

VASCO Data Security International, Inc.
Consolidated Statements of Operations
(Unaudited)
(In thousands, except per share data)

	Three months ended March 31,	
	2006	2005
Net revenues	\$13,690	\$11,444
Cost of goods sold	4,239	4,223
Gross profit	9,451	7,221
Operating costs:		
Sales and marketing	3,977	3,337
Research and development	942	809
General and administrative	1,534	974
Amortization of purchased intangible assets	98	177
Total operating costs	6,551	5,297
Operating income	2,900	1,924
Interest income	60	25
Other income (expense)	(27)	216
Income before income taxes	2,933	2,165
Provision for income taxes	974	758
Net income	1,959	1,407
Preferred stock dividends	-	(14)
Net income available to common shareholders	\$1,959	\$1,393
Basic net income per common share	\$0.05	\$0.04
Diluted net income per common share	\$0.05	\$0.04
Weighted average common shares outstanding:		
Basic	36,114	34,423
Diluted	37,712	36,326

VASCO Data Security International, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash	\$15,253	\$17,143
Accounts receivable, net of allowance for doubtful accounts	11,533	12,083
Inventories, net	2,295	1,570
Prepaid expenses	636	726
Deferred income taxes	447	117
Foreign sales tax receivable	611	89

Other current assets	596	451
Total current assets	31,371	32,179
Property and equipment, net	1,064	982
Intangible assets, net	982	1,054
Goodwill	6,665	6,665
Note receivable and investment in SSI	600	600
Other assets	25	25
Total assets	\$40,707	\$41,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank borrowing	\$776	\$3,173
Accounts payable	3,805	4,753
Deferred revenue	1,089	1,765
Accrued wages and payroll taxes	1,971	2,329
Income taxes payable	2,631	1,547
Other accrued expenses	2,214	2,287
Total current liabilities	12,486	15,854
Long-term deferred warranty	248	256
Stockholders' equity:		
Common stock	36	36
Additional paid-in capital	59,575	59,625
Deferred compensation	-	(403)
Accumulated deficit	(31,025)	(32,985)
Accumulated other comprehensive loss - cumulative translation adjustment	(613)	(878)
Total stockholders' equity	27,973	25,395
Total liabilities and stockholders' equity	\$40,707	\$41,505

Reconciliation of EBITDA to net income (in thousands):

	Three Months Ended March 31,	
	2006	2005
	(Unaudited)	
EBITDA	\$3,070	\$2,385
Interest income	60	25
Provision for income taxes	(974)	(758)
Depreciation and amortization	(197)	(245)
Net income	\$1,959	\$1,407