Jazz Air Income Fund
and
Jazz Air LP

First Quarter 2008
Management's Discussion and Analysis
of Results of Operations and Financial Condition
For the Period Ended March 31, 2008

May 7, 2008

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1. PREFACE

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jazz Air Income Fund (the "Fund") and Jazz Air LP ("Jazz" or the "Partnership") is prepared as at May 7, 2008 and should be read in conjunction with the accompanying unaudited interim consolidated financial statements of Jazz Air Income Fund and the notes therein for the three months ended March 31, 2008 and the accompanying unaudited interim consolidated financial statements of Jazz Air LP with the notes therein for the three months ended March 31, 2008, the audited consolidated financial statements of Jazz Air LP and the notes therein for the year ended December 31, 2007, the audited restated consolidated financial statements of Jazz Air Income Fund and the notes therein for the year ended December 31, 2007 and the accompanying restated MD&A dated February 19, 2008. The audited consolidated financial statements of Jazz Air Income Fund and Jazz Air LP and the unaudited interim consolidated financial statements of Jazz Air Income Fund and Jazz Air LP are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

As of May 24, 2007, the Fund has consolidated Jazz as a variable interest entity under the existing guidelines established by the Canadian Institute of Chartered Accountants ("CICA"). The unaudited interim consolidated financial statements (the "interim financial statements") with accompanying notes therein have been presented for both the Fund and Jazz. In addition, the following management's discussion and analysis presents a discussion of the financial condition and results of operations for both the Fund and Jazz.

The Fund is entirely dependent upon the operations and financial condition of Jazz. The earnings and cash flows of Jazz are affected by certain risks. For a description of those risks, please refer to Section 21 – Risk Factors of the restated MD&A dated February 19, 2008.

This MD&A is in all material respects in accordance with the recommendations provided in CICA publication, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure.*

For further information on the Fund's public disclosure file, including the Fund's annual information form, please consult SEDAR at www.sedar.com.

1.1 Caution regarding forward-looking information

Forward-looking statements are included in this MD&A. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, general industry, market and economic conditions, war, terrorist attacks, changes in demand due to the seasonal nature of the business, the ability to reduce operating costs and employee counts, employee relations, labour negotiations or disputes, restructuring, pension issues, energy prices, currency exchange and interest rates, changes in laws, adverse regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout this MD&A and, in particular, the Risk Factors section of the restated annual MD&A dated February 19, 2008. The forward-looking statements contained in this MD&A represent Jazz's expectations as of May 7, 2008, and are subject to change after such date. However, Jazz disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as required under applicable laws.

1.2 Glossary of terms

Available Seat Mile (ASMs) – Available Seat Mile means a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the number of miles flown;

Block Hours – Block Hours mean the number of minutes elapsing from the time the chocks are removed from the wheels of an aircraft until the chocks are next again returned to the wheels of the aircraft, divided by 60;

Billable Block Hours – Billable Block Hours mean actual Block Hours flown under the CPA plus Block Hours related to weather and air traffic control cancellations, and commercial cancellations and commercial ferry flights;

Controllable Actual Margin – Controllable Actual Margin means for any period, the actual Controllable Operating Income divided by the actual Scheduled Flights Revenue;

Controllable Adjusted Actual Margin – Controllable Adjusted Actual Margin means for any period, the Controllable Actual Margin less 50% of any margin exceeding 14.09%, at this level;

Controllable Cost per Available Seat Mile – Controllable Cost per Available Seat Mile means the average Controllable Cost per Available Seat Mile;

Controllable Costs – Controllable Costs mean for any period, all costs and expenses incurred and paid by Jazz with respect to the Scheduled Flights and the Aircraft Services, as defined in the CPA, other than pass-through costs, but including any profit sharing expense;

Controllable Operating Income – Controllable Operating Income means for any period, Scheduled Flights Revenue less Controllable Costs;

Cost per Available Seat Mile (CASM) – per Available Seat Mile means the operating expense per Available Seat Mile;

Covered Aircraft – Covered Aircraft are Jazz's aircraft subject to the CPA;

CPA – CPA means the amended and restated capacity purchase agreement effective January 1, 2006, between Air Canada and Jazz;

Credit Facilities – Credit Facilities mean the senior secured syndicated facilities in the aggregate amount of $150 million established pursuant to a credit agreement dated February 2, 2006, between Jazz, as borrower, the financial institutions identified therein, as Lenders and Royal Bank of Canada, as administrative agent;

FTE – FTEs are full-time equivalents in respect of employee staffing levels;

Fund – Fund means Jazz Air Income Fund;

Jazz – Jazz means Jazz Air LP, and where the context requires, Jazz Air LP, together with its general partner, Jazz GP and their respective subsidiaries and predecessors;

Jazz GP – Jazz GP means Jazz Air Holding GP Inc., a corporation incorporated under the Canada Business Corporations Act on August 23, 2005, to act as the general partner of Jazz;

LP Units – LP Units mean the limited partnership units of Jazz;

Maintenance Capital Expenditures – represent expenditures incurred to sustain operations or Jazz's productive capacity;

Operating Aircraft – Operating Aircraft means Covered Aircraft under the CPA plus charter aircraft less new aircraft deliveries which have not yet entered commercial service;

Passenger Load Factor – Passenger Load Factor means a measure of passenger capacity utilization derived by expressing Revenue Passenger Miles as a percentage of Available Seat Miles;

Revenue Passenger Miles (RPMs) – Revenue Passenger Miles mean the total number of revenue passengers carried, including frequent flyer redemptions, multiplied by the number of miles flown by such passengers;

Scheduled Flights – Scheduled Flights mean the flights operated by the Covered Aircraft whose routes, schedules and fares are determined by Air Canada in accordance with the CPA;

Scheduled Flights Revenue – Scheduled Flights Revenue means, for any period, all revenues generated by Jazz under the CPA from aircraft services and Scheduled Flights excluding revenues resulting from the reimbursement by Air Canada of Jazz's pass-through costs and from the payment by Air Canada of performance incentives;

Trust – Trust means Jazz Air Trust; and

Units or Fund Units – Units or Fund Units mean units of the Fund.

1.3 Seasonality

Jazz has historically experienced considerably greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. This demand pattern is principally a result of the high number of leisure travelers and their preference for travel during the spring and summer months, thereby increasing the flying hour requirements of Air Canada. Jazz has substantial fixed costs that do not meaningfully fluctuate with passenger demand in the short-term. Jazz revenues under the CPA, do not fluctuate significantly with passenger load factors (refer to Section 9 – Economic Dependence for further discussion of the CPA).

2. JAZZ AIR INCOME FUND

2.1 General

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated November 25, 2005 and amended by an amended and restated declaration of trust dated January 24, 2006 (the "Fund Declaration of Trust"). The Fund qualifies as a "mutual fund trust" for the purposes of the Income Tax Act (Canada). The principal and head office of the Fund is located at 5100 de Maisonneuve Boulevard West, Montreal, Québec, H4A 3T2. The Fund has been established to acquire and hold, directly or indirectly, investments in Jazz and its general partner Jazz Air Holding GP Inc. ("Jazz GP"), a regional airline, and such other investments as the trustees of the Fund (the "Trustees") may determine.

On January 24, 2008, ACE Aviation Holdings Inc.("ACE") sold 13,000,000 Units, thereby reducing its ownership in the Fund to 9.5% of the issued and outstanding Units. As a result, ACE no longer had the ability to appoint the majority of the board of directors of Jazz GP pursuant to the Securityholders' Agreement among the Fund, the Trust, the Partnership, Jazz GP and ACE (the "Securityholders' Agreement"). The Securityholders' Agreement was terminated by agreement among the parties effective as of February 7, 2008.

2.2 Distribution policy

The Fund intends to make distributions of its available cash based on distributions received indirectly from Jazz to the maximum extent possible to holders of Units ("Unitholders"). The Fund intends to make equal monthly cash distributions to Unitholders of record on the last business day of each month, within 15 days of the end of each month, less estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions of Units and any tax liability. Distributions to the Unitholders declared amounted to $30.9 million for the three months ended March 31, 2008 ($14.5 million for the three months ended March 31, 2007), as follows:

(in thousands of Canadian dollars, except amount per unit) (unaudited)	March 31, 2008 Amount $	March 31, 2008 Amount per Unit $	March 31, 2007 Amount $	March 31, 2007 Amount per Unit $
January	10,296	0.0838	2,095	0.0838
February	10,296	0.0838	2,148	0.0838
March	10,296	0.0838	10,296	0.0838
	30,888	0.2514	14,539	0.2514

In accordance with the limited partnership agreement of Jazz, priority distributions are to be made to the Fund in order to cover the Fund's operating expenses. During the three months ended March 31, 2008, no priority distributions were declared by Jazz, as no material operating expenses were incurred by the Fund.

In 2007, 95% of Jazz's distributions represented taxable income generated from Jazz's operations and 5% represented a return of capital. On the basis of past experience, management expects the percentage breakdown for 2008 to be approximately 95% in respect of taxable income and 5% in respect of return of capital.

Distributions earned by the Fund resulting from its investment in LP Units and distributions payable by the Fund to its Unitholders are recorded when declared.

Units

As at March 31, 2008, and as at the date of this report, May 7, 2008, the Fund had 122,864,066 Units issued and outstanding, compared to 122,865,143 Units issued and outstanding at March 31, 2007.

Earnings per Unit

The Fund's basic and fully diluted earnings per Unit, before future income tax, amounted to $0.16 for the three months ended March 31, 2008 ($0.20 for the three months ended March 31, 2007).

The Fund's basic and fully diluted earnings per Unit, after future income tax, amounted to $0.18 for the three months ended March 31, 2008 ($0.20 for the three months ended March 31, 2007).

2.3 Guarantees

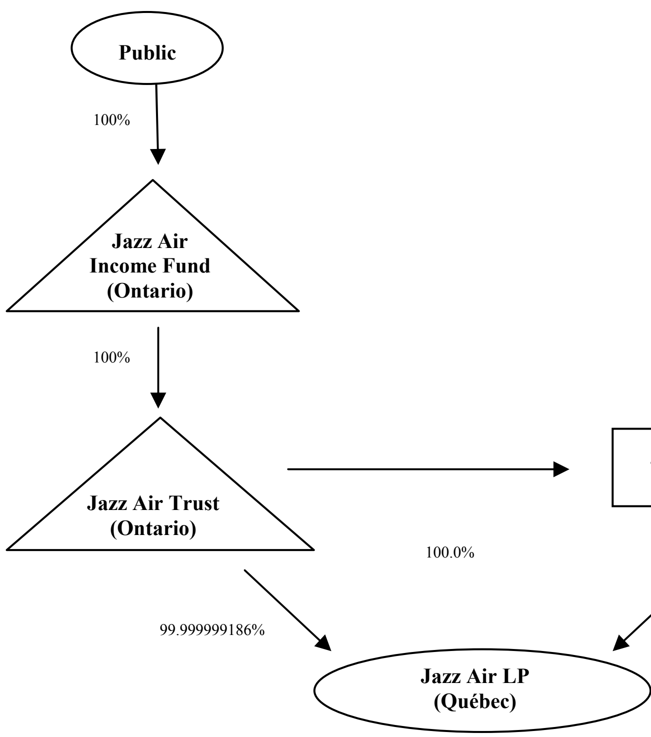
Credit Facilities made available to Jazz upon the closing of the Fund's initial public offering on February 2, 2006 ("IPO") by a syndicate of lenders are secured by a first priority security interest and hypothec over the present and after-acquired personal and certain real property of Jazz, subject to certain exclusions and permitted liens. Jazz's obligations in respect of the Credit Facilities are also guaranteed by each of the Trust and Jazz GP, with the Trust providing a first priority security interest over its present and after-acquired personal property, subject to certain exclusions and permitted liens, as security for its guarantee obligations, and with Jazz GP providing a pledge of its interests in Jazz as security for its guarantee obligations. The Fund also provides certain covenants in favour of the lenders pursuant to a collateral covenant agreement.

As at March 31, 2008, Jazz had authorized credit facilities of $150 million and drawings of $115.0 million against the facilities.

Letters of credit totalling approximately $2.8 million (March 31, 2007 - $1.9 million) have been issued as security for groundhandling and airport fee contracts, lease payments on rental space and certain employee benefits. The letters of credit are drawn against the unutilized balance of the credit facilities.

2.4 Organizational structure

The following chart illustrates, on a simplified basis, the structure of the Fund (including the jurisdictions of establishment/ incorporation of the various entities) and the indirect investment by the Fund in Jazz as at March 31, 2008.



3. JAZZ AIR LP

Jazz is the largest regional airline and the second largest airline in Canada after Air Canada, based on fleet size and number of routes operated. Jazz forms an integral part of Air Canada's domestic and transborder market presence and strategy. Jazz and Air Canada are parties to a CPA pursuant to which Air Canada currently purchases substantially all of Jazz's fleet capacity based on predetermined rates. Under the CPA with Air Canada, Jazz provides service to and from lower density markets as well as higher density markets at off-peak times throughout Canada and to and from certain destinations in the United States. Jazz operates scheduled passenger service on behalf of Air Canada with approximately 847 departures per weekday to 57 destinations in Canada and 27 destinations in the United States with an operating fleet of 133 Covered Aircraft as of March 31, 2008. Jazz and Air Canada have linked their regional and mainline networks in order to serve connecting passengers more efficiently and to provide valuable traffic feed to Air Canada's mainline routes.

Under the CPA, Jazz operates flights on behalf of Air Canada at set rates paid to Jazz based on a variety of different metrics that are substantially independent of passenger load factor. Air Canada controls and is responsible for scheduling, pricing, product distribution, seat inventories, marketing and advertising and customer service handling at certain airports staffed or administered directly by Air Canada. As such, Air Canada is entitled to all revenues associated with the operation of the Covered Aircraft on the schedule specified by Air Canada.

Under the CPA, Jazz is paid fees based on a variety of different metrics, including Block Hours flown, cycles (number of take-offs and landings) and passengers carried in addition to certain variable and fixed aircraft ownership rates. In addition, Jazz is entitled to repayment of certain pass-through costs, including fuel, navigation, landing and terminal fees and certain other costs. Jazz is also eligible to receive incentive payments for successfully achieving certain performance levels on a quarterly basis related to on-time performance, controllable flight completion, baggage handling performance and overall customer satisfaction.

3.1 Productive capacity management strategy

Productive capacity management represents capital expenditures required to sustain operations. Under the current operations, this is defined as supporting an operating fleet of 137 aircraft with 133 Covered Aircraft and 4 aircraft committed to charter operations. Capital expenditures are made in support of ongoing fleet requirements, such as aircraft communication systems, cockpit standardization, regulatory compliance, maintenance information systems infrastructure and facilities leasehold improvements.

3.2 Non-GAAP financial measures

Jazz uses certain non-GAAP financial measures to analyze operating performance. These measures are not recognized for financial statement presentation under Canadian GAAP, do not have a standardized meaning, and are therefore not likely to be comparable to similar measures presented by other public entities.

EBITDA

EBITDA (earnings before interest, taxes, depreciation, amortization and obsolescence) is a non-GAAP financial measure commonly used throughout all industries to view operating results before interest expense, interest income, depreciation amortization, gains and losses on property and equipment and other non-operating income and expense.

Standardized Distributable Cash

Standardized distributable cash is a non-GAAP measure recommended by the CICA in order to provide a consistent and comparable measurement of distributable cash across entities.

Standardized distributable cash is defined as cash flows from operating activities, as reported in accordance with GAAP, less adjustments for:

- total capital expenditures as reported in accordance with GAAP; and
- restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of standardized distributable cash.

Distributable Cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indication of financial performance. It should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

Distribution Policy

The Credit Facilities of Jazz contain customary representations and warranties and are subject to customary terms and conditions (including negative covenants, financial covenants and events of default) for borrowings of this nature, including limitations on paying distributions. The terms of the Credit Facilities include certain covenants limiting the aggregate amount of distributions by Jazz to holders of record of LP Units during any twelve-month period from exceeding the aggregate distributable cash of Jazz during such period. Distributions by Jazz are also prohibited upon the occurrence and continuance of an event of default under the Credit Facilities. As at March 31, 2008, Jazz is in compliance with all conditions of the Credit Facilities.

Jazz intends to make equal cash monthly distributions to the holders of LP Units of record on the last business day of each month, net of estimated cash amounts required for interest expense and maintenance capital expenditures and other obligations of Jazz. In accordance with the limited partnership agreement of Jazz, priority distributions are to be made to the Trust and the Fund in order to cover their operating expenses. The Fund will reimburse Jazz from the proceeds of a priority distribution once paid by Jazz.

Distributions payable to the holders of LP Units are recorded when declared.

The board of directors of Jazz GP will periodically review cash distributions in order to take into account Jazz's current and prospective performance.

The following table provides a reconciliation of EBITDA and distributable cash of Jazz to operating income:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2008 $	 2007 $
Operating income	34,357	36,335
Depreciation and amortization	7,049	5,353
EBITDA	41,406	41,688
EBITDA margin (%) (1)	*10.4*	*11.4*
EBITDA	41,406	41,688
Non-operating expenses	(4,091)	(1,036)
Maintenance capital expenditures (2)	(4,464)	(7,036)
Distributable cash	32,851	33,616
Distributions declared	30,888	30,888
Payout ratio (3)	*94.0%*	*91.9%*
Distributable cash (per proforma LP Unit) (4)	0.27	0.27
Distributions declared (per proforma LP Unit) (4)	0.25	0.25

(1) EBITDA margin is calculated as EBITDA divided by operating revenues.
(2) Refer to Section 7.3 for further discussion.
(3) The payout ratio is calculated as distributions declared divided by distributable cash.
(4) Calculated on a proforma basis to include 122,865,144 LP Units for the periods presented.

Reconciliation of cash flows from operating activities to standardized distributable cash and distributable cash is as follows:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2008 $	2007 $
Cash flow from operating activities	35,818	36,889
Maintenance capital expenditures, net of gain on disposal	(4,462)	(7,032)
Standardized distributable cash	31,356	29,857
Change in non-cash operating working capital [(1)]	1,774	4,459
Amortization of prepaid aircraft rent and related fees [(1)]	(481)	(445)
Deferred charges, prepaid aircraft rent and related fees [(1)]	218	–
Unit based compensation [(1)]	(768)	(301)
Net change in prepaid interest [(1)]	(144)	46
Funding of unit based compensation [(1)]	2,139	–
Foreign exchange [(1)]	(164)	–
Unrealized loss on Asset Backed Commercial Paper ("ABCP") [(1)]	(2,985)	–
Other [(1)]	1,906	–
Distributable cash	32,851	33,616
Distributions declared	30,888	30,888
Payout ratio – distributions declared/ standardized distributable cash	*98.5%*	*103.5%*
Payout ratio – distributions declared/ distributable cash	*94.0%*	*91.9%*

Cumulative – since IPO [(2)]		
Standardized distributable cash	330,309	208,706
Distributable cash	310,076	159,559
Distributions declared	252,649	129,097
Standardized distributable cash payout ratio	*76.5%*	*61.9%*
Distributable cash payout ratio	*81.5%*	*80.9%*

(1) These items are adjustments made in reference to the definition of distributable cash in the limited partnership agreement of Jazz and relate to timing differences.

(2) The period covered is from February 2, 2006, the IPO date.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income, and historical distributed cash amounts.

(expressed in thousands of Canadian dollars) (unaudited)	**Three months ended March 31, 2008**	**Three months ended March 31, 2007**	**Year ended December 31, 2007**	**Period from February 2, 2006 to December 31, 2006 [(1)]**
Cash flows from operating activities	35,818	36,889	143,767	202,297
Net income	30,266	35,299	150,654	129,639
Cash distributions declared relating to the period	30,888	30,888	123,552	98,209
Excess of cash flows from operating activities over cash distributions declared	4,930	6,001	20,215	104,088
Excess (shortfall) of net income over cash distributions declared	(622)	4,411	27,102	31,430
Payout ratios				
Distributions declared/cash flows from operating activities	86.2%	83.7%	85.9%	48.5%
Distributions declared/net income	102.1%	87.5%	82.0%	75.8%

(1) Period covered is post February 2, 2006, the IPO date.

Cash distributions declared during the three months ended March 31, 2008 exceeded net income as a result of a $3.0 million non-cash fair value adjustment related to ABCP (refer to Section 8 – Financial Instruments and Risk Management).

4. QUARTERLY HIGHLIGHTS

- Operating revenue of $396.4 million for the three months ended March 31, 2008, an increase of 8.8% over the same period in 2007.

- Operating income of $34.4 million for the three months ended March 31, 2008, compared to $36.3 million for the same period in 2007, a decrease of 5.4%.

- EBITDA of $41.4 million for the three months ended March 31, 2008, a decrease of $0.3 million or 0.7% over the same period in 2007.

- Distributions declared of $30.9 million for the three months ended March 31, 2008, comparable to the same period in 2007.

- Distributable cash of $32.9 million for the three months ended March 31, 2008, compared to $33.6 million for the same period in 2007, a decrease of $0.7 million.

- Controllable Cost per Available Seat Mile (Controllable CASM) of 14.44¢ for the three months ended March 31, 2008, a decrease of 2.6% over the same period in 2007.

5. RESULTS OF OPERATIONS – FIRST QUARTER ANALYSIS

The following table compares the results of operations of Jazz for the first quarter of 2008 to the first quarter of 2007.

(expressed in thousands of Canadian dollars) (unaudited)	For the three months ended March 31, 2008 $	For the three months ended March 31, 2007 $	Change $	Change %
Operating revenue	396,361	364,176	32,185	8.8
Operating expenses				
Salaries, wages and benefits	89,136	83,155	5,981	7.2
Aircraft fuel	93,188	70,759	22,429	31.7
Depreciation and amortization	7,049	5,353	1,696	31.7
Aircraft maintenance	30,212	29,568	644	2.2
Airport and navigation fees	48,829	46,536	2,293	4.9
Aircraft rent	29,680	34,555	(4,875)	(14.1)
Terminal handling	33,264	29,842	3,422	11.5
Other	30,646	28,073	2,573	9.2
Total operating expenses	362,004	327,841	34,163	10.4
Operating income	34,357	36,335	(1,978)	(5.4)
Non-operating income (expenses)				
Net interest expense	(826)	(570)	(256)	(44.9)
Gain on disposal of property and equipment	2	4	(2)	(50.0)
Foreign exchange loss	(282)	(470)	188	40.0
Unrealized loss on Asset Backed Commercial Paper	(2,985)	–	(2,985)	(100.0)
	(4,091)	(1,036)	(3,055)	(294.9)
Net income for the period	30,266	35,299	(5,033)	(14.3)
Earnings per Unit, basic and diluted	0.25	0.29	(0.04)	(13.8)

5.1 Comparison of results – First Quarter 2008 versus First Quarter 2007

For the first quarter of 2008, Jazz reported an operating income of $34.4 million, a decrease of $1.9 million compared to $36.3 million recorded in the same quarter of 2007. EBITDA was $41.4 million in the first quarter of 2008 compared to $41.7 million in the first quarter of 2007, a decrease of $0.3 million or 0.7%. (Refer to "Non-GAAP Financial Measures" in section 3.2.)

In the first quarter of 2008, total operating revenue was up $32.2 million or 8.8% which reflects a 6.2% increase in the Block Hours flown over the same period in 2007 and an increase in pass-through costs, including fuel costs, which are reimbursed by Air Canada.

Operating expenses increased by $34.2 million or 10.4%, compared to the same quarter in 2007. Pass-through costs, which are reimbursed by Air Canada under the CPA, represented $26.9 million or 78.9% of the total increase in operating costs. Pass-through costs rose mostly as a result of the continuing rise in fuel prices and increased de-icing costs due to inclement weather conditions. Controllable Costs represented $7.2 million or 21.1% of the total increase in operating costs, primarily as a result of salaries, wages and benefits and other expenses.

In the first quarter of 2008, non-operating expense amounted to $4.1 million, an increase of $3.1 million from the first quarter 2007. The change is mainly attributable to a $3.0 million fair value adjustment related to ABCP (refer to Section 8 – Financial Instruments and Risk Management).

Net income for the first quarter of 2008 was $30.3 million compared to $35.3 million recorded in the first quarter of 2007, a decrease of $5.0 million.

5.2 Revenue performance – First Quarter 2008 versus First Quarter 2007

Operating Revenue

Operating revenue increased from $364.2 million in the first quarter of 2007 to $396.4 million in the first quarter of 2008, representing an increase of 8.8%. The increase in revenue can be attributed to a 6.2% increase in Block Hours flown, a 5.4% increase in departures and a $27.0 million increase in pass-through costs which are reimbursed on an at cost basis by Air Canada under the CPA.

For the three-month period ended March 31, 2008, performance incentives payable by Air Canada to Jazz under the CPA amounted to $3.9 million or 1.7% of Jazz's Scheduled Flights Revenue for such period. For the same period in 2007, performance incentives payable by Air Canada to Jazz under the CPA amounted to $3.1 million or 1.4% of Jazz's Scheduled Flights Revenue.

Other revenue increased from $1.9 million in the first quarter of 2007 to $2.4 million in the first quarter of 2008. Other revenue is derived from charter flights and other sources such as groundhandling services and flight simulator training. Jazz continues its focus on developing its other revenue.

Key statistical information is as follows:

	For the three months ended March 31, 2008	For the three months ended March 31, 2007	Variance (absolute)	Variance (%)
Number of Departures for the Period Ended	70,253	66,683	3,570	5.4
Block Hours for the Period Ended	101,088	95,157	5,931	6.2
Billable Block Hours	105,347	97,711	7,636	7.8
Sector Passengers	2,410,244	2,243,594	166,650	7.4
Revenue Passenger Miles (RPMs) (000's)	1,045,289	978,044	67,245	6.9
Available Seat Miles (ASMs) (000's)	1,412,000	1,327,937	84,063	6.3
Passenger Load Factor (%)	74.0	73.7	0.3	0.4
Total Operating Expenses ($000's)	362,004	327,841	34,163	10.4
Cost per Available Seat Mile (CASM) (¢)	25.64	24.69	0.95	3.8
Cost per Available Seat Mile Excluding Aircraft Fuel (¢)	19.04	19.36	(0.32)	(1.7)
Controllable Cost per Available Seat Mile (¢)	14.44	14.82	(0.38)	(2.6)
Number of Operating Aircraft (end of period) (1)	137	135	2	1.5

(1) Refer to Section 13 – Fleet.

5.3 Cost performance – First Quarter 2008 versus First Quarter 2007

Operating Expenses

Total operating expenses increased from $327.8 million for the first quarter of 2007 to $362.0 million in the first quarter of 2008, an increase of $34.2 million or 10.4%. For the first quarter of 2008, compared to the first quarter of 2007:

- salaries, wages and benefits increased by $6.0 million due to: additional overtime to support the ongoing fleet heavy maintenance programs for $0.7 million; additional FTE's in flight operations and cabin crew to support increased Block Hours for $2.5 million; increased maintenance FTE's to support the ongoing heavy maintenance requirements for $1.1 million and wage and scale increases as a result of collective agreements and additional FTE's in other areas for $1.7 million;

- aircraft fuel costs increased by $22.4 million due to an increase of $18.2 million in fuel price, as the base price for jet fuel continues to rise and a $4.2 million increase in fuel usage which corresponds to the 6.2% increase in Block Hours flown;

- depreciation and amortization expense increased by $1.7 million due to the addition of capital leases and increased capital expenditures on rotables and ground equipment;

- aircraft maintenance increased by $0.6 million as a result of: an increase in Block Hours flown for $1.9 million; increased heavy maintenance outsourcing for $0.3 million; and an increase in maintenance material cost due to aging fleet requirements for $0.3 million; offset by a reduction in a valuation provision for Dash 8 rotable inventory for $1.9 million;

- airport and navigational fees increased by $2.3 million due to an increase in departures of 5.4%;

- aircraft rent decreased by approximately $4.9 million mainly due to lower US dollar exchange rates and new lease arrangements with respect to certain aircraft;

- terminal handling costs increased by $3.4 million due to an increase in jet departures and an increase in de-icing of $3.2 million; and

- Other expenses increased by $2.6 million due to: increased training in pilot and maintenance areas for $0.5 million; passenger inconvenience costs due to unfavorable weather conditions for $0.4 million; communications, courier, freight and general office costs for $0.9 million; and other expenses for $0.8 million.

Jazz's costs fall into two principal categories: (i) pass-through costs specified in the CPA, such as fuel, navigation, landing and terminal fees and other costs, which are reimbursed on an at cost basis by Air Canada under the CPA; and (ii) Controllable Costs such as salaries, wages and benefits, aircraft maintenance, materials and supplies, terminal handling services (with the exception of de-icing) and aircraft rent, which are borne by Jazz but for which Jazz indirectly recovers amounts from Air Canada in respect of these costs through the fees it charges Air Canada under the CPA.

The following table presents Jazz's operating cost in a format consistent with the definition of pass-through and Controllable Costs as defined in the CPA:

(expressed in thousands of Canadian dollars) (unaudited)	**For the three months ended March 31, 2008 $**	**For the three months ended March 31, 2007 $**	**Change $**	**Change %**
Pass-through cost items (reimbursed by Air Canada)				
Fuel	92,744	70,562	22,182	31.4
Navigational fees	19,161	18,488	673	3.6
Airport user fees	29,646	28,030	1,616	5.8
De-icing (1)	11,613	8,481	3,132	36.9
Airport security (2)	1,419	1,379	40	2.9
Other (2)	3,469	4,167	(698)	(16.8)
Total pass-through costs	158,052	131,107	26,945	20.6
Controllable Cost items (paid by Jazz)				
Salaries, wages and benefits	89,136	83,155	5,981	7.2
Aircraft maintenance, materials and supplies	30,212	29,568	644	2.2
Aircraft rent and other ownership costs	29,680	34,555	(4,875)	(14.1)
Other terminal handling services (1)	21,673	21,379	294	1.4
Depreciation	7,049	5,353	1,696	31.7
Other (2)	26,202	22,724	3,478	15.3
Total Controllable Costs (3)	203,952	196,734	7,218	3.7
Total Operating Costs	362,004	327,841	34,163	10.4

(1) Included in terminal handling – refer to Section 5 Results of Operations.
(2) Included in other – refer to Section 5 Results of Operations.
(3) Included costs relating to operations that were not covered under the CPA, such as charter.

5.4 Operating margin performance – First Quarter 2008 versus First Quarter 2007

(in thousands of Canadian dollars) (unaudited)	For the three months ended March 31, 2008				For the three months ended March 31, 2007			
	Revenue $	**Expenses $**	**Operating Margin $**	**Operating Margin %**	**Revenue $**	**Expenses $**	**Operating Margin $**	**Operating Margin %**
CPA	231,954	202,072	29,882	12.9	228,036	195,816	32,220	14.1
Pass-throughs	158,052	158,052	–	–	131,107	131,107	–	–
Incentives	3,907	–	3,907	100.0	3,088	–	3,088	100.0
Other	2,448	1,880	568	23.2	1,945	918	1,027	52.8
	396,361	362,004	34,357	8.7	364,176	327,841	36,335	10.0

The Controllable Adjusted Actual Margin for the first quarter of 2008 was 12.88%, which is under the target margin as established under the CPA of 14.09% (refer to Section 9 – Economic dependence) by 121 basis points or approximately $2.8 million. This compares to the first quarter of 2007 Controllable Adjusted Actual Margin of 14.13% which was approximately $0.1 million better than the target margin of 14.09%. Refer to Section 5.2 for discussion on the quarter-over-quarter change in operating revenue and Section 5.3 for discussion on quarter-over-quarter change in operating expenses.

During the first quarter, Controllable Costs related to the CPA were affected by: increased overtime expense related to 2008 aircraft heavy maintenance checks on the Jazz fleet for $0.7 million; increased maintenance FTE's to support the ongoing heavy maintenance requirements for $1.1 million; increased heavy maintenance outsourcing for $0.3 million; increased training in the pilot and maintenance area for $0.5 million; and increased passenger inconvenience costs due to unfavorable weather conditions for $0.4 million.

During the first quarter, Jazz earned 71% of the incentives available under the CPA or $3.9 million versus last year's incentives of 57% or $3.1 million. Incentives earned in the first quarter of 2008 were higher primarily due to obtaining better incentives for on-time performance than 2007.

The margin on other revenue was derived from charter flights and other sources such as ground handling services and flight simulator training.

6. QUARTERLY FINANCIAL DATA

The table below describes quarter financial results, as well as major operating statistics, of Jazz:

(unaudited)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008
Operating revenue ($000)	340,138	369,261	351,853	364,176	375,320	383,774	372,119	396,361
Operating expenses ($000)	303,673	330,031	319,140	327,841	335,419	342,881	336,089	362,004
Operating income ($000)	36,465	39,230	32,713	36,335	39,901	40,893	36,030	34,357
Total non-operating income (expense) ($000)	(906)	(122)	(791)	(1,036)	649	(1,186)	(932)	(4,091)
Net income ($000)	35,559	39,108	31,922	35,299	40,550	39,707	35,098	30,266
Earnings per unit ($) (1)	0.29	0.32	0.26	0.29	0.33	0.33	0.29	0.25
Billable Block Hours	88,943	101,260	97,921	97,711	100,318	106,634	102,158	105,347
Revenue Passenger Miles (000's)	925,075	1,084,533	981,799	978,044	1,097,921	1,164,504	1,025,108	1,045,289
Available Seat Miles (000's)	1,271,515	1,481,410	1,358,765	1,327,937	1,463,064	1,550,787	1,398,828	1,412,000
Passenger Load Factor (%)	72.8	73.2	72.3	73.7	75.0	75.1	73.3	74.0
Cost per available seat mile (CASM) (¢)	23.88	22.28	23.49	24.69	22.93	22.11	24.03	25.64
CASM, excluding fuel expense (¢)	18.27	16.53	18.39	19.36	17.36	16.64	18.06	19.04
Controllable CASM (¢)	14.26	12.81	14.26	14.82	13.39	12.88	13.80	14.44
Controllable Adjusted Actual Margin (%)	14.6	16.6	13.0	14.1	14.9	14.9	14.1	12.9

(1) The weighted average number of units used in the earnings per unit calculation has been established by restating Jazz's outstanding LP Units for the periods presented to 122,865,144.

7. THE STATEMENT OF FINANCIAL POSITION AND LIQUIDITY

The following table provides an overview of Jazz's cash flows for the periods indicated:

(expressed in thousands of Canadian dollars) (unaudited)	Three months ended March 31, 2008 $	2007 $
Cash provided by operating activities	35,818	36,889
Cash used in financing activities	(32,316)	(33,212)
Cash used in investing activities	(4,252)	(6,822)
Net change in cash and cash equivalents during the period	(750)	(3,145)
Cash and cash equivalents – Beginning of period	122,781	134,865
Cash and cash equivalents – End of period	122,031	131,720

7.1 Cash provided by operating activities

Jazz continued to deliver positive cash flows from operations of $35.8 million for the first quarter of 2008, compared to $36.9 million for the same period in 2007. The decrease for the quarter relates to a decrease in net income and funding of unit based compensation plans.

Management anticipates the future capital requirements for cash distributions and expected capital expenditures for ongoing maintenance and operations will be funded from operations.

7.2 Cash used in financing activities

Cash used in financing activities for the first quarter of 2008 includes distributions to the holders of LP Units of Jazz of $30.9 million, a priority distribution of $0.9 million to the Fund and $0.5 million relates to the repayment of obligations under capital leases.

Cash used in financing activities for the first quarter of 2007 of $33.2 million related to the distributions to the holders of LP Units of Jazz.

7.3 Cash used in investing activities

First quarter of 2008 investing activities included capital expenditures of $4.5 million. Capital expenditures consist of capital investments in the areas of maintenance information system replacement, replenishment of rotables to support the operational fleet, and other purchases to support the ongoing operations. Cash provided by investing activity included a repayment of a long-term receivable of $0.2 million.

First quarter 2007 investing included capital expenditures of $7.0 million, offset by a repayment in long-term receivables of $0.2 million. Capital expenditures consisted of capital investments in the areas of information systems infrastructure, maintenance information system replacement, and cockpit standardization on the CRJ-100 fleet.

7.4 Liquidity and capital resources

(expressed in thousands of Canadian dollars) (unaudited)	March 31, 2008 $	December 31, 2007 $
Cash and cash equivalents	122,031	122,781
Total assets	512,761	518,502
Total long-term liabilities	189,840	191,382

Assets decreased from December 31, 2007 as a result of a fair value adjustment related to ABCP and a decrease in accounts receivable, offset by acquiring spare parts and materials to support the operational fleet. The decrease in long-term liabilities resulted from a decrease in obligations under capital leases, and a reduction in deferred operating lease inducements and pension liability.

7.5 Debt and lease obligations

For further information on debt and lease obligations, refer to Section 8.5 of the restated Jazz Air Income Fund and Jazz Air LP 2007 MD&A dated February 19, 2008 and note 15 of the December 31, 2007 Jazz Air LP annual audited consolidated financial statements.

There have been no material changes to debt and lease obligations during the period.

The debt facilities also contain various financial covenants outlined as follows:

Ratio	Result
Leverage (Debt / EBITDA)	In compliance
Interest coverage (EBTDA / Interest expense)	In compliance
Adjusted leverage (1)	In compliance
Adjusted interest coverage (1)	In compliance

(1) Adjusted leverage and adjusted interest coverage ratios include the add-back of other non-CPA related facilities and aircraft lease expense.

In the fourth quarter of 2007, Jazz entered into a common terms agreement (“CTA”) for an aircraft lease which is also designed to cover potential future leases with the same company. The agreement contains the following financial covenants:

Covenant	Result
Minimum cash balance	In compliance
Tangible asset disposal	In compliance

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Jazz's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, other liabilities and long-term debt.

Jazz, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, market risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Interest rate risk

Investments included in Jazz's cash and cash equivalents earn interest at prevailing and fluctuating market rates. In the normal course of business, Jazz is exposed to interest rate fluctuation risk as a result of variable interest rate on long-term debt. Jazz uses interest rate swaps to hedge its exposure to changes in interest rates, swapping its credit facility variable interest rate payments for fixed interest rate payments. Jazz has elected to designate its interest rates swaps as cash flow hedges and has no intention of early settling these contracts. If Jazz had settled these contracts at March 31, 2008, a payment of $1.4 million would have resulted.

Jazz entered into an interest rate swap agreement with third parties for $115 million which has effectively resulted in a fixed interest rate of 7.09% until February 2, 2009. In the first quarter of 2008, Jazz entered into a second interest swap agreement with a third party for $57.5 million. This swap becomes effective February 2, 2009 and effectively results in a fixed interest rate of 6.23% for the related portion of the credit facility extension, maturing on February 1, 2010.

Market risk

The ABCP is marked-to-market at each period end and is therefore subject to market fluctuations.

Credit risk

In accordance with its investment policy, Jazz invests excess cash in Government of Canada treasury bills, short-term Canadian and provincial government debt, bankers' acceptance notes and term deposits of Schedule 1 banks. The credit risk on cash and cash equivalents is limited because the counter-parties are governments and banks with high credit-ratings assigned by international credit-rating agencies. Given the disruption in the third party sponsored ABCP market, Jazz amended its investment policy during the third quarter of 2007 to disallow investment in all third party and bank sponsored ABCP.

The amount of accounts receivable disclosed in the balance sheet of $78.5 million are net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Approximately 85% of receivables are with one company, Air Canada. Historically there have been no collection issues with Air Canada; however, with such a high concentration of receivables with one company, a certain amount of credit risk exists. Jazz does not believe it is subject to any significant concentration of credit risk other than with Air Canada.

Liquidity risk

Jazz's objective is to have sufficient liquidity to meet liabilities when due, as well as to maintain compliance with liquidity covenants on financing contracts. Jazz monitors its cash balances and cash flows generated from operations to meet requirements. As at March 31, 2008, the Partnership had authorized credit facilities of $150 million and drawings of $115 million, against the facilities. Letters of credit totalling approximately $2.8 million (March 31, 2007 - $1.9 million) have been issued as security for groundhandling and airport fee contracts, lease payments on rental space and certain employee benefits. The letters of credit are drawn against the unutilized balance of the credit facilities.

Currency risk

Jazz incurs revenue and expenses in US and Canadian currency, and as such, is subject to fluctuations as a result of foreign exchange rate variations. Jazz manages its exposure to currency risk by billing for its services within the CPA in the underlying currency related to the expenditure. As this natural hedging effectively matches the revenue and expenses per operational currency, Jazz management considers there to be little currency risk.

Asset Backed Commercial Paper

As at March 31, 2008, included in other assets is US dollar denominated, third-party sponsored, ABCP with an original cost of $5.8 million CDN. The ABCP had been classified as Held for Trading on initial recognition and is measured at fair value at each reporting date. The asset, which was set to mature on August 16, 2007, was not paid out due to liquidity problems experienced in the ABCP market. At this time, conduits are subject to a proposal which calls for the notes to be converted into floating rate notes which better matches the maturity with the duration of the underlying assets to address the liquidity problem. It is management's intention to hold these notes to maturity or until a suitable trading market develops.

Given the disruption in the third party sponsored ABCP market, a quoted market value of the investment is not available. Based on the Proposed Restructuring of the Canadian Third-Party Structured ABCP, dated March 20, 2008 prepared by the Pan-Canadian Investors Committee for Third-Party Structured ABCP, it has been determined that Jazz's ABCP investment is ineligible for inclusion in either of Master Asset Vehicles 1 or 2. As with other ineligible assets under the proposal, the investment will be restructured on an individual basis and will not be pooled with other ABCP; therefore, Jazz's investment will maintain exposure to the existing underlying assets. New floating rate notes will be issued with maturities and interest rates based on the respective maturities and interest rates of the underlying assets.

Management has reviewed available investment reports and found there have been no defaults of the underlying assets since inception of the trust and more than 91% of the portfolio's notional amount is rated 'investment grade'. Accordingly, management has used current market information and other factors as at March 31, 2008 to determine the fair value of the investment. This was done by analyzing potential outcomes and discounting the expected future cash flows according to the probability of recovery of principal and interest based on a maturity date in line with the expected conversion of the ABCP into the floating rate notes. Based on management's assessment of the value of its investment in ABCP, a fair value loss of $3.9 million has been recorded to date. This amount has been recorded in other non-operating expenses. This estimate is subject to measurement uncertainty and is dependent on the likelihood, nature and timing of the restructuring. There is no assurance that the value of the investment will not decline further, or that the restructuring will be successful. Therefore, the estimated value of the investment in ABCP may change in subsequent periods. There has been no impact on operations, financial covenants or ability to meet obligations as they come due. Jazz is not accruing interest on this investment.

The carrying value of this investment of $1.7 million is included in other assets.

The net foreign exchange loss recorded on the investment for the period ended March 31, 2008 was $0.3 million.

9. ECONOMIC DEPENDENCE

The CPA

The CPA consists of a number of variable components based on certain different metrics, including Block Hours flown and cycles (number of take-offs and landings), number of passengers and number of Covered Aircraft. The rates for these metrics are fixed for annual periods and vary by aircraft type. In addition, Air Canada is required to reimburse Jazz for certain pass-through costs, including fuel, de-icing, navigation, landing and terminal fees, station provisioning costs, station termination costs, passenger liability insurance and certain employee relocation costs. Since these costs are required to operate the Covered Aircraft, the reimbursement of these costs are included in Jazz's revenue. Jazz is also paid certain performance incentive payments on a quarterly basis related to on-time performance, controllable flight completion, baggage handling performance and other customer satisfaction criteria. The CPA is designed to earn Jazz a 14.09% operating margin, excluding incentive payments and pass-through cost reimbursement, on the CPA services provided to Air Canada. Effective January 1, 2006, the CPA has a term of ten years and is renewable for two additional periods of five years.

Master Services Agreement

Under the Master Services Agreement dated September 24, 2004, between Jazz and Air Canada, Air Canada provides certain services to Jazz for a fee. These services include Insurance and Tax Services, Corporate Real Estate Services, Environmental Affairs Services and Legal Services.

The Master Services Agreement will continue in effect until the termination or expiration of the CPA, but individual services can be terminated earlier in accordance with the terms of the Master Service Agreement.

Other

Air Canada provides certain supplies from third parties, primarily fuel to the Partnership and subsequently collects payment from the Partnership. As these transactions and balances merely represent a method of settlement for transactions in the normal course of business, they have not been separately disclosed. ACGHS Limited Partnership provides ground handling services to the Partnership.

Substantially all of the trade receivable from Air Canada relates to outstanding balances under the CPA. The balances in accounts payable and accrued liabilities are payable on normal trade terms and have arisen from the services provided by Air Canada.

Jazz has a significant amount of transactions with Air Canada and its subsidiaries Air Canada Capital Ltd. and ACGHS Limited Partnership. Air Canada represents 99.4% and 99.5% of Jazz's operating revenues for the quarters ended March 31, 2008 and 2007, respectively. Approximately 14.7% and 16.7% of Jazz's operating expenses for the quarters ended March 31, 2008 and 2007, respectively, are incurred with Air Canada and its subsidiaries.

10. PENSION PLANS

Projected pension funding obligations

The table below provides projections for Jazz's pension funding obligations from 2008 to 2012:

(expressed in thousands of Canadian dollars) (unaudited)	**2008** **$**	**2009** **$**	**2010** **$**	**2011** **$**	**2012** **$**
Current service registered plans	9,100	9,500	9,700	9,800	10,000
Past service registered plans	3,500	3,400	1,600	400	–
Other pension arrangements	7,200	7,500	7,600	7,700	7,900
Projected pension funding obligations	19,800	20,400	18,900	17,900	17,900

The estimated pension funding requirements shown in the above table are in respect of the defined benefit and defined contribution pension arrangements sponsored by Jazz. The funding requirements for the Jazz pilots' registered defined benefit pension plan are estimated based on the January 1, 2007 actuarial valuation and an estimate of the pilot payroll over the projected period. The estimated funding requirements for a defined benefit supplemental executive retirement plan that Jazz sponsors for eligible employees are based on a funding policy adopted by Jazz during 2007. New actuarial valuations for both of these plans are in the process of being prepared based on an actuarial valuation date of January 1, 2008 and will affect employer contributions. Changes in the economic conditions, mainly the investment returns generated by the plan assets and changes in interest rates will impact the financial position of these plans and, hence, future required contributions.

11. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates. The significant accounting policies of Jazz and the Fund are described in note 2 of the Jazz Air LP and Jazz Air Income Fund's March 31, 2008 unaudited interim consolidated financial statements.

12. ACCOUNTING POLICY CHANGES AND DEVELOPMENTS

Change in accounting policies

In the first quarter of 2008, the Fund and Jazz adopted four new Handbook Sections issued by CICA.

Financial instruments

Section 3862, *Financial Instruments – Disclosures*, modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation.* Where the disclosure requirements of this new standard have not been changed from the previous standard and have already been included in the annual financial statements, no additional disclosure has been provided.

Section 3863, *Financial Instruments – Presentation*, carries forward unchanged the presentation requirements of the previous Section 3861, *Financial Instruments – Disclosure and Presentation*.

These new standards require disclosures related to the significance of financial instruments on the Fund and Jazz's financial position and performance and the nature and extent of risk arising from financial instruments to which the Fund and Jazz are exposed and how they manage these risks.

Capital disclosures

Section 1535, *Capital Disclosures,* establishes disclosure requirements about the Fund and Jazz's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate their objectives, policies and processes for managing capital.

Inventories – Spare parts, material and supplies

Section 3031, *Inventories,* replaces the existing standard for inventories, Section 3030, and provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Fund and Jazz's accounting policy for inventories is consistent with measurement requirements, as they value spare parts, materials and supplies at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

13. FLEET

As at March 31, 2008, Jazz's operating fleet was made up of 137 operating aircraft, of which 73 were regional jets and 64 turboprop aircraft.

Jazz's operating fleet, at March 31, 2008, was as described below:

	Number of Operating Aircraft	Average Age of Operating Aircraft	Owned	Operating Lease	Capital Lease	Number of Operating Aircraft March 31, 2007
Canadair Regional Jet CRJ100	24	12.4	–	24	–	25
Canadair Regional Jet CRJ200	33	5.9	–	33	–	33
Canadair Regional Jet CRJ705	16	2.7	–	16	–	15
De Havilland DHC-8-300	28	17.9	19	2	7	26
De Havilland DHC-8-100	36	20.0	29	7	–	36
Total Operating Aircraft	137	12.8	48	82	7	135

All aircraft in Jazz's operating fleet as of March 31, 2008 are Covered Aircraft under the CPA except for two Dash 8-100 and two Dash 8-300 aircraft allocated for charter purposes.

14. PEOPLE

For the period ended March 31, 2008, Jazz had an average of 4,544 full time equivalent (FTE) employees compared to an average of 4,351 FTE employees for the same period in 2007. This reflects a 4.4% increase from the first three months of 2007, as shown in the table below:

	Union	For the three months ended March 31, 2008	For the three months ended March 31, 2007	Change	Change %
Pilots	ALPA	1,365	1,303	62	4.8
Technical Services	CAW	837	798	39	4.9
Customer Service Agents	CAW	736	710	26	3.7
Flight Attendants	Teamsters	761	750	11	1.5
Management	–	488	448	40	8.9
Administrative and Technical Support	–	271	262	9	3.4
Dispatchers	CALDA	55	52	3	5.8
Crew Scheduling	CAW	31	28	3	10.7
		4,544	4,351	193	4.4

Management carefully monitors growth and these employment increases are considered appropriate in comparison with capacity growth of 6.3% as measured by ASMs, for the three months ended March 31, 2008.

All collective agreements are in place until mid year 2009.

15. MATERIAL CHANGES

There have been no material changes to the information disclosed.

16. CONTROLS AND PROCEDURES

Disclosure controls and procedures and internal control over financial reporting

Disclosure controls and procedures within the Fund and Jazz have been designed to provide reasonable assurance that all relevant information is identified to its Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of the Fund and Jazz's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Fund and Jazz's 2007 restated MD&A dated February 19, 2008, contains a statement that the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO") have concluded that the Fund's disclosure controls and procedures are effective based upon an evaluation of these controls and procedures conducted at December 31, 2007.

The Fund filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators upon filing of the Fund's 2007 annual filings. In those filings, the CEO and CFO certify, as required by Multilateral Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Fund's disclosure controls and procedures and the design of internal control over financial reporting. The CEO and CFO also certify the appropriateness of the financial disclosures in the Fund's interim filings with the Canadian Securities Administrators. In those interim filings, the CEO and CFO also certify the design of the Fund's disclosure controls and procedures and the design of internal control over financial reporting.

There has been no change in the Fund or Jazz's internal control over financial reporting that occurred during the first quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Fund or Jazz's internal control over financial reporting.

The Audit, Finance and Risk Committee of the board of trustees of the Fund and the board of directors of Jazz GP reviewed this MD&A, and the unaudited interim consolidated financial statements of Jazz and the Fund for the three months ended March 31, 2008, and the Fund's board of trustees and Jazz GP's board of directors approved these documents prior to their release.

17. OUTLOOK

The discussion that follows represents forward-looking information. Refer to section 1.1 – Caution regarding forward-looking information.

Based on the 2008 summer schedule and the estimate for November and December received from Air Canada, which is subject to revisions, plus the first quarter billed Block Hours of 105,347, Jazz anticipates billing between 400,000 and 405,000 Block Hours for the year ending December 31, 2008.

Increased maintenance on the aging Jazz fleet is expected to result in an increase in salary and benefits for 2008. Management is also expecting the outsourcing of 11 aircraft heavy maintenance checks in 2008 in comparison to 7 aircraft heavy maintenance checks outsourced in 2007. In addition, heavy maintenance related overtime is expected to increase due to an arbitrated ruling with the CAW union group to permit outsourcing which increased the rates paid on certain types of maintenance overtime. These overtime rates are in effect up to the end of the second quarter of 2008 when the outsourced events are planned to be completed. Based on these increased maintenance costs, Jazz is anticipating to under-run the CPA target margin of 14.09%.

Management does not anticipate any changes to distributions.

18. RISK FACTORS

For a detailed description of the possible risk factors associated with Air Canada, Jazz, the industry, the structure of the Fund and current legal proceedings, refer to the Section entitled "Risk Factors" in Jazz Air Income Fund and Jazz Air LP's 2007 restated MD&A dated February 19, 2008. There have been no material changes to the risk factors disclosed at that time: