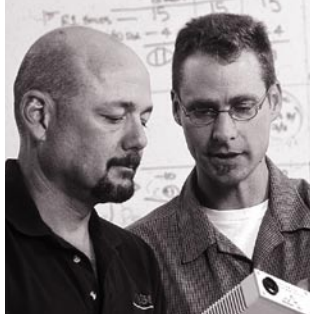
ViaSat

2005 Annual Report










We'd like to take this opportunity to thank all of ViaSat's employees for their commitment and dedication to the company's success. And, thanks also to our customers, shareholders and suppliers for the opportunities to earn your confidence.









ViaSat®

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ViaSat®

Founded in 1986, ViaSat produces innovative satellite and other wireless communication products that enable fast, secure, and efficient communications to any location. A key to the company's growth and stability has been its flexibility in serving both commercial and military markets. During its history, the company has been honored for its superior record of performance by *INC*, *Forbes*, *Fortune*, and *BusinessWeek*. Fiscal 2005 also marked its second consecutive year on the *Business 2.0* list of "100 Fastest Growing Tech Companies." ViaSat employs over 1,000 people at its headquarters in Carlsbad, CA, its VSAT Networks and Antenna Systems groups in Norcross, GA, and its Comsat Laboratories division in Clarksburg, MD. Additional offices and service centers are located in Washington, D.C., Baltimore, Marlborough (MA), Rome, Spain, New Delhi, Sydney, and Beijing. In addition, subsidiary US Monolithics, based in Chandler, AZ, designs and produces integrated monolithic circuits (MMICs) and modules for use in transmitting and receiving wireless communications.

FINANCIAL HIGHLIGHTS

Years Ended (All amounts shown are in thousands, except per share data)	April 1, 2005	April 2, 2004	March 31, 2003
STATEMENT OF INCOME DATA:			
Revenues	$345,939	$278,579	$185,022
Cost of revenues	262,260	206,327	142,908
Gross profit	83,679	72,252	42,114
Operating expenses:			
Selling, general and administrative	48,631	38,800	37,858
Independent research and development	8,082	9,960	16,048
Acquired in-process research and development	—	—	—
Amortization of intangible assets	6,642	7,841	8,448
Income (loss) from operations	20,324	15,651	(20,240)
Interest income (expense)	304	(346)	(740)
Other income (loss)	—	—	—
Income (loss) before income taxes and minority interest	20,628	15,305	(20,980)
Provision (benefit) for income taxes	1,246	2,015	(11,395)
Minority interest in net earnings of subsidiary, net of tax	115	122	47
Net income (loss)	$ 19,267	$ 13,168	$ (9,632)
Basic net income (loss) per share	$ 0.72	$ 0.50	$ (0.37)
Diluted net income (loss) per share	$ 0.68	$ 0.48	$ (0.37)
Shares used in computing basic net income (loss) per share	26,749	26,257	26,016
Shares used in computing diluted net income (loss) per share	28,147	27,558	26,016
BALANCE SHEET DATA:			
Cash, cash equivalents and short-term investments	$ 14,741	$ 18,670	$ 4,269
Working capital	138,859	107,846	74,276
Total assets	301,825	272,682	237,155
Capital lease obligation, less current portion	—	—	141
Total stockholders' equity	226,283	202,475	183,887

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2005 YEAR IN REVIEW

MAY 2004

05.25.04 First order of 55 airborne broadband terminals from Connexion by Boeing℠ for Rockwell Collins' eXchange™ business aviation service

JUNE 2004

06.01.04 Second consecutive year on *Business 2.0* "B2100: The Fastest Growing Tech Companies"

06.03.04 Four-year agreement to roll out VSAT network service to 114 Havertys Furniture retail stores

06.14.04 Increased shelf registration statement with the SEC for future sales of up to $200 million in securities, shares and warrants

06.16.04 LinkStar® VSAT order from Smart Digital Communication for 1,500 site broadband Internet access network for schools in Malaysia

06.17.04 $53.6 million in Lot 5 awards for MIDS-LVT(1) and LVT(2) terminals

AUGUST 2004

08.30.04 John P. Stenbit named to ViaSat Board of Directors

OCTOBER 2004

10.27.04 Ceremony marks National Security Agency certification of KG-250 IP Network Encryptor and MIDS LVT-1 tactical data link terminal

NOVEMBER 2004

11.08.04 US Monolithics chosen to develop Q-band power amplifiers for Harris AEHF Navy Multiband Terminal prototypes

11.10.04 Groundbreaking for new 15.5-acre campus for VSAT Networks and Antenna Systems near Atlanta

DECEMBER 2004

12.02.04 Shipments of LinkStar VSAT surpass 30,000 terminals

12.16.04 ArcLight® spread spectrum VSAT technology used to put "DSL-like" data connection in a military vehicle for Command and Control On-The-Move demonstration

12.29.04 $60 million engineering contract award for Joint Tactical Radio System (JTRS) version of MIDS terminal

JANUARY 2005

01.27.05 LINKWAY® VSATs chosen for air traffic control network in India

FEBRUARY 2005

02.15.05 Ku-band SurfBeam® system order from SES Americom for enterprise broadband services in North America

02.22.05 Ku-band SurfBeam system order from Pegaso Banda Ancha for consumer Internet services in Mexico

MARCH 2005

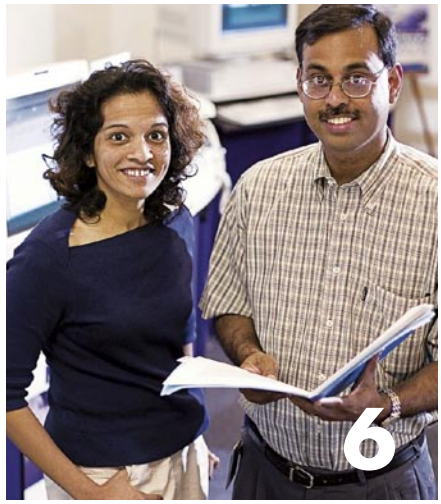
03.24.05 Ku-band SurfBeam system order from Smart Digital Communication for consumer broadband services in Malaysia

03.31.05 6,500-unit order for second-generation UHF satellite modems from Raytheon

03.31.05 LinkStar VSAT shipments surpass 50,000 terminals

APRIL 2005

04.01.05 40,000-unit order for Ka-band SurfBeam satellite modems from Telesat



DEAR FELLOW SHAREHOLDERS

Richard A. Baldridge, President & Chief Operating Officer and Mark D. Dankberg, Chairman & Chief Executive Officer (left to right)

I am very pleased to report that ViaSat achieved its best financial results ever in our fiscal year ended April 1, 2005. And we enter our new fiscal year 2006 poised for another year of growth. Just to point out the highlights:

- Revenues grew 24% to a record $346 million.
- Pro forma net income and EPS set records with a 30% gain to $23.3 million and 28% growth to $0.83 per share.
- GAAP net income and EPS also set records with 46% growth to $19.3 million and a 42% increase to $0.68 per share.
- New orders surged to a record level of $426 million, building a record backlog and positioning the company well for our new year.

We are also encouraged by the business situation behind the financial numbers. We believe we've maintained a good balance between our commercial and defense businesses. We continue to see opportunities to leverage technology and investments across both markets that enhance our competitive position compared to companies that address only government or commercial customers. And, looking ahead, we believe there are appealing growth opportunities in both segments. So, we may be able to achieve attractive growth rates, while also sustaining a robust balance spanning diverse customers, geographic regions, and market areas.

We've been fortunate to be able to maintain a steady focus on a few key business targets over the last several years. We believe we've achieved important, tangible results that have driven our financial performance, and buoy our outlook. Some of the most significant points include:

- Steady growth in MIDS data link terminal production and long-term gains in market share.
- Our initial $60 million development contract for a Joint Tactical Radio System (JTRS) compliant version of MIDS — establishing ViaSat as an important contender in the overall JTRS market which is expected to reach several billion dollars in value.
- Certification of the KG-250 Internet Protocol (IP) based network encryption device, and the strong market share it earned during fiscal 2005.
- Steady growth in commercial VSAT network sales, and resulting gains in global market share.
- Initial commercial service deployments of in-flight satellite broadband access through Connexion by Boeing for commercial flights and Gulfstream for executive jets, and the associated high levels of customer satisfaction.
- Infrastructure deployment for the world's first Ka-band Direct-To-Home consumer satellite broadband services, and successful beta trials by both WildBlue Communications in the U.S. and Telesat in Canada.

Looking to the future, we see good opportunities to build on these accomplishments in the years ahead. We intend to do this by growing sales of these products into their original target markets, as well as by creating variants that address adjacent market niches. In several cases, even though we achieved solid growth during fiscal 2005, we feel we are only just beginning to tackle our addressable markets. This is especially true for defense high assurance IP encryption, MIDS-JTRS, and Direct-To-Home consumer broadband. While there is still much more to do to pave the way, we also see attractive growth prospects for satellite-based mobility applied to data and entertainment services, and in migration of Ka-band technology into the enterprise private network VSAT market.

Of course, growth brings with it many challenges. Our revenues have almost doubled over the last couple of years, testing our ability to manage rapid expansion in almost every aspect of our operations. We have taken a number of steps that we believe are creating the corporate skills and infrastructure we'll need to sustain our growth for the next several years. Some of these include:

- Creating and implementing an effective Sarbannes-Oxley "404" internal control process in fiscal 2005 for collecting and reporting financial data.
- Advancing internal processes for product development, testing and manufacturing.
- Enhancing our information technology capabilities for supply chain management.
- Continual improvement in internal processes for strategy development, planning, and management oversight for our business units.
- New people development and leadership education initiatives covering many functional areas and organizational levels within the company.

These are exciting times for information and telecommunications companies of all types. The pace of change, and unexpected competitive twists, create breathtaking opportunities and daunting challenges. We can't eliminate the risks — but we can work to create a corporate culture, a technology portfolio, and market positions that improve our odds in such a dynamic environment. Right now, we like our chances.

As always, I'd also like to take this opportunity to thank all of ViaSat's employees for their commitment and dedication to the company's success. And thanks also to our customers, shareholders, and suppliers for the opportunities to earn your confidence.

Sincerely,

Mark Dankberg
Chairman & CEO

SNAPSHOTS

KG-250 ON EVERYTHING THAT MOVES

Disrupting the market for Type I network encryptors is the aim of our KG-250 information assurance product. The first small encryptor that can keep up with today's network throughput demands, we believe the KG-250 is in the right place at the right time.

Military initiatives such as the Global Information Grid, Crypto Modernization and Joint Tactical Radio System all contain common attributes. To comply, devices need to be interoperable, programmable, portable, and use Internet Protocol (IP). The KG-250, designed with those attributes in mind, is the new alternative to a 40,000-unit installed base of older, larger, and more costly network encryptors.

"We have a window of opportunity and a real marketing challenge in becoming the experts in helping customers make this transition," said Jon Korecki, director of business development and marketing for the group. "Our competitors don't have a similar product yet, but you can be sure they will in the next year."

With that market scenario, "KG-250 on everything that moves" has become the theme for our Information Assurance business development team. Along with our Military Broadband group, the team is targeting the need for portable, secure communications that connect fast moving and dispersed soldiers on the edge of military operations.

COMMAND AND CONTROL ON-THE-MOVE

"One promising new technology with the potential of delivering broadband services to the warfighter involves the novel combination of Code Division Multiple Access (CDMA), random return channel access, and frequency reuse techniques to support satellite access for an IP-based network architecture." — from "Command and Control On-The-Move (C2OTM)," a white paper by LCDR Steve Fahey, USN, Joint Systems Integration Command (JSIC).

Setting aside explanations of "network-centric" and "transformation," the bottom line is that today's military is more dispersed and more mobile, including those in command. And just like the rest of us, they rely on a high-speed flow of information and email to get things done. Even when the "office" is a Humvee, and even when communicating to locations beyond the horizon.

JSIC tests of a ViaSat system to provide that connection have been met with great enthusiasm by the military. With the concept proven, ViaSat is working with the command to refine the system into one that can be widely deployed.

The key technology is a CDMA waveform adapted to satellite by ViaSat. With it, satellite transmissions can impart more power per bit, enabling the use of a 24-inch antenna. Because the technology was already developed for the ArcLight VSAT, the military can implement the same system just months after its commercial debut.

INTERNET TO HOME

Orbit, an Intelsat customer in the Middle East, already has an installed base of 5,000 terminals. By the end of March, Telesat Canada had completed two months of testing a 60-site network and hoped for up to 15,000 installs by the end of the year. And in June, a family in Strasburg, Colorado became the first customer for WildBlue, which is expected to complete a nationwide rollout by September.

These examples of leading-edge satellite services show the beginnings of what should be a pivotal year for the satellite industry in its efforts to build share in the market for consumer and home office Internet access. All are using ViaSat satellite networking systems that are optimized to enable satellite to compete on price/performance levels that match terrestrial alternatives for the first time. In addition, WildBlue and Telesat are introducing Ka-band spot beam satellites that increase system capacity and reduce the cost of satellite air time further still.

The first target for satellite broadband is rural dwellers that have only dial-up service and no chance to get terrestrial cable or DSL in the near future. Canada's geography and dispersed population is an obvious match, and WildBlue estimates approximately 20 million U.S. residents are in the same predicament.

THE ULTIMATE MOBILE APPLICATION: MOON, MARS & BEYOND

Our move into mobile communications on earth may soon seem like child's play compared to a new project underway at Comsat Laboratories. Our technology and system development division has seized an opportunity presented by the potential return to manned, interplanetary space missions. Comsat Labs' expertise and track record shone through thousands of proposals in a winning bid to develop the Space Communications Testbed (SCT).

The SCT will be designed to give the Exploration Systems Mission Directorate at NASA a way to emulate end-to-end communications in space networks. A combination of software and hardware modules will emulate communication elements in remote surface platforms, planetary orbiters, relay stations, earth orbit satellites, and earth stations.

The project will draw technology from a number of previous testbed emulators developed by Comsat Labs. Network analysis/planning tools, network control stations, bandwidth management algorithms, and simulation packages completed for Intelsat, Inmarsat, AT&T, CECOM, and NASA (ACTS) give the division a head start on development of the SCT.

Interplanetary communications between the Earth and mobile and fixed assets on the Moon will be the focus of Phase 1 of the project. Then Phase 2 is intended to produce a functional testbed to include interplanetary communications between the Earth, Moon, and Mars.

BROADBAND FOR BUSINESS JETS

By the end of June, several owners of Gulfstream aircraft were enjoying ARINC SKYLink℠ in-flight broadband access across the continental United States. With an industry accustomed to peak data rates of 64 kbit/s, the performance of SKYLink is a remarkable leap forward, overcoming the dynamic motion of these small aircraft to provide broadband access. Data speeds are reportedly reaching 2 Mbit/s on the downlink to the aircraft and 128 kbit/s on the return link from the aircraft to the ground.

SKYLink is powered by a ViaSat ArcLight satellite networking system and SES Americom satellite capacity. Deliveries to ARINC totaled about 40 systems at the end of the fiscal year.

A combination of privately owned and charter aircraft have been outfitted at Gulfstream facilities in Savannah, Georgia and Long Beach, California. In addition, Gulfstream, the first reseller for SKYLink, has two aircraft running as demonstrators.

Adding installation centers at its Wisconsin and Texas facilities, Gulfstream is expected to have the capacity to pick up the pace of installations in the coming months, including other manufacturers' aircraft as well. Twenty-five SKYLink systems are expected to be installed by the end of the year.

TACTICAL DATA LINKS

MIDS (Multifunctional Information Distribution System) is the driving force behind our tactical data links business. The MIDS Low Volume Terminals (LVTs) are anti-jam digital data radios using CDMA spread spectrum technology to securely and reliably collect and distribute real-time sensor, display, targeting, and voice information among many tactical weapons platforms such as F-16 Falcon and F/A-18 Super Hornet jet fighters, A-10 Warthogs, and MH-60 helicopters. MIDS radios are used by all the U.S. armed services, plus all of our allies around the world. The technology is very complicated, and virtually all orders have been divided between only two competitors — ViaSat, and a joint venture called Data Link Solutions (formed by Rockwell Collins and BAE Systems — two of the world's largest providers of military avionics). Despite the formidable competition, ViaSat has been steadily growing its MIDS production business, both domestically and internationally — establishing a real horse race for global market leadership. In fiscal 2005 we doubled our production output of MIDS radios to 265 units — worth over $70 million and just over 20% of total company revenue. Based on the long-term procurement plans of U.S. and allied armed forces, MIDS production is anticipated to grow for several more years.

One of our more significant accomplishments during our fiscal 2005 was earning a development contract for a Joint Tactical Radio System (JTRS) compliant version of MIDS. JTRS is the Department of Defense's (DoD) new architecture for a family of software programmable radios that interoperate in current (or legacy) radio circuits as well as the new IP-oriented networks of the Global Information Grid. "MIDS-J" is a member of the JTRS family that will fit exactly into the existing MIDS radio "sockets" on all the current platforms (like F-16, A-10, etc.). That will save literally billions of dollars of integration and test costs that would be required to fit a new radio in their crowded electronics bays. It also should extend the expected life of the MIDS family for another decade. Plus, this propels ViaSat prominently into a very select group of JTRS radio prime contractors — an exclusive set of companies currently limited to the likes of Rockwell Collins, BAE Systems, and General Dynamics. ViaSat and DLS have been selected as co-prime contractors — each doing about half the development work. ViaSat's initial contract was valued at $60 million — and there are a number of opportunities to increase the scope of work we perform under the program. Once development is complete, ViaSat and DLS will compete for annual production contracts for MIDS-J terminals in a manner similar to the current LVT competitions. The overall JTRS market is expected to be substantially larger than the MIDS market and the MIDS-J program creates an opportunity to grow our largest defense business much further in the years ahead. While the competition is certainly formidable, it's again noteworthy that even some of the largest defense electronics contractors such as Boeing and General Dynamics have identified JTRS as a critical growth opportunity. MIDS-J is currently scheduled to be the first JTRS radio in production — which would be quite a distinction for our tactical data links team.

"ViaSat has been steadily growing its MIDS production business, both domestically and internationally — establishing a real horse race for global market leadership."

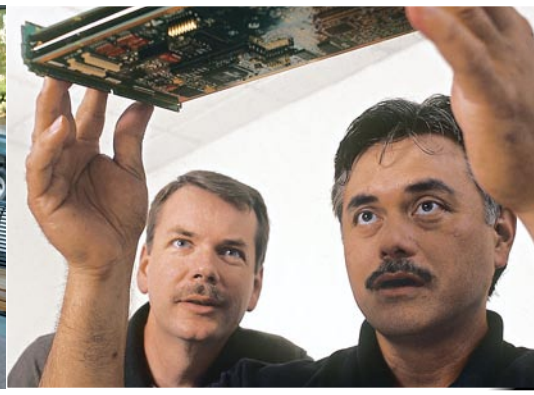
"Our new orders are a good measure of our success in MIDS production during the year. The innovation we bring to our MIDS-LVT products is the fundamental reason for our success. We look forward to continuing our technical leadership role on MIDS-JTRS."

— Paul Baca, VP, Tactical Data Links

MIDS

In full production, MIDS terminal shipments doubled compared to the numbers of a year ago. The business unit has achieved a new record dollar value with each successive order, and we remain the sole supplier of the MIDS-LVT(2) terminal for land-based applications.

INFORMATION ASSURANCE



"Our goal is to have ViaSat on everything that moves. This is fundamental to our Information Assurance business and all the products and systems we are developing from KG-250 to MIDS-JTRS."

— Jerry Goodwin, VP, Information Assurance

KG-250

The "PSIAM" (Programmable, Scalable Information Assurance Module) architecture developed for the KG-250 is the foundation for a variety of integrated network security applications. With this product, we have an opportunity to capture a large share of the growing market for network encryption products that meet the NSA Crypto Modernization initiative.

Information Assurance has been our fastest growing technology for the last several years. The area consists of products that protect classified data from being compromised or exploited by enemies. Basically, the products encrypt information so that it can't be read by anyone other than the intended recipients. Our information assurance business serves U.S. government customers and allies around the world. Information superiority has become the bedrock of U.S. military, diplomatic and economic strategies and tactics. It's critical that data be made available to the right people, in the right place (that is, even the most remote, hostile environments) and at the right time (that is, virtually instantaneously). Just as in the commercial world, military and government users are increasingly turning to Internet Protocols (IP) and web applications to create, package, and route voice, text, maps, imagery, video, and many other forms of data. But, unlike the commercial environment, U.S. government agencies enforce extremely rigorous development and test methodologies to protect our most sensitive information with Type 1 security products. There are very few companies with the technology to develop and manufacture security products meeting Type 1 requirements. Of those, even fewer have the software and networking expertise to develop products meeting the High Assurance Internet Protocol Encryptor Interoperability Specification (HAIPE IS). ViaSat has been focused on leading the HAIPE IS information assurance market since before the government even began defining the interoperability standard. Our commitment to this market has paid off in the last few years — allowing us to win funded development contracts that created several different products in our Information Assurance portfolio.

"There are very few companies with the technology to develop and manufacture security products meeting Type 1 requirements."

The potential market is very large. There are over 1 million Type 1 security devices in use today that encrypt classified voice, data, and fax circuits. Very, very few of those devices are Internet capable. We anticipate that eventually virtually every encryption device will be connected to DoD's IP-based Global Information Grid — creating a potential billion dollar market for HAIPE IS devices. It's noteworthy that even much larger defense electronics companies such as L3 and General Dynamics have identified the HAIPE IS-compliant security market as an attractive growth opportunity.

We're aggressively attacking the market with a multi-pronged technology strategy:

- We created an innovative integrated security module architecture called PSIAM. PSIAM has been the engine for all our recent encryption products — and is gaining traction as a technology product in its own right.
- Standalone HAIPE IS network encryptors that can be used with any IP device via an Ethernet interface. Our KG-250 has been the market share leader for 100 Mbps tactical products, and we are about to release the KG-255 gigabit Ethernet device.
- Embedded devices that are built into other tactical data radio products. ViaSat has long built encryption modules for our own radios (such as MIDS). But, we are also providing security modules for the Air Force next-generation airborne satellite terminals and the newest Navy Common Data Link radios.

MILITARY SATELLITE COMMUNICATIONS

Satellite communications products and terminals for military customers (often referred to as MILSATCOM) was the early foundation for much of ViaSat's business and technology. We were one of the pioneers of Demand Assigned Multiple Access (DAMA) technology that allocated scarce satellite bandwidth to users on a call-by-call basis for the UHF frequency band. Cumulatively, ViaSat has delivered over $100M of UHF satellite products — and established a reputation for innovation,

"Overall, we see a number of opportunities for long-term profitable growth in MILSATCOM that leverages our core business."

value, and product quality and reliability. ViaSat tactical satellite terminals are used in thousands of airplanes, ships, shore sites, submarines, cruise missiles, and man portable applications. Although these products have been eclipsed by tactical data links and information assurance, they are still in production and a valuable portion of our defense technology portfolio. We earned a $25M contract from Raytheon for UHF satellite modem modules at the end of fiscal 2005.

Now, we are aimed at growing our MILSATCOM business in several key areas:

- High-speed broadband and IP-centric satellite modems. During fiscal 2006 we expect to begin delivering the Enhanced Bandwidth Efficient Modem (EBEM). EBEM is the new standard for high-speed satellite modems for DoD and ViaSat has already received over $20M in orders cumulatively over the last three years.
- Defense applications of our commercial IP broadband VSAT products. ViaSat has already deployed a number of networks using our LINKWAY and LinkStar products for government applications such as Combat Camera and the Coalition Military Network in Iraq.
- New generations of mobile terminals that enable military platforms to access broadband Communications-On-The-Move. COTM means that ground vehicles can stay plugged into the Global Information Grid without having to stop and aim satellite or ground antennas.
- As a key member of the Lockheed Martin team for the Transformation Communication System (TCS). TCS is a multi-billion dollar DoD initiative to transform the way satellite communication is used to achieve information superiority in sensors, surveillance, targeting, and command and control operations.

In virtually all of these areas we compete with (and/or partner with) some of the largest defense electronics companies in the world—including Boeing, Raytheon, Lockheed Martin, and General Dynamics. One of the unique competitive advantages we have is the ability to leverage our strong positions in the commercial broadband satellite market. For instance, our role in airborne broadband satellite mobile networks with Connexion by Boeing and ARINC SKYLink services provide state-of-the-art technology for COTM defense applications. We've translated that into early success as the COTM network supplier to the first joint battle applications for DoD ground vehicles. Our expertise in HAIPE IS security helped create a partnership with Inmarsat to better tailor its new Broadband Global Area Network mobile services to DoD customers. Overall, we see a number of opportunities for long-term profitable growth in MILSATCOM that leverage core business positions in satellite broadband, Ka-band satellites, mobility, and secure bandwidth-on-demand applications.

"We continue to provide high performance tactical satellite communication systems for airborne, maritime, and fixed applications. And we're investing in development of new and innovative products and technologies to further empower the mobile satellite user."

— Phil Berry, VP, Military Satellite Communications

EBEM

The Enhanced Bandwidth Efficient Modem (EBEM) is designed to set a new standard for high-speed, high performance, and compatibility in military Single Channel Per Carrier (SCPC) modems. The EBEM incorporates the latest commercial modulation and coding technologies, while providing interoperability with the majority of existing SCPC modems.

BROADBAND

"We're excited about producing Ka-band terminals in high volumes to support consumer broadband services on Anik F2. This is the culmination of many years of hard work developing our SurfBeam DOCSIS®-for-satellite system."

— Marc Agnew, VP, Broadband

DOCSIS-FOR-SATELLITE MODEM

Canada-based Telesat and SES Americom joined WildBlue, Intelsat, and Eutelsat as major satellite operators putting their considerable industry weight behind our DOCSIS-for-satellite technology. Shortly after the launch of its first Ka-band spot beam satellite, Telesat announced its intention to order a second satellite to meet its optimistic projections for the market.

Satellite broadband markets have been a long time in developing, but fiscal 2005 was an important year for our major initiatives.

- Boeing launched its Connexion by Boeing in-flight broadband service with Lufthansa Airlines. By the end of fiscal 2005 there were 100 flights a day on about a half dozen international carriers — including Japan Airlines, Singapore Airlines, Korean Airlines, and Scandinavian carrier SAS. Boeing expects the number of daily flights to double by early calendar 2006 and is working to extend the mobile broadband service to maritime markets, too. While in-flight broadband adoption is proceeding at a measured pace, note that the early adopters are among the most "connected" nations on earth. Significantly, in-flight broadband users have been impressed with the service. In a May 2005 Boeing press release, Connexion noted that 93% of users described themselves as satisfied or very satisfied and 85% indicated that availability of in-flight broadband service would influence their future selection of flights.
- ARINC received FCC approval to operate its SKYLink in-flight broadband service for business jets with launch customer Gulfstream. ViaSat is the ground gateway and airborne terminal provider for the network, building on our 2-way interactive ArcLight CDMA satellite technology. This is the same technology used as the foundation for our military satellite Communications-On-The-Move initiative.
- There were several very important accomplishments relating to our Direct-To-Home consumer broadband satellite products. Telesat Canada successfully completed the launch of its Anik F2 satellite — which includes the most advanced Ka-band spot beam payload available for interactive broadband. Anik F2 hosts Direct-To-Home consumer broadband services for Telesat in the Canadian market and WildBlue Communications in the United States. Both have placed significant orders with ViaSat for our SurfBeam Ka-band network infrastructure, plus over 100,000 2-way interactive subscriber terminals. By the end of fiscal 2005, we had deployed network infrastructure for all F2 Ka-band coverage, and both WildBlue and Telesat were underway with beta testing of their mass market consumer service offerings. Subsequent to our fiscal year end, both declared the beta trials successful and entered revenue bearing commercial services during the first quarter of our fiscal 2006. This success represents a significant step in validation of the concept, and execution of building a scalable satellite broadband networking system around the Data Over Cable Service Interface Specification (DOCSIS) standard. We believe many satellite service providers and operators are closely watching these initial deployments of our SurfBeam DOCSIS-for-satellite technology.

"Connexion noted that 93% of users were satisfied or very satisfied."

These are all very important milestones in our efforts to develop scaleable broadband service offerings. The Direct-To-Home Ka-band market seems poised for exciting growth. At this point there are still some critical tests for both ViaSat and our service provider customers in terms of scaling up to manufacture, distribute, install, and maintain tens to hundreds of thousands of consumer terminals and subscribers. While initial results have been promising, we'll learn much more during the course of fiscal 2006. Nevertheless, there does appear to be significant pent-up demand for affordable broadband service with DSL-like speed and quality of service in underserved markets.

VSAT NETWORKS

While much of ViaSat's revenues revolve around satellite communications, our single largest business now involves what are known as Very Small Aperture Terminals, or VSATs. More specifically, ViaSat has become one of the world's leading, and best known, suppliers of networks of VSATs. For the last two years, especially, ViaSat's growth in VSAT networks has outpaced the industry as a whole, creating noteworthy gains in market share. We have built on some solid foundations, including:

- The well-respected sales, support and service legacy of the former Scientific-Atlanta VSAT networks division in Norcross, GA.
- Cutting edge broadband IP VSAT products and network management software developed at our highly regarded Comsat Labs unit in Clarksburg, MD.
- Innovative broadband systems developments, including ArcLight CDMA technology and the DOCSIS-for-satellite SurfBeam Direct-To-Home interactive broadband terminals from our Carlsbad, CA location.
- State-of-the-art, high performance, low cost Ka-band and MMIC radio technologies from our US Monolithics subsidiary in Chandler, AZ.

Our VSAT networks business has surely, and steadily, been building larger and larger networks, with more sophisticated feature sets, for bigger, more demanding customers, worldwide. Unit shipments of LinkStar, especially, have grown remarkably. During fiscal 2005 we shipped our 50,000th unit. There are a total of over 100 different LinkStar network hubs operating on virtually every continent. Customers around the world depend on LinkStar networks for applications such as maintaining records at Canada's largest chain of drug stores, running the Nebraska state lottery, anchoring WiFi hot spots at truck stops throughout America, hosting customer relationship management software applications at India's largest automobile dealership system, and distance learning networks for thousands of remote Malaysian schools. Our success in applications like these, and dozens more, are earning us greater opportunities to serve some of the world's largest, most demanding, satellite network market opportunities.

We are focused on a number of key initiatives to sustain, and possibly even enhance, our growth trends in this area:

- Continual product and system enhancements emphasizing networking features that the most sophisticated enterprise users need to support their private networks.
- Relentless focus on cost reductions.
- Growing our presence and capabilities in fast growing international markets such as India, China, and Latin America. We are steadily adding to our in-region work force and indigenous capabilities in these critical locations.
- Sustaining and expanding the synergies we've gained with dual use technologies for both commercial and government VSAT customers.
- Emphasis on enhancing and growing our large enterprise services capabilities in the critical United States market.

"ViaSat's growth in VSAT networks has outpaced the industry as a whole."

- Absorbing the cutting edge SurfBeam DOCSIS-for-satellite network system products into our VSAT networks product portfolio. This will allow us to market SurfBeam to a broader base of customers, and capitalize on the potential of substantial economy of scale benefits from the consumer VSAT market.

This is an exciting, but highly competitive marketplace. We believe our strategies give us the opportunity for another record year for ViaSat VSATs in fiscal 2006.

"The team and the products we have at ViaSat enable us to deliver high-quality VSAT networks across the globe. I'm proud to be part of a company focused on building customer trust and providing new technologies for people to communicate."

— Chris Leber, VP, VSAT networks

LINKSTAR

Shipments of our flagship LinkStar terminal reached the 50,000 milestone during the past year. The product fits more applications because it uses less satellite bandwidth and operates in a complete range of data rate, access, and bandwidth allocation modes.

ANTENNA SYSTEMS

"Our antenna system expertise and products continue to expand with smaller apertures and higher operating frequencies, including military quad-band and mobile antenna systems."

— John Zlogar, VP, Antenna Systems

CDLS

We developed this small antenna for Cubic Corp. and the Communications Data Link System. CDLS is a high-speed link that transmits intelligence data between reconnaissance aircraft and surface ships. The system includes software-defined radios, a satellite antenna and data security technology, also from ViaSat.

Even in a very dynamic competitive environment, the performance of our antenna business, known as Antenna Systems, has remained strong. Increasing return on sales and profitability marked the year as management focused on building a more efficient organization through outsourcing and building the group for the changing market.

One strength continues to be a balanced mix of business among satellite imaging (remote sensing), military communications, telemetry, geostationary satellite communications, and maintenance and upgrades. With the natural rise and fall of demand for each type of system, the mix provides stable overall sales and revenues.

A highlight during the past year was the group's continued penetration into the military satellite communications market. Military sales increased to 25% of revenues in fiscal 2005, compared to 19% the prior year.

Remote sensing, the reception of data from imaging satellites, was the top market segment for Antenna Systems last year. It is uncertain if this segment will sustain current levels or grow, but Antenna Systems has dominated this market segment for large aperture antennas.

Beyond current sales, the work is also resulting in funded development of new products as well. Antenna Systems is traditionally known for its large antennas — up to 18 meters — but now is engineering a variety of smaller systems that will enable it to pursue new markets for both commercial and military customers.

"Antenna Systems is traditionally known for its large antennas but now is engineering a variety of smaller systems that will enable it to pursue new markets."

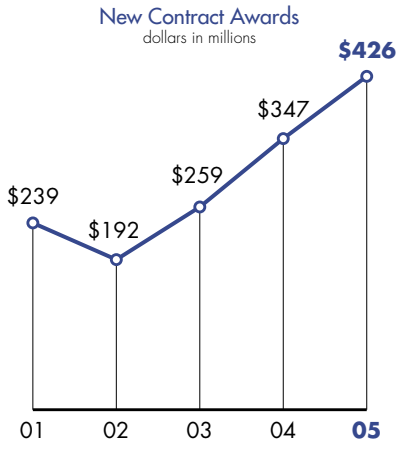
During the year, the group developed 2.4 meter and 3.9 meter military transportable antennas that can operate in four frequency bands. A new military dual X/Ka-band antenna feed will be the first of its kind in the industry. And other sub one-meter designs, including one for Communications-On-The-Move applications, are in the works.

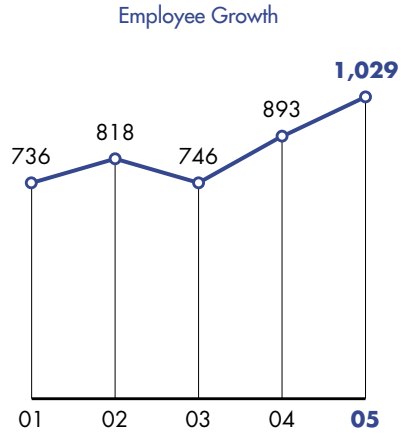
Another potentially favorable trend for Antenna Systems is the shift to High Definition Television. Along with new consumer reception equipment, HDTV requires new satellite transmission systems. Major broadcasters are looking for antenna systems that can support the data speed and capacity required to provide the additional lines of video resolution and high-quality audio that are characteristic of HDTV. With a 40-year history of providing TV broadcast systems, Antenna Systems should be well positioned to capture some of this new business.

Other trends may create new opportunities. Consolidation in the industry is changing the landscape for customers. Acquisitions, for example the purchase of Antenna Systems competitor Vertex RSI by General Dynamics, have the potential to make once independent companies into competitors, chasing customers back into the marketplace to look for new sources of antenna systems.

Inside ViaSat

We understand how dynamic the world is for technology companies. There's truth behind the saying, "It's not the big that eat the small, it's the fast that eat the slow." So, we aim to balance near-term priorities with an eye on the future in terms of people, technology, and markets.





PREPARING FOR TOMORROW

PEOPLE

ViaSat has been fortunate to maintain an outstanding work force with extremely low turnover — well under 10% on an annual basis. Such low turnover is certainly the exception for a high-tech company in such competitive markets and geographic locations. We work hard to keep an open, informal environment balancing marketplace demands with respect for the individuals that make our company go. Our low turnover rate has helped forge a sense of teamwork across the company that would otherwise just not be possible. It's not something we take for granted. Even though we are growing quickly, and adapting to both internal and external changes, we have consistently put much energy into preserving an environment that will attract, develop, and keep the best people in our business. Some of the most important factors include:

- Health care and benefits that make it easier to focus on our work when we're at work.
- An informal atmosphere that emphasizes productivity, while accommodating needs of individual employees.
- A work environment with the tools and facilities needed to get the job done.
- We place great value on education and personal growth and offer a broad range of technical and management education reaching virtually all our staff.

- A constant flow of new college graduates into our company helps maintain fresh ideas and challenges much "conventional wisdom" in multiple areas.

TECHNOLOGY

You'll see many examples of our technical successes in this report. But we are constantly experimenting with new technologies and business ideas. They aren't always successful, but they stimulate thoughts, still more new ideas, and sometimes pay off in unexpected ways. Some of the areas we're exploring, often jointly with key partners, include:

- New concepts in securely managing information.
- Ways to secure information flows of tens of gigabits/per second.
- Mobile satellite information and entertainment.
- Very low cost ways to enable two-way interactive satellite TV.
- Applying advanced communication and detection algorithms to novel problems in signal detection, identification, or high precision position location.

GLOBAL OPERATIONS

Our international operations have never been more important. Increasingly, we see being global not just as a way to sell into distant markets, but also as a way to enhance our business everywhere — including in the United States. Being global exposes us to different business models for military missions, telecommunications and entertainment, including content packaging, and distribution to businesses and consumers. We are working to improve our ability to both project our capabilities to new markets and to bring knowledge of those markets back to our U.S. locations. Diverse national markets have developed in very different ways, often emphasizing different aspects of service quality, delivery, or pricing. Companies that thrive in some of these markets will develop skills that may become decisive in others — including the U.S.

Ron Wangerin, VP, CFO

ViaSat Technology Investments

US Monolithics + Comsat Labs

ViaSat owns some strong competitive positions in attractive markets. New entrants, even the largest companies, can find it difficult to quickly acquire or develop comparable technology. Or, they may find it takes too long to earn key customer relationships. We work to sustain critical technology investments and nurture pivotal customer relationships — often for a long time before they yield financial results. Our MIDS tactical data link and HAIPE IS product lines are growing because of this long-term view. And, we have an opportunity to achieve similar benefits in DOCSIS-for-satellite broadband, or the Joint Tactical Radio System (JTRS) market, too. We're always looking to build enduring competitive advantages. We know it takes time and money to get there — just as it did with MIDS. Here are two ways we're working on our future.

US Monolithics

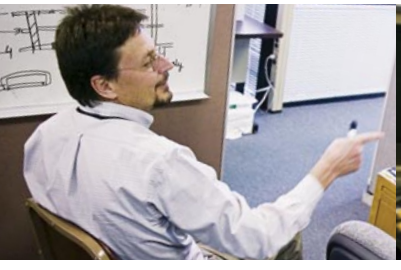
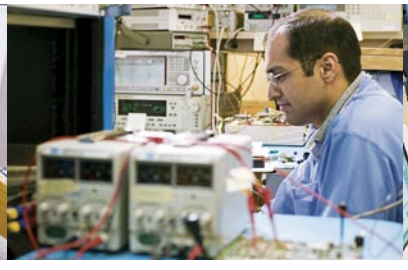
ViaSat acquired US Monolithics in 2002 with two purposes in mind. First, leverage US Monolithics' state-of-the-art monolithic microwave integrated circuit (MMIC) chip design, and low cost radio frequency (RF) modules into our SurfBeam Ka-band DOCSIS-for-satellite broadband products. We are just starting to earn the benefits of this.

The second purpose was to capitalize on US Monolithics' science and engineering expertise in the U.S. DoD market. We saw that the combination of ViaSat DoD strength and US Monolithics capabilities could create opportunities to earn development contracts that would keep our technology sharp, and to develop defense products that could create substantial revenue in their own right.

We've made good progress and fiscal 2005 saw tangible results. First, a contract with Harris to develop a "Q-band" power amplifier, covering DoD Extremely High Frequency (EHF) satellite frequencies. Military EHF is analogous to commercial Ka-band, and could be a significant market — especially given the planned Transformational Communication System (TCS). We also announced a second $4.6 million contract with Harris for a military space system. These contracts, and other similar targets, are steps towards establishing US Monolithics as a key source of advanced MMIC and RF technology for high performance, microwave devices used by DoD space and satellite programs.

Comsat Labs

For decades, Comsat Laboratories was regarded as the independent center of excellence for satellite technology. Comsat Labs was a leader in developing, or applying, technologies such as voice and image compression, satellite RF and antenna advances, and communications systems engineering. Much of that expertise was dispersed when Lockheed Martin acquired COMSAT, the corporate parent of the Labs. When ViaSat acquired Comsat Labs from Lockheed in 2001, we had both short-term and long-term objectives. We've achieved strong growth by integrating the Labs' LinkStar and LINKWAY products — along with the key people that created them — into our VSAT networks business. Sales of those products have grown more than five-fold. Our other goal is nothing less than re-kindling the Labs' reputation as *the* global center for satellite communications expertise. It's ambitious, especially given changes in the satellite ecosystem. But it's a goal worth seeking and we feel we're making progress. In the past year, the Labs won over $10 million in research contracts across an impressive range of technologies — including dynamic satellite resource allocation, electronic beam forming, and leadership in NASA's testbed program for communications for space exploration. Not only are we gaining valuable technology, we're doing research that attracts the best and brightest back to the Labs — surely a valuable source of long-term competitive advantage.

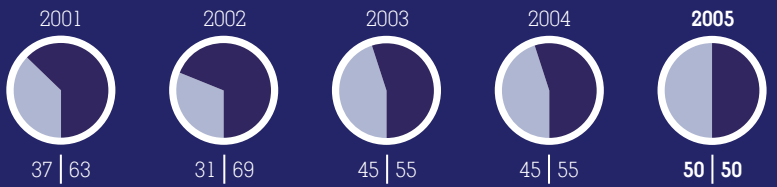
PERFORMANCE

2005 Financial Results

REVENUES BY BUSINESS SEGMENT

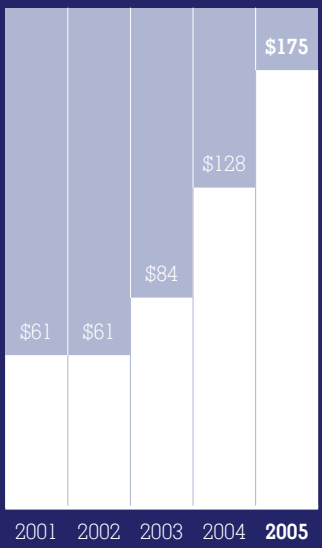
percentage of total revenue

Government ● Commercial ○



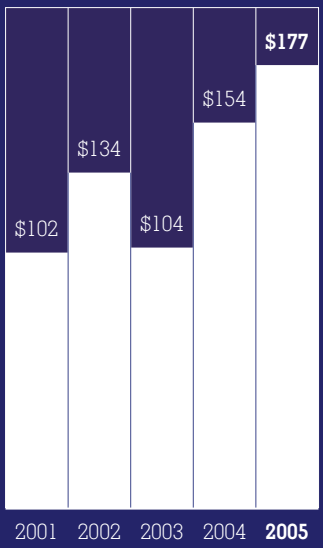
GOVERNMENT REVENUES

dollars in millions



COMMERCIAL REVENUES

dollars in millions



FINANCIAL CONTENTS

The following table provides selected financial information for us for each of the fiscal years in the five-year period ended April 1, 2005. The data as of and for each of the fiscal years in the five-year period ended April 1, 2005 has been derived from our audited financial statements and include, in the opinion of our management, all adjustments necessary to state fairly the data for those periods. You should consider the financial statement data provided below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes which are included elsewhere in this annual report. All amounts shown are in thousands, except per share data.

Years Ended	April 1, 2005	April 2, 2004	March 31, 2003	March 31, 2002	March 31, 2001
STATEMENT OF INCOME DATA:					
Revenues	$345,939	$278,579	$185,022	$195,628	$164,352
Cost of revenues	262,260	206,327	142,908	139,354	113,458
Gross profit	83,679	72,252	42,114	56,274	50,894
Operating expenses:					
Selling, general and administrative	48,631	38,800	37,858	38,153	26,482
Independent research and development	8,082	9,960	16,048	9,415	6,173
Acquired in-process research and development	—	—	—	2,550	2,334
Amortization of intangible assets	6,642	7,841	8,448	6,959	3,789
Income (loss) from operations	20,324	15,651	(20,240)	(803)	12,116
Interest income (expense)	304	(346)	(740)	188	1,647
Other income (loss)	—	—	—	(90)	—
Income (loss) before income taxes and minority interest	20,628	15,305	(20,980)	(705)	13,763
Provision (benefit) for income taxes	1,246	2,015	(11,395)	(2,918)	3,441
Minority interest in net earnings of subsidiary, net of tax	115	122	47	56	57
Net income (loss)	$ 19,267	$ 13,168	$ (9,632)	$ 2,157	$ 10,265
Basic net income (loss) per share	$ 0.72	$ 0.50	$ (0.37)	$ 0.09	$ 0.48
Diluted net income (loss) per share	$ 0.68	$ 0.48	$ (0.37)	$ 0.09	$ 0.46
Shares used in computing basic net income (loss) per share	26,749	26,257	26,016	23,072	21,379
Shares used in computing diluted net income (loss) per share	28,147	27,558	26,016	23,954	22,537
BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	$ 14,741	$ 18,670	$ 4,269	$ 6,620	$ 17,721
Working capital	138,859	107,846	74,276	83,458	84,334
Total assets	301,825	272,682	237,155	238,667	169,378
Capital lease obligation, less current portion	—	—	141	174	—
Total stockholders' equity	226,283	202,475	183,887	191,939	132,807

GENERAL

We are a leading provider of advanced digital satellite communications and other wireless networking and signal processing equipment and services to the government and commercial markets. Based on our history and extensive experience in complex defense communications systems, we have developed the capability to design and implement innovative communications solutions, which enhance bandwidth utilization by applying our sophisticated networking and digital signal processing techniques. Our goal is to leverage our advanced technology and capabilities to capture a considerable share of the global satellite communications equipment and services segment of the broadband communications market for both government and commercial customers.

Our internal growth to date has historically been driven largely by our success in meeting the need for advanced communications products for our government and commercial customers. By developing cost-effective communications products incorporating our advanced technologies, we have continued to grow the markets for our products and services.

Our company is organized principally in two segments: government and commercial. Our government business encompasses specialized products principally serving defense customers and includes:

- Tactical data links, including MIDS,
- Information security and assurance products and services, which enable military and government users to communicate secure information over secure and non-secure networks, and
- MILSATCOM systems and products, including UHF DAMA satellite communications products consisting of modems, terminals and network control systems, and innovative broadband solutions to government customers to increase available bandwidth using existing satellite capacity.

Serving government customers with cost-effective products and solutions continues to be a critical and core element of our overall business strategy.

We have been increasing our focus in recent years on offering satellite based communications products and systems solutions to address commercial market needs. In pursuing this strategy, we have acquired three strategic satellite communication equipment providers: (1) the Satellite Networks Business of SA in fiscal year 2001; (2) Comsat Laboratories products business from Lockheed Martin in fiscal year 2002; and (3) USM in fiscal year 2002. Our commercial segment accounts for approximately 51% of our revenues in fiscal year 2005, 55% of our revenues in fiscal year 2004, and 56% of our revenues in fiscal year 2003. To date, our principal commercial offerings include VSAT, broadband Internet equipment over satellite, network control systems, network integration services, network operation services, gateway infrastructure, antenna systems and other satellite ground stations. In addition, based on our advanced satellite technology and systems integration experience, we won several important projects in the three key broadband markets: enterprise, consumer and in-flight mobile applications.

Our commercial business offers an end-to-end capability to provide customers with a broad range of satellite communication and other wireless communications equipment solutions including:

- Consumer broadband products and solutions to customers based on DOCSIS or DVB-RCS-based technology,
- Mobile broadband products and systems for in-flight, maritime and ground mobile broadband applications,
- Enterprise VSAT networks products and services,
- Satellite networking systems design and technology development,
- MMIC design and development, with an emphasis in systems engineering of packaged components, which specializes in high-frequency communication technology design and development, and
- Antenna systems for commercial and defense applications and customers.

With expertise in commercial satellite network engineering, gateway construction, and remote terminal manufacturing for all types of interactive communications services, we have the unique ability to take overall responsibility for designing, building, initially operating, and then handing over a fully operational, customized satellite network serving a variety of markets and applications.

To date, our ability to grow and maintain our revenues has depended on our ability to identify and target high technology satellite communication and other communication markets where the customer places a high priority on the solution, and obtaining additional sizable contract awards. Due to the nature of this process, it is difficult to predict the probability and timing of obtaining these awards.

Our products are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Historically, approximately 88% for fiscal year 2005, 89% for fiscal year 2004 and 95% for fiscal year 2003, of our revenues were derived from fixed-price contracts, which require us to provide products and services under a contract at a stipulated price. The remainder of our annual revenue was derived from cost-reimbursement contracts, under which we are reimbursed for all actual costs incurred in performing the contract to the extent such costs are within the contract ceiling and allowable under the terms of the contract, plus a fee or profit, and from time-and-materials contracts which reimburse us for the number of labor hours expended at an established hourly rate negotiated in the contract, plus the cost of materials utilized in providing such products or services.

Historically, a significant portion of our revenues are from contracts for the research and development of products. The research and development efforts are conducted in direct response to the specific requirements of a customer's engineering

and production order and, accordingly, expenditures related to such efforts are included in cost of sales when incurred and the related funding (which includes a profit component) is included in revenues. Revenues for our funded research and development were approximately $105.7 million or 30.6% of our total revenues during fiscal year 2005, $81.0 million or 29.1% of our total revenues during fiscal year 2004, and $74.1 million or 40.0% of our total revenues during fiscal year 2003.

We also incur independent research and development expenses, which are not directly funded by a third party. Independent research and development expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development programs. Independent research and development expenses were approximately 2.3% of revenues during fiscal year 2005, 3.6% of revenues during fiscal year 2004 and 8.7% of revenues during fiscal year 2003. As a government contractor, we are able to recover a portion of our independent research and development expenses pursuant to our government contracts.

EXECUTIVE SUMMARY

We develop and manufacture satellite ground systems and other related government and commercial digital communications equipment. Our products are generally highly complex and have a concept-to-market timeline of several months to several years. The development of products where customers expect state-of-the-art results requires an exceptionally talented and dedicated engineering workforce. Since inception, we have been able to attract, develop and retain engineers who support its business and customer objectives, while experiencing low turnover (relative to its competitors or peers). The consistency and depth of our engineering workforce has enabled us to develop leading edge products and solutions for our customers.

From 1986 through fiscal year 2002, we were profitable and grew our revenue base each year. The downturn in the telecommunications industry and the terrorist attacks in 2001 resulted in the loss of approximately one-third of our backlog at the end of calendar year 2001. In the ensuing months, we began rebuilding our backlog—first primarily in the government segment and then in the commercial segment as well. While we were rebuilding backlog, we were also investing significantly in research and development of new products and new business activities. While awards in fiscal year 2003 were a record at the time, it was the first year we did not grow our revenue on a year over year basis and were not profitable.

Our awards have grown from $191.9 million in fiscal year 2002 to $259.2 million in fiscal year 2003, to $346.5 million in fiscal year 2004 and to $426.2 million in fiscal year 2005. The awards growth each of the past three years and the conversion of certain of the awards has contributed to our revenue growth.

There are a number of large new business opportunities we are pursuing in fiscal year 2006. In the government segment, the opportunities include the MIDS Lot VI production order, international MIDS orders, new MIDS joint tactical radio system contracts, additional funding for current information assurance projects, new information assurance contracts using our HAIPIS technology, and orders for our new KG-250 product. In our commercial segment, the opportunities include new production orders for consumer and mobile broadband systems, new consumer broadband development systems, further penetration in the North American market with enterprise VSAT customers and antenna systems. The timing of these orders is not entirely predictable, so our revenue may vary somewhat from quarter-to-quarter or even year-to-year.

Our operating objective for income from operations, excluding the deduction for "Amortization of intangible assets," is ten percent of revenues. To the extent we are not generating sufficient gross profit from revenues, we strive to adjust other operating expenses to continue to attempt to meet this objective. For the past three years we have not achieved our operating objective principally due to cost overruns on customer funded development programs, investments in research and development and increased selling expenses.

Generating positive cash flows from operating activities was a financial priority for us in fiscal years 2005 and 2004 and will continue to be a focus in fiscal year 2006. Key areas which we monitor to achieve the cash flow objective include: generating income from operations, reducing our unbilled accounts receivable by monitoring program performance to ensure performance milestones are achieved, reducing the cycle time for amounts billed to customers and their related collection, and reducing inventory on hand.

We expect that our capital needs will increase for fiscal year 2006 as compared to fiscal year 2005 as we expand our facilities, production test equipment and lab development equipment to meet customer program requirements and growth forecasts. Our facility needs have normally been met with long-term lease agreements, but we do anticipate additional tenant improvements over the next two fiscal years associated with our expansion. Additionally, as our employee base increases, the need for additional computers and other equipment will also increase.

Included in fiscal year 2004 operating cash flow is $9.0 million received from SA and $406,000 in proceeds from the bankruptcy liquidation proceedings of ORBCOMM. Operating income for fiscal year 2004 includes a benefit to cost of revenues of $3.2 million and a benefit to selling, general and administrative expenses of $3.1 million as a result of SA proceeds and a benefit to selling, general and administrative expenses of $406,000 from the bankruptcy liquidation proceedings of ORBCOMM (see Liquidity section of our MD&A for more detail).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We consider the policies discussed below to be critical to an understanding of our financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. We describe the specific risks for these critical accounting policies in the following paragraphs. For all of these policies, we caution that future events rarely develop exactly as forecast, and even the best estimates routinely require adjustment.

Revenue recognition. A substantial portion of the Company's revenues are derived from long-term contracts requiring development and delivery of products over time and often contain fixed-price purchase options for additional products. Certain of these contracts are accounted for under the percentage-of-completion method of accounting under the American Institute of Certified Public Accountants' Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1). Sales and earnings under these contracts are recorded based on the ratio of actual costs incurred to date to total estimated costs expected to be incurred related to the contract or as products are shipped under the units-of-delivery method.

The percentage-of-completion method of accounting requires management to estimate the profit margin for each individual contract and to apply that profit margin on a uniform basis as sales are recorded under the contract. The estimation of profit margins requires management to make projections of the total sales to be generated and the total costs that will be incurred under a contract. These projections require management to make numerous assumptions and estimates relating to items such as the complexity of design and related development costs, performance of subcontractors, availability and cost of materials, labor productivity and cost, overhead and capital costs, and manufacturing efficiency. These contracts often include purchase options for additional quantities and customer change orders for additional or revised product functionality. Purchase options and change orders are accounted for either as an integral part of the original contract or separately depending upon the nature and value of the item. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. In the fiscal year ended April 1, 2005, we recorded losses of approximately $5.7 million related to loss contracts. There were no significant charges for loss contracts in fiscal years ended April 2, 2004 or March 31, 2003.

Assuming the initial estimates of sales and costs under a contract are accurate, the percentage-of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract. Changes in these underlying estimates due to revisions in sales and cost estimates or the exercise of contract options may result in profit margins being recognized unevenly over a contract as such changes are accounted for on a cumulative basis in the period estimates are revised. Significant changes in estimates related to accounting for long-term contracts may have a material effect on our results of operations in the period in which the revised estimate is made.

The Company also has contracts and purchase orders where revenue is recorded on delivery of products in accordance with SAB 104, *Staff Accounting Bulletin No. 104: Revenue Recognition*. In this situation, contracts and customer purchase orders are used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. The Company assesses whether the sales price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment, and assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

When a sale involves multiple elements, such as sales of products that include services, the entire fee from the arrangement is allocated to each respective element based on its relative fair value in accordance with EITF 00-21, *Accounting for Multiple Element Revenue Arrangements* and recognized when the applicable revenue recognition criteria for each element are met. The amount of product and service revenue recognized is impacted by our judgments as to whether an arrangement includes multiple elements and, if so, whether vendor-specific objective evidence of fair value exists for those elements. Changes to the elements in an arrangement and our ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

Capitalized software development costs. We charge costs of developing software for sale to research and development expense when incurred, until technological feasibility has been established. Software development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of unamortized cost or net realizable value. Once the product is available for general release, we amortize the software development costs based on the ratio of current to future revenue for each product with an annual minimum equal to straight-line amortization over the remaining estimated economic life of the product not to exceed five years. The determination of net

realizable value involves judgment and estimates of future revenues to be derived from a product, as well as estimates of future costs of manufacturing that product. We use our experience in the marketplace in making judgments in estimating net realizable value, but our estimates may differ from the actual outcome. We periodically assess the assumptions underlying our estimates and, if necessary, we would adjust the carrying amount of capitalized software development costs downward to our new estimate of net realizable value.

We did not capitalize any costs related to software developed for resale in the fiscal years ended April 1, 2005 or April 2, 2004. We capitalized costs related to software developed for resale of $5.3 million for the fiscal year ended March 31, 2003. Amortization expense of software development costs was $3.4 million for fiscal year 2005, $2.8 million for fiscal year 2004 and $1.1 million for fiscal year 2003. These software development costs are included in other assets on the balance sheet and we record the related amortization expense as a charge to cost of revenues on the statement of operations.

Allowance for doubtful accounts. We make estimates of the collectibility of our accounts receivable based on historical bad debts, customer creditworthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. Historically, our bad debts have been minimal; a contributing factor to this is that a significant portion of our sales has been to the U.S. government. More recently, commercial customers comprise a larger part of our revenues. Our accounts receivable balance was $141.3 million, net of allowance for doubtful accounts of $163,000, as of April 1, 2005 and our accounts receivable balance was $110.8 million, net of allowance for doubtful accounts of $379,000, as of April 2, 2004.

Warranty accrual. We provide limited warranties on a majority of our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products based upon an estimate of expected warranty costs. We classify the amounts we expect to incur within twelve months as a current liability. For mature products, we estimate the warranty costs based on historical experience with the particular product. For newer products that do not have a history of warranty costs, we base our estimates on our experience with the technology involved and the types of failure that may occur. It is possible that our underlying assumptions will not reflect the actual experience, and in that case, we will make future adjustments to the recorded warranty obligation.

Impairment of goodwill. We account for our goodwill under Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. The SFAS No. 142 goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value of the reporting units that have goodwill assigned to them. The only reporting units which have goodwill assigned to them are the businesses which were acquired and have been included in our commercial segment. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the reporting unit used in the first step, and is compared to its carrying value. The shortfall of the value below carrying value represents the amount of goodwill impairment. We test goodwill for impairment during the fourth quarter every fiscal year, and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

We estimate the fair values of the related operations using discounted cash flows and other indicators of fair value. We base the forecast of future cash flows on our best estimate of the future revenues and operating costs, which we derive primarily from existing firm orders, expected future orders, contracts with suppliers, labor agreements, and general market conditions. Changes in these forecasts could cause a particular reporting unit to either pass or fail the first step in the SFAS No. 142 goodwill impairment model, which could significantly influence whether a goodwill impairment needs to be recorded. We adjust the cash flow forecasts by an appropriate discount rate derived from our market capitalization plus a suitable control premium at the date of evaluation. In applying the first step, which is identification of any impairment of goodwill, no impairment of goodwill has resulted.

Impairment of long-lived assets (Property and equipment and other intangible assets). In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we assess potential impairments to our long-lived assets, including property and equipment and other intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We recognize an impairment loss when the undiscounted cash flows expected to be generated by an asset (or group of assets) are less than the asset's carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. We have not identified any such impairments.

Valuation allowance on deferred tax assets. Management evaluates the realizability of our deferred tax assets and assesses the need for a valuation allowance on a quarterly basis. In accordance with SFAS No. 109, *Accounting for Income Taxes*, net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. A valuation allowance of $769,000 was provided on deferred tax assets at April 1, 2005, for California research credit carryforward. The

amount of California research credit carryforward considered realizable was determined based on California taxable income and generation of additional California research credits projected in the future. Even though there is no expiration for California research credits, we are generating the credits at a rate faster than we expect to use them.

Derivatives. We enter into foreign currency forward and option contracts to hedge certain forecasted foreign currency transactions. Gains and losses arising from foreign currency forward and option contracts not designated as hedging instruments are recorded in investment income (expense) as gains (losses) on derivative instruments. Gains and losses arising from the effective portion of foreign currency forward and option contracts that are designated as cash-flow hedging instruments are recorded in accumulated other comprehensive income (loss) as gains (losses) on derivative instruments until the underlying transaction affects our earnings. The fair value of our foreign currency forward contracts was a liability of $54,000 at April 1, 2005. We had $2.7 million of notional value of foreign currency forward contracts outstanding at April 1, 2005. We had no foreign currency forward or option contracts outstanding at April 2, 2004 and March 31, 2003.

RESULTS OF OPERATIONS

The following table presents, as a percentage of total revenues, income statement data for the periods indicated.

Years Ended	April 1, 2005	April 2, 2004	March 31, 2003
Revenues	100.0%	100.0%	100.0%
Cost of revenues	75.8	74.1	77.2
Gross profit	24.2	25.9	22.8
Operating expenses:			
Selling, general and administrative	14.1	13.9	20.4
Independent research and development	2.3	3.6	8.7
Amortization of intangible assets	1.9	2.8	4.6
Income (loss) from operations	5.9	5.6	(10.9)
Income (loss) before income taxes	6.0	5.4	(11.4)
Provision (benefit) for income taxes	0.4	0.7	(6.2)
Net income (loss)	5.6	4.7	(5.2)

FISCAL YEAR 2005 COMPARED TO FISCAL YEAR 2004

Revenues.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$345.9	$278.6	$67.3	24.2%

The increase in revenues was due to the higher customer awards received in the past two fiscal years consisting of $426.2 million in fiscal year 2005 and $346.6 million in fiscal year 2004 and the conversion of certain of those awards into revenues.

Gross Profit.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Gross profit	$83.7	$72.3	$11.4	15.8%
Percentage of revenues	24.2%	25.9%		

The increase in gross profit was primarily due to the margin dollars generated from higher revenues and improved program performance in the government segment over fiscal year 2004. These increases were partially offset by gross profit reductions from higher than planned development and start-up costs of our DOCSIS-based consumer satellite broadband system. Our fiscal year 2004 gross profit includes a $3.2 million benefit from the SA Settlement. See "Liquidity and Capital Resources" for a more detailed explanation of the SA Settlement.

Selling, General and Administrative Expenses.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, General and Administrative	$48.6	$38.8	$9.8	25.3%
Percentage of revenues	14.1%	13.9%		

The increase in selling, general and administrative (SG&A) expenses year over year is primarily attributable to the increase in selling costs related to higher new contract awards and increased revenues, costs related to Sarbanes-Oxley implementation of $1.1 million, and higher year over year legal costs of approximately $0.8 million.

Included in SG&A expenses for fiscal year 2004, is a benefit of $3.1 million from the SA Settlement and a benefit of $406,000 related to bad debt recoveries from the bankruptcy liquidation of ORBCOMM. Absence these benefits, SG&A expenses in fiscal year 2004 would have been $42.3 million (15.2% of revenues). Therefore, SG&A expenses, as a percentage of revenues, declined 1.1% in fiscal year 2005 over 2004. The reduction in percentage is due to the lower support costs required to operate the Company as it grows.

SG&A expenses consist primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, finance, contract administration and general management. Some SG&A expenses are difficult to predict and vary based on specific government and commercial sales opportunities.

Independent Research and Development.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent Research and Development	$8.1	$10.0	$(1.9)	(19.0)%
Percentage of revenues	2.3%	3.6%		

Independent research and development (IR&D) expenses have declined in each of the past two years compared to the prior year. The decrease in IR&D expenses reflects the reduced efforts for company funded development projects due to the increase of orders over the past 30 months, where customer funded development was part of the contract, and the completion of the KG-250 development during in fiscal year 2005 versus a full year in fiscal year 2004.

Amortization of Intangible Assets. The intangible assets from acquisitions in fiscal year 2001 and in fiscal year 2002 are being amortized over useful lives ranging from two to ten years. The amortization of intangible assets will decrease each year as the intangible assets with shorter lives become fully amortized.

The estimated amortization expense of long-lived intangible assets for the next five fiscal years is as follows:

Amortization	(In thousands)
Expected for fiscal year 2006	$6,048
Expected for fiscal year 2007	5,378
Expected for fiscal year 2008	4,508
Expected for fiscal year 2009	3,760
Expected for fiscal year 2010	536

Interest Expense. Interest expense decreased to $141,000 for fiscal year 2005 from $357,000 for fiscal year 2004. The decrease resulted from lower outstanding borrowings coupled with lower loan fees in fiscal year 2005. At April 1, 2005 and April 2, 2004, there were no outstanding borrowings under our line of credit.

Interest Income. Interest income increased to $445,000 for fiscal year 2005 from $11,000 for fiscal year 2004. This increase resulted from interest accrued on income taxes due from amending previous years tax returns.

Provision for Income Taxes. Our effective income tax rate was 6.0% in fiscal year 2005 compared to 13.2% in fiscal year 2004. In fiscal year 2005 we increased our export sales tax benefit by $1.4 million over fiscal year 2004 and increased research tax credits in fiscal year 2005 by $1.4 million over fiscal year 2004.

OUR SEGMENT RESULTS FISCAL YEAR 2005 COMPARED TO FISCAL YEAR 2004

Government Segment

Revenues.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$175.4	$128.4	$47.0	36.6%

The increase in government segment revenues related primarily to the $227.1 million in awards received during fiscal year 2005. The increased sales were principally from higher year over year tactical data link sales of $33.7 million and sales of the KG-250 of $12.6 million, which was a new product introduced in fiscal year 2005.

Segment Operating Profit.

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$28.1	$15.2	$12.9	84.9%
Percentage of segment revenues	16.0%	11.8%		

The increase in government segment operating profit dollars was primarily related to the increased revenue year over year from tactical data link sales of $15.6 million offset by contract development overrun charges on information assurance and MILSATCOM programs of $5.7 million. Segment operating profit percentage also increased due to improved margins of tactical data links products.

Commercial Segment

Revenues.

Satellite Networks

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$138.0	$111.5	$26.5	23.8%

Antenna Systems

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$ 39.4	$ 42.6	$(3.2)	(7.5)%

Total Commercial Segment

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$177.4	$154.2	$23.2	15.0%

The increase in commercial segment revenues reflects higher sales of satellite networking systems, principally consumer broadband and enterprise VSAT equipment, offset by partially lower sales of antenna systems. The higher sales of satellite networking equipment revenue reflects higher customer awards stemming from greater market acceptance of our products and the conversion of those awards to revenue. The reduction in antenna systems revenues are related to lower year over year new contract awards.

Segment Operating Profit.

Satellite Networks

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Satellite Networks operating profit	$(1.7)	$7.3	$(9.0)	(123)%
Percentage of Satellite Network revenues	(1.2)%	6.5%		

Antenna Systems

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Antenna Systems operating profit	$ 3.6	$2.1	$ 1.5	71.4%
Percentage of Antenna Systems revenues	9.1%	4.9%		

Total Commercial Segment

Years Ended (In millions, except percentages)	April 1, 2005	April 2, 2004	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$1.9	$9.4	$(7.5)	(79.8)%
Percentage of segment revenues	1.1%	6.1%		

The decrease in commercial segment operating profit dollars and percentage reflects an increase in antenna systems operating profit from improved program performance offset by higher operating costs in satellite networks, principally higher development and start-up costs related to our DOCSIS-based consumer satellite broadband system. Fiscal year 2004 satellite networks operating profit includes a $6.3 million benefit related to the SA settlement and $406,000 in proceeds from the bankruptcy liquidation of ORBCOMM. Absent these benefits, satellite networks operating profit would have been $0.6 million.

FISCAL YEAR 2004 COMPARED TO FISCAL YEAR 2003

Revenues.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$278.6	$185.0	$93.6	50.6%

The increase in revenues was due to the higher customer awards received in the past two fiscal years consisting of $346.6 million in fiscal year 2004 and $259.2 million in fiscal year 2003 and the conversion of certain of those awards into revenues.

Gross Profit.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Gross profit	$ 72.3	$ 42.1	$30.2	71.7%
Percentage of revenues	25.9%	22.8%		

The increase in gross profit was primarily due to the margin dollars generated from higher revenues and improved program performance in our enterprise VSAT networks contracts over fiscal year 2003. These increases were partially offset by gross profit reductions from a higher percentage of customer funded products in the development stage for fiscal year 2004, which typically have lower profit margins, cost overruns in our SurfBeam product area and higher amortization of capitalized software. Our fiscal year 2004 gross profit includes a $3.2 million benefit from the SA Settlement and fiscal year 2003 included a $2.7 million charge related to Astrolink. See "Liquidity and Capital Resources" for a more detailed explanation of the SA Settlement and Astrolink.

Selling, General and Administrative Expenses.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, General and Administrative	$ 38.8	$ 37.9	$0.9	2.4%
Percentage of revenues	13.9%	20.4%		

Included in selling, general and administrative (SG&A) expenses for fiscal year 2004, is a benefit of $3.1 million from the SA Settlement and a benefit of $406,000 related to bad debt recoveries from the bankruptcy liquidation of ORBCOMM. Absent these benefits, SG&A expenses would have been $42.3 million (15.2% of revenues). SG&A expenses increased principally from selling expenses related to the pursuit of enterprise VSAT network contracts and 401(k) and performance bonus accruals. SG&A expenses consist primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, finance, contract administration and general management. Some SG&A expenses are difficult to predict and vary based on specific government and commercial sales opportunities.

Independent Research and Development.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent Research and Development	$10.0	$16.0	$(6.0)	(37.5)%
Percentage of revenues	3.6%	8.7%		

The decrease in independent research and development (IR&D) expenses reflects the reduced efforts for company funded development projects due to the increase of orders during this period where customer funded development was part of the contract.

Amortization of Intangible Assets. The intangible assets from acquisitions in fiscal year 2001 and in fiscal year 2002 are being amortized over useful lives ranging from two to ten years. The amortization of intangible assets will decrease each year as the intangible assets with shorter lives become fully amortized.

The estimated amortization expense of long-lived intangible assets for the next five fiscal years is as follows:

Amortization	(In thousands)
Expected for fiscal year 2005	$6,642
Expected for fiscal year 2006	6,048
Expected for fiscal year 2007	5,378
Expected for fiscal year 2008	4,508
Expected for fiscal year 2009	3,760

Interest Expense. Interest expense decreased to $357,000 for fiscal year 2004 from $856,000 for fiscal year 2003. The decrease resulted from lower outstanding borrowings coupled with lower loan fees in fiscal year 2004. At March 31, 2003, there were $10.0 million in outstanding borrowings under our line of credit. At April 2, 2004, there were no outstanding borrowings under our line of credit.

Interest Income. Interest income decreased to $11,000 for fiscal year 2004 from $116,000 for fiscal year 2003. This decrease resulted from lower average invested cash balances and lower yields.

Provision (Benefit) for Income Taxes. Our effective income tax rate was a provision of 13.2% in fiscal year 2004 compared to a benefit of 54.3% in fiscal year 2003. We generate research credits that are not variable to income, so when there is a loss before tax as there was in fiscal year 2003, the credits increase the tax benefit. In fiscal year 2004, we have income before tax so the tax credits reduce the tax provision. Therefore, the annual effective tax rate for fiscal year 2004 cannot be meaningfully compared to the effective tax rate for fiscal year 2003.

OUR SEGMENT RESULTS FISCAL YEAR 2004 COMPARED TO FISCAL YEAR 2003

Government Segment

Revenues.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$128.4	$82.6	$45.8	55.4%

The increase in government segment revenues related primarily to the $170.5 million in awards received during fiscal year 2004. We experienced growth across all of our government products including tactical data links, mobile satellite systems and secure networking products.

Segment Operating Profit.

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$15.2	$11.7	$3.5	29.9%
Percentage of segment revenues	11.8%	14.2%		

The increase in government segment operating profit dollars was primarily related to the increased revenue year over year. Segment operating profit did not increase as rapidly as revenues primarily due to higher customer funded research and development contract activity, which typically has a lower profit rate, and increased investments by us in our KG-250 product.

Commercial Segment

Revenues.

Satellite Networks

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$111.5	$ 75.1	$36.4	48.5%

Antenna Systems

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$ 42.6	$ 28.7	$13.9	48.4%

Total Commercial Segment

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Revenues	$154.2	$103.8	$50.4	48.6%

The increase in commercial segment revenues reflects improved competitive positioning across all our commercial products, more favorable market conditions in the commercial telecommunications market for our VSAT network products, record awards for our antenna products, and the further development of our in-flight and consumer satellite broadband internet systems.

Segment Operating Profit.

Satellite Networks

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Satellite Networks operating profit	$ 7.3	$ (23.2)	$30.5	131%
Percentage of Satellite Network revenues	6.5%	(30.9)%		

Antenna Systems

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Antenna Systems operating profit	$ 2.1	$ 0.5	$ 1.6	320%
Percentage of Antenna Systems revenues	4.9%	1.7%		

Total Commercial Segment

Years Ended (In millions, except percentages)	April 2, 2004	March 31, 2003	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 9.4	$ (22.6)	$32.0	142%
Percentage of segment revenues	6.1%	(21.8)%		

The increase in commercial segment operating profit and improved operating profit percentage resulted from improved program execution in our enterprise VSAT networks and antenna systems contracts and increased revenues year over year from our consumer and mobile broadband, antenna systems and enterprise VSAT networks products. This increase was partially offset by development cost overruns in our DOCSIS-based consumer broadband satellite system. Our fiscal year 2004 segment operating profit includes a $6.3 million benefit from the SA Settlement and $406,000 in proceeds from the bankruptcy liquidation of ORBCOMM. Fiscal year 2003 segment operating profits included $2.4 million of company funded research and development by USM, the $2.7 million charge related to Astrolink and increased legal costs related to the claim against SA.

BACKLOG

As reflected in the table below, funded and firm (funded plus unfunded) backlog increased during fiscal year 2005 with the increases in firm backlog coming from both our government and commercial segments. New contract awards in the current year increased backlog to a new all-time high for us.

Firm backlog (In millions)	April 1, 2005	April 2, 2004
Government segment	$194.6	$142.9
Commercial segment	167.3	138.7
Total	$361.9	$281.6
Funded backlog		
Government segment	$109.4	$119.6
Commercial segment	163.9	138.7
Total	$273.3	$258.3
Contract options	$ 23.0	$ 25.8

The firm backlog does not include contract options. Of the $361.9 million in firm backlog, approximately $220.6 million is expected to be delivered in fiscal year 2006, and the balance is expected to be delivered in fiscal year 2007 and thereafter. We include in our backlog only those orders for which we have accepted purchase orders.

Total new awards for both commercial and defense products were $426.2 million for fiscal year 2005 compared to $346.5 million for fiscal year 2004.

Backlog is not necessarily indicative of future sales. A majority of our contracts can be terminated at the convenience of the customer since orders are often made substantially in advance of delivery, and our contracts typically provide that orders may be terminated with limited or no penalties. In addition, purchase orders may present product specifications that would require us to complete additional product development. A failure to develop products meeting such specifications could lead to a termination of the related purchase order.

The backlog amounts as presented are comprised of funded and unfunded components. Funded backlog represents the sum of contract amounts for which funds have been specifically obligated by customers to contracts. Unfunded backlog represents future amounts that customers may obligate over the specified contract performance periods. Our customers allocate funds for expenditures on long-term contracts on a periodic basis. Our ability to realize revenues from contracts in backlog is dependent upon adequate funding for such contracts. Although we do not control the funding of our contracts, our experience indicates that actual contract fundings have ultimately been approximately equal to the aggregate amounts of the contracts.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations to date primarily with cash flows from operations, bank line of credit financing, equity financing and loans for the purchase of capital equipment. The general cash needs of our government and commercial segments can vary significantly and depend on the type and mix of contracts (i.e., product or service, development or production, timing of payments, etc.) in backlog, the quality of the customer (i.e., U.S. government or commercial, domestic or international) and the duration of the contract. In addition, for both of our segments, program performance significantly impacts the timing and amount of cash flows. If a program is performing and meeting its contractual requirements, then the cash flow requirements are usually lower.

The cash needs of the government segment tend to be more of a function of the type of contract rather than customer quality. Also, U.S. government procurement regulations tend to restrict the timing of cash payments on the contract. In the commercial segment, our cash needs are driven primarily by the quality of the customer and the type of contract. The quality of the customer will typically affect the specific contract cash flow and whether financing instruments are required by the customer. In addition, the commercial environment tends to provide for more flexible payment terms with customers, including advance payments.

Cash provided by operating activities in fiscal year 2005 was $3.6 million as compared to cash provided by operating activities in fiscal year 2004 of $28.6 million. The decrease in cash provided by operating activities in 2005 compared to 2004 primarily related to an increase in accounts receivable of $30.5 million, an increase in inventories of $6.2 million, the payment of 401(k) and performance bonuses of $6.7 million in fiscal year 2005, compared to zero in fiscal year 2004, offset by cash provided by operations from increased profitability year over year. Cash flow from operating activities in fiscal year 2004, included $9.0 million received in the SA Settlement (see note 10—Contingencies to our consolidated financial statements). Unbilled accounts receivable increased due to the higher level of MIDS production and the related progress payment process and the delay in achieving milestones primarily on information assurance, consumer broadband and enterprise VSAT programs. The increase in inventory was primarily related to MIDS and KG-250 inventory as we increase production, and consumer and enterprise VSAT equipment. We expect both unbilled receivables and inventory to decline over the next two quarters.

Cash used in investing activities in fiscal year 2005 was $11.3 million as compared to cash used in investing activities in 2004 of $8.5 million. We acquired $11.3 million in equipment in fiscal year 2005 compared to acquiring $8.5 million in equipment in fiscal year 2004.

Cash provided by financing activities for fiscal year 2005 was $3.7 million as compared to cash used in financing activities for fiscal year 2004 of $5.9 million. This increase for fiscal year 2005 was primarily the result of net cash payments of $10 million on our line of credit in fiscal year 2004, partially offset by cash received from the exercise of employee stock options.

At April 1, 2005, we had $14.7 million in cash, cash equivalents and short-term investments, $138.9 million in working capital and no outstanding borrowings under our line of credit. We had $5.0 million outstanding under standby letters of credit principally related to contract performance leaving borrowing availability under our line of credit of $55.0 million. At April 2, 2004, we had $18.7 million in cash, cash equivalents and short-term investments, $107.8 million in working capital and no outstanding borrowings under our line of credit.

On January 31, 2005, we entered into a three-year, $60 million revolving credit facility (the "Facility") with Union Bank of California, Comerica Bank and Silicon Valley Bank.

Borrowings under the Facility are permitted up to a maximum amount of $60 million, including up to $15 million of letters of credit. Borrowings under the Facility bear interest, at our option, at either the lender's prime rate or at LIBOR (London Interbank Offered Rate) plus, in each case, an applicable margin based on the ratio of ViaSat's total funded debt to EBITDA (income from operations plus depreciation and amortization). The Facility is collateralized by substantially all of ViaSat's personal property assets.

The Facility contains financial covenants that set a minimum EBITDA limit for the twelve-month period ending on the last day of any fiscal quarter at $30 million, a minimum tangible net worth as of the last day of any fiscal quarter at $135 million and a minimum quick ratio (sum of cash and cash equivalents, accounts receivable and marketable securities, divided by current liabilities) as of the last day of any fiscal quarter at 1.50 to 1.00. We were in compliance with our loan covenants at April 1, 2005.

On October 23, 2002, we sent SA a claim for indemnification under the terms of the asset purchase agreement related to the acquisition of SA's satellite networks business (Satellite Networks Business) in April 2000. On November 14, 2002, SA filed a complaint (United States District Court, Northern District of Georgia, Atlanta Division) for declaratory judgment seeking to resolve our claim for indemnification through litigation. In response to SA's complaint, on January 15, 2003, we filed a formal claim against SA for, among other things, fraud, breach of warranty, contractual and equitable indemnification, and breach of the duty of good faith and fair dealing. In December 2003, we reached an agreement with SA (the "SA Settlement"). Under the terms of the SA Settlement, SA paid us $9.0 million in cash and the parties jointly dismissed the litigation concerning the acquisition. Neither party admitted liability in connection with the litigation, or in the agreement resolving it. As a result of the settlement, the Consolidated Statement of Operations for fiscal year 2004 includes benefits to cost of revenues of $3.2 million and to selling, general and administrative expenses of $3.1 million.

On January 19, 2003, we reached a settlement with Astrolink with respect to contractual termination payments for contracts that were terminated on December 5, 2001. We received a cash payment of $6.5 million. The assets at risk prior to the Astrolink settlement totaled $9.2 million and included accounts receivable due from Astrolink in the amount of approximately $6.3 million, inventory specific to Astrolink of $0.4 million and $2.5 million in prepaid airtime on Astrolink satellites. As a result, we recorded a charge through cost of revenues in the fiscal year ended March 31, 2003 of $2.7 million.

On September 15, 2000, ORBCOMM Global, L.P. and seven of its subsidiaries filed a voluntary petition for Chapter 11 relief in the United States Bankruptcy Court for the District of Delaware as part of ORBCOMM's efforts to restructure and reorganize its business. ORBCOMM has continued its efforts to maintain and operate its network of low-Earth orbit (LEO) satellites and related ground facilities while it restructures its operations. Although discussions continued with ORBCOMM, we no longer considered it reasonably possible that our assets at risk would be recovered. The amount at risk was accounts receivable of $4.8 million, and a charge to selling, general and administrative costs was made for this amount and was included in our results for fiscal year ended March 31, 2002. In fiscal year 2004, we received $406,000 from the bankruptcy liquidation proceedings of ORBCOMM. The Consolidated Statement of Operations for fiscal year 2004 includes a benefit to selling, general and administrative expenses of $406,000 for these proceeds.

In June 2004, we filed a universal shelf registration statement with the Securities and Exchange Commission for the future sale of up to $154 million of debt securities, common stock, preferred stock, depositary shares and warrants. Additionally, ViaSat has available $46 million of these securities, which were previously registered under a shelf registration statement ViaSat originally filed in September 2001. Up to $200 million of the securities may now be offered from time to time, separately or together, directly by us or through underwriters at amounts, prices, interest rates and other terms to be determined at the time of the offering. We currently intend to use the net proceeds from the sale of the securities under the shelf registration statement for general corporate purposes, including acquisitions, capital expenditures and working capital.

Our future capital requirements will depend upon many factors, including the expansion of our research and development and marketing efforts and the nature and timing of orders. Additionally, we will continue to evaluate possible acquisitions of, or investments in complementary businesses, products and technologies which may require the use of cash. We believe that our current cash balances and net cash expected to be provided by operating activities will be sufficient to meet our operating requirements for at least the next twelve months. However, we may sell additional equity or debt securities or obtain credit facilities to further enhance our liquidity position. The sale of additional securities could result in additional dilution of our stockholders. We invest our cash in excess of current operating requirements in short-term, interest-bearing, investment-grade securities.

The following table sets forth a summary of our obligations under operating leases, irrevocable letters of credit, purchase commitments and accrued warranty for the periods indicated:

		For the Fiscal Years Ending			
(In thousands)	Total	2006	2007–2008	2009–2010	After 2010
Operating leases	$ 62,916	$ 6,171	$12,044	$12,176	$32,525
Standby letters of credit	5,041	1,286	1,610	—	2,145
Purchase commitments	183,198	88,250	78,215	16,733	—
Accrued warranty	7,179	3,268	2,344	1,567	—
Total	$258,334	$98,975	$94,213	$30,476	$34,670

We purchase components from a variety of suppliers and use several subcontractors and contract manufacturers to provide design and manufacturing services for our products. During the normal course of business, we enter into agreements with subcontractors, contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our reported purchase commitments arising from these agreements are firm, non-cancelable and unconditional commitments.

We are currently a party to various government and commercial contracts which require us to meet performance covenants and project milestones. Under the terms of these contracts, our failure meet such performance covenants and milestones permit the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties. We are currently not in compliance (or in the past were not in compliance) with the performance or milestone requirements of certain of these contracts. Generally, our customers have not elected to terminate such contracts or seek liquidated damages from us; therefore, we have not accrued for any potential liquidated damages or penalties. However, there can be no assurance that our customers will not elect to terminate such contracts or seek liquidated damages or penalties from us in the future.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements at April 1, 2005, that are reasonably likely to have a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) revised Statement No. 123 (SFAS 123R), *Share-Based Payment,* which requires companies to expense the estimated fair value of employee stock options and similar awards. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS 123R. In accordance with the new rule, the accounting provisions of SFAS 123R will be effective for us in fiscal 2007. We will adopt the provisions of SFAS 123R and plan to use the modified prospective transition method. Under the modified prospective transition method, SFAS 123R, which provides certain changes to the method for valuing stock-based compensation among other changes, will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS 123 (See Stock-based Compensation in this note). As permitted by SFAS 123, we currently account for stock-based compensation using APB 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R will likely have a material impact on our results of operations. However, the ultimate

impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs—An Amendment of ARB No. 43, Chapter 4,* to clarify the accounting for abnormal inventory costs. SFAS No. 151 requires that abnormal amounts of idle facility costs, freight, handling costs and spoilage are to be recognized as current-period expenses regardless of whether they meet the "so abnormal" criterion outlined in ARB No. 43. In addition, the allocation of fixed production overhead costs to inventory is to be based on the normal capacity of the production facilities. Unallocated overhead costs are to be recognized as expenses in the period incurred. Normal capacity is defined as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 is not expected to have a significant impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets—An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* (SFAS 153). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005. The Company is currently evaluating the effect that the adoption of SFAS 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections.* SFAS No. 154 is a replacement of Accounting Principles Board Opinion ("APB") No. 20 and FASB Statement No. 3. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will be adopting this pronouncement beginning in our fiscal year 2007.

On March 29, 2005, the SEC issued Staff Accounting Bulletin (SAB) 107 which expresses the views of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations and provided the SEC's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with nonemployees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issue under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS No. 123R in and interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R, the modification of employee share options prior to adoption of SFAS No. 123R and disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations subsequent to adoption of SFAS No. 123R. We are currently evaluating the impact SAB 107 will have on our results of operations and financial position when we adopt in fiscal 2007.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments consist of cash and cash equivalents, short-term investments, trade accounts receivable, accounts payable, and short-term obligations including the revolving line of credit. We consider investments in highly liquid instruments purchased with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents. Our exposure to market risk for changes in interest rates relates primarily to short-term investments and short-term obligations. As a result, we do not expect fluctuations in interest rates to have a material impact on the fair value of these securities.

As of April 1, 2005, there is a foreign currency exchange contract outstanding which is intended to reduce the foreign currency risk for amounts payable to vendors in Euros. The foreign exchange contract with a notional amount of $2.7 million, consisting of both a put contract and a call contract, had a fair value of a net liability of $54,000 as of April 1, 2005. The fair value of this foreign currency forward contract as of April 1, 2005, would have changed by $176,000 if the foreign currency exchange rate for the Euro to the U.S. dollar on this forward contract had changed by 10%. We had no foreign currency transactions outstanding at April 2, 2004.

SUMMARIZED QUARTERLY DATA (UNAUDITED)

The following financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for the fair statement of the results for the interim periods. Summarized quarterly data for fiscal years 2005 and 2004 are as follows:

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2005				
Revenues	$84,170	$82,643	$88,187	$90,939
Gross profit	21,394	19,835	19,715	22,735
Income from operations	5,379	5,768	4,867	4,310
Net income	3,563	3,745	5,241	6,718
Basic net income per share	0.13	0.14	0.20	0.25
Diluted net income per share	0.13	0.13	0.19	0.24
2004				
Revenues	$59,264	$64,336	$71,758	$83,221
Gross profit	15,939	16,811	19,922	19,580
Income (loss) from operations	(63)	1,778	9,611	4,325
Net income	463	1,802	7,089	3,814
Basic net income per share	0.02	0.07	0.27	0.14
Diluted net income per share	0.02	0.07	0.26	0.13

Included in the third quarter of the fiscal year ended April 2, 2004, is a benefit to gross profit of $3.2 million and SG&A of $3.1 million related to the SA Settlement. See "Liquidity and Capital Resources" for a more detailed explanation of both the SA Settlement and Astrolink charge.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of April 1, 2005.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of April 1, 2005 as stated in their report, which appears on page 37.

To the Board of Directors and Stockholders of ViaSat, Inc.:

We have completed an integrated audit of ViaSat, Inc.'s April 1, 2005 consolidated financial statements and of its internal control over financial reporting as of April 1, 2005 and audits of its April 2, 2004 and March 31, 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements. In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of ViaSat, Inc. and its subsidiaries at April 1, 2005 and April 2, 2004, and the results of their operations and their cash flows for each of the three years in the period ended April 1, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting. Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing on page 36 of the 2005 Annual Report to Shareholders, that the Company maintained effective internal control over financial reporting as of April 1, 2005 based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 1, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

San Diego, California
June 9, 2005

Consolidated Balance Sheets

(In thousands, except share data)	As of April 1, 2005	As of April 2, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,579	$ 18,510
Short-term investments	162	160
Accounts receivable, net	141,298	110,766
Inventories	36,612	30,357
Deferred income taxes	7,027	5,487
Prepaid expenses and other current assets	10,114	9,251
Total current assets	209,792	174,531
Goodwill	19,492	19,492
Other intangible assets, net	20,990	27,632
Property and equipment, net	33,278	32,052
Other assets	18,273	18,975
Total assets	$301,825	$272,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 38,523	$ 32,635
Accrued liabilities	32,410	34,050
Total current liabilities	70,933	66,685
Other liabilities	3,911	2,944
Total liabilities	74,844	69,629
Commitments and contingencies (Notes 9 & 10)		
Minority interest in consolidated subsidiary	698	578
Stockholders' equity:		
Series A, convertible preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at April 1, 2005 and April 2, 2004, respectively	—	—
Common stock, $.0001 par value, 100,000,000 shares authorized; 26,861,900 and 26,540,159 shares issued and outstanding at April 1, 2005 and April 2, 2004, respectively	3	3
Paid-in capital	163,819	159,323
Retained earnings	62,288	43,021
Accumulated other comprehensive income	173	128
Total stockholders' equity	226,283	202,475
Total liabilities and stockholders' equity	$301,825	$272,682

See accompanying notes to the consolidated financial statements.

(In thousands, except per share data)	Years Ended April 1, 2005	April 2, 2004	March 31, 2003
Revenues	$345,939	$278,579	$185,022
Cost of revenues	262,260	206,327	142,908
Gross profit	83,679	72,252	42,114
OPERATING EXPENSES:			
Selling, general and administrative	48,631	38,800	37,858
Independent research and development	8,082	9,960	16,048
Amortization of intangible assets	6,642	7,841	8,448
Income (loss) from operations	20,324	15,651	(20,240)
OTHER INCOME (EXPENSE):			
Interest income	445	11	116
Interest expense	(141)	(357)	(856)
Income (loss) before income taxes and minority interest	20,628	15,305	(20,980)
Provision (benefit) for income taxes	1,246	2,015	(11,395)
Minority interest in net earnings of subsidiary, net of tax	115	122	47
Net income (loss)	$ 19,267	$ 13,168	$ (9,632)
Basic net income (loss) per share	$ 0.72	$ 0.50	$ (0.37)
Diluted net income (loss) per share	$ 0.68	$ 0.48	$ (0.37)
Shares used in computing basic net income (loss) per share	26,749	26,257	26,016
Shares used in computing diluted net income (loss) per share	28,147	27,558	26,016

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(In thousands, except share data)	Common Stock Number of Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Balance at March 31, 2002	25,908,373	$2	$152,775	$39,485	$(138)	$(185)	$191,939	
Exercise of stock options	32,250		223				223	
Tax benefit from exercise of stock options			25				25	
Issuance of stock under Employee Stock Purchase Plan	189,820	1	1,326				1,327	
Forfeited unexercised options			(56)				(56)	
Amortization of stock-based compensation					103		103	
Net loss				(9,632)			(9,632)	$ (9,632)
Foreign currency translation						(42)	(42)	(42)
Comprehensive loss								$ (9,674)
Balance at March 31, 2003	26,130,443	3	154,293	29,853	(35)	(227)	183,887	
Exercise of stock options	282,383		2,673				2,673	
Tax benefit from exercise of stock options			976				976	
Issuance of stock under Employee Stock Purchase Plan	127,333		1,381				1,381	
Unearned compensation of option plan acquired					35		35	
Net income				13,168			13,168	$13,168
Foreign currency translation						355	355	355
Comprehensive income								$13,523
Balance at April 2, 2004	26,540,159	3	159,323	43,021	—	128	202,475	
Exercise of stock options	230,094		2,037				2,037	
Tax benefit from exercise of stock options			787				787	
Issuance of stock under Employee Stock Purchase Plan	91,647		1,672				1,672	
Net income				19,267			19,267	$19,267
Hedging transaction						(54)	(54)	(54)
Foreign currency translation						99	99	99
Comprehensive income								$19,312
BALANCE AT APRIL 1, 2005	26,861,900	$3	$163,819	$62,288	$ —	$ 173	$226,283	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	Years Ended April 1, 2005	April 2, 2004	March 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 19,267	$ 13,168	$ (9,632)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation	10,053	10,098	9,754
Amortization of intangible assets and capitalized software	10,072	10,631	9,533
Provision for bad debts	234	(294)	475
Deferred income taxes	(3,353)	(94)	(5,767)
Minority interest in consolidated subsidiary	120	126	38
Non-cash compensation	—	35	103
Tax benefit from exercise of stock options	787	976	25
INCREASE (DECREASE) IN CASH RESULTING FROM CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts receivable	(30,760)	(29,310)	(1,148)
Inventories	(6,249)	(198)	(10)
Other assets	(1,771)	(2,796)	3,663
Accounts payable	5,885	10,643	5,908
Accrued liabilities	(1,697)	15,006	1,169
Other liabilities	995	606	(504)
Net cash provided by operating activities	3,583	28,597	13,607
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments, net	(2)	(2)	(2)
Investment in capitalized software	—	—	(5,333)
Purchases of property and equipment, net	(11,279)	(8,532)	(12,242)
Net cash used in investing activities	(11,281)	(8,534)	(17,577)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from line of credit	19,000	4,000	10,950
Payments on line of credit	(19,000)	(13,950)	(10,900)
Proceeds from issuance of common stock	3,709	4,054	1,550
Net cash provided by (used in) financing activities	3,709	(5,896)	1,600
Effect of exchange rate changes on cash	58	232	17
Net (decrease) increase in cash and cash equivalents	(3,931)	14,399	(2,353)
Cash and cash equivalents at beginning of year	18,510	4,111	6,464
Cash and cash equivalents at end of year	$ 14,579	$ 18,510	$ 4,111
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$ 141	$ 384	$ 790
Cash paid (received) for income taxes	$ 3,680	$ (45)	$ (3,614)

See accompanying notes to the consolidated financial statements.

NOTE 1—THE COMPANY AND A SUMMARY OF ITS SIGNIFICANT ACCOUNTING POLICIES

The Company. ViaSat, Inc. ("We" or the "Company") designs, produces and markets advanced broadband digital satellite communications and other wireless networking and signal processing equipment.

Principles of Consolidation. The Company's consolidated financial statements include the assets, liabilities and results of operations of TrellisWare Technologies, Inc., a majority owned subsidiary of ViaSat. All significant intercompany amounts have been eliminated.

We have adopted a 52- or 53-week fiscal year beginning with our fiscal year 2004. All references to a fiscal year refer to the fiscal year ending on the Friday closest to March 31 of the specified year. For example, references to fiscal year 2005 refer to the fiscal year ending on April 1, 2005. Our quarters for fiscal year 2005 ended on July 2, 2004, October 1, 2004, December 31, 2004 and April 1, 2005.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Management Estimates and Assumptions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ from those estimates. Significant estimates made by management include revenue recognition, capitalized software development costs, allowance for doubtful accounts, warranty accrual, valuation of goodwill and other intangible assets, long-lived assets and valuation allowance on deferred tax assets.

Cash Equivalents. Cash equivalents consist of highly liquid investments with original maturities of 90 days or less.

Short-term Investments. At April 1, 2005 and April 2, 2004, the Company held investments in investment grade debt securities with various maturities. Management determines the appropriate classification of its investments in debt securities at the time of purchase and has designated all of its investments as held-to-maturity. The Company's investments in these securities as of April 1, 2005 and April 2, 2004 totaled $162,000 and $160,000, respectively.

Unbilled Accounts Receivable. Unbilled receivables consist of costs and fees earned and billable on contract completion or other specified events. Unbilled receivables are expected to be collected within one year.

Concentration of Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents, short-term investments, and trade accounts receivable which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents and short-term investments with high credit quality financial institutions and investing in high quality short-term debt instruments. The Company establishes allowances for bad debts based on historical collection experiences within the various markets in which the Company operates, number of days the accounts are past due and any specific information that the Company becomes aware of such as bankruptcy or liquidity issues of customers.

Revenues from the U.S. government comprised 30.3%, 25.4% and 16.9% of total revenues for fiscal years 2005, 2004 and 2003, respectively. No other customer accounted for at least 10% of total revenues. Billed accounts receivable to the U.S. government as of April 1, 2005 and April 2, 2004 were 33.8% and 26.3%, respectively, of total billed receivables.

Revenues from the U.S. government and its prime contractors amounted to $175.4 million, $128.4 million and $82.6 million for the years ended April 1, 2005, April 2, 2004 and March 31, 2003, respectively. Revenues from commercial customers amounted to $177.4 million, $154.2 million and $103.8 million for the years ended April 1, 2005, April 2, 2004 and March 31, 2003, respectively. The Company's five largest contracts (by revenues) generated approximately 27%, 24% and 29% of the Company's total revenues for the fiscal years ended April 1, 2005, April 2, 2004 and March 31, 2003, respectively.

The Company relies on a limited number of contract manufacturers to produce its products.

Inventory. Inventory is valued at the lower of cost or market, cost being determined by the weighted average method.

Property and Equipment. Equipment, computers and software, and furniture and fixtures are recorded at cost, and depreciated using the straight-line method over estimated useful lives of five years, three years and seven years, respectfully. Additions to property and equipment together with major renewals and betterments are capitalized. Maintenance, repairs and minor renewals and betterments are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized.

Goodwill and Intangible Assets. Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, requires that all business combinations be accounted for using the purchase method. SFAS No. 141 also specifies criteria for recognizing and reporting intangible assets apart from goodwill; however, acquired workforce must be recognized and reported in goodwill. SFAS No. 142 requires that intangible assets with an indefinite life should not be amortized until their life is determined to be finite, and all other intangible assets must be amortized over their useful life. SFAS No. 142 prohibits the amortization of goodwill and indefinite-lived intangible assets, but instead requires these assets to be tested for impairment in accordance with the provisions of SFAS No. 142 at least annually and more frequently upon the occurrence of specified events. In addition, all goodwill must be assigned to reporting units for purposes of impairment testing. As a result of adopting SFAS No. 142, the Company reclassified acquired workforce with a net book value of $3.4 million to goodwill.

Impairment of Goodwill. We account for our goodwill under SFAS No. 142, *Goodwill and Other Intangible Assets*. The SFAS No. 142 goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value of the reporting units that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the reporting unit used in the first step, and is compared to its carrying value. The shortfall of the value below carrying value represents the amount of goodwill impairment. SFAS No. 142 requires goodwill to be tested for impairment annually at the same time every year, and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist.

We estimate the fair values of the related operations using discounted cash flows and other indicators of fair value. The forecast of future cash flows are based on our best estimate of the future revenues and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor agreements, and general market conditions. Changes in these forecasts could cause a particular reporting unit to either pass or fail the first step in the SFAS No. 142 goodwill impairment model, which could significantly influence whether goodwill impairment needs to be recorded.

The cash flow forecasts are adjusted by an appropriate discount rate derived from our market capitalization plus a suitable control premium at the date of evaluation.

Impairment of Long-Lived Assets (Property and Equipment and Other Intangible Assets). In accordance with SFAS No. 144, we assess potential impairments to our long-lived assets, including property and equipment and other intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. No such impairments have been identified by us.

Warranty Reserves. The Company provides limited warranties on certain of its products for periods of up to five years. The Company records warranty reserves when products are delivered based upon an estimate of total warranty costs, with amounts expected to be incurred within twelve months classified as a current liability.

Fair Value of Financial Instruments. At April 1, 2005, the carrying amounts of the Company's financial instruments, including cash equivalents, short-term investments, trade receivables, accounts payable, accrued liabilities and line of credit, approximated their fair values due to their short-term maturities.

Derivatives. We enter into foreign currency forward and option contracts to hedge certain forecasted foreign currency transactions. Gains and losses arising from foreign currency forward and option contracts not designated as hedging instruments are recorded in investment income (expense) as gains (losses) on derivative instruments. Gains and losses arising from the effective portion of foreign currency forward and option contracts that are designated as cash-flow hedging instruments are recorded in accumulated other comprehensive income (loss) as gains (losses) on derivative instruments until the underlying transaction affects our earnings. The fair value of our foreign currency forward contracts was a liability of $54,000 at April 1, 2005. We had $2.7 million of notional value of foreign currency forward contracts outstanding at April 1, 2005. We had no foreign currency forward or option contracts outstanding at April 2, 2004 and March 31, 2003.

Revenue Recognition. A substantial portion of the Company's revenues are derived from long-term contracts requiring development and delivery of products over time and often contain fixed-price purchase options for additional products. Sales related to long-term contracts are accounted for under the percentage-of-completion method of accounting under the American Institute of Certified Public Accountants' Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1). Sales and earnings under these contracts are recorded either based on the ratio of actual costs incurred to total estimated costs expected to be incurred related to the contract or under the cost-to-cost method or as products are shipped under the units-of-delivery method. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. Changes in estimates of profit or loss on contracts are included in earnings on a cumulative basis in the period the estimate is changed. In the fiscal year ended April 1, 2005, we recorded losses of approximately $5.7 million related to loss contracts. There were no significant charges for loss contracts in fiscal years ended April 2, 2004 or March 31, 2003.

The Company also has contracts and purchase orders where revenue is recorded on delivery of products in accordance with SAB 104, *Staff Accounting Bulletin No. 104: Revenue Recognition*. In this situation, contracts and customer purchase orders are used to determine the existence of an arrangement. Shipping documents and customer acceptance, when applicable, are used to verify delivery. The Company assesses whether the sales price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment, and assesses collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

When a sale involves multiple elements, such as sales of products that include services, the entire fee from the arrangement is allocated to each respective element based on its relative fair value in accordance with EITF 00-21, *Accounting for Multiple Element Revenue Arrangements* and recognized when the applicable revenue recognition criteria for each element are met. The amount of product and service revenue recognized is impacted by our judgments as to whether an arrangement includes multiple elements and, if so, whether vendor-specific objective evidence of fair value exists for those elements. Changes to the elements in an arrangement and our ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

Collections in excess of revenues represent cash collected from customers in advance of revenue recognition and are recorded as an accrued liability.

Contract costs on U.S. government contracts, including indirect costs, are subject to audit and negotiations with U.S. government representatives. These audits have been completed and agreed upon through fiscal year 2001. Contract revenues and accounts receivable are stated at amounts which are expected to be realized upon final settlement.

Independent Research and Development. Independent research and development, which is not directly funded by a third party, is expensed as incurred. Independent research and development expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, and other expenses related to research and development programs.

Software Development. Costs of developing software for sale are charged to research and development expense when incurred, until technological feasibility has been established. Software development costs incurred from the time technological feasibility is reached until the product is available for general release to customers are capitalized and reported at the lower of unamortized cost or net realizable value. Once the product is available for general release, the software development costs are amortized based on the ratio of current to future revenue for each product with an annual minimum equal to straight-line amortization over the remaining estimated economic life of the product not to exceed five years. We capitalized costs related to software developed for resale of $0 for the fiscal year ended April 1, 2005, $0 for the fiscal year ended April 2, 2004 and $5.3 million for the fiscal year ended March 31, 2003. Amortization expense of software development costs was $3.4 million for fiscal year 2005, $2.8 million for fiscal year 2004 and $1.1 million for fiscal year 2003.

Income Taxes. Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is established for the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax credit and loss carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred income tax expense (benefit) is the net change during the year in the deferred income tax asset or liability.

Earnings per Share. Basic earnings per share is computed based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share is based upon the weighted average number of common shares outstanding and potential common stock, if dilutive during the period. Potential common stock includes options granted under the Company's stock option plans which are included in the earnings per share calculations using the treasury stock method and common shares expected to be issued under the Company's employee stock purchase plan.

Foreign Currency. In general, the functional currency of a foreign operation is deemed to be the local country's currency. Consequently, assets and liabilities of operations outside the United States are generally translated into United States dollars, and the effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income in the consolidated statements stockholders' equity.

Segment Reporting. Our commercial and government segments are primarily distinguished by the type of customer and the related contractual requirements. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics, which differ from the commercial segment. Therefore, we are organized primarily on the basis of products with commercial and government (defense) communication applications. Operating segments are determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance.

Stock-based Compensation. The Company measures compensation expense for ViaSat's stock-based employee compensation plans using the intrinsic value method and provides pro forma disclosures of net income (loss) as if the fair value-based method had been applied in measuring compensation expense.

At April 1, 2005, the Company had stock-based compensation plans described in detail in Note 5. The Company accounts for options issued to employees, directors and officers under those plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees, and related Interpretations*. Generally, no stock-based employee compensation cost is reflected in net income, as all options granted under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

The fair values of options granted during the years ended as reported below were estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	Employee Stock Options			Employee Stock Purchase Plan		
	2005	2004	2003	2005	2004	2003
Expected life (in years)	6.30	6.84	5.99	0.50	0.50	0.50
Risk-free interest rate	3.79%	3.20%	2.78%	1.68%	1.05%	1.55%
Expected volatility	62.00%	66.00%	91.00%	46.00%	66.00%	91.00%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The weighted average estimated fair value of employee stock options granted during 2005, 2004, and 2003 was $11.33, $10.40, and $8.25 per share, respectively. The weighted average estimated fair value of shares granted under the Employee Stock Purchase Plan during 2005, 2004 and 2003 was $7.92, $10.85 and $6.99 per share, respectively.

For purposes of pro forma disclosures, the estimated fair value of options is amortized to expense over the vesting period. The Company's pro forma information for the years ended April 1, 2005, April 2, 2004 and March 31, 2003 is as follows:

Year Ended (In thousands, except per share data)	April 1, 2005	April 2, 2004	March 31, 2003
Net income (loss) as reported	$19,267	$ 13,168	$ (9,632)
Stock-based compensation included in net income (loss), net of tax	—	35	103
Stock-based employee compensation expense under fair value based method, net of tax	(8,146)	(10,478)	(12,749)
Pro forma net income (loss)	$11,121	$ 2,725	$(22,278)
Basic earnings (loss) per share			
As reported	$ 0.72	$ 0.50	$ (0.37)
Pro forma	$ 0.42	$ 0.10	$ (0.86)
Diluted earnings (loss) per share			
As reported	$ 0.68	$ 0.48	$ (0.37)
Pro forma	$ 0.40	$ 0.10	$ (0.86)

Recent Accounting Pronouncements. In December 2004, the Financial Accounting Standards Board ("FASB") revised Statement No. 123 (SFAS 123R), *Share-Based Payment*, which requires companies to expense the estimated fair value of employee stock options and similar awards. On April 14, 2005, the U.S. Securities and Exchange Commission adopted a new rule amending the compliance dates for SFAS 123R. In accordance with the new rule, the accounting provisions of SFAS 123R will be effective for the Company in fiscal 2007. We will adopt the provisions of SFAS 123R and plan to use the modified prospective transition method. Under the modified prospective transition method, SFAS 123R, which provides certain changes to the method for valuing stock-based compensation among other changes, will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS 123 (See Stock-based Compensation in this note). As permitted by SFAS 123, the Company currently accounts for stock-based compensation using APB 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R will likely have a material impact on the Company's results of operations. However, the ultimate impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs—An Amendment of ARB No. 43, Chapter 4*, to clarify the accounting for abnormal inventory costs. SFAS No. 151 requires that abnormal amounts of idle facility costs, freight, handling costs and spoilage are to be recognized as current-period expenses regardless of whether they meet the "so abnormal" criterion outlined in Accounting Research Bulletin No. 43. In addition, the allocation of fixed production overhead costs to inventory is to be based on the normal capacity of the production facilities. Unallocated overhead costs are to be recognized as expenses in the period incurred. Normal capacity is defined as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets—An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* (SFAS 153). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005. The Company is currently evaluating the effect that the adoption of SFAS 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 is a replacement of Accounting Principles Board Opinion ("APB") No. 20 and FASB Statement No. 3. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning December 15, 2005. We will be adopting this pronouncement beginning in our fiscal year 2007.

On March 29, 2005, the SEC issued Staff Accounting Bulletin (SAB) 107 which expresses the views of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations and provided the SEC's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with nonemployees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issue under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS No. 123R in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R, the modification

of employee share options prior to adoption of SFAS No. 123R and disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations subsequent to adoption of SFAS No. 123R. We are currently evaluating the impact SAB 107 will have on our results of operations and financial position when we adopt it in fiscal 2007.

NOTE 2—COMPOSITION OF CERTAIN BALANCE SHEET CAPTIONS

(In thousands)	April 1, 2005	April 2, 2004
Accounts receivable, net:		
Billed	$ 49,737	$ 53,539
Unbilled	91,724	57,606
Allowance for doubtful accounts	(163)	(379)
	$141,298	$110,766
Inventories:		
Raw materials	$ 16,706	$ 17,299
Work in process	9,347	4,757
Finished goods	10,559	8,301
	$ 36,612	$ 30,357
Prepaid expenses and other current assets:		
Income taxes receivable	$ 2,639	$ 3,130
Prepaid expenses	6,187	5,126
Other	1,288	995
	$ 10,114	$ 9,251
Other intangible assets, net:		
Technology	$ 26,770	$ 26,770
Contracts and relationships	9,736	9,736
Non-compete agreement	7,950	7,950
Other intangibles	6,875	6,875
	51,331	51,331
Less accumulated amortization	(30,341)	(23,699)
	$ 20,990	$ 27,632
Property and equipment, net:		
Machinery and equipment	$ 43,966	$ 35,628
Computer equipment and software	29,866	26,347
Furniture and fixtures	3,523	3,313
Construction in progress	3,876	4,902
	81,231	70,190
Less accumulated depreciation	(47,953)	(38,138)
	$ 33,278	$ 32,052
Other assets:		
Capitalized software costs, net	$ 10,341	$ 13,771
Deferred income taxes	6,333	4,520
Other	1,599	684
	$ 18,273	$ 18,975
Accrued liabilities:		
Current portion of warranty reserve	$ 3,268	$ 1,945
Accrued vacation	5,120	4,410
Accrued bonus	3,468	4,382
Accrued 401(k) matching contribution	2,771	2,321
Collections in excess of revenues	13,767	16,040
Other	4,016	4,952
	$ 32,410	$ 34,050
Other liabilities:		
Accrued warranty	$ 3,911	$ 2,506
Deferred income taxes	—	438
	$ 3,911	$ 2,944

NOTE 3—ACCOUNTING FOR GOODWILL AND INTANGIBLE ASSETS

We account for our goodwill under SFAS No. 142. The SFAS No. 142 goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value of the reporting units that have goodwill assigned to them. The only reporting units which have goodwill assigned to them are the businesses which were acquired and have been included in our commercial segment. We estimate the fair values of the reporting units using discounted cash flows. The cash flow forecasts are adjusted by an appropriate discount rate. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations used in the first step, and is compared to its carrying value. The shortfall of the fair value below carrying value represents the amount of goodwill impairment.

The annual test of impairment as required by SFAS No. 142 was completed in the fourth quarter of our fiscal year. In applying the first step, which is identification of any impairment of goodwill as of the test date, no impairment of goodwill resulted. Since step two is required only if step one reveals an impairment, we were not required to complete step two and the annual impairment testing was complete.

We will continue to make assessments of impairment on an annual basis in the fourth quarter of our fiscal year or more

frequently if specific events occur. In assessing the value of goodwill, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the reporting units. If these estimates or their related assumptions change in the future, we may be required to record impairment charges that would negatively impact operating results.

The intangible assets are amortized using the straight-line method over their estimated useful lives of two to ten years. The technology intangible asset has several components with estimated useful lives of six to nine years, contracts and relationships intangible asset has several components with estimated useful lives of three to nine years, non-compete agreements have useful lives of three to five years and other amortizable assets has several components with estimated useful lives of two to ten years. The amortization expense was $6.6 million, $7.8 million and $8.4 million for the years ended April 1, 2005, April 2, 2004 and March 31, 2003, respectively. The estimated amortization expense for the next five years is as follows:

Amortization	(In thousands)
Expected for fiscal year 2006	$6,048
Expected for fiscal year 2007	5,378
Expected for fiscal year 2008	4,508
Expected for fiscal year 2009	3,760
Expected for fiscal year 2010	536

Below is the allocation of the intangible assets and the related accumulated amortization as of April 1, 2005 and April 2, 2004 is as follows (in thousands):

		As of April 1, 2005		As of April 2, 2004	
	Total	Accumulated Amortization	Net Book Value	Accumulated Amortization	Net Book Value
INTANGIBLE ASSETS					
Existing Technology	$26,770	$14,770	$12,000	$10,969	$15,801
Contracts and relationships	9,736	5,395	4,341	4,331	5,405
Non-compete agreements	7,950	7,040	910	5,926	2,024
Other amortizable assets	6,875	3,136	3,739	2,473	4,402
Total intangible assets	$51,331	$30,341	$20,990	$23,699	$27,632

NOTE 4—LINE OF CREDIT

On January 31, 2005, we entered into a three-year, $60 million revolving credit facility (the "Facility") in the form of a Second Amended and Restated Revolving Loan Agreement with Union Bank of California, Comerica Bank and Silicon Valley Bank. The Facility amended and restated the Company's existing $30 million revolving credit facility that was scheduled to expire on February 28, 2005.

Borrowings under the Facility are permitted up to a maximum amount of $60 million, including up to $15 million of letters of credit. Borrowings under the Facility bear interest, at the Company's option, at either the lender's prime rate or at LIBOR (London Interbank Offered Rate) plus, in each case, an applicable margin based on the ratio of the Company's total funded debt to EBITDA (income from operations plus depreciation and amortization). The Facility is collateralized by substantially all of the Company's personal property assets. At April 1, 2005, the Company had approximately $5.0 million outstanding under standby letters of credit leaving borrowing availability under our line of credit of $55.0 million.

The Facility contains financial covenants that set a minimum EBITDA limit for the twelve-month period ending on the last day of any fiscal quarter at $30 million, a minimum tangible net worth as of the last day of any fiscal quarter at $135 million and a minimum quick ratio (sum of cash and cash equivalents, accounts receivable and marketable securities, divided by current liabilities) as of the last day of any fiscal quarter at 1.50 to 1.00. We were in compliance with our loan covenants at April 1, 2005.

NOTE 5—COMMON STOCK AND OPTIONS

In June 2004, we filed a universal shelf registration statement with the Securities and Exchange Commission for the future sale of up to $154 million of debt securities, common stock, preferred stock, depositary shares and warrants. Additionally, the Company has available $46 million of these securities, which were previously registered under a shelf registration statement the Company originally filed in September 2001. Up to $200 million of the securities may now be offered from time to time, separately or together, directly by us or through underwriters at amounts, prices, interest rates and other terms to be determined at the time of the offering.

In November 1996, the Company adopted the 1996 Equity Participation Plan. The 1996 Equity Participation Plan provides for the grant to executive officers, other key employees, consultants and non-employee directors of the Company a broad variety of stock-based compensation alternatives such as nonqualified stock options, incentive stock options, restricted stock and performance awards. In September 2000, the Company amended the 1996 Equity Participation Plan to increase the maximum number of shares reserved for issuance under this plan from 2,500,000 shares to 6,100,000 shares. In September 2003, the Company further amended the 1996 Equity Participation Plan to increase the maximum number of shares reserved for issuance under this plan from 6,100,000 shares to 7,600,000 shares. As of April 1, 2005, the Company had granted options to purchase 6,776,769 shares of common stock under this plan with vesting terms of three to five years which are exercisable for up to ten years from the grant date or up to five years from the date of grant for a ten percent owner.

In November 1996, the Company adopted the ViaSat, Inc. Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") to assist employees in acquiring a stock ownership interest in the Company and to encourage them to remain in the employment of the Company. The Employee Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. A maximum of 1,000,000 shares of common stock are reserved for issuance under the Employee Stock Purchase Plan. The Employee Stock Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions during specified six-month offering periods. No employee may purchase more than $25,000 worth of stock in any calendar year. The price of shares purchased under the Employee Stock Purchase Plan is equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. As of April 1, 2005, the Company had issued 881,969 shares of common stock under this plan.

In January 2002, the Company assumed the U.S. Monolithics 2000 Incentive Plan (the "USM Plan") which was amended and restated January 2002. Pursuant to such assumption, all options granted under the USM Plan were converted into options to purchase common stock of the Company. The number of shares of common stock reserved for issuance under this plan is 203,000. As of April 1, 2005, options to purchase 203,000 shares of common stock had been granted under this plan, 44,418 of which were converted from previously issued U.S. Monolithics options. The options granted under this plan have an exercise price equal to the market value of the underlying common stock on the date of grant.

Transactions under the Company's stock option plans are summarized as follows:

	Number of Shares	Exercise Price per Share	Weighted Average Exercise Price per Share
Outstanding at March 31, 2002	4,387,741	$ 4.25–$43.82	$15.41
Options granted	922,249	4.70– 12.95	10.37
Options canceled	(242,123)	7.77– 26.16	19.11
Options exercised	(32,250)	5.78– 8.94	6.81
Outstanding at March 31, 2003	5,035,617	4.25– 43.82	14.37
Options granted	514,000	10.26– 25.01	17.55
Options canceled	(192,426)	8.80– 36.35	17.80
Options exercised	(282,383)	4.25– 26.16	9.15
Outstanding at April 2, 2004	5,074,808	4.25– 43.82	14.83
Options granted	1,296,000	16.94– 22.82	19.52
Options canceled	(126,353)	6.06– 43.82	19.36
Options exercised	(230,094)	4.69– 22.03	8.86
OUTSTANDING AT APRIL 1, 2005	6,014,361	4.25– 35.63	15.98

All options issued under the Company's stock option plans have an exercise price equal to the fair market value of the Company's stock on the date of the grant.

The following table summarizes all options outstanding and exercisable by price range as of April 1, 2005:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life—Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 4.25–$ 7.77	891,714	3.37	$ 6.36	869,051	$ 6.39
8.07– 9.37	131,717	4.62	8.60	122,518	8.55
9.95– 10.73	815,114	7.89	10.69	493,313	10.68
11.08– 14.00	687,264	6.57	13.34	488,113	13.37
14.56– 18.54	612,930	7.68	17.13	281,707	16.55
18.71– 18.71	8,000	6.13	18.71	4,800	18.71
18.73– 18.73	794,000	9.61	18.73	0	0.00
18.97– 21.82	618,999	8.68	20.87	139,869	20.83
21.83– 21.83	7,000	5.23	21.83	5,800	21.83
22.03– 35.63	1,447,623	5.54	22.69	1,330,632	22.69
4.25– 35.63	6,014,361	6.71	15.98	3,735,803	15.09

NOTE 6—SHARES USED IN EARNINGS PER SHARE CALCULATIONS

Years Ended	April 1, 2005	April 2, 2004	March 31, 2003
Weighted average common shares outstanding used in calculating basic net income (loss) per share	26,748,597	26,256,869	26,015,702
Weighted average options to purchase common stock as determined by application of the treasury stock method	1,396,434	1,297,416	—
Employee Stock Purchase Plan equivalents	2,141	3,623	—
Shares used in computing diluted net income (loss) per share	28,147,172	27,557,908	26,015,702

Antidilutive shares relating to stock options excluded from the calculation were 1,580,997, 1,817,156 and 3,437,227 shares for the fiscal years ended April 1, 2005, April 2, 2004, and March 31, 2003, respectively.

NOTE 7—INCOME TAXES

The provision (benefit) for income taxes includes the following:

Years Ended (In thousands)	April 1, 2005	April 2, 2004	March 31, 2003
Current tax provision (benefit)			
Federal	$ 3,563	$1,493	$ (5,325)
States	845	207	(454)
Foreign	191	409	142
	4,599	2,109	(5,637)
Deferred tax (benefit) provision			
Federal	(2,077)	175	(2,669)
State	(1,276)	(269)	(3,089)
Foreign	—	—	—
	(3,353)	(94)	(5,758)
Total provision (benefit) for income taxes	$ 1,246	$2,015	$(11,395)

Significant components of the Company's net deferred tax assets are as follows:

As of (In thousands)	April 1, 2005	April 2, 2004
Deferred tax assets:		
Tax credit carryforwards	$10,031	$ 8,637
Warranty reserve	2,913	1,644
Inventory reserve	1,947	1,990
Accrued vacation	1,708	1,439
Net operating loss carryforward	13	35
Other	(299)	256
Valuation allowance	(769)	—
Total deferred tax assets	15,544	14,001
Deferred tax liabilities:		
Property and equipment and intangible assets	2,153	3,835
Other	31	159
Total deferred tax liabilities	2,184	3,994
Net deferred tax assets	$13,360	$10,007

A reconciliation of the provision (benefit) for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows:

Years Ended (In thousands)	April 1, 2005	April 2, 2004	March 31, 2003
Tax expense (benefit) at statutory rate	$ 7,296	$ 5,369	$ (7,335)
State tax provision, net of federal benefit	982	659	(1,227)
Tax credits, net of valuation allowance	(5,480)	(4,076)	(3,167)
Export sales tax benefit	(1,548)	(177)	—
Other	(4)	240	334
	$ 1,246	$ 2,015	$(11,395)

As of April 1, 2005, the Company had federal and state research credit carryforwards of approximately $5.8 million and $6.1 million, respectively, that begin to expire in 2022 for federal purposes and do not expire for state purposes. The Company has federal alternative minimum tax credit carryforward of $291,000 which may be carried forward indefinitely as a credit against regular tax liability.

In accordance with SFAS No. 109, *Accounting for Income Taxes*, net deferred tax assets are reduced by a valuation allowance if, based on all the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. A valuation allowance of $769,000 was provided on deferred tax assets at April 1, 2005, for California research credit carryforwards. The amount of California research credit carryforward considered realizable was determined based on California taxable income and generation of additional California research credits projected in the future. Even though there is no expiration for California research credits, we are generating the credits at a rate faster than we expect to use them.

On October 22, 2004, the American Jobs Creation Act of 2004 (the "Jobs Creation Act") was signed into law. The Jobs Creation Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations and, as of today, uncertainty remains as to how to interpret numerous provisions of the Jobs Creation Act. Based on the Company's analysis of the Jobs Creation Act, although not yet finalized, the potential amounts that could be repatriated and the tax thereon are not material to the financial statements.

If the Company has an "ownership change" as defined under Internal Revenue Code Section 382, it may have an annual limitation on the utilization of its tax credit carryforwards.

NOTE 8—EMPLOYEE BENEFITS

The Company is a sponsor of a voluntary deferred compensation plan under Section 401(k) of the Internal Revenue Code. The Company may make discretionary contributions to the plan which vest equally over six years. Employees who are at least 18 years of age are eligible to participate in the plan. Participants are entitled, upon termination or retirement, to their vested portion of the plan assets which are held by an independent trustee. Discretionary contributions accrued by the Company during fiscal years 2005, 2004 and 2003 amounted to $2.8 million, $2.3 million and $0, respectively. The cost of administering the plan is not significant.

NOTE 9—COMMITMENTS

The Company leases office facilities under noncancelable operating leases with initial terms ranging from one to ten years which expire between November 2005 and December 2015. Certain of the Company's facilities leases contain option provisions which allow for extension of the lease terms. Rent expense, which is recognized on a straight-line basis, was $7.1 million, $6.5 million and $6.9 million in fiscal years 2005, 2004 and 2003, respectively.

Future minimum lease payments are as follows (in thousands):

Years Ending	
2006	$ 6,171
2007	6,138
2008	5,906
2009	6,046
2010	6,130
Thereafter	32,525
	$62,916

We purchase components from a variety of suppliers and use several subcontractors and contract manufacturers to provide design and manufacturing services for our products. During the normal course of business, we enter into agreements with subcontractors, contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to firm orders being placed. Consequently, only a portion of our reported purchase commitments arising from these agreements are firm, non-cancelable and unconditional commitments. As of April 1, 2005, we had total purchase commitments for inventory and services of approximately $183.2 million, of which $88.2 million is expected to be fulfilled within one year and the balance of $95.0 million is expected to be fulfilled in fiscal year 2007 and thereafter.

NOTE 10—CONTINGENCIES

We are currently a party to various government and commercial contracts which require us to meet performance covenants and project milestones. Under the terms of these contracts, our failure to meet such performance covenants and milestones permit the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties. We are currently not in compliance (or in the past were not in compliance) with the performance or milestone requirements of certain of these contracts. Historically, our customers have not elected to terminate such contracts or seek liquidated damages from us and we do not believe that our existing customers will do so; therefore, we have not accrued for any potential liquidated damages or penalties. However, there can be no assurance that our customers will not elect to terminate such contracts or seek liquidated damages or penalties from us in the future.

On October 23, 2002, we sent Scientific-Atlanta, Inc. a claim for indemnification under the terms of the asset purchase agreement related to the acquisition of Scientific-Atlanta's satellite networks business (the "Satellite Networks Business") in April 2000. On November 14, 2002, Scientific-Atlanta filed a complaint (United States District Court, Northern District of Georgia, Atlanta Division) for declaratory judgment seeking to resolve our claim for indemnification through litigation. In response to Scientific-Atlanta's complaint, on January 15, 2003, we filed a formal claim against Scientific-Atlanta for, among other things, fraud, breach of warranty, contractual and equitable indemnification, and breach of the duty of good faith and fair dealing. In December 2003, we reached an agreement with Scientific-Atlanta ("SA Settlement"). Under the terms of the SA Settlement, Scientific-Atlanta paid us $9.0 million in cash and the parties jointly dismissed the litigation concerning the acquisition. Neither party admitted liability in connection with the litigation, or in the agreement resolving it. As a result of the settlement, the Consolidated Statement of Operations for the fiscal year ended April 2, 2004 includes a benefit to cost of revenues of $3.2 million and to selling, general and administrative expenses of $3.1 million.

On May 21, 2003, we filed a complaint against Xetron Corporation alleging Xetron failed to deliver conforming radio frequency amplifiers (RFAs) for integration into our MIDS terminals. Xetron filed a counterclaim against us alleging we failed to make proper payments. On April 11, 2005, we and Xetron agreed to settle all claims whereby we received $4.8 million as a result of the settlement and will recognize a net benefit of approximately $2.7 million in the first quarter of fiscal year 2006.

We are also party to various claims and legal actions arising in the normal course of business. Although the ultimate outcome of such matters is not presently determinable, we believe that the resolution of all such matters, net of amounts accrued, will not have a material adverse effect on our financial position or liquidity; however, there can be no assurance that the ultimate resolution of these matters will not have a material impact on our results of operations in any period.

NOTE 11—PRODUCT WARRANTY

We provide limited warranties on most of our products for periods of up to five years. We record a liability for our warranty obligations when products are delivered based upon an estimate of expected warranty costs. Amounts expected to be incurred within twelve months are classified as a current liability. For mature products the warranty costs estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, we base our estimates on our experience with the technology involved and the types of failure that may occur. It is possible that our underlying assumptions will not reflect the actual experience and in that case, future adjustments will be made to the recorded warranty obligation. The following table reflects the change in our warranty accrual in fiscal years 2005, 2004 and 2003.

Years Ended (In thousands)	April 1, 2005	April 2, 2004	March 31, 2003
Balance, beginning of period	$ 4,451	$ 2,327	$1,498
Change in liability for warranties issued in period	4,737	3,315	1,613
Settlements made (in cash or in kind) during the period	(2,009)	(1,191)	(784)
Balance, end of period	$ 7,179	$ 4,451	$2,327

NOTE 12—IMMEON NETWORKS, L.L.C.

In January 2001, the Company and Loral Skynet formed a 50-50 joint venture named Immeon Networks, L.L.C. (Immeon). Pursuant to the Joint Venture Agreement and related agreements, the Company was obligated to provide a minimum level of marketing, selling, administrative and network operation services to Immeon while Loral Skynet was to provide Immeon with satellite bandwidth. ViaSat has accounted for the costs incurred on behalf of Immeon as Cost of revenues. ViaSat was eligible to receive reimbursement for costs incurred, contingent upon Immeon achieving positive cash flows in the future. Because the collectibility of such reimbursements was not reasonably assured

at the time the services were provided, revenue related to such services has not been recognized in the accompanying financial statements. The cost of these services, which is included in Cost of revenues for fiscal years 2004 and 2003, is $177,000 and $1.7 million, respectively. In January 2004, Loral Skynet formally withdrew from the Immeon joint venture as a result of a bankruptcy proceeding of Loral Space and Communications, so ViaSat is now the sole owner and operator of Immeon.

Condensed combined financial information for Immeon, which was accounted under the equity method through January 2, 2004, is summarized below (amounts in thousands). Immeon is consolidated by ViaSat from January 3, 2004. Immeon maintains its financial statements on a calendar year basis.

	December 31, 2003
Current assets	$ 648
Non-current assets	—
Current liabilities	15
Amounts contingently payable to members	6,730
Non-current liabilities	—
Total members' deficit	$(6,097)
ViaSat's investment in joint venture	$ —

Years Ended December 31,	2003	2002
Operating revenues	$ 350	$ 430
Operating expenses	(857)	(3,033)
Net loss	$ (507)	$ 2,603
Company's share of net loss, after elimination of intercompany transactions	$ —	$ —

NOTE 13—SEGMENT INFORMATION

Our commercial and government segments are primarily distinguished by the type of customer and the related contractual requirements. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics, which differ from the commercial segment. Therefore, we are organized primarily on the basis of products with commercial and government (defense) communication applications. Based on the Company's commercial business strategy to provide end-to-end capability with satellite communication equipment solutions, the Company implemented certain management changes during the year ended April 1, 2005 which led to the delineation of the commercial segment into two product lines; Satellite Networks and Antenna Systems. These product lines are distinguished from one another based upon their underlying technologies. Prior segment results have been reclassified to conform to our current organizational structure. Reporting segments are determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance. The following table summarizes revenues and operating profits by reporting segment for the fiscal years ended April 1, 2005, April 2, 2004 and March 31, 2003. Certain corporate general and administrative costs, amortization of intangible assets and charges of acquired in-process research and development are not allocated to either segment and accordingly, are shown as reconciling items from segment operating profit and consolidated operating profit. Certain assets are not tracked by reporting segment. Consequently, it is not practical to show assets by reporting segments. Depreciation expense is allocated to reporting segments as an overhead charge based on direct labor dollars within the reporting segments.

Years Ended (In thousands)	April 1, 2005	April 2, 2004	March 31, 2003
Revenues			
Government	$175,442	$128,351	$ 82,588
Commercial			
Satellite Networks	137,971	111,549	75,102
Antenna Systems	39,420	42,607	28,663
	177,391	154,156	103,765
Eliminations	(6,894)	(3,928)	(1,331)
Total revenues	$345,939	$278,579	$185,022
Operating profits			
Government	$ 28,060	$ 15,190	$ 11,652
Commercial			
Satellite Networks	(1,748)	7,301	(23,184)
Antenna Systems	3,639	2,093	536
	1,891	9,394	(22,648)
Segment operating profit (loss) before corporate and other	29,951	24,584	(10,996)
Corporate	(2,207)	(1,058)	(796)
Other	(778)	(34)	—
Amortization of intangibles[1]	(6,642)	(7,841)	(8,448)
Income (loss) from operations	$ 20,324	$ 15,651	$ (20,240)

(1) Amortization of intangibles relate to the commercial segment.

(In thousands)	April 1, 2005	April 2, 2004
Segment assets[2]		
Government	$ 81,645	$ 65,010
Commercial		
Satellite Networks	79,835	63,143
Antenna Systems	17,778	15,631
	97,613	78,774
Corporate assets	122,567	128,898
Total	$301,825	$272,682

(2) Assets identifiable to segments include; accounts receivable, unbilled accounts receivable and inventory. At April 1, 2005 and April 1, 2004, all the Company's goodwill related to the Company's commercial segment.

Revenue information by geographic area for the fiscal years ended April 1, 2005, April 2, 2004 and March 31, 2003 is as follows:

Years Ended (In thousands)	April 1, 2005	April 2, 2004	March 31, 2003
United States	$253,045	$211,252	$134,360
Europe	44,617	36,690	22,176
Asia Pacific	29,137	23,046	14,942
North America			
other than United States	12,953	5,181	12,254
Latin America	6,187	2,410	1,290
	$345,939	$278,579	$185,022

We distinguish revenues from external customers by geographic areas based on customer location.

The net book value of long-lived assets located outside the United States was $48,000, $52,000 and $235,000 at April 1, 2005, April 2, 2004 and March 31, 2003, respectively.

Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq National Market under the symbol "VSAT." The following table sets forth the range of high and low sales prices on the Nasdaq National Market of our common stock for the periods indicated, as reported by Nasdaq. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High	Low
Fiscal 2004		
First Quarter	$14.62	$ 8.24
Second Quarter	18.94	12.28
Third Quarter	23.37	17.46
Fourth Quarter	28.91	19.46
Fiscal 2005		
First Quarter	$27.60	$20.63
Second Quarter	24.96	16.79
Third Quarter	25.00	16.83
Fourth Quarter	24.37	17.41

To date, we have neither declared nor paid any dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operation and development of our business and, therefore, do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. In addition, our credit facility restricts our ability to pay dividends. As of June 3, 2005, there were 538 holders of record of our common stock. On June 3, 2005, the last sale price reported on the Nasdaq National Market for our common stock was $20.59 per share.

Corporate Information

BOARD OF DIRECTORS

Mark D. Dankberg Chairman of the Board and CEO, ViaSat, Inc.
Dr. Robert W. Johnson Independent Director
B. Allen Lay Independent Director
Dr. Jeffrey M. Nash Independent Director
John P. Stenbit Independent Director
Michael B. Targoff Independent Director
Harvey P. White Independent Director

CORPORATE OFFICERS

Mark D. Dankberg Chairman of the Board and CEO
Richard A. Baldridge President and COO
Cathy Bucher Akin Vice President, Human Resources
Robert L. Barrie Vice President, Operations
Steven R. Hart Vice President, Engineering and Chief Technical Officer
Mark J. Miller Vice President, Chief Technical Officer
Gregory D. Monahan Vice President, General Counsel and Secretary of the Board
Ronald G. Wangerin Vice President, CFO

BUSINESS LEADERS

Marc H. Agnew Vice President, Broadband
Paul D. Baca Vice President, Tactical Data Links
Phil L. Berry Vice President, Military Satellite Communications
Dr. Dattakumar (Prakash) M. Chitre Vice President, Comsat Laboratories
David W. Corman President, US Monolithics
Gerald E. Goodwin Vice President, Tactical Networking and Information Assurance
Christopher J. Leber Vice President, VSAT Networks
John R. Zlogar Vice President, Antenna Systems

LISTING

ViaSat, Inc. is listed on the Nasdaq Stock Market under the trading symbol VSAT.

INDEPENDENT ACCOUNTANTS

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GENERAL LEGAL COUNSEL

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TRANSFER AGENT AND REGISTRAR

Computershare Investor Services, 2 N. LaSalle Street, Chicago, Illinois 60602

ANNUAL MEETING

Friday, September 9, 2005, 8:00 a.m., ViaSat, Inc., Carlsbad, California

10-K

A copy of ViaSat's 10-K filed with the Securities and Exchange Commission will be made available to all shareholders at no charge. The 10-K also can be accessed on the Web at the SEC Edgar site (www.sec.gov/cgi-bin/srch-edgar) or through the ViaSat Web site from the Investor Relations page. To receive a copy by mail please contact:

Investor Relations, ViaSat, Inc., 6155 El Camino Real, Carlsbad, California 92009, 760-476-2633, ir@viasat.com

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SAFE HARBOR STATEMENT

Portions of this annual report, particularly the letter from our Chairman and CEO and statements about future products and expected markets, may contain projections or other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. ViaSat wishes to caution you that there are some factors that could cause actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements, including but not limited to: ViaSat's ability to perform under existing contracts and obtain additional contracts, ViaSat's ability to develop new products that gain market acceptance, changes in product supply, pricing and customer demand, changes in relationships with, or the financial condition of, key customers or suppliers, changes in government regulations, changes in economic conditions globally and in the communications market in particular, increased competition, potential product liability, infringement and other claims, and other factors affecting the communications industry generally. ViaSat refers you to the documents it files from time to time with the Securities and Exchange Commission, specifically the section titled Factors That May Affect Future Performance in ViaSat's Forms 10-K and 10-Q. These documents contain and identify other important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements. Shareholders and other readers are cautioned not to put undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements.

Our company culture empowers us to do things that other companies find daunting, if not impossible. It's a culture rooted in internal cooperation, long-term thinking, and a team atmosphere that stimulates true innovation. Yet we're ready to challenge that culture every day, to quickly reorganize around new opportunities and new market directions for future growth. That's the flexibility of ViaSat.

Flexibility is our strength.

ViaSat®

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