Global Eagle Entertainment Inc.
Form 8-K/A
March 18, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 31, 2013

GLOBAL EAGLE ENTERTAINMENT INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-35176**	**27-4757800**

(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

10900 Wilshire Blvd. Suite 1500, Los Angeles, California 90024

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (310) 209-7280

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

Global Eagle Entertainment Inc. (the "Company") is filing this Amendment No. 1 on Form 8-K/A (this "Amendment") to amend and restate its Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on February 6, 2013 in order to include (i) financial information of Row 44, Inc., a wholly owned subsidiary of the Company ("Row 44"), for its fiscal year ended December 31, 2012, (ii) financial information of Advanced Inflight Alliance AG, a majority-owned subsidiary of the Company ("AIA"), for its fiscal year ended December 31, 2012, and (iii) pro forma financial information of the Company as of December 31, 2012, in accordance with the guidance set forth under Topic 12 of the Division of Corporation Finance Financial Reporting Manual so that there is no lapse in periodic reporting for year ended December 31, 2012.

Unless the context otherwise requires, "we," "the "Company" and "Global Eagle" refer to the Company and its subsidiaries including Row 44 and AIA and "GEAC" refers to the Company prior to the closing of the Business Combination described in Item 1.01.

Item 1.01 Entry Into A Material Definitive Agreement.

On January 31, 2013 (the "Closing Date"), the Company consummated the previously disclosed business combination (the "Business Combination"), consisting of (i) the acquisition of Row 44, pursuant to the terms of the Agreement and Plan of Merger and Reorganization, dated as of November 8, 2012, by and among the Company, EAGL Merger Sub Corp., a Delaware corporation and wholly owned subsidiary of the Company, Row 44, and PAR Investment Partners, L.P., a Delaware limited partnership ("PAR," and the agreement, the "Row 44 Merger Agreement"), and (ii) the acquisition of 86% of the issued and outstanding shares of AIA, pursuant to the Stock Purchase Agreement, dated as of November 8, 2012, between the Company and PAR (the "AIA Stock Purchase Agreement"). In connection with the closing of the Business Combination (the "Closing"), the Company changed its name from Global Eagle Acquisition Corp. to Global Eagle Entertainment Inc.

In connection with the Closing, the Company entered into an amended and restated registration rights agreement, dated January 31, 2013, by and among the Company, Global Eagle Acquisition LLC (the "Sponsor"), PAR, Putnam Capital Spectrum Fund and Putnam Equity Spectrum Fund ("Putnam"), and the members of the Sponsor signatory thereto (the "Registration Rights Agreement"). The Registration Rights Agreement is described in GEAC's definitive proxy statement filed with the SEC on January 17, 2013 (the "Proxy Statement") in the section entitled "The Business Combination Agreements—Additional Agreements—Registration Rights Agreement" beginning on page 137, which description is incorporated by reference herein. The description of the Registration Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Registration Rights Agreement, which is included as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein.

In connection with the Closing, the Company entered into indemnification agreements with each newly elected or appointed member of the Board of Directors of the Company (the "Board") and each newly appointed executive officer of the Company (each an "Indemnity Agreement"), which provides that the Company will indemnify such director and/or executive officer under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings to which he or she is or may be made a party by reason of his or her position as a director or executive officer of the Company, and otherwise to the fullest extent permitted under Delaware law and the Company's by-laws. The description of the Indemnity Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the form of Indemnity Agreement, which is included as Exhibit 10.15 to this Current Report on Form 8-K and incorporated by reference herein.

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In connection with the Closing, the Company entered into a Letter Agreement, dated January 31, 2013 (the “Letter Agreement”), with Wellington Management Company, LLP (“Wellington Management”), certain affiliates of Wellington Management and certain client accounts of Wellington Management (collectively, the “Wellington Entities”), pursuant to which the Wellington Entities expressly disclaimed and relinquished any right to exercise voting power or investment power with respect to any shares of common stock issued in the Business Combination to the extent (but only to the extent) that ownership of such shares would otherwise cause any Wellington Entity to beneficially own in excess of 9.9% (the “Maximum Percentage”) of the common stock (such shares in excess of the Maximum Percentage, the “Excess Shares”). Such Excess Shares will be held in escrow, registered in the name of the escrow agent, pursuant to an Escrow Agreement, dated January 31, 2013 (the “Escrow Agreement”), among the Company, American Stock Transfer & Trust Company LLC, as escrow agent, Wellington Management and certain client accounts of Wellington Management. In order to ensure compliance with the Maximum Percentage limitation under the Letter Agreement, Wellington Management, in its capacity as investment adviser to its client accounts, informed the Company that it intended to direct the exchange agent in the Row 44 Merger to deposit 2,543,546 shares of common stock otherwise issuable to such client accounts in connection with the Row 44 Merger with the escrow agent under the Escrow Agreement. The Wellington Entities disclaim voting power and investment power with respect to such shares to the extent such shares would otherwise cause a violation of the Maximum Percentage limitation. The description of each of the Letter Agreement and the Escrow Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of each of the Letter Agreement and the Escrow Agreement, which are included as Exhibit 10.13 and 10.14, respectively, to this Current Report on Form 8-K and incorporated by reference herein.

On February 1, 2013, Row 44 entered into an Amended and Restated Supply and Services Agreement with Southwest Airlines Co. (“Southwest,” and the agreement, the “Southwest Agreement”). The Southwest Agreement amends, restates and combines two prior agreements between Row 44 and Southwest, and provides for the sale by Row 44 to Southwest of units of Row 44’s broadband system. The Southwest Agreement sets forth (a) the terms of delivery and acceptance of the Row 44 system, (b) all regulatory steps that Row 44 must take to facilitate the use of the Row 44 system by Southwest, (c) the terms and conditions of the supply of units of the Row 44 system to Southwest, (d) the pricing and payment for each unit sold by Row 44 to Southwest and (e) certain other terms ancillary to Row 44’s delivery of its system to Southwest.

Additionally, under the Southwest Agreement, Row 44 will provide various services to Southwest, including Wi-Fi service, in connection with the use of the Row 44 broadband system by Southwest and its customers. In that regard, the Southwest Agreement sets forth the (a) various services that Southwest agrees to purchase from Row 44, (b) service fees and charges to be paid to Row 44 by Southwest in connection with the delivery of such services, (c) elective services that Southwest may choose to purchase from Row 44 and the cost of each such elective service and (d) certain other terms and conditions ancillary to the purchase and use of various in-flight services by Southwest. The Southwest Agreement contains certain customary representations, warranties, covenants, conditions, indemnities and miscellaneous terms and conditions typically included in agreements of this nature. The description of the Southwest Agreement does not purport to be complete and is qualified in its entirety by reference to the text of the Southwest Agreement, which is included as Exhibit 10.12 to this Current Report on Form 8-K and incorporated by reference herein.

Item 1.02 Termination of a Material Definitive Agreement.

In connection with the Closing, the Investment Management Trust Agreement, dated May 12, 2011, between GEAC and American Stock Transfer & Trust Company, LLC, as trustee, was terminated.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Reference is made to the disclosure set forth in Item 1.01 above, which is incorporated by reference herein. The material terms of the Row 44 Merger Agreement and the AIA Stock Purchase Agreement are described in the Proxy Statement in the section entitled “The Business Combination Agreements” beginning on page 119, which is incorporated by reference herein. In the Business Combination, a wholly owned subsidiary of the Company merged with and into Row 44, with Row 44 surviving the merger as a wholly owned subsidiary of the Company, and the Company acquired 86% of the issued and outstanding shares of AIA. Because the Company acquired at least 30% of AIA, a German publicly traded company, pursuant to the German Securities Acquisition and Takeover Act, the Company published promptly this fact (the “Publication of Acquisition of Control”) and then submitted an offer document to the German Federal Financial Supervisory Authority (Bundesanstalt Finanzdienstleistungsaufsicht, or BaFin) for a mandatory takeover offer with regard to the remaining issued and outstanding shares of AIA. The offer document is currently being reviewed by BaFin. The offer period will commence one day after publication of the approved offer document. The minimum offer price per AIA share, which must be paid in cash, is required to be at least equal to the higher of (i) the highest price or value the Company pays or grants for the acquisition of AIA shares within the six months prior to the publication of the offer document and (ii) the weighted average domestic stock exchange price for AIA shares over the last three months prior to the Publication of Acquisition of Control. Based on this, the Company expects the minimum offer price per AIA share will be approximately EUR 5.50 per AIA share.

In connection with the Closing, former Row 44 stockholders agreed to deposit 10% of the shares of Global Eagle common stock issuable to them in the Row 44 Merger into escrow in order to secure (i) any post-Closing purchase price adjustment due to the Company from Row 44 under the terms of the Row 44 Merger Agreement, and (ii) the Row 44 stockholders’ indemnification obligation under the Row 44 Merger Agreement. All escrow shares not subject to a claim will be released on the date that is 18 months after the Closing Date.

The Business Combination was approved by GEAC’s stockholders at the Special Meeting in Lieu of 2012 and 2013 Annual Meetings of the Stockholders held on January 31, 2013 (the “Special Meeting”). At the Special Meeting, 19,724,870 shares of common stock of GEAC were voted in favor of the proposal to approve the Business Combination, and 562,772 shares of common stock were voted against that proposal.

In connection with the closing of the Business Combination, the Company redeemed a total of 10,164,081 shares of its common stock pursuant to the terms of the Company’s previous amended and restated certificate of incorporation, resulting in a total payment to redeeming stockholders of $101,286,084. Additionally, the Company issued a total of 44,899,018 shares of capital stock in the Business Combination, including (i) pursuant to the Row 44 Merger Agreement, 23,405,785 shares of its capital stock issued to former Row 44 equity holders, subject to an escrow holdback and post-closing adjustment, (ii) pursuant to the AIA Stock Purchase Agreement, in consideration of the 20,464,581 shares of AIA, 14,368,233 shares of non-voting common stock issued to PAR, and (iii) 4,750,000 shares of non-voting common stock issued to PAR and 2,375,000 shares of common stock issued to Putnam, representing the maximum obligations under their respective backstop agreements (the “Backstop Agreements”), and resulting in the termination of their respective purchase options to acquire additional shares of the Company.

As of the Closing Date, there were:

- 54,842,888 shares of capital stock of the Company issued and outstanding, consisting of (i) 35,724,655 shares of common stock (excluding 3,053,634 shares of common stock held by AIA, a majority-owned subsidiary of the Company) and (ii) 19,118,233 shares of non-voting common stock; and
- warrants exercisable for 28,840,629 shares of Company common stock, consisting of (i) warrants exercisable for 26,659,167 shares of Company common stock issued pursuant to the warrant agreement entered into in connection with the Company’s initial public offering and (ii) Row 44 warrants assumed by the Company in connection with Business Combination and exercisable for 2,181,462 shares of Company common stock.

As of the Closing Date, assuming the conversion of all shares of non-voting common stock held by PAR, and excluding the shares of common stock of the Company held by AIA, the pre-Closing public stockholders of GEAC held 16%, former directors and executive officers of GEAC held 8%, former Row 44 equity holders (other than PAR) held 19%, PAR held 53%, and Putnam held 4%, of the issued and outstanding shares of common stock of the Company.

Upon the Closing, the Company had total cash and cash equivalents of approximately $147 million before payment of deferred underwriting fees and other fees and expenses associated with the Business Combination expected to total approximately $20.9 million in the aggregate, although actual fees and expenses may exceed this estimate.

Prior to the Closing, the Company was a shell company with no operations, formed as a vehicle to effect a business combination with one or more operating businesses. After the Closing, the Company became a holding company whose assets primarily consist of shares of its wholly owned subsidiary, Row 44, and its majority-owned subsidiary, AIA. The following information is provided about the business and securities of the post-Closing combined company reflecting consummation of the Business Combination.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company makes forward-looking statements in this Current Report on Form 8-K and the documents incorporated by reference herein within the meaning of the Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including without limitation our earnings, revenues, expenses or other future financial or business performance or strategies, or the impact of legal or regulatory matters on our business, results of operations or financial condition. Specifically, forward-looking statements may include statements relating to:

- the benefits of the Business Combination;
- the future financial performance of the Company following the Business Combination;
- changes in the market for Row 44 or AIA products and services;
- expansion plans and opportunities; and
- other statements preceded by, followed by or that include the words “may,” “might,” “will,” “will likely result,” “should,” “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “continue,” “target” or similar ex

These forward-looking statements are based on information available to the Company as of the date of this report, and current expectations, forecasts and assumptions, involve a number of risks and uncertainties and may turn out to be wrong. Accordingly, forward-looking statements should not be relied upon as representing the Company’s views as of any subsequent date, and the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, the Company’s actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the risk that the Business Combination disrupts current plans and operations of Row 44 and/or AIA;
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the ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, competition, the ability to integrate the Row 44 and AIA businesses, the ability of the combined business to grow and the ability of the Company's executive officers to manage growth profitably;

- costs related to the Business Combination;
- the outcome of any legal proceedings pending or that may be instituted against the Company, Row 44 or AIA;
- changes in applicable laws or regulations;
- the Company's ability to recognize and timely implement future technologies in the satellite connectivity space, including Ka-band system development and deployment;
- the Company's ability to deliver end-to-end network performance sufficient to meet increasing airline customer and passenger demand;
- the Company's ability to obtain and maintain international authorizations to operate its service over the airspace of foreign jurisdictions our customers utilize;
- the Company's ability to expand our service offerings and deliver on its service roadmap;
- the Company's ability to timely and cost-effectively identify and license television and media content that passengers will purchase;
- general economic and technological circumstances in the satellite transponder market, including access to transponder space in capacity limited regions and successful launch of replacement transponder capacity where applicable;
- the Company's ability to obtain and maintain licenses for content used on legacy installed in-flight entertainment systems;
- the loss of, or failure to realize benefits from, agreements with our airline partners;
- the loss of relationships with original equipment manufacturers or dealers;
- unfavorable economic conditions in the airline industry and economy as a whole;

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- the Company's ability to expand our domestic or international operations, including our ability to grow its business with current and potential future airline partners or successfully partner with satellite service providers, including Hughes Network Systems;
- our reliance on third-party satellite service providers and equipment and other suppliers, including single source providers and suppliers;
- the effects of service interruptions or delays, technology failures, material defects or errors in our software, damage to our equipment or other geopolitical restrictions;
- the limited operating history of our connectivity and in-flight television and media products;
- costs associated with defending pending or future intellectual property infringement actions and other litigation or claims;
- increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with the roll out of The Company's technology roadmap or The Company's international plan of expansion;
- fluctuation in The Company's operating results;
- the demand for in-flight broadband internet access services and market acceptance for our products and services;
- changes or developments in the regulations that apply to The Company's, its business and its industry;
- The Company's inability to manage its growth in a cost-effective manner and consummate, integrate and manage acquisitions; and
- other risks and uncertainties set forth in The Company's Annual Report on Form 10-K for the year ended December 31, 2012 in Item 1A entitled "Risk Factors," which are incorporated herein by reference.

Business

The business of GEAC prior to the Business Combination is described in the Proxy Statement in the section entitled "Information about GEAC" beginning on page 138, which is incorporated by reference herein.

The business of Row 44 is described in the Proxy Statement in the section entitled “Information About Row 44,” beginning on page 151, which is incorporated herein by reference.

The business of AIA is described in the Proxy Statement in the section entitled “Information About AIA,” beginning on page 177, which is incorporated herein by reference, except with respect to the information tables on page 180 of the Proxy Statement, which is hereby superseded by the following two tables:

Total revenues by segments for the last three financial years:

As described above AIA’s business model consists primarily of two components that are also reflected in the two operational segments: CSP and Content. AIA Group is a Group company that was created by acquiring more than 20 different companies in the Inflight Entertainment Industry, originally mostly run by entrepreneurs. Only since 2011 AIA Group started to group wide standardize and harmonize accounting and controlling structures to generate more granular financial information for more specific financial/operational analysis. The tables below are showing the split of total revenues in the two operational segments as well as geographical areas for the last three financial years.

AIA Group’s total revenues by segment is as follows:

Year	CSP (EUR)	Content (EUR)	Total (EUR)
2012	102,295	27,986	130,281
2011	107,684	13,896	121,580
2010	110,154	960	111,114

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The development of total revenues in the CSP segment shows a decrease both from 2010 to 2011 as well as from 2011 to 2012. This development is due to the fact that AIA group stopped servicing one larger customers in the middle of 2011 and one larger customer in the beginning of 2012, impacting the second half of 2011 and the full year 2012 revenues. The respective losses in revenues only could be partially offset by winning smaller new customers as well as extending business with existing customers.

Total revenues by geographical areas for the last three financial years:

AIA Group's total revenues from external customers by region is as follows:

Year	Germany (EUR)	Rest of Europe (EUR)	USA (EUR)	Canada (EUR)	Dubai (EUR)	Rest of World (EUR)	Total (EUR)
2012	4,504	37.587	39.599	7.400	26.622	14,569	130,281
2011	7,679	39,290	36,894	6,177	21,532	10,008	121,580
2010	10,800	35,828	31,221	6,177	21,190	5,898	111,114

Risk Factors

The risks associated with the businesses of the Company, Row 44 and AIA are described in our Annual Report on Form 10-K for the year ended December 31, 2012 in Item 1A entitled "Risk Factors," which is incorporated herein by reference.

Financial Information

<u>GEAC</u>

Selected financial information, management's discussion and analysis of financial condition and results of operation, and quantitative and qualitative disclosures about market risk for GEAC is included in Items 6, 7 and 7A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, all of which is incorporated herein by reference.

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Row 44

SELECTED HISTORICAL FINANCIAL INFORMATION OF ROW 44

The following table sets forth selected historical financial information derived from Row 44's audited financial statements as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010 included elsewhere or incorporated by reference in this Current Report. Historical results are not necessarily indicative of results to be expected in any future period. You should read the following selected financial information in conjunction with the section entitled "Row 44's Management's Discussion and Analysis of Financial Conditions and Results of Operations" and Row 44's financial statements and the related notes appearing elsewhere or incorporated by reference in this Current Report.

	For the Years Ended December 31,		
	2012	2011	2010
Statements of Operations Information:			
Revenues	$72,357,762	$36,035,017	$16,062,326
Net loss available to common stockholders	(52,066,918)	(23,149,582)	(22,867,470)
Loss available to common stockholders per share:			
Basic and diluted	(0.46)	(0.57)	(0.93)
Weighted average number of shares outstanding:			
Basic and diluted	112,252,509	40,313,201	24,663,510
Balance Sheet Information (at period end):			
Total assets	$22,793,246	$20,969,790	$17,016,319
Total debt including accrued interest	52,612	7,405,795	79,060
Total long-term liabilities	38,269	325,535	783,933
Total redeemable preferred stock	122,540,318	72,363,899	67,003,403
Total stockholders' deficit	(120,748,668)	(80,598,292)	(60,204,828)
Total liabilities and stockholders' deficit	22,793,246	20,969,790	17,016,319

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**ROW 44 MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis together with "Selected Historical Financial Information of Row 44" and Row 44's financial statements and the related notes incorporated by reference elsewhere in this report. Among other things, those historical financial statements include more detailed information regarding the basis of presentation for the financial data than included in the following discussion. This discussion contains forward-looking statements about Row 44's business, operations and industry that involve risks and uncertainties, such as statements regarding Row 44's plans, objectives, expectations and intentions. Row 44's future results and financial condition may differ materially from those currently anticipated by Row 44 as a result of the factors described or incorporated by reference in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" included elsewhere or incorporated by reference in this report.

Overview

Row 44 is a global satellite-based broadband services provider to the worldwide commercial airline industry. Its network enables airlines to connect to orbiting Ku-band satellites and to communicate with existing satellite ground earth stations. Row 44's in-cabin communications link currently provides airline passengers with Internet access, live television, on-demand media, shopping and flight and destination information. In the near future, Row 44 expects to deliver to airline passengers additional content and other desired communication services and to provide airlines with valuable aircraft operations data and applications.

Row 44 was formed in 2004, its Wi-Fi connectivity system was first deployed by a domestic commercial airline in 2009 and its broadband services were fully operational in 2010. Currently installed on more than 400 aircraft worldwide, Row 44 services the largest fleet of connected entertainment enabled planes that operate over land and sea.

Since its formation, Row 44 has funded operations primarily through the private placement of preferred stock and short term convertible notes. Invested funds have been used by Row 44 to complete the research, development and engineering and to secure the complex regulatory certifications necessary to produce a fully functional satellite based communications system for commercial airlines. The development of the Row 44 system and network included the following:

- the design and creation of a turnkey system for in-flight broadband connectivity through a satellite link, including a fully operational antenna, an in-cabin modem and several other key operational components;

- the registration, testing and licensing of the Row 44 system with the FAA and the FCC;
- the establishment of a company-managed network operating center to allow for the full time monitoring of the operation of all Row 44 systems in-flight;
- the acquisition of satellite transponder space with sufficient capacity to support the connectivity demands of Row 44's airline customers worldwide; and
- the development of a just-in-time manufacturing process to allow for the efficient delivery of the Row 44 system for installation on customer aircraft on an as-needed basis.

Following the completion of the development of a licensed and operational in-flight broadband system, in 2010, Row 44 commenced the installation of its equipment on the aircraft of Southwest Airlines and began to generate revenues from operations. Row 44 generates revenues from the following sources:

- sale of Row 44's connectivity equipment to its commercial airline customers;
- fees paid by airlines and/or airline passengers for the delivery of in-flight services, such as Internet access and live television; and

- revenue sharing arrangements with commercial airlines for Internet based services used by their passengers, such as shopping.

Beginning in 2009, management at Row 44 began to focus on the global rollout of its satellite-based system and on domestic and international customer acquisitions, signing its first commercial passenger airline in 2010. Row 44 has achieved the following customer installation milestones during the past three years:

- 2010 — Southwest Airlines Co.;
- 2011 — Norwegian Air Shuttle;
- 2011 — WirelessG (Mango Airlines);
- 2012 — Transaero Airlines;
- 2012 — UTair Airlines; and
- 2012 — Icelandair.

The combined satellite coverage with these customers spans from Alaska to Japan, covering North America, the North Atlantic, Europe, a substantial portion of the Middle East, Russia and Asia.

Factors and Trends Affecting Row 44's Results of Operations

Row 44's operating and business performance is driven by various economic and airline industry factors, including the following:

- The costs associated with the long-term satellite coverage for Row 44's broadband services, especially as it expands internationally;
- The availability of satellite transponder space, especially in oceanic regions of the world;

- The costs associated with complying with the regulatory, aeronautical, telecommunications and legal requirements of the many countries where Row 44 intends to provide its services;
- The number of aircraft in service in Row 44's markets;
- The domestic and international economic environment and other trends and developments that affect business and leisure travel around the world;
- The operating rate of spending in the airline industry; and
- The continued demand for connectivity based in-flight entertainment services and the growing proliferation of Wi-Fi enabled devices such as smartphones, tablets and laptops.

Key Components of Row 44's Statements of Operations

The following briefly describes certain key elements or revenues and expenses as presented in the Row 44 statements of operations.

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Revenues. Row 44 generates revenues from the sale of equipment to its commercial airline customers and from service revenue derived from the sale of in-flight connectivity and content delivery to airlines and their passengers.

Equipment revenue. Row 44 purchases hardware, equipment and related components from third party vendors, assembles these components and oversees the installation of the Row 44 system in the cabin of an aircraft. Equipment revenue is derived from the sale of the Row 44 system to various customers.

Service revenue. Row 44 also receives service revenue for providing in-flight Wi-Fi services such as Internet connectivity and live television. Service revenue can be paid to Row 44 via a fee per boarded passenger, regardless of the number of actual users of the connectivity service during a flight. Under this model the airline customer pays Row 44 a fee per passenger per flight that is generally flat for the duration of the agreement with such customer. Payments are made from the applicable customer to Row 44 typically on a monthly or quarterly basis with payment amounts that may vary based on actual load factors. Service revenue can also be a fee charged on the actual use of the provided service in-flight or revenue generated from the sale of products and advertisement. In the latter instance, Row 44 and its airline customers agree to split ad and transaction based service revenue according to a negotiated formula that varies amongst customers. Row 44 has also offered potential customers blended versions of the foregoing business models whereby an airline customer would pay Row 44 a flat fee per flight and a per device charge for devices that use the Row 44 system on that flight. Row 44 has not yet identified a compelling trend as to which of the foregoing business models is better suited for the market, and expects to continue to evaluate these business models and explore additional opportunities to generate revenue from its commercial airline customers for Row 44's in-flight products and services.

Revenue recognition. Row 44 recognizes revenues when all of the following have occurred:

- Persuasive evidence of an agreement with a customer exists;
- Equipment has been shipped and the customer takes delivery;
- The price for the equipment or services sold is set or easily determinable; and
- Collectability is reasonably assured.

Deferred revenue. Row 44 regularly receives deposits from its commercial airline customers at the time that a customer places a purchase order for equipment with Row 44. These deposits are considered prepayments and initially recorded on Row 44’s balance sheet as deferred revenue if Row 44’s revenue recognition criteria have not been satisfied as of the date the deposits are received from a customer. Once Row 44’s revenue recognition standards have been met, deferred revenue will be recognized as equipment sales revenue on Row 44’s income statement, and the corresponding liability will be removed from its balance sheet.

Operating expenses. Row 44's operating expenses include the following:

- equipment cost of sales;
- cost of services;
- personnel;
- research and development; and
- selling, general and administrative.

Equipment cost of sales includes the acquisition cost of all hardware, equipment and componentry that Row 44 purchases for its system and platform from third party vendors. Cost of services includes the cost of satellite transponder leases and content licensing and related management fees. Personnel expenses include the costs relating to the salaries and benefits of Row 44's executive officers, employees and consultants. Research and development expenses include all costs and expenses relating to Row 44's research and development efforts, including all system engineering costs and the expenses relating to the procurement of supplement type certificates ("STCs") from the FAA and international authorities for specific aircraft modified to accommodate the Row 44 system. Selling, general and administrative expenses include all of the other operating expenses of Row 44.

Results of Operations

The following table sets forth, for the periods presented, certain data from Row 44's statements of operations. The information contained in the table below should be read in conjunction with Row 44's financial statements and related notes, which are incorporated by reference elsewhere in this report.

Statement of Operations Data

	Year Ended December 31,		
	2012	2011	2010
Revenues			
Equipment revenue	$60,993,035	$32,852,829	$15,778,619
Service revenue	11,364,727	3,182,188	283,707
TOTAL REVENUES	72,357,762	36,035,017	16,062,326
Operating Expenses			
Equipment cost of sales	57,758,594	29,343,601	16,933,723
Cost of services	22,326,596	8,089,437	2,353,595
Personnel	8,113,373	5,725,083	3,688,450
Research and development	3,140,884	3,392,101	4,241,704
Selling, general and administrative	10,389,280	6,980,663	4,234,172
Total operating expenses	101,728,727	53,530,885	31,451,644
Operating Loss	(29,370,965)	(17,495,868)	(15,389,318)
Other Income (Expense)			
Miscellaneous income (expense)	—	92	(58,054)
Interest income	64,685	53,442	82,169
Changes in value of derivative instruments	(3,575,830)	—	—
Loss on disposal of assets	(23,909)	(60,491)	(26,098)
Interest expense	(10.433.201)	(286,261)	(3,664,829)
Total Other Income (Expenses)	(13,968,255)	(293,218)	(3,666,812)
NET LOSS	(43,339,220)	(17,789,086)	(19,056,130)
Less: Preferred stock dividends	(7,893,743)	(5,360,496)	(3,811,340)
Less: Accretion of preferred stock	(833,955)	—	—
Net Loss Available to Common Stockholders	$(52,066,918)	$(23,149,582)	$(22,867,470)
Net loss attributable to common stock per share – basic and diluted	$(0.46)	$(0.57)	$(0.93)
Weighted average number of common shares, basic and diluted	112,252,509	40,313,201	24,663,510

Comparison of Results of Operations for the Years Ended December 31, 2012 and 2011

Revenues:

The percentage changes in revenue for the years ended December 31, 2012 and 2011 were as follows:

	Year Ended December 31,			
	2012	2011	$ Change	% Change
Equipment revenue	$60,993,035	$32,852,829	$28,140,206	86 %
Service revenue	11,364,727	3,182,188	8,182,539	257 %
Total Revenues	$72,357,762	$36,035,017	$36,322,745	101 %

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Row 44's total revenues increased by 101% to $72,357,762 for the year ended December 31, 2012 compared to $36,035,017 for the prior year period due to a considerable increase in equipment sales and substantial growth in the use of Row 44 in-flight services, which resulted from greater deployment of its equipment on commercial flights, especially on the Southwest Airlines domestic fleet. Equipment revenue increased by 86% to $60,993,035 for the year ended December 31, 2012 compared to $32,852,829 for the prior year for the reasons noted above. Service revenue increased by 257% to $11,364,727 for the year ended December 31, 2012 compared to $3,182,188 for the prior year period due to the increase in passenger use of Row 44's system given its greater availability on the commercial aircraft of its customer base.

Total operating expenses increased by 90% to $101,728,727 for the year ended December 31, 2012 compared to $53,530,885 for the prior year period. Equipment cost of sales increased by 97% to $57,758,594 for the year ended December 31, 2012 compared to $29,343,601 for the prior year period due to a considerable increase in equipment sold based on an increase in orders from Row 44's new and existing commercial airline customers. Cost of services increased by 176% to $22,326,596 for the year ended December 31, 2012 compared to $8,089,437 for the prior year period due to a significant increase in the cost of satellite transponder space, largely due to the growth of Row 44's business in the United States, as well as to an increase in upfront fees paid by Row 44 with respect to the content delivered by its system to Row 44's commercial airline customers and their passengers. Personnel expenses increased by 42% to $8,113,373 for the year ended December 31, 2012 compared to $5,725,083 for the prior year period primarily due to Row 44's addition of staff to service its growing customer base, to Row 44's payment of certain severance obligations in 2012 and an increase in stock compensation expense. Research and development expenses declined by 7% to $3,140,884 for the year ended December 31, 2012 compared to $3,392,101 for the prior year period primarily due to a reduction in STC procurement related costs. Row 44 anticipates that research and development expense will increase in future periods as it procures additional STCs and expands its research and development efforts with respect to Ka band satellite connectivity. Selling, general and administrative expenses increased by 49% to $10,389,280 for the year ended December 31, 2012 compared to $6,980,663 for the prior year period largely due to the expansion of Row 44's facilities domestically and abroad to support its growth.

Operating loss increased by 68% to $29,370,965 for the year ended December 31, 2012 compared to $17,495,868 for the prior year period due to an increase in operating expenses as a result of Row 44's accelerated acquisition of additional satellite transponder space and of the delivery costs relating to acquired content, in addition to an increase in its headcount and the expansion of office space. Total other expenses grew 46,638% to a loss of $13,968,255 for the year ended December 31, 2012 from a loss of $293,218 for the prior year period primarily due to an increase in Row 44's interest expense relating to its short term convertible promissory notes in December 2011 and March 2012 and the warrants issued in connection with these obligations, as well as the warrant expense associated with the warrant purchase agreement entered into by Row 44 with Major League Baseball Advanced Media in March 2012 and the change in the value of derivative liabilities due to an increase in the fair value estimate of Row 44's common stock.

Net loss rose by 144% to a loss of $43,339,220 for the year ended December 31, 2012 compared to $17,789,086 for the prior year period primarily due to the significant increase in Row 44's operating loss as well as a considerable increase in interest expense relating to Row 44's short term convertible promissory notes in December 2011 and March 2012 and a change in the value of derivative liabilities.

Comparison of Results of Operations for the Years Ended December 31, 2011 and 2010

Revenues:

The percentage changes in revenue for the years ended December 31, 2011 and 2010 were as follows:

	Year Ended December 31,				
	2011	2010	$ Change	%Change	
Equipment revenue	$32,852,829	$15,778,619	$17,074,210	108	%
Service revenue	3,182,188	283,707	2,898,481	1,022	%
Total Revenues	$36,035,017	$16,062,326	$19,972,691	124	%

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Total revenues increased by 124% to $36,035,017 for the year ended December 31, 2011 compared to $16,062,326 for the prior year due to an increase in equipment sales and substantial growth in the use of Row 44 in-flight services, which resulted from greater deployment of its equipment on commercial airlines.

Total operating expenses increased by 70% to $53,530,885 for the year ended December 31, 2011 compared to $31,451,644 for the prior year. Equipment cost of sales increased by 73% to $29,343,601 for the year ended December 31, 2011 compared to $16,933,723 for the prior year to a considerable increase in equipment sold based on an increase in orders from Row 44's airline customers. Cost of services increased by 244% to $8,089,437 for the year ended December 31, 2011 compared to $2,353,595 for the prior year due to a significant increase in the cost of satellite transponder space, largely due to the expansion of Row 44's business outside of the United States, and to an increase in fees relating to the content delivered by Row 44's system. Personnel expenses increased by 55% to $5,725,083 for the year ended December 31, 2011 compared to $3,688,450 for the prior year primarily due to Row 44's addition of staff to service its growing customer base, the staffing of Row 44's Las Vegas office and the expansion of its Lombard facilities. Research and development expenses declined by 20% to $3,392,101 for the year ended December 31, 2011 compared to $4,241,704 for the prior year primarily due to a reduction in STC procurement related costs. Selling, general and administrative expenses increased by 65% to $6,980,663 for the year ended December 31, 2011 compared to $4,234,172 for the prior year largely as a result of increased headcount commensurate with its growth, considerable executive travel relating to customer acquisition efforts and an increase in trade show expenses.

Operating loss increased by 14% to $17,495,868 for the year ended December 31, 2011 compared to $15,389,318 for the prior year primarily due to an increase in selling, general and administrative expenses, as noted above. Total other expenses fell by 92% to $293,218 for the year ended December 31, 2011 from $3,666,812 for the prior year primarily due to a considerable reduction in interest expense as outstanding short term convertible promissory notes were converted into preferred equity.

Net loss fell by 7% to a loss of $17,789,086 for the year ended December 31, 2011 compared to $19,056,130 for the prior year primarily due to the overall growth of total revenues in 2011.

Liquidity and Capital Resources

In 2012, Row 44 increased its financing cash flow with the issuance of shares of Preferred Stock, though cash used in operating and investing activities exceeded amounts raised in its financing activities. For the periods ended December 31, 2012, 2011 and 2010, Row 44's auditors issued a "going concern" opinion, primarily because, as of those times, Row 44 had not generated sufficient cash flow from operations to cover its operating losses.

	Year Ended December 31,		
	2012	2011	2010
Net cash used in operating activities	$(39,278,820)	$(3,995,019)	$(16,071,881)
Net cash used in investing activities	(2,432,148)	(587,239)	(915,339)
Net cash provided by financing activities	34,989,247	9.902,937	20,371.305
Net increase (decrease) in cash and cash equivalents	(6,721,721)	5,320,679	3,384,085
Cash and cash equivalents at beginning of period	8,809,679	3,489,000	104,915
Cash and cash equivalents at end of period	$2,087,958	$8,809,679	$3,489,000

Row 44 has historically financed its growth and cash needs through the issuance of convertible preferred stock and short term convertible notes.

Row 44 believes that its cash needs with respect to its growth and anticipated capital expenditures in Row 44's 2013 fiscal year will remain relatively constant as compared to prior periods. In the future, Row 44 may make one or more acquisitions complimentary to its business. In such event, Row 44 may need to raise additional capital through debt or equity financings to allow it to fund such acquisitions. Additional financing may not be available on terms favorable to Row 44, or at all.

Row 44 experienced operating losses for the years ended December 31, 2010, 2011 and 2012 and management of Row 44 expects that such losses from operations will continue for the foreseeable future.

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With the completion of the Business Combination, the Company had cash available to fund continuing operations at Row 44, including those relating to the expansion of its business. Management of Row 44 believes that cash and cash equivalents on hand both at Row 44 and at the Company, and anticipated cash flow generated from Row 44's operating activities should be sufficient to meet its working capital and capital expenditure requirements for at least 12 months. Management of Row 44 also believes that its improved financial position will allow Row 44 to finance future equipment purchases on attractive terms.

Off-Balance Sheet Financing Arrangements

Row 44 has no obligations, assets or liabilities that could be considered off-balance sheet arrangements. It does not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which are established to facilitate off-balance sheet arrangements. Row 44 has not established any special purpose entities, guaranteed any debt or commitments of other entities or entered into any non-financial assets.

Contractual Obligations

Row 44's long term obligations include contracts for satellite transponder space, office space leases and certain guaranteed minimum payments owed to live television and video on demand content providers. In connection with the purchase of satellite bandwidth, Row 44 signed a Master Services Agreement (MSA) with HNS to provide for satellite capacity in North America and Europe. Under the MSA, Row 44 sources satellite capacity from satellite operators through HNS, while HNS enters into direct relationships with specific satellite operators. Row 44 and HNS enter into an amendment to the MSA each time that Row 44 needs to add a new satellite transponder or change its capacity needs with respect to an existing satellite transponder. Row 44 pays HNS on a monthly basis for the transponder capacity that Row 44 purchases. The length of time Row 44 purchases capacity on a particular transponder varies based on Row 44's needs and the demand for capacity on a particular satellite, but typically is for one to three year periods.

As of December 31, 2012, expected future cash payments under contractual obligations and the estimated timeframe in which such obligations are expected to be fulfilled were as follows:

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Notes payable (a)	$52,612	$14,343	$38.269	$ -	$ -
Operating lease obligations (b)	1,847,432	501,686	1,251,952	93,794	-
Satellite cost commitments (c)	79,072,421	28,054,722	51,017,699	-	-
Video license commitments (d)	1,980,000	1,170,000	810,000	-	-
Other purchase obligations (e)	23,661,637	23,661,637	-	-	-
Employment agreement (f)	350,000	350,000	-	-	-
Service obligations (g)	3,000,000	1,000,000	2,000,000	-	-
Total	$109,964,102	$54,752,388	$55,117,920	$ 93,794	$ -

(a) Notes payable represents the minimum principal payments required under notes payable for leasehold improvements.

(b) Operating lease obligations consist of minimum rental payments under a non-cancelable operating lease.

(c) Satellite cost commitments relate to Row 44’s obligations under the MSA.

(d) Video license commitments represent contracted commitments with various video content providers in connection with the distribution of entertainment services.

(e) Other purchase obligations primarily consist of contracts for the purchase of equipment sets that are to be resold to commercial airlines in line with existing sales orders.

(f) Employment agreement relates to an employment agreement entered into on July 1, 2011 with John Guidon, who is currently Row 44’s Chief Technology Officer.

(g) Row 44 is committed to pay MLBAM $3 million over the term of their service agreement.

Critical Accounting Policies and Estimates

Cash and Cash Equivalents

Row 44 considers all highly liquid investments with original maturities or three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from any of the estimates made by Row 44.

Income Taxes

As of December 31, 2012, Row 44 had federal and state operating loss carry forwards of $81.0 million and $78.1 million, respectively, which losses will begin to expire during the fiscal years ending in December 31, 2028 and 2018, respectively. To the extent available, these net operating losses may be used to offset future taxable income generated by Row 44, thereby reducing future federal and state income taxes otherwise payable. Row 44's use of offsetting net operating losses is subject to the restrictions imposed by Section 382 of the Internal Revenue Code.

Recent Accounting Announcements

Management of Row 44 does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on its financial statements.

Revenue Recognition Policies

Row 44's contracts with its commercial airline customers and a service provider, WirelessG servicing Mango Airlines, provide for the sale of equipment for installation on the aircraft. The equipment is purchased by the airline and the airline is responsible for the installation and maintenance of the equipment. Row 44 is not directly responsible for any repair or warranty costs related to equipment sales as the vendors that supplied the individual parts provide the repair and warranty. The sale of equipment is not dependent on providing in-flight services to the customer. Row 44 recognizes revenues on equipment sales when all of the following have occurred:

• Persuasive evidence of an agreement with a customer exists;

• Equipment has been shipped and the customer takes delivery;

• The price for the equipment sold is set or easily determinable; and

• Collectability is reasonably assured.

Row 44's contracts with its commercial airline customers may also include services to provide in-flight connectivity and content delivery to the airlines and their passengers. Row 44's contract with service provider WirelessG does not include such a provision. Service revenues paid to Row 44 are generated based on a fee per boarded passenger, regardless of the number of actual users of the connectivity and content delivery service during the flight, or revenues generated from the sale of content purchased by a passenger and advertisements presented to passengers while in flight. Row 44 records service revenues under the fee per boarded passenger formula based on passenger count data provided monthly by its airline customers. Row 44's service revenues to-date have substantially been related to the fee per boarded passenger formula. Row 44 recognizes revenues on services when all of the following have occurred:

• Persuasive evidence of an agreement with a customer exists;

• Service is available and has been delivered;

• The price for the services sold is set or easily determinable; and

• Collectability is reasonably assured.

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Advanced Inflight Alliance

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF AIA

The following table sets forth selected historical consolidated financial information derived from (i) AIA's audited financial statements as of December 31, 2012, 2011 and 2010 and for the years ended December 31, 2012, 2011 and 2010 included elsewhere or incorporated by reference in this Current Report, and (ii) AIA's audited financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 not included or incorporated by reference in this Current Report. Historical results are not necessarily indicative of results to be expected in any future period. You should read the following selected consolidated financial information in conjunction with the section entitled "AIA's Operating and Financial Review and Prospects" and AIA's financial statements and the related notes appearing elsewhere or incorporated by reference in this Current Report.

The following selected consolidated financial information of AIA is prepared in accordance with IFRS EU. In addition, certain U.S. GAAP reconciled financial information is presented below. IFRS EU differs in certain respects from U.S. GAAP. For a summary of and is reported in Euros principal differences between the accounting principles applied by AIA under IFRS EU and U.S. GAAP, see note 27 to AIA's audited financial statements included elsewhere in this Current Report.

	For the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in Euros)				
Statements of Operations Information:					
Revenues	€130,280,774	€121,579,767	€111,113,924	€108,050,822	€107,408,289
Net income	4,912,254	4,406,657	5,492,612	4,712,835	6,041,885
Income per share					
Basic	0.24	0.28	0.38	0.33	0.41
Diluted	0.24	0.28	0.38	0.32	0.41
Weighted average number of shares outstanding					
Basic	20,302,356	15,705,759	14,500,000	14,500,000	14,749,180
Diluted	20,381,090	15,823,436	14,542,729	14,513,361	14,749,180
U.S. GAAP Data					
Net income	€3,985,456	€4,865,000	€4,272,000	€3,618,000	€5,155,000
Income per share					
Basic	0.20	0.31	0.29	0.25	0.35
Diluted	0.20	0.31	0.29	0.25	0.35
Balance Sheet Information (at period end):					
Total assets	€143,406,396	€116,857,328	€88,061,144	€84,521,902	€83,941,931

Total debt including current maturities	7,354,093	12,676,390	6,251,911	9,090,350	11,476,225
Total long-term liabilities	13,265,944	19,244,809	7,894,983	12,725,115	17,750,134
Total stockholders' equity	82,845,881	51,108,422	41,354,089	33,299,010	26,060,763
Total liability and stockholders' equity	143,406,396	116,857,328	88,061,144	84,521,902	83,941,931
U.S. GAAP Data					
Total stockholders' equity	€78,202,687	€48,455,000	€38,217,000	€31,471,000	€25,323,000

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EXCHANGE RATE INFORMATION

The following table sets forth the average, high and low noon buying rates in New York City for the euro expressed as U.S. dollars per €1.00 for the past five years on an annual basis. The noon buying rate in New York City for the Euro expressed as dollars per €1.00 on March 8, 2013 was $1.2992**.**

	At Period End	**Average**[(1)]	High	Low
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3216	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926
2012	1.3220	1.2312	1.3463	1.2062

(1) The average of the applicable noon buying rates on the last day of each month during the relevant period.

AIA OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis together with "Selected Historical Consolidated Financial Information of AIA" and AIA's consolidated financial statements and the related notes included elsewhere in this report. Among other things, those historical consolidated financial statements include more detailed information regarding the basis of presentation for the financial data than included in the following discussion. This discussion contains forward-looking statements about AIA's business, operations and industry that involve risks and uncertainties, such as statements regarding AIA's plans, objectives, expectations and intentions. AIA's future results and financial condition may differ materially from those currently anticipated by AIA as a result of the factors described in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

The financial information concerning AIA included herein has been prepared in accordance with IFRS EU and reported in Euros, and, unless otherwise indicated, all financial data and discussions related to such data are based upon financial statements prepared in accordance with IFRS EU. The principal differences between the accounting principles applied by AIA under IFRS EU and U.S. GAAP are discussed in Note 27 to AIA's audited financial statements included elsewhere in this report.

Introduction

Management's discussion and analysis of financial condition and results of operations is intended to help provide an understanding of Advanced Inflight Alliance AG ("AIA") and its subsidiaries' (together, "AIA") financial condition, changes in financial condition and results of operations. This discussion is organized as follows:

- ***Overview of AIA's Business*** — This section provides a general description of AIA's businesses, as well as developments that occurred during fiscal 2012 that AIA believes are important in understanding its results of operations and financial condition or to disclose known trends.
- ***Results of Operations*** — This section provides an analysis of AIA's results of operations for the three years ended December 31, 2012. This analysis is presented on both a consolidated and a segment basis. In addition, a brief description is provided of significant transactions and events that impact the comparability of the results being analyzed.
- ***Liquidity and Capital Resources*** — This section provides an analysis of AIA's cash flows for the three years ended December 31, 2012, as well as a discussion of AIA's outstanding debt and commitments, both firm and contingent, that existed as of December 31, 2012.

Overview of AIA's Business

The core business of AIA is in-flight entertainment. This is the international term for onboard entertainment for passengers during a flight in the form of video and music programs, as well as electronic games. AIA acts as the holding company for more than 20 international subsidiaries and their worldwide branch offices, which provide comprehensive in-flight entertainment services for passenger airlines.

AIA targets the global passenger airline industry. AIA actively pursues and enters into exclusive contracts with terms that range from two to three years. Such contracts entail that AIA delivers a wide variety of content to the airlines such as feature films, TV programs, news programs, music programs and electronic games which are edited to fit cultural tastes, dubbed in foreign languages and edited to fit the various technologies that are utilized onboard by the passenger airlines. AIA acquires limited and nonexclusive licenses to use a range of content from various entertainment studios and broadcasters around the globe.

AIA's core business, is divided in two separate reportable operating segments, Content Service Providing (CSP) and Content.

Content focuses on marketing film distribution rights; the main focus is on all activities associated with the procurement and marketing of content for in-flight entertainment. During 2011, AIA acquired two companies, expanding the footprint of the Content operating segment.

Content Service Providing (CSP), focuses primarily on making content available for in-flight entertainment systems and all associated services. CSP's services range from selection, purchase, production and technical adjustment of content and customer support in connection with the integration and servicing of in-flight entertainment programs. CSP services also include the development of graphical user interfaces (GUI) for a variety of in-flight entertainment applications, database management related to the overall management of in-flight entertainment and both the technical integration of content and the operation of the respective content management systems.

All other activities, which basically encompass substantive and technical services, are combined in the CSP segment.

Other Business Developments

On April 6, 2012 AIA acquired Inflight Management Development Centre (IMDC) Limited. IMDC provides in-flight entertainment consulting services to numerous international airline passenger companies.

On May 29, 2012, AIA resolved to acquire a strategic minority stake in Row 44 from PAR. On June 6, 2012, the Management Board of AIA signed definitive agreements with PAR for the acquisition of 84,695,034 shares of Series C-1 Preferred Stock of Row 44 and warrants to purchase 21,173,758 shares of Series C-1 Preferred Stock of Row 44, in exchange for 5,255,170 newly issued shares of AIA. The equity stake in Row 44 was valued at USD $25,000,000.

On May 29, 2012, AIA resolved a cash capital increase by up to EUR;1,854,232 from EUR;16,688,091 to a maximum of EUR;18,542,323 through the issuance of up to 1,854,232 new shares, each with a pro-rata interest of EUR 1.00 in AIA's share capital, at a subscription price of EUR 3.00 per share. Shareholders were granted statutory subscription rights. The subscription ratio was 9:1. Shares not purchased by the shareholders were exclusively offered again to shareholders for subscription (oversubscription). The capital increase generated around EUR 5.6 million for AIA (excluding transaction costs), which will be used to finance future acquisition projects. The competent registry court entered the cash capital increase in the relevant commercial register on June 26, 2012. The new shares from the capital increase with subscription rights were admitted to trading in the Regulated Market (General Standard) on the Frankfurt Stock Exchange with effect from June 27, 2012. Including the 116,666 shares created through the exercise of stock options, the share capital of AIA thus amounted to EUR 18,658,989 as of June 30, 2012.

On June 1, 2012, PAR announced its decision to submit a voluntary takeover offer in accordance with Section 10 (1) and (3) in conjunction with Section 29 and Section 34 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz — WpÜG). On July 11, 2012, PAR released the offer document for the voluntary public takeover offer with the detailed conditions and arrangements. In the voluntary public takeover offer, PAR decided to make an offer to the shareholders of AIA to buy their bearer shares of AIA at a price of EUR 4.50 per share. The acceptance period for the offer began on July 11, 2012, and ended on August 8, 2012. On July 20, 2012, the Management Board and the Supervisory Board released a joint statement on the voluntary public takeover offer made by PAR in accordance with Section 27 WpÜG. In the joint statement, the Management Board and the Supervisory Board came to the conclusion that the offer price as defined by Section 31 (1) WpÜG was fair. On August 29, 2012 in the announcement made in accordance with Section 23 (1) sentence 1, no. 1 WpÜG, PAR disclosed that 20,464,581 shares of AIA are directly held by or are attributable to it. This corresponds to a share of 86% of the share capital and the voting rights of AIA.

On August 31, 2012, AIA purchased 6 million common shares of Guestlogix Inc. for an aggregate purchase price of CAD 3 million. Guestlogix is a Canadian corporation, listed on the Toronto Stock Exchange, that provides global payment services to the airline industry. On September 4, 2012, Guestlogix announced the acquisition of its competitor BOM Merchant Technologies Limited, doing business as Initium Onboard, using the proceeds of AIA's investment to fund the cash portion of the purchase price of such acquisition.

On November 8, 2012, PAR informed AIA that it had entered into the AIA Stock Purchase Agreement with GEAC regarding the sale of all of its 20,464,581 shares in AIA to GEAC. Upon the closing of this transaction, GEAC would become AIA's new major shareholder holding approximately 86% of AIA's shares.

In December 2012, the Supervisory Body extended the director's contracts for the two members of the AIA AG Management Board. For Mr. Louis Bélanger-Martin (CEO), whose director's contract ended on December 31, 2012, the contract was extended by a further 3 years to December 31, 2015; for Mr. Wolfgang Brand (CFO), whose director's contract would have ended on March 2, 2013, the contract was extended by a further 2 years to December 31, 2014.

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Results of Operations

Comparison of Results of Operations for the Years Ended December 31, 2012 and 2011

The following table sets forth AIA's operating results for the period ended December 31, 2012 as compared to the period ended December 31, 2011.

	For periods ended December 31,				
	2012	2011	Change	% change	
	(in EUR thousands, except)%				
Revenue	130,281	121,580	8,701	7	%
Other operating income	1,605	936	669	72	%
Changes in inventories of goods and work in progress	0	(170)	170	100	%
Cost of materials	(80,245)	(73,406)	(6,839)	(9	)%
Staff costs	(24,297)	(27,448)	3,151	12	%
Depreciation, amortization and impairment losses	(4,639)	(3,959)	(680)	(17	)%
Other operating expenses	(12,758)	(10,990)	(1,768)	(16	)%
Net income from operating activities	9,947	6,543	3,404	52	%
Finance income	53	122	(69)	(57	)%
Finance costs	(1,544)	(768)	(776)	(101	)%
Net result from financing and investment activities	(1,491)	(646)	(845)	(131	)%
Earnings before income taxes	8,456	5.898	2,558	43	%
Income taxes	(3,544)	(1,491)	(2,053)	(138	)%
Net income for the year	4,912	4,407	505	12	%

Overview

Consolidated revenues of AIA increased by 7% from EUR 121,580,000 in the period ended December 31, 2011 to EUR 130,281,000 in the period ended December 31, 2012. AIA compensated for the revenue shortfall caused by the loss of existing customers as of mid-2011 and as of beginning of 2012 with the revenues contributed by the two companies acquired in June 2011, which only included seven months of revenues in the period ended December 31, 2011 but for full twelve months in the period ended December 31, 2012. The U.S. dollar's relative and temporary strength also had a positive effect on consolidated revenues in 2012. Furthermore, revenues from the existing customer base increased and new contracts were entered into with additional airline companies which also drove the increase period-over-period. AIA's operating business generated a net negative foreign currency effect of EUR 166,000 in the period ended December 31, 2012 that is reported in other operating expenses. This contrasts with the period ended December 31, 2011, when AIA generated a net positive foreign currency effect of EUR 594,000 that was recognized in the other operating income.

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For the period ended December 31, 2012, AIA reported significantly higher tax expenses than in the prior-year period. This was mainly due to the write off of the deferred tax assets recognized in connection with the tax loss carry forwards previously existing at AIA as of December 31, 2012. This write off in the amount of EUR 1,516,000 can be attributed to the voluntary public takeover offer made by PAR Investment Partners L.P. The increase of PAR Investment Partners L.P.'s investment to over 50% led to the elimination of the existing tax loss carry forward at AIA and thus triggering the write off of the deferred tax assets recognized thereon.

AIA generated other operating income of EUR 1,605,000 in the period ended December 31, 2012 compared to EUR 936,000 for the period ended December 31, 2011. Other operating income is primarily comprised of income from the disposal of non-current assets as well as positive foreign currency effects. In the period ended December 31, 2012, other operating income in the amount of EUR 705,0