        | 60.0        | 9.8%            | 65.3        | 0.9%            |
| Avg. Price Per Fuel Gallon (US\$ Dollars)                | 3.13        | 3.08        | 1.5%            | 3.19        | -1.9%           |
| Average Length of Haul (Miles)                           | 2,072       | 1,868       | 10.9%           | 1,928       | 7.5%            |
| Average Stage Length (Miles)                             | 1,210       | 1,126       | 7.5%            | 1,173       | 3.1%            |
| Departures   | 29,726      | 29,357      | 1.3%            | 30,546      | -2.7%           |
| Block Hours  | 92,115      | 84,985      | 8.4%            | 91,569      | 0.6%            |
| Average Aircraft Utilization (Hours)                     | 11.0        | 10.9        | 0.7%            | 11.3        | -3.0%           |
| Operating Revenues (US\$ mm)                             | 673.6       | 592.0       | 13.8%           | 713.6       | -5.6%           |
| Operating Income (US\$ mm)                               | 131.2       | 97.7        | 34.3%           | 177.0       | -25.9%          |
| Operating Margin   | 19.5%       | 16.5%       | 3.0 p.p.        | 24.8%       | -5.3 p.p.       |
| Net Income (US\$ mm)                                     | 118.2       | 74.4        | 58.7%           | 151.4       | -21.9%          |
| Adjusted Net Income (US\$ mm) <sup>(1)</sup>             | 115.9       | 85.0        | 36.4%           | 153.6       | -24.5%          |
| EPS - Basic and Diluted (US\$)                           | 2.66        | 1.68        | 58.7%           | 3.41        | -21.9%          |
| Adjusted EPS - Basic and Diluted (US\$) <sup>(1)</sup>   | 2.61        | 1.92        | 36.3%           | 3.46        | -24.5%          |
| # of Shares - Basic and Diluted ('000)                   | 44,409      | 44,387      | 0.0%            | 44,403      | 0.0%            |

<sup>(1)</sup>Breakeven Load Factor, Adjusted Net Income and Adjusted EPS for 2Q14, 2Q13, and 1Q14 exclude non-cash charges/gains associated with the mark-to-market of fuel hedges. Additionally, 2Q14 and 1Q14 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.

## MANAGEMENT'S COMMENTS ON 2Q14 RESULTS

Copa Holdings' second quarter results continued to benefit from strong demand. For 2Q14, the Company reported operating income of US\$131.2 million, a 34.3% increase over 2Q13. As a result, the operating margin for the quarter stood at 19.5%, an increase of 3.0 percentage points over 2Q13.

Consolidated operating revenues increased 13.8% on a 9.7% capacity expansion during the period. Load factor came in at 77.3%, or 2.0 percentage points above 2Q13, while yields

increased 1.6% to 16.6 cents. As a result, passenger revenues per ASM (PRASM) increased 4.3%, from 12.3 cents in 2Q13 to 12.8 cents in 2Q14. However, adjusting for a 10.9% increase in length of haul, PRASM increased 9.8% over 2Q13.

Consolidated operating expenses for 2Q14 increased 9.7% to US\$542.4 million, while consolidated operating expenses per ASM (CASM) remained flat at 10.7 cents. Excluding fuel costs, unit costs decreased 0.9% to 6.6 cents, mainly as a result of the dilution of fixed costs associated with increased capacity and an increase in average stage length.

Aircraft fuel expense increased 11.5% or US\$21.2 million compared to 2Q13, mainly as a result of increased capacity. The Company's effective jet fuel price, which includes realized hedge gains of US\$3.8 million and US\$1.5 million for 2Q14 and 2Q13, respectively, increased from an average of US\$3.08 in 2Q13 to US\$3.13 in 2Q14.

For 2Q14, the Company had fuel hedges in place representing 29% of its consolidated volume. Continuing with the execution of its fuel hedge policy, the Company has hedged approximately 26% for 3Q14, and 20% for 4Q14. For 2015, the Company has hedged approximately 15% of its forecasted fuel consumption.

The Company recorded a net non-operating income of US\$0.8 million for 2Q14 compared to a net non-operating expense of US\$15.3 million for 2Q13. Non-operating income (expense) included a fuel hedge mark-to-market gain of US\$4.1 million, compared to a fuel hedge mark-to-market loss of US\$10.6 million for 2Q13.

Copa Holdings closed the quarter with US\$1.15 billion in cash, short term and long term investments, representing 42% of last twelve months' revenues. This amount includes US\$528.1 million that are subject to exchange controls in Venezuela and are pending repatriation, of which US\$445.6 million are registered at 6.30 bolivars per dollar, and US\$82.5 million at the respective SICAD 1 rate. Cash, short term and long term investments excluding the funds pending repatriation from Venezuela represent approximately 23% of last twelve months' revenues. Discussions with the Venezuelan Government are ongoing, and we continue to request for the Company's pending repatriations to be expedited and honored at the exchange rate at which tickets were sold. Nonetheless, there is still no certainty regarding timing of approvals or the exchange rate at which the Company's pending bolivar repatriation requests will be converted to US dollars.

At the end of 2Q14, total debt amounted to US\$1.0 billion, all of which is related to aircraft financing.

Copa Holdings' strong second quarter results are the product of a solid and well executed business model which leverages the Company's unique competitive advantages, such as geographic position and infrastructure, among others, to operate the best and most convenient network for intra-Latin America travel from its Hub of the Americas in Panama. Going forward, the Company will continue to strengthen its long-term competitive position by taking advantage of new growth opportunities and implementing initiatives to further strengthen its network and product.



**OUTLOOK FOR 2014**

Despite a strong first half of the year, we are seeing yield softness for the second half of 2014 mainly due to capacity reductions in Venezuela, as well as a transition to more non-bolivar sales, which will reduce our currency exposure going forward. As a result, the Company is revising its 2014 guidance as follows:

The Company expects to maintain its consolidated capacity growth at +/-10%. Load factor is still expected to come in at +/- 77%. However, the Company expects unit revenue to decline to +/-13.4 cents. Additionally, the Company is maintaining its CASM ex-fuel guidance to +/-6.8 cents.

Factored into the current guidance is an estimated effective price per gallon of jet fuel, including the effect of current hedge contracts and into-plane costs, of US\$3.15 per gallon. As a result, the Company is lowering its full year operating margin guidance to a range of 18% to 20%.

|                       | 2014 - Full Year |         | 2013     |
|-----------------------|------------------|---------|----------|
| Financial Outlook     | Revised          | Prior   | Reported |
| Capacity - ASM Growth | +/-10%           | +/-10%  | 14.4%    |
| Average Load Factor   | +/-77%           | +/-77%  | 76.7%    |
| RASM (cents)          | +/-13.4          | +/-13.7 | 13.8     |
| CASM Ex-fuel (cents)  | +/-6.8           | +/-6.8  | 6.9      |
| Operating Margin      | 18-20%           | 19-21%  | 19.8%    |

**CONSOLIDATED SECOND QUARTER RESULTS****Operating revenue**

Copa Holdings' operating revenue for 2Q14 totaled US\$673.6 million, a 13.8% increase over operating revenue of US\$592.0 million in 2Q13. This increase was due to a 14.4% or US\$82.1 million increase in passenger revenue.

**Passenger revenue.** For 2Q14 passenger revenue totaled US\$651.1 million, a 14.4% increase over passenger revenue of US\$569.0 million in 2Q13. Passenger yield increased 1.6% to 16.6, while load factor increased 2.0%, which resulted in a 4.3% increase in passenger revenue per ASM (PRASM).

**Cargo, mail and other.** Cargo, mail and other revenue totaled US\$22.5 million in 2Q14, a 2.4% decrease from cargo, mail and other of US\$23.0 million in 2Q13.

## Operating expenses

For 2Q14, consolidated operating expenses increased 9.7% to US\$542.4 million, representing operating cost per available seat mile (CASM) of 10.7 cents. CASM, excluding fuel costs, decreased 0.9% to 6.6 cents. An overview of the major variances on a consolidated basis follows:

**Aircraft fuel.** For 2Q14, aircraft fuel totaled US\$205.9 million, an US\$21.2 million or 11.5% increase over aircraft fuel of US\$184.8 million in 2Q13. This increase was primarily a result of a 9.8% increase in gallons consumed, and a 1.5% increase in the average price per gallon of jet fuel (all-in), which averaged US\$3.13 in 2Q14 as compared to US\$3.08 in 2Q13. The all-in average price per gallon of jet fuel for 2Q14 includes a \$3.8 million fuel hedge gain, compared to a US\$1.5 million gain in 2Q13. Excluding the effect of fuel hedge gains for both periods, fuel prices increased 2.5%, from US\$3.11 per gallon in 2Q13 to US\$3.18 in 2Q14.

**Salaries and benefits.** For 2Q14, salaries and benefits totaled US\$69.6 million, a 5.3% increase over salaries and benefits of US\$66.1 million in 2Q13. The main driver was an increase in operational headcount to support additional capacity.

**Passenger servicing.** For 2Q14, passenger servicing totaled US\$65.5 million, an 8.5% increase over passenger servicing of US\$60.4 million in 2Q13. This increase resulted from the growth in operations, and higher effective rates related to on-board and airport services.

**Commissions.** For 2Q14, commissions totaled US\$24.5 million, a 0.8% increase over commissions of US\$24.3 million in 2Q13. This increase was primarily a result a higher revenue base, largely offset by a lower average commission rate.

**Reservations and sales.** Reservations and sales totaled US\$24.0 million, a 3.2% decrease from reservation and sales of US\$24.8 million in 2Q13. This decrease was primarily a result of fewer commercial initiatives executed year-over-year.

**Maintenance, material and repairs.** For 2Q14, maintenance, material and repairs totaled US\$29.3 million, a 28.5% increase over maintenance, material and repairs of US\$22.8 million in 2Q13. This increase was mainly a result of

more repairs and materials consumed due to more flight hours, as well as the full year effect of return condition provisions for new leased aircraft.

**Depreciation.** Depreciation totaled US\$27.7 million in 2Q14, a 3.3% increase over depreciation of US\$26.9 million in 2Q13. This increase was primarily driven by additional spare parts and aircraft components.

**Flight operations, aircraft rentals, landing fees and other rentals.** Combined, flight operations, aircraft rentals, landing fees and other rentals increased 14.5% from US\$65.0 million in 2Q13 to US\$74.3 million in 2Q14, primarily as a result of an increase in departures and additional aircraft rentals.

**Other.** Other expenses totaled US\$21.5 million, an increase of US\$2.1 million over 2Q13. This was primarily a result of an increase in other general administrative expenses.

**Non-operating income (expense)**

Consolidated non-operating income (expense) totaled a net income of US\$0.8 million in 2Q14, compared to a net expense of US\$15.3 million in 2Q13.

**Interest expense.** Interest expense totaled US\$6.9 million in 2Q14, an 9.1% decline from interest expense of US\$7.6 million in 2Q13, as a result of lower outstanding debt balance and lower interest rates on the Company's variable debt.

**Interest income.** Interest income totaled US\$3.6 million, a 26.2% increase over interest income of US\$2.8 million in 2Q13, mainly as a result of a higher average cash and investments balance.

**Other, net.** Other, net totaled a net gain of US\$4.1 million in 2Q14, compared to a net loss of US\$10.6 million in 2Q13. Other, net for 2Q14, includes a fuel hedge mark-to-market gain of US\$4.1 million, compared to a fuel hedge mark-to-market loss of US\$10.6 million for 2Q13.

**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 67 destinations in 30 countries in North, Central and South America and the Caribbean with one of the youngest and most modern fleets in the industry, consisting of 95 aircraft: 69 Boeing 737NG aircraft and 26 EMBRAER-190s. For more information visit: [www.copaair.com](http://www.copaair.com).*

**CONTACT:** Copa Holdings S.A.

**Investor Relations:**

Ph: (507) 304-2431

[www.copaair.com](http://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.*

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

|   | <b>Unaudited<br/>2Q14</b> | <b>Unaudited<br/>2Q13</b> | <b>%<br/>Change</b> | <b>Unaudited<br/>1Q14</b> | <b>%<br/>Change</b> |
|---|---------------------------|---------------------------|---------------------|---------------------------|---------------------|
| <b>Operating Revenues</b>                   |                           |                           |                     |                           |                     |
| Passenger Revenue                           | 651,081                   | 568,960                   | 14.4%               | 691,977                   | -5.9%               |
| Cargo, mail and other                       | 22,480                    | 23,038                    | -2.4%               | 21,629                    | 3.9%                |
| <b>Total Operating Revenue</b>              | <b>673,560</b>            | <b>591,998</b>            | <b>13.8%</b>        | <b>713,605</b>            | <b>-5.6%</b>        |
| <b>Operating Expenses</b>                   |                           |                           |                     |                           |                     |
| Aircraft fuel                               | 205,942                   | 184,767                   | 11.5%               | 208,014                   | -1.0%               |
| Salaries and benefits                       | 69,584                    | 66,105                    | 5.3%                | 73,976                    | -5.9%               |
| Passenger servicing                         | 65,533                    | 60,389                    | 8.5%                | 64,118                    | 2.2%                |
| Commissions                                 | 24,467                    | 24,279                    | 0.8%                | 26,132                    | -6.4%               |
| Reservations and sales                      | 23,978                    | 24,763                    | -3.2%               | 23,853                    | 0.5%                |
| Maintenance, material and repairs           | 29,301                    | 22,807                    | 28.5%               | 24,746                    | 18.4%               |
| Depreciation                                | 27,744                    | 26,866                    | 3.3%                | 27,821                    | -0.3%               |
| Flight operations                           | 32,547                    | 30,028                    | 8.4%                | 31,134                    | 4.5%                |
| Aircraft rentals                            | 28,534                    | 22,124                    | 29.0%               | 25,315                    | 12.7%               |
| Landing fees and other rentals              | 13,250                    | 12,789                    | 3.6%                | 13,253                    | 0.0%                |
| Other                                       | 21,490                    | 19,393                    | 10.8%               | 18,246                    | 17.8%               |
| <b>Total Operating Expense</b>              | <b>542,369</b>            | <b>494,309</b>            | <b>9.7%</b>         | <b>536,607</b>            | <b>1.1%</b>         |
| <b>Operating Income</b>                     | <b>131,192</b>            | <b>97,689</b>             | <b>34.3%</b>        | <b>176,999</b>            | <b>-25.9%</b>       |
| <b>Non-operating Income (Expense):</b>      |                           |                           |                     |                           |                     |
| Interest expense                            | (6,876)                   | (7,560)                   | -9.1%               | (7,094)                   | -3.1%               |
| Interest income                             | 3,586                     | 2,841                     | 26.2%               | 3,736                     | -4.0%               |
| Other, net                                  | 4,107                     | (10,616)                  | n/a                 | 67                        | n/a                 |
| <b>Total Non-Operating Income/(Expense)</b> | <b>817</b>                | <b>(15,336)</b>           | <b>n/a</b>          | <b>(3,291)</b>            | <b>n/a</b>          |
| <b>Income before Income Taxes</b>           | <b>132,008</b>            | <b>82,354</b>             | <b>60.3%</b>        | <b>173,707</b>            | <b>-24.0%</b>       |
| Provision for Income Taxes                  | 13,836                    | 7,912                     | 74.9%               | 22,350                    | -38.1%              |
| <b>Net Income</b>                           | <b>118,172</b>            | <b>74,441</b>             | <b>58.7%</b>        | <b>151,357</b>            | <b>-21.9%</b>       |
| <b>EPS - Basic and Diluted</b>              | <b>2.66</b>               | <b>1.68</b>               | <b>58.7%</b>        | <b>3.41</b>               | <b>-21.9%</b>       |
| <b>Shares - Basic and Diluted</b>           | <b>44,408,515</b>         | <b>44,387,279</b>         | <b>0.0%</b>         | <b>44,402,832</b>         | <b>0.0%</b>         |





Copa Holdings, S.A.  
Balance Sheet - IFRS

(US\$ Thousands)

|  | June 30,<br>2014<br>(Unaudited) | December<br>31,<br>2013<br>(Audited) |
|--|---------------------------------|--------------------------------------|
| <b>ASSETS</b>  |                                 |                                      |
| Current Assets:  |                                 |                                      |
| Cash and cash equivalents  | \$ 172,103                      | \$ 139,108                           |
| Short-term investments   | 723,808                         | 992,579                              |
| Total cash, cash equivalents and short-term investments          | 895,911                         | 1,131,687                            |
| Accounts receivable, net of allowance for doubtful accounts      | 119,197                         | 132,867                              |
| Accounts receivable from related parties                         | 2,195                           | 2,189                                |
| Expendable parts and supplies, net of allowance for obsolescence | 63,806                          | 56,814                               |
| Prepaid expenses   | 59,682                          | 59,175                               |
| Other current assets   | 23,685                          | 22,783                               |
| Total Current Assets   | 1,164,476                       | 1,405,515                            |
| Long-term investments  | 253,876                         | 37,590                               |
| Property and Equipment:  |                                 |                                      |
| Owned property and equipment:                                    |                                 |                                      |
| Flight equipment   | 2,554,756                       | 2,477,830                            |
| Other equipment  | 84,529                          | 73,487                               |
|  | 2,639,285                       | 2,551,317                            |
| Less: Accumulated depreciation                                   | (583,042 )                      | (530,347 )                           |
|  | 2,056,243                       | 2,020,970                            |
| Purchase deposits for flight equipment                           | 370,200                         | 327,544                              |
| Total Property and Equipment                                     | 2,426,443                       | 2,348,514                            |
| Other Assets:  |                                 |                                      |
| Net pension asset  | 11,936                          | 11,114                               |
| Goodwill   | 25,919                          | 25,305                               |
| Intangible asset   | 30,968                          | 28,214                               |
| Other assets   | 98,193                          | 96,509                               |
| Total Other Assets   | 167,016                         | 161,143                              |
| Total Assets   | \$4,011,811                     | \$3,952,762                          |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                      |                                 |                                      |
| Current Liabilities:   |                                 |                                      |
| Current maturities of long-term debt                             | \$ 147,649                      | \$ 156,329                           |
| Accounts payable   | 113,697                         | 95,046                               |

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|  |             |             |
|--|-------------|-------------|
| Accounts payable to related parties                | 16,235      | 14,483      |
| Air traffic liability                              | 463,283     | 578,439     |
| Taxes and interest payable                         | 96,211      | 113,541     |
| Accrued expenses payable                           | 72,930      | 75,975      |
| Other current liabilities                          | 8,484       | 8,133       |
| Total Current Liabilities                          | 918,489     | 1,041,946   |
| Non-Current Liabilities:                           |             |             |
| Long-term debt                                     | 895,396     | 913,507     |
| Post employment benefits liability                 | 6,176       | 6,223       |
| Other long-term liabilities                        | 65,837      | 51,223      |
| Deferred tax liabilities                           | 35,858      | 37,959      |
| Total Non-Current Liabilities                      | 1,003,267   | 1,008,912   |
| Total Liabilities                                  | 1,921,756   | 2,050,858   |
| Shareholders' Equity:                              |             |             |
| Class A - 33,433,789 shares issued and outstanding | 22,676      | 22,626      |
| Class B - 10,938,125 shares issued and outstanding | 7,466       | 7,466       |
| Additional paid in capital                         | 49,671      | 47,031      |
| Retained earnings                                  | 2,004,859   | 1,820,580   |
| Accumulated other comprehensive income (loss)      | 5,383       | 4,200       |
| Total Shareholders' Equity                         | 2,090,054   | 1,901,903   |
| Total Liabilities and Shareholders' Equity         | \$4,011,811 | \$3,952,762 |

**NON-IFRS FINANCIAL MEASURE RECONCILIATION**

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

|  |            |           |            |
|--|------------|-----------|------------|
| Reconciliation of Net Income<br>Excluding Special Items                    | 2Q14       | 2Q13      | 1Q13       |
| Net income as Reported   | \$ 118,172 | \$ 74,441 | \$ 151,357 |
| Special Items (adjustments):   |            |           |            |
| Unrealized (gain) loss on fuel hedging instruments                         | (4,105 )   | 10,582    | 3,373      |
| Loss due to devaluation of Venezuelan Bolivar                              | 1,874      | 0         | (1,178 )   |
| Adjusted Net Income  | \$ 115,941 | \$ 85,023 | \$ 153,553 |
| Shares used for Computation (in thousands)                                 |            |           |            |
| Basic and Diluted  | 44,409     | 44,387    | 44,403     |
| Adjusted earnings per share - Basic and Diluted                            | 2.61       | 1.92      | 3.46       |
| Reconciliation Operating Costs per ASM<br>Excluding Fuel and Special Items | 2Q14       | 2Q13      | 1Q14       |
| Operating Costs per ASM as Reported  | 10.7       | 10.7      | 10.7       |
| Aircraft fuel per ASM  | (4.1 )     | (4.0 )    | (4.1 )     |
| Operating Costs per ASM excluding fuel                                     | 6.6        | 6.7       | 6.6        |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Copa Holdings, S.A.  
(Registrant)

Date: 8/6/2014

By: /s/ José Montero  
Name: José Montero

Title: CFO