

Condensed Consolidated Statements of Operations  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue				
Products	\$64,978	\$54,767	\$126,486	\$109,401
Maintenance, professional and managed services	29,433	21,761	55,432	42,745
Total revenue	94,411	76,528	181,918	152,146
Cost of revenue				
Products	12,649	9,640	25,392	18,172
Maintenance, professional and managed services	8,071	6,391	15,439	12,483
Amortization of technology related intangible assets	1,184	224	2,204	407
Total cost of revenue	21,904	16,255	43,035	31,062
Gross profit	72,507	60,273	138,883	121,084
Costs and expenses				
Research and development	19,294	15,516	36,563	31,470
Marketing and selling	33,534	28,302	62,838	57,444
General and administrative	16,950	7,999	28,470	16,346
Amortization of intangible assets	254	--	508	--
Restructurings	368	--	2,992	--
Total	70,400	51,817	131,371	105,260
Income from operations	2,107	8,456	7,512	15,824
Interest income and other	1,065	2,400	2,526	4,291
Income before provision for income taxes	3,172	10,856	10,038	20,115
Provision for income taxes	414	2,388	1,950	4,425
Net income	\$2,758	\$8,468	\$8,088	\$15,690
Basic earnings per share				
Per share amount	\$0.04	\$0.12	\$0.11	\$0.22
Weighted average shares	74,632	70,923	73,227	71,187
Diluted earnings per share				
Per share amount	\$0.04	\$0.12	\$0.11	\$0.21
Weighted average shares	74,632	70,923	73,227	71,187
Effect of dilutive equity instruments	1,967	1,817	1,852	2,356
Adjusted weighted average shares	76,599	72,740	75,079	73,543

Condensed Consolidated Balance Sheets  
(Unaudited)  
(In thousands, except share data)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$64,516	\$69,050

Marketable securities	153,587	118,702
Accounts receivable (less allowance for doubtful accounts of \$1,564 in 2006 and \$1,600 in 2005)	62,571	55,738
Inventory	4,348	4,813
Prepaid expenses and other assets	16,982	14,211
Total current assets	302,004	262,514
Property and equipment, net	75,106	69,764
Other assets		
Deferred taxes	5,662	8,108
Intangible and other assets	49,294	41,534
Goodwill, net	319,910	275,864
Total other assets	374,866	325,506
Total assets	\$751,976	\$657,784

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable, accrued expenses and other liabilities	\$60,329	\$53,212
Current portion of accrued restructurings	7,178	5,962
Income taxes accrued and payable	13,962	18,442
Deferred revenue	54,271	47,453
Total current liabilities	135,740	125,069
Accrued restructurings, long-term	7,442	9,793
Deferred revenue, long-term	16,407	7,429
Other	6,063	8,633
Total liabilities	165,652	150,924
Stockholders' equity	586,324	506,860
Total liabilities and shareholders' equity	\$751,976	\$657,784

#### Condensed Consolidated Statements of Cash Flows (unaudited) (in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Cash flows from operating activities				
Net income	\$2,758	\$8,468	\$8,088	\$15,690
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	4,711	3,109	8,783	6,004
Tax benefit from exercise of stock options	--	395	--	1,214
Stock-based compensation	7,129	--	9,912	--
Deferred taxes	(1,089)	--	(1,593)	--
Increase (decrease) in cash from changes in:				
Accounts receivable	(12,434)	(3,022)	(6,303)	4,311
Inventory	1,803	(938)	466	(1,036)
Prepaid expenses and other assets	(5,169)	(2,045)	(5,877)	(1,318)
Accounts payable, accrued expenses and other liabilities	7,160	2,303	4,782	(7,268)
Accrued restructurings	(1,323)	(1,105)	(1,135)	(2,410)

Refundable income taxes and income taxes accrued and payable	(1,743)	1,334	(4,691)	553
Deferred revenue	12,885	3,251	14,080	854
Net cash provided by operating activities	14,688	11,750	26,512	16,594
Cash flows from investing activities				
Purchase of marketable securities	(42,929)	(31,852)	(109,832)	(96,177)
Sales/maturities of marketable securities	40,375	38,013	75,049	95,247
Purchases of property and equipment	(5,108)	(1,993)	(9,012)	(4,202)
Acquisitions	(8,408)	--	(8,408)	--
Other	(85)	(601)	(1,068)	(1,237)
Net cash (used for) provided by investing activities	(16,155)	3,567	(53,271)	(6,369)
Cash flows from financing activities				
Proceeds from exercise of stock options and purchase plans	14,939	1,052	25,163	4,672
Share repurchase	(8,514)	(8,647)	(9,730)	(21,088)
Excess tax benefit from exercise of stock options	2,352	--	6,799	--
Net cash provided by (used for) financing activities	8,777	(7,595)	22,232	(16,416)
Effect of exchange rate changes on cash and cash equivalents	(20)	57	(7)	(77)
Net increase (decrease) in cash and cash equivalents	7,290	7,779	(4,534)	(6,268)
Cash and cash equivalents, beginning of period	57,226	54,163	69,050	68,210
Cash and cash equivalents, end of period	\$64,516	\$61,942	\$64,516	\$61,942

#### Supplemental Financial Data

(Unaudited)

(In thousands, except per share data)

	Three Months Ended				
	June 30, 2005	Sept 30, 2005	Dec 31, 2005	March 31, 2006	June 30, 2006
Revenue					
Enterprise solutions (1)	\$68,700	\$67,722	\$74,543	\$76,016	\$81,194
Developer solutions	7,828	8,515	5,688	6,117	6,923
Consumer solutions (1)	NR	NR	1,501	5,374	6,294
Total	\$76,528	\$76,237	\$81,732	\$87,507	\$94,411
Products	\$54,767	\$53,774	\$58,970	\$61,508	\$64,978
Services (2)	21,761	22,463	22,762	25,999	29,433
Total	\$76,528	\$76,237	\$81,732	\$87,507	\$94,411
Domestic	\$42,823	\$42,968	\$43,265	\$46,845	\$52,754
International	33,705	33,269	38,467	40,662	41,657
Total	\$76,528	\$76,237	\$81,732	\$87,507	\$94,411

#### Other Financial Data

Total authentication credentials (3)	1,031,000	1,051,219	1,551,076	1,723,526	2,479,999
Consumer authentication credentials (3)	NR	NR	516,195	623,398	1,349,030
Cash and cash equivalents and marketable					

securities	\$284,206	\$302,689	\$187,752	\$208,222	\$218,103
Day sales outstanding (DSO)	58	57	59	51	60
GAAP cash flow from operations	\$11,750	\$24,023	\$15,444	\$11,824	\$14,688
Non-GAAP cash flow from operations (4)	\$11,750	\$24,023	\$15,444	\$16,271	\$17,040
GAAP cash flow from operations per diluted share	\$0.16	\$0.33	\$0.21	\$0.16	\$0.19
Non-GAAP cash flow from operations per diluted share (5)	\$0.16	\$0.33	\$0.21	\$0.22	\$0.22
Book to bill ratio (6)	1.0	1.0	1.3	1.1	1.2
Total deferred revenue balance	\$51,899	\$48,846	\$54,882	\$56,040	\$70,678
Total estimated unrecognized revenue from managed service contracts (7)	NR	NR	\$24,224	\$30,207	\$41,397
Total product and services backlog (8)	\$10,304	\$12,662	\$31,673	\$32,873	\$22,829
Total	NR	NR	\$110,779	\$119,120	\$134,904
Short-term deferred revenue	\$44,317	\$42,190	\$47,453	\$47,391	\$54,271
Short-term estimated unrecognized revenue from managed service Contracts	NR	NR	\$11,399	\$15,308	\$21,031
Short-term product and services backlog	NR	NR	\$21,325	\$23,114	\$14,793
Total (9)	NR	NR	\$80,177	\$85,813	\$90,095

NR reflects metric not reported

- (1) Consumer solutions previously reported as part of enterprise solutions.
- (2) Services revenue includes maintenance and professional services revenue in addition to revenue related to Cyota's managed service offerings.
- (3) Includes RSA SecurID tokens as well as software tokens, smart cards and USB.
- (4) Non-GAAP cash flow from operations includes the tax benefit from the exercise of stock options. See Use of Non-GAAP Financial Measures in the main text of the press release.
- (5) Non-GAAP cash flow from operations per diluted share is calculated as non-GAAP cash flow from operations divided by dilutive weighted average shares outstanding during the period. See Use of Non-GAAP Financial Measures in the main text of the press release.
- (6) The book to bill ratio is equal to the ratio of total orders booked for the period plus the expected change in value of estimated unrecognized revenue from managed service contracts as compared to total revenue for the period.
- (7)\* Total estimated unrecognized revenue from managed service contracts is equal to contracted monthly fixed fees associated with the service plus contracted monthly variable fees based on an estimated number of units for the remaining term of the contract. Contract terms are typically 1-3 years. Contracts are billed monthly and are therefore excluded from deferred revenue. This metric primarily relates to Cyota's managed service offerings.
- (8)\* Total product and services backlog is equal to contracted orders for products and maintenance and professional services which have not been

fulfilled.

(9)\* Short-term represents the portion of these metrics that is expected to be recognized as revenue in the next 12 months.

\* These metrics represent management's estimates. Certain of these managed service contracts are terminable upon notice of the customer.

Condensed Consolidated Statements of Operations  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended June 30, 2006			
	GAAP	SFAS 123R Adjustment	Other Adjust- ment	Non-GAAP
<b>Revenue</b>				
Products	\$64,978	--	--	\$64,978
Maintenance, professional and managed services	29,433	--	--	29,433
<b>Total revenue</b>	<b>94,411</b>	<b>--</b>	<b>--</b>	<b>94,411</b>
<b>Cost of revenue</b>				
Products	12,649	200	--	12,449
Maintenance, professional and managed services	8,071	82	--	7,989
Amortization of technology related intangible assets	1,184	--	1,184	--
<b>Total cost of revenue</b>	<b>21,904</b>	<b>282</b>	<b>1,184</b>	<b>20,438</b>
<b>Gross profit</b>	<b>72,507</b>	<b>282</b>	<b>1,184</b>	<b>73,973</b>
<b>Costs and expenses</b>				
Research and development	19,294	528	--	18,766
Marketing and selling	33,534	797	--	32,737
General and administrative	16,950	5,522	500	10,928
Amortization of intangible assets	254	--	254	--
Restructurings	368	--	368	--
<b>Total</b>	<b>70,400</b>	<b>6,847</b>	<b>1,122</b>	<b>62,431</b>
<b>Income from operations</b>	<b>2,107</b>	<b>7,129</b>	<b>2,306</b>	<b>11,542</b>
<b>Interest income and other</b>	<b>1,065</b>	<b>--</b>	<b>--</b>	<b>1,065</b>
<b>Income before provision for income taxes</b>	<b>3,172</b>	<b>7,129</b>	<b>2,306</b>	<b>12,607</b>
<b>Provision for income taxes</b>	<b>414</b>	<b>1,303</b>	<b>333</b>	<b>2,050</b>
<b>Net income</b>	<b>\$2,758</b>	<b>\$5,826</b>	<b>\$1,973</b>	<b>\$10,557</b>
<b>Diluted earnings per share</b>				
Per share amount	\$0.04			\$0.14
Weighted average shares	74,632			74,632
Effect of dilutive equity instruments	1,967			1,967
Adjusted weighted average shares	76,599			76,599

Condensed Consolidated Statements of Operations  
(Unaudited)

The following table sets forth certain consolidated financial data as a percentage of our total revenue:

	For the three months ended, June 30, 2006		
	GAAP	Adjustment(a)	Non-GAAP
Revenue			
Products	68.9%	--%	68.9 %
Maintenance, professional and managed services	31.1	--	31.1
Total revenue	100.0		100.0
Cost of revenue			
Products	13.4	0.2 (b)	13.2
Maintenance, professional and managed services	8.5	0.1 (b)	8.4
Amortization of technology related intangible assets	1.3	1.3 (c)	--
Total cost of revenue	23.2	1.6	21.6
Gross margin	76.8	1.6	78.4
Costs and expenses			
Research and development	20.4	0.6 (b)	19.8
Marketing and selling	35.5	0.8 (b)	34.7
General and administrative	18.0	6.4 (e)	11.6
Amortization of intangible assets	0.3	0.3 (c)	--
Restructurings	0.4	0.4 (d)	--
Total	74.6	8.5	66.1
Income from operations	2.2	10.1	12.3
Interest income and other	1.1	--	1.1
Income before provision for income taxes	3.3	10.1	13.4
Provision for income taxes	0.4	1.8	2.2
Net income	2.9%	8.3%	11.2 %