

ALLIANCE DISTRIBUTORS HOLDING INC. REPORTS FOURTH QUARTER AND YEAR END FINANCIAL RESULTS

For Immediate Release

New York, New York – September 16, 2014 – Alliance Distributors Holding Inc. (Pink Sheets: ADTR), a distributor, developer and publisher of interactive video games and gaming products, today announced its financial results for the fourth quarter and fiscal year ended June 30, 2014.

Net sales for the three months ended June 30, 2014 decreased 31% to \$12.8 million from \$18.6 million for the three months ended June 30, 2013. Net income for the three months ended June 30, 2014 decreased to \$251,000 compared to \$488,000 for the three months ended June 30, 2013.

For the fiscal year ended June 30, 2014, net sales decreased 11% to \$60.9 million from \$68.3 million for the year ended June 30, 2013. Net income was approximately \$1.2 million for both fiscal year 2014 and 2013. Net income for the year ended June 30, 2013 reflects approximately \$192,000 in costs for outsourcing the company's warehouse operations and relocating its principal office to New York City.

Jay Gelman, Chairman and Chief Executive Officer, said "The release of the new PS4™ and Xbox One game platforms during the second quarter of our 2014 fiscal year resulted in a dramatic slowdown in sales of full-price "front-line" product and discounted "value product" for the older PS3® and Xbox360 platforms. Industry-wide sales of value product for last generation consoles have slowly recovered, starting at the beginning of our 3rd quarter 2014. However, sales of front-line product for last generation consoles continue to be weak. Most of our inventory and sales are concentrated in value product."

Gelman continued, "Occasional closeout opportunities allow us to create large volume offerings at low retail prices. The number of these opportunities in our 2013 fiscal year was greater than in the 2014 fiscal year. The reduction in close-out opportunities, combined with the slowdown in consumer purchases in connection with the release of Sony and Microsoft's new platforms, accounted for a substantial portion of the reduction in revenues in our 2014 fiscal year. Net income in the 2014 fiscal year continued to be strong, and was substantially the same as our net income in our 2013 fiscal year."

About Alliance Distributors Holding Inc.

Alliance Distributors Holding Inc. (www.alliancedistributors.com) is a full-service wholesale videogame distributor, specializing in gaming products and accessories for all key manufacturers and 3rd party publishers. Through its wholly-owned subsidiary, Alliance develops downloadable and social content video games as Metaversal Studios (www.metaversalstudios.com) and publishes videogames as Alliance Digital Media™ (www.alliancedigitalmedia.com).

Safe Harbor

Certain statements contained in this press release contain forward-looking statements including without limitation, statements concerning our operations, economic performance, and financial condition. The

words “estimate,” “believe,” “expect,” “should” and “anticipate” and other similar expressions generally identify forward-looking statements, which speak only as of their dates.

Investors are cautioned that all forward-looking statements, which are based largely on our current expectations, involve risks and uncertainty. Actual results, events and circumstances (including future performance, results and trends) could differ materially from those set forth in such statements due to various factors, risks and uncertainties, including without limitation, risks associated with technological change, competitive factors and general economic conditions, including the related impact on discretionary consumer spending, changes in marketing and distribution strategies by manufacturers, timely development and release of video game products we produce, potential cost overruns in our development of video games, ability to protect our intellectual property rights, potential claims that we have infringed the intellectual property rights of others, market acceptance of games we develop and / or publish, the emergence of new or growing competitors and various other competitive and technological factors. There can be no assurance that the results referred to in the forward-looking statements contained in this release will occur. The Company has no duty and undertakes no obligation to update any forward-looking information, whether as a result of new information, future developments or otherwise.

Xbox One, Xbox, Xbox 360 and Xbox LIVE are either registered trademarks or trademarks of the Microsoft group of companies.

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
THREE MONTHS AND YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands, except per share amounts)

	<u>Three Months</u>		<u>Year</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
NET SALES	\$12,827	\$18,630	\$60,853	\$68,293
COST OF SALES	<u>11,026</u>	<u>16,143</u>	<u>52,500</u>	<u>59,295</u>
GROSS PROFIT	1,801	2,487	8,353	8,998
OPERATING COSTS AND EXPENSES	<u>1,311</u>	<u>1,595</u>	<u>6,003</u>	<u>6,536</u>
INCOME FROM OPERATIONS BEFORE SPECIAL CHARGES	490	892	2,350	2,462
Special charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>192</u>
INCOME FROM OPERATIONS	490	892	2,350	2,270
Interest expense	<u>94</u>	<u>100</u>	<u>371</u>	<u>267</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	396	792	1,979	2,003
Provision for income taxes	<u>145</u>	<u>304</u>	<u>740</u>	<u>784</u>
NET INCOME	<u>\$ 251</u>	<u>\$ 488</u>	<u>\$ 1,239</u>	<u>\$ 1,219</u>
Net income per share – basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding –				
Basic	<u>44,157</u>	<u>44,157</u>	<u>44,157</u>	<u>44,157</u>
Diluted	<u>44,529</u>	<u>44,385</u>	<u>44,657</u>	<u>44,187</u>

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2014 AND 2013
(in thousands)

	JUNE 30,	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 155	\$ 341
Accounts receivable-net	3,689	7,207
Inventory	12,495	13,950
Advances to suppliers	22	645
Prepaid expenses and other current assets	256	403
Deferred income taxes	<u>541</u>	<u>351</u>
Total current assets	17,158	22,897
PROPERTY AND EQUIPMENT – NET	118	167
DEFERRED INCOME TAXES	129	72
OTHER ASSETS	<u>54</u>	<u>59</u>
TOTAL	<u>\$17,459</u>	<u>\$23,195</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Asset based revolving loan – bank	\$7,634	\$ 10,321
Current portion of long-term debt	239	761
Accounts payable	1,659	5,535
Accrued expenses and other current liabilities	<u>709</u>	<u>438</u>
Total current liabilities	<u>10,241</u>	<u>17,055</u>
LONG-TERM DEBT	<u>-</u>	<u>239</u>
DEFERRED RENT	<u>19</u>	<u>11</u>
STOCKHOLDERS' EQUITY		
Common Stock, 44,157 shares issued and outstanding	44	44
Additional paid in capital	3,549	3,479
Retained earnings	<u>3,606</u>	<u>2,367</u>
Total stockholders' equity	<u>7,199</u>	<u>5,890</u>
TOTAL	<u>\$17,459</u>	<u>\$23,195</u>

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES:		
Net income	\$ 1,239	\$ 1,219
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	70	73
Provision for doubtful accounts	-	56
Stock-based compensation expense	70	15
Deferred income taxes	(247)	(6)
Other	37	60
Changes in operating assets and liabilities, net	<u>2,139</u>	<u>(8,378)</u>
Net cash provided by (used in) operating activities	<u>3,308</u>	<u>(6,961)</u>
INVESTING ACTIVITIES:		
Security deposits	-	(43)
Purchase of property and equipment	<u>(21)</u>	<u>(145)</u>
Net cash used in investing activities	<u>(21)</u>	<u>(188)</u>
FINANCING ACTIVITIES:		
Proceeds from asset based revolving loan – bank, net of repayments	-	7,409
Payment of note payable-bank, net of proceeds	(2,687)	-
Payment of deferred financing costs	(25)	-
Payment of long-term debt	<u>(761)</u>	<u>(500)</u>
Net cash (used in) provided by financing activities	<u>(3,473)</u>	<u>6,909</u>
DECREASE IN CASH AND EQUIVALENTS	<u>(186)</u>	<u>(240)</u>
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>341</u>	<u>581</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 155</u>	<u>\$ 341</u>

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