



**INFLIGHT ENTERTAINMENT AT ITS BEST.**

**NINE-MONTH REPORT 2011**  
Non-binding voluntary translation

[www.advanced-inflight-alliance.com](http://www.advanced-inflight-alliance.com)

**AI ALLIANCE**  
Advanced Inflight Alliance AG

# 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.advanced-inflight-alliance.com	
Management Board	Louis Bélanger-Martin, CEO, Chairman Wolfgang Brand, CFO	
Supervisory Board	Edward L. Shapiro, Chairman Jürgen Chidekel, Vice Chairman Jean-Yves Leblanc, Member	
Trading segment	General Standard	
Share capital	16,688,091.00 euros	
Shareholder structure (%)	PAR Investment Partners, L.P., PAR Group, L.P., PAR Capital Management, Inc., AXXION S.A., BF Ventures Management Ltd., Greatland Investments Ltd., Bernhard Pouliot, Shareholder Value Beteiligungen AG, Aristotelis Mistakidis,	29.026% 5.214% 4.828% 4.492% 3.465% 52.975%
Other (%)		
ISINDE / Stock exchange symbol	ISINDE0001262186, symbol: DVN1	
Industry	Media	
Coverage	DZ Bank AG	
Designated sponsor	VEM Aktienbank AG DZ Bank AG	
Strategy	Enhance the Company's global market leadership in the inflight entertainment segment and expand into adjacent sectors - through both organic growth and acquisitions	
Employees (record day)	Parent company: 6, Group total: 458	
Accounting	IFRS / German Commercial Code (HGB)	

# Short profile

## Inflight entertainment at its best - Inflight entertainment is our business

Advanced Inflight Alliance AG is the only listed company operating in the inflight entertainment (IFE) sector. It acts as the holding company for more than 20 international subsidiaries and their worldwide branch offices, who provide comprehensive inflight entertainment services (audio, video, games, engineering) for passenger airlines. The core expertise of the Advanced Inflight Alliance Group comprises the selection, purchasing, customizing and integration of inflight video and audio programs and electronic games, as well as the development and integration of applications and control software for all inflight entertainment system content. As the global market leader, the Advanced Inflight Alliance Group serves more than 100 airlines in all time zones.

Advanced Inflight Alliance AG focuses on enhancing its global market leadership in the inflight entertainment segment and on expanding into other sectors, through both organic growth and acquisitions.

### Key figures for 2011 and comparison with the previous year

In EUR thousand	Jan 1 - Sep 30, 2011	Jan 1 - Sep 30, 2010
Revenue	89,094	84,294
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10,036	9,032
Earnings before interest and taxes (EBIT)	4,154	6,233
Financial result	-381	-470
Earnings before taxes (EBT)	3,773	5,763
Consolidated net profit for the financial year (after non-controlling interests)	2,717	4,407
Earnings per share in EUR	0.18/0.18	0.30/0.30
Number of employees (record day)	458	481

The financial statements as of September 30, 2011, were prepared in accordance with the International Financial Reporting Standards (IFRS). Differences from rounding may occur in tables when individual items are added.

Company calendar	
November 17, 2011	Publication of the nine-month report 2011
November 21, 2011	Company presentation at the German Equity Forum in Frankfurt

## Forward-looking statements

Statements regarding the future development of the Advanced Inflight Alliance Group and its companies merely constitute forecasts and estimates and not established facts. Statements of this nature serve solely to provide information and are characterized by terms such as „believe“, „expect“, „predict“, „intend“, „forecast“, „plan“, „estimate“ or „aim for“. These forward-looking statements are based on the information that is available to the Company at the time this report is published. 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

## Advanced Inflight Alliance AG

### Nine-Month Report 2011

---

1.	<b>Foreword of the Chairman of the Management Board</b>	<b>7</b>
2.	<b>Business performance and key events</b>	<b>8</b>
3.	<b>Financial performance, cash flows and financial position</b>	<b>11</b>
3.1.	Financial performance	11
3.2.	Cash flows and financial position	15
4.	<b>Outlook</b>	<b>18</b>
5.	<b>The share and investor relations</b>	<b>19</b>
6.	<b>Consolidated income statement of 9 months 2011 (IFRS)</b>	<b>23</b>
7.	<b>Consolidated statement of financial position as of September 30, 2011 (IFRS)</b>	<b>24</b>
8.	<b>Consolidated statement of comprehensive income January 1 until September 30, 2011 (IFRS)</b>	<b>26</b>
9.	<b>Consolidated statement of cash flows January 1 until September 30, 2011 (IFRS)</b>	<b>27</b>
10.	<b>Statement of changes in equity including non-controlling interest (IFRS)</b>	<b>28</b>

# Foreword of the Chairman of the Management Board

## 1. Foreword of the Chairman of the Management Board

### Dear Shareholders,

The third quarter 2011 marks the first of many steps towards a fundamental evolution which the AIA Group is striving to achieve in order to meet its ambitions of changing the way consumers are driven by experiences in the world today.

Optimizing activity and efficiency is one of the pivotal transitions the AIA group made during the third quarter 2011. This was achieved through integral structural organizational and management changes which were essential to refocus AIA Group and adapt to its ever-evolving industry. The financial impact of these changes will be outlined in this document. These changes included:

- ▶ A new anchor shareholder, PAR Investment Partners L.P. This Massachusetts-based investor is specialized in the media and the aeronautical industry, allowing the Group to expand its wealth of knowledge of markets pertaining to the in-flight entertainment industry.
- ▶ A new Supervisory Board was appointed during the third quarter 2011. Its distinguished track-record of best corporate governance practices aims to meet the highest level of standards and ensure optimal management of the AIA Group. In addition to the modified Supervisory Board, the Management Board underwent a fundamental transition in order to further advance the group's efforts and support the Supervisory Board's goals for the successful future of AIA.
- ▶ A new Executive Management Committee (EMC), consisting of the upmost experienced Members with highly complementary management skill sets, was appointed to lead the AIA Group to new heights throughout 2012 and beyond.

We can now count on a solid foundation with a dynamic, creative and professional Management Team dedicated to the success of our Group. It is this Team that will bring to life our "People-on-the-move" concept where we will expand our expertise through media content provided to airline passengers, hotel guests and transumers in general in the complementary hotel, rail, cruise and ferry industries, as well as to hospital patients.

We believe that the business opportunities are numerous and promising and that our expanded proficiency will create significant value for our shareholders as the AIA Group grows to position itself as the consummate expert of experience-driven consumer trends.

Munich, in November 2011

Louis Bélanger-Martin

Chairman of the Management Board

# Business performance and key events

## 2. Business performance and key events

### Preliminary remark

The stock of Advanced Inflight Alliance AG is quoted on the General Standard trading segment of the Frankfurt Stock Exchange. Under applicable laws and reporting duties, until now Advanced Inflight Alliance AG (hereinafter "AIA AG", the "AIA Group" or the "Company") published only an interim management statement in the first and second half of the given financial year to complement both its annual report and the half-year financial report pursuant to Section 37x German Securities Trading Act (Wertpapierhandelsgesetz). Starting with the first quarter of 2011, AIA AG has been publishing an extensive report instead of the interim management statements to improve the transparency of its reporting for capital market participants. Besides disclosures on the business performance, the report also contains the income statement and the statement of financial position as of the respective reporting dates. This nine-month report for 2011 is the first to also include a statement of cash flows.

Please be advised that the figures presented in this report have not been audited.

### Business performance

In the third quarter of 2011, the AIA Group launched its groupwide campaign aimed at optimizing both its organizational structure and its costs. This was preceded by the changes in the Company's Management Board and Supervisory Board, which were completed in the third quarter of 2011, and the coming on board of our new anchor investor, PAR Investment Partners, L.P., Boston, USA. The newly constituted Management Board and Supervisory Board adopted an extensive package of measures, which will largely be implemented by December 31, 2011. Substantially lowering the number of employees throughout the AIA Group, simplifying its overall organizational structure and expanding its top management are the key components of these measures.

By year's end, the AIA Group will have reduced its existing workforce by more than 100 employees or just under 20 percent from the level as of June 30, 2011. The personnel reductions will affect all of the Group's units. While this step has become necessary due to the loss of customers, to a much larger extent it is the outcome of a groupwide review and optimization of corporate processes, as well as the closer integration into the Group of corporate units that were largely autonomous to date. The optimization potentials thus identified are being utilized to the fullest such that they will bring about substantial efficiency gains and cost savings. Activities aimed at optimizing operational processes are being accompanied by structural measures at the level of both individual units and the Group as a whole. All of these steps serve to streamline the AIA Group and improve its alignment with the market's needs and challenges. An expanded top management team is driving this optimization project. The formal two-person Management Board of AIA AG has been expanded by an Executive Management Committee. This newly established top management body includes three experienced external managers with the most divergent backgrounds, whose expertise is already starting to pay off after a brief period of familiarizing themselves with the Company.

The AIA Group incurred aggregate one-time charges of EUR 3,219 thousand for the third quarter of 2011 in connection with the launch of its extensive restructuring measures. Fully EUR 1,767 thousand of these one-time charges are related to the severance package for the Company's former Chairman of the Management Board. All restructuring expenses will constitute one-time charges in 2011; in 2012, they will be offset by substantial cost savings in the mid single digit millions.

Adjusted for the one-time charges, the AIA Group did well during the first nine months of 2011. Consolidated sales for the first nine months of 2011 climbed year on year from EUR 84,294 thousand by about 6 percent to EUR 89,094 thousand. Earnings before interest, taxes, depreciation and amortization (EBITDA) rose from EUR 9,032 thousand to EUR 10,036 thousand during the reporting period despite the one-time charges but also due to structural effects related to the accounting policies of the companies that were acquired in 2011. Adjusted for the one-time charges, EBITDA increased from EUR 9,566 thousand to EUR 13,728 thousand in the first nine months of 2011. Basic earnings per share (EPS) were EUR 0.18, down from EUR 0.30 the previous year due to both the one-time charges and the larger number of shares.

The AIA Group conducts its business worldwide and thus in numerous currencies. The Group's operating business generated net positive foreign currency effects of EUR 121 thousand in the first nine months of 2011, compared to net negative foreign currency effects of EUR 197 thousand in the first nine months of 2010.

The business of the two companies that were acquired in June 2011 — Entertainment in Motion Inc. (EIM), Los Angeles, USA, and Emphasis Video Entertainment Ltd. (Emphasis), Hong Kong — has developed along a highly positive trajectory in the first four months of their affiliation with the AIA Group and is meeting the targets that were stipulated at the time of acquisition.

For detailed information on the financial performance of the AIA Group during the first nine months of 2011, please see the section, "Financial performance, cash flows and financial position."

### Significant events between July 1, 2011, and September 30, 2011:

In July 2011, the Company initiated comprehensive restructuring measures for the two Group companies that are domiciled in Duisburg. The Company expects the implementation of these measures to be completed by December 31, 2011. The Company expects to incur restructuring expenses in the mid six-digit range, which have already been recognized in full as of the third quarter of 2011.

The Chairman of the Management Board/CEO of AIA AG, Dr. Rüdiger Berndt, stepped down on August 10, 2011, by mutual agreement with the Company's Supervisory Board, effective immediately. At the same time, the Company's director's contract with Dr. Berndt was terminated by mutual agreement effective August 31, 2011. In accordance with the provisions of Dr. Berndt's director's contract, the Company will pay him severance of EUR 1.77 million in connection with his resignation. Dr. Berndt will also be paid the pro rata bonus to which he is entitled for the current 2011 financial year.

Also on August, 10, 2011, the Supervisory Board appointed Mr. Louis Bélanger-Martin Chairman of the Company's Management Board/CEO in lieu of Dr. Berndt, effective immediately. Mr. Bélanger-Martin, co-founder of DTI Software Inc., Montreal, Canada, has been a member of the Company's Management Board since October 2010. He initially served as Chief Operating Officer.

#### Nine-Month Report 2011

7	Foreword of the Chairman of the Management Board
8	<b>Business performance and key events</b>
11	Financial performance, cash flows and financial position
18	Outlook
19	The share and investor relations
23	Consolidated income statement of 9 months 2011 (IRFS)
24	Consolidated statement of financial position (IRFS)
26	Consolidated statement of comprehensive income (IRFS)
27	Consolidated statement of cash flows (IRFS)
28	Statement of changes in equity including non-controlling interest (IRFS)

Furthermore, two of the Company's Supervisory Board members — Dr. Ingo Krocke (Chairman of the Supervisory Board) and Mr. Arne Christes — relinquished their seats on the Supervisory Board effective immediately on August 10, 2011. As a result, the three-member Supervisory Board no longer constituted a quorum.

The Company's previous two Supervisory Board members, Dr. Ingo Krocke and Mr. Arne Christes, stepped down because a major shareholder had substantially lowered its stake in the Company. Auctus sechszwanzigste Beteiligungsgesellschaft mbH, Munich, Germany, and PAR Investment Partners, L.P., Boston, USA, notified the Company on August 10, 2011, that they had agreed to the sale of 1,740,000 AIA AG shares (about 10.5 percent of the voting shares) to PAR Investment Partners L.P.

PAR Investment Partners L.P. also informed the Company that it had entered into additional agreements granting PAR Investment Partners L.P. the right to raise its total interest in the Company's voting shares to more than 29 percent. According to the statements of PAR Investment Partners L.P., however, its stake will not exceed 29.99 percent in total.

Mr. Edward L. Shapiro and Mr. Jean-Yves Leblanc were appointed to the Supervisory Board of Advanced Inflight Alliance AG by the Commercial Register of the Munich District Court effective September 1, 2011. These appointments were made at the request of the Management Board after two members of the Company's Supervisory Board stepped down on August 10, 2011, effective immediately. As a result, the Supervisory Board has been a fully constituted three-member body that has a quorum since September 1, 2011. At its meeting on September 8, the Supervisory Board constituted itself and elected Mr. Edward L. Shapiro Chairman of the Supervisory Board and Mr. Jürgen Chidekel its Vice Chairman.

AIA AG was notified on September 9, 2011, that one of its subsidiaries will cease serving a major customer effective December 31, 2011. The customer is in the process of merging with another entity. Given this change, it has also decided to switch its inflight entertainment provider. This customer is likely to account for roughly 8 percent of consolidated revenue in the 2011 financial year.

# Financial performance, cash flows and financial position

## 3. Financial performance, cash flows and financial position

### 3.1. Financial performance

#### Sales

The AIA Group posted total sales revenue of EUR 89,094 thousand in the first nine months of 2011 – an increase of about 6 percent over the consolidated sales revenue of EUR 84,294 thousand in the first nine months of 2010. The two companies acquired in June 2011 did contribute EUR 7,070 thousand to the consolidated Group revenues in the first 9 months 2011.

#### EBITDA

The AIA Group generated earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 10,036 thousand in the first nine months of 2011, This means that EBITDA in the first nine months of 2011 rose by more than 11 percent compared to the same period the previous year, when EBITDA amounted to EUR 9,032 thousand.

However, EBITDA of the AIA Group in the first nine months was impacted by one-time charges and structural effects related to the accounting policies of the two companies acquired in June 2011. The one-time charges concern acquisition costs of EUR 473 thousand and restructuring expenses of EUR 3,219 thousand, for a total of EUR 3,692 thousand. In contrast, EUR 534 thousand in one-time charges were taken for the first nine months of 2010. Adjusted for all one-time charges, EBITDA for the first nine months of 2011 was EUR 13,728 thousand, which corresponds to an increase of more than 44 percent from an adjusted EUR 9,566 thousand the previous year.

In contrast to the negative effects of the one-time charges, the structural effects related to the June 2011 acquisitions had a positive effect on EBITDA for the first nine months of 2011. This is because the two film distributors that we acquired in June 2011 capitalize the guarantees that are paid when they purchase film licenses and write them off when the corresponding sales revenue has been realized. Doing so reduces the cost of materials contained in EBITDA by the capitalized guarantee payments but increases depreciation and amortization, which are not contained in EBITDA by definition, by the corresponding amount. As a result, just the accounting effects structurally increase EBITDA to the detriment of depreciation and amortization. Earnings before interest and taxes (EBIT) are not affected anymore because the respective structural effects are offset. Adjusted for both the one-time charges and the structural effects that solely concern 2011, EBITDA for the first nine months of 2011 was EUR 11,273 thousand.

The AIA Group reports positive foreign currency effects of EUR 121 thousand in the first nine months of 2011 (first nine months of 2010: minus EUR 197 thousand). After eliminating these effects on earnings and adjusting for foreign currency effects, EBITDA was EUR 9,915 thousand in the first nine months of 2011 compared to EBITDA of EUR 9,229 thousand in the nine months of 2010.

Adjusted for the one-time charges and the foreign currency effects, EBITDA was EUR 13,607 thousand in the first nine months of 2011, compared with EUR 9,763 thousand.

#### Nine-Month Report 2011

7	Foreword of the Chairman of the Management Board
8	Business performance and key events
11	<b>Financial performance, cash flows and financial position</b>
18	Outlook
19	The share and investor relations
23	Consolidated income statement of 9 months 2011 (IRFS)
24	Consolidated statement of financial position (IRFS)
26	Consolidated statement of comprehensive income (IRFS)
27	Consolidated statement of cash flows (IRFS)
28	Statement of changes in equity including non-controlling interest (IRFS)

**EBIT**

Earnings before interest and taxes (EBIT) in the first nine months of 2011 came to EUR 4,154 thousand, compared with EUR 6,233 thousand in the first nine months of 2010. Adjusted for the one-time charges, EBIT for the first nine months of 2011 was EUR 7,845 thousand, which corresponds to an increase of 16 percent from an adjusted EUR 6,767 thousand the previous year.

Adjusted for foreign currency effects, EBIT was EUR 4,033 thousand in the first nine months of 2011, compared with EUR 6,430 thousand in the first nine months of 2010.

Adjusted for one-time charges and foreign currency effects, EBIT was EUR 7,724 thousand in the first nine months of 2011, compared with EUR 6,964 thousand.

**EBT**

The AIA Group generated earnings before taxes (EBT) of EUR 3,773 thousand in the first nine months of 2011, compared with EUR 5,763 thousand in the first nine months of 2010. Adjusted for one-time charges, EBT for the first nine months of 2011 was EUR 7,465 thousand, which corresponds to an increase of 19 percent from an adjusted EUR 6,297 thousand the previous year.

Adjusted for foreign currency effects, EBT was EUR 3,652 thousand in the first nine months of 2011, compared with EUR 5,960 thousand in the first nine months of 2010.

Adjusted for one-time charges and foreign currency effects, EBT was EUR 7,344 thousand in the first nine months of 2011, compared with EUR 6,494 thousand.

**Net income for the period**

The net income for the period of the AIA Group in the first nine months of 2011 amounted to EUR 2,717 thousand. In computing the income taxes for the first nine months of 2011, the tax rate of 28 percent determined for the full 2010 financial year was taken into account. The AIA Group posted net income of EUR 4,407 thousand in the first nine months of 2010. Adjusted for the one-time charges, EBT for the first nine months of 2011 was EUR 5,375 thousand, which corresponds to an increase of 12 percent from an adjusted EUR 4,815 thousand the previous year.

Adjusted for foreign currency effects, net income was EUR 2,629 thousand in the first nine months of 2011, compared with EUR 4,557 thousand in the first nine months of 2010.

Adjusted for one-time charges and foreign currency effects, net income was EUR 5,287 thousand in the first nine months of 2011, compared with EUR 4,966 thousand.

### Earnings per share

Basic earnings per share in accordance with IFRS in the first nine months of 2011 were EUR 0.18. The previous year's figure was EUR 0.30. Adjusted for one-time charges, earnings per share for the first nine months of 2011 were EUR 0.35, compared with an adjusted EUR 0.33 the previous year.

Adjusted for foreign currency effects, basic earnings per share were EUR 0.17 in the first nine months of 2011, compared with EUR 0.31 in the first nine months of 2010.

Adjusted for one-time charges and foreign currency effects, basic earnings per share were EUR 0.34 in the first nine months of 2011, compared with EUR 0.34 in the first nine months of 2010.

### Depreciation and amortization

In the first nine months of 2011, depreciation and amortization in the AIA Group totaled EUR 5,883 thousand, compared to EUR 2,799 thousand in the first nine months of 2010. This substantial increase by EUR 3,084 thousand is mainly related to the acquisition of the two companies, EIM and Emphasis, in June 2011. The acquisition has substantially boosted our capitalized of films assets; later on, it will lead to equally substantial amortization on the film assets. In addition, intangible assets were capitalized in connection with the purchase price allocation (PPA) for the two companies, also resulting in greater amortization. The two companies that were acquired in 2011 recognized EUR 2,455 thousand in amortization on film assets as of September 30, 2011. Aggregate amortization on the intangible PPA assets for both EIM and Emphasis was EUR 843 thousand as of the reporting date.

### Other operating income

The AIA Group generated other operating income of EUR 388 thousand in the first nine months of 2011 (first nine months of 2010: EUR 159 thousand). It contains positive effects on earnings from the reversal of provisions recognized in prior periods, as well as income from the disposal of non-current assets. The increase in the first nine months of 2011 is essentially due to positive foreign currency effects of EUR 121 thousand.

### Staff costs

The staff costs of the AIA Group were EUR 21,610 thousand in the first nine months of 2011, compared to EUR 16,084 thousand the previous year, which corresponds to a year-on-year increase of approximately 34 percent. But the staff costs for the first nine months of 2011 contain EUR 3,219 thousand in one-time charges in connection with the recently launched restructuring measures. Of this amount, EUR 1,767 thousand concerns the severance payment to the Company's previous Management Board Chairman. EUR 196 thousand in one-time charges were taken for the same period the previous year. Adjusted for the one-time charges, the staff costs of the AIA Group were EUR 18,391 thousand in the first nine months of 2011, compared to EUR 15,888 thousand the previous year, which corresponds to a year-on-year increase of approximately 16 percent. This increase after one-time charges stems from the increase in staff costs due to the acquisitions and a general rise in salaries.

Adjusted for the one-time charges, the staff cost ratio rose from 18.8 percent to 20.6 percent in the first nine months of 2011. The staff cost ratio will drop substantially in 2012 once the substantial reduction in the staff of the AIA Group has been completed by the close of 2011.

As of September 30, 2011, the AIA Group had 458 employees (September 30, 2010: 481 employees).

The 458 employees include 26 employees from the two companies acquired in June 2011.

### Other operating expenses

The other operating expenses in the first nine months of 2011 totaled EUR 7,023 thousand, which is below the prior-year figure of EUR 7,581 thousand. This means that other operating expenses were down in absolute terms and the ratio of other operating expenses to sales dropped from 9.0 percent to 7.9 percent.

### Financial result

The AIA Group finance income of EUR 74 thousand in the first nine months of 2011 (first nine months of 2010: EUR 40 thousand). Finance costs in the same period were EUR 455 thousand (first nine months of 2010: EUR 510 thousand).

### Income taxes

In the first nine months of 2011, the income taxes of the AIA Group were EUR 1,056 thousand compared to EUR 1,357 the previous year. The tax rate of 28 percent that was determined for the full 2010 financial year was taken into account for calculating the income taxes for the first nine months of 2011.

## 3.2. Cash flows and financial position

### Financial position

Total assets of the AIA Group as of September 30, 2011, were EUR 117,174 thousand, a substantial increase compared to total assets of EUR 88,061 thousand as of December 31, 2010.

### Assets

As of September 30, 2011, the goodwill of the AIA Group totaled EUR 34,287 thousand. This represents a considerable rise compared with the figure of EUR 25,836 thousand as of December 31, 2010. This development stems mainly from the capitalization of the goodwill for the companies acquired as of June 1, 2011 — EIM (goodwill: EUR 2,026 thousand) and Emphasis (goodwill: EUR 6,797 thousand). Furthermore, capitalized goodwill declined slightly as of September 30, 2011, owing to foreign currency effects.

Capitalized film assets were EUR 10,562 thousand as of September 30, 2011. This represents a substantial increase compared to December 31, 2010, when capitalized film assets were EUR 337 thousand. This increase, too, mainly stems from the acquisitions as of June 1, 2011. The assets of capitalized film licenses have risen dramatically due to the business model adopted by the two acquired companies, EIM and Emphasis. Other intangible assets also rose, primarily due to the acquisitions, from EUR 18,594 thousand as of December 31, 2010, to EUR 22,440 thousand as of September 30, 2011. This mainly concerns other intangible assets of EIM and Emphasis that were recognized in connection with the purchase price allocation (PPA)

On the whole, the intangible assets of the AIA Group as of September 30, 2011, totaled EUR 67,290 thousand, up from EUR 44,767 thousand as of December 31, 2010 — a substantial increase.

As of September 30, 2011, property, plant and equipment rose only slightly to EUR 2,228 thousand (December 31, 2010: EUR 2,214 thousand).

Deferred tax assets as of September 30, 2011, were EUR 1,450 thousand (December 31, 2010: EUR 1,540 thousand).

Inventories as of September 30, 2011, were EUR 1,736 thousand (December 31, 2010: EUR 1,075 thousand).

Trade receivables as of September 30, 2011, rose to EUR 23,427 thousand, up from EUR 18,781 thousand on December 31, 2010. This increase is attributable to developments in normal business operations as well as to the acquisitions.

Other financial assets as of September 30, 2011, were EUR 108 thousand (December 31, 2010: EUR 0 thousand).

Current tax assets as of September 30, 2011, were EUR 2,345 thousand (December 31, 2010: EUR 3,321 thousand).

Cash and cash equivalents as of September 30, 2011, totaled EUR 16,364 thousand (December 31, 2010: EUR 13,954 thousand). Regarding the development of cash and cash equivalents, we refer to the consolidated statement of cash flows for the first nine months of 2011.

Other assets as of September 30, 2011, were EUR 2,226 thousand (December 31, 2010: EUR 2,405 thousand).

### **Equity and liabilities**

Equity of the AIA Group as of September 30, 2011 was EUR 46,649 thousand, up substantially on the December 31, 2010, figure of EUR 41,354 thousand. The capital increase implemented in June 2011 by 2,071,428 shares at a price of EUR 2.50 per share was the main reason for this considerable increase and caused equity to rise by EUR 5,178,570 thousand. The net income as of September 30, 2011, also had a positive effect. In contrast, the negative 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 depressed equity by EUR 994 thousand. Despite the increase in equity, the equity ratio of the AIA Group as of September 30, 2011, was 40 percent and thus lower than the equity ratio of 47 percent as of December 31, 2010. This is due to the large increase in total assets.

Non-current interest-bearing loans and borrowings rose substantially from EUR 2,315 thousand to EUR 11,166 thousand as of September 30, 2011. In the main, this was due to the acquisition loan for EUR 11,000 thousand from UniCredit Bank AG, Munich, that the Company took out to finance a portion of the June 2011 acquisitions.

Other non-current financial liabilities were EUR 354 thousand as of September 30, 2011 (December 31, 2010: EUR 331 thousand).

Other liabilities as of September 30, 2011, were EUR 4,562 thousand (December 31, 2010: EUR 0 thousand). The AIA Group is reporting existing payment obligations of EIM and Emphasis toward film producers, some of which are classified as non-current, in other liabilities. In addition, EIM has other financial liabilities toward the sellers that date to the time prior to the company's acquisition by the AIA Group. Other non-current financial liabilities of EUR 1,277 thousand were recognized in liabilities in connection with the existing earn-out provision related to the acquisition of EIM.

Deferred tax liabilities as of September 30, 2011, were EUR 6,743 thousand, compared to EUR 5,249 thousand as of December 31, 2010. This increase is also primarily due to the acquisitions.

Current interest-bearing loans and borrowings as of September 30, 2011, amounted to EUR 5,058 thousand (December 31, 2010: EUR 3,937 thousand). This increase is related to the acquisition loan for the two companies acquired in June 2011, the current portion of which is shown under current interest-bearing loans and borrowings.

The trade payables of the AIA Group as of September 30, 2011 totaled EUR 28,450 thousand (December 31, 2010: EUR 25,121 thousand). This increase is attributable to developments in normal business operations as well as to acquisition-related effects. This also applies to the increase in other liabilities to EUR 11,818 thousand as of September 30, 2011, up from EUR 7,939 thousand as of December 31, 2010. The increase is mainly rooted in the existing payment obligations of both EIM and Emphasis toward film producers, as well as other financial liabilities of EIM alone toward the sellers that date to the time prior to the company's acquisition by the AIA Group.

Current tax liabilities as of September 30, 2011, were EUR 2,173 thousand (December 31, 2010: EUR 1,655 thousand).

### Statement of cash flows

The net cash flow from operating activities in the first nine months of 2011 was EUR 4,806 thousand (prior-year period: no figure available). Compared to the net cash flow from operating activities in the first half of 2011, the substantial reduction particularly in trade payables during the third quarter of 2011 had a positive effect on the cash flow.

In the first nine months of 2011, the AIA Group generated EUR 17,131 thousand in negative net cash flow from investing activities (prior-year period: no figure available). The cash outflows of EUR 12,800 thousand in connection with the acquisition of the two companies, EIM and Emphasis, largely constituted the net cash flow from investing activities in the first nine months of 2011. Add to that EUR 3,929 thousand in payments for the acquisition of intangible assets (prior-year period: no figure available), which mainly contain the capitalized development costs of our Canadian subsidiary, DTI, as well as capitalized film licenses.

The net cash flow from financing activities in the first nine months of 2011 was EUR 12,094 thousand (prior-year period: no figure available). This includes loans for EUR 11,314 thousand (prior-year period: no figure available), mainly the acquisition loan for EUR 11,000 thousand from UniCredit Bank AG in connection with the acquisition of EIM and Emphasis. Add to that the cash inflow of EUR 5,138 thousand from the capital increase (prior-year period: EUR 0 thousand), which was also implemented in connection with the acquisitions. In the first nine months of 2011, loan repayments totaled EUR 2,489 thousand (prior-year period: no figure available), and interest payments were EUR 400 thousand (prior-year period: no figure available). The dividend paid in 2011 for the 2010 financial year was EUR 1,740 thousand (previous year: EUR 1,450 thousand).

The effects of exchange rate fluctuations on cash and cash equivalents were EUR 515 thousand in the first nine months of 2011. The cash and cash equivalents of the AIA Group as of September 30, 2011, totaled EUR 16,364 thousand (prior-year period: EUR 13,954 thousand).

# Outlook

## 4. Outlook

The activities of the AIA Group in the third quarter of 2011 focused mainly on defining and initiating its restructuring measures. The implementation of these measures will not be completed until the end of 2011 because they are extensive and concern the Group on the whole; it will also largely tie up management's capacities until then.

Numerous initiatives and projects aimed at optimizing purchasing, defining new product offerings and intensifying the integration of all sales and marketing activities within the Group are being pushed at the same time to supplement the restructuring at the operating level. We are also working at full stretch to develop new and innovative state-of-the-art products that offer enormous opportunities for growth. All of these activities are aimed at enabling the AIA Group to be ready for both the challenges and the opportunities in the inflight entertainment segment.

In addition, the new management is already preparing the ground for developing new business outside of the AIA Group's core market. This basically entails applying the Group's know-how to areas related to "people on the move." As the world market leader in inflight entertainment, AIA has amply demonstrated that it is capable of providing high-quality entertainment content to travelers in an environment that poses extreme challenges, both technically and logistically. What we want to do now is apply this capacity to similar areas in order to tap into attractive opportunities for growth.

Given its good performance (adjusted for one-time charges) in the first nine months of 2011, the Company does not expect the AIA Group's business environment to change fundamentally in the fourth quarter of 2011. There will be further one-time charges in course of the operational restructuring in the fourth quarter 2011. Depending on the timely formal execution of the planned measures these one-time charges most likely will be substantially lower than the one-time charges already recognized in the third quarter 2011. We will be unable to measure conclusively whether the extensive restructuring measures will have an impact on the Company's balance sheet for 2011 until all related activities have been completed and all figures are available.

The extensive restructuring measures that are being implemented in 2011 will substantially reduce costs in 2012 in the mid single digit million range.

# The share and investor relations

## 5. The share and investor relations

### The share

Initially the start of 2011 was as positive as the end of 2010. After falling briefly at the start of the year, stock markets continued to rise until mid-February. But things changed in the second half of the first quarter of 2011. The geopolitical situation in Northern Africa and the resulting increase in oil prices, as well as the natural disaster in Japan, dampened the mood in the stock markets and especially in late March 2011 depressed stock prices, substantially in some cases. Subsequently, the stock markets recovered again from their lows and closed the second quarter of 2011 at substantially higher levels. A massive sell-off in the world's stock markets started at the end of July 2011, mainly due to the recurring sovereign debt crises in both Europe and the United States. In early August, the credit rating of the United States was downgraded in this connection for the very first time in its history. The signs that global economic growth is cooling off intensified at the same time. On the whole, these highly negative news triggered massive sell-offs in the stock markets. At the end of October, the stock markets stabilized somewhat because the European Union reached an agreement on how to deal with Greece's sovereign debt crisis even though the level of uncertainty remained high.

The German DAX (Deutscher Aktienindex) opened 2011 at 6,979 points and closed the first quarter of 2011 at 7,041 points, a moderate increase. The DAX then continued to recover, closing the second quarter of 2011 at 7,376 points. A massive drop in the DAX began in early August 2011. At the end of the third quarter of 2011, the DAX stood at 5,502 points, down some 21 percent from the beginning of the year. On November 15, 2011, the DAX closed at 5,933 points, a loss of more than 14 percent compared to the start of the year.

The General Standard Index opened 2011 at 2,909 points. It closed the first quarter of 2011 at 2,826 points, a slight loss from the opening level. Subsequently, it only moved laterally, closing the second quarter of 2011 at 2,849 points. The General Standard Index continued to drop in connection with the steep decline in stock prices that started in August and closed the third quarter of 2011 at 2,554 points. On November 15, 2011, the General Standard Index closed at 2,597 a decline of 11 percent from the start of the year.

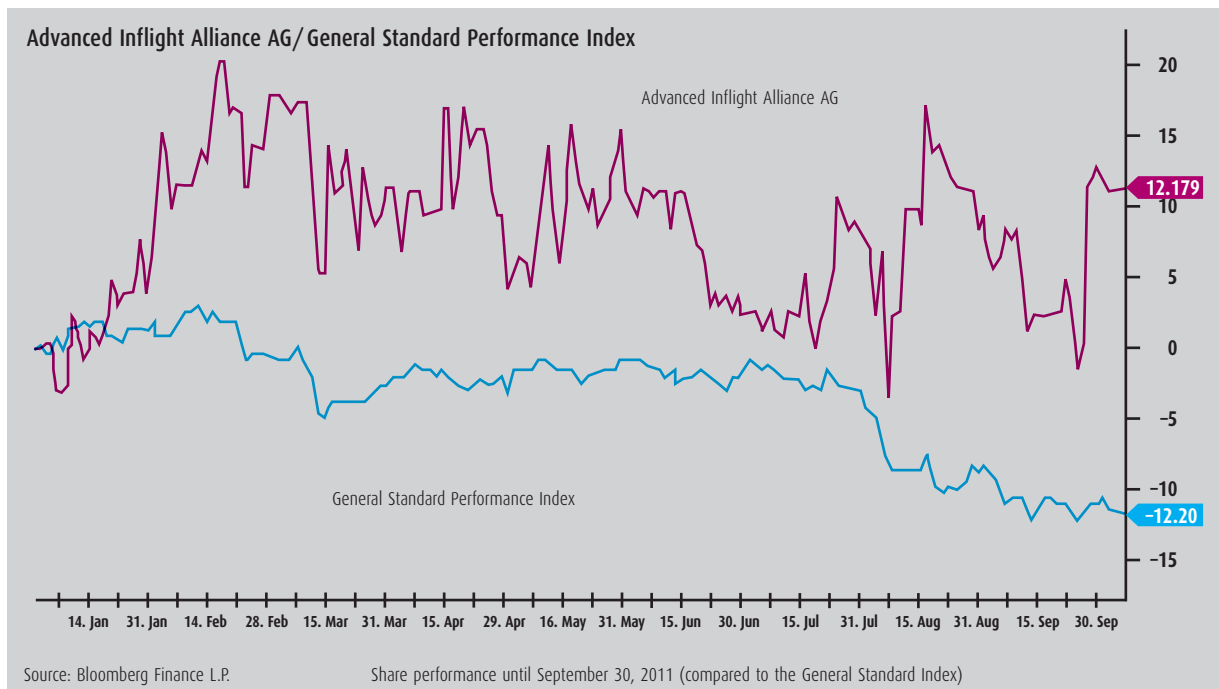
The price of Advanced Inflight Alliance AG's share on the first trading day in 2011 was EUR 3.12. While it rose to EUR 3.80 by mid-February 2011, it fell to EUR 3.50 by the end of the first quarter of 2011, following the downward market trend. After major price fluctuations, the share of Advanced Inflight Alliance AG closed the second quarter of 2011 at EUR 3.15, which corresponds more or less to the year's opening price. But the share of Advanced Inflight Alliance AG managed not only to withstand the negative market trend that started in August 2011, it even rose, bucking the trend. Following a number of downturns during which the Company's share fell to EUR 2.51 within an overall poor market environment, the share of Advanced Inflight Alliance AG closed the third quarter of 2011 at EUR 3.50. On November 15, 2011, the share price was EUR 3.31 or about 6 percent higher than at the start of the year.

### Nine-Month Report 2011

- 7 Foreword of the Chairman of the Management Board
- 8 Business performance and key events
- 11 Financial performance, cash flows and financial position
- 18 Outlook
- 19 The share and investor relations
- 23 Consolidated income statement of 9 months 2011 (IRFS)
- 24 Consolidated statement of financial position (IRFS)
- 26 Consolidated statement of comprehensive income (IRFS)
- 27 Consolidated statement of cash flows (IRFS)
- 28 Statement of changes in equity including non-controlling interest (IRFS)

	Jan.01 to Sep. 30, 2011	Jan.01 to Sep. 30, 2010
Opening price	3.120	2.500
Closing price	3.500	3.020
High	3.800	3.300
Low	2.512	2.202
Market capitalization	58,408,318.50	43,790,000

Share price performance in the first nine months of 2011 (compared with the General Standard Index):



## Shareholder structure

The share capital of Advanced Inflight Alliance AG amounted to EUR 16,688,091 as of September 30, 2011, and was divided into the same number of no-par shares. The shares are quoted in the General Standard trading segment of the Frankfurt Stock Exchange. Roughly 53 percent of the shares were classified as free-floating shares at the end of period date. Based on the information available to the Company and information provided through notices in accordance with the German Securities Trading Act, the remaining shares were distributed as follows as of the closing date (in %):

### Significant shareholders as of September 30, 2011

Shareholder	% share
PAR Investment Partners L.P., PAR Group L.P., PAR Capital Management Inc.	29.026 %
AXXION S.A.	5.214 %
BF Ventures Management Limited, Greatland Investment Limited, Bernhard Pouliot	4.828 %
Shareholder Value Beteiligungen AG	4.492 %
Aristotelis Mistakidis	3.465 %
<b>Free float</b>	<b>52.975 %</b>

### Directors' holdings as of September 30, 2011

Name	Function	Held by	Number
Wolfgang Brand	Chief Financial Officer	Himself	11,428

### Capital increases

Based on the authorization by the Annual General Meeting on July 1, 2008 (Authorized Capital 2008/I), the Executive Management Board resolved on May 17, 2011, with the approval of the Supervisory Board, to execute a capital increase raising the Company's share capital from currently EUR 14,500,000.00 by up to EUR 2,071,428.00 to a maximum of EUR 16,571,428.00 through the issuance of up to 2,071,428 new no-par bearer shares with a pro-rata interest of EUR 1.00 per share in the Company's share capital ("New Shares") in return for cash contributions. The new shares were offered to the Company's shareholders by means of an indirect subscription right and are entitled to participate in profits from the beginning of the 2011 financial year. The Company's capital was increased by EUR 2,071,428.00. The implementation of the capital increase by EUR 2,071,428.00 was recorded in the appropriate Commercial Register on June 8, 2011. As a result of the capital increase, the Company's share capital has increased to EUR 16,571,428.00, and it is denominated in 16,571,428 no-par bearer shares. The new shares were listed on June 10, 2011.

In addition, 116,663 stock options were exercised in September 2011 at an average exercise price of EUR 1.96 per share. The Company's share capital thus rose to EUR 16,688,091.00 as of September 30, 2011; it is denominated in 16,688,091 no-par bearer shares.

### Investor relations

The Company's Management Board cultivated its contacts to analysts, investors and the press in the first nine months of 2011 and will further step up its investor relations activities in the course of the current financial year. For instance, the Company will present itself at the German Equity Forum in Frankfurt in late November 2011.

# Advanced Inflight Alliance AG

## Consolidated income statement of 9 months 2011 (IFRS)

### Consolidated income statement of 9 months 2011 (IFRS)

	Jan 1 - Sep 30, 2011	Jan 1 - Sep 30, 2010
	In EUR thousand	In EUR thousand
Revenue	89,093,946.03	84,294,424.07
Other operating income	388,277.70	158,629.87
Cost of materials	-50,812,578.76	-51,756,291.36
Staff costs	-21,609,757.12	-16,083,702.91
Depreciation, amortization and impairment losses	-5,882,630.09	-2,798,546.50
Other operating expenses	-7,023,480.91	-7,581,316.16
<b>Net income from operating activities</b>	<b>4,153,776.85</b>	<b>6,233,197.02</b>
<b>Net income from financing and investing activities</b>	<b>-380,777.53</b>	<b>-469,945.67</b>
Finance income	74,427.70	39,770.42
Finance costs	-455,205.23	-509,716.09
<b>Earnings before income taxes</b>	<b>3,772,999.32</b>	<b>5,763,251.35</b>
Income taxes	-1,056,439.81	-1,356,729.50
<b>Net income for the year</b>	<b>2,716,559.51</b>	<b>4,406,521.85</b>
Basic EPS	0.18	0.30
Diluted EPS	0.18	0.30
Average number of shares (basic)	15,374,716	14,500,000
Average number of shares (diluted)	15,493,183	14,527,055
Number of weighted stock options	<b>118,467</b>	<b>27,055</b>

#### Nine-Month Report 2011

- 7 Foreword of the Chairman of the Management Board
- 8 Business performance and key events
- 11 Financial performance, cash flows and financial position
- 18 Outlook
- 19 The share and investor relations
- 23 Consolidated income statement of 9 months 2011 (IFRS)**
- 24 Consolidated statement of financial position (IFRS)
- 26 Consolidated statement of comprehensive income (IFRS)
- 27 Consolidated statement of cash flows (IFRS)
- 28 Statement of changes in equity including non-controlling interest (IFRS)

# Advanced Inflight Alliance AG

## Consolidated statement of financial position as of September 30, 2011 (IFRS)

### Assets

	Sep 30, 2011	Sep 30, 2010
	In EUR thousand	In EUR thousand
<b>Non-current assets</b>		
Intangible assets:		
- Goodwill	34,287,461.25	25,835,771.59
- Film rights	10,562,443.38	336,565.77
- Other intangible assets	22,440,119.74	18,594,235.55
Property, plant and equipment		
- Land and buildings	732,394.14	708,651.50
- Operating and office equipment	1,495,289.76	1,505,464.90
Financial assets:		
- Other financial assets	0.00	3,318.38
Deferred tax assets	1,449,832.97	1,540,190.39
<b>Total non-current assets</b>	<b>70,967,541.24</b>	<b>48,524,198.09</b>
<b>Current assets</b>		
Inventories	1,736,268.17	1,075,379.50
Trade receivables	23,426,924.65	18,781,089.22
Other financial assets	107,688.85	0.00
Current income tax assets	2,345,247.03	3,320,577.19
Cash and equivalents	16,363,844.41	13,954,401.95
Other assets	2,226,364.00	2,405,497.78
<b>Total current assets</b>	<b>46,206,337.11</b>	<b>39,536,945.64</b>
<b>TOTAL ASSETS</b>	<b>117,173,878.35</b>	<b>88,061,143.73</b>

## Equity and Liabilities

	Sep 30, 2011	Sep 30, 2010
	In EUR thousand	In EUR thousand
<b>Equity attributable to equity holders of the parent</b>		
Subscribed capital	16,688,091.00	14,500,000.00
Capital reserves	12,070,142.93	8,871,025.21
Retained earnings	19,519,901.61	18,543,342.10
Other components of equity	-1,629,622.70	-560,278.52
<b>Total equity</b>	<b>46,648,512.84</b>	<b>41,354,088.79</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	11,166,303.27	2,314,880.38
Other financial liabilities	354,219.60	331,310.83
Other liabilities	4,562,097.22	0.00
Deferred tax liabilities	6,742,627.91	5,248,791.69
<b>Total non-current liabilities</b>	<b>22,825,248.00</b>	<b>7,894,982.90</b>
<b>Current liabilities</b>		
Interest bearing loans and borrowings	5,058,115.80	3,937,030.55
Trade payables	28,449,995.82	25,121,243.28
Income tax payable	2,172,897.68	1,655,404.59
Other provisions	200,608.63	159,837.06
Other liabilities	11,818,499.58	7,938,556.56
<b>Total current liabilities</b>	<b>47,700,117.51</b>	<b>38,812,072.04</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>117,173,878.35</b>	<b>88,061,143.73</b>

### Nine-Month Report 2011

- 7 Foreword of the Chairman of the Management Board
- 8 Business performance and key events
- 11 Financial performance, cash flows and financial position
- 18 Outlook
- 19 The share and investor relations
- 23 Consolidated income statement of 9 months 2011 (IRFS)
- 24 **Consolidated statement of financial position (IRFS)**
- 26 Consolidated statement of comprehensive income (IRFS)
- 27 Consolidated statement of cash flows (IRFS)
- 28 Statement of changes in equity including non-controlling interest (IRFS)

# Advanced Inflight Alliance AG

## Consolidated statement of comprehensive income January 1 until September 30, 2011 (IFRS)

### Consolidated statement of comprehensive income January 1 until September 30, 2011 (IFRS)

	2011
	EURO
<b>Net income for the year</b>	<b>2,716,559.51</b>
<b>Other comprehensive income</b>	
Exchange differences on translation of foreign operations	-993,708.21
Cash flow hedges	
Gains/(losses) from cash flow hedges for the period	-119,890.03
Reclassification to profit or loss	49,258.62
Income tax effect	-5,004.56
	<b>-75,635.97</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>-1,069,344.18</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>1,647,215.33</b>

# Advanced Inflight Alliance AG

## Consolidated statement of cash flows

### January 1 until September 30, 2011 (IFRS)

	Jan 1 - Sep 30, 2011
	In EUR thousand
<b>Operating activities</b>	
Income before taxes	3,773
+ / - Adjustments to reconcile net income to net cash flow:	
+ Depreciation and impairment of property, plant and equipment	630
+ Amortization and impairment of intangible assets	5,252
+ Share-based payments expense	17
- / + Gain/loss on disposal of non-current property, plant and equipment	2
- Finance income	-74
+ Finance costs	455
+ / - Movements in provisions	-111
<b>Working capital adjustments:</b>	
- / + Changes in trade and other receivables and prepayments	874
- / + Changes in inventories	-298
+ / - Changes in trade and other payables	-4,296
- / + Gain/loss from deferred taxes	-769
- Income tax paid	-650
<b>= Net cash flows from operating activities</b>	<b>4,806</b>
<b>Investing activities</b>	
- Purchase of property, plant and equipment	-569
- Purchase of intangible assets	-3,929
- Acquisition of subsidiaries, net of cash	-12,800
- / + Payments for/proceeds from other financial assets	166
- Cash paid for other financial liabilities	0
<b>= Net cash flows from investing activities</b>	<b>-17,131</b>
<b>Financing activities</b>	
+ Proceeds from borrowings	11,314
+ Proceeds from capital increase	5,138
+ Proceeds from exercise of stock options	246
- Repayments of borrowings	-2,489
- Interest paid and transaction costs	-400
+ Interest received	25
- Dividends paid	-1,740
<b>= Net cash flows from financing activities</b>	<b>12,094</b>
= Net increase in cash and cash equivalents	-232
+ / - Changes in cash and cash equivalents	515
+ Cash and cash equivalents at January 1	13,954
+ Changes in cash due to changes in the composition of consolidated companies	2,126
<b>= Cash and cash equivalents as of September 30, 2011</b>	<b>16,364</b>

#### Nine-Month Report 2011

- 7 Foreword of the Chairman of the Management Board
- 8 Business performance and key events
- 11 Financial performance, cash flows and financial position
- 18 Outlook
- 19 The share and investor relations
- 23 Consolidated income statement of 9 months 2011 (IFRS)
- 24 Consolidated statement of financial position (IFRS)
- 26 Consolidated statement of comprehensive income (IFRS)
- 27 Consolidated statement of cash flows (IFRS)**
- 28 Statement of changes in equity including non-controlling interest (IFRS)

# Advanced Inflight Alliance AG

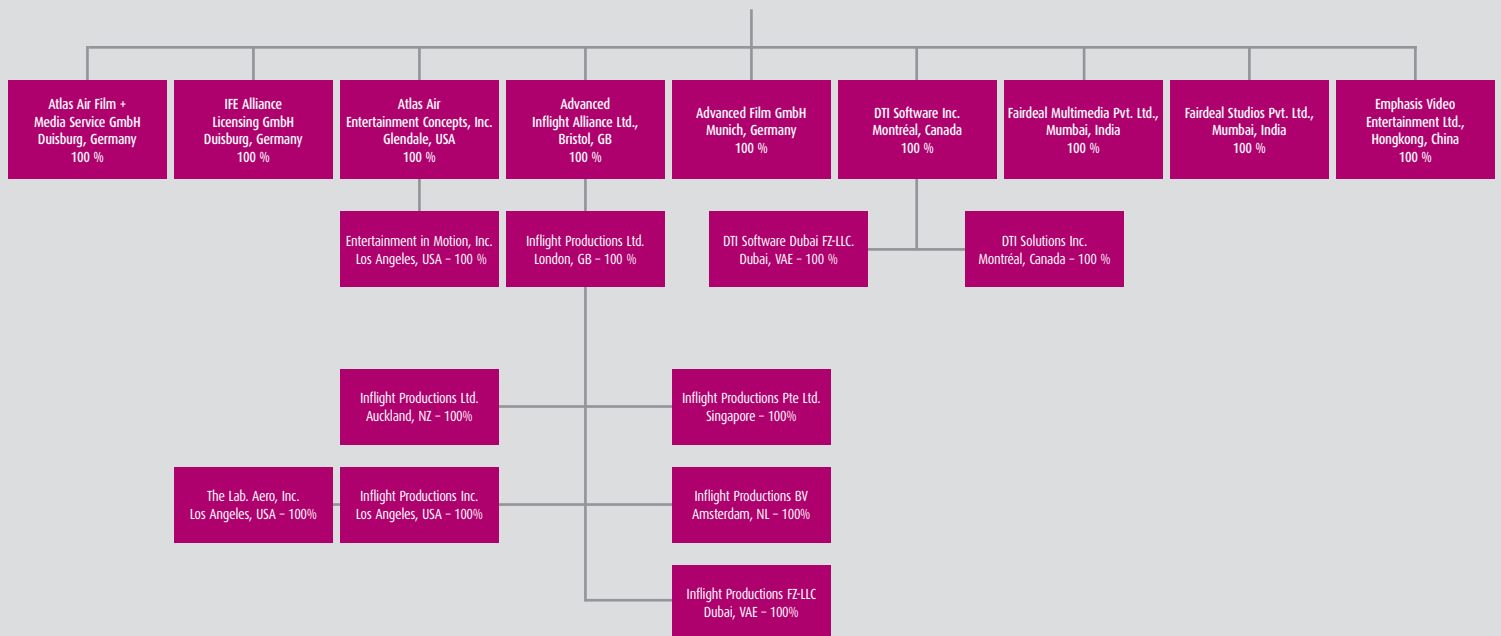
## Statement of changes in equity

### including non-controlling interest (IFRS)

	Subscribed capital (No-par value shares)		Capital reserves	Retained earnings	
	Number	EUR	EUR	EUR	
Balance as of January 1, 2011	14,500,000	14,500,000.00	8,871,025,21	18,543,342.10	
Capital increase	2,071,428	2,071,428.00	3,107,142.00		
Transaction costs			-37,086,72		
Dividend payments				-1,740,000.00	
Stock options	116,663	116,663.00	129,062,44		
Net income/(loss)				2,716,559.51	
Other comprehensive income					
Total comprehensive income					
Balance as of September 30, 2011	16,688,091	16,688,091.00	12,070,142.93	19,519,901.61	

	Other recognized gains and losses			Equity in accordance with the consolidated statement of financial position	
	Adjustments from foreign currency translation	Other neutral transactions	Total		
	EUR	EUR	EUR	EUR	
	-507,457.51	-52,821.00	-560,278.52	41,354,088.79	Balance as of January 1, 2011
				5,178,570.00	Capital increase
				-37,086.72	Transaction costs
				-1,740,000.00	Dividend payments
				245,725.44	Stock options
				2,716,559.51	Net income/(loss)
	-993,708.21	-75,635.97	-1,069,344.18	-1,069,344.18	Other comprehensive income
				1,647,215.33	Total comprehensive results
	-1,501,165.72	-128,456.97	-1,629,622.70	46,648,512.84	Balance as of September 30, 2011

# Group structure





[www.advanced-inflight-alliance.com](http://www.advanced-inflight-alliance.com)

**Publishing information**

**Editor:**  
Advanced Inflight Alliance AG  
Schellingstraße 35  
80799 Munich  
Germany

**Contact:**  
[info@aialliance.com](mailto:info@aialliance.com)

**Art Direction:**  
Jessica Menke

**Corporate Design:**  
[www.designzone.info](http://www.designzone.info)