

GlobalSCAPE, Inc.
Statements of Operations
(Unaudited)

(in thousands, except per share amounts)

	Three months ended December 31,		For the Year Ended December 31,	
	2012	2011	2012	2011
Operating Revenues:				
Software license	\$ 2,231	\$ 2,022	\$ 9,447	\$ 9,149
Maintenance and support	3,108	2,491	11,298	9,424
Professional services	534	406	1,547	1,772
Others	326	204	1,080	549
Total Revenues	<u>6,199</u>	<u>5,123</u>	<u>23,372</u>	<u>20,894</u>
Operating Expenses:				
Cost of revenues	334	374	1,296	1,723
Selling, general and administrative expenses	4,270	4,310	16,801	14,466
Research and development expenses	870	765	3,531	3,124
Affiliated entity asset impairment	0	0	3,264	0
TappIn earnout liability not earned	(1,343)	0	(1,343)	0
Depreciation and amortization	266	220	1,217	790
Total operating expenses	<u>4,397</u>	<u>5,669</u>	<u>24,766</u>	<u>20,103</u>
Income (loss) from operations	1,802	(546)	(1,394)	791
Other income (expense)	(51)	(10)	(189)	13
Income (loss) before income taxes	1,751	(556)	(1,583)	804
Provision (benefit) for income taxes	444	(51)	217	169
Net (loss) income	<u>\$ 1,307</u>	<u>\$ (505)</u>	<u>\$ (1,800)</u>	<u>\$ 635</u>
Net income (loss) per common share - basic	\$ 0.07	\$ (0.03)	\$ (0.10)	\$ 0.04
Net income (loss) per common share - diluted	\$ 0.07	\$ (0.03)	\$ (0.10)	\$ 0.03
Average shares outstanding:				
Basic	18,421	18,262	18,358	18,081
Diluted	18,959	18,262	18,358	18,747

GlobalSCAPE, Inc.**Balance Sheets****(Unaudited)**

(in thousands except share amounts)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,079	\$ 8,861
Accounts receivable (net of allowance for doubtful accounts of \$171 and \$170 on December 31, 2012 and December 31, 2011 respectively)	3,350	3,433
CoreTrace receivable	-	761
Federal income tax receivable	-	244
Current deferred tax assets	177	938
Prepaid expenses	426	239
Total current assets	12,032	14,476
Fixed assets, net	1,202	1,067
Long-term investments	3,060	3,000
Investment in affiliated entity	-	2,278
Intangible assets, net	4,006	4,815
Goodwill	12,712	12,712
Deferred tax asset	535	-
Other assets	41	30
Total assets	\$ 33,588	\$ 38,378
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 432	\$ 591
Accrued expenses	1,353	1,396
Deferred revenue	8,293	6,248
Income taxes payable	46	-
Tappin earn out, current portion	500	3,303
Long term debt, current portion	1,335	1,276
Total current liabilities	11,959	12,814
Deferred revenue, non-current portion	1,480	1,384
TappIn earn out, non-current portion	3,694	3,694
Long-term debt, non-current portion	4,389	5,724
Deferred tax liability	-	573
Other long term liabilities	62	53
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, 18,846,547 and 18,691,947 issued December 31, 2012 and December 31, 2011	19	19
Additional paid-in capital	14,435	13,478
Treasury stock, 403,581 shares, at cost, at December 31, 2012 and December 31, 2011.	(1,452)	(1,452)
Retained earnings	(998)	2,091
Total stockholders' equity	12,004	14,136
Total liabilities and stockholders' equity	\$ 33,588	\$ 38,378

GlobalSCAPE, Inc.
Statements of Cash Flows
(Unaudited)

(in thousands)

	For the year ended December 31,	
	2012	2011
Operating Activities:		
Net (loss) income	\$ (1,800)	\$ 635
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense (recoveries)	68	(62)
Depreciation and amortization	1,217	790
Stock-based compensation	915	1,003
Deferred taxes	(347)	(352)
Excess tax deficiency (benefit) from exercise of share based compensation	28	13
Affiliated entity asset impairment	3,264	-
TappIn earnout liability not earned	(1,343)	-
Other	40	-
Changes in operating assets and liabilities:		
Accounts receivable	(60)	(78)
CoreTrace receivable	(150)	(463)
Prepaid expenses	(187)	108
Federal income tax	262	(52)
Other assets	(11)	-
Accounts payable	(159)	341
Accrued expenses	(43)	1
Deferred revenues	2,141	690
Other long-term liabilities	9	252
Net cash provided by operating activities	<u>3,844</u>	<u>2,826</u>
Investing Activities:		
Software development costs	(330)	-
Purchase of property and equipment	(213)	(201)
Purchase of TappIn, Inc.	(1,500)	(9,190)
Purchase of short-term investments	-	-
Interest on long-term investments	(60)	-
Purchase of long-term investments	-	(3,000)
Net cash provided by (used in) investing activities	<u>(2,103)</u>	<u>(12,391)</u>
Financing Activities:		
Proceeds from exercise of stock options	70	352
Tax deficiency (benefit) from stock-based compensation	(28)	(13)
Notes payable principle payments	(1,276)	-
Proceeds from note payable	-	7,000
Dividends paid out	(1,289)	-
Net cash provided by (used in) financing activities	<u>(2,523)</u>	<u>7,339</u>
Net (decrease) increase in cash	(782)	(2,226)
Cash at beginning of period	8,861	11,087
Cash at end of period	<u>\$ 8,079</u>	<u>\$ 8,861</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 294</u>	<u>\$ -</u>
Income taxes	<u>\$ 271</u>	<u>\$ 1,225</u>
Noncash - TappIn earn out	<u>\$ -</u>	<u>\$ 6,997</u>

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

(In thousands)

(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Net income (loss)	1,307	(505)	(1,800)	635
Add (subtract) items to determine adjusted EBITDA excluding infrequent items				
Income tax expense	444	(51)	217	169
Other expense	51	10	189	(13)
Depreciation and amortization	266	220	1,217	790
Affiliated entity asset impairment	-	-	3,264	-
TappIn earnout liability	(1,343)	-	(1,343)	-
Stock-based compensation expense	204	211	915	1,003
Adjusted EBITDA	<u>\$ 929</u>	<u>\$ (115)</u>	<u>\$ 2,659</u>	<u>\$ 2,584</u>

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

GlobalSCAPE, Inc.**Reconciliation of GAAP Net Loss to Non-GAAP****Net Loss:****(Unaudited)**

(In thousands)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
<u>Non-GAAP Net Income (Loss)</u>				
GAAP net income (loss)	1,307	(505)	(1,800)	635
Affiliated entity asset impairment	0	0	3,264	0
TappIn earnout liability not earned	(1,343)	0	(1,343)	0
Non-GAAP net income (loss)	<u>\$ (36)</u>	<u>\$ (505)</u>	<u>\$ 121</u>	<u>\$ 635</u>
<u>Non-GAAP Earnings Per Share</u>				
Non-GAAP net income (loss)	\$ (36)	\$ (505)	\$ 121	\$ 635
Weighted average share outstanding:				
Basic	18,421	18,262	18,358	18,081
Diluted	18,959	18,262	19,016	18,747
Non-GAAP net income (loss) per common share:				
Basic	\$ (0.00)	\$ (0.03)	\$ 0.01	\$ 0.04
Diluted	\$ (0.00)	\$ (0.03)	\$ 0.01	\$ 0.03

Non-GAAP net income is not a measure of financial performance under generally accepted accounting principles and should not be considered a substitute for net income. Non-GAAP net income has limitations as an analytical tool and when assessing our operating performance. Non-GAAP net income 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.