

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

	September 30, 2014	December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,265	\$ 9,455
Accounts receivable (net of allowance for doubtful accounts of \$551 and \$154 in 2014 and 2013, respectively)	6,722	3,765
Federal income tax receivable	236	113
Current deferred tax asset	174	184
Prepaid expenses	264	349
Total current assets	<u>16,661</u>	<u>13,866</u>
Long term investments	3,169	3,122
Capitalized software development costs, net	2,697	1,028
Deferred tax asset	745	1,476
Goodwill	12,712	12,712
Fixed assets, net	738	744
Other assets	133	144
Total assets	<u>\$ 36,855</u>	<u>\$ 33,092</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 632	\$ 655
Accrued expenses	1,296	898
Deferred revenue	11,047	9,092
Long term debt, current portion	-	1,397
Total current liabilities	<u>12,975</u>	<u>12,042</u>
Deferred revenue, non-current portion	3,159	1,708
Long term debt, non-current portion	-	2,989
Other long term liabilities	51	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, 20,967,617 and 19,592,117 shares issued at September 30, 2014 and December 31, 2013, respectively	25	20
Additional paid-in capital	18,401	15,834
Treasury stock, 403,581 shares, at cost, at September 30, 2014 and December 31, 2013	(1,452)	(1,452)
Retained earnings	3,696	1,891
Total stockholders' equity	<u>20,670</u>	<u>16,293</u>
Total liabilities and stockholders' equity	<u>\$ 36,855</u>	<u>\$ 33,092</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,	
	2014	2013	2014	2013
Operating Revenues:				
Software licenses	\$ 2,291	\$ 2,432	\$ 6,789	\$ 6,752
Maintenance and support	3,790	3,493	11,181	10,153
Professional services	409	412	933	1,237
Total Revenues	<u>6,490</u>	<u>6,337</u>	<u>18,903</u>	<u>18,142</u>
Operating Expenses:				
Cost of revenues	277	250	679	782
Selling, general and administrative	4,173	3,492	13,077	11,137
Research and development	513	923	1,722	2,653
TappIn intangible asset impairment and earnout liability elimination	-	(128)	-	(128)
Depreciation and amortization	263	265	580	787
Total operating expenses	<u>5,226</u>	<u>4,802</u>	<u>16,058</u>	<u>15,231</u>
Income from operations	1,264	1,535	2,845	2,911
Other expense, net	(11)	(39)	(58)	(130)
Income before income taxes	1,253	1,496	2,787	2,781
Income tax expense	471	(791)	982	(404)
Net income	<u>\$ 782</u>	<u>\$ 2,287</u>	<u>\$ 1,805</u>	<u>\$ 3,185</u>
Comprehensive income	<u>\$ 782</u>	<u>\$ 2,287</u>	<u>\$ 1,805</u>	<u>\$ 3,185</u>
Net income per common share -				
Basic	\$ 0.04	\$ 0.12	\$ 0.09	\$ 0.17
Diluted	\$ 0.04	\$ 0.12	\$ 0.09	\$ 0.17



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

(in thousands)

Unaudited

	For the Nine Months Ended September 30,	
	2014	2013
Operating Activities:		
Net income	\$ 1,805	\$ 3,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	318	29
Depreciation and amortization	580	787
Stock-based compensation	380	522
Deferred taxes	740	(1,030)
Excess tax deficiency from share-based compensation	367	83
TappIn intangible asset impairment and earnout liability elimination	-	(128)
Subtotal before changes in operating assets and liabilities	4,190	3,448
Changes in operating assets and liabilities:		
Deferred revenue	3,405	948
Accrued expenses	398	(149)
Income tax receivable and payable	(490)	(107)
Prepaid expenses	85	8
Other assets	10	(62)
Other long-term liabilities	(6)	(2)
Accounts payable	(24)	(6)
Accounts receivable	(3,275)	(251)
Net cash provided by operating activities	4,293	3,827
Investing Activities:		
Software development costs	(2,028)	(686)
Purchase of property and equipment	(215)	(65)
Purchase of TappIn, Inc. and earnout payments	-	(500)
Interest on long term investments	(47)	(47)
Net cash (used in) investing activities	(2,290)	(1,298)
Financing Activities:		
Proceeds from exercise of stock options	2,559	231
Tax deficiency (benefit) from stock-based compensation	(367)	(83)
Notes payable principle payments	(4,385)	(999)
Net cash provided by (used in) financing activities	(2,193)	(851)
Net increase (decrease) in cash	(190)	1,678
Cash at beginning of period	9,455	8,079
Cash at end of period	\$ 9,265	\$ 9,757
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 117	\$ 182
Income taxes	\$ 642	\$ 731

GlobalSCAPE, Inc.

Adjusted EBITDA Excluding Infrequent Items

(In thousands except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 782	\$ 2,287	\$ 1,805	\$ 3,185
Add (subtract) items to determine adjusted EBITDA:				
Income tax expense	471	(791)	982	(404)
Interest expense, net	12	39	59	130
Depreciation and amortization:				
Total depreciation and amortization	263	265	580	787
Amortization of capitalized software development costs	(186)	(47)	(359)	(151)
Stock-based compensation expense	120	225	380	522
Infrequent item:				
TappIn intangible asset impairment and earnout liability elimination	-	(128)	-	(128)
Adjusted EBITDA Excluding Infrequent Items	<u>\$ 1,462</u>	<u>\$ 1,850</u>	<u>\$ 3,447</u>	<u>\$ 3,941</u>