SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 26, 2007

VASCO Data Security International, Inc.
(Exact name of registrant as specified in charter)

Delaware	**000-24389**	**36-4169320**
(State or other juris- diction of incorporation)	**(Commission File Number)**	**(IRS 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

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 Results of Operations and Financial Condition

On April 26, 2007, VASCO Data Security International, Inc. (VASCO) issued a press release providing a financial update for the first quarter which ended March 31, 2007. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

On April 26, 2007, VASCO held a conference call with investors to discuss VASCO's first quarter earnings and results of operations for the quarter ended March 31, 2007. A script read by officers of VASCO during the conference call is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The press release and the comments by VASCO during the conference call contained a non-GAAP financial measure within the meaning of the Securities and Exchange Commission's Regulation G. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

The press release contained a reference to EBITDA and provided a reconciliation of EBITDA to net income on the face of the Consolidated Statement of Operations. EBITDA, which is earnings before interest, taxes, depreciation and amortization, is computed by adding back net interest expense, income tax expense, depreciation expense, and amortization expense to net income as reported.

ITEM 9.01 Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Press release, dated April 26, 2007, providing financial update of VASCO Data Security International, Inc. for the first quarter ended March 31, 2007.
99.2	Text of script for April 26, 2007 Earnings Conference Call.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 26, 2007	VASCO Data Security International, Inc. (Registrant)	
		By: /s/ Clifford K. Bown Clifford K. Bown Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release, dated April 26, 2007, announcing financial update of VASCO Data Security International, Inc. for the first quarter ended March 31, 2007.
99.2	Text of script for April 26, 2007 Earnings Conference Call.

VASCO Reports Results for First Quarter of 2007

Revenues increase 93% over Q1 2006; Operating income increases 137% over Q1 2006. Revenue for the quarter is the best in the Company's history. Financial results for first quarter of 2007 to be discussed on conference call today at 10:00 a.m. E.D.T.

OAKBROOK TERRACE, Ill., and ZÜRICH, Switzerland, April 26, 2007—VASCO Data Security International, Inc. (Nasdaq: VDSI) (www.vasco.com), today reported its financial results for the first quarter ended March 31, 2007.

Revenues for the first quarter of 2007 increased 93% to $26.4 million from $13.7 million in the first quarter of 2006. Net income for the first quarter 2007 increased 324% to $5.0 million, or $0.13 per diluted share, from $1.2 million, or $0.03 per diluted share, in the first quarter of 2006.

Financial Highlights:

- Gross profit was $17.5 million or 66% of revenue for the first quarter of 2007 and compares to gross profit of $9.5 million or 69% of revenue in the first quarter of 2006.
- Operating expenses for the first quarter of 2007 were $10.7 million, an increase of $4.1 million or 63% from $6.6 million reported for the first quarter 2006. Operating expenses in 2007 and 2006 included $0.4 million and $0.3 million, respectively, related to stock based incentives.
- Operating income for the first quarter was $6.9 million, an increase of $4.0 million or 137% from $2.9 million reported for the first quarter of 2006. Operating income as a percentage of revenue for the first quarter of 2007 was 26% compared to 21% for the first quarter of 2006.
- Earnings before interest, taxes, depreciation and amortization was $7.6 million for the first quarter of 2007, an increase of 231% from $2.3 million reported for the first quarter of 2006.
- Net cash balances, total cash and cash equivalents less bank borrowings, at March 31, 2007 totaled $16.8 million compared to $12.6 million at December 31, 2006.

Operational and Other Highlights:

- A total of 619 new accounts sold in the first quarter 2007, including 94 banks and 525 Enterprise Security customers. In the first quarter of 2006, 341 new accounts were sold, including 34 banks and 307 Enterprise Security customers.
- AIB (Ireland) to use VASCO's Alphanumeric Digipass 550 and VACMAN Controller
- KBC (Belgium) offers secure retail e-banking and e-commerce with Digipass 810
- Discount Bank (Uruguay) secures its private banking customers with Digipass GO3 and VACMAN Controller
- Reliance Money (India) to use Digipass GO3 and VACMAN Controller
- Huntington Bank (U.S.A.) secures online corporate business with Digipass GO3 and VACMAN Controller
- VASCO establishes European Headquarters in Zürich (Switzerland)
- VASCO launches aXs GUARD authentication appliance and adds SSL-VPN service
- VASCO launches refined Digipass Pack strategy for Small and Medium Enterprises ('SME's")

Guidance for full-year 2007:

VASCO reaffirmed the full-year 2007 guidance provided on February 20, 2007, which included:

- Revenue growth of 35% to 45% for the full-year 2007 over full-year 2006,
- Gross margins as a percentage of revenue of 60% to 68% for the full-year 2007, and
- Operating margins as a percentage of revenue of 18% to 25%.

"The growth in our revenue and profitability continue to demonstrate the effectiveness of our Full-Option, All-Terrain Strategy, which was introduced in the first quarter of 2006," said Ken Hunt, VASCO's CEO, and Chairman. "Throughout 2006, we increased the functionality of our core platform, VACMAN Controller, and acquired companies/technologies that expanded the breadth of our product line. The strength of our product offering is being accepted at record levels by customers looking to strongly authenticate users to its applications."

"The results of the first quarter in 2007 reflect the continued strong growth of the business in both our banking and the enterprise security markets compared to the first quarter of 2006," said Jan Valcke, VASCO's President and COO. "We are and will continue to invest heavily in our infrastructure to meet the growing market demand, which is evidenced by a strong flow of new opportunities and new orders. As we start the second quarter, we have a backlog of firm orders to be shipped in the second quarter of $28.0 million, which is 75% higher than the $16.0 million backlog we had entering the second quarter of 2006 and 51% higher than the $18.5 million in actual sales reported for Q2 2006."

Cliff Bown, Executive Vice President and CFO added, "Our balance sheet continues to be strong. Net cash balances, cash and cash equivalents less bank borrowings, were $16.8 million, an increase of $4.2 million or 33% from December 31, 2006. Our working capital was $29.0 million at the end of the first quarter, an increase of $6.9 million, or 31%, from $22.1 million at December 31, 2006. Days Sales Outstanding (DSO) in net accounts receivable increased to 81 days at March 31, 2007 from 72 days at December 31, 2006."

Conference Call Details

In conjunction with this announcement, VASCO Data Security International, Inc. will host a conference call today, April 26, 2007, at 10:00 a.m. EDT - 16:00h CET. During the Conference Call, Mr. Ken Hunt, CEO, Mr. Jan Valcke, President and COO, and Mr. Cliff Bown, CFO, will discuss VASCO's Results for the First Quarter of 2007.

To participate in this Conference Call, please dial one of the following numbers:

USA/Canada: +1 888-335-5539

International: +1 973-582-2857

And mention access code: VASCO to be connected to the Conference Call.

The Conference Call is also available in listen-only mode on www.vasco.com. Please log on 15 minutes before the start of the Conference Call in order to download and install any necessary software. The recorded version of the Conference Call will be available on the VASCO website 24 hours a day.

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

	Three months ended March 31, 2007	Three months ended March 31, 2006
Net revenues	$26,405	$13,690
Cost of goods sold	8,875	4,239
Gross profit	17,530	9,451
Operating costs:		
Sales and marketing	6,090	3,977
Research and development	1,923	942
General and administrative	2,387	1,534
Amortization of purchased intangible assets	258	98
Total operating costs	10,658	6,551
Operating income	6,872	2,900
Impairment of investment in Secured Services, Inc.	—	(789)
Interest income	58	60
Other income (expense)	(37)	(27)
Income before income taxes	6,893	2,144
Provision for income taxes	1,930	974
Net income	$ 4,963	$ 1,170
Basic net income per common share	$ 0.14	$ 0.03
Diluted net income per common share	$ 0.13	$ 0.03
Weighted average common shares outstanding:		
Basic	36,564	36,114
Diluted	38,094	37,712

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

	March 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and equivalents	$ 19,959	$ 14,768
Accounts receivable, net of allowances for doubtful accounts	23,194	19,617
Inventories, net	5,725	4,275
Prepaid expenses	1,483	1,295
Deferred income taxes	488	375
Other current assets	990	990
Total current assets	51,839	41,320
Property and equipment, net	1,621	1,422
Goodwill	12,849	12,685
Intangible assets, net	2,788	3,013
Other assets	3,845	4,206
Total assets	$ 72,942	$ 62,646
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,348	$ 7,579
Bank borrowings	3,137	2,154
Deferred revenue	2,836	2,081
Accrued wages and payroll taxes	3,166	3,176
Income taxes payable	3,169	1,396
Other accrued expenses	3,196	2,876
Total current liabilities	22,852	19,262
Deferred warranty reserves	261	302
Deferred compensation	475	356
Deferred tax liability	522	520
Stockholders' equity:		
Common stock	37	37
Additional paid-in capital	62,576	61,251
Accumulated deficit	(15,435)	(20,398)
Accumulated other comprehensive income -cumulative translation adjustment	1,654	1,316
Total stockholders' equity	48,832	42,206
Total liabilities and stockholders' equity	$ 72,942	$ 62,646

Reconciliation of EBITDA to net income (in thousands):

	Three Months Ended March 31, 2007	2006
	(Unaudited)	
EBITDA	$ 7,554	$2,280
Interest income	58	61
Provision for income taxes	(1,930)	(974)
Depreciation and amortization	(719)	(197)
Net income	$ 4,963	$1,170

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, as presented in our most recent filings with the Securities and Exchange Commission, provide the full accounting for how we have decided to use resources provided to us from our customers, lenders and shareholders.

About VASCO: VASCO is the number one supplier of strong authentication and e-signature solutions and services. VASCO has established itself as the world's leading software company specialized in Internet Security, with a customer base of over 4,800 companies in more than 100 countries, including close to 750 international financial institutions. VASCO's prime markets are the financial sector, enterprise security, e-commerce and e-government.

Forward Looking Statements

Statements made in this news release that relate to future plans, events or performances are forward-looking statements. Any statement containing words such as "believes," "anticipates," "plans," "expects," and similar words, is forward-looking, and these statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

Reference is made to the Company's public filings with the US Securities and Exchange Commission for further information regarding the Company and its operations.

For more information contact:

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Earnings Conference Call April 26, 2007

Ken Hunt:

Good morning everyone. For those listening in from Europe, good afternoon, and from Asia, good evening. We have continuing good news to discuss with you today!

My name is Ken Hunt, and I am the Chairman, Founder & CEO of VASCO Data Security International, Inc. On the call with me today are Jan Valcke, our President & Chief Operating Officer, and Cliff Bown our EVP and Chief Financial Officer.

Before we begin the conference call, I need to brief all of you on "Forward Looking Statements."

Forward Looking Statements

STATEMENTS MADE IN THIS CONFERENCE CALL THAT RELATE TO FUTURE PLANS, EVENTS OR PERFORMANCES ARE FORWARD-LOOKING STATEMENTS. ANY STATEMENT CONTAINING WORDS SUCH AS "BELIEVES," "ANTICIPATES," "PLANS," "EXPECTS," AND SIMILAR WORDS, IS FORWARD-LOOKING, AND THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ARE BASED ON CURRENT EXPECTATIONS. CONSEQUENTLY, ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED IN THESE FORWARD-LOOKING STATEMENTS. I DIRECT YOUR ATTENTION TO THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION FOR A DISCUSSION OF SUCH RISKS AND UNCERTAINTIES IN THIS REGARD.

General Comments – Ken Hunt

Today, we are going to review the results for the 1st quarter of 2007. As always, we will host a question and answer session after the conclusion of management's prepared remarks. If possible, I would like to budget one hour total for this conference call. If you can limit your questions to one or two, it would be appreciated.

First, I would like to address revenue for 1st quarter 2007. It was $26.4 million, an increase of 93% over 1st quarter 2006, and once again our strongest quarter ever. It was also our 17th consecutive positive quarter in terms of Operating Income and Cash Flow, with gross margins of 66% of revenue and a very satisfying operating income of 26% of revenue. As you may recall, however, the first quarter of 2006 was lower than it would normally have been because customers had requested early delivery of products, which resulted in approximately $2.0 million of revenue having been recorded in the fourth quarter of 2005. If we normalized the Q1 2006 revenue, revenue for the first quarter of 2007 would represent and increase of 68% over Q1 2006.

Our backlog, or firm business, for Q1 as of today is $28 million. Backlog is defined as orders already shipped between January 1st, 2007, and today, plus firm purchase orders scheduled to ship before March 31, 2007. The results of Q1 2007 and the strong backlog announced today confirm once again that our strategies are working worldwide.

New accounts sold continue at a very high level. During the quarter, we sold an additional 619 new accounts, including 94 new banks, and 525 new Enterprise Security customers. This compares to the first quarter a year ago in which we sold 341 new accounts, including 34 banks and 307 Enterprise

Security customers. We now have close to 750 banks and over 4,800 Enterprise Security and E-commerce companies including corporations, federal, state and local governments as customers located in over 100 countries around the world.

Since the first quarter of 2003, VASCO has experienced steady, controlled, growth and continued growing profitability. It is important to note that this growth is not a concentrated phenomenon. It is happening worldwide, from the America’s to EMEA to Asia.

We expect that our worldwide growth will accelerate, with strong contributions from all geographical areas mentioned before, and beyond the banking sector. To support our growth strategically, we are investing strongly in our market presence through increased manpower. In many of our key markets, we welcomed new recruits during Q1. Please understand that we intend to continue this investment pace without jeopardizing our profitability.

Commitment to shareholder value is a VASCO tradition, a focus that we will maintain. We will accomplish this pledge with the right strategies, the right product development actions and the right acquisitions.

During Q1, VASCO established its European Headquarters in Switzerland, VASCO Data Security International GmbH, which with the United States, will jointly own and manage all of the Company’s technology-related intellectual properties.

VASCO is continuously looking for ways to improve profitability by becoming more efficient. As our growth rate accelerated, we were looking for a location where the work and regulatory environments were favorable for businesses. We believe that Switzerland is such a place. We also believe that Switzerland not only offers a good market for our products, but is also centrally positioned in Europe, with strong gateways to Eastern Europe, Germany and Southern Europe.

It is my pleasure to report that our recent acquisitions have been a great success. Logico, the password management company that joined us in May 06, has contributed strongly to a number of our latest Enterprise Security products, such as Digipass Basic Pack for Secure Password Storage and Digipass Advanced Pack. We see a rising interest in this type of product. In fact, we signed a nice deal with a U.S. based healthcare organization during Q1.

Our most recent acquisition of the Belgian company Able N.V. brought us our aXs GUARD product line. By investing strongly in R&D for aXs GUARD, we were able to position it as a best-of-breed authentication appliance with over 20 different Internet communication services, based on our VACMAN core authentication platform. I am pleased to report that a meaningful number of our Q1 new accounts were obtained through sales of the aXs GUARD authentication appliance using VACMAN and Digipass for strong authentication.

As you can see, we are consistent in building our full option, all-terrain authentication machine.

Since last year,

- we expanded the capabilities of our VACMAN core authentication platform
- we launched fraud detection and analysis services,
- we presented aXs GUARD with all its related services
- we launched Digipass Plus

Currently, we are close to launching our Identikey Server. With Identikey, we will add full server functionality to our VACMAN product line. That way, our customers will have the choice between installing VACMAN Controller or Middleware on their own server, or to buy a full-blown Identikey server from VASCO.

In less than one year's time, we have expanded our product offerings from two product lines, VACMAN and Digipass, to five product lines.

I am very proud that we were able to diversify our offerings without losing our focus. To the contrary, our VACMAN strong authentication is more than ever the central piece in our product and market strategy.

Introduce Jan Valcke:

At this time I would like to introduce Jan Valcke, VASCO's President and Chief Operating Officer. Jan congratulations to you and your team on another fine quarter.

Comments by Jan Valcke:

Thank you Ken.

Ladies and Gentlemen,

The first quarter of 2007 showed once again that VASCO's strategy is working. We maintain and maximize our growth that was started four years ago in the first quarter of 2003.

The main reason for our success is our consistent implementation and execution of our three-step product offering strategy:

- we commit to offer to financial institutions the full array of authentication solutions and services at the lowest Total Cost of Ownership
- we bring banking authentication solutions to other markets such as Enterprise Security, e-Commerce and e-Government.
- we add products and technologies to VASCO's offerings that suit the specific needs of customers within non-banking markets

Based on VACMAN Controller, VASCO's core authentication platform, we have identified five product lines that allow us to service all of our vertical markets. This way, VASCO stays dedicated to its full option, all-terrain strategy.

The five product lines are:

- VACMAN: our core authentication platform, combining all authentication technologies on one and unique platform
- Identikey: available later this year, Identikey combines VACMAN with full server functionalities
- aXs GUARD: VASCO's authentication appliance, combining Identikey with a wide variety of Internet communication solutions
- Digipass: VASCO's client e-signature software. E-signatures become an ever more important Digipass-functionality, due to the growing number of Trojan Horses and Man-in-the-Middle attacks
- Digipass Plus Authentication Services: combines VASCO's complete product offerings in an outsourced service offering.

This proves that we clearly are the world's leading software company, specializing in Internet security.

It is important to note how quickly VASCO has evolved during the last period.

A while ago, we were a hardware company, selling products to customers, primarily in the banking sector. Now, we are a software company, selling products in a per user/ per year based business model to a wide variety of companies and corporations.

In the future, we'll offer our products in an outsourced service model to replace the billions of static passwords in the world, by dynamic e-signature codes. This will be offered in a per user/per year/per application business model.

Markets:

We see that the corporate brand awareness of VASCO is rising worldwide. This is due to our events worldwide (over a hundred per year), our business success in key markets, our satisfied customers, our aggressive communication approach and our swift growth as a company.

In Q1, we won customers in six continents, a clear proof of our worldwide success.

In addition to the banking sector, we are gaining more and more customers in enterprise security and e-commerce. Our new case studies with companies such as SD Worx, the Soccer Association, Sabca, Easy Computers and others are a clear proof of this. We are very happy with the fact that our VACMAN, Digipass and aXs GUARD product lines are widely used in a multitude of sectors.

The authentication sector is booming worldwide. To give you an example: in the beginning of 2007, eight foreign banks have received a retail banking license in China. Amongst these banks, there are seven that are already VASCO customers. This will have an important impact on the Chinese banking market. We believe that many Chinese banks will implement a strategy focusing on those market leading foreign banks, with positive effects on VASCO's sector.

It is of the utmost importance that VASCO stays close to its customers and prospects in key markets. Therefore, we actively investigate the opening of new local sales offices and the strengthening of our presence in key countries. Recently, we invested strongly in our sales force in the U.K., a strategic market for VASCO with regards to Banking, Enterprise Security and e-Commerce.

People:

A positive side effect of a positive corporate image is the growing number of highly skilled professionals that are willing to work for VASCO. In addition, we are currently training almost 20 juniors and professionals in our own VASCO-school. During their training, these VASCO-employees gain experience and receive education to become real VASCO-experts. A couple of quarters ago, we were struggling to fill in our vacancies. People are crucial to allow us to sustain our growth. Therefore, we are very glad that this situation is improving drastically.

Cash:

With regards to the company's financial situation, I can only stress that we are extremely proud that VASCO is not only a growth company, but also a very profitable company. Our market mix of banking customers with large volume and smaller margin orders plus enterprise security customers with smaller volume and higher margin orders allows us to maintain a healthy gross margin. Cost control, creative thinking and our surge towards software are other important tools to maximize VASCO's profitability.

I conclude, ladies and gentlemen, by saying that VASCO is doing well. We are gaining new customers world wide, and we are successful both in new and in existing markets. This company has become the market leader in its sector and is very determined to expand that leadership position.

Thank you.

Ken Hunt Introduce Cliff Bown:

At this time I would like to turn the call over to Cliff Bown, our Chief Financial Officer.

Comments by Cliff Bown:

As noted earlier by Ken, revenues for the first quarter of 2007 were $26.4 million, an increase of $12.7 million or 93% over the first quarter of 2006.

Compared to 2006, the increase in revenue for the first quarter reflected significant increases from both the Banking and the Enterprise Security markets. Revenues in the first quarter of 2007 from the Banking and the Enterprise Security markets increased 101% and 59%, respectively.

It should also be noted that the comparison of revenues in Q1 2007 to Q1 2006 was positively impacted by the weaker U.S. dollar in 2007. We estimate that revenues were $996,000, or 4% higher, than they would have been had the exchange rates in the first quarter of 2007 been the same as in the first quarter of 2006.

The distribution of our revenue in the first quarter of 2007 between our two primary markets was approximately 85% from the Banking and 15% from the Enterprise Security. In the first quarter of 2006, approximately 82% came from the Banking and 18% came from Enterprise Security.

The geographic distribution of our revenue in the first quarter of 2007 was approximately 61% from Europe, 9% from the U.S., 16% from Asia and the remaining 14% from other countries. For the first quarter of 2006, 70% of the revenue was from Europe, 6% was from the U.S., 9% from Asia and 15% was from other countries. It should be noted that revenue from each of the primary geographic areas increased in the first quarter 2007 as compared to the first quarter of 2006.

Gross profit as a percentage of revenue for the first quarter 2007 was approximately 66% and compares to 69% for first quarter of 2006. The decrease in gross profit as a percentage of revenue in 2007 compared to 2006 reflects a change in mix of our revenues, with a higher percentage of the revenues coming from the Banking Market than from the Enterprise Security market and a decline in the gross margins of our lower priced card reader business. The decline in gross margins from these two factors was partially offset by an increase in the percentage of the business coming from non-hardware products. Our non-hardware revenues increased from 10% of revenue in Q1 2006 to 12% of revenue in Q1 2007. As mentioned earlier, revenue from our Enterprise Security market, which generally has margins that are 25 to 30 percentage points higher than the Banking Market, was 15% of our total revenue in Q1 2007 compared to 18% in Q1 2006.

Operating expenses for the first quarter of 2007 were $10.7 million, an increase of $4.1 million or 63% from the first quarter of 2006. Operating expenses for the quarter included $442,000 related to stock-based incentive plans in the first quarter of 2007 compared to $257,000 in the first quarter of 2006.

It should also be noted that the comparison of operating expenses in Q1 2007 to Q1 2006 was negatively impacted by the weaker U.S. dollar in 2007. We estimate that expenses were $690,000, or 7% higher, than they would have been had the exchange rates in the first quarter of 2007 been the same as in the first quarter of 2006.

Operating expenses increased by $2.1 million, or 53% in sales and marketing, $1.0 million or 104% in research and development, and $853,000 or 56% in general and administrative when compared to the first quarter in 2006. The majority of the increase in the sales and marketing area were related to the Company's increased investment in sales staff, increased investment marketing programs and higher depreciation costs, primarily related to the cost of training films developed in 2006. The increase in research and development was primarily attributable to increased compensation expenses resulting from the acquisitions of Logico and Able in the second and fourth quarters of 2006, respectively. The increase in the general and administrative primarily reflected higher professional fees, in large part related to the set up of the headquarters operation in Switzerland, increased compensation expense and increased recruiting costs and was partially offset by collection of aged receivable balances that had been previously reserved.

Operating income for the first quarter of 2007 was $6.9 million, an increase of $4.0 million, or 137%, from the $2.9 million reported in the first quarter of 2006.

Operating income as a percent of revenue, or operating margin, was 26.0% for the first quarter of 2007 and is 4.8 percentage points higher the first quarter of 2006. The increase in operating margin is attributable to improved efficiency as reflected by a decline in operating expenses as a percentage of revenue, primarily in the sales and marketing and in the general and administrative line items. As has been mentioned previously, we believe that our operating model is highly leverageable.

The Company reported income tax expense of $1.9 million for the first quarter of 2007 compared to $1.0 million for the first quarter in 2006. The effective tax rate was 28% for the first quarter of 2007 and compares to 45% as reported for the first quarter of 2006 or to 33% for the first quarter of 2006 when the tax effect of non-recurring items are excluded. The effective rates for both periods reflect our estimate of our full-year tax rate at the end of each respective period. The rate in 2007 is lower than 2006 as our estimate of the full-year tax rate in 2007 reflects increase earnings in the U.S. for which we have tax loss carry forwards. Those loss carryforwards have been fully reserved for reporting purposes in prior years.

Earnings before interest, taxes, depreciation, and amortization (EBITDA or operating cash flow if you will) was $7.6 million for the first quarter of 2007 and is 231% higher than the $2.3 million reported for the first quarter of 2006.

The makeup of our workforce as of March 31, 2007 was 200 people worldwide with 108 in sales, marketing and customer support, 68 in research and development and 24 in general and administrative.

The average headcount for the first quarter of 2007 was 63 persons or 48% higher than the average headcount for the first quarter of 2006.

The strength of our operating performance is also reflected in our balance sheet. Our net cash balance and working capital balance both increased from the prior quarter. During the first quarter of 2007, our net cash balance, which is defined as total cash less bank borrowings, increased by $4.2 million, or 33%, to $16.8 million from December 31, 2006. Our working capital increased $6.9 million, or 31%, to $29.0 million from $22.1 million at December 31, 2006. Bank borrowings noted on the balance sheet of $3.1 million were borrowed under the line of credit and relate solely to our hedging program. There was no impact on working capital from the hedging program as the additional cash was offset by short-term debt.

During the quarter our Days Sales Outstanding in accounts receivable increased from 72 days at December 31, 2006 to 81 days at the end of the first quarter. The increase in DSO was primarily related to the timing of when sales were made in the quarter. We do not believe that the increase in DSO will result in higher write-offs of uncollectible accounts in future quarters.

Now, I would like to turn the meeting back to Ken.

Comments on 2nd Quarter and Full-Year 2007 – Ken Hunt

First, I would like to comment again on order backlog for Q2 2007. As of this date, we have firm orders with shipments scheduled for the 2nd Quarter of approximately $28.0 million. Any new orders received before quarter's end and shipped during the quarter would be additive to this number. This backlog shows the strength of our order flow, as it is 75% higher than the backlog going in to Q2 2006. In addition, the backlog is 51% higher than the $18.5 million in revenues reported for Q2 2006.

Today, we are also reaffirming guidance for full-year 2007. As in the past, we only comment on annual numbers, not quarterly numbers. As stated in February of 2007, we estimate that our full-year revenue will grow 35% to 45% in 2007 over 2006. We expect that full-year gross margins will be in the range of 60% to 68% of revenue. Finally, we are projecting that operating income will be in the range of 18% to 25% of revenue on a U.S. GAAP basis.

In summary, we are very pleased with our results for Q1 2007, and look forward to a strong performance for the remainder of 2007. And, as always, you can rely on VASCO's people to do their very best!

Q&A Session:

This concludes our presentations today and we will now open the call for questions. As I mentioned earlier, as a courtesy to others on the call, I would appreciate it if you would limit your questions to an initial question plus a follow-up. If you have additional questions, please re-enter the queue after the answers to your initial questions have been given.

Operator