

Copa Holdings, S.A.  
Form 20-F  
May 06, 2009

**Table of Contents**

**As filed with the Securities and Exchange Commission on May 6, 2009**

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

**FORM 20-F**

- o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**  
**OR**
- o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- o **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)

**Joseph Putaturo**

**Complejo Business Park, Torre Norte**

**Parque Lefevre, Panama City, Panama**

**+507 304 2677 (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:**

**Name of Each Exchange On Which Registered**

Class A Common Stock, without par value

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, 2008, there were outstanding 43,194,566 shares of common stock, without par value, of which 30,416,441 were Class A shares and 12,778,125 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 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

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

U.S. GAAP  IFRS  Other

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

## TABLE OF CONTENTS

<u>Introduction</u>	ii
<u>Market Data</u>	ii
<u>Presentation of Financial and Statistical Data</u>	iii
<u>Special Note About Forward-Looking Statements</u>	iii
<u>Item 1. Identity of Directors, Senior Management and Advisers</u>	1
<u>Item 2. Offer Statistics and Expected Timetable</u>	1
<u>Item 3. Key Information</u>	1
<u>Item 4. Information on the Company</u>	22
<u>Item 4A. Unresolved Staff Comments</u>	42
<u>Item 5. Operating and Financial Review and Prospects</u>	42
<u>Item 6. Directors, Senior Management and Employees</u>	61
<u>Item 7. Major Shareholders and Related Party Transactions</u>	68
<u>Item 8. Financial Information</u>	71
<u>Item 9. The Offer and Listing</u>	73
<u>Item 10. Additional Information</u>	75
<u>Item 11. Quantitative and Qualitative Disclosures about Market Risk</u>	84
<u>Item 12. Description of Securities Other than Equity Securities</u>	85
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	86
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	86
<u>Item 15. Controls and Procedures</u>	86
<u>Item 16. Reserved</u>	88
<u>Item 16A. Audit Committee Financial Expert</u>	88
<u>Item 16B. Code of Ethics</u>	88
<u>Item 16C. Principal Accountant Fees and Services</u>	88

<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	88
<u>Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>	89
<u>Item 16F. Change in Registrant's Certifying Accountant</u>	89
<u>Item 16G. Corporate Governance</u>	89
<u>Item 17. Financial Statements</u>	93
<u>Item 18. Financial Statements</u>	93
<u>Item 19. Exhibits</u>	93
<u>Index to Financial Statements</u>	F-1
<u>Exhibit 10.49</u>	
<u>Exhibit 10.50</u>	
<u>Exhibit 12.1</u>	
<u>Exhibit 12.2</u>	
<u>Exhibit 13.1</u>	
<u>Exhibit 13.2</u>	

**Table of Contents**

**INTRODUCTION**

In this annual report, 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 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.

*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 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.

**Table of Contents**

**Presentation of Financial and Statistical Data**

Included elsewhere in this annual report are our audited consolidated balance sheets as of December 31, 2007 and 2008 and the audited consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2006, 2007 and 2008. The consolidated financial information as of December 31, 2004, 2005 and 2006, and for the years ended December 31, 2004 and 2005 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 annual report. Our audited 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 annual report to \$ or dollars refer to U.S. dollars, and all references to Pesos or Ps. refer to Colombian pesos, the local currency of Colombia.

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.

**Table of Contents**

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 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 annual report and the information under <sup>3</sup>/<sub>4</sub>Selected Financial Data and Item 5. Operating and Financial Review and Prospects appearing elsewhere in this annual report.

The summary consolidated financial information as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 has been derived from our audited consolidated financial statements included elsewhere in this annual report. The consolidated financial information as of December 31, 2004, 2005 and 2006, and for the years ended December 31, 2004 and 2005 has been derived from our audited consolidated financial statements that were prepared under U.S. GAAP and which have not been included in this annual report.

We have acquired 99.9% 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 prior to and after the acquisition is not comparable.

	<b>Year Ended December 31,</b>				
	<b>2004</b>	<b>2005<sup>(21)</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>(in thousands of dollars, except share and per share data and operating data)</b>				
<b>INCOME STATEMENT DATA</b>					
Operating revenue:					
Passenger revenue	\$ 364,611	\$ 563,520	\$ 798,901	\$ 967,066	\$ 1,217,311
Cargo, mail and other	35,226	45,094	52,259	60,198	71,478
Total operating revenues	399,837	608,614	851,160	1,027,264	1,288,789
Operating expenses:					
Aircraft fuel	62,549	149,303	217,730	265,387	404,669
Salaries and benefits	51,701	69,730	91,382	116,691	139,431
Passenger servicing	39,222	50,622	64,380	82,948	98,775
Commissions	29,073	45,087	57,808	65,930	67,177
Reservations and sales	22,118	29,213	38,212	48,229	54,996
Maintenance, materials and repairs	19,742	32,505	50,057	51,249	66,438
Depreciation	19,279	19,857	24,874	35,328	42,891
Flight operations	17,904	24,943	33,740	43,958	56,425
Aircraft rentals	14,445	27,631	38,169	38,636	43,008
Landing fees and other rentals	12,155	17,909	23,929	27,017	32,467
Other	29,306	32,622	44,758	55,093	58,521
Special fleet charges <sup>(1)</sup>				7,309	
Gain from involuntary conversion <sup>(2)</sup>				(8,019)	
Total operating expenses	317,494	499,422	685,039	829,756	1,064,798

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Operating income	82,343	109,192	166,121	197,508	223,991
Non-operating income (expense):					
Interest expense	(16,488)	(21,629)	(29,150)	(44,332)	(42,071)
Interest capitalized	963	1,089	1,712	2,570	1,921
Interest income	1,423	3,544	7,257	12,193	11,130
Other, net <sup>(3)</sup>	6,063	395	185	10,987	(58,843)
Total non-operating expenses, net	(8,039)	(16,601)	(19,996)	(18,582)	(87,863)
Income before income taxes	74,304	92,591	146,125	178,926	136,128
Provision for income taxes	(5,732)	(9,592)	(12,286)	(17,106)	(17,469)
Net income	68,572	82,999	133,839	161,820	118,659

**Table of Contents**

	Year Ended December 31,				
	2004	2005 <sup>(21)</sup>	2006	2007	2008
	(in thousands of dollars, except share and per share data and operating data)				
<b>BALANCE SHEET DATA</b>					
Total cash, cash equivalents and short-term investments	\$ 110,943	\$ 114,490	\$ 197,380	\$ 308,358	\$ 396,826
Accounts receivable, net	27,706	46,533	62,137	74,169	75,201
Total current assets	152,087	184,351	290,651	435,736	522,464
Purchase deposits for flight equipment	7,190	52,753	65,150	64,079	84,861
Total property and equipment	541,211	637,543	862,283	1,166,262	1,337,669
Total assets	702,050	916,912	1,255,015	1,707,251	1,954,225
Long-term debt	380,827	402,954	529,802	732,209	800,196
Total shareholders' equity	174,155	245,867	371,669	531,637	632,432
Capital stock	29,223	29,223	32,563	37,372	42,964
<b>CASH FLOW DATA</b>					
Net cash provided by operating activities	\$ 98,051	\$ 115,368	\$ 193,468	\$ 221,941	\$ 198,105
Net cash used in investing activities	(85,738)	(159,886)	(258,980)	(334,758)	(322,780)
Net cash provided by financing activities	29,755	38,929	141,498	228,295	59,519
<b>OTHER FINANCIAL DATA</b>					
EBITDA <sup>(4)</sup>	107,685	129,444	191,180	243,823	208,039
Aircraft rentals	14,445	27,631	38,169	38,636	43,008
Operating margin <sup>(5)</sup>	20.6%	17.9%	19.5%	19.2%	17.4%
Weighted average shares used in computing net income per share (basic) <sup>(6)</sup>	42,812,500	42,812,500	42,812,500	42,907,967	43,142,515
Weighted average shares used in computing net income per share (diluted) <sup>(6)</sup>	42,812,500	42,812,500	43,234,553	43,463,759	43,439,879
Net income (loss) per share (basic) <sup>(6)</sup>	\$ 1.60	\$ 1.94	\$ 3.13	\$ 3.77	\$ 2.75
Net income (loss) per share (diluted) <sup>(6)</sup>	\$ 1.60	\$ 1.94	\$ 3.10	\$ 3.72	\$ 2.73
Dividends declared per share	\$ 0.23	\$ 0.24	\$ 0.19	\$ 0.31	\$ 0.37
<b>OPERATING DATA</b>					
Revenue passengers carried <sup>(7)</sup>	2,333	4,361	5,741	6,015	6,485
Revenue passenger miles <sup>(8)</sup>	2,548	3,824	5,017	5,861	6,717
Available seat miles <sup>(9)</sup>	3,639	5,359	6,866	7,918	8,845
Load factor <sup>(10)</sup>	70.0%	71.4%	73.1%	74.0%	75.9%
Break-even load factor <sup>(11)</sup>	52.6%	57.9%	58.0%	58.6%	67.1%
Total block hours <sup>(12)</sup>	70,228	103,628	130,818	157,200	182,692
	9.3	9.8	9.8	9.6	9.6

Average daily aircraft utilization <sup>(13)</sup>					
Average passenger fare	156.3	129.2	139.2	160.8	187.7
Yield <sup>(14)</sup>	14.31	14.74	15.92	16.50	18.12
Passenger revenue per ASM <sup>(15)</sup>	10.02	10.51	11.64	12.21	13.76
Operating revenue per ASM <sup>(16)</sup>	10.99	11.36	12.40	12.97	14.57
Operating expenses per ASM (CASM) <sup>(17)</sup>	8.72	9.32	9.98	10.48	12.04
Departures	27,434	48,934	65,471	71,893	79,664
Average daily departures	75.0	156.6	179.4	197.0	217.7
Average number of aircraft	20.6	31.0	38.6	45.0	52.0
Airports served at period end	29	36	42	46	51

**Table of Contents**

	<b>Year Ended December 31,</b>				
	<b>2004</b>	<b>2005<sup>(21)</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>(in thousands of dollars, except share and per share data and operating data)</b>					
<b>SEGMENT FINANCIAL DATA</b>					
<b><i>Copa:</i></b>					
Operating revenue	\$ 399,837	\$ 505,655	\$ 676,168	\$ 806,201	\$ 1,035,945
Operating expenses	317,494	402,684	509,540	634,521	827,714
Depreciation	19,279	19,242	23,732	30,710	38,108
Aircraft rentals	14,445	22,096	23,842	27,756	31,271
Interest expense	16,488	19,424	26,907	36,300	36,208
Interest capitalized	963	1,089	1,712	2,570	1,921
Interest income	1,423	3,376	6,887	11,720	10,514
Net income (loss) before tax	74,304	89,745	155,533	165,571	130,851
Total assets	702,050	851,075	1,168,121	1,546,623	1,823,512
<b><i>AeroRepública:</i></b>					
Operating revenue	¾	\$ 103,016	\$ 175,883	\$ 226,042	\$ 264,912
Operating expenses	¾	96,839	176,388	200,474	249,152
Depreciation	¾	615	1,142	4,618	4,783
Aircraft rentals	¾	5,535	14,604	14,760	22,732
Interest expense	¾	2,205	2,243	8,032	5,863
Interest capitalized	¾	¾	¾	¾	¾
Interest income	¾	168	370	473	616
Net income (loss) before tax	¾	2,846	(9,408)	13,354	5,277
Total assets	¾	98,091	132,872	256,349	258,562
<b>SEGMENT OPERATING DATA</b>					
<b><i>Copa:</i></b>					
Available seat miles <sup>(9)</sup>	3,639	4,409	5,239	6,298	7,342
Load factor <sup>(10)</sup>	70.0%	73.4%	77.8%	78.4%	78.8