

GlobalSCAPE, Inc.
Statements of Operations
(Unaudited)

(in thousands, except per share amounts)

	Three months ended March 31,	
	2014	2013
Operating Revenues:		
Software license	\$ 1,545	\$ 1,957
Maintenance and support	3,568	3,283
Professional services	237	399
Others	378	240
Total Revenues	<u>5,728</u>	<u>5,879</u>
Operating Expenses:		
Cost of revenues	204	263
Selling, general and administrative	4,049	3,850
Research and development	527	762
Depreciation and amortization	141	257
Total operating expenses	<u>4,921</u>	<u>5,132</u>
Income from operations	807	747
Other expense, net	<u>(20)</u>	<u>(47)</u>
Income before income taxes	787	700
Income tax expense	253	183
Net income	<u>\$ 534</u>	<u>\$ 517</u>
Comprehensive income	<u>\$ 534</u>	<u>\$ 517</u>
Net income per common share - basic	\$ 0.03	\$ 0.03
Net income per common share - diluted	\$ 0.03	\$ 0.03
Average shares outstanding:		
Basic	19,534	18,444
Diluted	20,394	18,982

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

In thousands except per share amounts.

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,687	\$ 9,455
Accounts receivable (net of allowance for doubtful accounts of \$257 and \$154 in 2014 and 2013, respectively)	3,406	3,765
Income tax receivable	97	113
Current deferred tax assets	109	184
Prepaid expenses	274	349
Total current assets	<u>14,573</u>	<u>13,866</u>
Fixed assets, net	734	744
Investment in certificate of deposit	3,138	3,122
Capitalized software development costs, net	1,711	1,028
Goodwill	12,712	12,712
Deferred tax asset	1,137	1,476
Other assets	144	144
Total assets	<u>\$ 34,149</u>	<u>\$ 33,092</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 693	\$ 655
Accrued expenses	940	898
Deferred revenue	8,718	9,092
Income taxes payable	-	-
TappIn earn out, current portion	-	-
Long term debt, current portion	1,298	1,397
Total current liabilities	<u>11,649</u>	<u>12,042</u>
Deferred revenue, non-current portion	1,998	1,708
TappIn earn out, non-current portion	-	-
Long-term debt, non-current portion	2,747	2,989
Other long term liabilities	56	60
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, 19,645,236 and 19,592,117 issued March 31, 2014 and December 31, 2013	20	20
Additional paid-in capital	16,706	15,834
Treasury stock, 403,581 shares, at cost, at March 31, 2014 and December 31, 2013.	(1,452)	(1,452)
Retained earnings	2,425	1,891
Total stockholders' equity	<u>17,699</u>	<u>16,293</u>
Total liabilities and stockholders' equity	<u>\$ 34,149</u>	<u>\$ 33,092</u>

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

	For the three months ended March 31,	
	2014	2013
Operating Activities:		
Net income	\$ 534	\$ 517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	141	257
Stock-based compensation	126	192
Deferred taxes	414	(47)
Bad debt expense (recoveries)	108	36
Excess tax deficiency from share-based compensation	173	-
Subtotal before changes in operating assets and liabilities	1,496	955
Changes in operating assets and liabilities:		
Accounts receivable	251	139
Prepaid expenses	75	9
Income tax payable	(157)	84
Accounts payable	38	115
Accrued expenses	42	(353)
Deferred revenue - M&S	(84)	59
Other long-term liabilities	(4)	(1)
Net cash provided by (used for) operating activities	1,657	1,007
Investing Activities:		
Purchase of property and equipment	(63)	(18)
Software development costs	(751)	(171)
Purchase of Tappin, Inc. and earnout payments	-	(500)
Interest reinvested in certificate of deposit	(16)	(16)
Net cash provided by (used for) investing activities	(830)	(705)
Financing Activities:		
Proceeds from exercise of stock options	919	4
Net tax effect of stock option and restricted stock activity	(173)	-
Notes payable principle payments	(341)	(329)
Net cash provided by (used for) financing activities	405	(325)
Net increase (decrease) in cash	1,232	(23)
Cash at beginning of period	9,455	8,079
Cash at end of period	\$ 10,687	\$ 8,056
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest on notes payable	\$ 49	\$ 64
Income taxes	\$ 45	\$ 160

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

(In thousands)

	Three Months Ended	
	March 31,	
	2014	2013
Net income (loss)	534	517
Add (subtract) items to determine adjusted EBITDA excluding infrequent items:		
Income tax expense	253	183
Other expense	20	47
Depreciation and amortization		
Total depreciation and amortization	141	257
Amortization of capitalized software development costs	(68)	(34)
Stock-based compensation expense	126	192
Infrequent item:		
Adjusted EBITDA excluding infrequent items	<u>\$ 1,006</u>	<u>\$ 1,162</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.