

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

	Three months ended December 31,		Twelve months ended December 31,	
	2006	2005	2006	2005
Net revenues	\$ 25,153	\$ 17,519	\$ 76,062	\$ 54,579
Cost of goods sold	7,548	6,484	24,359	20,141
Gross profit	17,605	11,035	51,703	34,438
Operating costs:				
Sales and marketing	6,469	4,525	19,482	14,784
Research and development	1,905	964	5,529	3,579
General and administrative	1,993	1,351	7,157	4,556
Restructuring recovery	--	(172)	--	(172)
Amortization of purchased intangible assets	254	160	593	738
Total operating costs	10,621	6,828	32,761	23,485
Operating income	6,984	4,207	18,942	10,953
Impairment of investment in Secured Services, Inc.	--	--	(600)	--
Interest income, net	105	37	121	69
Other income (expense), net	43	(6)	178	506
Income before income taxes	7,132	4,238	18,641	11,528
Provision for income taxes	2,036	1,276	6,054	3,827
Net income	5,096	2,962	12,587	7,701
Preferred stock dividends	--	--	--	(14)
Net income available to common shareholders	\$5,096	\$2,962	\$12,587	\$7,687
Net income per share				
Basic	\$0.14	\$0.08	\$0.35	\$0.22
Diluted	\$0.13	\$0.08	\$0.33	\$0.21
Weighted average common shares outstanding:				
Basic	36,347	36,089	36,230	35,429
Diluted	37,970	37,789	37,769	37,244

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

	December 31,	
	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,768	\$ 17,143
Accounts receivable, net of allowances for doubtful accounts	19,617	12,083
Inventories, net	4,275	1,570
Prepaid expenses	1,295	726
Deferred income taxes	375	117
Other current assets	990	540
Total current assets	41,320	32,179

Property and equipment, net	3,802	982
Intangible assets, net	3,013	1,054
Goodwill	12,685	6,665
Investment in and notes receivable from Secured Services, Inc.	--	600
Deferred income taxes	465	--
Other assets	1,361	25
Total assets	\$ 62,646	\$ 41,505

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 7,579	\$ 4,753
Bank borrowings	2,154	3,173
Deferred revenue	2,557	1,765
Accrued wages and payroll taxes	3,176	2,329
Income taxes payable	920	1,547
Other accrued expenses	2,876	2,287
Total current liabilities	19,262	15,854
Deferred warranty reserves	302	256
Deferred compensation	356	--
Deferred tax liability	520	--

Stockholders' equity:

Common stock	37	36
Additional paid-in capital	61,251	59,625
Deferred compensation	--	(404)
Accumulated deficit	(20,398)	(32,984)
Accumulated other comprehensive income (loss) -- cumulative translation adjustment	1,316	(878)
Total stockholders' equity	42,206	25,395
Total liabilities and stockholders' equity	\$ 62,646	\$ 41,505

Reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to net income;

In Thousands

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
	(unaudited)		(unaudited)	
EBITDA	\$ 7,571	\$ 4,456	\$ 19,762	\$ 12,536
Interest income, net	105	37	121	69
Provision for income taxes	(2,036)	(1,276)	(6,054)	(3,827)
Depreciation and amortization	(544)	(255)	(1,242)	(1,077)
Net income	\$ 5,096	\$ 2,962	\$ 12,587	\$ 7,701

We use EBITDA as a measure of performance, a simplified tool for use in communicating our performance to investors and analysts and for comparisons to other companies within our industry. As a performance measure, we believe that EBITDA presents a view of our operating results that is most closely related to serving our customers. By excluding interest, taxes, depreciation and amortization we are able to evaluate performance without considering decisions that, in most cases, are not directly related to meeting our customers' requirements and were either

made in prior periods (e.g., depreciation and amortization), or deal with the structure or financing of the business (e.g., interest) or reflect the application of regulations that are outside of the control of our management team (e.g., taxes). Similarly, we find that the comparison of our results to those of our competitors is facilitated when we do not need to consider the impact of those items on our competitors' results.

EBITDA should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States. While we believe that EBITDA, as defined above, is useful within the context described above, it is in fact incomplete and not a measure that should be used to evaluate the full performance of the Company or its prospects. Such evaluation needs to consider all of the complexities associated with our business including, but not limited to, how past actions are affecting current results and how they may affect future results, how we have chosen to finance the business and how regulations and the other aforementioned items affect the final amounts that are or will be available to shareholders as a return on their investment. Net income determined in accordance with U.S. GAAP is the most complete measure available today to evaluate all elements of our performance. Similarly, our Consolidated Statement of Cash Flows provides the full accounting for how we have decided to use resources provided to us from our customers, lenders and shareholders.