

ALLIANCE DISTRIBUTORS HOLDING INC. REPORTS FINANCIAL RESULTS FOR THE THREE  
AND SIX MONTHS ENDED DECEMBER 31, 2014

For Immediate Release

New York, New York – February 9, 2015 – 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 three and six months ended December 31, 2014.

Net sales for the three months ended December 31, 2014 increased 4% to \$15.0 million from \$14.5 million in the three months ended December 31, 2013. Net income for the three months ended December 31, 2014 declined to \$14,000 from \$165,000 for the comparable period in 2013.

For the six months ended December 31, 2014 net sales decreased 15% to \$28.2 million from \$33.1 million in the six months ended December 31, 2013. Net income for the six months ended December 31, 2014 decreased to \$229,000 from \$596,000 for the comparable period in 2013.

Jay Gelman, Chairman and Chief Executive Officer, said, “Value and closeout opportunities during the six months ended December 2014 continued at a rate less than in the corresponding 2013 period as publishers continued to assess the market in light of the introduction of Sony’s Playstation®4 and Microsoft’s Xbox One. Industry sales of software for the new consoles trail 2013 sales of prior generation software at least in part because of the smaller install base of the new consoles. The growth in our revenue during the three months ended in December 2014 reflects a possible stabilization of the market as the install base of new consoles increases at an impressive rate.

“The reduction in net income from the 2013 six-month period resulted primarily from the reduction in our value and closeout opportunities as well as from costs incurred by our studio for the development of BlazeBlue: Battle Cards™. BlazeBlue: Battle Cards™ is our first licensed mobile game, which we expect to release in the first calendar quarter of 2015.”

About Alliance Distributors Holding Inc.

Alliance Distributors Holding Inc. ([www.alliancedistributors.com](http://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](http://www.metaversalstudios.com)) and publishes videogames as Alliance Digital Media™ ([www.alliancedigitalmedia.com](http://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**  
(In thousands, except per share amounts)  
(unaudited)

	Three Months ended December 31,		Six Months ended December 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>NET SALES</b>	\$14,980	\$14,450	\$28,160	\$33,105
<b>COST OF GOODS SOLD</b>	<u>13,266</u>	<u>12,481</u>	<u>24,669</u>	<u>28,681</u>
<b>GROSS PROFIT</b>	1,714	1,969	3,491	4,424
<b>OPERATING COSTS AND EXPENSES</b>	<u>1,614</u>	<u>1,607</u>	<u>2,966</u>	<u>3,238</u>
<b>INCOME FROM OPERATIONS</b>	100	362	525	1,186
Interest expense	<u>74</u>	<u>104</u>	<u>151</u>	<u>197</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	26	258	374	989
Provision for income taxes	<u>12</u>	<u>93</u>	<u>145</u>	<u>393</u>
<b>NET INCOME</b>	<u>\$ 14</u>	<u>\$ 165</u>	<u>\$ 229</u>	<u>\$ 596</u>
Net income per share:				
Basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ 0.01</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>44,611</u>	<u>44,711</u>	<u>44,621</u>	<u>44,630</u>

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2014 and 2013**  
(unaudited, in thousands)

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 244	\$ 292
Accounts receivable-net	5,034	4,279
Inventory	10,660	12,597
Advances to suppliers	160	312
Prepaid expenses and other current assets	107	256
Prepaid income taxes	183	330
Deferred income taxes	<u>561</u>	<u>460</u>
<b>Total current assets</b>	16,949	18,526
<b>PROPERTY AND EQUIPMENT – NET</b>	110	138
<b>DEFERRED INCOME TAXES</b>	164	91
<b>OTHER ASSETS</b>	<u>63</u>	<u>59</u>
<b>TOTAL</b>	<u>\$17,286</u>	<u>\$18,814</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Asset-based revolving loan – bank	\$ 6,840	\$ 9,194
Current portion of long-term debt	-	750
Accounts payable	2,514	1,806
Accrued expenses and other current liabilities	<u>414</u>	<u>533</u>
<b>Total current liabilities</b>	<u>9,768</u>	<u>12,283</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>-</u>	<u>-</u>
<b>DEFERRED RENT</b>	<u>29</u>	<u>21</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common Stock, 44,157 shares issued and outstanding	44	44
Additional paid in capital	3,610	3,503
Retained earnings	<u>3,835</u>	<u>2,963</u>
<b>Total stockholders' equity</b>	<u>7,489</u>	<u>6,510</u>
<b>TOTAL</b>	<u>\$17,286</u>	<u>\$18,814</u>

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED DECEMBER 31, 2014 AND 2013**  
(unaudited, in thousands)

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 229	\$ 596
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31	37
Loss on disposition of assets	-	-
Deferred income taxes	(55)	(128)
Stock-based compensation expense	61	24
Other	11	24
Changes in operating assets and liabilities-net	<u>868</u>	<u>808</u>
Net cash provided by operating activities	<u>1,145</u>	<u>1,361</u>
<b>INVESTING ACTIVITIES:</b>		
Security deposit	-	-
Purchase of property and equipment	<u>(23)</u>	<u>(8)</u>
Net cash used in investing activities	<u>(23)</u>	<u>(8)</u>
<b>FINANCING ACTIVITIES:</b>		
Repayments of asset-based revolving loan – bank, net of proceeds	(794)	(1,127)
Payment of deferred financing costs	-	(25)
Payment of long-term debt	<u>(239)</u>	<u>(250)</u>
Net cash used in financing activities	<u>(1,033)</u>	<u>(1,402)</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<u>89</u>	<u>(49)</u>
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>155</u>	<u>341</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 244</u>	<u>\$ 292</u>

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