UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

---

# FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________TO __________

Commission file number 000-24389

VASCO DATA SECURITY INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| DELAWARE | 36-4169320 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

1901 SOUTH MEYERS ROAD, SUITE 210
OAKBROOK TERRACE, ILLINOIS 60181
(Address of Principal Executive Offices)(Zip Code)

Registrant's telephone number, including area code: (630) 932-8844

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of September 30, 2000, 27,736,953 shares of the Company's Common Stock, $.001 par value per share ("Common Stock"), were outstanding.

VASCO DATA SECURITY INTERNATIONAL, INC.
FORM 10-Q
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000

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This report contains the following trademarks of the Company, some of which are registered: VASCO, AccessKey, VACMan Server and VACMan/CryptaPak, AuthentiCard and Digipass.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

VASCO DATA SECURITY INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

| | December 31, 1999 | September 30, 2000 (Unaudited) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | $ 2,576,494 | $ 14,987,353 |
| Accounts receivable, net of allowance for doubtful accounts of $120,216 and $262,951 in 1999 and 2000, respectively | 2,871,367 | 3,079,784 |
| Inventories, net | 805,382 | 800,232 |
| Prepaid expenses | 157,620 | 289,040 |
| Deferred income taxes | 83,000 | 83,000 |
| Other current assets | 925,334 | 530,820 |
| Total current assets | 7,419,197 | 19,770,229 |
| Property and equipment | | |
| Furniture and fixtures | 1,246,555 | 1,342,369 |
| Office equipment | 1,013,870 | 1,272,400 |
| | 2,260,425 | 2,614,769 |
| Accumulated depreciation | (1,070,046) | (1,224,948) |
| | 1,190,379 | 1,389,821 |
| Goodwill and other intangibles, net of accumulated amortization of $3,134,000 and $3,518,243 in 1999 and 2000, respectively | 1,989,960 | 1,452,796 |
| Prepaid royalties and other assets | 1,718,493 | 1,692,593 |
| TOTAL ASSETS | $ 12,318,029 | $ 24,305,439 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | $ 639,322 | $ 99,918 |
| Accounts payable | 2,020,465 | 1,280,305 |
| Unearned income | 667,501 | 867,442 |
| Accrued expenses | 1,618,739 | 1,771,340 |
| Total current liabilities | 4,946,027 | 4,019,005 |
| Long-term debt, including stockholder note of $5,000,000 and $0 in 1999 and 2000, respectively | 8,408,862 | 3,821,611 |
| STOCKHOLDERS' EQUITY (DEFICIT): | | |
| Preferred stock, $.01 par value; 500,000 shares authorized; none issued and outstanding | - | - |
| Common stock, $.001 par value - 75,000,000 shares authorized; 26,462,083 and 27,736,953 shares issued and outstanding in 1999 and 2000, respectively | 26,462 | 27,737 |
| Convertible preferred stock | - | 6,489,102 |
| Additional paid-in capital | 20,702,387 | 36,569,858 |
| Accumulated deficit | (21,873,340) | (26,186,946) |
| Accumulated other comprehensive income- cumulative translation adjustment | 107,631 | (434,928) |
| Total stockholders' equity (deficit) | (1,036,860) | 16,464,823 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | $ 12,318,029 | $ 24,305,439 |

See accompanying notes to consolidated financial statements.

VASCO DATA SECURITY INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three months ended September 30, 1999 | Three months ended September 30, 2000 | Nine months ended September 30, 1999 | Nine months ended September 30, 2000 |
|---|---|---|---|---|
| Net revenues | $ 4,895,060 | $ 5,669,766 | $ 15,047,267 | $ 17,746,210 |
| Cost of goods sold | 1,896,617 | 2,314,997 | 5,593,455 | 6,551,320 |
| Gross profit | 2,998,443 | 3,354,769 | 9,453,812 | 11,194,890 |
| Operating costs: | | | | |
| Sales and marketing (exclusive of $204,207 for the three and nine months ended September 30, 2000, respectively, reported below as non-cash compensation) | 1,175,142 | 2,493,742 | 3,975,261 | 6,701,638 |
| Research and development | 870,873 | 1,074,970 | 2,589,601 | 2,972,396 |
| General and administrative (exclusive of $467,461 for the three and nine months ended September 30, 2000, respectively, reported below as non-cash compensation) | 705,125 | 1,458,845 | 2,461,307 | 3,893,991 |
| Non-cash compensation | - | 671,668 | - | 671,668 |
| Total operating costs | 2,751,140 | 5,699,225 | 9,026,169 | 14,239,693 |
| Operating income (loss) | 247,303 | (2,344,456) | 427,643 | (3,044,803) |
| Interest expense | (234,122) | (63,000) | (658,483) | (275,764) |
| Other income (expense), net | 39,019 | 160,942 | (370,968) | (919,002) |
| Income (loss) before income taxes | 52,200 | (2,246,514) | (601,808) | (4,239,569) |
| Provision for income taxes | 383,337 | 55,908 | 744,380 | 73,167 |
| Net loss | (331,137) | (2,302,422) | (1,346,188) | (4,312,736) |
| Accretion of warrants | - | (290,996) | - | (290,996) |
| Net loss available to common stockholders | $ (331,137) | (2,593,418) | (1,346,188) | (4,603,732) |
| Basic and diluted net loss per common share | $ (0.01) | (0.09) | (0.06) | (0.17) |
| Weighted average common shares outstanding | 26,648,570 | 27,477,514 | 22,538,597 | 27,180,606 |

See accompanying notes to consolidated financial statements.

VASCO DATA SECURITY INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

| | Three months ended September 30, 1999 | Three months ended September 30, 2000 | Nine months ended September 30, 1999 | Nine months ended September 30, 2000 |
|---|---|---|---|---|
| Net loss | $ (331,137) | $(2,302,422) | $(1,346,188) | $(4,312,736) |
| Other comprehensive income (loss)- cumulative translation adjustment | 98,698 | (343,083) | 198,393 | (542,559) |
| Comprehensive loss | $ (232,439) | $(2,645,505) | $(1,147,795) | $(4,855,295) |

See accompanying notes to consolidated financial statements.

VASCO DATA SECURITY INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Nine months ended September 30, 1999 | 2000 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (1,346,188) | $ (4,312,736) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 851,710 | 840,142 |
| Interest paid in shares of common stock | 78,750 | 78,750 |
| (Gain) loss on sale of fixed assets | (16,096) | 5,688 |
| Non-cash compensation expense | - | 671,668 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 1,161,600 | (208,417) |
| Inventories, net | 464,859 | 5,150 |
| Other current assets | (587,452) | 263,094 |
| Accounts payable | 133,533 | (740,160) |
| Unearned income | (358,732) | 199,941 |
| Other accrued expenses | (155,956) | 152,601 |
| Prepayment of royalties | (1,100,000) | - |
| Net cash used in operating activities | (873,972) | (3,044,279) |
| Cash flows from investing activities: | | |
| Acquisition of Secure Ware/DMIC | (370,000) | - |
| Other assets | - | (5,273) |
| Additions to property and equipment | (347,954) | (477,802) |
| Net cash used in investing activities | (717,954) | (483,075) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options/warrants | 94,225 | 1,607,427 |
| Net proceeds from sales of common stock | 10,737,332 | - |
| Issuance of convertible preferred stock | | 15,000,000 |
| Proceeds from issuance of debt | - | 412,749 |
| Repayment of debt | (6,310,018) | (539,404) |
| Net cash provided by financing activities | 4,521,539 | 16,480,772 |
| Effect of exchange rate changes on cash | 198,393 | (542,559) |
| Net increase in cash | 3,128,006 | 12,410,859 |
| Cash, beginning of period | 1,662,084 | 2,576,494 |
| Cash, end of period | $ 4,790,090 | $ 14,987,353 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 491,867 | $ 188,826 |
| Income taxes paid | $ 266,170 | $ 19,166 |
| Supplemental disclosure of non-cash investing activities: | | |
| Stock issued for acquisition | $ 698,300 | $ - |
| Debt converted to preferred stock | $ - | $ 5,000,000 |
| Accretion of warrants | $ - | $ 290,996 |

See accompanying notes to consolidated financial statements.

VASCO DATA SECURITY INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of VASCO Data Security International, Inc. and its subsidiaries (collectively, the "Company" or "VASCO") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

During the fourth quarter of 1999, the Company acquired IntelliSoft Corp. in a transaction which has been accounted for under the pooling-of-interests method. Accordingly, the consolidated financial statements for the three and nine months ended September 30, 1999 have been restated as if IntelliSoft had been combined for that period.

At the end of August 2000, the Company acquired Invincible Data Systems (IDS) in a transaction which has been accounted for under the pooling-of-interests method. A total of 322,565 shares were issued in this transaction, which is deemed immaterial.

In the opinion of management, the accompanying unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results of the interim periods presented. All significant intercompany accounts and transactions have been eliminated. The operating results for the interim periods presented are not necessarily indicative of the results expected for a full year.

NOTE 2- LONG-TERM DEBT

In April 2000, long-term debt held by a stockholder of the Company in the amount of $5,000,000 was converted into 416,666 shares of common stock.

NOTE 3- STOCKHOLDERS' EQUITY

During the first quarter of 2000 the Company filed a registration statement in connection with an offering of its common stock to the public. On April 13, 2000, the Company terminated this offering due to the volatility of market conditions. Costs related to this offering of $1,330,662 were written-off and included in other expense in the consolidated statement of operations.

In July 2000, the Company issued 150,000 shares of preferred stock for cash of $15,000,000. The preferred stock is convertible into 1,052,632 shares of common stock at any time over the next 48 months. In conjunction with this financing, the company issued warrants to purchase 789,474 common shares at $15 per share with an estimated imputed value using the Black-Scholes pricing model of approximately $4.9 million and warrants to purchase 480,000 shares at $4.25 per share with an estimated imputed value using the Black-Scholes pricing model of approximately $5.2 million. The warrants issued at $15 per share are immediately exercisable. The warrants issued at $4.25 are exercisable over 48 months and the related imputed value is being accreted reducing earnings available to common stockholders. Accretion of $291,000 was recognized in the third quarter of 2000 as an increase of loss available to common stockholders.

Non-cash compensation expense of $672,000 was recognized during the third quarter of 2000. This charge is attributable to stock options issued to officers of the Company that are located outside the US and whose services are rendered under consulting agreements If these officers were employees located in the US, no charge would be required.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

VASCO secures the enterprise from the mainframe to the Internet with infrastructure solutions that enable and secure e-business and e-commerce, protect sensitive information, and safeguard the identity of users. The Company's family of DigipassT, VACMAN(R), and SnareWorksT products offers end-to-end security through true Single Sign-On, access control and advanced entitlements, web portal security, strong user authentication, and PKI enablement, while sharply reducing the time and effort required to deploy and manage security. VASCO's customers include hundreds of financial institutions, blue-chip corporations, and government agencies in more than 50 countries, among them John Hancock, ABN AMRO Bank, Shell, 3M, Ericsson, Rabobank, SEB, First Union, Liberty Mutual, Cable and Wireless, Nokia, DaimlerChrysler, Volvo, European Commission, US Coast Guard, University of Groningen, and Duke University. VASCO's partners include Ubizen, Intel, Computer Associates, Lernout & Hauspie, Check Point Software Technologies, and Novell.

## CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 concerning, among other things, the prospects, developments and business strategies for the Company and its operations, including the development and marketing of certain new products and the anticipated future growth in certain markets in which the Company currently markets and sells its products or anticipates selling and marketing its products in the future. These forward-looking statements (i) are identified by their use of such terms and phrases as "expected," "expects," "believe," "believes," "will," "anticipated," "emerging," "intends," "plans," "could," "may," "estimates," "should," "objective," and "goals" and (ii) are subject to risks and uncertainties and represent the Company's present expectations or beliefs concerning future events. The Company cautions that the forward-looking statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including (a) risks of general market conditions, including demand for the Company's products and services, competition and price levels and the Company's historical dependence on relatively few products, certain suppliers and certain key customers, and (b) risks inherent to the computer and network security industry, including rapidly changing technology, evolving industry standards, increasing numbers of patent infringement claims, changes in customer requirements, price competitive bidding, changing government regulations and potential competition from more established firms and others. Therefore, results actually achieved may differ materially from expected results included in, or implied by these statements.

## COMPARISON OF THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1999 AND SEPTEMBER 30, 2000

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements for the three and nine months ended September 30, 1999 and 2000.

### Revenues

Revenues for the three months ended September 30, 2000 were $5,670,000, an increase of $775,000, or 16%, as compared to the three months ended September 30, 1999. For the nine months ended September 30, 2000, revenues increased 18% to $17,746,000 from $15,047,000 in 1999. The decline in Euro denominated currencies adversely impacted revenues. Using 1999 translation rates, revenues in the first nine months of 2000 would have been 28% higher over the same period last year. These increases can be attributed to strong demand in the market place for the Company's security products.

Cost of Goods Sold

Cost of goods sold for the three months ended September 30, 2000 was $2,315,000, an increase of $418,000, or 22%, as compared to the three months ended September 30, 1999. For the nine months ended September 30, 2000, cost of goods sold increased 17% to $6,551,000 from $5,593,000 in 1999. These increases are due primarily to increased revenues for the periods.

Gross Profit

The Company's gross profit for the three months ended September 30, 2000 was $3,355,000, an increase of $356,000, or 12%, as compared to the three months ended September 30, 1999. This represents a gross margin of 59%, as compared to 61% for the same period of 1999. This decrease can be attributed to an increase in high volume orders which are sold at a discount versus smaller volume orders.

For the nine months ended September 30, 2000, gross profit was $11,195,000, an increase of $1,741,000, or 18%, as compared to 1999. This represents a gross margin of 63%, equally comparable to the same period in 1999.

Sales and Marketing Expenses

Sales and marketing expenses for the three months ended September 30, 2000 were $2,494,000, an increase of $1,319,000, or 112%, over the three months ended September 30, 1999. Selling and marketing expenses also increased 69% in the first nine months of 2000 to $6,702,000 from $3,975,000 in the first nine months of 1999. This increase is due to increased sales efforts in both Europe and the United States, including increased travel costs and an increase in marketing activities. Also, higher recruiting and investor-related expenses contributed to this variance. Additionally, the Company continues to invest in its customer support infrastructure, which becomes more and more important as the client base continues to expand.

Research and Development

Research and development costs for the three months ended September 30, 2000 were $1,075,000, an increase of $204,000, or 23%, as compared to the three months ended September 30, 1999. Research and development costs increased 15% in the first nine months of 2000 to $2,972,000 from $2,590,000 in the first nine months of 1999. The Company continues to expand its research and development activities to expand its product offerings and product functionality.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2000 were $1,459,000, an increase of $754,000, or 107%, compared to the three months ended September 30, 1999. General and administrative expenses increased 58% in the first nine months of 2000 to $3,894,000 from $2,461,000 in the first nine months of 1999. The Company's administrative headcount increased from 10 during the nine months ended September 30, 1999 to 25 for the nine months ended September 30, 2000. These employees were added to support administrative activities resulting from increased sales growth.

The Company had non-cash compensation expense of $672,000 for the three months ended September 30, 2000. This is related to stock options issued to two officers of the Company who are headquartered in Belgium. For statutory reasons in Belgium, these full time employees are employed under consulting agreements. Under a recent accounting interpretation issued by the Financial Accounting Standards Board (FASB) (FIN No. 44), these options must be treated as options to non-employees and must be expensed using variable plan accounting over the vesting period of the options. Variable plan accounting will result in additional charges to expenses or recoveries of previously expensed amounts depending on the Company's stock price at the end of each reporting period. The magnitude of the charges or recoveries cannot be determined currently.

Interest Expense

Interest expense for the three months ended September 30, 2000 was $63,000, compared to $234,000, a decrease of 73% from the same period of 1999. Interest expense decreased 58% in the first nine months of 2000 to $276,000 from $658,000 in the first nine months of 1999. This decrease is due to a reduction in the debt base, facilitated by a private placement that occurred in April of 1999 and the conversion of $5,000,000 of debt to common stock which occurred in April of 2000.

Other Income (Expense), net

Other income, net for the three months ended September 30, 2000 was $161,000, compared to $39,000 for the same period of 1999. Other expense, net for the nine-month period ended September 30, 2000 was ($919,000) compared to ($371,000) for the same period of 1999. The increase is due primarily to the write-off of costs of $1,331,000 related to a public offering, which was terminated during April of 2000 partially offset by a foreign currency gain.

Income Taxes

Income tax expense of $56,000 for the three months ended September 30, 2000 and $73,000 for the nine months ended September 30, 2000 relates to foreign operations. This compares with income tax expense of $383,000 for the three-month period ended September 30, 1999 and $744,000 for the nine-month period ended September 30, 2000. The reduction in income tax expense is a result of income tax planning strategies implemented by the Company during the fourth quarter of 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $14,987,000 at September 30, 2000, which is an increase of approximately $12,411,000 from $2,576,000 at December 31, 1999. As of September 30, 2000, the Company had working capital of $15,751,000.

At September 30, 2000 the Company had lines of credit from European banks totaling approximately $3,700,000 of which approximately $1,700,000 was unused.

Capital expenditures during the first nine months of 2000 were $478,000 and consisted primarily of computer equipment and office furniture and fixtures.

During April 2000, a convertible note in the amount of $5,000,000 was converted into 416,666 shares of the Company's common stock.

In July 2000, the Company issued 150,000 shares of preferred stock for cash of $15,000,000. The preferred stock is convertible into 1,052,632 shares of common stock at any time over the next 48 months. In conjunction with this financing, warrants to purchase 789,474 common shares at $15 per share and warrants to purchase 480,000 shares at $4.25 per share over the next 48 months were also issued.

The Company generated a loss before taxes, interest, depreciation and amortization, and offering costs of $1,839,000 for the three months ended September 30, 2000 and $1,936,000 for the nine-month period ended September 30, 2000. The Company believes that its current cash balances, anticipated cash generated from operations, and amounts available under its credit lines, will be sufficient to meet its anticipated cash needs through the next twelve months.

The Company intends to seek acquisitions of businesses, products and technologies that are complementary or additive to those of the Company. While from time to time the Company engages in discussions with respect to potential acquisitions, there can be no assurance that any such acquisitions will be made.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Interpretation No. 44 (FIN No. 44), "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of Accounting Principles Board Opinion No. 25, is effective for financial statements beginning after July 1, 2000. The Company has evaluated the impact of this pronouncement on its financial statements and has recorded a charge as part of its operating expenses as "Non-cash compensation". The Company has determined that options granted to two full-time executive officers are deemed non-employees under FIN No. 44 because their services are rendered under consulting agreements. This resulted in compensation expense charges of $672,000 in the third quarter of 2000. These options were accounted for using variable plan accounting and the amounts of future compensation expense will be determined based upon the Company's stock price at each reporting date.

During 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities, which is effective for all fiscal years beginning after September 15, 2000. SFAS No. 133 establishes a comprehensive standard for the recognition and measurement of derivative instruments and hedging activities. The Company does not expect the adoption of the new standard to have a material impact on consolidated financial position, liquidity, or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended, which is effective no later than the fourth fiscal quarter of fiscal 2000. The Company does not expect the adoption of this accounting pronouncement to have a significant impact on its results of operations, financial position or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the nine-month period ended September 30, 2000. For additional information, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS, None.

ITEM 2.  CHANGES IN SECURITIES.  None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS. None.

ITEM 5. OTHER INFORMATION. None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) The following exhibits are filed with this Form 10-Q or incorporated by reference as set forth below:

| Exhibit Number | Description |
| --- | --- |
| 27 | Financial Data Schedule. |

(b) Reports on Form 8-K

No reports on Form 8-K have been filed by the Registrant during the quarter ended September 30, 2000.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 13, 2000.

VASCO Data Security International, Inc.

/s/ Mario R. Houthooft
-----------------------------------------
Mario R. Houthooft
Chief Executive Officer and President

/s/ Dennis D. Wilson
-----------------------------------------
Dennis D. Wilson
Vice President and Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 27 | Financial Data Schedule. |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS END SEPTEMBER 30, 1999 AND 2000. CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 1999 AND SEPTEMBER 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
DEC-31-1999
SEP-30-2000
14,987,353
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3,342,735
(262,951)
800,232
19,770,229
2,614,769
(1,224,948)
24,305,439
4,019,005
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0
6,489,102
27,737
9,947,984
24,305,439
17,746,210
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6,551,320
14,239,693
(919,002)
0
275,764
(4,239,569)
73,167
(4,603,732)
0
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(4,603,732)
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