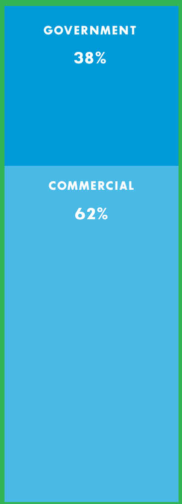
People Networking Technology Bandwidth Expertise Information

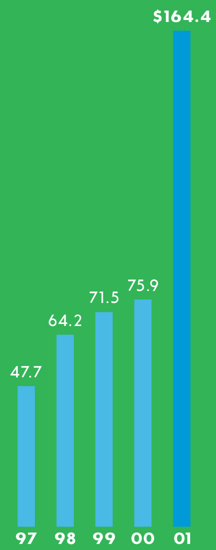
ViaSat

Annual Report 2001

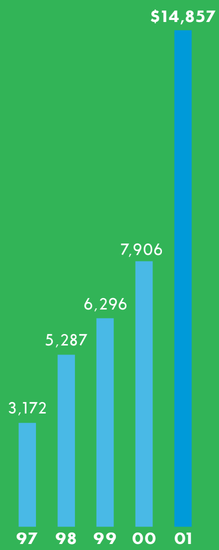
Founded in 1986, ViaSat (Nasdaq: VSAT) produces advanced digital satellite telecommunications and wireless signal processing equipment for commercial and government markets. ViaSat has a full line of VSAT products for data and voice applications, and is rapidly building market share in Ka-band satellite systems, from user terminals to large gateways for both geosynchronous and low earth orbit systems. Other products include information security devices, tactical communication radios, and communication simulators. ViaSat is located in Carlsbad, CA, and Norcross, GA, with additional field offices in Boston, MA, the United Kingdom, Australia, Chile, China, and India. During the past year we were again recognized for our record of superior growth and profitability by being named as one of Forbes' "200 Best Small Companies."



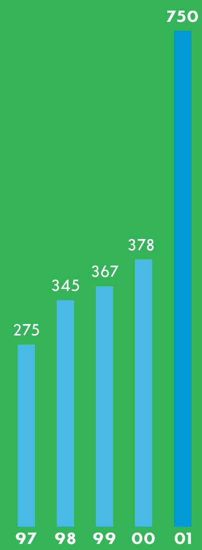
2001 REVENUES
By Business Segment



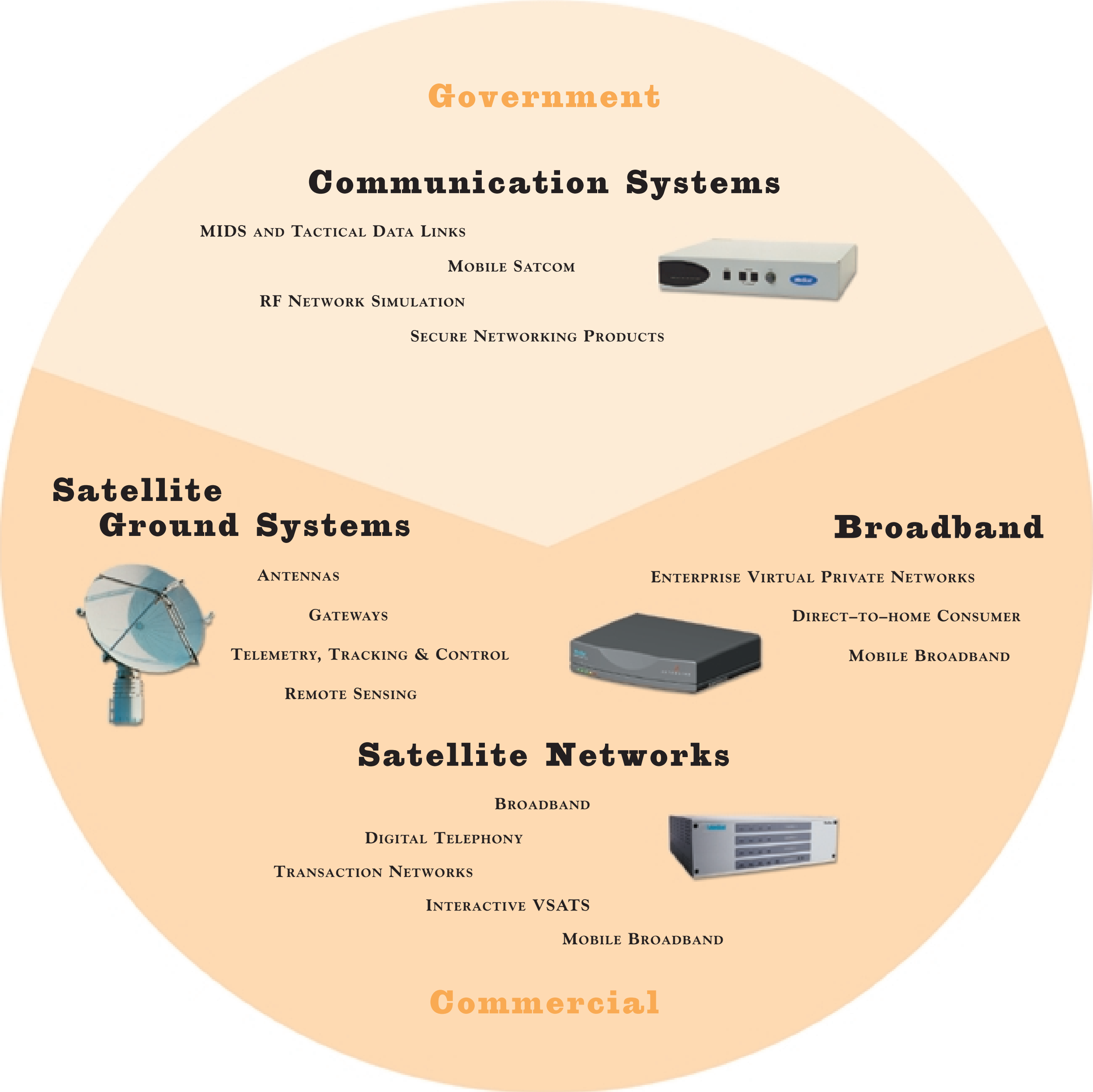
REVENUES
Dollars in Millions



PRO FORMA NET INCOME
Dollars in Thousands



EMPLOYEE GROWTH



VIASAT BUSINESS AREAS

Milestones

APRIL 2000: VIASAT ACQUIRES SATELLITE NETWORKS DIVISION OF SCIENTIFIC-ATLANTA

JULY 2000: VIASAT SELECTED FOR ARMY VERSION OF MIDS

AUGUST 2000: VIASAT WILL BE MAJORITY OWNER IN SPIN-OFF TRELLISWARE TECHNOLOGIES INC.

AUGUST 2000: 2-FOR-1 VIASAT STOCK SPLIT DECLARED

SEPTEMBER 2000: VIASAT SHIPS THE 5,000TH PERSONAL DATA CONTROLLER (PDC)

OCTOBER 2000: ASTROLINK SELECTS VIASAT TO SUPPLY BROADBAND KA-BAND TERMINALS AND SUBSEQUENTLY GATEWAYS

OCTOBER 2000: LOCKHEED MARTIN RECOGNIZES VIASAT FOR SECOND YEAR IN A ROW AS ONE OF ONLY 18 "STAR SUPPLIERS"

OCTOBER 2000: VIASAT MAKES FORBES 200 BEST SMALL COMPANIES LIST FOR 4TH CONSECUTIVE YEAR

MARCH 2001: WILDBLUE SELECTS VIASAT TO BUILD SATELLITE MODEMS

APRIL 2001: CONNEXION BY BOEING[SM] SELECTS VIASAT TO SUPPLY RECEIVER/ TRANSMITTER SUBSYSTEM

2001

Dear Shareholders This past fiscal year was certainly an eventful one for ViaSat. Financially, we set new company records for sales, earnings, and new contract awards. But, in many ways we set objectives for ourselves that are even more demanding, and potentially more rewarding, than the financial results themselves indicate. It's been a year of transition and transformation and it's worth some reflection to really understand both what we've already accomplished, and the challenges that still lie ahead.

In fiscal 2000 commercial sales were growing fast, driven by a large contract for remote broadband satellite networking for SAIC. But, revenues were still 75% defense. We were creative, with innovative technology, reaching for a still largely undefined satellite broadband market opportunity. Right in the midst of that time we seized an opportunity to acquire Scientific-Atlanta's Satellite Networks business. The transaction itself was a big undertaking for us. It culminated in our largest equity offering early in fiscal 2001 – completed just after the NASDAQ tech bubble began bursting. Then we set out to begin integrating our existing Carlsbad operations with the new business in Atlanta. In a single step we doubled our size and transformed most of the company's business into commercial satellite networking. More challenging still was the fact that, because Scientific-Atlanta had primarily been using its satellite business to fund its broadband cable business, the satellite business was shrinking at about 30% a year. The satellite based portion of the organization had been downsizing and customers were questioning Scientific-Atlanta's commitment and staying power in the satellite communications market.

But, we also saw great potential. This group at Scientific-Atlanta had been true pioneers in the satellite industry – literally putting CNN and WTBS, the original Turner Broadcasting superstation, on the air. They had a proud history of technical innovation and market leadership. There was an infrastructure for distributing, selling, operating, and servicing satellite ground stations and networks that could catalyze ViaSat's growth. The business had an enviable set of customers and telecom partners around the world. And, finally they had built an installed base of VSAT users that we felt would be highly receptive to the kind of technical innovation we knew we could contribute.

Yet, even with our combined resources, we were still a distant #3 in global VSAT market share. While we moved up the VSAT market ladder, that in itself didn't create a foundation for the sustained growth we're aiming for – and it wasn't the point of the acquisition. What we saw at the time was an opportunity to seize the lead in the emerging broadband satellite networks market. We knew ViaSat had the technology – but, not the necessary critical mass, or the requisite business infrastructure. Combined, we were uniquely positioned to develop, manufacture, distribute, support and service a new class of broadband networks.

Still, the satellite broadband market itself wasn't easy to navigate. There were many false starts, blind alleys and unfulfilled promises. New broadband satellite service providers were coming from all directions – with iffy value propositions and daunting financing requirements. The point was that in order to realize the benefits of the acquisition we didn't have to just win new programs – we had to first figure which of the many different systems were going to endure and reach the market first.

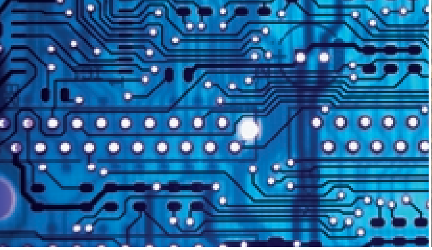
Our vision of the broadband market has been clear and unwavering. To us, broadband service is absolutely defined by the ability to deliver unprecedented amounts of satellite bandwidth at markedly lower costs than ever before. This was going to require new generations of spot beam satellites, advanced bandwidth-efficient technology, clearly defined target market segments, and the ability to finance it all. We targeted three of the best blue chip systems, representing early to market true broadband service providers for direct-to-home consumer access, enterprise virtual private networks, and in-flight broadband access. One year later, we've won all three! Satellite broadband is now our fastest growing business and helped fuel a record year with over $238 million in new contract awards.

So, now we've set the stage for another challenging and eventful year. In fiscal 2002 we'll be developing and testing five of the most technically advanced networking systems in the world – MIDS Link-16 terminals, Astrolink user terminals and gateways, WildBlue Communications satellite modems and hub termination systems, Connexion by Boeing airborne terminals and ground transceivers, and the ground breaking ArcLight interactive VSAT network. MIDS and ArcLight both are planned for early production units this fiscal year, with all of the systems ramping up in our fiscal year 2003. The challenges are significant, but the potential rewards are striking. Of course, given the current state of the capital markets, especially for telecom services, none of the new broadband systems are guaranteed to reach the market. Each still faces significant technical, marketing, and/or financial hurdles. But we still believe they have leadership potential in markets that will ultimately prove rewarding.

We've accomplished a lot already, but there's a lot more to do. I'd like to take this opportunity to acknowledge and thank all our employees for the dedication it's taken to get this far. I'd also like to thank our customers and shareholders for your trust and confidence. This should be an exciting year for all of us.

RICHARD A. BALDRIDGE
EXECUTIVE VICE PRESIDENT,
COO AND CFO

MARK D. DANKBERG
CHAIRMAN OF THE BOARD,
PRESIDENT AND CEO




Broadband

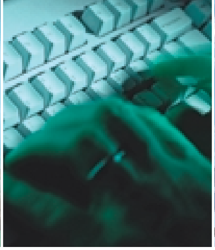
ViaSat's Broadband business moved from a fledgling strategic initiative to a strongly growing business during fiscal year 2001.

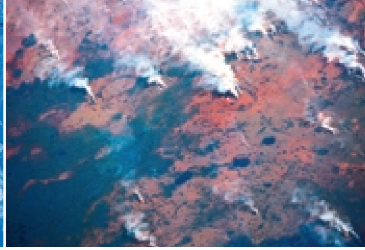
Broadband contributed about 20% of the overall revenues of ViaSat by the final quarter and built a backlog of over $95,000,000 in funded development and production orders.

Our broadband growth initiatives are focused on two types of businesses. The first is high volume, low cost services using next generation, spot beam satellites and the second is vertical markets that require the coverage available from existing FSS satellites. Rather than offer our own branded service, we've become a leading independent supplier of ground systems to several broadband services businesses. By supplying expertise in satellite networking, gateways, user terminals, and project management to multiple broadband projects, we can support their successful launches while simultaneously investing in new terminal and gateway technology.

So far our strategy has been successful – we've earned contracts to develop and manufacture subscriber terminals and ground infrastructure for three premier service providers spanning the range of broadband satellite services: Astrolink – switched payload, enterprise data services, WildBlue Communications – consumer and small business Internet access, and Connexion by Boeing – broadband internet access for airline passengers.

A recent study by Pioneer Consulting estimates the global number of satellite broadband access terminals will grow by over 20 million between 2000 and 2005. We're putting the elements in place to be a major participant in serving this fast growing market. Over the next 2 years our new broadband satellite terminals are planned to augment our existing Satellite Networks product infrastructure – creating the most extensive VSAT product line-up in the industry.



Satellite Ground Systems

ViaSat's Satellite Ground Systems (SGS) is a leader in providing sophisticated gateway systems to customers worldwide.

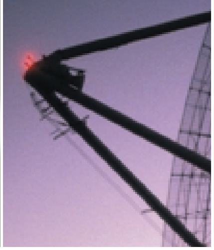
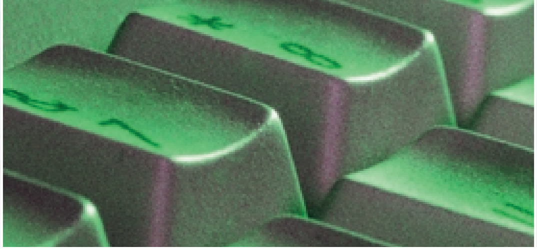
The business base for SGS is anchored in four main product areas: High-performance next generation **Gateways; Geostationary Antennas** for satellite communications; and Full-motion **Telemetry, Tracking, and Control (TT&C)** for satellite control and **Remote Sensing** antenna systems for relaying images from space.

Our SGS group has a long and successful track record of deploying advanced gateway systems connecting terrestrial infrastructure to satellite networks, including Ka-band frequencies. This record of success was instrumental in our selection by Astrolink LLC to provide the service provider gateways for their new broadband system. A previous award from Astrolink and Telespazio for dedicated gateways is nearing completion of the design phase.

We're growing our Geostationary Antennas sales force and product line. Recent industry consolidation, coupled with continuing demand for new and refurbished systems, creates an opportunity for growth. With new designs underway, we will soon provide a more complete family of products with reflector sizes ranging from 3 to 18 meters.

And our core Remote Sensing and TT&C products continue to lead the industry by providing ground systems for both the IKONOS and ORBIMAGE remote sensing systems that capture images of earth at 1-meter resolutions, or one square meter per pixel. Our next generation antenna system will expand the product family to include a 13.5-meter full-motion system.

Overall, a large base of installed systems, new product developments and synergy with our broadband and satellite networks businesses offer potential for continued growth in our satellite ground systems area.


Satellite Networks

Our commitment to the Satellite Networks business is stronger than ever.

Our objective is simple and clear – we intend to offer our enterprise and service provider customers the broadest, most powerful, most cost effective satellite network product selection in the world. Our current Satellite Networks products operate on conventional FSS (fixed satellite services) geostationary satellites. New, very low cost, high speed, sophisticated broadband products currently under development will be added to the line up over the next two years. Our terminals will serve frequencies from C-band to Ka-band. A single integrated sales and product support infrastructure will serve both conventional broad-beam FSS satellites, high powered bent pipe spot beams, and the most advanced switch-in-the-sky, on-board-processed Ka-band spot beam systems.

When Ka-band spot beam satellites enter service in North America in 2002 and 2003, they will set new price points for low cost bandwidth. In the near term our FSS VSAT products bridge the gap, bringing some of the benefits of Ka-band systems to FSS users today. Our Paired Carrier Multiple Access and Code Re-use Multiple Access technologies set new standards for low cost broadband capacity and efficiency.

Skylinx and StarWire networks address the fully connected, single hop mesh markets, including advanced bandwidth on demand, high speed, and Internet Protocol data features. And, ArcLight™ will set new performance benchmarks in the hub/spoke, interactive VSAT market. ArcLight is a new generation VSAT, delivering both low-speed transactions as well as high speed broadband. ArcLight will be price-competitive with TDM/TDMA products, with compelling operating efficiencies intended to position it as the network of choice for bandwidth-intensive services over FSS satellites.


ViaSat

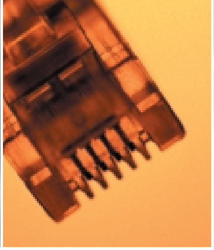
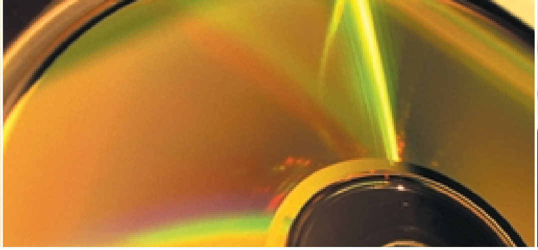
Government/Communication Systems

The importance of information systems in defense is growing in a trend towards "network-centric" warfare.

Networks are vital to collecting and consolidating data, disseminating analysis products and communicating orders. Our defense business is organized in four groups: Tactical Data Links – including Multi-functional Information Distribution System (MIDS) terminals, Networking Products – packet data processors and network encryption, Mobile Satcom – building around UHF satcom Demand Assigned Multiple Access (DAMA) products and systems, and RF Network Simulation – communication and navigation test systems.

We aim to participate in DoD's evolution from transmission systems dedicated to single functions (so-called "stovepipes") towards more extensive, ubiquitous networks. One example is a recent award from the Defense Advanced Research Projects Agency (DARPA) for Tactical Targeting Network Technology (TTNT). TTNT builds on our MIDS expertise to extend the very robust, jam resistant, but special purpose, Link-16 networks into broader advanced weapons data links. TTNT builds on our work in increasing the capacity of Link-16 networks, and multi-protocol gateways tying Link-16 into other networks.

The opportunities in network-centric warfare are significant – as are the challenges. DoD information systems are evolving rapidly amid competing interests and forces. We expect TCP/IP will play a growing role in defense networks and have targeted products there. We recently shipped our 6,000th Advanced Data Controller and developed a new application for Palm hand-held PDAs. We received certification for our KIV-21 Internet Protocol network encryption device and are developing more advanced models. The DoD, and other government agencies, are also trending towards greater use of commercial satellite networks. So, we are working with partners to make next generation broadband satellite systems available for government applications.


Technology

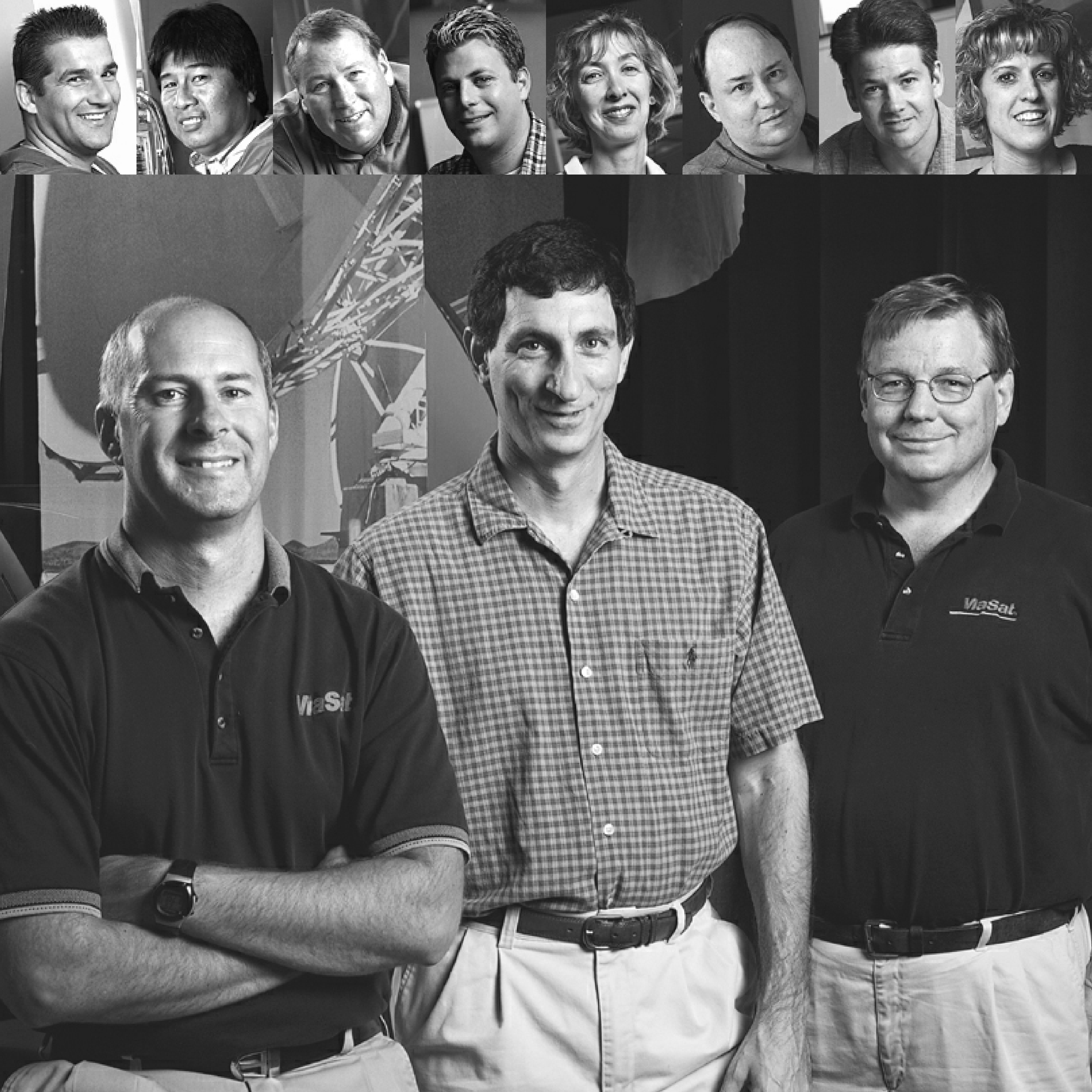
Ultimately, ViaSat's competitive strength has *always* derived from technology leadership.

Virtually all our products trace to some innovative spark creating a new business from a new idea. Some involved clever ways to build complex systems – like MIDS or UHF DAMA. "Out-of-the-box" thinking led to high performance products like data controllers, KIV-21 IP network encryption, and ArcLight VSATs. Innovation is fundamental to our growth strategy. It's at the core of how we manage the company. We've reinforced this through the acquisition of Scientific-Atlanta's satellite networks business. We've added one of the most extensive intellectual property portfolios in the satellite industry – and a tradition of innovation in satellite networks and advanced ground systems for imagery.

Technology leaders must be vigilant to avoid the dreaded "NIH", or Not Invented Here syndrome. At ViaSat, we've seized opportunities to help build on innovations from our customers and partners. We didn't invent Astrolink, or WildBlue, or Connexion, but we're adding our own technical expertise and ideas to help bring these industry-leading systems to life. We seek innovations from *outside* the company, and can help our customers realize their visions – as opposed to force-fitting off-the-shelf solutions.

The upshot is we've become a recognized leader in satellite networks technology. The opportunity to work breakthrough projects, with leaders in the field, helps keep staff retention at exceptional levels. Examples of current key technology areas include: 250 Mbps frequency hopped burst TDMA modems, Burst spread spectrum multiple access networks, Iterative decoding & detection for satellite and anti-jam networks, Content-driven secure networking, and Gigabit encrypted packet data networking.

We're not through yet. Watch us for new innovations and the continuing evolution of a business strategy embracing rapid changes.


ViaSat
ViaSat

Financials

2001

Selected Financial Data

The following table provides selected financial information for us for each of the fiscal years in the five-year period ended March 31, 2001. The data as of and for each of the fiscal years in the five-year period ended March 31, 2001 have been derived from our audited financial statements and include, in the opinion of our management, all adjustments necessary to present fairly the data or 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 March 31,	**1997**	**1998**	**1999**	**2000**	**2001**
Statement of Income Data:					
Revenues	$ 47,715	$ 64,197	$ 71,509	$ 75,880	**$ 164,352**
Cost of revenues	33,102	40,899	44,182	45,557	**112,900**
Gross profit	14,613	23,298	27,327	30,323	**51,452**
Operating expenses:					
Selling, general and administrative	4,752	7,862	10,093	11,269	**26,482**
Independent research and development	5,087	7,631	7,639	7,590	**6,173**
Acquired in-process research and development	–	–	–	–	**2,334**
Amortization of intangible assets	–	–	–	–	**3,789**
Income from operations	4,774	7,805	9,595	11,464	**12,674**
Interest income (expense)	100	586	584	913	**1,647**
Other	–	–	–	–	**(634)**
Income before income taxes	4,874	8,391	10,179	12,377	**13,687**
Provision (benefit) for income taxes	1,702	3,104	3,883	4,471	**3,422**
Net income	$ 3,172	$ 5,287	$ 6,296	$ 7,906	**$ 10,265**
Basic net income per share	$ 0.33	$ 0.34	$ 0.39	$ 0.49	**$ 0.48**
Diluted net income per share	$ 0.24	$ 0.32	$ 0.39	$ 0.45	**$ 0.46**
Shares used in computing basic net income per share	9,620	15,602	15,954	16,193	**21,379**
Shares used in computing diluted net income per share	13,284	16,350	16,345	17,422	**22,537**
Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 12,673	$ 9,208	$ 20,793	$ 19,641	**$ 17,721**
Working capital	20,406	24,276	31,298	38,169	**84,334**
Total assets	35,674	42,793	50,016	61,930	**169,378**
Notes payable, less current portion	1,428	1,544	1,243	336	**–**
Total stockholders' equity	23,619	29,610	36,847	45,997	**132,807**

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

ViaSat was incorporated in 1986 and completed its initial public offering in 1996. We have achieved 15 consecutive years of revenue growth and 14 consecutive years of profitability. Historically, our revenues have been primarily generated from contracts with the U.S. Department of Defense. However, on April 25, 2000 we acquired the Satellite Networks Business which has substantially increased our revenue and transformed us into a predominantly commercial business. Our commercial business for fiscal year 2001 was 62% of revenues compared to 24% of revenues in fiscal year 2000.

To date, our ability to grow and maintain our revenues has depended on obtaining additional sizable contract awards. It is difficult to predict the probability and timing of obtaining these awards. Generally, revenues are recognized as services are performed using the percentage of completion method, measured primarily by costs incurred to date compared with total estimated costs at completion or based on the number of units delivered. We provide for anticipated losses on contracts by charges to income during the period in which they are first identified.

Our products and services are provided primarily through three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Historically, approximately 80.3% for fiscal year 1999, 79.1% for fiscal year 2000, and 94.0% for fiscal year 2001, of our revenues were derived from fixed-price contracts which require us to provide products and services under a contract at a stipulated price. Our proportion of fixed-price contracts has continued to increase as our commercial business has grown and as government customers are increasingly relying on fixed-price awards. 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 that 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 has been generated from funded research and development contracts. The research and development efforts are conducted in direct response to the specific requirements of a customer's 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 \$40.5 million or 56.6% of our total revenues during fiscal year 1999, \$35.0 million or 46.2% of our total revenues during fiscal year 2000 and \$79.0 million or 48.1% of our total revenues during fiscal year 2001.

We invest in independent research and development, which is not directly funded by a third party. We expense independent research and development costs as they are incurred. Independent research and development expenses consist primarily of salaries and other personnel-related expenses, supplies and prototype materials related to research and development programs. Independent research and development expenses were approximately 10.7% of revenues during fiscal year 1999, 10.0% of revenues during fiscal year 2000, and 3.8% of revenues during fiscal year 2001. As a government contractor, we are able to recover a portion of our independent research and development expenses pursuant to our government contracts.

Results of Operations

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

Years Ended March 31,	1999	2000	2001
Revenues	100.0%	100.0%	**100.0%**
Cost of revenues	61.8	60.0	**68.7**
Gross profit	38.2	40.0	**31.3**
Operating expenses:			
Selling, general and administrative	14.1	14.9	**16.1**
Independent research and development	10.7	10.0	**3.8**
Acquired in–process research and development	–	–	**1.4**
Amortization of intangible assets	–	–	**2.3**
Income from operations	13.4	15.1	**7.7**
Income before income taxes	14.2	16.3	**8.3**
Provision for income taxes	5.4	5.9	**2.1**
Net income	8.8	10.4	**6.2**

Fiscal Year 2001 Compared to Fiscal Year 2000

Revenues. Revenues increased 116.6% from $75.9 million for fiscal year 2000 to $164.4 million for fiscal year 2001. This increase was primarily due to the acquisition of the Satellite Networks Business as well as improvements in revenues generated by commercial broadband and other development programs including the multifunction information distribution system (MIDS). These increases were partially offset by a decrease in revenues resulting from completion of various production contracts.

Gross Profit. Gross profit increased 69.7% from $30.3 million (40.0% of revenues) for fiscal year 2000 to $51.5 million (31.3% of revenues) for fiscal year 2001. The increase ingross profit was primarily due to higher volumes related to the acquisition of the Satellite Networks Business and broadband development programs. The decrease as a percentage of revenues resulted from lower volumes of various high margin products and increased volumes of lower margin development projects.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses increased 135.0% from $11.3 million (14.9% of revenues) for fiscal year 2000 to $26.5 million (16.1% of revenues) for fiscal year 2001. The increase in SG&A expenses was primarily due to the additional costs from the Satellite Networks Business, transition costs related to the acquisition, marketing of commercial products, increased business development, and additional administrative staffing to support our growth. 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. Independent research and development (IR&D) expenses decreased 18.7% from $7.6 million (10.0% of revenues) for fiscal year 2000 to $6.2 million (3.8% of revenues) for fiscal year 2001. This decrease resulted from the increased awards of funded development contracts related to both our defense and commercial products.

Acquired In-Process Research and Development. The acquisition of the Satellite Networks Business was accounted for by the purchase method of accounting. In connection with this acquisition, a charge of $2.3 million for purchased in-process research and development is included in our results. This charge represented the fair value of certain acquired research and development projects that were determined to have not reached technological feasibility as of the date of acquisition. The valuation of the in-process research and development related to specific products in the product areas of SkyRelay, SkyLynx and Mobile Asset Tracking, The level of completion was measured using the percentage of completion method. The total man months incurred on the project at the date of value was compared to the total man months expected for the entire project to derive the percent complete. The income approach was then applied to value the amount of in-process research and development.

Amortization of Intangible Assets. The acquisition of the Satellite Networks Business was accounted for by the purchase method of accounting. Intangible assets of $25.0 million and goodwill of $4.5 million are being amortized in connection with this acquisition. The intangible assets are being amortized over useful lives ranging from three to nine years. For the fiscal year ended March 31, 2001 amortization expense was $3.8 million for the period from April 25, 2000 to March 31, 2001.

Interest Expense. Interest expense decreased from $157,000 for fiscal year 2000 to $78,000 for fiscal year 2001. Interest expense relates to loans for the purchase of capital equipment, which are generally three year variable-rate term loans. Total outstanding equipment loans were $1.2 million at March 31, 2000 and $336,000 at March 31, 2001.

Interest Income. Interest income increased from $1.1 million for fiscal year 2000 to $1.7 million for fiscal year 2001. This increase resulted from higher average invested cash balances and higher yields.

Provision for Income Taxes. Our effective income tax rate decreased from 36% for fiscal year 2000 to 25% for fiscal year 2001. The decrease relates primarily to an increases in estimates of prior period research and development tax credits.

Fiscal Year 2000 Compared to Fiscal Year 1999

Revenues. Revenues increased 6.1% from $71.5 million for fiscal year 1999 to $75.9 million for fiscal year 2000. This was primarily due to an increase in our commercial revenues as a result of our Science Applications International Corporation (SAIC) and Star Cruises Management Ltd. commercial broadband contracts, offset in part by lower revenues from volumes of selected UHF defense products.

Gross Profit. Gross profit increased 11.0% from $27.3 million (38.2% of revenues) for fiscal year 1999 to $30.3 million (40.0% of revenues) for fiscal year 2000. The increase in gross profit was primarily due to an improvement in our commercial margins as a result of greater commercial volumes and increased operating efficiencies in the commercial business.

Selling, General and Administrative Expenses. SG&A expenses increased 11.7% from $10.1 million (14.1% of revenues) for fiscal year 1999 to $11.3 million (14.9% of revenues) for fiscal year 2000. The increase in SG&A expenses reflects increased expenditures relating to the marketing of commercial products, increased business development and bid and proposal expenses for defense programs, and additional administrative staffing.

Independent Research and Development. IR&D expenses remained at $7.6 million for both fiscal years but decreased as a percentage of revenues (10.7% of revenues for fiscal 1999 and 10.0% for fiscal 2000). The decrease as a percentage of revenues resulted in part from the award of funded development contracts related to our commercial products, and from the overall increase in sales.

Interest Expense. Interest expense decreased from $250,000 for fiscal year 1999 to $157,000 for fiscal year 2000. Interest expense relates to loans for the purchase of capital equipment, which are generally three year variable-rate term loans. Total outstanding equipment loans were $2.5 million at March 31, 1999 and $1.2 million at March 31, 2000.

Interest Income. Interest income increased from $834,000 for fiscal year 1999 to $1.1 million for fiscal year

2000. This increase resulted from higher average invested cash balances and higher yields, offset in part by a decrease in interest income from overdue government receivables from $102,000 for fiscal year 1999 to $45,000 for fiscal year 2000.

Provision for Income Taxes. Our effective income tax rate decreased from 38% for fiscal year 1999 to 36% for fiscal year 2000. The decrease relates primarily to greater than anticipated research and development tax credits in prior years.

Backlog

As of March 31, 2001, we had firm backlog of $236.2 million, of which $212.3 million was funded. This compares to firm backlog of $88.2 million at March 31, 2000, of which $58.6 million was funded, not including options of $53.3 million. Of the $236.2 million in firm backlog at March 31, 2001, approximately $93.2 million is expected to be delivered in fiscal year 2002, approximately $46.9 million is expected to be delivered in fiscal year 2003 and the balance is expected to be delivered in fiscal year 2004 and thereafter. The increase in backlog results from growth in total awards for both commercial and defense products from $119.3 million for fiscal year 2000 to $238.8 million for fiscal year 2001. We include in our backlog only those orders for which we have accepted purchase orders. Our firm backlog does not include contract options of $55.4 million. These options include $43.8 million of Indefinite Delivery/Indefinite Quantity (IDIQ) contracts for our UHF DAMA satellite communications products and $11.6 million of IDIQ contracts for our other products.

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 funding of our contracts is not within our control, our experience indicates that actual contract fundings have ultimately been approximately equal to the aggregate amounts of the contracts.

Recent Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, and for hedging activities. In June 1999 the Financial Accounting Standards Board issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No.133," which delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company is required to and will adopt SFAS No. 133 in the first quarter of fiscal 2002. The Company is still evaluating the impact of SFAS No. 133 and therefore cannot estimate the impact on its consolidated results of operations or financial position.

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.

Cash used in operating activities in fiscal year 2001 was $9.9 million as compared to cash provided by operating activities in fiscal year 2000 of $3.7 million. The increase in cash used in operating activities for fiscal year 2001 compared to the prior year was primarily due to an increase in accounts receivable and inventory due to the new business, partially offset by an increase in accounts payable.

Cash used in investing activities in fiscal year 2001 was $65.3 million as compared to cash provided by investing activities in 2000 of $11.0 million. During fiscal year 2001, we acquired the Satellite Networks Business for cash of $57.9 million. In addition, we acquired $7.5 million in equipment in fiscal 2001 compared to $4.8 million of equipment in fiscal 2000, excluding the acquisition of the Satellite Networks Business.

Cash provided by financing activities in fiscal year 2001 was $74.4 million as compared to cash used in financing activities in 2000 of $25,000. This increase was primarily the result of completing a secondary public stock offering for $73.2 million.

At March 31, 2000 we had $19.6 million in cash and cash equivalents and short-term investments, $38.2 million in working capital and $1.2 million in long-term debt which consisted of equipment financing. At March 31, 2001, we had $17.7 million in cash, cash equivalents and short-term investments, $84.3 million in working capital and $336,000 in equipment financing. We had no outstanding borrowings under our line of credit at March 31, 2001.

On June 21, 2001 we executed a one year Revolving/Term Loan Agreement of $25 million from Union Bank of California, N.A. and Washington Mutual Bank, with Union Bank of California, N.A., as Administrative Agent.

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 12 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.

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 2000 and 2001 are as follows (in thousands, except per share data):

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
2000				
Revenues	$ 17,035	$ 17,017	$ 18,041	$ 23,787
Gross profit	7,326	7,459	7,548	7,990
Income from operations	2,788	2,736	2,616	3,324
Net income	1,805	1,804	2,007	2,290
Basic net income per share	0.11	0.11	0.12	0.14
Diluted net income per share	0.11	0.11	0.12	0.13
2001				
Revenues	$ 36,626	$ 39,730	$ 43,093	$ 44,903
Gross profit	12,647	12,364	13,627	12,814
Income from operations	2,486	3,201	3,255	3,732
Net income	1,955	2,434	2,715	3,161
Basic net income per share	0.10	0.11	0.12	0.14
Diluted net income per share	0.09	0.11	0.12	0.14

Consolidated Balance Sheets

As of March 31,	2000	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 19,520,000	**$ 17,721,000**
Short-term investments	121,000	**–**
Accounts receivable, net	26,268,000	**64,105,000**
Inventory	3,122,000	**22,916,000**
Deferred income taxes	1,813,000	**1,792,000**
Other current assets	2,167,000	**13,416,000**
Total current assets	53,011,000	**119,950,000**
Intangible assets, net	–	**25,744,000**
Property and equipment, net	8,164,000	**19,888,000**
Other assets	755,000	**3,796,000**
Total assets	$ 61,930,000	**$ 169,378,000**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,934,000	**$ 20,310,000**
Accrued liabilities	5,001,000	**14,970,000**
Current portion of notes payable	907,000	**336,000**
Total current liabilities	14,842,000	**35,616,000**
Notes payable	336,000	**–**
Other liabilities	755,000	**604,000**
Total long-term liabilities	1,091,000	**604,000**
Commitments and contingencies (Notes 10 & 11)		
Minority interest in consolidated subsidiary	–	**351,000**
Stockholders' equity:		
Series A, convertible preferred stock, $.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2000 and 2001, respectively		
Common stock, $.0001 par value, 100,000,000 shares authorized; 16,393,208 and 22,007,650 shares issued and outstanding at March 31, 2000 and 2001, respectively	2,000	**2,000**
Paid in capital	18,932,000	**96,154,000**
Retained earnings	27,063,000	**37,328,000**
Accumulated other comprehensive income (loss)	–	**(677,000)**
Total stockholders' equity	45,997,000	**132,807,000**
Total liabilities and stockholders' equity	$ 61,930,000	**$ 169,378,000**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Years Ended March 31,	1999	2000	2001
Revenues	$ 71,509,000	$ 75,880,000	**$ 164,352,000**
Cost of revenues	44,182,000	45,557,000	**112,900,000**
Gross profit	27,327,000	30,323,000	**51,452,000**
Operating expenses:			
Selling, general and administrative	10,093,000	11,269,000	**26,482,000**
Independent research and development	7,639,000	7,590,000	**6,173,000**
Acquired in-process research and development	–	–	**2,334,000**
Amortization of intangible assets	–	–	**3,789,000**
Income from operations	9,595,000	11,464,000	**12,674,000**
Other income (expense):			
Interest income	834,000	1,070,000	**1,725,000**
Interest expense	(250,000)	(157,000)	**(78,000)**
Minority interest	–	–	**(76,000)**
Equity in loss of joint venture	–	–	**(558,000)**
Income before income taxes	10,179,000	12,377,000	**13,687,000**
Provision for income taxes	3,883,000	4,471,000	**3,422,000**
Net income	$ 6,296,000	$ 7,906,000	**$ 10,265,000**
Basic net income per share	$ 0.39	$ 0.49	**$ 0.48**
Diluted net income per share	$ 0.39	$ 0.45	**$ 0.46**
Shares used in computing basic net income per share	15,953,696	16,193,000	**21,379,015**
Shares used in computing diluted net income per share	16,345,320	17,422,444	**22,536,982**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31,	1999	2000	2001
Cash flows from operating activities:			
Net income	$ 6,296,000	$ 7,906,000	$ 10,265,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,853,000	3,292,000	9,065,000
Acquired in-process research and development	–	–	2,334,000
Deferred income taxes	(1,082,000)	843,000	(270,000)
Minority interest in consolidated subsidiary	–	–	351,000
Non-cash compensation	–	–	134,000
Tax benefit from exercise of stock options	82,000	68,000	521,000
Increase (decrease) in cash resulting from changes in:			
Accounts receivable	2,880,000	(10,092,000)	(21,018,000)
Inventory	2,162,000	(597,000)	(15,593,000)
Other assets	46,000	(1,686,000)	(13,447,000)
Accounts payable	(801,000)	5,180,000	10,246,000
Accrued liabilities	940,000	(1,026,000)	6,786,000
Other liabilities	(11,000)	(171,000)	(347,000)
Net cash provided by (used in) operating activities	13,365,000	3,717,000	(10,973,000)
Cash flows from investing activities:			
Acquisition of a business	–	–	(57,904,000)
Purchases of short-term investments, net	(8,870,000)	14,667,000	121,000
Purchases of property and equipment	(2,497,000)	(4,826,000)	(7,468,000)
Net cash (used in) provided by investing activities	(11,367,000)	9,841,000	(65,251,000)
Cash flows from financing activities:			
Proceeds from issuance of notes payable	1,092,000	–	–
Repayment of notes payable	(1,234,000)	(1,219,000)	(907,000)
Proceeds from issuance of common stock, net of issuance costs	859,000	1,176,000	75,351,000
Net cash provided by (used in) financing activities	717,000	(43,000)	74,444,000
Effect of exchange rate changes on cash	–	–	(19,000)
Net increase (decrease) in cash and cash equivalents	2,715,000	13,515,000	(1,799,000)
Cash and cash equivalents at beginning of year	3,290,000	6,005,000	19,520,000
Cash and cash equivalents at end of year	$ 6,005,000	$ 19,520,000	$ 17,721,000
Supplemental information:			
Cash paid for interest	$ 250,000	$ 157,000	$ 82,000
Cash paid for income taxes	$ 4,263,000	$ 4,349,000	$ 5,491,000
Supplemental noncash financing activity:			
Issuance of warrants for acquisition of business	$ –	$ –	$ 1,215,000

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Stockholders' Equity

	Common Stock Number of Shares	Common Stock Amount	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
Balance at March 31, 1998	15,841,276	$ 2,000	$ 16,747,000	$ 12,861,000		$ 29,610,000	
Tax benefit from exercise of stock options			82,000			82,000	
Exercise of stock options	120,962		334,000			334,000	
Issuance for Employee Stock Purchase Plan	106,168		525,000			525,000	
Net income				6,296,000		6,296,000	
Balance at March 31, 1999	16,068,406	2,000	17,688,000	19,157,000	–	36,847,000	
Tax benefit from exercise of stock options			68,000			68,000	
Exercise of stock options	228,448		681,000			681,000	
Issuance for Employee Stock Purchase Plan	96,354		495,000			495,000	
Net income				7,906,000	–	7,906,000	
Balance at March 31, 2000	16,393,208	2,000	18,932,000	27,063,000	–	45,997,000	
Exercise of stock options	324,076		1,253,000			1,253,000	
Tax benefit from exercise of stock options			521,000			521,000	
Issuance for Employee Stock Purchase Plan	66,216		911,000			911,000	
Issuance for shares for secondary public offering, net of issuance costs of $864,000	5,224,150		73,188,000			73,188,000	
Issuance of warrants			1,215,000			1,215,000	
Non-cash compensation modification of stock options			134,000			134,000	
Net Income				10,265,000		10,265,000	$ 10,265,000
Foreign currency translation					$ (677,000)	(677,000)	(677,000)
Comprehensive income							$ 9,588,000
Balance at March 31, 2001	22,007,650	$ 2,000	$ 96,154,000	$ 37,328,000	$ (677,000)	$ 132,807,000	

See accompanying notes to the consolidated financial statements.

Notes to Financial Statements

Note 1 — The Company and a Summary of Its Significant Accounting Policies

The Company Viasat Inc. (the "Company") designs, produces and markets advanced digital satellite telecommunications and wireless signal processing equipment.

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

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 estimates of our warranty obligations.

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

Short-term Investments At March 31, 2000 and 2001, 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 March 31, 2000 and 2001 totaled $16,769,000 and $11,964,000, respectively. The Company has included $16,648,000 and $11,964,000 of these securities in cash and cash equivalents as of March 31, 2000 and 2001, respectively, as they have original maturities of less than 90 days. The remaining $121,000 as of March 31, 2000 has been classified as short-term investments.

Revenue Recognition The majority of the Company's revenues are derived from services performed under a variety of contracts including cost-plus-fixed fee, fixed-price, and time and materials contracts. Revenues from the United States Department of Defense and its prime contractors amounted to $65,478,000, $53,859,000 and $62,410,000 for the years ended March 31, 1999, 2000 and 2001, respectively. Revenues from commercial customers amounted to $3,836,000, $18,409,000 and $101,942,364 for the years ended March 31, 1999, 2000 and 2001 respectively. The Company's five largest contracts (by revenues) generated approximately 61%, 35% and 36% of the Company's total revenues for the fiscal year ended March 31, 1999, 2000 and 2001, respectively.

Generally, revenues are recognized as services are performed using the percentage of completion method, measured primarily by costs incurred to date compared with total estimated costs at completion or based on the number of units delivered. The Company provides for anticipated losses on contracts by a charge to income during the period in which they are first identified.

Contract costs, including indirect costs, are subject to audit and negotiations with Government representatives. These audits have been completed and agreed upon through fiscal year 1997. Contract revenues and accounts receivable are stated at amounts which are expected to be realized upon final settlement.

Unbilled Accounts Receivable Unbilled receivables consist of costs and fees earned and billable on contract completion or other specified events. The majority of unbilled receivables is 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. Concentrations of credit risk with respect to receivables are generally limited because the Company performs ongoing credit evaluations. The Company also maintains reserves for potential credit losses, which it considers adequate to cover such losses. See Note 11 related to ORBCOMM.

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 first-in, first-out method.

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 and prototype materials related to research and development programs.

Software development 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 cost or net realizable value. Through March 31, 2001, $3.2 million has been incurred and no amounts have been amortized to date, on software development products subsequent to reaching technological feasibility. Once the product is available for general release, the software development costs will be amortized on a straight line basis over their estimated useful lives.

Property and Equipment Equipment, computers, and furniture and fixtures are recorded at cost, and depreciated over estimated useful lives of three to seven years using the straight-line method. 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.

Intangible Assets and Goodwill Intangible assets and goodwill are recorded at cost and amortized using the straight-line method over their estimated useful lives, which currently range from three to nine years.

Long-lived Assets The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. No such impairment losses have been identified by the Company.

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

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.

Stock Split On July 28, 2000 the Board of Directors declared a two-for-one stock split of our common stock in the form of a stock dividend. The stock dividend was distributed at the close of business on August 31, 2000 to stockholders of record on August 21, 2000. All share and per share information in the financial statements has been adjusted to reflect the stock split on a retroactive basis.

Stock Based Compensation The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method and provides pro forma disclosures of net income and earnings per share as if the fair value method had been applied in measuring compensation expense.

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 dilutive common stock equivalents during the period. Common stock equivalents include options granted under the Company's stock option plans and warrants 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.

Fair Value of Financial Instruments At March 31, 2001, the carrying amounts of the Company's financial instruments, including cash equivalents, short-term investments, trade receivables and accounts payable, approximated their fair values due to their short-term maturities.

Segment Reporting Operating segments are determined consistent with the way that management organizes and evaluates financial information internally for making operating decisions and assessing performance. We are organized primarily on the basis of products with commercial and defense communication applications, represented by ViaSat Satellite Networks which operates primarily in the commercial market and Communication Systems Group which operates primarily in the defense market. As areas of our business grow, such as broadband systems, additional operating segments may be reported in the future.

Recent Accounting Pronouncements In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, and for hedging activities. In June 1999 the Financial Accounting Standards Board issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No.133," which delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. The Company is required to and will adopt SFAS No. 133 in the first quarter of fiscal 2002. The Company is still evaluating the impact of SFAS No. 133 and therefore cannot estimate the impact on its consolidated results of operations or financial position.

Note 2 — Secondary Public Stock Offering and Acquisition of Satellite Networks Business

On April 24, 2000, we completed a secondary public stock offering for the sale of 5,224,150 shares of common stock for net proceeds of approximately $73.2 million.

On April, 25, 2000, we completed the acquisition of the satellite networks business (the "Satellite Networks Business") of Scientific-Atlanta, Inc. for an aggregate purchase price of approximately $57.9 million in cash (which reflects post-closing adjustments to the purchase price in accordance with the asset purchase agreement), plus warrants to purchase 100,000 shares of common stock valued at $1.2 million. The warrants are currently vested and will expire April 25, 2002. The warrants are exercisable in increments of 25,000 shares at prices of $26.25, $31.25, $36.25 and $41.25 per share.

The Satellite Networks Business is a DAMA-based VSAT supplier with additional product lines addressing the non-DAMA VSAT market, the gateway market and the telemetry and antenna systems market.

The acquisition has been accounted for by the purchase method of accounting as defined in Accounting Principles Board Opinion No. 16, and accordingly, the operating results of the Satellite Networks Business have been included in the Company's financial statements from the date of acquisition. The purchase price of the acquisition has been allocated to the fair value of the tangible and intangible assets acquired and liabilities assumed of the Satellite Networks Business. The purchase price allocation for certain assets is preliminary and further refinements are likely to be made on the completion of final valuation studies. In connection with this acquisition, a charge of $2.3 million for acquired in process research and development is included in our results, which represents the fair value of certain acquired research and development projects that were determined to have not reached technological feasibility and have no alternative future use. The estimated fair value of assets acquired and liabilities assumed, which is subject to further refinement, is as follows:

Accounts receivable	$ 17,152,000
Inventory	4,353,000
Property, plant and equipment	9,540,000
Intangible assets	29,533,000
Acquired in-process research and development	2,334,000
Other assets	556,000
Liabilities	(4,349,000)
Total	$ 59,119,000

The following unaudited pro forma condensed combined financial information gives effect to the acquisition as though it had occurred on April 1, 1999. Because the Satellite Networks Business had been operated as a division of Scientific-Atlanta, its results as incorporated into the pro forma financial information may not reflect those that would have resulted had it operated as an independent entity or as a part of ViaSat.

The pro forma condensed combined financial information combines information from ViaSat's income statement for the fiscal years ended March 31, 2000 and 2001 with the Satellite Networks Business' income statement for the twelve month periods ended March 31, 2000 and 2001.

Years Ended March 31,	2000	2001
	(Unaudited)	(Unaudited)
Revenues	$ 162,280,000	**$ 171,735,000**
Net income	107,000	**12,471,000**
Earnings per share		
Basic	.01	**.57**
Diluted	.00	**.54**
Weighted average number of shares*		
Basic	21,417,150	**21,736,833**
Diluted	22,646,594	**22,894,800**

* *The weighted average number of shares includes 5,224,150 shares related to the secondary public offering.*

The unaudited pro forma financial information presented is not necessarily indicative of either the results of operations that would have occurred had the acquisition taken place on April 1, 1999 or the future results of operations of the combined entities.

Notes to Financial Statements

continued

Note 3 — Composition of Certain Balance Sheet Captions

As of March 31,	2000	2001
Cash and cash equivalents:		
Investments in debt securities	$ 16,648,000	**$ 11,964,000**
Cash	2,872,000	**5,757,000**
	$ 19,520,000	**$ 17,721,000**
Accounts receivable, net:		
Billed	$ 13,031,000	**$ 45,099,000**
Unbilled	13,237,000	**19,322,000**
Allowance for doubtful accounts	–	**(316,000)**
	$ 26,268,000	**$ 64,105,000**
Inventory:		
Raw materials	$ 2,263,000	**$ 11,657,000**
Work in process	484,000	**7,770,000**
Finished goods	375,000	**3,489,000**
	$ 3,122,000	**$ 22,916,000**
Intangible assets:		
Technology	–	**$ 9,845,000**
Contracts and relationships	–	**9,686,000**
Acquired work force	–	**5,477,000**
Goodwill	–	**4,525,000**
	–	**29,533,000**
Less accumulated amortization	–	**(3,789,000)**
	–	**$ 25,744,000**
Property and equipment:		
Machinery and equipment	$ 11,602,000	**$ 24,884,000**
Computer equipment	5,642,000	**8,585,000**
Furniture and fixtures	877,000	**1,651,000**
	18,121,000	**35,120,000**
Less accumulated depreciation	(9,957,000)	**(15,232,000)**
	$ 8,164,000	**$ 19,888,000**
Accrued liabilities:		
Current portion of warranty reserve	$ 799,000	**$ 1,291,000**
Accrued vacation	1,188,000	**2,531,000**
Accrued bonus	1,004,000	**1,828,000**
Accrued 401(k) matching contribution	917,000	**1,773,000**
Collections in excess of revenues	694,000	**6,196,000**
Other	399,000	**1,351,000**
	$ 5,001,000	**$ 14,970,000**

Note 4 — Notes Payable

As of March 31,	2000	2001
Bank installment loan, with a maturity date of September 2001, total monthly payment of $56,000 with interest rates ranging between 8.75% and 9.85%, collateralized by equipment	$ 1,243,000	**$ 336,000**
Less current portion	(907,000)	**(336,000)**
	$ 336,000	**$ 0**

Note 5 — Common Stock and Options

In July 1993, the Company adopted the 1993 Stock Option Plan (the "Plan") which authorizes 1,467,000 shares to be granted no later than July 2003. In November 1996, the Plan was terminated and replaced by the Viasat Inc. 1996 Equity Participation Plan (the "1996 Equity Participation Plan"). No options have been issued under the Plan since July 1996.

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. As of March 31, 2001, the Company had granted options to purchase 4,525,466 shares of common stock under this plan with vesting terms of three to five years and 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 March 31, 2001, the Company has issued 372,942 shares of common stock under this plan.

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, 1998	1,313,368	$ 0.17 – 9.91	$ 4.47
Options granted	648,000	3.69 – 8.54	6.55
Options canceled	(219,816)	0.68 – 7.77	5.41
Options exercised	(120,960)	0.17 – 7.07	2.78
Outstanding at March 31, 1999	1,620,592	0.24 – 9.91	5.30
Options granted	851,600	4.25 – 43.82	12.98
Options canceled	(64,942)	2.05 – 7.77	6.67
Options exercised	(228,448)	0.24 – 9.91	3.06
Outstanding at March 31, 2000	2,178,802	0.68 – 43.82	8.50
Options granted	2,136,800	9.95 – 27.94	20.42
Options canceled	(165,383)	3.69 – 26.16	14.00
Options exercised	(324,075)	0.68 – 8.33	3.82
Outstanding at March 31, 2001	3,826,144	2.05 – 43.82	15.18

Notes to Financial Statements

continued

The following table summarizes all options outstanding and exercisable by price range as of March 31, 2001:

Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life-Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.05 – 5.38	496,980	6.26	$ 4.46	294,650	$ 4.39
5.78 – 6.38	441,176	7.24	6.10	253,175	6.23
7.02 – 7.77	419,138	7.33	7.65	216,703	7.65
8.07 – 14.97	386,700	8.97	12.23	61,135	8.61
15.09 – 21.83	293,100	9.19	17.33	0	0.00
22.03 – 22.03	1,497,350	9.49	22.03	0	0.00
22.10 – 35.63	277,700	8.75	25.66	68,622	25.84
36.35 – 36.35	2,000	8.88	36.35	667	36.35
36.56 – 36.56	6,000	8.91	36.56	2,000	36.56
43.82 – 43.82	6,000	3.93	43.82	2,100	43.82
2.05 – 43.82	3,826,144	8.43	15.31	899,052	7.81

On September 1, 2000 the Company accelerated the vesting of 7,667 outstanding options granted under the 1996 Equity Participation Plan to one individual. Non-cash compensation of $134,000 related to this modification of vesting was recorded in the fiscal year ended March 31, 2001.

Note 6 — Shares Used in Earnings Per Share Calculations

Years Ended March 31,	1999	2000	2001
Weighted average common shares outstanding used in calculating basic net income per share	15,953,696	16,193,000	**21,379,015**
Weighted average options to purchase common stock as determined by application of the treasury stock method	370,904	1,223,170	**1,148,430**
Employee Stock Purchase Plan equivalents	20,720	6,274	**9,537**
Shares used in computing diluted net income per share	16,345,320	17,422,444	**22,536,982**

Antidilutive shares excluded from the calculation were 420,735, 30,420, and 1,262,564 shares for the fiscal years ended March 31, 1999, 2000, and 2001 respectively.

Note 7 — Pro Forma Earnings Per Share

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		
	1999	2000	2001	1999	2000	2001
Expected life (in years)	3.50 – 5.00	4.99 – 5.00	4.86	0.50	0.50	**0.50**
Risk-free interest rate	4.46 – 5.42%	5.69%	5.42%	5.66 – 6.22%	5.55%	**5.70 – 6.24%**
Expected volatility	50.00%	71.00%	125.00%	50.00%	71.00%	**125.00%**
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 1999, 2000, and 2001 was $6.27, $16.61, and $18.69 per share, respectively. The weighted average estimated fair value of shares granted under the Employee Stock Purchase Plan during 1999, 2000 and 2001 was $4.00, $5.43 and $9.23 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 March 31, 1999, 2000 and 2001 are as follows:

Year Ended March 31,	1999	2000	2001
Net income as reported	$ 6,296,000	$ 7,906,000	**$ 10,265,000**
Pro forma net income	5,157,000	5,974,000	**952,000**
Pro forma basic earnings per share	0.65	0.74	**0.04**
Pro forma diluted earnings per share	0.65	0.70	**0.04**

Note 8 — Income Taxes

The provision for income taxes includes the following:

Years Ended March 31,	1999	2000	2001
Current tax provision			
Federal	$ 3,977,000	$ 2,947,000	**$ 2,629,000**
State	988,000	681,000	**–**
Foreign	–	–	**1,063,000**
	4,965,000	3,628,000	**3,692,000**
Deferred tax (benefit) provision			
Federal	(863,000)	680,000	**(137,000)**
State	(219,000)	163,000	**(80,000)**
Foreign	–	–	**(53,000)**
	(1,082,000)	843,000	**(270,000)**
Total provision for income taxes	$ 3,883,000	$ 4,471,000	**$ 3,422,000**

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

As of March 31,	2000	2001
Deferred tax assets		
Warranty reserve	$ 418,000	**$ 347,000**
Inventory	820,000	**744,000**
Accrued vacation	374,000	**559,000**
State income taxes	231,000	**21,000**
Depreciable, amortizable and other property	307,000	**766,000**
Other	158,000	**141,000**
Total deferred tax assets	$ 2,308,000	**$ 2,578,000**

A reconciliation of the provision 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 March 31,	1999	2000	2001
Tax expense at statutory rate	$ 3,461,000	$ 4,208,000	**$ 4,690,000**
State tax provision, net of federal benefit	507,000	558,000	**(223,000)**
Research tax credit	(67,000)	(240,000)	**(928,000)**
Other	(18,000)	(55,000)	**(117,000)**
	$ 3,883,000	$ 4,471,000	**$ 3,422,000**

Note 9 — Employee Benefits

The Company has 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 have completed 90 days of service and are at least 21 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 1999, 2000 and 2001 amounted to $791,000, $917,000 and $1,772,000, respectively. The increase in the contributed amount is primarily due to the acquisition of the Satellite Networks Business. The cost of administering the plan is not significant.

Note 10 — Commitments

The Company leases office facilities under noncancelable operating leases with initial terms ranging from one to ten years which expire between June 2002 and December 2009. 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 $1,312,000, $1,939,000 and $4,194,000 in fiscal years 1999, 2000 and 2001, respectively.

Future minimum lease payments are as follows:

Year Ending March 31,	
2002	$ 4,317,000
2003	4,157,000
2004	2,523,000
2005	2,408,000
2006	2,382,000
Thereafter	8,726,000
	$ 24,513,000

Note 11 — Contingencies

On September 15, 2000 ORBCOMM Global, L.P. (ORBCOMM) 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 its 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. On April 23, 2001, International Licensees, LLC was approved by the bankruptcy court as the buyer of ORBCOMM. International Licensees is a consortium of current ORBCOMM licensees and other investors. There remain some conditions with respect to financing set in bankruptcy that the International Licensees must fulfill in the future. A failure to meet these conditions could result in the unwinding of the purchase by the International Licensees. We are currently in negotiations with International Licensees relating to our relationship with ORBCOMM in the future, including the potential assumption of all or part of our receivables and contracts in bankruptcy. The following table summarizes our assets related to ORBCOMM at March 31, 2001.

Accounts receivable – billed	$ 4,611,000
Accounts receivable – unbilled	359,000
Inventory	123,000
Total	$ 5,093,000

We cannot make assurances that the assets listed above will be fully recovered. If we are unable to successfully complete our negotiations with ORBCOMM regarding the assumption of our receivables and contracts in bankruptcy, or if ORBCOMM is unable to successfully restructure its operations, it would substantially limit our ability to recover the assets listed above and could cause ViaSat to incur losses which could harm our business; however, we have not made any adjustments to the recorded amount for the assets as it is not possible at this time to reasonably estimate or determine what loss, if any, will be incurred.

The Company is currently a party to various government and commercial contracts which require the Company to meet performance covenants and project milestones. Under the terms of these contracts, failure by the Company 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. The Company is currently not in compliance (or in the past was not in compliance) with the performance or milestone requirements of certain of these contracts. Historically, the Company's customers have not elected to terminate such contracts or seek liquidated damages from the Company and management does not believe that its existing customers will do so; therefore, the Company has not accrued for any potential liquidated damages or penalties.

Note 12 — Immeon Networks, L.L.C.

In January 2001 the Company and Loral Skynet formed a joint venture named Immeon Networks, L.L.C., (Immeon). The Company and Loral Skynet are each entitled to 50% of the net profits of Immeon, subject to certain adjustments. The Company accounts for its investment under the equity method because the Company has significant influence, but not control, of the operations of Immeon. The Company's share of net losses of Immeon is limited to the extent of the Company's investment in, advances to and financial guarantees that create additional basis in the Immeon. The Company's share of losses and advances to Immeon have reduced our investment to zero at March 31, 2001. The Company's share of the operating loss of Immeon for fiscal year 2001 is $558,000.

Notes to Financial Statements

continued

Note 13 — Segment Information

We are organized primarily on the basis of products with commercial and defense communication applications, represented by ViaSat Satellite Networks which operates primarily in the commercial market and Communication Systems Group which operates primarily in the defense market. As new areas of our business grow, such as broadband systems, additional operating segments may be reported in the future.

The following table summarizes revenues and operating profits by operating segment for the fiscal year ended March 31, 2001. The acquisition of the Satellite Networks Business resulted in a second operating segment. Certain corporate general and administrative costs, amortization of intangible assets and the charge 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. Assets are not tracked by operating segment. Consequently, it is not practical to show assets by operating segments.

Year Ended March 31, 2001	
Revenues	
ViaSat Satellite Networks	$ 101,942,000
Communication Systems Group	62,410,000
Total revenues	164,352,000
Operating profits	
ViaSat Satellite Networks	8,968,000
Communication Systems Group	9,278,000
Segment operating profit before corporate and other	18,246,000
Corporate	551,000
Amortization of intangibles	(3,789,000)
Acquired in-process research and development	(2,334,000)
Total operating profits	$ 12,674,000

Revenue information by geographic area for the fiscal year ended March 31, 2001 is as follows:

Year Ended March 31, 2001	
North America	$ 130,011,000
Europe	15,375,000
Asia Pacific	17,198,000
Latin America	1,768,000
	$ 164,352,000

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

The net book value of long-lived assets located outside North America was $37,000 at March 31, 2001.

Note 14 — Subsequent Event

June 21, 2001 the Company executed a one year Revolving/Term Loan Agreement of $25 million from Union Bank of California, N.A. and Washington Mutual Bank, with Union Bank of California, N.A., as Administrative Agent. Under the revolving facility and the term loan facility, the Company has the option to borrow at the bank's prime rate or at LIBOR plus, in each case, an applicable margin based on the ratio of our total debt to EBITDA (earnings before interest and taxes and depreciation and amortization). The agreement contains financial covenants that set maximum debt to EBITDA limits, minimum quarterly EBITDA limits, minimum quick ratio limit and a minimum tangible net worth limit.

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows, and of stockholders equity present fairly, in all material respects, the financial position of Viasat Inc. and its subsidiaries at March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Diego, California
June 15, 2001, except for Note 14 for which the date is June 21, 2001

Market for Registrant's Common Stock and Related Stockholder Matters

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.

Fiscal 2000	High	Low
First Quarter	$ 7.88	$ 3.91
Second Quarter	11.13	6.66
Third Quarter	27.75	9.03
Fourth Quarter	52.50	21.50

Fiscal 2001	High	Low
First Quarter	$ 35.50	$ 15.00
Second Quarter	34.00	18.56
Third Quarter	23.44	12.00
Fourth Quarter	19.44	9.38

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. As of June 21, 2001, there were 421 holders of record of our common stock.

Corporate Information

BOARD OF DIRECTORS

Mark D. Dankberg
Chairman of the Board,
President and CEO, ViaSat Inc.

B. Allen Lay
Southern California Ventures

Dr. Jeffrey M. Nash
Private Investor

Dr. Robert W. Johnson
Private Investor

James F. Bunker
President
Objectives Communications Inc.

Adm. William A. Owens (Ret.)
Vice Chairman, Teledesic LLC
CEO Teledesic Holdings

OFFICERS

Mark D. Dankberg
Chairman of the Board,
President and CEO

Richard A. Baldridge
Executive Vice President, COO and CFO

Gregory D. Monahan
Vice President, General Counsel and
Secretary of the Board

Robert L. Barrie
Vice President, Operations

Steven R. Hart
Vice President, Engineering and
Chief Technical Officer

Mark J. Miller
Vice President, Chief Technical Officer

Cathy Bucher Akin
Vice President, Human Resources

Claude J. Hashem
Vice President and General Manager,
Communication Systems

James P. Collins
Vice President Business Development,
Communication Systems

Stephen W. Cable
Vice President and General Manager,
Broadband Systems

Steve Estes
Vice President and General Manager,
Satellite Ground Systems

John Restivo
Vice President and General Manager,
Satellite Networks

Jack Tassos
Vice President, LEO Data Systems

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

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TRANSFER AGENT AND REGISTRAR
Computershare Investor Services
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Suite 1020
Los Angeles, California 90071

ANNUAL MEETING
9:00AM on Friday, September 7, 2001
ViaSat Inc.
Carlsbad, California

10-K
A copy of ViaSat's form 10-K filed with the Securities and Exchange Commission will be made available to all shareholders at no charge. The 10-K can be accessed on the World Wide Web as well, at the SEC Edgar site (http://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:

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