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 MARCH 31, 2002

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 May 3, 2002, 28,260,558 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 MARCH 31, 2002

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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, 2001 (Audited)	March 31, 2002 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 6,342,440	$ 3,967,621
Accounts receivable, net of allowance for doubtful accounts of $206,913 and $87,470 in 2001 and 2002	3,791,916	5,130,629
Inventories, net	2,012,567	1,634,115
Prepaid expenses	405,815	441,048
Deferred income taxes	83,000	83,000
Other current assets	661,597	13,440
Total current assets	13,297,335	11,269,853
Property and equipment		
Furniture and fixtures	1,733,349	1,764,827
Office equipment	2,070,090	2,115,036
	3,803,439	3,879,863
Accumulated depreciation	(2,088,939)	(2,300,998)
	1,714,500	1,578,865
Intangible assets, net of accumulated amortization of $4,621,160 in 2001 and $4,752,650 in 2002	2,411,888	2,280,398
Other assets	27,273	56,801
Total assets	$ 17,450,996	$ 15,185,917
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 158,990	$ 95,750
Accounts payable	3,326,652	2,119,525
Deferred revenue	869,893	577,191
Other accrued expenses	2,269,468	2,009,639
Total current liabilities	6,625,003	4,802,105
Long-term debt, less current maturities	3,667,882	3,444,151
Minority interest	11,023	11,023
STOCKHOLDERS' EQUITY :		
Series C Convertible Preferred Stock, $.01 par value - 500,000 shares authorized; 150,000 shares issued and outstanding in 2001 and 2002	7,944,082	8,235,078
Common stock, $.001 par value - 75,000,000 shares authorized; 28,260,558 shares issued and outstanding in 2001 and 2002	28,263	28,263
Additional paid-in capital	37,693,098	37,529,268
Accumulated deficit	(38,069,082)	(38,229,275)
Accumulated other comprehensive income (loss) - cumulative translation adjustment	(449,273)	(634,696)
Total stockholders' equity	7,147,088	6,928,638
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 17,450,996	$ 15,185,917

See accompanying notes to consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	2001	2002
Net revenues	$ 7,872,725	$ 6,032,428
Cost of goods sold	2,792,725	2,228,860
Gross profit	5,080,000	3,803,568
Operating costs:		
Sales and marketing (exclusive of $46,005 and $38,658 for the three months ended March 31, 2001 and 2002, respectively, reported below as non-cash compensation)	3,340,273	2,187,820
Research and development	1,228,835	658,851
General and administrative (exclusive of $105,326 and $88,508 for the three months ended March 31, 2001 and 2002, respectively, reported below as non-cash compensation)	1,482,504	998,643
Non-cash compensation	151,331	127,166
Total operating costs	6,202,943	3,972,480
Operating income (loss)	(1,122,943)	(168,912)
Interest income (expense), net	129,973	(41,118)
Other income, net	128,173	49,796
Income (loss) before income taxes	(864,797)	(160,234)
Provision (benefit) for income taxes	173,777	(41)
Net loss	$ (1,038,574)	$ (160,193)
Preferred stock accretion	(290,996)	(290,996)
Net loss available to common shareholders	$ (1,329,570)	$ (451,189)
Basic and diluted net loss per common share	$ (0.05)	$ (0.02)
Weighted average common shares outstanding	27,893,127	28,260,558

See accompanying notes to consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	2001	2002
Net loss	$(1,038,574)	$ (160,193)
Other comprehensive income (loss) - cumulative translation adjustment	(253,498)	(185,423)
Comprehensive income (loss)	$(1,292,072)	$ (345,616)

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31, 2001	Three months ended March 31, 2002
Cash flows from operating activities:		
Net loss	$ (1,038,574)	$ (160,193)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	606,314	343,851
Gain on sale of fixed assets	(13,081)	-
Non-cash compensation expense	151,331	127,166
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	3,358,711	(1,338,713)
Inventories, net	(922,567)	378,452
Prepaid expenses	137,594	(35,233)
Other current assets	241,048	618,629
Accounts payable	(498,391)	(1,207,127)
Deferred revenue	(334,654)	(292,702)
Customer deposits	(554,439)	-
Accrued expenses	(182,302)	(259,829)
Net cash provided by (used in) operations	950,990	(1,825,699)
Cash flows from investing activities:		
Acquisition of Identikey, Ltd.	141,156	-
Additions to property and equipment, net	(140,495)	(76,726)
Net cash provided by (used in) by investing activities	661	(76,726)
Cash flows from financing activities:		
Proceeds from exercise of stock options/warrants	12,662	-
Repayment of debt	(144,999)	(286,971)
Net cash used in financing activities	(132,337)	(286,971)
Effect of exchange rate changes on cash	(253,498)	(185,423)
Net increase (decrease) in cash	565,816	(2,374,819)
Cash, beginning of period	13,832,645	6,342,440
Cash, end of period	$ 14,398,461	$ 3,967,621
Supplemental disclosure of cash flow information:		
Interest paid	$ 48,509	$ 56,129
Supplemental disclosure of non-cash investing activities -		
Common stock issued in connection with acquisition	$ 1,903,366	$ -

See accompanying 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, 2001.

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- NEW ACCOUNTING PRONOUNCEMENTS INCLUDING INTANGIBLE ASSET DATA

During the first quarter of 2002, VASCO implemented SFAS No. 142, "Goodwill and Other Intangible Assets", which replaces the requirements to amortize intangible assets with indefinite lives and goodwill with a requirement for an impairment test. SFAS 142 also establishes requirements for identifiable intangible assets. As a result, during the quarter VASCO reclassified $1,222,898 of intangible assets into goodwill. Operating income for the first quarter of 2001 includes $41,931 of amortization of goodwill and other intangible assets that are not included in 2002 results, because of the implementation of SFAS No. 142. The Company did not perform any impairment test as of March 31, 2002.

Intangible asset data as of March 31, 2002 are as follows:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets -		
Current technology	$5,810,151	$3,779,719
Unamortized intangible assets - Goodwill	$1,222,898	$ 972,931
Aggregate amortization expense -		
For the quarter ended March 31, 2002	$ 131,490	
Estimated amortization expense for the year ended:		
December 31, 2002	$ 525,963	
December 31, 2003	484,176	
December 31, 2004	271,008	
December 31, 2005	271,008	

Net income would have been $41,931 higher and basic and diluted earnings per share would not have changed for the three months ended March 31, 2001, if SFAS 142 had been implemented at the beginning of that period.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. SFAS 143 must be applied starting with fiscal years beginning after June 15, 2002. Management is currently evaluating the impact that the adoption of SFAS 143 will have on the consolidated financial statements.

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

VASCO designs, develops, markets and supports open standards-based hardware and software security systems which manage and secure access to data.

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 MONTHS ENDED MARCH 31, 2002 AND MARCH 31, 2001

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements for the three months ended March 31, 2002 and 2001.

Revenues

Revenues for the three months ended March 31, 2002 were $6,032,000, a decrease of $1,840,000, or 23%, as compared to the three months ended March 31, 2001. Revenues from the Digipass product line represented about 86% of our sales while revenues from the VACMAN product line represented about 14% of our sales. This compares with 71% of revenues from Digipass products versus 29% from VACMAN products in the prior year first quarter. The change in composition of sales is due to the decision to cease active sales and marketing activities for VACMAN Enterprise software. Geographically, 12% of revenues in the first quarter of 2002 were from the U.S. and 88% from outside the U.S., primarily Europe. In the first quarter of 2001, 35% of revenues were from the U.S. and 65% from outside the U.S., primarily Europe. This change is also due to the reduction in sales from VACMAN Enterprise products.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2002 was $2,229,000, a decrease of $564,000, or 20%, as compared to the three months ended March 31, 2001. The decrease was due to the decline in sales as previously described.

Gross Profit

The Company's gross profit for the three months ended March 31, 2002 was $3,804,000, a decrease of $1,276,000, or 25%, as compared to the three months ended March 31, 2001. The decrease in gross profit is due to lower revenues for the period. This represents a gross margin of 63%, as compared to 65% for the same period of 2001. The decline in margin is related to the product sales mix, as there were less sales from VACMAN Enterprise products in 2002.

Sales and Marketing Expenses

Sales and marketing expenses for the three months ended March 31, 2002 were $2,188,000, a decrease of $1,152,000, or 35%, over the three months ended March 31, 2001. Although headcount remained almost the same as last year, 60 and 59 in the first quarter of 2002 and 2001, respectively, the resources were redirected to less expensive geographic locations. Additionally, reductions in advertising, public relations, and trade shows contributed to this decline.

Research and Development

Research and development costs for the three months ended March 31, 2002 were $659,000, a decrease of $570,000, or 46%, as compared to the three months ended March 31, 2001. The Company has consolidated its research and development centers, reducing headcount from 38 to 21. Also, a reduction in amortization expense of intangible assets written off at the end of last year impacted this favorable variance.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2002 were $999,000, a decrease of $484,000, or 33%, compared to the three months ended March 31, 2001. This decrease was principally due to headcount reduction from 18 to 13 in the first quarter of 2001 and 2002, respectively. Also contributing to this decrease were reduced depreciation and amortization expenses related to the assets written off at the end of last year, and reduced costs to support a smaller world wide infrastructure.

Interest Expense, Net

Net interest expense for the three months ended March 31, 2002 was $41,000, compared to net interest income of $130,000 for the same period in 2001. This change was due to a reduction of invested cash balances.

Income Taxes

Income tax expense of $0 for the three months ended March 31, 2002 and $174,000 for the three months ended March 31, 2001 relate to foreign operations. The decrease in income tax expense is a result of net loss carry-overs from prior years in European operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $3,968,000 at March 31, 2002, which is a decrease of approximately $2,375,000 from $6,343,000 at December 31, 2001. As of March 31, 2002, the Company had working capital of $6,468,000 compared with $6,672,000 at December 31, 2001.

At March 31, 2002, the Company had lines of credit from European banks totaling approximately $3,400,000, none of which were used.

Capital expenditures during the first three months of 2001 were $77,000 and consisted primarily of computer equipment and office furniture and fixtures.

The Company recorded an operating loss before non-cash compensation for stock options to certain officers of the Company, of $42,000 and a net loss before these options of $33,000. However, the Company had an income before non-cash compensation, interest, taxes, depreciation and amortization of $352,000. The Company believes that its current cash balances and anticipated cash generated from operations, 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the three month period ended March 31, 2002. For additional information, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On March 13, 2002, a suit was filed against the Company claiming patent infringement, false designation or origin and tradedress infringement. The case is currently being evaluated by the Company and its legal counsel. The Company believes the suit is without merit. As the suit is in its early stages, management is unable to estimate the effect of this suit at this time.

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. None.

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 May 14, 2002.

VASCO Data Security International, Inc.

/s/ Mario R. Houthooft

Mario R. Houthooft
Chief Executive Officer and President

/s/ Dennis D. Wilson

Dennis D. Wilson
Executive Vice President and Chief
Financial Officer (Principal Financial
Officer and Principal Accounting Officer)