

Half-Year Financial Report

January to June 2010



Advanced Inflight Alliance AG

at a glance

Address	Schellingstrasse 35, 80799 Munich, Germany
Telephone	0049-89-613805-0
Fax	0049-89-613805-55
e-mail	info@aialliance.com
Website	www.aialliance.com
Management Board	Dr. Rüdiger Berndt, CEO, Chairman Wolfgang Brand, CFO
Supervisory Board	Dr. Andreas Beyer, Chairman Arne Christes, Vice Chairman Jörgen Chidekel
Trading Segment	General Standard
Share capital	14.500.000,00 Euro
Shareholder structure (%)	AXXION S.A., 4.030% Lars Tvede, 5.517% Aristotelis Mistakidis, 7.342% Auctus sechszwanzigste Beteiligungsgesellschaft mbH, 16.167%
Other (%)	66.944%
ISINDE / Stock exchange symbol	ISINDE0001262186, Symbol: DVN1
Industry	Media
Coverage	DZ Bank AG VISCARDI AG
Designated Sponsor	VEM Aktienbank AG DZ Bank AG
Employees (record day)	Parent company: 9, Group total: 485
Accounting	IFRS / HGB

Key indicators

EUR thsd.	Jan.1 - Dec.31, 2010	Jan.1 - Jun. 31, 2009
		adjusted ^{*)}
Revenue	54,162,553.99	57,806,201.49
EBITDA	4,658,282.32	6,249,771.61
EBIT	2,903,238.90	4,262,070.54
Net finance income/loss	-365,778.45	-301,386.81
EBT	2,537,460.45	3,960,683.73
Consolidated result for the period (after minority interest)	2,310,298.94	3,170,690.23
Earnings per share in EUR, basic/diluted	0.16	0.22
Number of employees (average)	476	369

^{*)} Some amounts differ from those shown in the statement of changes in net equity for 1st halfyear 2009 due to adjustments made (for details see notes 2.2)

These half-yearly financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). Differences from rounding may occur in tables when individual items are added.

Forward-looking statements:

Statements regarding the future development of the Advanced Inflight Alliance Group and its subsidiaries merely constitute forecasts and estimates and not established historical facts. Statements of this nature serve solely to provide information and are characterized by terms such as „believe“, „expect“, „predict“, „intend“, „forecast“, „plan“, „estimate“, „expect“ or „aim for“. These forward-looking statements are based on all identifiable information, facts and expectations currently available to us. Their validity thus is limited to the time of publication.

Actual events and the company's development might differ substantially from the relevant forecasts because forward-looking statements by nature entail uncertainties and risk factors with unpredictable ramifications – such as changes in the economic environment for instance – or if underlying assumptions do not occur at all or only in part. Advanced Inflight Alliance AG always endeavors to verify the data that it publishes and to keep it updated. However, the company cannot be liable for adjusting forward-looking statements to events or developments occurring at a later date. Hence we will not assume any liability or warranty, whether express or implied, for the timeliness, accuracy and completeness of these data and information.

Contents

AIA AG Half-Year Financial Report 2010

02 - 08	Advanced Inflight Alliance AG at a glance	02
	Key indicators	
	Forward-looking statements	03
	Foreword of the Chairman of the Board on the Occasion of the Half-Year Report	06
	The share	08

12 - 33	Interim management report of the group for the first six months 2010	12
---------	---	----

34 - 52	Notes to the interim condensed consolidated financial statements	34
---------	---	----

53 - 56	Review report	53
	Responsibility Statement	54

Imprint



Dr. Rüdiger Berndt, CEO, Chairman of the Board

Foreword of the Chairman of the Board on the Occasion of the Half-Year Financial Report

Dear Shareholders,

Advanced Inflight Alliance has increased its most important capital, that is, its employees, by approx. 80 persons in comparison with the period last year; this corresponds with an increase of about 19%. Basically these are highly qualified permanent employees who are mainly employed in the programming of software. These new appointments would not have been necessary for the processing of the existing operational business, especially in the subsidiary DTI. Our company has therefore invested quite considerably in the development of new products which, in future, will contribute decisively to the success of the company. The emphasis is on the development of applications for on-board entertainment systems, which will facilitate a totally new range of services. From the individual compiling of menus by the passenger through to new concepts in on-board sales the new applications will contribute to the improvement of service and efficiency on board and make flights more pleasant. A genuine win-win situation: not only the passengers will benefit but also the airlines and we, as the service partner. After carrying out these investments in a difficult market environment, we are very happy that we have been successful in keeping the outstanding result of the prior year's period almost stable, adjusted by foreign currency effects and one-off special expenses.

In addition to the investments in the future, our results were decisively affected by the crisis of the Euro in the reporting period. To a large extent it was a question of a non-recurring currency effect, which was linked with the payment of the last earn-out rate to the sellers of DTI. Here we were affected by an actual currency exchange loss due to the strong rise of the Canadian Dollar to the Euro. In other respects, the posted foreign currency exchange losses are predominantly book losses, which are based on group-internal transactions, in particular, group-internal loans. Whereas here we can see a significant negative effect in our profit and loss accounts, on the other hand the equity has increased considerably with positive currency effects at an amount of almost 7 million Euro.

2010, taking the above factors into account, will be a year of consolidation with our company positioning itself as well as possible for the challenges of the future. As a result the course is set, not only for maintaining our position as market leader but developing it further, which will be reflected positively in sales and profits.

Dr. Rüdiger Berndt
Chairman of the Board

Munich, August 31, 2010

Half-Year Financial Report 2010
07 Foreword of the Chairman
of the Board on the Occasion
of the Half-Year Report

The share

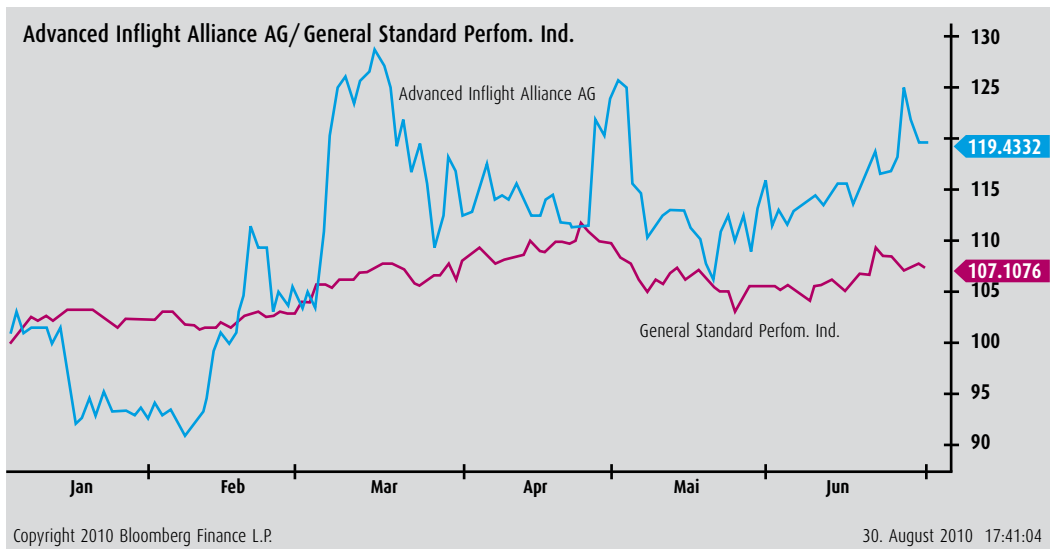
The share

There was considerable volatility on the international equity markets in the first half of 2010, with the uncertainty about the global economy's long-term stability and the debt crisis in several European countries generating significant fluctuations on a number of share indices. Even the German equity market was unable to escape this uncertain mood, with the DAX standing at 5,975.52 points on January 4, 2010 and closing the period almost unchanged at 5,965.52 points on June 30, below the important 6,000 point mark. The DAX reached its low for the first half of 2010 of 5,434.34 points in early February. At its highest point, the index reached 6,292.97 points.

The General Standard Index rose slightly from 2,318.79 points on January 4, 2010 to 2,483.60 points on June 30, 2010 with similarly high volatility. Its opening price was also the index's annual low. The General Standard peaked at 2,483.60 points on June 26, 2010.

On their first day of trading in 2010, the shares of Advanced Inflight Alliance AG were listed at EUR 2.50, subsequently rising to EUR 3.22 on March 12, 2010, the highest level in the first six months of 2010. The share price then retreated marginally once more, closing the period at EUR 3.00 on June 30, 2010. The shares thus gained a substantial 20 percent in the first half of 2010, significantly outperforming their benchmark index, the General Standard.

Share price performance in the first six months of 2010 (compared with the General Standard Index):



Shareholder structure

The share capital of Advanced Inflight Alliance AG amounted to EUR 14,500,000.00 as of June 30, 2010 and was divided into the same number of no-par value shares. The shares are quoted in Deutsche Börse's General Standard trading segment. Almost 40 percent of the shares at the reporting date are reportable, i.e., held by shareholders whose share in the company exceeds 3 percent.

Purchase/sale of shares until June 30, 2010

AXXION S. A.	5.590 %
Auctus sechszwanzigste Beteiligungsgesellschaft mbH	3.930 %
Lars Tvede	11.030 %
Grand Haven Capital Master Fund Ltd.	3.970 %
Aristotelis Mistakidis	7.342 %
Otto Dauer	3.793 %
PAR Capital Management Inc.	3.450 %
Shareholder Value Beteiligungen AG	3.386 %
Others	57.509 %

Purchase/sale of shares until August 31, 2010

Name	Transaction date	Type	Interest in % at notification date
AXXION S. A.	July 7, 2010	Sale	4.030 %
Auctus sechszwanzigste Beteiligungsgesellschaft mbH	July 20, 2010	Purchase	16.167 %
Lars Tvede	June 15, 2010	Sale	5.517 %
Grand Haven Capital Master Fund Ltd.	July 8, 2010	Sale	0.000 %
Aristotelis Mistakidis	June 10, 2010	Purchase	7.342 %
Otto Dauer	July 21, 2010	Sale	2.207 %
PAR Capital Management Inc.	July 8, 2010	Sale	0.000 %
Shareholder Value Beteiligungen AG	July 8, 2010	Sale	2.340 %

Half-Year Financial Report 2010

The share

08 The share

09 Shareholder structure

10 Investor relations

10 Dates

10 Dividend

Director's holdings as of June 30, 2010

As of the reporting date, the following company officers held shares in Advanced Inflight Alliance AG:

Name	Function	Held by	Number
Dr. Rüdiger Berndt	Chief Executive Officer (Chairman of the Supervisory Board until March 3, 2010)	Himself	144,998
Dr. Rüdiger Berndt	Chief Executive Officer (Chairman of the Supervisory Board until March 3, 2010)	Family members	124,691
Wolfgang Brand	Chief Financial Officer	Himself	10,000

Investor relations

The composition of the company's Management Board changed in the first six months of 2010. The new Management Board established and deepened contact with investors, analysts and the press in the first half of the year. Investor relations activities will be further intensified as the year progresses. The company's website has been updated to include the news reports in the first six months of 2010.

In the period under review, research on Advanced Inflight Alliance AG was issued by DZ Bank AG and Viscardi AG, which can be downloaded from the company's website at www.aialliance.com.

Dates

Company calendar	
September 13-16, 2010	Annual WAEA Conference & Exhibition, Long Beach, USA
November 15, 2010	Interim information Q3/2010

Dividend

The company's Annual General Meeting on June 7, 2010 resolved to pay the dividend of EUR 0.10 per share proposed by management for the 2009 financial year. The total dividend of EUR 1,450 thousand was distributed to the shareholders on June 8, 2010.



Wolfgang Brand, CFO

Interim management report of the group for the first six months 2010

Contents

Interim management report of the group for the first six months 2010

12 - 18	1. Business and economic environment	14
	1.1. Overall economic situation	14
	1.1.1. Economic environment	14
	1.1.2. Industry-specific business environment	14
	1.2. Employees	15
	1.3. Course of business and key events in the first half of 2010	15
	1.4. Related party disclosures	18

18 - 21	2. Financial performance, cash flows and financial position	18
	2.1. Financial performance	18
	2.2. Cash flows and financial position	21

24 - 25	3. Events after the reporting period	24
	4. Risk and opportunity report	24
	5. Anticipated developments	25

26 - 34	Consolidated Statement of Income for the first six months 2010 (IFRS)	26
	Consolidated Statement of comprehensive Income (IFRS)	27
	Consolidated balance sheet as at June 30, 2010 (IFRS)	28
	Statement of changes in net equity including minority interests (IFRS)	30
	Consolidated cash flow statement for the first six months 2010 (IFRS)	32

Interim management report of the group for the first six months 2010

1. Business and economic environment

1.1. Overall economic situation

1.1.1. Economic environment

A progressive improvement in the state of the global economy was observed in mid-2010, though the pace of growth and the robustness of development varied substantially in different countries and regions. The global economic climate index compiled by the ifo Institute indicated continued strong growth in Asia in particular. North America is also witnessing a gradual economic recovery, as shown by the steady rise in the ifo indicator for this region, which is now slightly above its long-term average. In Western Europe, however, the ifo index remained almost unchanged, falling short of its long-term average.

The ifo Institute is forecasting that the global economy will grow by 4.1 percent in 2010 and by 3.5 percent in 2011. The emerging markets will still lead the economic rebound, while in the United States growth in 2010 will be modest. In Western Europe the picture is very heterogeneous, but on the whole Europe's economic recovery appears to be losing steam. Negative growth rates will be posted in particular by the countries with high budget deficits. This stands in contrast to Germany, where the economic recovery is expected to continue and push up gross domestic product by an anticipated 2.1 percent in 2010. It is predicted that growth will slow to 1.5 percent in 2011, however.

A barrel of Brent crude cost a little over USD 75 in mid-August 2010, slightly more than at the beginning of 2010. Its lowest price in the period under review was approximately USD 70 in early February. The price of crude oil peaked at roughly USD 88 at the beginning of May 2010.

The first six months of 2010 were marked by considerable volatility in a number of exchange rates. The US dollar and the Canadian dollar in particular gained considerable ground against the euro during this period. Trading at around USD 1.44 at the beginning of 2010, the euro fell to USD 1.22 at the end of the period. In mid-August, the euro rebounded to over USD 1.28. The euro also depreciated against the pound sterling, sliding from GBP 0.87 to GBP 0.81. In the period under review, the euro slipped from CAD 1.50 to CAD 1.28.

1.1.2. Industry-specific environment

The recovery in the aviation industry that began towards the end of 2009 continued, with international air passenger demand rising 11.9 percent in June 2010 compared with the prior-year period. Due to the slight increase in capacity, capacity utilization is at the historically high level of 79.8 percent. The aviation industry on the whole is therefore recovering faster than expected. The unchallenged growth drivers are the Asian markets, where demand is up 15.5 percent, contrasting with growth of 7.8 percent in Europe. Africa and the Middle East have the highest growth rates of 21.3 percent and 18.0 percent, respectively. Even the North American market is growing much faster than Europe at a rate of 10.8 percent. The industry association in the aviation industry is still optimistic that the sector will continue to recover. One indication of this is that orders for over 400 new aircraft were placed at the last major trade show of aircraft manufacturers.

The recovery in the aviation industry notwithstanding, considerable price pressure is still evident in the late-cyclical on-board entertainment industry. The cost-cutting programs introduced by the carriers during the economic crisis are being implemented in spite of the recovery.

1.2. Employees

As of June 30, 2010, the AIA Group had 485 employees (June 30, 2009: 406 employees). This represents an increase of around 19 percent, due in particular to the hiring of new staff at the Canadian subsidiary DTI Software Inc., Montreal, Canada (hereinafter referred to as "DTI") in connection with the development of new strategic business areas.

No trainees were employed as of June 30, 2010.

1.3. Course of business and key events in the first half of 2010

Course of business

The AIA Group's operations in the first half of 2010 developed in line with management's expectations. Consolidated sales stood at EUR 54,163 thousand (prior-year period: EUR 57,806 thousand). When the 2010 half-yearly financial report was being prepared, it was discovered that in the 2009 financial year there had been a shift in sales at the Dutch subsidiary Inflight Productions BV, Amsterdam, Netherlands, at the expense of 2010, though this did not have a significant effect on earnings. Had this sales shift not taken place, sales in the first half of 2010 would have come to EUR 55,051 thousand, compared with EUR 56,667 thousand in the same period in 2009 (for more information please refer to section 2.1). This represents a decrease in sales of around 3 percent year-on-year. This slight decline can be attributed to a number of different factors. In the first half of 2010, for example, no further sales were generated with our former customer Northwest Airlines. We lost Northwest Airlines as a customer following its merger with Delta Airlines in April 2009. Substantial sales had been generated with this customer in the early months of 2009. In the current market environment, which remains challenging, we have lost some customers as expected, but also gained a number of new ones. We have also succeeded in extending several contracts with existing customers on a long-term basis (by 2-3 years). In some cases, however, it was agreed that the AIA Group would no longer provide components of services that it used to provide and that do not make a contribution to the Group's earnings. This is leading to an effective decline in sales but also, in addition to a reduction in administrative expense, to an increase in profit margins because the sales basis is shrinking by the proportion of sales with no effect on margins. The Management Board welcomes this development as it leads to more meaningful sales and a more informative profit margin, and the foreign currency risks to which the margin-neutral items are exposed will also disappear.

The other licensing segment has been relegated to a secondary role within the Group and continues to show flat sales owing to the extremely difficult market environment.

During the period under review, the company invested heavily in forward-looking developments and hired a large number of new employees at its Canadian subsidiary DTI in particular in connection with the development of new strategic business areas. Consequently, staff costs in the AIA Group at EUR 10,605 thousand in the reporting period were also substantially higher than in the prior-year period (EUR 8,974 thousand).

Half-Year Financial Report 2010
Interim Management Report
14 Business and economic environment
18 Financial performance, cash flows and financial position
24 Events after the reporting period
24 Risk and opportunity report
25 Anticipated developments
26 Consolidated Statement of income
27 Consolidated Statement of comprehensive income
28 Consolidated balance sheet (IFRS)
29 Consolidated balance sheet (IFRS)
30 Statement of changes in net equity (IFRS)
31 Statement of changes in net equity (IFRS)
32 Consolidated cash flow statement (IFRS)

Earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted for reported foreign currency effects stood at EUR 5,896 thousand in the reporting period, down on the prior-year figure of EUR 6,486 thousand, which had also been adjusted for foreign currency effects.

EBITDA in the first six months of 2010 was also impacted by one-time charges incurred in connection with the change in the company's Management Board as well as by increased expenses in connection with the introduction of new accounting and consolidation software totaling around EUR 500 thousand.

In spite of the above-mentioned factors and the considerable investment in the expansion of the workforce, basic earnings per share (EPS) of EUR 0.22 after adjusting for reported foreign currency effects and the related tax effect were only marginally lower than last year's record level of EUR 0.23.

Key events:

On February 2, 2010, the Chief Financial Officer of Advanced Inflight Alliance AG, Peter Biewald, resigned effective immediately for personal reasons.

On March 3, 2010, the company's Supervisory Board unanimously resolved to remove the company's CEO, Otto Dauer, for cause, effective immediately, and terminated his director's contract. Also effective March 3, 2010, the Supervisory Board appointed Dr. Rüdiger Berndt to serve as Chief Executive Officer (CEO) and Wolfgang Brand to serve as Chief Financial Officer (CFO). These changes were recorded in the Commercial Register on March 19, 2010.

Effective March 3, 2010, Dr. Rüdiger Berndt resigned from his position as Chairman of the Supervisory Board of Advanced Inflight Alliance AG. The Munich District Court (Amtsgericht) appointed Dr. Dieter Lehner, Esq., domiciled in Munich, to the Supervisory Board of Advanced Inflight Alliance AG on April 8, 2010. This court-ordered appointment was made in accordance with Section 104 German Stock Corporation Act (Aktengesetz) because the company's Supervisory Board no longer had the number of members required for a quorum in the wake of Dr. Rüdiger Berndt's resignation.

On April 12, 2010, the company's Supervisory Board — which had been brought back to full membership by the court-ordered appointment of Dr. Dieter Lehner — met for its constituent meeting. Rudolf Seidl and Dr. Andreas Beyer, respectively, were appointed Chairman and Vice Chairman of the Supervisory Board at this meeting. The company announced all these changes in an ad hoc release dated April 12, 2010.

In April 2010, the former member of the company's Management Board, Otto Dauer, filed a suit against the company in Munich's Regional Court I (Landgericht München I), challenging the termination for cause of his director's contract and the company's decision to rescind the renewal of his contract in 2009. The Management Board of Advanced Inflight Alliance AG believes that the suit has no merit and thus is unlikely to prevail. Hence this pending litigation will not have a material effect on earnings in the current financial year. The company announced its view in the ad hoc release dated April 12, 2010. The lawsuit is still pending. After other matters came to light, the Supervisory Board terminated the director's contract with Otto Dauer for cause several more times as a precautionary measure. These other terminations have also been attacked by the extension of Otto Dauer's lawsuit, but given the gravity of the different reasons for the termination the company believes – taking everything into account – that the terminations issued will be effective.

During the regular elections of new Supervisory Board members, the company's Annual General Meeting on June 7, 2010 elected Dr. Andreas Beyer, Jürgen Chidekel and Arne Christes to the company's Supervisory Board. Rudolf Seidl and Dr. Dieter Lehner stepped down from the company's Supervisory Board at the end of the Annual General Meeting. The Management Board and the company would like to thank Mr. Seidl and Dr. Lehner for their good and trusting cooperation.

At its constitutional meeting on June 10, 2010, the Supervisory Board elected Dr. Beyer as its chairman and Mr. Arne Christes as the deputy chairman.

The company's Annual General Meeting on June 7, 2010 resolved a dividend of EUR 0.10 per share for the 2009 financial year. The total dividend of EUR 1,450,000 was distributed to the shareholders.

The Advanced Inflight Alliance Group had already agreed in connection with the acquisition of Fairdeal Multimedia Pvt. Ltd., Mumbai, India („Fairdeal Multimedia“) in August 2008 that it would acquire Fairdeal Studios Pvt. Ltd., Mumbai, India, at a later date. As agreed on March 31, 2010, Fairdeal Studios Pvt. Ltd., Mumbai, India, was acquired effective April 1, 2010.

Advanced Inflight Alliance AG had obtained an acquisition loan from HypoVereinsbank AG in the 2008 financial year to finance its acquisition of DTI. Besides a planned loan payment of EUR 1,000 thousand every six months, the loan agreement also provides for a special loan payment if the company generates excess cash flow. This provision applied for the first time based the company's figures as of December 31, 2009 and triggered a special loan payment of EUR 1,000 thousand, which was due and payable on May 7, 2010 and was made on time by the company.

On April 12, 2010, the new Management Board concluded an agreement with the sellers of the interests in DTI on the gradual payment of the last purchase price installment as part of the earn-out totaling CAD 5,198 thousand. In accordance with this agreement, the first part payment of CAD 1,733 thousand was made in April 2010 and the second installment of CAD 1,733 thousand was paid in July 2010. The last payment is scheduled to be made no later than October 2010. In the original agreements, the total earn-out payment of CAD 5,198 thousand had been due on or before February 8, 2010. However, the former Management Board had not taken adequate measures to ensure payment by the due date in February. By March 31, 2010, owing to the Canadian dollar's substantial increase against the euro, negative foreign currency effects of over EUR 300 thousand had arisen that subsequently increased further as a result of the continuing rise in the value of the Canadian dollar. These negative effects were realized in part to the installment payments described above.

At the Annual General Meeting of Advanced Inflight Alliance AG, Auctus Capital Partners Beteiligungs AG, Munich, announced plans to acquire a larger share of Advanced Inflight Alliance AG. According to the last notification dated August 4, 2010 received by Advanced Inflight Alliance AG under Section 26 (1) German Securities Trading Act, Auctus sechszwanzigste Beteiligungsgesellschaft mbH, an associate of Auctus Capital Partners Beteiligungs AG, holds 16.17 percent of the voting shares of Advanced Inflight Alliance AG. In the notification pursuant to Section 27 (1) German Securities Trading Act, Auctus sechszwanzigste Beteiligungsgesellschaft mbH announced on August 4, 2010 that its investment in shares of Advanced Inflight Alliance AG serves to implement strategic goals and that over the next twelve months it intends

to acquire additional voting rights through acquisition or by other means. Auctus sechszwanzigste Beteiligungsgesellschaft mbH is also seeking to influence the composition of management and/or supervisory bodies of Advanced Inflight Alliance AG. At this time, Auctus sechszwanzigste Beteiligungsgesellschaft mbH is not planning any major change in Advanced Inflight Alliance AG's capital structure, particularly with respect to the ratio of equity and borrowings, and its dividend policies. The Management Board of Advanced Inflight Alliance AG welcomes the fact that Auctus sechszwanzigste Beteiligungsgesellschaft mbH is coming on board as a strategic investor because this will considerably strengthen the shareholder structure for the good of the company, also vis-à-vis future growth.

1.4. Related party disclosures

Please refer to section 14 in the notes to the interim condensed consolidated financial statements for related party disclosures.

2. Financial performance, cash flows and financial position

In the 2009 financial year, the provisions for bonus entitlements for the current financial year were not recognized on a pro rata basis at the Canadian subsidiary DTI in a timely manner. The corresponding correction, i.e. the recognition of provisions, was not made until the third quarter of 2009. This means that the staff costs reported in the 2009 half-yearly financial report are too low because they do not include the pro-rated provisions for bonus entitlements. For the purposes of this 2010 half-yearly financial report, the comparative figures in the 2009 half-yearly financial report have now been restated to include the provisions of EUR 245 thousand for bonus entitlements that were originally not recognized.

2.1. Financial performance

Sales

The AIA Group posted total sales of EUR 54,163 thousand (prior-year period: EUR 57,806 thousand). When the 2010 half-yearly financial report was being prepared, it was discovered that in the 2009 financial year there had been a shift in sales at the Dutch subsidiary Inflight Productions BV, Amsterdam, Netherlands, at the expense of 2010. This is deemed insignificant for the Group's financial performance because only a low profit margin was generated with the sales concerned. Had this sales shift not taken place, sales in the first half of 2010 would have come to EUR 55,051 thousand, compared with EUR 56,619 thousand in the same period in 2009. This represents a decrease in sales of around 3 percent year-on-year.

The other licensing segment remained insignificant in the first half of 2010 as well, generating sales of just EUR 43 thousand in the first six months of the year (prior-year period: EUR 53 thousand).

Foreign currency effects

Exchange rate parities affect the AIA Group to a considerable degree. Most of the AIA Group's sales and purchases of material are transacted in US dollars, although staff costs and other operating expenses are additionally incurred in pounds sterling, Canadian dollars and euros. As a result, the AIA Group is exposed to foreign currency effects any time fluctuations occur in the relevant exchange rate parities. Foreign currency effects are reflected in explicitly reported foreign exchange effects directly recognized in profit or loss, but also indirectly in the translation of items from the statement of financial position into the reporting currency (euros) as part of the consolidation. The latter are recognized directly in consolidated equity. The translation of expense and income items of subsidiaries that report in non-euro currencies also leads to corresponding foreign currency effects that are reflected, for example, in the amount of sales in the reporting currency (euros).

Due to the substantial appreciation of the US dollar, the Canadian dollar and the pound sterling against the euro, the earnings of the AIA Group were affected by foreign currency effects to a considerable extent in the first half of 2010. For example, the positive foreign currency effect from the currency translation that was reported in equity, which means it has no effect on the income statement, amounted to EUR 6,910 thousand in the first half of 2010, a significant increase on the prior-year figure of EUR 1,660 thousand. On the other hand, however, partly contrary foreign currency effects arose, due in particular to intragroup transactions in foreign currencies. These were recognized in profit or loss. The AIA Group consequently reported foreign currency losses totaling EUR 1,237 thousand as of June 30, 2010 (prior-year period: EUR 236 thousand). These consist of foreign currency gains in an amount of EUR 5,012 thousands as well as foreign currency losses amounting to EUR 6,249 thousands. These, however, are unrealized and are therefore non-cash foreign currency losses, most of which are connected to intragroup receivables and liabilities. On account of the euro's recovery against the US dollar, these internal non-cash foreign currency effects were reduced further as early as August 2010 and will have a positive effect on earnings in the second half of the financial year if the euro continues to gain ground against the US dollar.

Personel Recruitment

As of June 30, 2009, the Group had 406 employees. In the course of the investment in new strategic business areas, a large number of new employees have been hired in recent months, increasing the workforce in the AIA Group by more than 19 percent to 485 employees as of June 30, 2010. The larger headcount is also the main factor leading to the sharp rise in staff costs in the AIA Group from EUR 8,974 thousand in the first half of 2009 to EUR 10,605 thousand in the first six months of 2010.

EBITDA

After adjusting for reported foreign currency effects, the AIA Group generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 5,896 thousand in the first six months of 2010, down from EUR 6,486 thousand in the previous year, when EBITDA was also adjusted for foreign currency effects. However, EBITDA in the first six months of 2010 included one-time charges in connection with the change in the company's Management Board as well as increased expenses in connection with the introduction of new accounting and consolidation software totaling around EUR 500 thousand. As already mentioned, the considerable expansion of the workforce and the resulting increase in staff costs also dragged down EBITDA in the first half of 2010.

Half-Year Financial Report 2010

Interim Management Report

14 Business and economic environment

18 Financial performance, cash flows and financial position

24 Events after the reporting period

24 Risk and opportunity report

25 Anticipated developments

26 Consolidated Statement of income

27 Consolidated Statement of

comprehensive income

28 Consolidated balance sheet (IFRS)

29 Consolidated balance sheet (IFRS)

30 Statement of changes

in net equity (IFRS)

31 Statement of changes

in net equity (IFRS)

32 Consolidated cash flow statement (IFRS)

Without adjusting for foreign currency effects, the AIA Group generated EBITDA of EUR 4,658 thousand in the first six months of 2010. The prior-year figure had included negative foreign currency effects of just EUR 236 thousand and amounted to EUR 6,250 thousand.

EBIT

After adjusting for reported foreign currency effects, the AIA Group generated earnings before interest and taxes (EBIT) of EUR 4,141 thousand for the first half of 2010, down from EUR 4,498 thousand in the same period in 2009.

Without adjusting for foreign currency effects, EBIT in the first six months of 2010 came to EUR 2,903 thousand, a decline on the prior-year figure of EUR 4,262 thousand.

EBT

Adjusted for reported foreign currency effects, the AIA Group's earnings before taxes (EBT) totaled EUR 3,775 thousand in the first half of 2010, compared with EUR 4,197 thousand in the year-earlier period.

Including foreign currency effects, EBIT stood at EUR 2,537 thousand, a decrease on the prior-year figure of EUR 3,961 thousand.

Net income for the period

Adjusted for reported foreign currency effects (after applying the corporate tax rate to the foreign currency effects), net income for the period of the AIA Group was EUR 3,139 thousand in the first half of 2010, compared with EUR 3,329 thousand in the prior-year period.

Without adjustment for expenses from exchange rate losses, the AIA Group generated net income of EUR 2,310 thousand for the first half of 2010, down from EUR 3,171 thousand in the first six months of 2009.

Earnings per share

Adjusted for reported foreign currency effects, basic earnings per share were EUR 0.22 in the first six months of 2010 and hence slightly lower than previous year (EUR 0.23) after adjusting for foreign currency effects.

Including foreign currency effects, basic earnings per share in the first half of 2010 were EUR 0.16, down from EUR 0.22 in the prior-year period.

Depreciation, amortization and impairment losses

In the first six months of 2010, depreciation, amortization and impairment losses in the AIA Group totaled EUR 1,755 thousand (prior-year period: EUR 1,988 thousand). The main reason behind the somewhat low figure for June 30, 2010 was the lack of impairment losses on the non-current film assets of the other licensing segment. These impairment losses had totaled EUR 453 thousand in the comparative period. As the continued capitalization of development costs at DTI further increased the amortization basis for the assets in question, correspondingly higher amortization of capitalized development costs at DTI is reported as of June 30.

Other operating income

The AIA Group generated other operating income of EUR 393 thousand as of June 30, 2010 (prior-year figure: EUR 496 thousand).

Staff costs

The staff costs of the AIA Group as of June 30, 2010 were EUR 10,605 thousand, compared to EUR 8,974 thousand the previous year, which corresponds to a year-on-year increase of EUR 1,631 thousand or approximately 18 percent. The ratio of consolidated staff costs in the first six months of 2010 thus rose substantially from about 16 percent the previous year to about 20 percent. This is especially due to the further increase in personnel at the Canadian subsidiary DTI in connection with the development of new applications both for the on-board entertainment sector and other areas. The increase in staff costs is not related to the handling up of the current business. Instead, it represents an investment in the development of new strategic business areas both within and outside the inflight entertainment sector.

Other operating expenses

The other operating expenses as of June 30, 2010 totaled EUR 6,258 thousand, up substantially on the prior-year figure of EUR 5,469 thousand. The other operating expenses as of June 30, 2010 contain negative foreign currency effects of EUR 1,237 thousand. Foreign currency effects in connection with the earn-out obligation vis-à-vis the sellers of DTI alone accounted for about EUR 500 thousand. As of June 30, 2009, foreign currency effects had amounted to EUR 236 thousand. As a result, the other operating expenses as of June 30, 2010 totaled EUR 5,021 thousand after adjusting for foreign currency effects, down from the prior-year figure of EUR 5,233 thousand, which was also adjusted for foreign currency effects. The other operating expenses primarily include rent, travel expenses, marketing expenses and consulting costs.

Financial result

In the first half of 2010, the AIA Group generated finance income of EUR 12 thousand compared with EUR 99 thousand in the prior-year period, due among other things to substantially lower interest rates on credit balances. Finance costs in the same period were EUR 377 thousand (previous year: EUR 400 thousand). These include unrealized losses from existing interest rate swaps of EUR 79 thousand.

Income taxes

Income taxes within the AIA Group the first half of 2010 totaled EUR 227 thousand, compared with EUR 790 thousand in the prior-year period.

2.2. Cash flows and financial position**Financial position**

Total assets of the AIA Group as of June 30, 2010, were EUR 97,016 thousand, a significant increase compared with December 31, 2009, when total assets amounted to EUR 84,522 thousand.

Assets

As of June 30, 2010, the goodwill of the AIA Group totaled EUR 27,004 thousand. The sharp rise compared with the figure of EUR 23,684 thousand as of December 31, 2009 is exclusively due to foreign currency effects.

As of the interim reporting date, other intangible assets were EUR 19,754 thousand (December 31, 2009: EUR 17,039 thousand). This increase stems, in particular, from the increase in DTI's capitalized development costs amounting to EUR 968 thousand as well as from foreign currency effects.

The film assets recognized by the AIA Group as of June 30, 2010 amounted to EUR 510 thousand, up slightly on the December 31, 2009 figure of EUR 490 thousand. This slight increase is due to the acquisition of film rights by the Indian subsidiary Fairdeal Multimedia. The portfolio of non-current film assets at the German subsidiary IFE Alliance Licensing GmbH, Duisburg, has not increased.

Overall, the intangible assets of the AIA Group as of June 30, 2010, were EUR 47,268 thousand. The sharp rise in intangible assets compared with the figure of EUR 41,213 thousand as of December 31, 2009 is largely due to foreign currency effects.

As of the interim reporting date, property, plant and equipment fell only slightly to EUR 2,662 thousand (December 31, 2009: EUR 2,444 thousand).

Deferred tax assets as of June 30, 2010, were EUR 1,674 thousand (December 31, 2009: EUR 1,480 thousand).

Trade receivables as of the interim reporting date rose to EUR 20,622 thousand, up from EUR 17,012 thousand on December 31, 2009. This increase is attributable to developments in normal business operations as well as to foreign currency effects.

Cash and cash equivalents as of June 30, 2010, were EUR 16,626 thousand (December 31, 2009: EUR 16,465). Regarding the development of cash and cash equivalents, we refer to the consolidated statement of cash flows for the first half of 2010.

As of the 2010 interim reporting date, other assets were EUR 4,100 thousand (December 31, 2009: EUR 2,829 thousand).

Equity and liabilities

Equity of the AIA Group as of June 30, 2010 was EUR 41,142 thousand, up substantially on the December 31, 2009 figure of EUR 33,299 thousand. The main factors driving this considerable improvement were the positive earnings as of June 30, 2010 and, in particular, the increase in the other component of equity resulting from the effects of exchange rate fluctuations on the translation of the foreign subsidiaries' assets and liabilities in the course of the consolidation amounting to EUR 6,910 thousand. The equity ratio as of June 30, 2010 was 42.4 percent, compared with 39.4 percent on December 31, 2009.

Non-current interest-bearing loans and borrowings fell from EUR 6,441 thousand to EUR 4,368 thousand as of June 30, 2010. This decrease is principally attributable to the special loan payment made as of June 30, 2010 and the regular repayment of the loan to HypoVereinsbank as well as to the reduction in non-current financial liabilities due to the scheduled changes in the remaining terms of the loans in accordance with the repayment plans.

Other non-current financial liabilities were EUR 74 thousand as of the interim reporting date (December 31, 2009: EUR 221 thousand).

Deferred tax liabilities as of June 30, 2010, were EUR 6,319 thousand, compared to EUR 6,064 thousand as of December 31, 2009.

Current income tax liabilities as of the reporting date were EUR 1,624 thousand (December 31, 2009: EUR 1,319 thousand).

Current interest-bearing loans and borrowings amounted to EUR 7,431 thousand as of June 30, 2010, a substantial increase compared with December 31, 2009, when current financial liabilities of EUR 2,650 thousand were posted. This is mainly attributable to bridging finance of EUR 1,200 thousand obtained from HypoVereinsbank. In addition, a schedule for the payment of the last purchase price installment (earn-out) for the interests in DTI was agreed with the sellers of DTI which increased this item by EUR 2,750 thousand. As of June 30, the portion of the purchase price installment still existing at the interim reporting date was reported under current financial liabilities instead of other liabilities.

The trade payables of the AIA Group as of June 30, 2010 totaled EUR 28,898 thousand (December 31, 2009: EUR 24,265 thousand). This increase is attributable to developments in normal business operations as well as to foreign currency effects.

Other liabilities amounted to EUR 6,895 thousand as of June 30, 2010, down from EUR 9,890 thousand as of December 31, 2009. The reclassification of the purchase price liability to current interest-bearing loans and borrowings is one of the main reasons for this decline.

Finance and liquidity management

Statement of cash flow

The net cash flow from operating activities in the first six months of 2010 was EUR -23 thousand (previous year: EUR 2,399 thousand). The presentation of the statement of cash flows for the interim financial statements as of June 30, 2010 was changed from the interim financial statements as of June 30, 2009. The introduction of new accounting and consolidation software enabled better presentation of the effects of exchange rate fluctuations for the period January 1 to June 30, 2010. On account of this improved pool of data, the consolidated statement of cash flows for the period ended June 30, 2010 is only comparable with that for the previous year to a limited extent. Please refer to section 2.3 of the notes to the interim condensed consolidated financial statements for more information.

In the first half of 2010, the AIA Group generated a negative net cash flow from investing activities of EUR 2,924 thousand (prior-year period: EUR 3,703 thousand). In the first six months of 2009, the net cash flow from investing activities had been affected by cash outflows of EUR 2,232 thousand for purchase price payments (earn-outs) that were shown as payments under other financial liabilities. Part of the earn-out obligation of EUR 1,292 thousand still existing in connection with the acquisition of DTI was paid in the first half of 2010.

The net cash flow from financing activities in the first six months of 2010 was EUR 663 thousand (prior-year period: EUR -3,315 thousand). This includes loan repayments to HypoVereinsbank totaling EUR 2,000 thousand (prior-year period: EUR 1,000 thousand), bridging finance of EUR 1,200 thousand obtained from HypoVereinsbank and the partial conversion of the last earn-out installment to the sellers of DTI into a loan. This item also includes the dividend payment for the 2009 financial year of EUR 1,450 thousand (dividend in 2009 for the 2008 financial year: EUR 1,160 thousand).

The effects of exchange rate fluctuations on cash and cash equivalents were EUR 2,444 thousand in the first half of 2010, up from EUR 333 thousand in the same period in 2009. Aside of the foreign currency this increase is also due to the above-mentioned change of the presentation of the statement of cash flows attributed to the improvement of the data generation.

Cash and cash equivalents of the AIA Group totaled EUR 16,626 thousand as of June 30, 2010 (prior-year period: EUR 13,189 thousand).

3. Events after the reporting period

No events of special significance for the Group's financial position, cash flows and financial performance occurred after June 30, 2010.

4. Risk and opportunity report

The management report of the AIA Group for the 2009 financial year contains a detailed description of the company's opportunities and risks as well as the risk management system. The following interim risk and opportunity report merely includes issues which the company assesses differently than as of December 31, 2009 based on developments in the first half of 2010.

Currency risks

Within the Group, currency risks essentially arise from the fact that both sales to customers and purchasing are largely effected in US dollars while some of the operating companies' fixed costs are incurred in euros, British pounds and Canadian dollars. If necessary, the Group engages in hedging transactions to counteract direct currency risks. However, we cannot always guarantee that all currency risks have been hedged in full. Severe currency fluctuations could also cause the hedging transactions to fail if agreed thresholds (triggers) are not met or exceeded. There are also intragroup receivables and liabilities in the Group such as loans that can generate significant foreign currency effects.

In the first half of 2010, the enormous changes in the exchange rates of a number of foreign currencies against the euro – the surge in the value of the US dollar and the Canadian dollar being one such example – led to the recognition of large, nevertheless unrealized foreign exchange losses in some cases, particularly as

a result of intragroup transactions. This clearly shows that the AIA Group is exposed to a heightened currency risk owing to the foreign currency sensitivity in severe and unforeseeable exchange rate movements that are consequently difficult to predict.

The company is working on improving the systems and processes in the Group to make foreign currency effects more transparent and therefore easier to manage in the future.

Measurement risk

Non-current intangible assets and, in particular, capitalized goodwill, as well as miscellaneous intangible assets, account for a significant portion of the assets in the AIA Group's statement of financial position. An impairment test of the goodwill based on all available business forecasts as of June 30, 2010, did not indicate any need to write it down. We cannot preclude, however, that impairment losses might arise in the future if business forecasts were to change. This also applies to the measurement of the miscellaneous intangible assets, which are written off over their useful life. But we cannot preclude that changes in utilization might lead to impairment losses in the future.

According to the company's assessments and knowledge, the risks described in this risk report are controllable and the continued existence of the AIA Group as a going concern was not in jeopardy at the time this report was prepared. This applies to all Group companies and the Group as a whole. However, the overall risk position arising from the aggregate of condensed individual risks has increased slightly compared with the risk report as of December 31, 2009, particularly due to the development of foreign exchange rates. Yet the individual risks mentioned in the foregoing will not trigger any negative deviations from the developments described in the report on anticipated developments, provided the market remains stable. From today's vantage point, the company does not expect the risk situation to change fundamentally.

5. Anticipated developments

In view of the trends in the overall economy and specific industries during the first six months of 2010 and taking business developments in the AIA Group in the reporting period into account, the company does not see any need to revise the report on anticipated developments in the 2009 annual financial statements. The AIA Group still expects consolidation in both sales and earnings for 2010 as a whole. The business figures as of June 30, 2010 confirm these expectations. All investments made and to be made in 2010 with the aim of opening up new markets and expanding the company's market share in the inflight entertainment segment should give new momentum to both sales and earnings in 2011.

Advanced Inflight Alliance AG
Munich, August 31, 2010

The Management Board

Half-Year Financial Report 2010

Interim Management Report

14 Business and economic environment

18 Financial performance, cash flows and financial position

24 Events after the reporting period

24 Risk and opportunity report

25 Anticipated developments

26 Consolidated Statement of income

27 Consolidated Statement of comprehensive income

28 Consolidated balance sheet (IFRS)

29 Consolidated balance sheet (IFRS)

30 Statement of changes in net equity (IFRS)

31 Statement of changes in net equity (IFRS)

32 Consolidated cash flow statement (IFRS)

Consolidated Statement of Income for the first six months 2010 (IFRS)

Consolidated statement of income from January 1, until June 30, 2010 (IFRS)

	Notes	Jan. 1 - June 30, 2010	Jan. 1 - June 30, 2009
			adjusted ¹⁾
		EUR	EUR
Revenue		54,162,553.99	57,806,201.49
Other operating income		392,526.52	496,169.87
Cost of materials		-33,033,597.50	-37,608,823.17
Staff costs		-10,604,776.25	-8,974,430.16
Depreciation, amortization and impairment losses		-1,755,043.42	-1,987,701.07
Other operating expenses		-6,258,424.44	-5,469,346.42
Net income from operating activities		2,903,238.90	4,262,070.54
Net income from financing and investment activities		-365,778.45	-301,386.81
Finance income		11,597.85	98,825.54
Finance costs		-377,376.30	-400,212.35
Earnings before income taxes		2,537,460.45	3,960,683.73
Income taxes	6.	-227,161.51	-789,993.50
Net income for the year		2,310,298.94	3,170,690.23
Basic EPS		0.16	0.22
Diluted EPS		0.16	0.22
Average number of shares (basic)		14,500,000	14,500,000
Average number of shares (diluted)		14,527,055	14,500,000
Number of weighted stock options		27,055	

¹⁾Some amounts differ from those shown in the statement of changes in net equity for 1st halfyear 2009 due to adjustments made (for details see notes 2.2)

Consolidated Statement of comprehensive income (IFRS)

Consolidated Statement of comprehensive income January 1, until June 30, 2010 (IFRS)

	January 1 - June 30, 2010	January 1 - June 30, 2009
		adjusted ^{*)}
	EUR	EUR
Net income for the year	2,310,298.94	3,170,690.23
Other comprehensive income		
Exchange differences on translation of foreign operations	6,910,198.87	1,659,717.09
Cash flow hedges		
Gains /(losses) from cash flow hedges for the period	0.00	-42,183.62
Reclassification to profit or loss	78,813.78	0.00
Income tax effect	-25,998.82	13,920.59
	52,814.96	-28,263.03
Other comprehensive income for the year, net of tax	6,963,013.83	1,631,454.06
Total comprehensive income for the year, net of tax	9,273,312.77	4,802,144.29

^{*)} Some amounts differ from those shown in the statement of changes in net equity for 1st halfyear 2009 due to adjustments made (for details see notes 2.2)

Half-Year Financial Report 2010

Interim Management Report

- 14 Business and economic environment
- 18 Financial performance, cash flows and financial position
- 24 Events after the reporting period
- 24 Risk and opportunity report
- 25 Anticipated developments
- 26 Consolidated Statement of income**
- 27 Consolidated Statement of comprehensive income**
- 28 Consolidated balance sheet (IFRS)
- 29 Consolidated balance sheet (IFRS)
- 30 Statement of changes in net equity (IFRS)
- 31 Statement of changes in net equity (IFRS)
- 32 Consolidated cash flow statement (IFRS)

Consolidated balance sheet as at June 30, 2010 (IFRS)

Assets

	Notes	June 30, 2010	December 31, 2009	January 1, 2009
		EUR	EUR	EUR
Non-current assets				
Intangible assets:	5.			
- Goodwill		27,004,339.52	23,684,488.96	21,445,620.41
- Film rights		510,301.02	489,909.65	2,050,247.66
- Other intangible assets		19,753,557.27	17,038,768.10	15,571,997.23
Property, plant and equipment	8.			
- Land and buildings		762,320.03	694,244.91	656,844.09
- Furniture, fixture and fittings		1,899,314.54	1,749,942.83	1,788,472.84
Financial assets:				
- Other financial assets		13,489.82	22,975.55	19,341.13
Deferred tax assets		1,674,430.40	1,480,332.96	1,648,513.11
Total non-current assets		51,617,752.60	45,160,662.96	43,181,036.47
Current assets				
Inventories	9.	865,203.65	709,861.42	368,780.64
Trade receivables		20,622,170.81	17,011,975.18	17,904,192.10
Current income tax assets		3,185,333.85	2,345,148.58	2,120,036.35
Cash and equivalents	11.	16,625,587.48	16,465,176.50	17,473,824.89
Other assets		4,100,147.90	2,829,077.54	2,894,061.00
Total current assets		45,398,443.69	39,361,239.22	40,760,894.98
TOTAL ASSETS		97,016,196.29	84,521,902.18	83,941,931.45

Equity and Liabilities

	Notes	June 30, 2010	December 31, 2009	January 1, 2009
		EUR	EUR	EUR
Equity attributable to equity holders of the parent				
Subscribed capital		14,500,000.00	14,500,000.00	14,500,000.00
Capital reserves		8,813,976.36	8,794,290.04	8,676,643.95
Retained earnings		15,361,029.01	14,500,730.07	10,947,895.17
Other components of equity		2,467,003.86	-4,496,009.97	-8,063,776.20
Total equity		41,142,009.23	33,299,010.14	26,060,762.92
Non-current liabilities				
Interest bearing loans and borrowings		4,367,957.92	6,440,663.80	8,376,911.17
Other financial liabilities		74,324.82	220,813.19	2,896,812.08
Deferred tax liabilities		6,319,426.89	6,063,638.34	6,476,410.78
Total non-current liabilities		10,761,709.63	12,725,115.33	17,750,134.03
Current liabilities				
Interest bearing loans and borrowings	10.	7,430,668.50	2,649,685.64	3,099,314.20
Trade payables		28,897,854.32	24,264,886.98	26,258,929.89
Income tax payable		1,623,505.03	1,319,113.02	1,488,331.93
Other provisions		265,636.13	373,916.75	120,000.00
Other liabilities		6,894,813.45	9,890,174.32	9,164,458.48
Total current liabilities		45,112,477.43	38,497,776.71	40,131,034.50
TOTAL EQUITY AND LIABILITIES		97,016,196.29	84,521,902.18	83,941,931.45

Half-Year Financial Report 2010

Interim Management Report

- 14 Business and economic environment
- 18 Financial performance, cash flows and financial position
- 24 Events after the reporting period
- 24 Risk and opportunity report
- 25 Anticipated developments
- 26 Consolidated Statement of income
- 27 Consolidated Statement of comprehensive income
- 28 Consolidated balance sheet (IFRS)
- 29 Consolidated balance sheet (IFRS)
- 30 Statement of changes in net equity (IFRS)
- 31 Statement of changes in net equity (IFRS)
- 32 Consolidated cash flow statement (IFRS)

Statement of changes in net equity including minority interest (IFRS)

	Capital subscribed (No-par value shares)		Capital reserve	Retained earnings	
	Number	EUR	EUR	EUR	
Balance as of January 1, 2009	14,500,000	14,500,000.00	8,676,643.95	10,947,895.17	
Divided payments				-1,160,000.00	
Stock options			26,996.00		
Net income/(loss)				3,170,690.23	
Other group income					
Total recognized results					
Balance as of June 30, 2009 ^{*)}	14,500,000	14,500,000.00	8,703,639.95	12,958,585.40	
Balance as of January 1, 2010	14,500,000	14,500,000	8,794,290.04	14,500,730.07	
Dividend payments				-1,450,000.00	
Stock Options			19,686.32		
Net income/(loss)				2,310,298.94	
Other group income					
Total recognized results					
Balance as of June 30, 2010	14,500,000	14,500,000.00	8,813,976.36	15,361,029.01	

^{*)}Some amounts differ from those shown in the statement of changes in net equity for 1st halfyear 2009 due to adjustments made (for details see notes 2.2)

	Other recognized gains and losses			Equity in accordance with the consolidated balance sheet	
	Adjustments from foreign currency translation	Other neutral transactions	Total		
	EUR	EUR	EUR		
	-7,915,100.79	-148,675.41	-8,063,776.20	26,060,762.92	Balance as of January 1, 2009
				-1,160,000.00	Dividend payments
				26,996.00	Stock options
				3,170,690.23	Net income/(loss)
	1,659,717.09	-28,263.03	1,631,454.06	1,631,454.06	Other group income
				4,802,144.29	Total recognized results
	-6,255,383.69	-176,938.44	-6,432,322.14	29,729,903.21	Balance as of June 30, 2009 ¹⁾
	-4,355,196.01	-140,813.95	-4,496,009.97	33,299,010.14	Balance as of January 1, 2010
				-1,450,000.00	Dividend payments
				19,686.32	Stock Options
				2,310,298.94	Net income/(loss)
	6,910,198.87	52,814.96	6,963,013.83	6,963,013.83	Other group income
				9,273,312.77	Total recognized results
	2,555,002.86	-87,998.99	2,467,003.86	41,142,009.23	Balance as of June 30, 2010

Consolidated cash flow statement for the first six months 2010 (IFRS)

	Notes	January 1 - June 30, 2010	January 1 - June 30, 2009
		TEUR	TEUR
Operating activities			
Net Income		2,310	3,171 ^{*)}
+ / - Adjustments to reconcile net income to net cash flow:			
+ Depreciation and impairment of property, plant and equipment		492	452
+ Amortization and impairment of intangible assets		1,263	1,534
+ Share-based payments expense	12.	20	27
- / + Gain on disposal of property, plant and equipment		2	12
- Finance income		-12	-99
+ Finance costs		377	400
+ / - Movements in provisions		-127	-54
Working capital adjustments:			
Movements in trade and other receivables and prepayments		-2,294	-2,974
- / + Movements in inventories	9.	-126	-61
+ / - Movements in trade and other payables		-118	478 ^{*)}
+ / - Movements in deferred taxes		-859	366 ^{*)}
- Income tax paid		-951	-854
= Net cash flows from operating activities		-23	2,399
Investing activities			
- Purchase of property, plant and equipment	8.	-350	-470
- Purchase of intangible assets		-1,210	-1,001
- Acquisition of subsidiaries, net of cash	3.	-73	0
- Cash paid for other financial liabilities		-1,292	-2,232
= Net cash flows from investing activities		-2,924	-3,703
Financing activities			
+ Proceeds from borrowings	10.	4,488	6
- Repayments of borrowings	10.	-2,081	-1,661
- Interest paid		-304	-554
+ Interest received		10	54
- Dividends paid	16.	-1,450	-1,160
= Net cash flows from financing activities		663	-3,315
= Net decrease in cash and cash equivalents		-2,285	-4,619
+ / - Changes in cash and cash equivalents		2,444	333
+ Cash and cash equivalents as of January 1	11.	16,465	17,474
+ Change in cash and cash equivalents due to basis of consolidation		1	0
= Cash and cash equivalents as of June 30	11.	16,626	13,189

^{*)}Some amounts differ from those shown in the statement of changes in net equity for 1st halfyear 2009 due to adjustments made (for details see notes 2.2)

**Half-Year Financial Report 2010
Interim Management Report**

14	Business and economic environment
18	Financial performance, cash flows and financial position
24	Events after the reporting period
24	Risk and opportunity report
25	Anticipated developments
26	Consolidated Statement of income
27	Consolidated Statement of comprehensive income
28	Consolidated balance sheet (IFRS)
29	Consolidated balance sheet (IFRS)
30	Statement of changes in net equity (IFRS)
31	Statement of changes in net equity (IFRS)
32	Consolidated cash flow statement (IFRS)

Notes to the interim condensed consolidated financial statements

(Selected notes to the consolidated financial statements)

Contents

Notes to the interim condensed consolidated financial statements

(Selected notes to the consolidated financial statements)

34 - 52

1.	Information on the company	36
2.	Accounting principles and methods underlying the consolidated financial statements	36
2.1.	Preparation of the financial statements	36
2.2.	Changes in the accounting policies	36
2.3.	Change in the presentation of the statement of cash flows	39
3.	Business combinations	40
4.	Segment reporting	42
5.	Goodwill impairment and intangible assets with indefinite useful lives	44
6.	Income taxes	46
7.	Components of other comprehensive income	46
8.	Property, plant and equipment	46
9.	Inventories	46
10.	Other financial assets and financial liabilities	47
11.	Cash and cash equivalents	48
12.	Share-based payments	48
13.	Contingent liabilities and other financial obligations	49
14.	Related party disclosures	50
15.	Events after the reporting period	50
16.	Paid and proposed dividends	50
17.	Other disclosures	51
18.	Corporate boards	51

53 - 56

	Review report	53
	Responsibility Statement	54

Notes to the interim condensed consolidated financial statements

(Selected notes to the consolidated financial statements)

1. Information on the company

The interim condensed consolidated financial statements of the Group for the six months ended June 30, 2010 were authorized for issue in accordance with a resolution of the directors on August 31, 2010.

Advanced Inflight Alliance AG (registration number HRB 122000, Munich District Court) (hereinafter also referred to as „AIA AG“) is a stock corporation that was founded in Germany and is domiciled in Munich, Germany. Its shares are quoted in Deutsche Börse’s General Standard trading segment. They are traded on an official stock exchange.

The activities of both the company and its subsidiaries (hereinafter the „Group“) are described in Note 4 („Segment reporting“).

2. Accounting principles and methods underlying the consolidated financial statements

2.1. Preparation of the financial statements

The interim condensed consolidated financial statements of AIA AG for the first half of 2010 were prepared in accordance with IAS 34 Interim Reporting.

The interim condensed consolidated financial statements do not include all notes and disclosures required for year-end consolidated financial statements and should thus be read in connection with the consolidated financial statements as of December 31, 2009.

2.2 Changes in the accounting policies

The accounting policies applied are essentially the same as those used in the previous year, with the following exception:

At the end of the 2009 financial year, it was determined that in the 2008 financial year and the first half of the 2009 financial year the provisions for bonus payments to the management of a foreign subsidiary had not been duly recognized. As a result, the entire compensation package for the management was reviewed and corrected. This resulted in adjustments to the previous year’s figures as of June 30, 2009, regarding staff costs, other liabilities, tax expenses and deferred tax liabilities:

- ▶ Staff costs rose by EUR 245 thousand
- ▶ Other liabilities rose by EUR 245 thousand
- ▶ Tax expenses fell by EUR 76 thousand
- ▶ Deferred tax liabilities fell by EUR 76 thousand

Adoption of new and revised accounting standards

With the exception of the IFRS standards and interpretations described below, which are applied for the first time as of January 1, 2010, the accounting policies that were used in the preparation of the company's consolidated financial statements as of December 31, 2009, were applied unchanged to its interim condensed consolidated financial statements.

Amendment to IFRS 2 - Group Cash-settled Share-based Payment Transactions

The standard was amended with regard to accounting for Group cash-settled share-based payments. This amendment also replaces IFRIC 8 and IFRIC 11.

The application of this amendment does not affect the Group's financial position, cash flows or financial performance.

Amendment to IFRS 3 Business Combinations

The principal changes relate in particular to the introduction of an option for the measurement of non-controlling interests (previously termed "minority interests"). The amended standard also provides important guidance on the acquirer's remeasurement of its previously held equity interest in the acquiree at its acquisition-date fair value with recognition of the resulting gain or loss, if any, in profit or loss (business combination achieved in stages), the mandatory recognition of the consideration transferred for the acquiree at the acquisition date contingent on specified future events, and the treatment of acquisition-related costs as expenses.

The application of this amendment does not affect the Group's financial position, cash flows or financial performance.

Amendment to IAS 27 Consolidated and Separate Financial Statements

This standard sets out that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions (i.e., transactions with owners in their capacity as owners).

The application of this amendment does not affect the Group's financial position, cash flows or financial performance.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment specifies how the principles on hedge accounting in IAS 39 apply to the designation of a one-sided risk in a hedged item and to the designation of inflation as a hedged risk.

This amendment does not affect the Group's financial position, cash flows or financial performance.

IFRIC 12 Service Concession Arrangements

The interpretation sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements in the concession holder's financial statements.

The first-time application of this new guidance does not affect the Group's financial position, cash flows or financial performance since there are no such service concession arrangements in place within the Group.

Half-Year Financial Report 2010
Notes to the interim condensed consolidated financial statements

36 information on the company
36 Accounting principles and methods underlying the consolidated financial statements

40 Business combinations
42 Segment reporting
44 Goodwill impairment and intangible assets with indefinite useful lives
46 Income taxes
46 Components of other comprehensive income
46 Property, plant and equipment
46 Inventories
47 Other financial assets and financial liabilities
48 Cash and cash equivalents
48 Share-based payments
49 Contingent liabilities and other financial obligations
50 Related party disclosures
50 Events after the reporting period
50 Paid and proposed dividends
51 Other disclosures
51 Corporate boards
53 Review report
54 Responsibility Statement

IFRIC 15 Agreements for the Construction of Real Estate

This Interpretation provides guidance on the time and scope of revenue recognition from projects for the construction of real estate.

The first-time application of this new guidance does not affect the Group's financial position, cash flows or financial performance since the Group has not constructed any real estate nor does it intend to construct real estate.

IFRIC 17 Distributions of Non-cash Assets to Owners

This Interpretation provides guidance on the accounting for agreements under which an entity distributes non-cash assets to its owners.

This interpretation does not affect the Group's financial position, cash flows or financial performance.

IFRIC 18 Transfers of Assets from Customers

This Interpretation provides guidance on the accounting for agreements under which an entity receives from a customer an item of property, plant and equipment or cash that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The first-time application of this new guidance did not affect the consolidated financial statements since the Group has not entered into any such agreement with customers.

Improvements to IFRSs (issued in May 2008)

In May 2008, the IASB issued its first collection of amendments to various IFRSs. The Group applied all issued amendments as of December 31, 2009 for the first time, with the following exception:

- ▶ IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations: It is specified that all assets and liabilities of a subsidiary shall be classified as held for sale if the subsidiary is classified as held for sale, regardless of whether the entity will retain a non-controlling interest in the former subsidiary after the sale. This amendment is applied prospectively and did not affect the Group's financial position, cash flows or financial performance.

Improvements to IFRSs (issued in April 2009)

In April 2009, the IASB issued its second collection of amendments to various IFRSs with the primary goal of removing inconsistencies and clarifying the wording in some cases. The collection of amendments includes a transitional provision for each amended IFRS.

While the adoption of the following new guidance led to changes in the accounting policies, it did not have any impact on the Group's financial position, cash flows and financial performance.

- ▶ IFRS 8 Operating Segments: The amendment clarifies that segment assets and segment liabilities shall only be reported if their amounts are regularly reported to the chief operating decision maker. As the Group's chief operating decision maker oversees the development of segment assets and segment liabilities, the Group continues to report this information in Note 4.

- ▶ IAS 7 Statement of Cash Flows: The amendment underlines that only expenditures that result in a recognized asset are eligible for classification as investing activities.
- ▶ IAS 36 Impairment of Assets: The amendment clarifies that a cash-generating unit to which goodwill acquired in a business combination is allocated may not be larger than an operating segment as defined by IFRS 8 before aggregation in accordance with the criteria specified therein. This amendment did not have any effect on the Group because the impairment test is conducted on a pre-aggregation basis.

The other new guidances in the amendments to IFRS listed below did not have any effect on the Group's accounting policies and presentation of its financial position, cash flows and financial performance.

- ▶ IFRS 2 Share-based Payment
- ▶ IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations
- ▶ IAS 1 Presentation of Financial Statements
- ▶ IAS 17 Leases
- ▶ IAS 38 Intangible Assets
- ▶ IAS 39 Financial Instruments: Recognition and Measurement
- ▶ IFRIC 9 Reassessment of Embedded Derivatives
- ▶ IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Other standards, interpretations, or amendments issued but not yet required to be applied were not applied early by the Group.

2.3 Change in the presentation of the statement of cash flows

The newly introduced accounting and consolidation software makes more information available on the analysis of the effects of exchange rate fluctuations. This information has been used to improve the disclosures on the effects of exchange rate fluctuations on cash and cash equivalents. On account of this improved pool of data, the consolidated statement of cash flows in the interim consolidated financial statements for the period ended June 30, 2010 is only comparable with that for the previous year to a limited extent.

The comparative figures have not been adjusted because the system is unable to generate the analysis of the exchange rate fluctuations retrospectively for the period January 1 to June 30, 2009. If the prior-year figures could have been adjusted, this would essentially have led to a reclassification of the changes in working capital, trade payables and other assets to the effects of exchange rate fluctuations on cash and cash equivalents.

3. Business combinations

Acquisition of Fairdeal Studios Pvt. Ltd.

Effective April 1, 2010, AIA AG acquired 100 percent of the voting interests in Fairdeal Studios Pvt. Ltd. ("Fairdeal Studios"), Mumbai, India, an unlisted company that specializes in technical services for inflight entertainment. The agreement on the acquisition of Fairdeal Studios had already been concluded in August 2008 as part of the acquisition of Fairdeal Multimedia Pvt. Ltd., Mumbai, India ("Fairdeal Multimedia"). On March 31, 2010, the concrete acquisition date was specified as April 1, 2010 in an addendum to this agreement.

AIA AG acquired Fairdeal Studios because it enhances the Group's existing product portfolio. The deal also generates synergy effects in the Group, especially in the cooperation with Fairdeal Multimedia.

The transaction was accounted for using the purchase method. The earnings of Fairdeal Studios for the period of three months from the acquisition date are included in the interim condensed consolidated financial statements.

The acquisition-date fair values of the identifiable assets and liabilities of Fairdeal Studios and the corresponding carrying amounts immediately before the acquisition date thus are as follows:

Items in the statement of financial position	Fair value as of the acquisition date:	Previous carrying amount
	EUR	EUR
Assets		
Property, plant and equipment	53,584	53,584
Trade receivable	115,310	115,310
Other assets	9,863	9,863
Cash and cash equivalents	1,205	1,205
Total assets	179,962	179,962
Liabilities	-27,205	-27,205
Trade payables	-15,818	-15,818
Current income tax liabilities	-323	-323
Deferred tax liabilities		
Total liabilities	-43,346	-43,346
Total fair value of identifiable net assets	136,616	
Difference	-62,472	
Total consideration	74,144	

The acquisition cost totaling USD 100,000 (corresponding to EUR 74 thousand) was paid in cash.

Cash outflow due to the company acquisition	
	EUR
Cash acquired with the subsidiary	1,205
Cash outflow	-74,144
Actual cash outflow	-72,939

The fair value of trade receivables amounts to EUR 115,310. None of the trade receivables were impaired and the full contractual amount is likely to be recoverable.

The acquisition of Fairdeal Studios was recognized in accordance with the provisions of IFRS 3 and IAS 27.

The acquisition cost was EUR 74 thousand. The net assets acquired amount to EUR 137 thousand.

Since the cost of acquisition is about EUR 62 thousand less than the acquired net assets, this difference is recognized as other operating income as of the acquisition date. This difference results from the fact that the transaction itself as well as its terms and conditions were already fixed during the acquisition of Fairdeal Multimedia in August 2008. The changes in the net assets, which have resulted since that date, were not taken into consideration in the determination of the purchase price.

Between the acquisition date of April 1, 2010 and June 30, 2010, Fairdeal Studios did not make a significant contribution to sales and earnings compared with the Group on account of the company's size and the fact that it formed part of the consolidated group for just three months.

Half-Year Financial Report 2010
Notes to the interim condensed consolidated financial statements

36	Information on the company
36	Accounting principles and methods underlying the consolidated financial statements
40	Business combinations
42	Segment reporting
44	Goodwill impairment and intangible assets with indefinite useful lives
46	Income taxes
46	Components of other comprehensive income
46	Property, plant and equipment
46	Inventories
47	Other financial assets and financial liabilities
48	Cash and cash equivalents
48	Share-based payments
49	Contingent liabilities and other financial obligations
50	Related party disclosures
50	Events after the reporting period
50	Paid and proposed dividends
51	Other disclosures
51	Corporate boards
53	Review report
54	Responsibility Statement

4. Segment reporting

The Group is divided into business units based on products and services for the purpose corporate management. The Group has the two reportable operating segments: Licensing and Inflight Entertainment. These two segments have been delineated based on internal reporting using the management approach. To this end, only those items that can be directly classified under a particular segment and/or reasonably divided among certain segments were taken into account. All disclosures related to segment reporting are based on identical reporting and measurement methods. Intragroup pricing between the operating segments is determined at market rates as if in arms' length transactions. In the 2010 and 2009 financial years, there were only sales external customers but no intersegment sales.

Management monitors each unit's operating profit separately in order to make decisions concerning the allocation of resources and determine each unit's profitability. Each segment's development is assessed based on its operating profit. The Group's financing (including finance cost and income), as well as corporate income taxes, are managed groupwide; they are not allocated to individual operating segments.

No operating segments are combined to form the operating segments mentioned above.

The segments of the Group may be represented as follows:

The Inflight Entertainment segment comprises all services rendered to air carriers.

The Other Licensing segment serves to market non-current film rights. Other sellers of licenses, as well as private and public TV stations, movie theaters, and marketers of videos and DVDs, are the Group's principal customers. This segment also covers services rendered to cruise ships.

Key segment figures are:

Segments 1st half-year 2010	Inflight Entertainment	Other Licensing	Reconciliation	Group
	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.
Sales revenue	54,120	43	0	54,163
Segment result	2,876	27	0	2,903

Segments 1st half-year 2009	Inflight Entertainment	Other Licensing	Reconciliation	Group
	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.
Sales revenue	57,753	53	0	57,806
Segment result	4,678 ¹⁾	-416	0	4,262

Segment assets / segment liabilities	Inflight Entertainment	Other Licensing	Reconciliation	Group
	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.
Carrying amount of segment assets as of June 30, 2010	67,738	290	28,988 ²⁾	97,016
Segment liabilities as of June 30, 2010	49,153	92	6,629 ³⁾	55,874
Carrying amount of segment assets as of Dec. 31, 2009	58,655	397	25,470 ²⁾	84,522
Segment liabilities as of Dec. 31, 2009	44,761	92	6,370 ³⁾	51,223

1) As a result of adjustments that have been made, this amount deviates from the amount shown in the interim consolidated financial statements for the first six months of the 2009 financial year (for details see Note 2.2)

2) The segment assets do not include deferred taxes (EUR 1,674 thousand; December 31, 2009: EUR 1,480 thousand) and goodwill (EUR 27,004 thousand; December 31, 2009: EUR 23,684 thousand) because these assets are controlled at the Group level. Intersegment set-offs are also shown here (EUR 309 thousand; December 31, 2009: EUR 306 thousand).

3) The segment liabilities do not include deferred taxes (EUR 6,319 thousand; December 31, 2009: EUR 6,064 thousand) because these liabilities are controlled at the Group level. Intersegment set-offs are also shown in this item (EUR 309 thousand; December 31, 2009: EUR 306 thousand).

Half-Year Financial Report 2010
Notes to the interim condensed consolidated financial statements

36	Information on the company
36	Accounting principles and methods underlying the consolidated financial statements
40	Business combinations
42	Segment reporting
44	Goodwill impairment and intangible assets with indefinite useful lives
46	Income taxes
46	Components of other comprehensive income
46	Property, plant and equipment
46	Inventories
47	Other financial assets and financial liabilities
48	Cash and cash equivalents
48	Share-based payments
49	Contingent liabilities and other financial obligations
50	Related party disclosures
50	Events after the reporting period
50	Paid and proposed dividends
51	Other disclosures
51	Corporate boards
53	Review report
54	Responsibility Statement

5. Goodwill impairment and intangible assets with indefinite useful lives

Goodwill

Goodwill is regularly tested for impairment once a year as of December 31 and also if there are indications that the asset could be impaired. The Group's impairment tests for goodwill are based on the calculation of the value in use using the discounted cash flow method. The basic assumptions for determining the recoverable amount for the different cash-generating units were explained in the consolidated financial statements for the year ended December 31, 2009.

When examining whether there are any indications that the asset could be impaired, the Group takes account of various factors including, in particular, the deviation of the profit/loss of the individual cash-generating units from planning as well as the outlook for the second half of the financial year. Taking these factors into account, management did not see any need to conduct additional impairment tests at the end of the first half year.

Sensitivity in relation to changes in the assumptions made

There are no significant changes in the disclosures about sensitivity for the computation of the value in use of the cash-generating units in the "Inflight Entertainment" division compared with the end of 2009. The company's management holds the view that no change that could be reasonably believed possible in one of the basic assumptions made to determine the value in use of the cash-generating units could result in the carrying amount of the cash-generating units exceeding its value in use.

Intangible assets with indefinite useful lives

Non-current film rights are generally measured at cost less amortization and impairment losses. Amortization is recognized in line with the proceeds generated at the individual stage of exploitation and reported accordingly in the financial statements.

As of June 30, 2010, non-current film assets were amortized by EUR 117 thousand (previous year: EUR 49 thousand) in accordance with the revenue generated. No impairment losses were charged (prior-year period: EUR 453 thousand). The carrying amount of the non-current film assets as of June 30, 2010 is EUR 510 thousand (December 31, 2009: EUR 490 thousand). The increase can be attributed to additions to non-current film assets at the subsidiary Fairdeal Multimedia.

The goodwill with indefinite useful lives acquired as part of business combinations was allocated to the following cash-generating units for the purpose of testing it for impairment:

- ▶ Atlas Air Group
- ▶ IFP Group
- ▶ DTI Group
- ▶ Fairdeal

The cash-generating units were all allocated to the Inflight Entertainment segment.

The carrying amounts of the goodwill allocated to the cash-generating units:

	Atlas Air Group		IFP Group		DTI Group		Fairdeal	
	June 30, 2010	Dec 31, 2009	June 30, 2010	Dec 31, 2009	June 30, 2010	Dec 31, 2009	June 30, 2010	Dec 31, 2009
	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.	EUR thsd.
Carrying amount of goodwill	2,395	2,375	7,685	6,916	15,753	13,402	1,172	991
Impairment	-	-	-	-	-	-	-	-
Planning period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Discount rate	6.85 ¹⁾	9.62 ¹⁾	9.70	9.62	8.23	8.22	10.22	10.22
	11.40 ²⁾	11.35 ²⁾						

¹⁾ Discount rate Atlas Group Germany, Duisburg

²⁾ Discount rate Atlas Air Entertainment Concepts Inc., Glendale

The increases in the carrying amounts of goodwill shown above result exclusively from foreign currency effects.

Half-Year Financial Report 2010
Notes to the interim condensed consolidated financial statements

36	Information on the company
36	Accounting principles and methods underlying the consolidated financial statements
40	Business combinations
42	Segment reporting
44	Goodwill impairment and intangible assets with indefinite useful lives
46	Income taxes
46	Components of other comprehensive income
46	Property, plant and equipment
46	Inventories
47	Other financial assets and financial liabilities
48	Cash and cash equivalents
48	Share-based payments
49	Contingent liabilities and other financial obligations
50	Related party disclosures
50	Events after the reporting period
50	Paid and proposed dividends
51	Other disclosures
51	Corporate boards
53	Review report
54	Responsibility Statement

6. Income taxes

The income tax expense shown in the consolidated income statement essentially comprises the following elements:

Income tax expense	Jan. 1 - June 30, 2010	Jan. 1 - June 30, 2009 ^{*)}
	EUR thsd.	EUR thsd.
Income taxes		
Actual tax expense	-1,112	-795
Deferred tax expense from the origination or reversal of deferred taxes	885	5
Income tax expense	-227	-790
Income tax recognized in other comprehensive income	26	-14
Total income taxes	-201	-804

^{*)}As a result of adjustments that have been made, some of the amounts deviate from the amounts shown in the interim consolidated financial statements for the first six months of the 2009 financial year (for details see Note 2.2)

7. Components of other comprehensive income

Please see the statement of comprehensive income for the components of other comprehensive income.

8. Property, plant and equipment

Additions and disposals

The Group acquired property, plant and equipment at a cost of EUR 350 thousand (June 30, 2009: EUR 470 thousand) between January 1, 2010, and June 30, 2010. This amount does not contain the property, plant and equipment acquired in connection with the business combination (see Note 3).

9. Inventories

Inventories as of June 30, 2010 include physical stocks of EUR 363 thousand (December 31, 2009: EUR 375 thousand) and advance payments for merchandise of EUR 502 thousand (December 31, 2009: EUR 335 thousand).

10. Other financial assets and financial liabilities

Interest-bearing loans

Obtaining and discharging loans

In February 2008, AIA AG took out an unsecured five-year loan of EUR 10,000 thousand from HypoVereinsbank AG, Munich, Germany. The loan is subject to regular half-yearly repayments of EUR 1,000 thousand, no prepayment penalties and variable interest based on the six-month Euribor plus 2.75 percent. In order to avoid any exposure to the risk from rising interest rates associated with variable interest obligations, in July 2008 the greater part of the variable interest payments was converted into fixed interest obligations by means of interest rate swaps over the term of the loan.

Under the terms of the loan agreement, mandatory special loan payments are agreed under certain conditions. The provision on mandatory special loan payments took effect on December 31, 2009 and, on the basis of the consolidated financial statements for the year ended December 31, 2009, led to special loan payment of EUR 1,000 thousand, which was due on May 7, 2010. In accordance with the agreement, however, the deduction of the payment from the outstanding loan payment, i.e., the effective repayment, did not take place until June 30, 2010. As a result, the repayment period and thus the loan will now end six months earlier than originally envisaged.

As of June 30, 2010, the outstanding balance on the loan was therefore EUR 4,000 thousand.

On June 30, 2010, AIA AG took out an unsecured 30-day short-term loan of EUR 1,200 thousand from HypoVereinsbank AG, Munich, with an interest rate of 3.04 percent.

In addition, a share of the outstanding second "earn-out" liability for the acquisition of DTI Software Inc., Montreal, Canada, of CAD 3,465 thousand was converted on April 12, 2010 into a Canadian dollar loan bearing interest of 4 percent. The loan agreement provides for repayment of the loan in two installments. The first payment was made on July 8, 2010. The second and final payment is due by October 1, 2010 at the latest. The carrying amount of the loan including interest as of June 30, 2010 is EUR 2,750 thousand.

Hedge accounting and derivatives

Cash flow hedges

As of June 30, 2010, the Group had two interest rate swaps designated to hedge the future interest payments on the loan from HypoVereinsbank AG, Munich.

Due to the mandatory special loan payment, which shortened the term of the loan, the interest rate swaps no longer satisfy the conditions for hedge accounting set out in IAS 39, which meant this had to be abandoned. As a result, the unrealized losses previously recognized in equity had to be reclassified to profit or loss. In accordance with the expected cash flows from the hedged item, this reclassification will be made over the remainder of the loan term.

Half-Year Financial Report 2010
Notes to the interim condensed
consolidated financial statements

36 Information on the company
36 Accounting principles and methods
underlying the consolidated financial
statements
40 Business combinations
42 Segment reporting
44 Goodwill impairment and intangible
assets with indefinite useful lives
46 Income taxes
46 Components of other
comprehensive income
46 Property, plant and equipment
46 Inventories
47 Other financial assets
and financial liabilities
48 Cash and cash equivalents
48 Share-based payments
49 Contingent liabilities and
other financial obligations
50 Related party disclosures
50 Events after the reporting period
50 Paid and proposed dividends
51 Other disclosures
51 Corporate boards
53 Review report
54 Responsibility Statement

Of the hedging instruments, unrealized losses of EUR 79 thousand as of June 30, 2010 were thus reclassified from equity to profit or loss in the income statement, taking deferred tax liabilities of EUR 26 thousand into account.

Foreign currency hedges

To hedge the hedged item – the generation of revenue from the sale of the Group’s services, many of which are invoiced in U.S. dollars – the Group concluded hedging transactions in 2010 with a total volume of USD 2.0 million. USD 1.5 million in foreign exchange futures were outstanding as of June 30, 2010 (June 30, 2009: USD 2.05 million). This gave rise to a realized loss of EUR 47 thousand at the reporting date as well as an unrealized loss of EUR 134 thousand from open positions.

The terms of the forward foreign exchange transactions were negotiated in accordance with the terms of the underlying obligations.

11. Cash and cash equivalents

Cash and cash equivalents are composed of the following items for the purposes of the consolidated statement of cash flows:

Development of cash	June 30, 2010	Dec. 31, 2009
	EUR thsd.	EUR thsd.
Time deposits	0	63
Overdraft	16,609	16,390
Cash on hand	17	12
	16,626	16,465

12. Share-based payments

On May 15, 2008, 400,000 stock options were granted to Management Board members and the managing directors of subsidiaries as well as its present or future associates, pursuant to the Stock Option Plan 2007. The options’ exercise price of EUR 2.03 corresponded to the average of the opening and closing prices of the shares of Advanced Inflight Alliance AG in XETRA trading on the last five trading days before the relevant stock option was issued.

The stock options may be exercised only if the average of the opening and closing prices of the shares of AIA AG in XETRA trading (or a successor system that has taken its place) on the last five trading days prior to the onset of the given exercise period have risen by at least 20 percent over the exercise price for the first third (option terms and conditions, item 5.1 sentence 2) of the options granted in a tranche, by at least 30 percent over the exercise price for the second third (option terms and conditions, item 5.1 sentence 3) of the options granted in a tranche, and by at least 40 percent over the exercise price for the final third (option terms and conditions, item 5.1 sentence 4) of the options granted in a tranche.

On May 8, 2009, a further 400,000 stock options were granted to the members of the Management Board and to managing directors of subsidiaries under this stock option plan. The options' exercise price of EUR 2.32 corresponded to the average of the opening and closing prices of the shares of Advanced Inflight Alliance AG in XETRA trading on the last five trading days before the relevant stock option was issued. All other terms and conditions of the option plan remained unchanged.

When the Management Board members Peter Biewald and Otto Dauer were dismissed on February 2, 2010 and March 3, 2010 respectively, the 200,000 stock options granted to the two Management Board members were forfeited. The total equivalent value for these stock options of EUR 37 thousand reported under staff costs until the stock options were forfeited was adjusted through profit or loss as of June 30, 2010. As of this date, staff costs of EUR 57 thousand were recognized for the stock options granted to the managing directors of subsidiaries.

13. Contingent liabilities and other financial obligations

The following other financial obligations existed as of June 30, 2010:

Other obligations	Due within one year	Due within one to five years	Due after more than five years
	EUR thsd.	EUR thsd.	EUR thsd.
Purchasing contracts	2,525	2,325	49
Rent	1,564	5,274	571
Leasing	100	210	0
Balance as of June 30, 2010	4,189	7,809	620
Balance as of December 31, 2009	7,930	7,684	848

Half-Year Financial Report 2010 Notes to the interim condensed consolidated financial statements

36 Information on the company
36 Accounting principles and methods underlying the consolidated financial statements
40 Business combinations
42 Segment reporting
44 Goodwill impairment and intangible assets with indefinite useful lives
46 Income taxes
46 Components of other comprehensive income
46 Property, plant and equipment
46 Inventories
47 Other financial assets and financial liabilities
48 Cash and cash equivalents
48 Share-based payments
49 Contingent liabilities and other financial obligations
50 Related party disclosures
50 Events after the reporting period
50 Paid and proposed dividends
51 Other disclosures
51 Corporate boards
53 Review report
54 Responsibility Statement

14. Related party disclosures

The following related party transactions were entered into in the reporting period:

The Group company Atlas Air Film + Media Service GmbH, Duisburg, purchased graphic design and advertising services from Logoseal GmbH, Duisburg, during the period under review for EUR 15 thousand (prior-year period: EUR 17 thousand). The owner of Logoseal GmbH is related to the managing director of Atlas Air Film + Media Service GmbH. As of June 30, 2010, there were no open positions vis-à-vis Logoseal GmbH.

During the reporting period, the Group company Inflight Productions Inc., Los Angeles, USA, occasionally rented an apartment from 13029 Mindanao #5 Inc., Los Angeles, USA, ("13029 Mindanao") to accommodate employees and customers, for which it paid rent equivalent to EUR 12 thousand (prior-year period: EUR 14 thousand). The owners of 13029 Mindanao are three managing directors of Inflight Productions Limited, London, United Kingdom. As of June 30, 2010, there were unpaid lease liabilities to 13029 Mindanao #5 Inc. equivalent to EUR 4 thousand (previous year: EUR 7 thousand).

In the first six months of the year, the Group company Fairdeal Multimedia rented office space belonging to the company's managing director, for which it paid rent equivalent to EUR 12 thousand (prior-year period: EUR 7 thousand). There were no unpaid lease liabilities as of June 30, 2010.

In the first six months of the year, the Group company Fairdeal Studios rented office space belonging to the company's managing director, for which it paid rent equivalent to EUR 4 thousand. There were no unpaid lease liabilities as of June 30, 2010.

15. Events after the reporting period

No events took place after the June 30, 2010 reporting date that had a significant effect on the Group's financial position, cash flows and financial performance.

16. Paid and proposed dividends

In the first six months of 2010, AIA AG paid a dividend of 10 cents per share for the 2009 financial year after the Annual General Meeting on June 7, 2010 approved the corresponding proposal by management. Based on the current portfolio of 14,500,000 shares, this corresponded to a total dividend payment of EUR 1,450 thousand (prior-year period: EUR 1,160 thousand).

17. Other disclosures

Earnings per share

Both diluted and basic earnings per share for the first half of 2010 were EUR 0.16 (prior-year period: EUR 0.22).

18. Corporate boards

Members of the Management Board in the 2010 financial year:

Dr. Rüdiger Berndt, Munich, Germany

Chief Executive Officer from March 3, 2010

Wolfgang Brand, Munich, Germany

Chief Financial Officer from March 3, 2010

Otto Dauer, Munich, Germany

Chief Executive Officer until March 3, 2010

Peter Biewald, Munich, Germany

Chief Financial Officer until February 2, 2010

Members of the Supervisory Board in the 2010 financial year:

Dr. Andreas Beyer, Munich, Germany

(Holder of a degree in business studies, member of the Management Board of VEM Aktienbank AG)

Member of the Supervisory Board (until April 12, 2010)

Vice Chairman of the Supervisory Board (from April 12, 2010 to June 7, 2010)

Chairman of the Supervisory Board (from June 10, 2010)

Arne Christes

(German public auditor and tax consultant)

Vice Chairman of the Supervisory Board (from June 7, 2010)

Jürgen Chidekel

(Managing Director)

Member of the Supervisory Board (from June 7, 2010)

Half-Year Financial Report 2010
Notes to the interim condensed consolidated financial statements

36	Information on the company
36	Accounting principles and methods underlying the consolidated financial statements
40	Business combinations
42	Segment reporting
44	Goodwill impairment and intangible assets with indefinite useful lives
46	Income taxes
46	Components of other comprehensive income
46	Property, plant and equipment
46	Inventories
47	Other financial assets and financial liabilities
48	Cash and cash equivalents
48	Share-based payments
49	Contingent liabilities and other financial obligations
50	Related party disclosures
50	Events after the reporting period
50	Paid and proposed dividends
51	Other disclosures
51	Corporate boards
53	Review report
54	Responsibility Statement

Dr. Rüdiger Berndt, Munich, Germany

(Lawyer)

Chairman of the Supervisory Board (until March 3, 2010)

Rudolf Seidl, Munich, Germany

(Graduate economist, German public auditor)

Vice Chairman of the Supervisory Board (until April 12, 2010)

Chairman of the Supervisory Board (from April 12, 2010 to June 7, 2010)

Dr. Dieter Lehner, Munich, Germany

(Lawyer specializing in commercial law)

Member of the Supervisory Board (from April 8 to June 7, 2010)

Advanced Inflight Alliance AG
Munich, Germany, August 31, 2010

Dr. Rüdiger Berndt
Chief Executive Officer

Wolfgang Brand
Chief Financial Officer

Review Report

Courtesy Translation - The original signed review report in German language was issued to the interim condensed consolidated financial statements in German language

To Advanced Inflight Alliance AG

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and selected explanatory notes, and the interim group management report of Advanced Inflight Alliance AG, Munich, for the period from 1 January to 30 June 2010, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]/quarterly financial report pursuant to Sec. 37x (3) WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Half-Year Financial Report 2010 Notes to the interim condensed consolidated financial statements

36	Information on the company
36	Accounting principles and methods underlying the consolidated financial statements
40	Business combinations
42	Segment reporting
44	Goodwill impairment and intangible assets with indefinite useful lives
46	Income taxes
46	Components of other comprehensive income
46	Property, plant and equipment
46	Inventories
47	Other financial assets and financial liabilities
48	Cash and cash equivalents
48	Share-based payments
49	Contingent liabilities and other financial obligations
50	Related party disclosures
50	Events after the reporting period
50	Paid and proposed dividends
51	Other disclosures
51	Corporate boards
53	Review report
54	Responsibility Statement

Responsibility Statement

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Advanced Inflight Alliance AG
Munich, Germany, August 31, 2010

The Management Board

Advanced Inflight Alliance AG Worldwide



AI ALLIANCE
Advanced Inflight Alliance AG

This report is available in both German and English and can be downloaded from our website at www.aialliance.com

Additional copies of the report and further information about Advanced Inflight Alliance AG can be obtained from us free of charge.

Imprint

Published by

Advanced Inflight Alliance AG
Schellingstraße 35
80799 Munich
Germany

Contact Details:

info@aialliance.com

Design, production and typesetting:

Jessica Menke

Corporate Design:

www.designzone.info