

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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
(State or Other Jurisdiction of
Incorporation or Organization)

36-4169320
(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

No

As of May 12, 2002, 28,389,484 shares of the Company's Common Stock, \$.001 par value per share ("Common Stock"), were outstanding.

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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, 2002 | March 31, 2003 |
|--|----------------------|----------------------|
| | ----- (Audited) | ----- (Unaudited) |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 2,615,935 | \$ 3,892,494 |
| Accounts receivable, net of allowance for doubtful accounts of \$461,129 and \$392,153 in 2002 and 2003 | 2,881,257 | 4,217,742 |
| Inventories, net | 1,579,125 | 1,296,077 |
| Prepaid expenses | 407,479 | 371,453 |
| Other current assets | 119,687 | 433,477 |
| | ----- | ----- |
| Total current assets | 7,603,483 | 10,211,243 |
| Property and equipment: | | |
| Furniture and fixtures | 1,514,125 | 1,791,698 |
| Office equipment | 2,537,611 | 2,336,829 |
| | ----- | ----- |
| | 4,051,736 | 4,128,527 |
| Accumulated depreciation | (2,763,411) | (3,031,531) |
| | ----- | ----- |
| | 1,288,325 | 1,096,996 |
| Intangible assets, net of accumulated amortization of \$3,545,104 in 2002 and \$3,690,422 in 2003 | 1,910,504 | 1,772,529 |
| Goodwill, net of accumulated amortization of \$972,931 in 2002 and 2003 | 249,967 | 249,967 |
| Other assets | 81,161 | 81,419 |
| | ----- | ----- |
| Total assets | \$ 11,133,440 | \$ 13,412,154 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$ 3,589,645 | \$ 3,531,735 |
| Accounts payable | 1,850,424 | 2,645,073 |
| Deferred revenue | 720,051 | 1,905,638 |
| Other accrued expenses | 2,130,236 | 2,059,466 |
| | ----- | ----- |
| Total current liabilities | 8,290,356 | 10,141,912 |
| Long-term debt, less current maturities | 32,006 | 34,028 |
| STOCKHOLDERS' EQUITY: | | |
| Series C Convertible Preferred Stock, \$.01 par value - 500,000 shares authorized; 150,000 shares issued and outstanding in 2002 and 2003 | 9,108,066 | 9,399,062 |
| Common stock, \$.001 par value - 75,000,000 shares authorized; 28,389,484 shares issued and outstanding in 2002 and 2003 | 28,389 | 28,389 |
| Additional paid-in capital | 36,763,330 | 36,474,837 |
| Accumulated deficit | (42,608,077) | (42,126,726) |
| Accumulated other comprehensive income (loss) - cumulative translation adjustment | (480,630) | (539,348) |
| | ----- | ----- |
| Total stockholders' equity | 2,811,078 | 3,236,214 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 11,133,440 | \$ 13,412,154 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | THREE MONTHS ENDED MARCH 31, | |
|---|---------------------------------|--------------|
| | 2002 | 2003 |
| Net revenues | \$ 6,032,428 | \$ 5,611,035 |
| Cost of goods sold | 2,228,860 | 2,162,541 |
| Gross profit | 3,803,568 | 3,448,494 |
| Operating costs: | | |
| Sales and marketing (exclusive of \$38,658 and \$2,503 for the three months ended March 31, 2002 and 2003, respectively, reported below as non-cash compensation) | 1,964,044 | 1,590,689 |
| Research and development | 791,517 | 734,906 |
| General and administrative (exclusive of \$88,508 for the three months ended March 31, 2002 reported below as non-cash compensation) | 1,089,753 | 790,178 |
| Non-cash compensation | 127,166 | 2,503 |
| Total operating costs | 3,972,480 | 3,118,276 |
| Operating income (loss) | (168,912) | 330,218 |
| Interest (expense), net | (41,118) | (49,237) |
| Other income, net | 49,796 | 200,370 |
| Income (loss) before income taxes | (160,234) | 481,351 |
| Provision (benefit) for income taxes | (41) | -- |
| Net income (loss) | \$ (160,193) | \$ 481,351 |
| Preferred stock accretion | (290,996) | (290,996) |
| Net income (loss) available to common shareholders | \$ (451,189) | \$ 190,355 |
| Basic and diluted net income (loss) per common share | \$ (0.02) | \$ 0.01 |
| Basic and diluted weighted average common shares outstanding | 28,260,558 | 28,389,484 |

See accompanying notes to consolidated financial statements.

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

| | THREE MONTHS ENDED MARCH 31, | |
|---|---------------------------------|-------------------|
| | 2002 | 2003 |
| Net income (loss) | \$(160,193) | \$ 481,351 |
| Other comprehensive loss - cumulative translation adjustment | (185,423) | (58,718) |
| Comprehensive income (loss) | <u>\$(345,616)</u> | <u>\$ 422,633</u> |

See accompanying notes to consolidated financial statements.

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

| | Three months ended March 31, | |
|--|------------------------------|--------------|
| | 2002 | 2003 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (160,193) | 481,351 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 343,851 | 306,360 |
| Non-cash compensation expense | 127,166 | 2,503 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (1,338,713) | (1,229,435) |
| Inventories, net | 378,452 | 318,490 |
| Prepaid expenses | (35,233) | 44,665 |
| Other current assets | 618,629 | (301,923) |
| Accounts payable | (1,207,127) | 726,025 |
| Deferred revenue | (292,702) | 1,139,530 |
| Accrued expenses | (259,829) | (42,894) |
| Net cash provided by (used in) operating activities | (1,825,699) | 1,444,672 |
| Cash flows from investing activities: | | |
| Acquisition of Identikey, Ltd. | -- | (7,341) |
| Additions to property and equipment, net | (76,726) | (12,362) |
| Net cash used in investing activities | (76,726) | (19,703) |
| Cash flows used in financing activities: | | |
| Repayment of debt | (286,971) | (62,009) |
| Net cash used in financing activities | (286,971) | (62,009) |
| Effect of exchange rate changes on cash | (185,423) | (86,401) |
| Net increase (decrease) in cash | (2,374,819) | 1,276,559 |
| Cash, beginning of period | 6,342,440 | 2,615,935 |
| Cash, end of period | \$ 3,967,621 | \$ 3,892,494 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 56,129 | \$ 1,753 |
| Income taxes paid | \$ -- | \$ 63,764 |

See accompanying notes to consolidated financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2002.

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.

STOCK-BASED COMPENSATION

At March 31, 2003, the Company had a stock-based employee compensation plan. The Company accounts for the plan using the intrinsic method under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. No stock-based compensation is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying Common Stock on the date of grant. The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

| | Three Months Ended March 31, | |
|--|------------------------------|-------------|
| | 2002 | 2003 |
| | ----- | ----- |
| Net income (loss) available to common shareholders as reported ... | \$(451,189) | \$ 190,355 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax | 248,578 | 252,132 |
| | ----- | ----- |
| Pro forma net loss | \$(699,767) | \$ (61,777) |
| | ===== | ===== |
| Net income (loss) per common share-basic and diluted: | | |
| As reported | \$ (0.02) | \$ 0.01 |
| Pro forma | \$ (0.02) | \$ -- |

RECLASSIFICATIONS

Certain amounts in the consolidated financial statements have been reclassified to conform to the 2003 presentation.

Overhead allocations ceased in the third quarter of fiscal year 2002 because their basis for allocation was no longer appropriate nor was it representative of the operational activities of the departments affected. For the quarter ended March 31, 2002, net overhead allocations from the Company's General and Administrative and the Research and Development cost centers have been reclassified from Sales and Marketing to their original cost centers.

NOTE 2 - INVENTORIES

Inventories, consisting principally of hardware and component parts, are stated at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) method.

Inventories, net of valuation allowance of \$111,566 and \$114,909 at December 31, 2002 and March 31, 2003 respectively, are comprised of the following:

| | December 31, 2002 | March 31, 2003 |
|--|----------------------|-------------------|
| | ----- | ----- |
| Component parts | \$ 772,523 | \$ 587,715 |
| Work-in-process and finished goods | 806,602 | 708,362 |
| | ----- | ----- |
| Total | \$1,579,125 | \$1,296,077 |
| | ===== | ===== |

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, 2003 AND MARCH 31, 2002

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements for the three months ended March 31, 2003 and 2002.

Revenues

Revenues for the three months ended March 31, 2003 were \$5,611,000, a decrease of \$421,000, or 7%, as compared to the three months ended March 31, 2002. The decline in revenues was primarily attributable to the Banking segment, with the decline coming from lower order volume from smaller banks.

Revenues by target market were 72% from Banking, 18% from Corporate Network Access and 10% from Maintenance. This compares with 82% of revenues from Banking, 8% from Corporate Network Access and 10% from Maintenance in the first quarter of the prior year.

Geographically, 84% of revenues in the first quarter of 2003 were from Europe, 13% from the U.S. and 3% from other countries, primarily in the Asia/Pacific region. In the first quarter of 2002, 86% of the revenues were from Europe, 12% from the U.S. and 2% from other countries, primarily in the Asia/Pacific region.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2003 was \$2,163,000, a decrease of \$66,000, or 3%, as compared to the three months ended March 31, 2002. The decrease was due to the decline in sales as previously described. The percentage decline in cost of goods sold was less than the percentage decline in sales because sales to our larger banking customers, which have higher costs relative to their respective sales prices, were a higher percentage of the total sales in the Banking segment in the first quarter of 2003 as compared to the first quarter of 2002.

Gross Profit

The Company's gross profit for the three months ended March 31, 2003 was \$3,448,000, a decrease of \$356,000, or 9%, as compared to the three months ended March 31, 2002. This represents a gross margin of 62%, as compared to 63% for the same period of 2002. The decrease in gross profit is due to lower revenues for the period as well as a change in the mix of revenues. The decline in gross profit as a percentage of revenue reflects a change in mix within the Banking segment, with more of the revenues in the first quarter of 2003 coming from our larger Banking customers with lower margins, partially offset by an increase in sales to the Corporate Network Access segment that contributes a higher margin.

Sales and Marketing Expenses

Sales and Marketing expenses for the three months ended March 31, 2003 were \$1,591,000, a decrease of \$373,000, or 19% compared to the three months ended March 31, 2002. The reduction in expense reflects the unfavorable impact of changes in currency, of approximately \$260,000, which were more than offset by reductions in expenses related to personnel and spending in most discretionary areas, including but not limited to, trade shows, publicity, recruiting, and travel. Headcount dedicated to sales and marketing declined from 60 to 46 from the first quarter of 2002 to the first quarter of 2003.

Research and Development

Research and Development (R&D) costs for the three months ended March 31, 2003 were \$735,000, a decrease of \$57,000, or 7%, as compared to the three months ended March 31, 2002. The reduction in expense reflects the unfavorable impact of changes in currency, of approximately \$90,000, which were more than offset by reductions in expenses as a result of our consolidation of research activities into our Belgian and Australian locations

and a reduction in the use of third-party suppliers of R&D resources. Total headcount dedicated to R&D was unchanged.

General and Administrative Expenses

General and Administrative expenses for the three months ended March 31, 2003 were \$790,000, a decrease of \$300,000, or 28%, compared to the three months ended March 31, 2002. The reduction in expense reflects the unfavorable impact of changes in currency, of approximately \$57,000, which were more than offset by reductions in expenses related to personnel and spending in most discretionary areas including but not limited to contract services, travel, rent, and telephone. Administrative headcount was reduced from 13 in the first quarter of 2002 to 10 at the end of the first quarter of 2003.

Interest Expense, Net

Net interest expense for the three months ended March 31, 2003 was \$49,000, compared to \$41,000 for the same period in 2002. This change was due to a reduction of invested cash balances.

Other Income, Net

Net other income for the three months ended March 31, 2003 was \$200,000, compared to \$50,000 for the same period in 2002. This change is primarily due to transaction gains reported by our foreign operations as a result of the US dollar weakening against the Euro.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were \$3,892,000 at March 31, 2003, which is an increase of approximately \$1,277,000 or 49% from \$2,616,000 at December 31, 2002. The increase in cash was a result of a strong operating cash flow, deposits received on orders to be delivered in fiscal year 2003 and a reduction in days sales outstanding in net accounts receivable. Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$836,000 in the quarter ended March 31, 2003. A reconciliation of EBITDA to net income for the quarter ended March 31, 2003 follows:

| | March 31, 2003 |
|-------------------------------------|----------------|
| | ----- |
| EBITDA | \$836,000 |
| Interest expense, net | 49,000 |
| Tax provision | -- |
| Depreciation and amortization | 306,000 |
| | ----- |
| Net income (loss) | \$481,000 |
| | ===== |

Net deposits received, defined as total deposits received less product shipped, were \$900,000 during the first quarter of 2003 and days sales outstanding in net accounts receivable declined from 74 days at December 31, 2002 to 68 days at March 31, 2003.

At March 31, 2003, the Company had lines of credit from European banks, secured by the Company's trade accounts receivable totaling approximately 2,000,000 Euros, none of which were used.

As of March 31, 2003, the Company had working capital of \$69,000 compared with a deficit of \$687,000 at December 31, 2002. Working capital at both March 31, 2003 and December 31, 2002 included the \$3,400,000 term loan due to Dexia Bank on September 30, 2003 as a current liability. We believe that our current cash balances, credit available under our existing overdraft agreement, the anticipated cash generated from operations, including the

realization of deferred revenue recorded as a current liability, deposits that will be received in future quarters on orders of our Digipass product and the impact of either (a) renegotiating the loan with Dexia, (b) entering into a separate agreement to replace or repay the loan to Dexia, or (c) having Mr. T. Kendall Hunt, the Company's CEO, surrender his shares of Common Stock, which are pledged to Dexia as collateral for the loan, will be sufficient to meet our anticipated cash needs over the next twelve months.

There is substantial risk, however, that our revenue and cash receipts will not grow at a sufficient rate to generate the funds needed to repay our debt to Dexia within the terms of the existing agreement. If we are unable to meet our revenue and cash goals and are also unable to either renegotiate the terms of the agreement with Dexia or reach a mutually acceptable agreement with Mr. Hunt as an indemnity for his loss as a result of his surrender of shares of our Common Stock to Dexia, we will need to significantly reduce our workforce, sell certain of our assets, enter into strategic relationships or business combinations, discontinue some or all of our operations, or take other similar restructuring actions. While we expect that these actions would result in a reduction of recurring costs, they also may result in a reduction of recurring revenues and cash receipts. It is also likely that we would incur substantial non-recurring costs to implement one or more of these restructuring actions.

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, 2003. For additional information, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within 90 days prior to the date of the filing of this Report, (the "Evaluation Date") that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods required by the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chairman and Chief Executive Officer and the Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to Evaluation Date.

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 AND USE OF PROCEEDS. 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) EXHIBITS:

Exhibit 99.1 Statement Under Oath of Principal Executive Officer dated May 14, 2003.

Exhibit 99.2 Statement Under Oath of Principal Financial Officer dated May 14, 2003.

(B) REPORTS ON FORM 8-K:

- (i) On April 7, 2003, we filed a Current Report on Form 8-K reporting financial results for the first quarter ended March 31, 2003.
- (ii) On April 28, 2003, we furnished a Current Report on Form 8-K reporting an update to the previously released financial results for the first quarter ended March 31, 2003.

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 12, 2003.

VASCO Data Security International, Inc.

/s/ T. Kendall Hunt

T. Kendall Hunt
Chief Executive Officer and Chairman of the Board
of Directors
(Principal Executive Officer)

/s/ Clifford K. Bown

Clifford K. Bown
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND SECURITIES AND EXCHANGE COMMISSION RELEASE 34-46427

I, T. Kendall Hunt, the principal executive officer of VASCO Data Security International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of VASCO Data Security International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons fulfilling the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 12, 2003

/s/ T. Kendall Hunt

T. Kendall Hunt
Chief Executive Officer and Chairman of
the Board of Directors
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND SECURITIES AND EXCHANGE COMMISSION RELEASE 34-46427

I, Clifford K. Bown, the principal financial officer of VASCO Data Security International, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of VASCO Data Security International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons fulfilling the equivalent function):
 - (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in The registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 12, 2003

/s/ Clifford K. Bown

Clifford K. Bown
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of VASCO Data Security International, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2003 (the "Report"), I, T. Kendall Hunt, Chief Executive Officer and Chairman of the Board of Directors of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ T. Kendall Hunt

T. Kendall Hunt
Chief Executive Officer and Chairman of the Board of Directors
May 12, 2003

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of VASCO Data Security International, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2003 (the "Report"), I, Clifford K. Bown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Clifford K. Bown

Clifford K. Bown
Chief Financial Officer
May 12, 2003