

GlobalSCAPE, Inc.
Condensed Consolidated Balance Sheets
(in thousands except share amounts)

	September 30, 2012	December 31, 2011
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,253	\$ 8,861
Accounts receivable (net of allowance for doubtful accounts of \$68 and \$170 on September 30, 2012 and December 31, 2011, respectively)	3,099	3,433
CoreTrace receivable	-	761
Federal income tax receivable	420	244
Current deferred tax assets	618	938
Prepaid expenses	304	239
Total current assets	<u>14,694</u>	<u>14,476</u>
Fixed assets, net	1,302	1,067
Long term investments	3,045	3,000
Investment - CoreTrace	-	2,278
Intangible assets, net	4,152	4,815
Goodwill	12,712	12,712
Deferred tax asset	88	
Other assets	41	30
Total assets	<u>\$ 36,034</u>	<u>\$ 38,378</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 352	\$ 591
Accrued expenses	1,194	1,396
TappIn earn out, current portion	3,343	3,303
Long term debt, current portion	1,320	1,276
Deferred revenue	7,966	6,248
Total current liabilities	<u>14,175</u>	<u>12,814</u>
Deferred tax liabilities	-	573
Deferred revenue, non-current portion	1,591	1,383
Other long term liabilities	60	54
TappIn earn out, non-current portion	3,694	3,694
Long term debt, non-current portion	4,728	5,724
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, par value \$0.001 per share, 10,000,000 authorized, no shares issued or outstanding	-	-
Common stock, par value \$0.001 per share, 40,000,000 authorized, 18,821,547 and 18,691,947 issued September 30, 2012 and December 31, 2011, respectively	19	19
Additional paid-in capital	14,235	13,478
Treasury stock, 403,581 shares, at cost, at September 30, 2012 and December 31, 2011.	(1,452)	(1,452)
Retained earnings	(1,016)	2,091
Total stockholders' equity	<u>11,786</u>	<u>14,136</u>
Total liabilities and stockholders' equity	<u>\$ 36,034</u>	<u>\$ 38,378</u>

GlobalSCAPE, Inc.**Condensed Consolidated Statements of Operations and Comprehensive Income**

(In thousands, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating Revenues:				
Software licenses	\$ 2,528	\$ 2,859	\$ 7,424	\$ 8,525
Maintenance and support	3,054	2,020	8,294	5,596
Professional services	274	439	1,013	1,366
Other	222	99	442	284
Total Revenues	<u>6,078</u>	<u>5,417</u>	<u>17,173</u>	<u>15,771</u>
Operating Expenses:				
Cost of revenues	331	451	962	1,349
Selling, general and administrative expenses	4,136	3,450	12,532	10,156
Research and development expenses	822	811	2,660	2,359
Affiliated entity asset impairment	3,264	-	3,264	-
Depreciation and amortization	314	174	951	570
Total operating expenses	<u>8,867</u>	<u>4,886</u>	<u>20,369</u>	<u>14,434</u>
Income (loss) from operations	<u>(2,789)</u>	<u>531</u>	<u>(3,196)</u>	<u>1,337</u>
Other (expense) income, net	<u>(11)</u>	<u>9</u>	<u>(138)</u>	<u>23</u>
Income (loss) before income taxes	<u>(2,800)</u>	<u>540</u>	<u>(3,334)</u>	<u>1,360</u>
(Benefit) provision for income taxes	<u>(86)</u>	<u>(71)</u>	<u>(227)</u>	<u>220</u>
Net income (loss)	<u>\$ (2,714)</u>	<u>\$ 611</u>	<u>\$ (3,107)</u>	<u>\$ 1,140</u>
Comprehensive income (loss)	<u>\$ (2,714)</u>	<u>\$ 611</u>	<u>\$ (3,107)</u>	<u>\$ 1,140</u>
Net income (loss) per common share -				
Basic	\$ (0.15)	\$ 0.03	\$ (0.17)	\$ 0.06
Diluted	\$ (0.15)	\$ 0.03	\$ (0.17)	\$ 0.06
Weighted average shares outstanding:				
Basic	18,398	18,121	18,336	18,020
Diluted	18,398	18,689	18,336	18,724

GlobalSCAPE, Inc.**Condensed Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	For the nine months ended September 30,	
	2012	2011
Operating Activities:		
Net income (loss)	\$ (3,107)	\$ 1,140
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Bad debt expense (recoveries)	(55)	(172)
Depreciation and amortization	951	570
Stock-based compensation	711	792
Deferred taxes	(341)	(127)
Excess tax deficiency from share-based compensation	2	(97)
Affiliated entity asset impairment	3,264	-
Other	40	-
Changes in operating assets and liabilities:		
Accounts receivable	314	102
CoreTrace receivable	(150)	(373)
Prepaid expenses	(65)	49
Federal income tax	(178)	69
Other assets	(11)	(8)
Accounts payable	(239)	112
Accrued expenses	(202)	(326)
Deferred revenues	1,926	330
Other long-term liabilities	6	209
Net cash provided by (used in) operating activities	<u>2,866</u>	<u>2,270</u>
Investing Activities:		
Purchase of property and equipment	(210)	(123)
Software development costs	(313)	-
Interest on long term investments	(45)	-
Net cash provided by (used in) investing activities	<u>(568)</u>	<u>(123)</u>
Financing Activities:		
Proceeds from exercise of stock options	48	267
Tax deficiency from share-based compensation	(2)	(97)
Notes payable principle payments	(952)	-
Net cash provided by (used in) financing activities	<u>(906)</u>	<u>170</u>
Net increase in cash	1,392	2,317
Cash at beginning of period	8,861	11,087
Cash at end of period	<u>\$ 10,253</u>	<u>\$ 13,404</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on notes payable	\$ 248	\$ -
Income taxes	<u>\$ 271</u>	<u>\$ 472</u>

GlobalSCAPE, Inc.**Adjusted EBITDA Excluding Infrequent Items**

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net income (loss)	(2,714)	611	(3,107)	1,140
Add (subtract) items to determine adjusted EBITDA excluding infrequent items				
Income tax expense	(86)	(71)	(227)	220
Other expense	11	(9)	138	(23)
Depreciation and amortization	314	174	951	570
Stock-based compensation expense	283	275	711	792
Affiliated entity asset impairment	3,264	-	3,264	-
Adjusted EBITDA	<u>\$ 1,072</u>	<u>\$ 980</u>	<u>\$ 1,730</u>	<u>\$ 2,699</u>

Adjusted EBITDA [Earnings before Interest, Taxes, Total Other Income (Expense), Depreciation, and Amortization (including amortized stock-based compensation expense)] Excluding Infrequent Items is not a measure of financial performance under generally accepted accounting principles and should not be considered a substitute for net income. Adjusted EBITDA Excluding Infrequent Items has limitations as an analytical tool and when assessing our operating performance. Adjusted EBITDA Excluding Infrequent Items should not be considered in isolation or as a substitute for net income or other income statement data prepared in accordance with generally accepted accounting principles.