

GlobalSCAPE, Inc.				
Condensed Consolidated Statements of Operations and Comprehensive Income				
(In thousands, except per share amounts)				
(Unaudited)				
	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Operating Revenues:				
Software licenses	\$ 2,495	\$ 1,905	\$ 4,096	\$ 3,863
Maintenance and support	3,697	3,367	7,265	6,650
Professional services	287	426	524	825
Other	207	227	528	467
Total Revenues	6,686	5,925	12,413	11,805
Operating Expenses:				
Cost of revenues	197	269	401	533
Selling, general and administrative	4,850	3,796	8,897	7,646
Research and development	689	968	1,215	1,730
Depreciation and amortization	177	264	318	521
Total operating expenses	5,913	5,297	10,831	10,430
Income from operations	773	628	1,582	1,375
Other expense, net	(27)	(43)	(48)	(90)
Income before income taxes	746	585	1,534	1,285
Income tax expense	258	204	511	387
Net income	\$ 488	\$ 381	\$ 1,023	\$ 898
Comprehensive income	\$ 488	\$ 381	\$ 1,023	\$ 898
Net income per common share -				
Basic	\$ 0.02	\$ 0.02	\$ 0.05	\$ 0.05
Diluted	\$ 0.02	\$ 0.02	\$ 0.05	\$ 0.05
Weighted average shares outstanding:				
Basic	20,071	18,502	19,789	18,473
Diluted	20,622	18,955	20,487	18,920

GlobalSCAPE, Inc.**Condensed Consolidated Balance Sheets**

(in thousands except share amounts)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,693	\$ 9,455
Accounts receivable (net of allowance for doubtful accounts of \$394 and \$154 in 2014 and 2013, respectively)	5,624	3,765
Federal income tax receivable	371	113
Current deferred tax asset	138	184
Prepaid expenses	415	349
Total current assets	18,241	13,866
Long term investments	3,153	3,122
Capitalized software development costs, net	2,139	1,028
Deferred tax asset	824	1,476
Goodwill	12,712	12,712
Fixed assets, net	724	744
Other assets	93	144
Total assets	\$ 37,886	\$ 33,092
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 998	\$ 655
Accrued expenses	1,691	898
Deferred revenue	9,493	9,092
Long term debt, current portion	1,429	1,397
Total current liabilities	13,611	12,042
Deferred revenue, non-current portion	2,646	1,708
Long term debt, non-current portion	2,268	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, 20,837,727 and 19,592,117 shares issued at June 30, 2014 and December 31, 2013, respectively	21	20
Additional paid-in capital	17,822	15,834
Treasury stock, 403,581 shares, at cost, at June 30, 2014 and December 31, 2013	(1,452)	(1,452)
Retained earnings	2,914	1,891
Total stockholders' equity	19,305	16,293
Total liabilities and stockholders' equity	\$ 37,886	\$ 33,092

GlobalSCAPE, Inc.		
Condensed Consolidated Statements of Cash Flows		
(in thousands)		
	For the Six Months Ended June 30,	
	2014	2013
Operating Activities:		
Net income	\$ 1,023	\$ 898
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	240	75
Depreciation and amortization	318	521
Stock-based compensation	256	297
Deferred taxes	697	81
Excess tax deficiency from share-based compensation	294	27
Changes in operating assets and liabilities:		
Accounts receivable	(2,099)	(1,524)
Prepaid expenses	(66)	15
Income tax receivable and payable	(551)	(416)
Other assets	51	(62)
Accounts payable	342	160
Accrued expenses	793	(82)
Deferred revenue	1,338	1,206
Other long-term liabilities	(2)	(1)
Net cash provided by operating activities	<u>2,634</u>	<u>1,195</u>
Investing Activities:		
Software development costs	(1,284)	(360)
Purchase of property and equipment	(124)	(39)
Purchase of TappIn, Inc. and earnout payments	-	(500)
Interest on long term investments	(32)	(31)
Net cash (used in) investing activities	<u>(1,440)</u>	<u>(930)</u>
Financing Activities:		
Proceeds from exercise of stock options	2,026	157
Tax deficiency (benefit) from stock-based compensation	(294)	(27)
Notes payable principle payments	(688)	(662)
Net cash provided by (used in) financing activities	<u>1,044</u>	<u>(532)</u>
Net increase (decrease) in cash	2,238	(267)
Cash at beginning of period	9,455	8,079
Cash at end of period	<u>\$ 11,693</u>	<u>\$ 7,812</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 93	\$ 125
Income taxes	<u>\$ 379</u>	<u>\$ 734</u>

GlobalSCAPE, Inc.				
Adjusted EBITDA Before Infrequent Items				
(in thousands)				
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 488	\$ 381	\$ 1,023	\$ 898
Add (subtract) items to determine adjusted EBITDA:				
Income tax expense	258	204	511	387
Interest expense, net	27	43	47	90
Depreciation and amortization:				
Total depreciation and amortization	177	264	318	521
Amortization of capitalized software development costs	(105)	(189)	(173)	(369)
Stock-based compensation expense	130	105	256	297
Adjusted EBITDA	<u>\$ 975</u>	<u>\$ 808</u>	<u>\$ 1,982</u>	<u>\$ 1,824</u>