

**TRAFFIC AND CAPACITY STATISTICS – September 2006***Summary of the headline figures*

In September 2006, passenger capacity, measured in Available Seat Kilometres, was 2.5 per cent above September 2005. Traffic, measured in Revenue Passenger Kilometres, was higher by 1.5 per cent. This resulted in a passenger load factor down 0.8 points versus last year, to 78.8 per cent. The increase in traffic comprised a 1.5 per cent increase in premium traffic and a 1.5 per cent increase in non-premium traffic. Cargo, measured in Cargo Tonne Kilometres, decreased by 5.2 per cent. Overall load factor increased by 0.8 points to 73 per cent.

For the July to September quarter, ASKs rose by 3.5 per cent, with RPKs rising by 3.6 per cent. This resulted in an increase in passenger load factor of 0.1 points, to 79.7 per cent. This comprised a 6.5 per cent increase in premium traffic and a 3.1 per cent increase in non-premium traffic. CTKs fell by 1.1 per cent.

*Market conditions*

Market conditions continue to be good, and most segments of the business are recovering well from the events of August. However, as expected, September transfer traffic volumes, in particular in the premium cabins, were affected by carry on baggage restrictions. Volume in premium shorthaul also continues to be soft for the same reason. The reintroduction of standard carry on bag sizes agreed at the end of the month, and harmonization of rules on liquids planned for the end of October are expected to support the gradual recovery of these segments of the business going forward.

As a result of the volume shortfall total revenue is now expected to grow at 5-6% for the financial year, down from 6-7%.

*Costs*

After the recent major falls in the fuel price the cost of fuel is now expected to be some £450 million higher than last year, down from our previous forecast of £550-600 million.

*Strategic Developments*

The airline announced that the actuarial deficit in its New Airways Pension Scheme (NAPS) is set to rise from £928 million to some £2.1 billion, despite a doubling of BA's contributions and a recovery of the stock market. The trustees confirmed that annual contributions at the unsustainable level of £497 million would be needed to fund the scheme unless changes to future benefits proposed earlier this year are introduced. This means the company's contributions would go up from five to 12 times members' contributions.

Negotiations between British Airways and the trustees are now underway to agree a funding plan including proposed benefit changes. Consultation continues with the trades unions.

British Airways urged the Civil Aviation Authority to cut the profits BAA receives from its asset base to ensure that the airport operator builds cost-effective facilities that generate additional airport capacity. The CAA is currently consulting on the level of user charges at Heathrow, Gatwick and Stansted airports for a five year period from April 2008, in its role as an economic regulator.

During the current charging period between April 2003 and March 2008, BAA receives a 7.75 percent return on its asset base. British Airways said this should be set at around 5.6 percent in the next charging period, a reduction of almost one third.

It was announced that James A Lawrence will be joining the board as a non-executive director with effect from 1 November, 2006. He is currently vice chairman and chief financial officer of General Mills Inc. one of the largest food companies in North America. His range of experience covers strategic consultancy, leading US multi-nationals in consumer products and the US airline industry.

**BRITISH AIRWAYS MONTHLY TRAFFIC AND CAPACITY STATISTICS**

<b>BRITISH AIRWAYS SCHEDULED SERVICES</b>	<b>Month of September</b>			<b>Financial year April through to Sep</b>		
	<b>2006</b>	<b>2005</b>	<b>Change (%)</b>	<b>2006</b>	<b>2005</b>	<b>Change (%)</b>
<b>Passengers carried (000)</b>						
UK/Europe	2156	2132	+1.1	12701	12566	+1.1
Americas	639	648	-1.3	4068	3910	+4.0
Asia Pacific	166	173	-4.1	965	938	+2.9
Africa and Middle East	285	257	+11.0	1704	1466	+16.3
<b>Total</b>	<b>3246</b>	<b>3210</b>	<b>+1.1</b>	<b>19439</b>	<b>18880</b>	<b>+3.0</b>
<b>Revenue passenger km (m)</b>						
UK/Europe	2070	2005	+3.2	12128	11797	+2.8
Americas	4316	4354	-0.9	27418	26252	+4.4
Asia Pacific	1701	1776	-4.2	9817	9642	+1.8
Africa and Middle East	1910	1714	+11.4	11331	9805	+15.6
<b>Total</b>	<b>9997</b>	<b>9850</b>	<b>+1.5</b>	<b>60694</b>	<b>57496</b>	<b>+5.6</b>
<b>Available seat km (m)</b>						
UK/Europe	2652	2738	-3.1	16039	16515	-2.9
Americas	5599	5342	+4.8	33824	32193	+5.1
Asia Pacific	2030	2169	-6.4	12344	12611	-2.1
Africa and Middle East	2403	2122	+13.2	14642	12727	+15.0
<b>Total</b>	<b>12683</b>	<b>12372</b>	<b>+2.5</b>	<b>76849</b>	<b>74047</b>	<b>+3.8</b>
<b>Passenger load factor (%)</b>						
UK/Europe	78.0	73.2	+4.8pts	75.6	71.4	+4.2pts
Americas	77.1	81.5	-4.4pts	81.1	81.5	-0.4pts
Asia Pacific	83.8	81.9	+1.9pts	79.5	76.5	+3.0pts
Africa and Middle East	79.5	80.8	-1.3pts	77.4	77.0	+0.4pts
<b>Total</b>	<b>78.8</b>	<b>79.6</b>	<b>-0.8pts</b>	<b>79.0</b>	<b>77.6</b>	<b>+1.4pts</b>
<b>Revenue tonne km (RTK) (m)</b>						
Cargo tonne km (CTK)	392	414	-5.2	2401	2370	+1.3
<b>Total RTK</b>	<b>1417</b>	<b>1397</b>	<b>+1.4</b>	<b>8507</b>	<b>8105</b>	<b>+5.0</b>
Available tonne km (m)	1941	1934	+0.4	11850	11557	+2.5
<b>Overall load factor (%)</b>	<b>73.0</b>	<b>72.2</b>	<b>+0.8pts</b>	<b>71.8</b>	<b>70.1</b>	<b>+1.7pts</b>

Certain statements included in this statement may be forward-looking and may involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the company's plans and objectives for future operations, including, without limitation, discussions of the company's business and financing plans, expected future revenues and expenditures and divestments. All forward-looking statements in this report are based upon information known to the company on the date of this report. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy.