Jazz Air Income Fund
and
Jazz Air LP

Third Quarter 2008
Management's Discussion and Analysis
of Results of Operations and Financial Condition
For the Period Ended September 30, 2008

November 5, 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 November 5, 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 nine months ended September 30, 2008 and the accompanying unaudited interim consolidated financial statements of Jazz Air LP and the notes therein for the nine months ended September 30, 2008, the audited restated consolidated financial statements of Jazz Air Income Fund and the notes therein for the year ended December 31, 2007, the audited consolidated financial statements of Jazz Air LP and the notes therein for the year ended December 31, 2007, the restated MD&A dated February 19, 2008, and the Jazz Air Income Fund Annual Information Form dated March 28, 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 19 – Risk Factors.

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.*

Except where the context otherwise requires, all monetary amounts are stated in thousands of Canadian dollars.

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 relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and other uncertain events. Forward-looking statements, by their nature, are based on assumptions, including those described below, 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. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, energy prices, general industry, market and economic conditions, competition, insurance issues and costs, supply issues, war, terrorist attacks, epidemic diseases, 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, 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 in the Risk Factors section of the restated annual MD&A dated February 19, 2008, Annual Information Form dated March 28, 2008 and interim MD&A dated November 5, 2008. The forward-looking statements contained in this discussion represent Jazz's expectations as of November 5, 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 securities regulations.

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 CASM) – Controllable Cost per Available Seat Mile means Controllable Costs divided by 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) – Cost 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 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 10 – 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.

On May 28, 2008, ACE sold its remaining 11,726,920 units and, to the knowledge of the Fund, presently retains no ownership interest in the Fund.

2.2 Distribution policy

The Fund intends to make distributions of its available cash (based on distributions received indirectly from Jazz) to the holders of Units ("Unitholders") (refer to Section 1.1 – Caution regarding forward-looking information and Section 18 - Outlook). Any such distributions will be made to Unitholders of record on the last business day of each month, within 15 days of the end of each month, net of estimated cash amounts required for expenses and other obligations of the Fund, cash redemptions or repurchases of Units, and any tax liability. Distributions to the Unitholders declared amounted to $30.9 million for the three months ended September 30, 2008 ($30.9 million for the three months ended September 30, 2007) and $92.7 million for the nine months ended September 30, 2008 ($76.3 million for September 30, 2007), as follows:

(in thousands of Canadian dollars, except amount per unit) (unaudited)	September 30, 2008 Amount $	September 30, 2008 Amount per Unit $	September 30, 2007 Amount $	September 30, 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
April	10,296	0.0838	10,296	0.0838
May	10,296	0.0838	10,296	0.0838
June	10,296	0.0838	10,296	0.0838
July	10,296	0.0838	10,296	0.0838
August	10,296	0.0838	10,296	0.0838
September	10,296	0.0838	10,296	0.0838
	92,664	0.7542	76,315	0.7542

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 nine months ended September 30, 2008, no priority distributions were declared by Jazz, as no material operating expenses were incurred by the Fund. Priority distributions in the amount of $0.9 million declared in 2007 were paid to the Fund in the first quarter of 2008.

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 no material change for 2008 (refer to Section 1.1 – Caution regarding forward-looking information and Section 18 - Outlook).

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 September 30, 2008, and as at the date of this report, November 5, 2008, the Fund had 122,864,037 and 122,864,012 Units issued and outstanding, respectively, compared to 122,864,066 Units issued and outstanding at September 30, 2007.

Earnings per Unit

The Fund's basic and fully diluted earnings per Unit, before future income tax, amounted to $0.26 for the three months ended September 30, 2008 ($0.22 for the three months ended September 30, 2007) and $0.56 for the nine months ended September 30, 2008 ($0.66 for the nine months ended September 30, 2007).

The Fund's basic and fully diluted earnings per Unit, after future income tax, amounted to $0.26 for the three months ended September 30, 2008 ($0.22 for the three months ended September 30, 2007) and $0.63 for the nine months ended September 30, 2008 ($0.01 for the nine months ended September 30, 2007).

2.3 Off balance sheet arrangements and guarantees

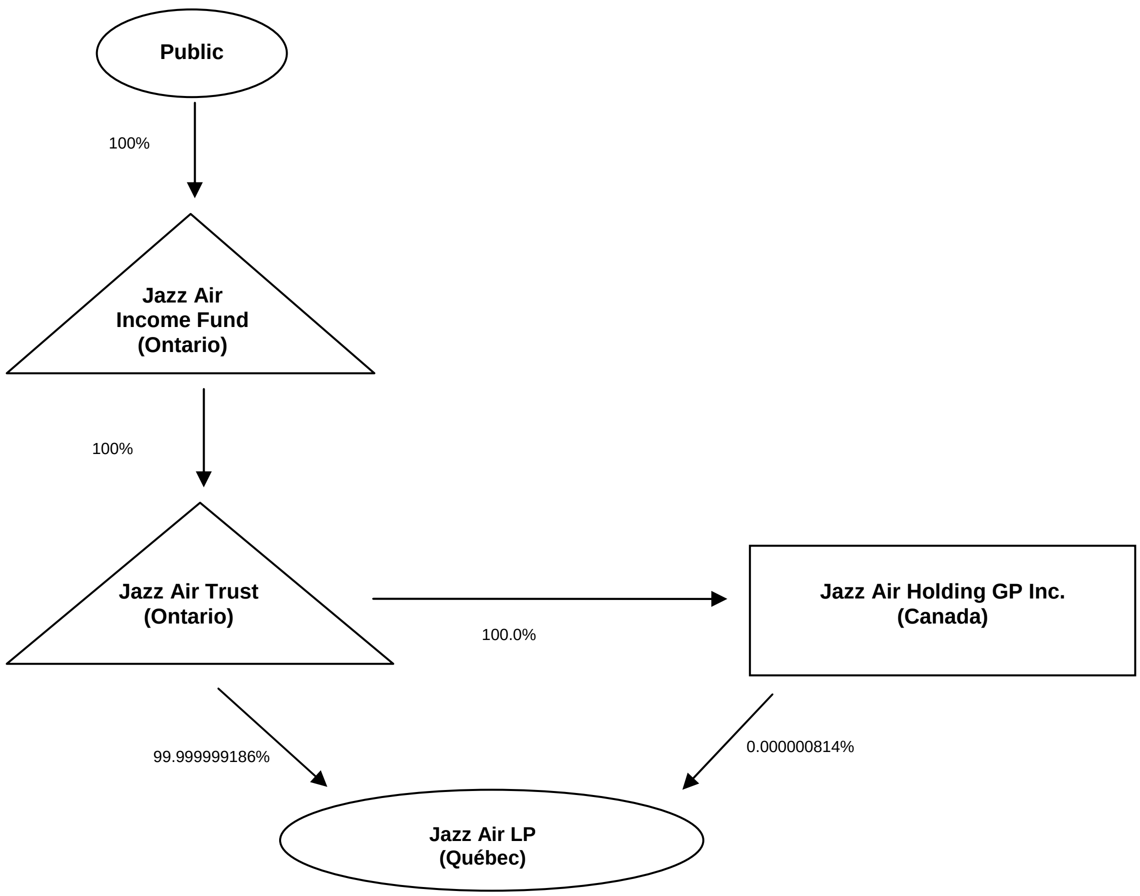
Credit Facilities made available to Jazz upon the closing of the Fund's initial public offering on February 2, 2006 ("IPO") by a syndicate of lenders are secured by a first priority security interest and hypothec over the present and after-acquired personal and certain real property of Jazz, subject 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. Any failure by the Fund to comply with the covenants contained in this agreement would constitute an event of default in respect of the Credit Facilities.

As at September 30, 2008, Jazz had authorized credit facilities of $150.0 million and drawings of $115.0 million against the facilities.

Letters of credit totalling approximately $3.2 million (December 31, 2007 - $2.7 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 September 30, 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 the CPA, pursuant to which Air Canada currently purchases substantially all of Jazz's fleet capacity based on predetermined rates. Under the CPA, 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 883 departures per weekday to 56 destinations in Canada, and 29 destinations in the United States, with an operating fleet of 133 Covered Aircraft as of September 30, 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. 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.

Pursuant to the terms of the CPA, Jazz and Air Canada agreed to re-set detailed rates (subject to the terms of the contract, including the controllable target margin requirements described generally in Section 10 – Economic Dependence) applicable to the period commencing on January 1, 2009 and ending on December 31, 2011. Negotiations regarding this rate re-set are in process.

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 (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, aircraft rotable parts and leasehold improvements.

3.2 Non-GAAP financial measures

Jazz uses certain non-GAAP financial measures, described below, 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 and 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 applicable 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 in respect of the payment of 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 to 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 September 30, 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 (refer to Section 1.1 – Caution regarding forward-looking information and Section 18 – Outlook). 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:

	Three months ended September 30,		Nine months ended September 30,	
(expressed in thousands of Canadian dollars) (unaudited)	2008 $	2007 $	2008 $	2007 $
Operating income	45,370	40,893	108,544	117,129
Depreciation and amortization	7,419	6,469	22,532	17,474
EBITDA	52,789	47,362	131,076	134,603
EBITDA margin (%) (1)	*12.1*	*12.3*	*10.5*	*12.0*
EBITDA	52,789	47,362	131,076	134,603
Non-operating income (expenses)	(3,116)	(1,186)	(8,625)	(1,573)
Maintenance capital expenditures (2)	(5,398)	(2,698)	(15,262)	(14,804)
Distributable cash	44,275	43,478	107,189	118,226
Distributions declared	30,888	30,888	92,664	92,664
Payout ratio (3)	69.8%	71.0%	86.4%	78.4%
Distributable cash (per proforma LP Unit) (4)	0.36	0.35	0.87	0.96
Distributions declared (per proforma LP Unit) (4)	0.25	0.25	0.75	0.75

(1) EBITDA margin is calculated as EBITDA divided by operating revenues.
(2) Refer to Section 8.3 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 September 30, 2008 $	Three months ended September 30, 2007 $	Nine months ended September 30, 2008 $	Nine months ended September 30, 2007 $
Cash flows from operating activities	49,006	54,154	123,287	139,421
Maintenance capital expenditures, net of gain on disposal	(5,398)	(2,688)	(15,254)	(14,788)
Standardized distributable cash	43,608	51,466	108,033	124,633
Change in non-cash operating working capital (1)	3,025	(6,648)	3,842	(5,065)
Amortization of prepaid aircraft rent and related fees (1)	(483)	(449)	(1,446)	(1,346)
Unit based compensation (1)	(725)	(614)	(2,304)	(1,543)
Funding of unit based compensation, net of forfeitures (1)	(284)	43	1,811	1,683
Foreign exchange gain (loss) (1)	(808)	157	(1,342)	283
Unrealized loss on Asset Backed Commercial Paper ("ABCP") (1)	-	(580)	(2,985)	(580)
Other (1)	(58)	103	1,580	161
Distributable cash	44,275	43,478	107,189	118,226
Distributions declared	30,888	30,888	92,664	92,664
Payout ratio – distributions declared/ standardized distributable cash	*70.8%*	*60.0%*	*85.8%*	*74.3%*
Payout ratio – distributions declared/ distributable cash	*69.8%*	*71.0%*	*86.4%*	*78.4%*

Cumulative – since IPO (2)	2008	2007
Standardized distributable cash	406,986	303,482
Distributable cash	384,414	244,169
Distributions declared	314,425	190,873
Standardized distributable cash payout ratio	*77.3%*	*62.9%*
Distributable cash payout ratio	*81.8%*	*78.2%*

(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 September 30, 2008	Nine months ended September 30, 2008	Year ended December 31, 2007	Period from February 2, 2006 to December 31, 2006 (1)
Cash flows from operating activities	49,006	123,287	143,767	202,297
Net income	42,254	99,919	150,654	129,639
Cash distributions declared relating to the period	30,888	92,664	123,552	98,209
Excess of cash flows from operating activities over cash distributions declared	18,118	30,623	20,215	104,088
Excess of net income over cash distributions declared	11,366	7,255	27,102	31,430
Payout ratios				
Distributions declared/cash flows from operating activities	63.0%	75.2%	85.9%	48.5%
Distributions declared/net income	73.1%	92.7%	82.0%	75.8%

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

4. QUARTERLY HIGHLIGHTS

Operating revenue of $437.4 million and $1,243.6 million for the three and nine months ended September 30, 2008, an increase of 14.0% and 10.7%, respectively, over the same periods in 2007.

Operating income of $45.4 million and $108.5 million for the three and nine months ended September 30, 2008, compared to $40.9 million and $117.1 million for the same periods in 2007, an increase of 10.9% and a decrease of 7.3%, respectively.

EBITDA of $52.8 million and $131.1 million for the three and nine months ended September 30, 2008, an increase of $5.4 million or 11.4%; and a decrease of $3.5 million or 2.6%, respectively, over the same periods in 2007.

Distributable cash of $44.3 million and $107.2 million for the three and nine months ended September 30, 2008, compared to $43.5 million and $118.2 million for the same periods in 2007, an increase of $0.8 million and a decrease of $11.0 million, respectively.

Controllable Cost per Available Seat Mile (Controllable CASM) of 13.54¢ and 14.21¢ for the three and nine months ended September 30, 2008, compared to 12.88¢ and 13.64¢ for the same periods in 2007, an increase of 5.1% and 4.2%, respectively.

5. RESULTS OF OPERATIONS – THIRD QUARTER ANALYSIS

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

(expressed in thousands of Canadian dollars, except earnings per unit) (unaudited)	For the three months ended September 30, 2008 $	For the three months ended September 30, 2007 $	Change $	Change %
Operating revenue	437,439	383,774	53,665	14.0
Operating expenses				
Salaries, wages and benefits	85,951	85,262	689	0.8
Aircraft fuel	132,325	84,784	47,541	56.1
Depreciation and amortization	7,419	6,469	950	14.7
Aircraft maintenance	32,201	32,225	(24)	(0.1)
Airport and navigation fees	52,652	52,595	57	0.1
Aircraft rent	31,438	30,822	616	2.0
Terminal handling	21,263	21,956	(693)	(3.2)
Other	28,820	28,768	52	0.2
Total operating expenses	392,069	342,881	49,188	14.3
Operating income	45,370	40,893	4,477	10.9
Non-operating income (expenses)				
Net interest expense	(1,235)	(380)	(855)	(225.0)
Gain on disposal of property and equipment	-	10	(10)	(100.0)
Foreign exchange loss	(1,881)	(236)	(1,645)	(697.0)
Unrealized loss on Asset Backed Commercial Paper	-	(580)	580	100.0
	(3,116)	(1,186)	(1,930)	(162.7)
Net income for the periods	42,254	39,707	2,547	6.4
Earnings per Unit, basic and fully diluted	0.35	0.33	0.02	6.1

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

For the third quarter of 2008, Jazz reported operating income of $45.4 million, an increase of $4.5 million compared to $40.9 million recorded in the third quarter of 2007. EBITDA was $52.8 million in the third quarter of 2008 compared to $47.4 million in the third quarter of 2007, an increase of $5.4 million or 11.4% (refer to "Non-GAAP Financial Measures" in section 3.2).

In the third quarter of 2008, total operating revenue increased by $53.7 million or 14.0%, as compared to the third quarter of 2007, which primarily reflects an increase in fuel costs. Fuel costs are pass-through costs under the CPA and therefore also recorded as revenue.

Operating expenses increased by $49.2 million or 14.3%, compared to the third quarter of 2007. Pass-through costs represented $45.5 million or 92.5% of the total increase in operating costs. Pass-through costs rose primarily as a result of the continuing rise in fuel prices. Controllable Costs (includes costs related to operations not covered under the CPA) represented $3.7 million or 7.5% of the total increase in operating costs, which rose primarily as a result of increased costs related to depreciation, salaries, wages and benefits and other expenses.

In the third quarter of 2008, non-operating expenses amounted to $3.1 million, an increase of $1.9 million from the third quarter 2007. The change is mainly attributable to increased net interest expense resulting from lower interest income and a foreign exchange loss arising as a result of the reduction in value of the Canadian dollar relative to the US dollar.

Net income for the third quarter of 2008 was $42.3 million compared to $39.7 million recorded in the third quarter of 2007, an increase of $2.5 million.

5.2 Revenue performance – Third Quarter 2008 versus Third Quarter 2007

Operating Revenue

Operating revenue increased from $383.8 million in the third quarter of 2007 to $437.4 million in the third quarter of 2008, representing an increase of 14.0%. The increase in revenue can be primarily attributed to a $45.5 million increase in pass-through costs under the CPA.

For the three-month period ended September 30, 2008, performance incentives payable by Air Canada to Jazz under the CPA amounted to $4.1 million or 1.7% of Jazz's Scheduled Flights Revenue. For the same period in 2007, performance incentives under the CPA amounted to $5.0 million or 2.1% of Jazz's Scheduled Flights Revenue.

Other revenue increased from $2.7 million in the third quarter of 2007 to $4.1 million in the third quarter of 2008. Other revenue is earned from charter flights and other sources such as groundhandling services.

Key statistical information is as follows:

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	Variance (absolute)	Variance (%)
Number of Departures for the Period Ended	75,818	75,663	155	0.2
Block Hours for the Period Ended	104,728	106,184	(1,456)	(1.4)
Billable Block Hours	106,325	106,634	(309)	(0.3)
Sector Passengers	2,549,724	2,592,415	(42,691)	(1.6)
Revenue Passenger Miles (RPMs) (000's)	1,074,929	1,164,504	(89,575)	(7.7)
Available Seat Miles (ASMs) (000's)	1,502,652	1,550,787	(48,135)	(3.1)
Passenger Load Factor (%)	71.5	75.1	(3.6)	(4.8)
Total Operating Expenses ($000's)	392,069	342,881	49,188	14.3
Cost per Available Seat Mile (CASM) (¢)	26.09	22.11	3.98	18.0
Cost per Available Seat Mile Excluding Aircraft Fuel (¢)	17.29	16.64	0.65	3.9
Controllable Cost per Available Seat Mile (¢)	13.54	12.88	0.66	5.1
Number of Operating Aircraft (end of period) [1]	137	134	3	2.2

(1) Refer to Section 14 – Fleet.

5.3 Cost performance – Third Quarter 2008 versus Third Quarter 2007

Operating Expenses

Total operating expenses increased from $342.9 million in the third quarter of 2007 to $392.1 million in the third quarter of 2008, an increase of $49.2 million or 14.3%. For the third quarter of 2008, compared to the third quarter of 2007:

- salaries, wages and benefits increased by $0.7 million due to: increased maintenance FTE's necessary to support the ongoing heavy maintenance requirements, wage and scale increases under collective agreements and additional FTE's in other areas;
- aircraft fuel costs increased by $47.5 million due to an increase of $51.5 million in fuel price, as the base price for jet fuel has risen versus 2007, offset by a $4.0 million decrease in fuel usage related to Block Hours and various fuel consumption reduction initiatives;
- depreciation and amortization expense increased by $1.0 million due to increased capital expenditures on flight and ground equipment, the entering into of new capital leases, and a change in accounting estimate implemented during the second quarter of 2008 for aircraft and certain flight equipment;
- aircraft maintenance expense remained in line with the third quarter of 2007 as a result of a decrease in maintenance material cost related to heavy checks of $0.2 million and a decrease in Block Hours flown of $0.7 million, offset by an increase of $0.9 million in other maintenance expenses;
- airport and navigational fees increased by $0.1 million due to an increase in airport fees for $1.0 million as a result of a general rate increase and changes in aircraft deployment, offset by a decrease in navigational fees for $0.9 million as a result of increased transborder flying, as well as changes in aircraft deployment;
- aircraft rent increased by $0.6 million mainly due to the addition of one CRJ705 and two new charter aircraft, offset by lower US dollar exchange rates and new lease arrangements with respect to certain aircraft;
- terminal handling costs decreased by $0.7 million due to a decrease in de-icing costs of $0.6 million and a $0.1 million rate decrease as a result of changes in aircraft deployment by station; and
- other expenses increased by $0.1 million due to an increase in other general overhead expenses of $0.3 million, offset by a decrease in travel and training in pilot and maintenance areas of $0.2 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; 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 costs 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 September 30, 2008 $	For the three months ended September 30, 2007 $	Change $	Change %
Pass-through cost items				
Fuel	131,277	84,734	46,543	54.9
Navigational fees	19,885	20,888	(1,003)	(4.8)
Airport user fees	32,589	31,690	899	2.8
De-icing (1)	367	926	(559)	(60.4)
Terminal handling (1)	2,265	2,932	(667)	(22.7)
Other (2)	2,278	1,982	296	14.9
Total pass-through costs	188,661	143,152	45,509	31.8
Controllable Cost items				
Salaries, wages and benefits	85,951	85,262	689	0.8
Aircraft maintenance, materials and supplies	32,201	32,225	(24)	(0.1)
Aircraft rent and other ownership costs	31,438	30,822	616	2.0
Terminal handling services (1)	18,631	18,098	533	2.9
Depreciation	7,419	6,469	950	14.7
Other (2)	27,768	26,853	915	3.4
Total Controllable Costs (3)	203,408	199,729	3,679	1.8
Total Operating Costs	392,069	342,881	49,188	14.3

(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 costs.

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

(in thousands of Canadian dollars) (unaudited)	For the three months ended September 30, 2008 Revenue $	Expenses $	Operating Margin $	Operating Margin %	For the three months ended September 30, 2007 Revenue $	Expenses $	Operating Margin $	Operating Margin %
CPA	240,532	200,375	40,157	16.7	232,977	198,192	34,785	14.9
Pass-throughs	188,661	188,661	-	-	143,152	143,152	-	-
Incentives	4,141	-	4,141	100.0	4,979	-	4,979	100.0
Other	4,105	3,033	1,072	26.1	2,666	1,537	1,129	42.3
	437,439	392,069	45,370	10.4	383,774	342,881	40,893	10.7

The Controllable Adjusted Actual Margin for the third quarter of 2008 was 16.70%, which is greater than the target margin as established under the CPA of 14.09% (refer to Section 10 – Economic Dependence) by 261 basis points, or approximately $6.3 million. This compares to the third quarter of 2007 Controllable Adjusted Actual Margin of 14.93%, which was approximately $2.0 million greater than the target margin of 14.09%.

CPA revenue for the third quarter of 2008 increased by 3.2% compared to the third quarter of 2007 as a result of: no margin adjustment recorded in the quarter due to the year-to-date 2008 performance being below the target margin of 14.09%; annual rate increases made pursuant to the CPA; and a change in the fleet mix due to the addition of one CRJ705 in the fourth quarter of 2007. This generated approximately $7.6 million in incremental revenue, quarter-over-quarter, based on the same level of Billable Block Hours. CPA Controllable Costs increased by 1.1%, or $2.2 million as a result of increases in all controllable cost expenses (refer to Section 5.3 for discussion on quarter-over-quarter changes in operating expenses). The CPA revenue growth outpaced the CPA controllable cost growth, quarter-over-quarter, which generated an extra $5.4 million in the Controllable Adjusted Actual Margin

During the third quarter, Jazz earned 73% of the incentives available under the CPA, or $4.1 million, versus last year's incentives of 91% or $5.0 million. Incentives earned in the third quarter of 2008 were lower, primarily as a result of the consequential impact of inclement weather conditions leading to lower on-time performance, as compared to the same period in 2007.

The margin on other revenue was earned from charter flights and other sources such as ground handling services.

6. RESULTS OF OPERATIONS – YEAR-TO-DATE ANALYSIS

The following table compares the results of operations of Jazz for the nine months ended September 30, 2008 to the nine months ended September 30, 2007.

(expressed in thousands of Canadian dollars, except earnings per unit) (unaudited)	For the nine months ended September 30, 2008 $	For the nine months ended September 30, 2007 $	Change $	Change %
Operating revenue	1,243,605	1,123,270	120,335	10.7
Operating expenses				
Salaries, wages and benefits	261,998	252,635	9,363	3.7
Aircraft fuel	340,752	237,028	103,724	43.8
Depreciation and amortization	22,532	17,474	5,058	28.9
Aircraft maintenance	99,059	89,561	9,498	10.6
Airport and navigation fees	151,469	149,563	1,906	1.3
Aircraft rent	91,302	98,282	(6,980)	(7.1)
Terminal handling	76,669	74,392	2,277	3.1
Other	91,280	87,206	4,074	4.7
Total operating expenses	1,135,061	1,006,141	128,920	12.8
Operating income	108,544	117,129	(8,585)	(7.3)
Non-operating income (expenses)				
Net interest expense	(3,193)	(1,094)	(2,099)	(191.9)
Gain on disposal of property and equipment	8	16	(8)	(50.0)
Foreign exchange gain (loss)	(2,455)	85	(2,540)	(2,988.2)
Unrealized loss on Asset Backed Commercial Paper	(2,985)	(580)	(2,405)	(414.7)
	(8,625)	(1,573)	(7,052)	(448.3)
Net income for the period	99,919	115,556	(15,637)	(13.5)
Earnings per Unit, basic and fully diluted	0.82	0.94	(0.12)	(12.8)

6.1 Comparison of results – Year-to-date 2008 versus Year-to-date 2007

For the first three quarters of 2008, Jazz reported operating income of $108.5 million, a decrease of $8.6 million compared to $117.1 million recorded in the first three quarters of 2007. EBITDA was $131.1 million in the first three quarters of 2008 compared to $134.6 million in the first three quarters of 2007, a decrease of $3.5 million or 2.6% (refer to “Non-GAAP Financial Measures” in section 3.2).

In the first three quarters of 2008, total operating revenue was up $120.3 million or 10.7%, as compared to the same period in 2007, which reflects a 1.5% increase in the Block Hours flown over the same period in 2007 and an increase in pass-through costs, including fuel costs, which under the CPA are recorded as revenue.

Operating expenses increased by $128.9 million or 12.8% compared to the first three quarters of 2007. Pass-through costs represented $105.0 million or 81.5% of the total increase in operating costs. Pass-through costs rose primarily as a result of the continuing rise in fuel prices and increased de-icing costs due to inclement weather conditions. Controllable Costs (includes costs related to operations not covered under the CPA) represented $23.9 million or 18.5% of the total increase in operating costs, which rose primarily as a result of increased costs related to aircraft maintenance, depreciation, salaries, wages and benefits and other expenses.

Non-operating expenses were $8.6 million in the first three quarters of 2008, an increase of $7.1 million as compared to the first three quarters of 2007. The change is mainly attributable to increased net interest expense resulting from lower interest income; a foreign exchange loss arising as a result of the reduction in value of the Canadian dollar relative to the US dollar; and a $3.0 million fair value adjustment related to ABCP (refer to Section 9 – Financial Instruments and Risk Management).

Net income for the first three quarters of 2008 was $99.9 million compared to $115.6 million recorded in the first three quarters of 2007, a decrease of $15.6 million.

6.2 Revenue performance – Year-to-date 2008 versus Year-to-date 2007

Operating Revenue

Operating revenue increased from $1,123.3 million in the first three quarters of 2007 to $1,243.6 million in the first three quarters of 2008, representing an increase of 10.7%. The increase in revenues can be primarily attributed to a 1.5% increase in Block Hours flown and a $105.0 million increase in pass-through costs.

For the first three quarters of 2008, performance incentives payable by Air Canada to Jazz under the CPA amounted to $12.0 million or 1.7% of Jazz's Scheduled Flights Revenue. For the same period in 2007, performance incentives payable by Air Canada to Jazz amounted to $12.7 million or 1.8% of Jazz's Scheduled Flights Revenue.

Other revenue increased from $6.9 million in the first three quarters of 2007 to $9.7 million in the first three quarters of 2008. Other revenue is earned from charter flights and other sources such as groundhandling services.

Key statistical information is as follows:

	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007	Variance (absolute)	Variance (%)
Number of Departures for the Period Ended	219,268	214,690	4,578	2.1
Block Hours for the Period Ended	305,911	301,330	4,581	1.5
Billable Block Hours	312,532	304,663	7,869	2.6
Sector Passengers	7,473,645	7,337,743	135,902	1.9
Revenue Passenger Miles (RPMs) (000's)	3,166,060	3,240,469	(74,409)	(2.3)
Available Seat Miles (ASMs) (000's)	4,337,970	4,341,788	(3,818)	(0.1)
Passenger Load Factor (%)	73.0	74.6	(1.6)	(2.1)
Total Operating Expenses ($000's)	1,135,061	1,006,141	128,920	12.8
Cost per Available Seat Mile (CASM) (¢)	26.17	23.17	3.00	12.9
Cost per Available Seat Mile Excluding Aircraft Fuel (¢)	18.31	17.71	0.60	3.4
Controllable Cost Per Available Seat Mile (¢)	14.21	13.64	0.57	4.2
Number of Operating Aircraft (end of period) (1)	137	134	3	2.2

(1) Refer to Section 14 - Fleet

6.3 Cost performance – Year-to-date 2008 versus Year-to-date 2007

Operating Expenses

Total operating expenses increased from $1,006.1 million in the first three quarters of 2007 to $1,135.1 million in the same period in 2007, an increase of 12.8%. For the first three quarters of 2008, compared to the first three quarters of 2007:

- salaries, wages and benefits increased by $9.4 million due to: increased maintenance FTE's and additional overtime necessary to support the ongoing heavy maintenance programs for $3.7 million; additional FTE's related to flight operations and inflight to support increased Block Hours for $3.5 million; and wage and scale increases under collective agreements and additional FTE's in other areas for $2.2 million;

- aircraft fuel costs increased by $103.7 million due to an increase of $107.6 million in fuel price, as the base price for jet fuel has risen versus 2007 and a $2.6 million increase in fuel usage related to Block Hour increases offset by reduced fuel burn of $6.5 million due to consumption reduction initiatives;

- depreciation and amortization expense increased by $5.1 million due to increased capital expenditures on flight and ground equipment, the entering into of new capital leases, and a change in accounting estimate implemented during the second quarter of 2008 for aircraft and certain flight equipment;

- aircraft maintenance increased by $9.5 million as a result of: an increase in maintenance material cost related to heavy checks for $4.5 million; increased heavy maintenance outsourcing for $2.8 million; an increase in Block Hours flown for $1.3 million; other unplanned events to engines for $1.0 million; and $1.8 million in other maintenance expenses; offset by a reduction in a valuation provision for Dash 8 rotable inventory for $1.9 million;

- airport and navigational fees increased by $1.9 million due to an increase in airport fees for $3.5 million as a result of a general rate increase and changes in aircraft deployment, offset by a decrease in navigational fees for $1.6 million as a result of increased transborder flying as well as changes in aircraft deployment;

- aircraft rent decreased by approximately $7.0 million mainly due to lower US dollar exchange rates and new lease arrangements with respect to certain aircraft, offset by the addition of one CRJ705 and two charter aircraft;

- terminal handling costs increased by $2.3 million due primarily to an increase in de-icing costs for $2.5 million, offset by $0.2 million as a result of changes in aircraft deployment by station; and

- other expenses increased by $4.1 million due to increased training in pilot and maintenance areas for $1.2 million, and an increase in other general overhead expenses for $2.9 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; 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 costs 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 nine months ended September 30, 2008 $	For the nine months ended September 30, 2007 $	Change $	Change %
Pass-through cost items				
Fuel	338,777	236,818	101,959	43.1
Navigational fees	58,030	59,825	(1,795)	(3.0)
Airport user fees	93,218	89,687	3,531	3.9
De-icing (1)	14,032	11,573	2,459	21.2
Terminal handling (1)	7,739	7,967	(228)	(2.9)
Other (2)	6,897	7,843	(946)	(12.1)
Total pass-through costs	518,693	413,713	104,980	25.4
Controllable cost items				
Salaries, wages and benefits	261,998	252,635	9,363	3.7
Aircraft maintenance, materials and supplies	99,059	89,561	9,498	10.6
Aircraft rent and other ownership costs	91,302	98,282	(6,980)	(7.1)
Terminal handling services (1)	54,898	54,852	46	0.1
Depreciation	22,532	17,474	5,058	28.9
Other (2)	86,579	79,624	6,955	8.7
Total Controllable Costs (3)	616,368	592,428	23,940	4.0
Total Operating Costs	1,135,061	1,006,141	128,920	12.8

(1) Included in terminal handling – refer to Section 6 Results of Operations
(2) Included in other – refer to Section 6 Results of Operations
(3) Included costs relating to operations that were not covered under the CPA, such as charter costs

6.4 Operating margin performance – Year to date 2008 versus Year to date 2007

(in thousands of Canadian dollars) (unaudited)	For the nine months ended September 30, 2008 Revenue $	Expenses $	Operating Margin $	Operating Margin %	For the nine months ended September 30, 2007 Revenue $	Expenses $	Operating Margin $	Operating Margin %
CPA	703,193	608,843	94,350	13.4	689,896	588,699	101,197	14.7
Pass-throughs	518,693	518,693	-	-	413,712	413,712	-	-
Incentives	12,029	-	12,029	100.0	12,714	-	12,714	100.0
Other	9,690	7,525	2,165	22.3	6,948	3,730	3,218	46.3
	1,243,605	1,135,061	108,544	8.7	1,123,270	1,006,141	117,129	10.4

The Controllable Adjusted Actual Margin for the first three quarters of 2008 was 13.42%, which is less than the target margin, as established under the CPA of 14.09% (refer to Section 10 – Economic Dependence) by 67 basis points, or approximately $4.7 million. This compares to the first three quarters of 2007 Controllable Adjusted Actual Margin of 14.67%, which was approximately $4.0 million greater than the target margin of 14.09%.

CPA revenue for the first three quarters of 2008 increased by 1.9%, compared to the first three quarters of 2007, as a result of: no margin adjustment recorded due to the year-to-date 2008 performance being below the target margin of 14.09%; annual rate increases made pursuant to the CPA; increased Billable Block Hours; and a change in the fleet mix due to the addition of one CRJ705 in the fourth quarter of 2007; offset by a lower US dollar exchange rate. This generated approximately $13.3 million in incremental revenue, period-over-period. CPA Controllable Costs increased by 3.4%, or $20.1 million as a result of increases in controllable cost expenses (refer to Section 6.3 for discussion on period-over-period change in operating expenses). The CPA controllable cost growth outpaced the CPA revenue growth, period-over-period, which generated a decrease of $6.8 million in the Controllable Adjusted Actual Margin.

During the first three quarters of the year, Jazz earned 72% of the incentives available under the CPA or $12.0 million versus last year's incentives of 78% or $12.7 million. Incentives earned in 2008 are lower, primarily as a result of the consequential impact of inclement weather conditions leading to lower on-time performance, as compared to the same period in 2007.

The margin on other revenue was earned from charter flights and other sources such as ground handling services.

7. QUARTERLY FINANCIAL DATA

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

(unaudited)	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008
Operating revenue ($000)	351,853	364,176	375,320	383,774	372,119	396,361	409,805	437,439
Operating expenses ($000)	319,140	327,841	335,419	342,881	336,089	362,004	380,988	392,069
Operating income ($000)	32,713	36,335	39,901	40,893	36,030	34,357	28,817	45,370
Total non-operating income (expense) ($000)	(791)	(1,036)	649	(1,186)	(932)	(4,091)	(1,418)	(3,116)
Net income ($000)	31,922	35,299	40,550	39,707	35,098	30,266	27,399	42,254
Net income per unit ($) (1)	0.26	0.29	0.33	0.33	0.29	0.25	0.22	0.34
Billable Block Hours	97,921	97,711	100,318	106,634	102,158	105,347	100,860	106,325
Revenue Passenger Miles (000's)	981,799	978,044	1,097,921	1,164,504	1,025,108	1,045,289	1,045,842	1,074,929
Available Seat Miles (000's)	1,358,765	1,327,937	1,463,064	1,550,787	1,398,828	1,412,000	1,423,318	1,502,652
Passenger Load Factor (%)	72.3	73.7	75.0	75.1	73.3	74.0	73.5	71.5
Cost per Available Seat Mile (CASM) (¢)	23.49	24.69	22.93	22.11	24.03	25.64	26.77	26.09
CASM, excluding fuel expense (¢)	18.39	19.36	17.36	16.64	18.06	19.04	18.67	17.29
Controllable CASM (¢)	14.26	14.82	13.39	12.88	13.80	14.44	14.68	13.54
Controllable Adjusted Actual Margin (%)	13.0	14.1	14.9	14.9	14.1	12.9	10.5	16.7
EBITDA ($000)	38,050	41,688	45,553	47,362	42,863	41,406	36,881	52,789
Distributable Cash ($000)	30,264	33,616	41,132	43,478	33,056	32,851	30,063	44,275

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

8. 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 September 30, 2008 $	2007 $	Nine months ended September 30, 2008 $	2007 $
Cash provided by operating activities	49,006	54,154	123,287	139,421
Cash used in financing activities	(31,444)	(31,109)	(95,187)	(95,302)
Cash used in investing activities	(5,398)	(8,504)	(15,044)	(20,394)
Net change in cash and cash equivalents during the periods	12,164	14,541	13,056	23,725
Cash and cash equivalents - Beginning of periods	123,673	144,049	122,781	134,865
Cash and cash equivalents - End of periods	135,837	158,590	135,837	158,590

8.1 Cash provided by operating activities

Jazz continued to deliver positive cash flows from operations of $49.0 million and $123.3 million for the third quarter and first three quarters of 2008, compared to $54.2 million and $139.4 million for the same periods in 2007. The decrease for the quarter primarily relates to an increase in accounts receivable and prepaid expenses. The decrease for the first three quarters of 2008 primarily relates to a decrease in net income.

8.2 Cash used in financing activities

Cash used in financing activities for the third quarter and first three quarters of 2008 includes distributions to the holders of LP Units of Jazz of $30.9 million and $92.7 million, respectively, a priority distribution of $0.9 million to the Fund declared in 2007 and paid during the 2008 period; and $0.6 million and $1.6 million, respectively, for repayment of obligations under capital leases.

Cash used in financing activities for the third quarter and the first three quarters of 2007 included distributions to the holders of LP Units of Jazz of $30.9 million and $94.9 million, respectively, and $0.2 and $0.3 million, respectively in respect of the repayment of obligations under capital leases.

8.3 Cash used in investing activities

Third quarter and first three quarters of 2008 investing activities included capital expenditures of $5.4 million and $15.3 million, respectively. Capital expenditures consisted of capital investments in maintenance information system replacement, replenishment of aircraft rotable parts to support the operational fleet, and other purchases to support the ongoing operations. Cash provided by investing activities included the collection of a long-term receivable of $0.2 million.

Third quarter and first three quarters of 2007 investing activities included capital expenditures of $2.7 million and $14.8 million, respectively. Capital expenditures consisted of capital investments in the areas of information systems infrastructure, maintenance information system replacement, and cockpit standardization on the CRJ100 fleet. Other amounts used in investing activities included $5.8 million that related to ABCP (refer to Section 9 - Financial Instruments and Risk Management). Cash provided by investing activities included a collection of long-term receivable of $0.2 million.

8.4 Liquidity and capital resources

(expressed in thousands of Canadian dollars) (unaudited)	September 30, 2008 $	December 31, 2007 $
Cash and cash equivalents	135,837	122,781
Total assets	536,765	518,502
Total long-term liabilities	190,779	191,382

Assets increased from December 31, 2007 as a result of an increase in accounts receivable and the acquisition of spare parts and materials necessary to support the operational fleet, offset by a fair value adjustment related to the ABCP (refer to Section 9 – Financial Instruments and Risk Management). Long-term liabilities decreased as a result of a decrease in obligations under capital leases and a reduction in deferred operating lease inducements and pension liabilities; offset by an increase in post-employment future benefits assumed on inception of the Partnership, but only recorded in respect of the second quarter of 2008.

8.5 Debt and lease obligations

The table below provides for Jazz's principal cash debt payments and future minimum lease payments under operating leases for flight equipment and base facilities that have initial or remaining non-cancellable terms in excess of one year for the remainder of 2008 through to 2012 and thereafter.

(expressed in thousands of Canadian dollars) (unaudited)	Payments Due by Period						
	Total $	2008 $	2009 $	2010 $	2011 $	2012 $	After 5 years $
Term credit Facility	115,000	–	–	115,000	–	–	–
Capital leases	28,226	1,050	4,199	4,199	4,170	3,819	10,789
Operating leases Air Canada and its subsidiaries (1)	1,172,823	32,698	127,403	104,944	89,528	86,482	731,768
Operating leases Other third parties	73,640	3,787	12,640	10,937	5,811	4,705	35,760
	1,389,689	37,535	144,242	235,080	99,509	95,006	778,317

(1) Certain of the aircraft lease agreements have been entered into by Air Canada Capital Ltd. or Air Canada with head lessors and subleased to Jazz. These leases have been disclosed as "Air Canada and its subsidiaries" leases above. For further discussion, refer to Section 10 – Economic Dependence.
(2) A significant portion of the lease payments is payable in U.S. dollars.

The debt facilities contain various financial covenants outlined as follows:

Ratio	Result
Leverage (Debt / EBITDA)	In compliance
Interest coverage (EBITDA / 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 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

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 monitors risk levels and reviews risk management activities as they determine to be 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. Jazz entered into an interest rate swap agreement with third parties in respect of $115.0 million of debt which has effectively resulted in a fixed interest rate of 7.09% until February 2, 2009. If Jazz had settled these contracts at September 30, 2008, a payment of $0.5 million (by Jazz) would have resulted.

In the first quarter of 2008, Jazz entered into a second interest swap agreement with a third party in respect of $57.5 million of debt. 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. If Jazz had settled these contracts at September 30, 2008, a payment of $0.2 million (by Jazz) would have resulted.

In the third quarter of 2008, Jazz entered into a third interest swap agreement with a third party in respect of $57.5 million of debt. This swap becomes effective February 2, 2009 and effectively results in a fixed interest rate of 5.73% for the related portion of the credit facility extension, maturing on February 1, 2010. If Jazz had settled these contracts at September 30, 2008, it would have received a payment of $0.1 million.

Market risk

The ABCP is marked-to-market at each period end and is therefore subject to market fluctuations (see discussion on Asset Backed Commercial Paper below).

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, term deposits of Schedule 1 banks and commercial paper rated R-1 high. The credit risk on cash and cash equivalents is limited because the counter-parties are governments, banks and corporations 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 $89.9 million is net of allowances for bad debts, estimated by management based on prior experience and their assessment of the current economic environment. Approximately 90% 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 September 30, 2008, the Partnership had authorized credit facilities of $150.0 million and drawings of $115.0 million, against the facilities. Letters of credit totalling approximately $3.2 million (December 31, 2007 - $2.7 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 receives revenue and incurs 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. The primary exposure results from balance sheet fluctuations of US denominated cash, accounts receivable, accounts payable, and obligations under capital leases. Jazz minimizes its currency risk by maintaining a balance of US dollars which is used to pay down US denominated liabilities and replenishes the balance through US denominated revenues.

Asset Backed Commercial Paper

As at September 30, 2008, included in other assets is US dollar denominated, third-party sponsored, asset backed commercial paper ("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 that better match the maturity of that debt 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 (the "Plan"), which was approved June 5, 2008 by the Ontario Superior Court of Justice and subsequently the Ontario Court of Appeal, it has been determined that Jazz's ABCP investment is ineligible for inclusion in either of Master Asset Vehicles 1 or 2 that are described in the Plan. Jazz, along with the other similarly affected creditors, made an application to the Supreme Court of Canada for leave to appeal the Ontario Court of Appeal decision. The application was denied by the Supreme Court of Canada. As with other ineligible assets, Jazz's 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.

Management has reviewed available investment reports and found there has been one default of the underlying assets since inception of the trust, which represents 0.27% of the total trust value, and more than 81% of the portfolio's notional amount is rated 'investment grade'. Accordingly, management has used current market information and other factors at September 30, 2008 to estimate 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 that is in line with the expected conversion of the ABCP into the floating rate notes. It has been determined that no additional adjustment to fair value is required at this time as there has been insignificant changes in the expected recovery of the assets and in the discount rates used in the present value calculation. 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; therefore, the estimated value of the investment in ABCP may change in subsequent periods. This situation has had no impact on Jazz's 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 $1.8 million is included in other assets.

The net foreign exchange loss recorded on the investment, since inception, to the period ended September 30, 2008 was $0.2 million.

10. 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. Rates under the CPA have been established so as to achieve a controllable target margin of 14.09% for Jazz, 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.

Pursuant to the terms of the CPA, Jazz and Air Canada agreed to re-set detailed rates (subject to the terms of the contract, including the controllable target margin requirements specified above) applicable to the period commencing on January 1, 2009 and ending on December 31, 2011. Negotiations regarding this rate re-set are in process.

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 Jazz and subsequently collects payment from Jazz. 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 Jazz.

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 represented 99.0% and 99.1% of Jazz's operating revenues for the quarters ended September 30, 2008 and 2007, respectively. Approximately 12.0% and 13.6% of Jazz's operating expenses for the quarters ended September 30, 2008 and 2007, respectively, were incurred with Air Canada and its subsidiaries.

11. 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	8,600	8,800	8,900	9,100	9,400
Past service registered plans	5,200	5,200	3,400	2,000	1,700
Other pension arrangements	7,200	7,500	7,600	7,700	7,900
Projected pension funding obligations	21,000	21,500	19,900	18,800	19,000

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, 2008 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. 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. (Refer to Section 1.1 – Caution regarding forward-looking information.)

12. 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 (refer to Section 1.1 – Caution regarding forward-looking information). The significant accounting policies of Jazz and the Fund are described in note 2 of the September 30, 2008 unaudited consolidated interim financial statements of Jazz Air Income Fund and Jazz Air LP.

Changes in accounting estimates

In the second quarter of 2008, the Fund and Jazz changed the estimate of both the useful life and the expected residual values of aircraft and certain flight equipment to coincide with the term of the capacity purchase agreement. The revised estimates better reflect the expected useful life of these assets to the Fund and Jazz and update the residual value to reflect both the changed useful life and current and expected market conditions for such aircraft. The changes have been applied prospectively. The change in the basis of depreciation had the effect of increasing depreciation expense by $0.1 million and $0.5 million for the three and nine months ended September 30, 2008.

13. ACCOUNTING POLICY CHANGES AND DEVELOPMENTS

Except as otherwise indicated hereunder the unaudited interim consolidated financial statements for September 30, 2008 for the Fund and Jazz have been prepared using the same policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2007 for the Fund and Jazz.

Change in accounting policies

In the first quarter of 2008, the Fund and Jazz adopted four new Handbook Sections issued by CICA. The adoption of these Handbook sections has had no material impact on the financial statements of the Fund or Jazz.

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 regarding 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.

Future Accounting Changes

Convergence with International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Fund will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Fund has created an implementation team, which consists of internal resources and an external consultant. A changeover plan is being established to convert to the new standards within the allotted timeline. The implementation team has begun the process of assessing the major impact areas to the business, the available accounting policy choices and the exemptions available under IFRS 1 (First Time Adoption of International Financial Reporting Standards). Other key areas that may be affected include: internal controls, processes and information systems, compensation arrangements, and financing. The Fund will continue to develop the implementation plan and will disclose the details of the impact of the changeover as they become known.

14. FLEET

As at September 30, 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 September 30, 2008, was as described below:

	Number of Operating Aircraft	Average Age of Operating Aircraft	Owned	Operating Lease	Capital Lease	Number of Operating Aircraft September 30, 2007
Canadair Regional Jet CRJ100	24	12.9	-	24	-	24 (1)
Canadair Regional Jet CRJ200	33	6.4	-	33	-	33
Canadair Regional Jet CRJ705	16	3.2	-	16	-	15
De Havilland DHC-8-300	28	18.4	19	2	7	26
De Havilland DHC-8-100	36	20.5	29	7	-	36
Total Operating Aircraft	137	13.3	48	82	7	134

(1) Excludes one CRJ100 aircraft that sustained damage in May 2007 and was deemed beyond economical repair.

All aircraft in Jazz's operating fleet as of September 30, 2008 are Covered Aircraft under the CPA except for two Dash 8-100 and two Dash 8-300 aircraft allocated for charter purposes.

15. PEOPLE

For the period ended September 30, 2008, Jazz had an average of 4,552 full time equivalent ("FTE") employees compared to an average of 4,435 FTE employees for the same period in 2007. This reflects a 2.6% increase from the first nine months of 2007, as shown in the table below:

	Union	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007	Change	Change %
Pilots	ALPA	1,361	1,334	27	2.0
Technical Services	CAW	848	813	35	4.3
Customer Service Agents	CAW	748	730	18	2.5
Flight Attendants	CFAU	753	746	7	0.9
Management	-	486	462	24	5.2
Administrative and Technical Support	-	265	265	-	-
Dispatchers	CALDA	60	56	4	7.1
Crew Scheduling	CAW	31	29	2	6.9
		4,552	4,435	117	2.6

A representation vote between the Canadian Council of Teamsters and the Canadian Flight Attendants Union ("CFAU") occurred during the third quarter of 2008. On September 3, 2008, the Canadian Industrial Relations Board ("CIRB") tallied the ballots from the Flight Attendant's representation vote, with the majority in favour of the CFAU. An official notice and certification order from the CIRB confirmed that effective September 5, 2008 the CFAU is the certified bargaining agent and now represents the Flight Attendant group.

All collective agreements are in place until mid year 2009.

16. MATERIAL CHANGES

There have been no material changes to the information disclosed.

17. 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 the 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 the 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. 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 third 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 and nine months ended September 30, 2008, and the Fund's board of trustees and Jazz GP's board of directors approved these documents prior to their release.

18. OUTLOOK

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

Based on the winter schedule received from Air Canada, plus the Block Hours billed for the nine months ended September 30, 2008 of 312,532, Jazz anticipates billing between 405,000 and 410,000 Block Hours for the year ending December 31, 2008.

Air Canada, Jazz's primary customer, announced on June 17, 2008, that it would reduce network domestic and transborder capacity by 2% and 13%, respectively, with the implementation of the fourth quarter 2008 and first quarter 2009 schedules, compared to the same period a year earlier. As a result, Jazz's flying will be reduced by approximately 5%, effective November 1, 2008 and subsequent periods subject to further revisions from Air Canada.

This decrease in Air Canada's need for Jazz's services necessitates a reduction of approximately 270 Jazz employees. It is anticipated that these reductions will be completed in fiscal 2008 and will result in incremental costs for severance in the fourth quarter of 2008.

As a result of increased salaries, wages and benefits, as well as increased maintenance material costs associated with heavy maintenance work, Jazz is anticipating to under-run the CPA target margin of 14.09% for the year 2008.

Based on the assumptions described in this section, management does not anticipate any changes to distributions for the remainder of 2008.

19. 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 and the Fund’s Annual Information Form dated March 28, 2008. There have been no material changes to the risk factors disclosed at that time.