

Advanced Inflight Alliance AG

Interim Report of the Management within the 1st Half Year 2010

according to paragraph 37x WpHG

Nonbinding Voluntary Translation

General conditions within the period under review

The gradually emerging recovery of the airline industry in 2009 has continued in the first months of 2010. In March 2010 the worldwide passenger numbers compared with the same period last year rose by approximately 10.3 per cent. However, for April 2010 the International Air Transport Association (IATA) expects a dip in growth especially for the European aviation due to cancelled flights in connection with the Icelandic volcanic ash cloud. The Advanced Inflight Alliance Group experienced no notable effects concerning this matter in the period under review. Beginning May 2010 the American airline industry announced the merger of Continental Airlines and United Airlines. This underlines the continuation of the consolidation within the airline industry. The Advanced Inflight Alliance Group expects no notable immediate effects out of this major merger. Both airlines are customers of the company.

Within the sector of on-board entertainment no substantial changes occurred in the period under review. Due to the current developments within the airline industry the sector of on-board entertainment also continues to experience a certain pricing and consolidation pressure.

Also in the period under review the Advanced Inflight Alliance Group has been influenced by the development of the foreign currency exchange rates for the Canadian Dollar, the Pound Sterling and the US Dollar. The table below shows the developments of the exchanges rates of the relevant currencies against the Euro in the period under review:

	01.01.2010	31.03.2010	12.05.2010
USD/Euro	1,44	1,35	1,27
CAD/Euro	1,51	1,37	1,30
GBP/Euro	0,89	0,89	0,85

In May the decline of the Euro continued significantly due to the near insolvency of Greece.

Important events in the period under review

On February 2nd, 2010 the Chief Financial Officer of Advanced Inflight Alliance AG, Peter Biewald resigned from his post with immediate effect for personal reasons.

On March 3rd, 2010 the Supervisory Board of the company unanimously dismissed the Chairman of the Board of Directors, Otto Dauer, with immediate effect for important reasons and terminated his contract exceptionally. Furthermore the Supervisory Board appointed Dr. Ruediger Berndt as Chairman of the Board of Directors and Wolfgang Brand as Chief Financial Officer effective from March 3rd, 2010. The registration in the commercial register was executed on March 19th, 2010.

On March 3rd, 2010 Dr. Ruediger Berndt stepped down from his post as Chairman of the Supervisory Board of Advanced Inflight Alliance AG. On April 8th, 2010 Dr. Dieter Lehner, lawyer in Munich, was appointed as member of the Supervisory Board by the District Court. The appointment by the court was made according to § 104 AktG as the company, after the resignation of Dr. Ruediger Berndt, did not have the necessary number of Supervisory Board members for a quorum any more.

On April 12th, 2010 the Supervisory Board of the company, which was completed by the appointment of Dr. Dieter Lehner by the court, came together for its constituent meeting. In this meeting Rudolf Seidl was elected Chairman of the Supervisory Board and Dr. Andreas Beyer deputy Chairman of the Supervisory Board. The company published this in an adhoc announcement on April 12th, 2010.

In April 2010 the former member of the Board of Directors, Otto Dauer, filed a lawsuit against the company at the Munich District Court to challenge the extraordinary termination of his employment contract and the rescission of the extension of his contract in 2009. The Board of Directors of the Advanced Inflight Alliance AG is of the opinion that this claim is unfounded and therefore has little chance for success. Based on this perception the filing of the claim should have not material impact on the companies results of the current business year. This also has been made public in the adhoc announcement on April 12th, 2010 by the company.

Already as part of the acquisition of Fairdeal Multimedia Pvt. Ltd. in August 2008, the Advanced Inflight Alliance Group agreed to take over Fairdeal Studios Pvt. Ltd., Mumbai, India at a later date. On March 31st, 2010 the take over of the Fairdeal Studios Pvt. Ltd., Mumbai, India has been agreed to be executed on April 1st, 2010.

In the financial year 2008 the Advanced Inflight Alliance AG did take up an acquisition loan from HypoVereinsbank AG to finance the acquisition of DTI. Besides the scheduled six-monthly repayment in the amount of 1.0 million Euros, the contract contains an additional extraordinary repayment in case the company has generated an excess cash flow. This regulation is applicable for the first time to the full year accounts as of December 31st, 2009 and resulted in an extraordinary repayment in the amount of 1.0 million Euros, which was executed on May 7th, 2010.

Business development in the first quarter 2010

Consolidated revenues for the first quarter 2010 totalled about 26.3 million Euros, following about 27.4 million Euros in the comparable period. Significant reasons for this moderate decline have been price concessions to customers. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) adjusted for foreign currency effects were about 2.5 million Euros in the first quarter 2010 which is below the EBITDA adjusted for foreign currency effects of about 3.1 million Euros in the same period last year. The first quarter 2010 however is influenced by extraordinary expenses in connection with the change in the Board of Directors of the company (gratuity, legal costs) of about 0.3 million Euros as well as expenses in connection with the introduction of a new accounting- and consolidation software of about 0.2 million Euros. Adjusted for foreign currency effects and extraordinary effects the EBITDA was about 3.0 million Euros in the first quarter 2010 which was slightly below previous years figure.

The EBITDA including the booked but to a large extent not realised foreign currency effects and all extraordinary effects was 2.0 million Euros as of March 31st, 2010.

In the period under review the cash flow of the Advanced Inflight Alliance Group was marked by one instalment of the Earn-Out-payment to the sellers of DTI in the amount of 1.3 million Euros as well as the extraordinary excess cash flow repayment to HypoVereinsbank AG in the amount of 1.0 million Euros. In the second quarter 2010 one further instalment of the Earn-Out-payment (1.3 million Euros), a further regular repayment instalment of the HypoVereinsbank AG loan (1.0 million Euros) as well as in case of the relevant shareholder approval the payment of the proposed dividend (1.45 million Euros) are to be made. Due to the company's good cash position those payments can be executed.

Risk situation

The overall risk situation compared to the risk reporting as of December 31st, 2009 only showed a moderate change. An additional risk materialized in form of the interruption of the air traffic caused by the Icelandic volcanic ash cloud. So far the interruptions of the air traffic due to the volcanic ashes did not cause any notable impact on the company. However, further extensions of these interruptions of the air traffic could generate negative impacts on the company's profitability.

Outlook

For the financial year 2010 the Advanced Inflight Alliance Group still forecasts a consolidation of the business performance. The company will review the overall cost structure in the coming months. Initial savings especially in the area of external costs as consultancy fees will have a positive impact on the second half of the year.

The Annual General Meeting of the company will take place in Munich on June 7th, 2010. Board of Directors and Supervisory Board are proposing a dividend payment of 10 Cents per share to the Annual General Meeting. A shareholder sent a request for an addendum to the agenda to the company. All documents in connection with the Annual General Meeting are published on the company's web page.

Munich, May 14th, 2010

Advanced Inflight Alliance AG

The Board of Directors