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| EVENT: | JAZZ AIR INCOME FUND - FIRST QUARTER 2006 RESULTS CONFERENCE CALL & WEBCAST |
| TIME: | 12:30 E.T. |
| REFERENCE: | CNW GROUP – HALIFAX |
| LENGTH: | APPROXIMATELY 25 MINUTES |
| DATE: | MAY 11, 2006 |

OPERATOR: Welcome to the Jazz Air Income Fund First Quarter 2006 Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If anyone has any difficulties hearing the conference, please press * 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded today, Thursday, May 11, 2006, at 12:30 p.m. Eastern time.

I will now turn the conference over to Ms. Nathalie Megann, Director of Corporate Reputation and Communications. Please go ahead, Ma'am.

NATHALIE MEGANN (Director, Corporate Reputation and Communications, Jazz Air): Thank you, Operator. Good afternoon, and thank you for joining us today in our First Quarter conference call and audio webcast.

With me today, from Jazz, are Joe Randell, President and Chief Executive Officer, and Allan Rowe, Senior Vice President and Chief Financial Officer.

We'll start by giving a brief overview of the results, and then we'll go on to questions from the analyst community.

Because some of the discussion in this call may be forward-looking, I'm going to read some standard cautionary language, that certain statements made in this call may be forward-looking and subject to important risks and uncertainties. The risks indicated in these statements may differ materially from actual results for a number of reasons, including risk factors and uncertainties outlined in publicly-filed documents. Any forward-looking statements made in this call represent expectations of Jazz as of this current date, and are subject to change after such date. Jazz disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

I will now turn the call over to Joseph Randell.

JOSEPH D. RANDELL (President and Chief Executive Officer, Jazz Air): Thank you, Nathalie, and good afternoon, everyone.

I'm pleased to report that we continue to be on track with our business plan, and we are delivering strong results.

To the best of my knowledge, Jazz was Canada's most profitable airline in the first quarter. We are ahead of schedule with our fleet plan, having accepted the last two CRJ-100's from Air Canada on May 1, bringing the total number of aircraft in our fleet to 135. The latest additions to our fleet were originally scheduled to arrive in July.

The hard work and dedication of our employees made this tremendous transition happen efficiently, and, most importantly, safely. I'm very proud of the work they've done, and I thank them.

We continue to align the interests of our employees with our unitholders. I'm pleased to report that approximately 1/3 of Jazz employees are unitholders of the Jazz Air Income Fund, and that number continues to grow.

Our new Capacity Purchase Agreement, or CPA, became effective on January 1 this year. In addition to the full implementation of the fleet plan, we are also focused on delivering the required operational and service levels.

Full delivery of these service levels is expected to increase customer satisfaction, while earning incentive revenue as identified in the CPA.

For the three-month period ended March 31st, performance incentives payable by Air Canada to Jazz under the CPA amounted to $4 million, or 2 percent of Air Canada Jazz's scheduled flight revenue for the period. This represented very good performance, as the maximum incentive opportunity is 2.36 percent of scheduled flight revenue. This is a clear demonstration of the focus our people have on delivering a safe and reliable service to Air Canada's customers.

To give you an idea of the amount of growth we've experienced this quarter, versus the first quarter of 2005, here are a few statistics.

The number of departures increased by 30.8 percent. We carried 63.5 percent more passengers. Our Block Hours increased by 36.4 percent. Available seat miles, or ASMs, grew by 82.5 percent. And revenue passenger miles, or RPMs, grew by 81.2 percent.

We are also very pleased with the way we've managed our growth and our costs. We now expect that Block Hour growth this year will fall short of our 385,000-hour target level. However, with good cost management, we expect to achieve our target level of $154 million EBITDA.

So, with that, I'd like to turn the call over to Allan, to take you through the financials for the last quarter. Allan?

ALLAN ROWE (Senior Vice President and Chief Financial Officer, Jazz Air): Thank you, Joe, and good afternoon.

Well, I really like the headline of our news release this quarter: "A 29.2 percent increase in profits, and a net income of $33.5 million." Here's how it breaks down.

Operating revenue increased from $213.6 million in the first quarter 2005 to $320 million in the first quarter 2006, representing an increase of $106.3 million, or 49.8 percent.

The increase in revenues is attributable to a net increase of 36 aircraft operated by Jazz; a 36.4 percent increase in the Block Hours flown; and a $53.7 million increase in pass-through costs, including fuel costs, which are reimbursed by Air Canada on an at-cost basis.

"Other revenue" increased from $2 million in the first quarter of 2005 to $2.6 million in the first quarter 2006. "Other revenue" is derived from charter flights; maintenance, repair, and overhaul; and other sources such as groundhandling and flight simulator revenue.

For the first quarter of 2006, Jazz reported operating income of $35.4 million, an improvement of $5.3 million, or 17.5 percent, over the same period last year.

EBITDAR was $71.5 million in the first quarter, compared to $49.4 million last year, an increase of $22.1 million, or 44.6 percent, which is the result of increased capacity as measured by available seat miles, or ASMs, and cost control.

Estimated distributable cash was $30.8 million in the first quarter 2006, compared to $24.3 million last year, an increase of 26.8 percent.

It's important to note that Jazz Air Income Fund, in its first quarter as a public entity, by recording distributable cash of $30.8 million, has already exceeded the target level of planned, regular, quarterly distributions of $26.9 million.

Operating expenses increased by $101.1 million, or 55.1 percent, compared to the first quarter of 2005.

Fuel expense, which is a pass-through cost to Air Canada, increased by $33.6 million, or 131.3 percent, and aircraft rent increased by $17.4 million, or 120.7 percent. These cost increases account for 50.4 percent of the total increase in operating expenses.

Capacity, as measured by ASMs, increased by 82.5 percent. Costs per available seat mile, or CASM, is an important unit cost measure which indicates how effectively we are managing our growth and our costs. I am pleased to report that CASM decreased by 14.3 percent. Excluding fuel, CASM decreased 20.8 percent from the first quarter 2005.

Unit cost reductions were achieved in all expense categories except fuel and aircraft rent. Unit aircraft rental costs increased, reflecting the new regional jet deliveries throughout 2005 and in the first quarter 2006.

In the first quarter, non-operating expenses amounted to $1.9 million, a decrease of $2.3 million from last year. The cost savings are mainly due to the restructuring of long-term debt of Jazz Air LP, concurrent with the Initial Public Offering.

As mentioned earlier, net income for the first quarter was $33.5 million, compared to $25.9 million in the first quarter last year, an improvement of $7.6 million, or 29.2 percent. The increase is due to the increased fleet, and effective cost control.

That concludes my overview of the financials. Let me now turn the call back to Joe for some additional comments.

JOSEPH D. RANDELL: Thank you, Allan. It is very important to note that Jazz is not a typical airline, due to the nature of our CPA with Air Canada.

The stability of our earnings makes Jazz well-suited to an Income Fund. This agreement allows us to isolate our operating income and our controllable costs, without directly being impacted by costs typically associated with the industry, such as soaring fuel prices, and charges imposed by organizations such as NavCanada and airport authorities.

As of the 1st of May, we operated 756 flights every weekday to 79 destinations in North America. In fact, we served more destinations and had more flights than any other carrier in Canada.

We fly to all 10 provinces, and will add a second Territory to our network when we launch our service to Yellowknife in July.

So, thank you for listening in, and, Operator, we can now open the call to questions from the analyst community. Thank you.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. Your questions will be polled in the order they are received. Please ensure you lift the handset, if you're using a speakerphone, before pressing any keys.

Your first question comes from Cameron Doerksen from Versant Partners. Please go ahead.

CAMERON DOERKSEN: Good afternoon.

JOSEPH D. RANDELL: Good afternoon.

CAMERON DOERKSEN: A question on, I guess, on the Block Hours. You mentioned that you weren't going to reach your targeted, I think, 385,000 Block Hours for the year. Do you have a new target number?

JOSEPH D. RANDELL: No, we don't have a specific target number. We continue to manage it month by month. We do know that in the first quarter, we were down from the plan, but as we move forward with the remainder of the year, we're targeting to be on the original plan, or very close to it.

CAMERON DOERKSEN: Okay. What was the reason for the flying being a little lower than expected in Q1?

JOSEPH D. RANDELL: Well, of course, as we operationalized the schedule, there was some variance there. Normally, the first quarter is a little weaker, in terms of the amount of flying. We were transitioning in many aircraft, and of course, there was a slight impact from the suspension of service at the Island Airport in Toronto.

CAMERON DOERKSEN: Right, okay. I guess, looking ahead to 2007, I think the original forecast was something like 410,000 Block Hours. Is that still the target for that year?

JOSEPH D. RANDELL: Yes, that is still our target.

CAMERON DOERKSEN: Okay. Just, I guess, a question on... The unit costs came down nicely, year over year. Is there any way to quantify what impact stage length increase is having on that, and I guess the other, associated question is, what was the stage length in Q1, versus what it was a year ago?

JOSEPH D. RANDELL: I'm sorry, I don't have that readily available, but I will say that stage length absolutely *has* an impact, and it's one of the drivers. However, the other drivers of bringing our costs down, as well, has been the increase in productivity that we've seen, from bringing in this fleet. We have seen improvements in productivity, really, in every division of the company, in terms of the number of Block Hours flown per employee, the number of miles flown -- all of those measures, we look very strong.

And of course, as we add fleet and capacity, we have a fixed overhead base, which, again, that helps drive down our costs. And as we have added some employees, as driven by the growth -- in particular, in the Flight Operations area, with respect to our flight attendants and some Maintenance folks, primarily -- these are new employees, and of course, they enter at a different wage level than the more senior employees, and that has also the impact of bringing down our costs. And it's a benefit that a lot of new carriers have, with respect to the seniority of their employees and where they stand on wage scales, etc., and we're now seeing some of that, as we benefit from the addition of those employees from our growth.

CAMERON DOERKSEN: Okay. Just one last one from me, just on capital expenditures -- I think that in Q1, they were... it was a little lower than what was, I guess, the plan for the full year, at least on a quarterly basis. Do you still expect to have the same amount of capex as what you originally intended in 2006?

ALLAN ROWE: Yes, we aren't signaling any change in our investment plans at this point in time.

CAMERON DOERKSEN: Okay. That's all I have. Thank you.

OPERATOR: Your next question comes from Ted Larkin from Orion Securities. Please go ahead.

TED LARKIN: Thank you, Operator, and good afternoon, gentlemen. First of all, congratulations on a really strong quarter -- a nice way to start off as a public company. I wanted to ask, first of all, I guess, Joe, for you -- the labour situation -- what is the status of the wage-oriented discussions currently? And I'm thinking specifically of ALPA, CAW, and the Teamsters.

JOSEPH D. RANDELL: Sure. Well, first of all, all of our collective agreements are in place until 2009, and all of the unionized groups, we do have the wage review provisions in their collective agreements for this year. The exception is with the pilots. We do not have a wage re-opener for the pilots. Those wages are set, out to 2009, and the pilot wages account for about 50 percent of what our total collective agreement wage expense would be. So it's the remaining 50 percent that are under review.

We began discussions in March, and July is when we're targeting to have these reviews completed. These discussions, we don't anticipate any impact on our operation, as, you know, we have a good relationship with our unions, and of course, there's a no-strike or lockout provision there, etc.

So we're optimistic, as our unions are, that we will reach an agreement, and we have dates, and the process in place, to targeting July. And, of course, if we're unable to, then there will be a binding arbitration.

TED LARKIN: Okay, and at this point, you're not expecting the CAW and Teamsters are going to go to arbitration, then.

JOSEPH D. RANDELL: We're hopeful that that will not be the case, that we will be able to reach an agreement. However, that becomes the, I guess, the last resort, and you know, the discussions up to now have certainly been very professional and cordial, and we intend on keeping it that way.

TED LARKIN: Okay. Second question, just totally different. Now that you're back on track, in terms of flight hours, is there any sense at all that Air Canada might wish Jazz to operate more aircraft within the next year?

JOSEPH D. RANDELL: We have... There's nothing anticipated at this point.

TED LARKIN: All right. I'll just stand by. And finally, could you give us an update on the Toronto Island? That's a rather unique situation, obviously, and you folks have been paring down your exposure, I guess, at Air Canada's behest, obviously, over the last number of years -- but a rather unorthodox move, of late. Can you give us an update on where that stands, in the courts?

JOSEPH D. RANDELL: Well, it is before the courts, and we can't really comment on that, as a result. We remain very confident in our position, and we're very optimistic that we'll return service to the Toronto City Centre Airport. And the date for the federal court hearing is set for early September.

TED LARKIN: Okay. I guess that's really the key question, whether you intend on returning to that station.

JOSEPH D. RANDELL: We're optimistic that we will be operating again at Toronto City Centre Airport.

TED LARKIN: Okay. Thanks, gentlemen. Thanks, Allan.

JOSEPH D. RANDELL: Okay.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, you may press the * followed by the 1. Once again, as a reminder, if you're using a speakerphone, please lift the handset before pressing any keys. Your next question comes from Nick Morton from RBC Capital Markets. Please go ahead.

NICK MORTON: Good afternoon. Looking at page 14 of your release today, you go through your controllable costs, and you make a little note at the bottom there, saying that the total controllable costs include some items not covered under that Capacity Purchase arrangement. I wondered if you could tell us what the controllable costs are that are covered by -- *were* -- that were covered by the CPA.

ALLAN ROWE: It's not a huge amount in the difference, Nick. Just, really, for presentation purposes, we've adopted the practice of illustrating our total costs in this breakdown. The only costs not covered by the CPA are those associated with what we call our ancillary business activity, you know, the charter and MRO and some other activity. So it really doesn't make a material change.

NICK MORTON: Would I guess maybe $1.5 million, or $1.75 million, something in that area?

ALLAN ROWE: I'd say... one-point... Yes, just over $1 million, maybe 1.3.

NICK MORTON: Okay. So, the margin that you achieved on controllable costs in the quarter, can you give me that number?

ALLAN ROWE: It was a very good quarter.

NICK MORTON: Right.

ALLAN ROWE: The CPA margin on controllable costs?

NICK MORTON: Yes. Yes.

ALLAN ROWE: I think it was 14.5.

NICK MORTON: Okay.

ALLAN ROWE: I'm sorry -- 14.9.

NICK MORTON: 14.9 percent -- of scheduled flight revenues?

ALLAN ROWE: That's correct.

NICK MORTON: Great. Thank you very much.

OPERATOR: Your next question comes from Nadi Tadros from Desjardins Securities. Please go ahead.

NADI TADROS: Good afternoon.

JOSEPH D. RANDELL: Good afternoon.

NADI TADROS: Just a quick couple of questions. You had mentioned, before, a targeted EBITDA per Block Hour of about $400, on an annual basis. Is there any change to that forecast?

ALLAN ROWE: I'm not increasing, I guess, my total outlook for the year, Nadi. I think it is fair to say we outperformed that level of production in our first quarter. But, you know, that could well be the result of timing differences in some expense recognition that may come at us later in the year.

NADI TADROS: Okay. And in terms of the distribution of the hours between the quarters, is there any further detail on that?

ALLAN ROWE: No material change. I mean, I don't want to, you know, really sound an alarm bell in respect of our hours of flying activity. Just in the interest of plain disclosure, we wanted to let you know we're running a little short of what our expectations were in the first quarter of the year. You know, what we're talking about is a miss in the order of 1 percent so far, and we think there's every opportunity for this to be made up, but don't want to be accused, later in the year, of surprising you by saying, "Oh, we're going to be short."

JOSEPH D. RANDELL: I think the good news is the strong yield and load factor environment that Air Canada is enjoying these days, and in the domestic market as well, and trans-border, some of those numbers were discussed earlier today. And I think those are good signs of a good level of demand, on the Air Canada system, and we should certainly see the benefit of that.

NADI TADROS: All right. And just finally, in terms of discussions with other carriers, in terms of providing services for them -- is there anything further? Are you any further along, in that regard?

JOSEPH D. RANDELL: No, we remain open to diversify our business and to generate new revenues and growth. Certainly, Air Canada is our most important customer, and we don't have anything to report at this time.

NADI TADROS: Okay, well, thank you very much.

JOSEPH D. RANDELL: You're welcome.

OPERATOR: Your next question comes from Mike Linenberg from Merrill Lynch. Please go ahead.

LILY NG: Hi, Joe, hi, Allen. This is Lily, on behalf of Mike.

JOSEPH D. RANDELL: Hello, Lily.

LILY NG: A quick question on your "Other revenue". It looks like it's a nice increase, versus a year ago. Would the 2.6 be a run-rate we're looking at for the rest of the year, per quarter, or are there more opportunities for growth there?

ALLAN ROWE: Hi, Lily, it's Allan. I wouldn't recommend that you annualize that as a new run-rate. We've indicated that we have ambitions to grow and develop our ancillary business activities, but I don't want to suggest we'll continue to grow at the rate we experienced in the first quarter. On an annual basis, I would expect a modest increase over the volumes we delivered last year.

LILY NG: Sure. Thank you so much.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, you may press the * followed by the 1. As a reminder, if you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your next question. There are no further questions. Please continue.

NATHALIE MEGANN: All right. Well, thank you, Operator, and thank you, everyone, for being present on this call, and we look forward to speaking with you again soon.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect your lines.

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