

GlobalSCAPE, Inc.
Statements of Operations
(Unaudited)

(in thousands, except per share amounts)

	Three months ended December 31,		For the Year Ended December 31,	
	2013	2012	2013	2012
Operating Revenues:				
Software license	\$ 2,120	\$ 2,231	\$ 8,086	\$ 9,447
Maintenance and support	3,522	3,108	13,650	11,298
Professional services	242	534	1,479	1,547
Others	313	326	1,124	1,080
Total Revenues	<u>6,197</u>	<u>6,199</u>	<u>24,339</u>	<u>23,372</u>
Operating Expenses:				
Cost of revenues	229	334	1,011	1,296
Selling, general and administrative expenses	3,744	4,270	14,881	16,761
Research and development expenses	1,113	870	3,766	3,531
Affiliated entity asset impairment	0	0	0	3,264
TappIn intangible asset impairment and earnout liability elimination	0	(1,343)	(128)	(1,303)
Depreciation and amortization	121	266	908	1,217
Total operating expenses	<u>5,207</u>	<u>4,397</u>	<u>20,438</u>	<u>24,766</u>
Income (loss) from operations	990	1,802	3,901	(1,394)
Other income (expense)	(35)	(51)	(165)	(189)
Income (loss) before income taxes	955	1,751	3,736	(1,583)
Provision (benefit) for income taxes	300	444	(104)	217
Net income (loss)	<u>\$ 655</u>	<u>\$ 1,307</u>	<u>\$ 3,840</u>	<u>\$ (1,800)</u>
Net income (loss) per common share - basic	\$ 0.03	\$ 0.07	\$ 0.21	\$ (0.10)
Net income (loss) per common share - diluted	\$ 0.03	\$ 0.07	\$ 0.20	\$ (0.10)
Average shares outstanding:				
Basic	18,873	18,421	18,626	18,358
Diluted	19,461	18,959	19,082	18,358

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

In thousands except per share amounts.

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,455	\$ 8,079
Accounts receivable (net of allowance for doubtful accounts of \$154 and \$171 on December 31, 2013 and December 31, 2012 respectively)	3,765	3,350
Federal income tax receivable	113	-
Current deferred tax assets	184	177
Prepaid expenses	349	426
Total current assets	<u>13,866</u>	<u>12,032</u>
Fixed assets, net	744	900
Long-term investments	3,122	3,060
Intangible assets, net	1,028	4,308
Goodwill	12,712	12,712
Deferred tax asset	1,476	535
Other assets	144	41
Total assets	<u>\$ 33,092</u>	<u>\$ 33,588</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 655	\$ 432
Accrued expenses	898	1,353
Deferred revenue	9,092	8,293
Income taxes payable	-	46
TappIn earn out, current portion	-	500
Long term debt, current portion	1,397	1,335
Total current liabilities	<u>12,042</u>	<u>11,959</u>
Deferred revenue, non-current portion	1,708	1,480
TappIn earn out, non-current portion	-	3,694
Long-term debt, non-current portion	2,989	4,389
Other long term liabilities	60	62
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, 19,590,797 and 18,846,547 issued December 31, 2013 and December 31, 2012	20	19
Additional paid-in capital	15,834	14,435
Treasury stock, 403,581 shares, at cost, at December 31, 2013 and December 31, 2012.	(1,452)	(1,452)
Retained earnings	1,891	(998)
Total stockholders' equity	<u>16,293</u>	<u>12,004</u>
Total liabilities and stockholders' equity	<u>\$ 33,092</u>	<u>\$ 33,588</u>

GlobalSCAPE, Inc.
Statements of Cash Flows
(Unaudited)
(in thousands)

	For the year ended December 31,	
	2013	2012
Operating Activities:		
Net income (loss)	\$ 3,840	\$ (1,800)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expense (recoveries)	29	68
Depreciation and amortization	908	1,217
Stock-based compensation	666	915
Deferred taxes	(948)	(377)
Excess tax deficiency (benefit) from exercise of share based compensation	156	28
Affiliated entity asset impairment	-	3,264
TappIn intangible asset impairment and earnout liability elimination	(128)	(1,343)
Other	-	40
Changes in operating assets and liabilities:		
Accounts receivable	(444)	(60)
CoreTrace receivable	-	(150)
Prepaid expenses	77	(187)
Federal income tax	(315)	292
Other assets	(103)	(11)
Accounts payable	223	(159)
Accrued expenses	(455)	(43)
Deferred revenues	1,027	2,141
Other long-term liabilities	(2)	9
Net cash provided by operating activities	<u>4,531</u>	<u>3,844</u>
Investing Activities:		
Software development costs	(899)	(330)
Purchase of property and equipment	(139)	(213)
Purchase of TappIn, Inc.	-	(1,500)
TappIn, Inc. earnout liability paid	(500)	-
Interest on long-term investments	(62)	-
Purchase of long-term investments	-	(60)
Net cash provided by (used in) investing activities	<u>(1,600)</u>	<u>(2,103)</u>
Financing Activities:		
Proceeds from exercise of stock options	890	70
Tax deficiency (benefit) from stock-based compensation	(156)	(28)
Notes payable principle payments	(1,338)	(1,276)
Proceeds from note payable	-	-
Dividends paid out	(951)	(1,289)
Net cash provided by (used in) financing activities	<u>(1,555)</u>	<u>(2,523)</u>
Net (decrease) increase in cash	1,376	(782)
Cash at beginning of period	8,079	8,861
Cash at end of period	<u>\$ 9,455</u>	<u>\$ 8,079</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 234</u>	<u>\$ 294</u>
Income taxes	<u>\$ 1,161</u>	<u>\$ 271</u>

GlobalSCAPE, Inc.**Adjusted EBITDA Excluding Infrequent Items****(Unaudited)**

(In thousands)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net income (loss)	655	1,307	3,840	(1,800)
Add (subtract) items to determine adjusted EBITDA excluding infrequent items:				
Income tax expense	300	444	(104)	217
Other expense	35	51	165	189
Depreciation and amortization (excluding amortization of capitalized software development costs)	71	224	734	1,130
Affiliated entity asset impairment	-	-	-	3,264
TappIn intangible asset impairment and earnout liability elimination	-	(1,343)	(128)	(1,303)
Stock-based compensation expense	144	204	666	915
Adjusted EBITDA excluding infrequent items	<u>\$ 1,205</u>	<u>\$ 887</u>	<u>\$ 5,173</u>	<u>\$ 2,612</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.