Jazz Air Income Fund
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Check against delivery

The Disclaimer

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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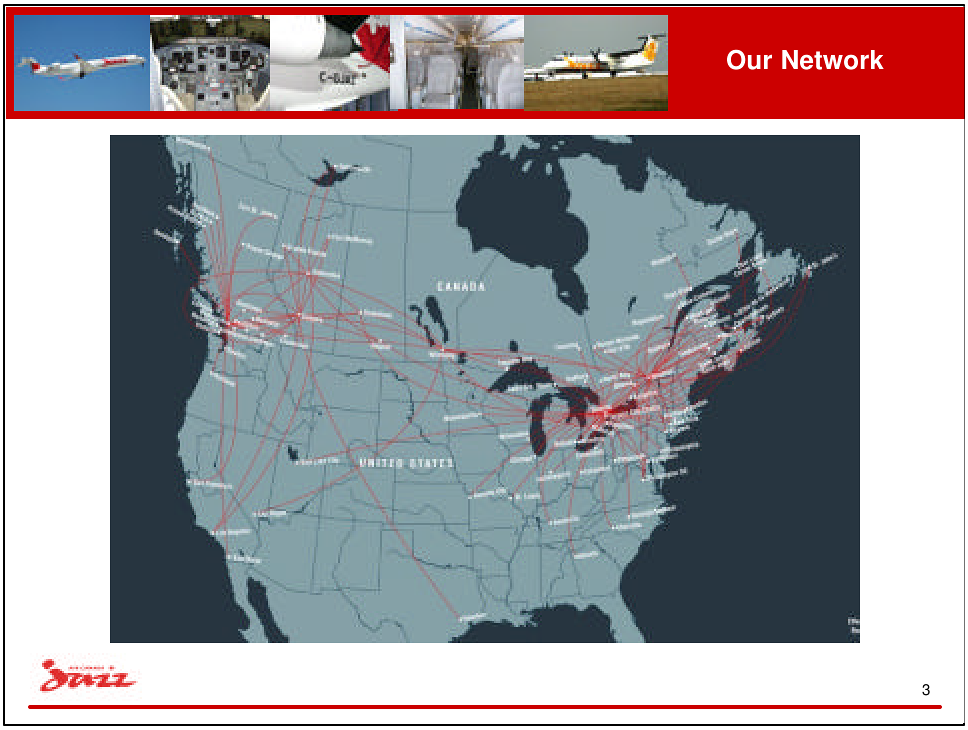
Good Morning.

You will note on the opening slide the usual disclaimers apply in respect to forward looking statements.

Jazz is the result of the merger in 2001 of the four largest regional carriers operating in Canada, namely Air BC, Canadian Regional, Air Ontario and Air Nova.

Today, Jazz is Canada's largest regional carrier and one of the largest in the world. With our headquarters in Halifax, Nova Scotia, we employ approximately 4000 people and fly to 85 destinations in Canada and the United States with a fleet of Bombardier regional jets and Dash 8 turboprops.



We serve more domestic destinations and have more flights than any other carrier in Canada, providing approximately 840 daily departures.

We are the only air carrier serving all of the top 30 airports in Canada.

We are also the only scheduled service provider on many routes and the sole operator of aircraft of 37 seats or greater at 21 airports.

The scope of our network allows us to shift capacity across regions as demand dictates.

We fly to all ten provinces and our two territories.

The growth of our business is tied to the increase in our fleet. With 135 aircraft, we have the second largest fleet in Canada. We are the only regional carrier in Canada operating regional jets and we've dedicated 2 turboprops to our charter business.

Our simple fleet of regional jets and Dash 8s is well-suited to efficiently and economically serve Jazz's extensive North American route network and allows for lower trip costs and better matching of capacity with demand. It is also noteworthy that with only two cockpit standards, we achieve significant efficiencies through lower pilot training costs and better crew deployment. This simplified fleet of two aircraft types, reduced from four types in 2000, also results in lower maintenance and inventory costs.

The Dash 8 turboprops remain an important part of our fleet, and its economics are hard to beat on routes of 300 miles or less. They are most economical on short routes, while regional jets give us the ability to serve longer routes more efficiently.

Jazz is the first carrier to operate the state-of-the-art Bombardier CRJ705 regional jet aircraft.

It offers superior comfort including executive class, greater legroom and carry-on space, and in-seat personal entertainment system.

This aircraft carries 75 passengers, and is configured with 10 executive class seats.

The long range capability and size of the CRJ705 gives Jazz the versatility to efficiently and economically fly longer routes in addition to high frequency routes.

JAZ.UN

- Jazz Air Income Fund IPO closed February 2, 2006 (JAZ.UN)
- 25 million units at $10.00 per unit
- Gross proceeds of $250 million
- ACE holds 79.7% interest in Jazz Air LP, the Fund holds 20.3%

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On February 2nd, 2006, the Jazz Air Income Fund successfully completed its initial public offering of 23.5 million units at a price of $10.00 per unit for gross proceeds of $235 million.

On February 27th, the Fund issued an additional 1.5 million units pursuant to the exercise of the over-allotment option granted to the Underwriters raising the gross proceeds to $250 million.

ACE holds a 79.7 percent interest in Jazz Air LP, the Fund holds the balance of 20.3 percent. The Fund's units are trading on the Toronto Stock Exchange under the symbol JAZ.UN.

The Fund is an unincorporated, open-ended trust, established under the laws of the Province of Ontario, created to indirectly acquire an interest in the outstanding limited partnership units of Jazz.

This is a unique and exciting time for Jazz.

The CPA

- Jazz is not a typical airline
- The CPA model is well-suited to an Income Trust structure
- 99% of revenues are derived from CPA with Air Canada
- Jazz operates flights on behalf of Air Canada
- Air Canada determines commercial aspects of our business
- Jazz's cash flows are protected by volatility of the industry

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One of our greatest advantages is that Jazz is not a typical airline. We operate under a commercial agreement with Air Canada called a Capacity Purchase Agreement - or CPA. The CPA model is well-suited to an Income Trust Structure.

Air Canada purchases substantially all of our aircraft capacity at predetermined unit rates which are based on various activity levels. In fact, we derive 99 percent of our revenues from our CPA with Air Canada. In simple terms this means that Jazz is a contract carrier for Air Canada.

Under the CPA, we operate our flights on behalf of Air Canada, and provide all crews, airframe maintenance and, in some cases, airport operations. In turn, Air Canada determines routes and controls scheduling, ticket prices, product distribution, seat inventories, marketing and advertising.

This Agreement protects our cash flows from many of the industry's day-to-day business risks such as ticket prices, passenger load factors, fuel cost increases and flight cancellations due to weather.

In short, the CPA significantly reduces our financial and operating risks and provides us with a stable foundation going forward.

The CPA

- High volatile costs are treated as pass through under the CPA and are fully recovered from Air Canada
- Cash flows are protected from many day-to-day business risks traditionally associated with the airline industry
- 10-year term: extendable for two five-year periods subject to terms to be negotiated
- Rates are fixed for the three years 2006 to 2008

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This is because high volatile costs are passed through to Air Canada and are fully recovered by Jazz.

Our cash flows are protected from many day-to-day business risks traditionally associated with the airline industry thus providing reasonable stability in our business. Some examples of these risks include ticket prices, passenger load factors, fuel, NavCanada and airport fees, and flight cancellations due to weather.

The CPA has a ten-year term and is extendable for two-five year periods subject to terms to be negotiated, and the rates are fixed for the three years of 2006 to 2008.

The CPA

- Jazz is focused on its Controllable Costs
  - represent approximately 2/3 of total cost base
  - pass-through costs represent the remaining 1/3
- Jazz receives a 16.4% markup resulting in 14.09% targeted operating margin on scheduled flight revenue
- Savings achieved over the 14.09% operating margin are split 50/50 between Air Canada and Jazz
- Operational performance incentives provide opportunities for additional income

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Jazz is responsible for managing those costs defined as controllable under the contract. Some examples include salaries, wages and benefits, aircraft maintenance, materials and supplies.

Controllable costs represent approximately two-thirds of Jazz's cost base; pass through costs represent the remaining one-third.

Jazz receives a 16.4 percent markup on its controllable cost base, translating to a 14.09 percent targeted operating margin on scheduled flight revenue.

Scheduled Flight Revenue refers to our total revenue less revenue from our CPA incentives and ancillary business, and less our pass through costs to Air Canada.

If we manage controllable costs better than as planned, then our out-performance is shared with Air Canada. Specifically, fifty percent of earning achieved over the 14.09 percent targeted operating margin are retained by Jazz, and fifty percent are passed along to Air Canada. If in fact controllable costs are worse than as planned, the Jazz will earn less than the target level 14.09 percent margin on scheduled flight revenue. The incentive certainly exists for both Jazz and Air Canada to lower costs.

Operational performance incentive opportunities exist if Jazz achieves or exceeds certain predetermined operational targets; potential margin increase is up to 2.36 percent of Scheduled Flight Revenue.

The CPA

- The CPA has ongoing aircraft utilization commitments
- Coverage of a minimum of 133 aircraft
- Daily minimum levels of operating capacity are in place for the term of the CPA = approximately 86% of 2006 estimated block hours
- 95% of the hours in seasonal schedule are guaranteed

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Further stability is provided to Jazz under the CPA. Air Canada has committed to maintain Jazz's fleet at a 133 aircraft minimum. We currently have 135 aircraft in the fleet – the extra two, as mentioned earlier in my presentation, are used for charter purposes.

The number of covered aircraft under the CPA cannot fall below this level of 133 aircraft without Jazz's consent.

Air Canada has agreed to pay Jazz for daily minimum levels of utilization of these 133 aircraft for the term of the contract. This utilization guarantee equates to approximately 86% of our 2006 planned block hours.

There is a further flying commitment provided on the six month schedule whereby 95 percent of the hours in the seasonal schedule are guaranteed – and Jazz has visibility on this five months prior.

Air Canada/Jazz Relationship

- Jazz is core to Air Canada's commercial strategy
- Efficient fleet serves high-frequency routes in high-density mass transit markets
- Smaller aircraft serve markets that cannot support Air Canada's largest aircraft
- Jazz offers a lower cost option to Air Canada

Jazz is core to Air Canada's commercial strategy.

Our efficient fleet of aircraft enables Air Canada to offer greater flight frequency in high-density mass transit markets through our smaller size aircraft and lower costs.

For example, off-peak or midday flights in the high volume Toronto – Montreal – Ottawa triangle.

We also enable Air Canada to profitably serve markets that do not have enough passenger traffic to support Air Canada's larger aircraft.

Such markets have been the traditional rural destinations of our regional airline serving areas like Prince Rupert and Sandspit in British Columbia, Grand Prairie and Fort McMurray in Alberta, Timmins and Sudbury in Ontario, and Baie Comeau and Sept Iles in Quebec.

And finally, Jazz provides Air Canada with the option to offer point-to-point service on lower density routes, allowing customers to bypass hubs.

Such as our new services launched this summer like the Edmonton to Los Angeles route, and the London, Ontario to Winnipeg route.

Network Optimization

- Jazz represents a lower cost deployment option on routes best served by its fleet of aircraft
- Jazz provides to Air Canada:
  - approximately 94% of its regional capacity
  - 39.9% of its overall domestic capacity
  - 31.3% of its overall transborder capacity

In short, Jazz helps Air Canada optimize its network by providing Air Canada with the ability to effectively match capacity with demand.

We represent a lower cost deployment option on routes best served by our fleet of aircraft.

In fact, we provide approximately 94 percent of Air Canada's regional capacity. We represent 39.9 percent of Air Canada's overall domestic capacity and 31.3 percent of its overall transborder capacity.

Jazz is competitive from a labour cost point of view. We are competitive with other North American regional carriers, and we offer regional services to Air Canada at a lower cost than it can provide directly.

We have a status pay system with our pilots whereby we have one scale for all aircraft. This eliminates the need for pilots to jump to larger aircraft to obtain pay increases, thus reducing training and relocation costs. This arrangement is unique in the industry, but given its economics, we may see other regional carriers adopt similar arrangements in the future.

All collective agreements are in place until 2009. Per these collective agreements, we've been engaged in wage reviews with all collective bargaining groups, with the exception of our pilots. The wage review has concluded for our maintenance, crew scheduling and airport employees, and we're working through the process with our flight attendants and dispatchers. During this period, there is no possibility of a lockout or strike. The pilot group compensation is set out until 2009 under the existing agreement. Those groups engaged in the 2006 wage review represent approximately half of the total payroll costs subject to collective bargaining agreements.

Our employees understand the challenges of the business and are very cognizant of what is happening to our peer group in the United States; they understand the need to remain cost competitive.

Taking Ownership Together

- Aligning the interests of Jazz employees with unit holders:
  - Jazz Ensemble
  - Employee Unit Purchase Program
  - Profit Sharing Program
- Bringing value to Jazz Air Income Fund unit holders

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Our employees also understand that our performance under the CPA with Air Canada is critical to our future success, and they understand their role and how we must bring value to Jazz Air Income Fund unitholders.

We've established three incentive programs that recognize the contributions of our employees and provide opportunities to share in our success. These programs help to ensure the interests of our people are aligned with the best interests of Jazz and unitholders.

One employee incentive program called Jazz Ensemble is designed to reward employees for the achievement of those same operational and customer service goals that provide revenue incentive payments under the CPA. Monthly targets are set for our four key performance indicators: on-time performance, actual flights flown, baggage handling and customer satisfaction. Incentive payments are made quarterly to employees if targets are met.

We also have an Employee Unit Purchase Program that assists our people to become unit holders of Jazz Air Income Fund – about half of our employees are currently unit holders, and third, an Employee Profit Sharing Program.

Financials

Jazz Q2 Financial Results

(amounts in millions)

	2006	2005
Revenue	$340.1	$231.3
Operating expenses	303.7	203.9
Operating income	36.5	27.4
Net income	35.6	23.6

New CPA with Air Canada effective January 1, 2006

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I'd now like to touch on our financial results for the second quarter of 2006, and would like to mention that we are operating under a new CPA with Air Canada that became effective on January 1, 2006.

This was a very positive start for us as we reported operating revenue of $340.1 million versus $231.3 million in the second quarter 2005, representing an increase of $108.9 million or 47.1%.

The increase in revenues is attributable to a net increase in the number of aircraft operated by Jazz, a 27.8% increase in the Block Hours flown and a $54.9 million increase in pass-through costs, including fuel costs which are reimbursed by Air Canada on an at cost basis.

Operating expenses increased by $99.8 million or 48.9% compared to the second quarter of 2005.

We also reported operating income of $36.5 million, an improvement of $9.1 million or 33.2% over the same period in 2005.

Net income for the second quarter of 2006 was $35.6 million compared to $23.6 million recorded in the second quarter of 2005, an improvement of $11.9 million or 50.6%.

Cash Distributions

Summary of Distributable Cash

	For the 3 months ended June 30, 2006	For the 3 months ended June 30, 2005
EDITDA	$43.0	$32.0
Adjustments to reflect:		
Capital expenditures	(4.4)	(6.4)
Non-operating expenses	(0.9)	(3.8)
Estimated cash for distribution	$37.7	$21.8
Less 10% holdback (90%) payout ratio	3.8	2.2
Estimated distributable cash	$33.9	$19.6

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EBITDA at $43.0 million in the second quarter is up $11 million which is the result of increased capacity as measured by available seat miles (ASM) and cost control.

Capital expenditures of $4.4 million are down $2 million from the same quarter last year.

Non-operating expense at just under $1 million is down $2.9 million from the second quarter last year as a direct result of the refinancing of Jazz's long-term debt concurrent with the IPO and increased interest income from short-term investments.

After providing for a 10% holdback, estimated distributable cash was $33.9 million in the second quarter of 2006 compared to $19.7 million in the second quarter 2005, an increase of 71.2%.

It is important to note that Jazz Air LP, in our second consecutive quarter as a public entity, by recording distributable cash of $33.9 million has continued to exceed the target level of planned quarterly distributions of $26.9 million.

The Plan

- 2006 objectives:
  - earn 14.09% margin on controllable costs
  - continue to build upon strong financial results
  - further improve teamwork via employee incentive programs
- Our commitment
  - deliver the 2006 business plan
  - continue to improve financial and operational results

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Looking ahead to the year 2006, our new CPA rates set as of January 1st, are more reflective of our latest cost structure and are designed to earn a targeted 14.09 percent margin on controllable costs. In the first half of this year, Jazz has exceeded this benchmark with a 14.6% CPA controllable margin after having accounted for sharing the out-performance with Air Canada.

We now expect that block hours growth this year will fall short of our 385,000 hour target level; it is now looking more like 376,000 block hours for this year. There are several reasons for this shortfall.

First, actual block times on many routes are lower than planned. This is affected by a number of factors such as reductions in flight or taxi times, and variations in flight plans.

Second, actual block hours will be lower than the target for this year due to flight cancellations. Controllable cancellations are slightly higher than anticipated in the plan. However, non-controllable cancellations, arising mainly from weather or air traffic control issues have been much greater than planned. Under the CPA, even though our overall block hours are falling short because of these non-controllable cancellations, we are still earning revenue for these non-controllable flight cancellations.

Finally, a portion of the shortfall in block hours is the result of on-going capacity planning adjustments by our customer Air Canada in response to changes in the North American market.

With continued good cost management, and the compensation we receive under the CPA for uncontrollable flight cancellations, the impact of this reduction in block hours is mitigated, and we are confident that we'll achieve our target level of $154 million EBITDA. We will continue to build upon our strong results and further improve the teamwork already achieved through the introduction of our employee incentive programs.

We remain fully committed to delivering the 2006 business plan, the target distributable cash and continued improvements in financial and operational results in the future.

Thank you.

I’m pleased to respond to your questions.