Annual Report 2018

Viasat™

A letter to **shareholders**

from Mark Dankberg

Standing (L to R): **Kristi Jaska, Dave Ryan, Jim Esserman, Girish Chandran, Steve Hart, Melinda Del Toro**
Seated (L to R): **Bruce Dirks, Ken Peterman, Shawn Duffy, Mark Dankberg, Doug Abts, Robert Blair, Keven Lippert, Rick Baldridge**

Dear shareholders,

Intense. That may be the most immediate adjective to describe our fiscal year 2018. We took on several challenges to position us for rapid, profitable growth. And, we had to deal with external challenges that added to the pressure — primarily launch delays for ViaSat-2 and a subsequent antenna deployment anomaly once in space. But, we accomplished what we set out to do and created a combination of opportunities and resources that offer a truly exciting fiscal year 2019 and beyond.

Our strategy

Everything we do is intended to create and deliver uniquely valuable products and services for our customers, and to capture the attendant economic rewards through enduring competitive advantages. We target profitable growth by identifying, entering and leading *new* market segments enabled when technologies catalyze changes in *dimensions of value*; the attributes of products or services that drive user demand. This is *disruption theory*, as popularized by Harvard Business School Professor Clayton Christensen. Originally intended to explain how incumbents dominating particular fields are dethroned by upstarts, we've inverted the concept to focus on positively leveraging those changes in dimensions of value to be the *disruptor* in attractive markets adjacent to our existing ones. We have an enviable playing field of target markets in mobile satellite broadband, tactical data links and cybersecurity for defense; In-Flight Connectivity (IFC) and wireless in-flight entertainment (W-IFE); residential broadband; rural and remote Wi-Fi connectivity; and enterprise connectivity. And, with ViaSat-2 covering North America, Central America and a portion of South America and additional partner satellites covering Brazil, Europe and Australia we can begin to expand those markets globally.

Nothing truly strategic can be accomplished overnight. We believe competitive advantage is earned through foresight, undertaking and managing risks, consistency of purpose and skill development over an extended period of time. Successful disruption involves new technologies that appear inferior to existing ones at first, but snowball over time through learning curves that create big advantages over incumbents. New disruptive dimensions of value must be very attractive to customers — so valuable that they overcome all the disadvantages any new entrant faces against entrenched incumbents. And, for disruption to occur, the incumbents must cling to their old business models instead of seizing the new dimensions of value with the same intensity as the new entrants. That is the essence of Professor Christensen's classic book, *The Innovator's Dilemma*. Incumbents are dominant precisely because they dominate the past dimensions of value.

In satellite communications the dominant attribute had been *reach* — lots of satellites, with large geographic coverage areas enabling efficient, reliable broadcast or connecting remote areas with any data at all. We staked out the *opposite* value proposition — a single spacecraft designed with limited coverage that was poor at broadcast, but excellent at delivering unprecedented amounts of individual unicast internet data at scale within its limited reach. Our first broadband satellite, ViaSat-1, had at launch more bandwidth than all 50 broadcast satellites of the largest incumbents put together. If incumbents were to commit as intensely as we did to the emerging unicast internet market, that could have undermined pricing on their existing data services business, threatening their business models. Just as *The Innovator's Dilemma* predicted, incumbents were highly conflicted in fully embracing the nascent emerging satellite broadband opportunity. Those conflicts affected not only their asset base and bandwidth pricing strategies, but also their go-to-market and distribution strategies. In order to achieve *long-term* competitive advantage we also wanted learning curve opportunities. First-mover advantage alone wouldn't be sufficient, because incumbents could catch up if market applications didn't demand more bandwidth and new, evolving processes for service definitions, network management and go-to-market strategies and distribution. We seek an enduring advantage by being first and furthest down a set of steep learning curves.

So, that is what we've been working on for about a decade. We are very focused on competitive *speed* and *bandwidth* for internet access as a disruptive value proposition for satellite, and the go-to-market skills to deliver that value proposition into a portfolio of adjacent vertical markets. We see our markets in two main categories. First are markets that are uniquely well-suited to satellite, so our competitors are essentially only other satellite services. Examples include aeronautical and maritime services, for commercial and government applications. Second are market segments that might also be served by terrestrial alternatives such as residential internet access, shared community Wi-Fi hotspots or aero connectivity over land. The "incumbent" strategy had been to only address *unserved* customers in this latter category — that is to retreat from virtually any form of terrestrial competition. Our more ambitious strategy is to leverage our learning curve to target *underserved* customers where our satellite solution is a *better* choice than the terrestrial alternative for specific economically-attractive segments of user populations. We aim to lead those satellite-centric markets and compete profitably in the others when we can leverage unique technology or go-to-market competitive advantages in the context of all alternative solutions.

We've had significant success in residential broadband, have become a leading player in commercial airline IFC and have outpaced peers in the U.S. defense airborne broadband market. Through fiscal year 2017 we've almost tripled annual revenue and more than quadrupled annual Adjusted EBITDA compared to where we were in fiscal year 2008 when we decided to enter the satellite services market with ViaSat-1. Along the way we have displaced long entrenched incumbents with influential customers including American Airlines and the U.S. government.

Competitive advantage can be fleeting if others can quickly imitate, copy or buy the ingredients to our product or services recipes. We make substantial investments to build moats around our technical and go-to-market competitive advantages. We've become *the* most vertically integrated company in our market spaces. Being vertically integrated enables Viasat to be more aggressive and to create space-based networks that simultaneously leverage advances in multiple technical domains. Less vertically integrated companies face far greater constraints in system design. We can be more aggressive because by controlling the whole system we can accept and manage risks in components or modules or subsystems that can be hedged in other parts of the complete system. As long as we are thoughtful about *where* we vertically integrate we can push the state-of-the-art and maintain technology leadership. The unique intellectual property we create along the way, much of it protected by patents, helps establish the moats that defend competitive advantage.

Not only are we the most vertically-integrated satellite operator in terms of technical resources, we have the same distinction in service delivery. We benefit from direct relationships with our customers so we can most effectively adapt our advantages to suit their needs, to frame our offers around truly win-win business models and to capture our fair share of the economic benefits. So, for instance, we have invested heavily in becoming a prime contractor to airlines around the world for IFC and Wireless In-Flight Entertainment (W-IFE). We now have prime contractor relationships with every airline we support. Direct relationships with customers are extremely valuable in giving us the market feedback we need to design our satellite networks. When we *know* what the market wants we can use that knowledge to put the right amount of bandwidth in the right geographic locations — and learn to build satellites with the flexibility to adapt to shifting geographic demand. Correctly placing telecom assets in the right geographic markets is a make-or-break skill in telco, cable and wireless networks and the same is true in space-based systems.

Competitive advantage in many businesses has become more and more transient and fleeting. Businesses that are too highly-dependent on specific dimensions of value can be toppled by shifts in market demand, government regulatory intervention or new technologies. We want Viasat to be *anti-fragile*. Of course we want to be thoughtful about the long-term viability of each of our markets before we enter them, and to be conscious of competitive threats from every quarter. But, we'd also like to have multiple diverse outlets with distinct competitive environments unlikely to all be disrupted in the same way. That portfolio of applications creates more upside, aggregates bandwidth demand that helps us speed down the technology learning curve for space networks, and limits downside exposure. So, we are establishing a broad portfolio of vertical applications. Extending and creating our portfolio of satellite broadband applications was also a major focus for us in fiscal year 2018.

Key fiscal year 2018 accomplishments

We achieved a number of key milestones in the last fiscal year that are consistent with our strategy, and that we believe create exciting growth opportunities in our current fiscal year 2019. Most of these align with our objective to drive competitive advantage by leveraging vertically integrated technology and/or go-to-market learning curves. Here are some of the highlights.

ViaSat-2

One of our biggest accomplishments this past year was bringing the ViaSat-2 satellite into service. ViaSat-2 is the world's first satellite capable of supporting 100 Mbps residential broadband service into a Direct-To-Home sized dish antenna. We believe it is the most advanced broadband satellite in the world with an unprecedented combination of capital efficiency, total throughput capacity, geographic coverage, resource allocation flexibility and ability to focus very large amounts of bandwidth on specific high demand targets such as hub airports. Those capabilities allow us to compete in key markets with higher speeds, more total bandwidth and lower unit bandwidth costs and prices. One of our goals is to win customers based on *non-price value*. In a nutshell that means we want to offer similar price, better product value — as opposed to price-based competition, which boils down to a strategy of trying to offer similar products, with a lower price. Our vertical integration in each market enables us to fashion the bandwidth productivity advantages of ViaSat-2 into attractive non-price value offers.

While ViaSat-1 was limited to a relatively small geographic coverage area to achieve its record-setting bandwidth capacity, that aspect of the satellite was certainly a *bug*, not a feature. But, our learnings from ViaSat-1 helped us design ViaSat-2 to have considerably greater geographic coverage as compared to ViaSat-1 while significantly expanding the useful bandwidth. Broad geographic coverage is now a key feature of ViaSat-2. The ViaSat-2 satellite is highly innovative and has been granted several valuable patents. We also applied and deployed unique space subsystems at Ka-band on ViaSat-2 that provide experience key to delivering even more capacity, coverage and flexibility with our ViaSat-3 class satellites, and beyond. Based on what we learned from ViaSat-2 we've designed ViaSat-3 to have *visible earth coverage*. Three ViaSat-3 satellites can cover virtually the entire globe, except for the poles (and will even be able to reach there for some applications).

We also brought into service what we believe is the world's most advanced broadband satellite ground network. It is extremely efficient in terms of capital cost per unit of bandwidth served, has greater reliability and service availability, supports the satellite's resource allocation flexibility and is built around a state-of-the-art software-defined network architecture that replaces rooms full of equipment with cloud-based virtual network elements. The ViaSat-2 ground network helps drive a learning curve for scalable fiber ground networks using many more, much lower cost, satellite access gateway terminals.

The interactions between the satellite, the ground network and the service delivery capabilities are also unique and we have created new tools for leveraging the flexibility of the satellite. Our broad portfolio of vertical market applications creates opportunities for *yield management* strategies that can capture even greater economic returns than those due solely to bandwidth productivity gains. We can dynamically re-allocate bandwidth resources to take advantage of temporal variations in geographic demand across different vertical markets. We can optimize economic yield by judiciously defining service agreements and sharing resources across different verticals with different peak demand cycles. Satellite operators without our degree of vertical integration will almost certainly not be able to capture those substantial forms of economic value.

ViaSat-2 was recognized by *Aviation Week* with a prestigious Laureate Award in the Space Platforms category. We also were recognized as Global Satellite Operator of the Year by Euroconsult, a leading satellite industry consultancy.

Government Systems

Fiscal year 2018 was another great year for our government systems and defense business. It leveraged discretionary investments made in prior years to set new records in revenue, operating profit and Adjusted EBITDA — ending fiscal year 2018 with a record $1.1 billion backlog.

Our defense business has, over a long period of time, cultivated a unique form of go-to-market vertical integration. The U.S. Department of Defense (DoD) maintains procurement organizations that are specialized for that purpose and distinct from operational fighting organizations. The procurement organizations are charged with identifying, specifying and buying products and services that are intended to solve operational problems and create a fighting force superior to any potential adversary. The theory is that those products and services will be sufficient to create the battlefield advantages our forces need to deter or win military conflicts. Viasat competes with other defense contractors to win procurement contracts to deliver those products and services and we win our fair share, or more.

But, we also have earned the opportunity to become intimately involved in the way fighting organizations use information and communications products and services. We've become adept at identifying *white spaces* or gaps in the products and services defined by the procurement organizations. Those gaps can leave serious economic challenges, or dangerous capability shortfalls for the warfighters. We actively look for and fill those white spaces with our own products or services. In many cases our products and services don't actually even compete with a program-of-record procurement because there is no true competing product. One of the indicators of disruption is that it competes with *non-consumption*.

While the concept of filling gaps in the procurement system sounds straightforward, it's actually very difficult in practice. Finding operational gaps and translating those into technology products and services is fraught with risk. Integrating a new capability into warfighting organizations is extremely complex and expensive for those organizations. Delivering products and services at meaningful scale outside the program-of-record budgeting and procurement process can pose difficult logistical, contractual, regulatory and even legislative challenges.

Our basic formula is to develop disruptive products and services by leveraging new dimensions of value. If those new attributes are truly compelling and can, on a DoD scale, meaningfully reduce costs and/or save lives, then those warfighting organizations are motivated to help us help them solve the acquisition problems. Often that includes unique means for developing, integrating, testing, scaling and measuring operational performance benefits of our innovations.

We have been refining our skills with this approach for decades. We believe it's the reason that we have substantially outperformed virtually every other defense communications contractor of our size or larger in terms of growth over the last five years. So, when we consider our accomplishments in the defense market each year we are especially attentive to the progress we make in this form of business development.

Much of our growth in fiscal year 2018 was due to *Non-Developmental Item (NDI)* products — which are simply those proprietary products we bring to market outside of procurement programs-of-record. Key examples include tactical data links products such as *Small Tactical Terminal (STT), Battlefield Awareness and Targeting System-Dismounted (BATS-D)*, our portfolio of data encryption products, and our family of airborne broadband satellite terminals. Some government systems highlights for the last fiscal year included:

- We were awarded a sole source $350 million Indefinite Delivery, Indefinite Quantity (IDIQ) delivery order contract that allows U.S. Special Forces to buy advanced technology products and services. This is directly related to our strategy of offering unique, disruptive NDI products.

- We received a contract award from Northrop Grumman as a key partner on an Australian Defence Force program known as Joint Project 2008 Phase 5B2, a large multiphase project to deploy an integrated wideband SATCOM system.

- Our STT was selected for the Harrier program, and was extended to additional Apache helicopters, and became the enabling element in a new Viasat gateway product that is networking ground and airborne military assets.

- Our BATS-D product earned National Security Agency (NSA) cryptographic certification, completed operational evaluation and received initial full-rate production awards.

- We received contract awards for new cybersecurity services to protect mobile devices.

- We introduced new small, embeddable cryptographic products used in key applications by the U.S. Air Force, among others.

- Our high-speed National Security Agency (NSA) approved cryptographic appliance attracted key customers, and leads new markets in secure DoD cloud services.

- The U.S. government exercised options to extend our broadband satellite services on senior leadership aircraft.

These examples are notable not only for their contribution to last fiscal year's financial results, but for their ongoing opportunities to continue to grow government systems segment revenue and earnings in the years ahead.

In-Flight Connectivity and Wireless In-Flight Entertainment

Fiscal year 2018 was something of a break-out year for our IFC and W-IFE products and services. We have long been acknowledged as an industry leader in IFC based on our service for JetBlue. JetBlue's Fly-Fi® service is the only airborne Wi-Fi service in the U.S. that is free to all passengers, and includes audio and video streaming. It has the highest usage rate of any IFC service anywhere. But, our original relationship with JetBlue was as a subcontractor to their own in-house IFE subsidiary, LiveTV. When JetBlue sold their LiveTV division in 2014, there were industry uncertainties about Viasat's ability to compete as a prime contractor — and our ability to manage the regulatory, logistical and customer support aspects of commercial IFC at scale. Then, in 2016, we won our highest value ever IFC award from American Airlines — the world's largest carrier. Initial deliveries were scheduled for fiscal year 2018, this past year.

And, deliver we did. With American Airlines' support we achieved factory line-fit on Boeing's new 737 MAX — the world's fastest-selling commercial jet. We achieved Supplemental Type Certifications for retrofits on multiple airframes across multiple airlines. We delivered our second-generation IFC terminal, which is compatible with the increased coverage and capacity of ViaSat-2 and will be compatible with our ViaSat-3 class satellites. We began deployment of our equipment on widebody aircraft, first with EL AL Israel Airlines on their new Boeing 787 Dreamliner fleet and more recently with Qantas on their A330 aircraft. We have commercial airline customers in the U.S., Europe, the Middle East and Australia. We are working closely with Qantas to leverage our IFC capabilities in new ways, including delivering live streams of Australian Cricket in flight over the internet. We are at various stages of integration, equipment delivery and service activation with new customers in Europe including SAS, Finnair, Icelandair and EL AL Israel Airlines. We delivered our first integrated IFC/W-IFE systems. And, we earned prime contract status with *all* of our commercial airline customers, including both JetBlue and United Airlines — our original customers attained through the LiveTV relationship.

In the last quarter of fiscal year 2018 we added almost 50 new commercial airplanes in service with our IFC systems. We ended fiscal year 2018 with about 1,600 planes in service or expected to receive service under existing customer agreements. Our IFC/W-IFE business is well-positioned for strong, profitable growth. We believe we can reach 1,000 or more planes in service by the end of fiscal year 2019, and see much more opportunity ahead with the anticipated deployment of our global ViaSat-3 constellation.

ViaSat-3 satellite system

We invested substantially in the ViaSat-3 constellation during fiscal year 2018. The ViaSat-3 class satellite design is our next step forward in the learning curve towards greater bandwidth yield per capital investment. It also extends our leads in geographic coverage, the ability to focus large amounts of bandwidth in high demand markets, flexibility to dynamically allocate bandwidth resources to match geographic demand and the productivity of our extensive ground fiber network investment. We believe the ViaSat-3 platform will be, by far, the most economically productive satellite broadband platform in the world. We intend to use it to grow satellite services revenues and earnings from existing vertical applications such as residential broadband and IFC, to help profitably scale our emerging vertical markets in community Wi-Fi hot spots and enterprise services, to fully enable additional vertical markets such as maritime services and to allow us to enter an attractive set of new geographic markets.

Our primary missions in fiscal year 2018 were to prove that the ViaSat-3 spacecraft and payload designs were ready for flight hardware construction and to identify and prove out risks to mission success or functional effectiveness. Building the ViaSat-3 payloads is one of the most ambitious challenges we've ever undertaken — and yet a natural evolution of our vertically integrated technology skills.

We believe we've achieved the milestones we set out to meet. We have executed a thorough and comprehensive set of design reviews for the entire ViaSat-3 spacecraft and all its subsystems. We completed a broad and comprehensive set of payload functional and environmental stress tests. We validated the most critical functional performance areas, evaluated the impact of each remaining risk and still have high confidence in achieving our goals for system performance.

Also, importantly, with its most recent launch in May 2018, Iridium now has 55 of its second-generation Iridium NEXT constellation satellites successfully operating in orbit. Viasat provides the Ka-band ground feeder link and inter-satellite link subsystems on those satellites. While those Ka-band subsystems are much less complex than our ViaSat-3 payloads, we believe our delivery of successful flight hardware for that program is an important stepping stone.

We've now progressed to the ViaSat-3 payload flight hardware production phase and are aiming to launch commercial service on the first ViaSat-3 class satellite in the second half of calendar year 2020.

Global expansion

The ViaSat-3 constellation is an enabler for scalable long-term global expansion of our entire portfolio of satellite services. We already are global to a great extent in two of our important target markets: U.S. government mobile broadband service and commercial aviation connectivity. We also intend to scale residential internet access, enterprise internet access, and, perhaps most importantly, pre-paid community Wi-Fi hotspot services.

Our first international undertaking in residential satellite broadband is through our European joint venture with Eutelsat using KA-SAT. While Eutelsat decided to invest in its own follow-on European broadband satellite aided by French government subsidies, our existing KA-SAT joint venture ownership stake enables us to refine our go-to-market strategies in Europe. We have a good appreciation of the challenges of operating there, and a better understanding of the ways we can differentiate our services and grow the residential retail business. The financial results of our European broadband operations are not yet material, but we believe our vertical integration, bandwidth productivity, economic advantages and attractive portfolio of applications will enable us to capitalize on the launch of our ViaSat-3 satellite covering Europe, the Middle East and Africa.

The majority of people in the world experience the internet through mobile devices, not computers. Most mobile data access in the world is via pre-paid service plans. We can participate in that market with community Wi-Fi hotspots in locations that are unserved or underserved by high-speed mobile wireless connectivity. Our first significant foray into that market is in rural Mexico. We began meaningful pilot trials of pre-paid services during fiscal year 2018. Those pilots were quite successful, and in fiscal year 2019 we have begun scaling the service across Mexico — scouting out our next markets under the expanded coverage of ViaSat-2.

We also reached an agreement with Telebras, the Brazilian government-owned telecom infrastructure company, to work with them to connect government sites and rural Brazilians using their own Ka-band satellite. The initial financial impacts of this relationship are not yet material, but we believe developing a scalable, profitable business model connecting the unconnected around the world is one of the most exciting, sought-after growth opportunities in the internet space. If we can achieve that potential we think we'll look back on fiscal year 2018 as the year we got this started.

Summary

Fiscal year 2018 was not a typical year for us. It is unusual for us to take a step back in earnings. But, we believe the investments we made position us to continue the strong, profitable growth we've shown consistently for over three decades.

We hope we've been able to communicate our pride and enthusiasm in our accomplishments and that you'll take the time to observe and digest our progress in fiscal year 2019.

As always I'd also like to thank our customers for the opportunities they give us to serve them; our business partners and suppliers for their trust, performance and support; the entire Viasat team for bringing relentless enthusiasm, commitment and dedication to achieving our missions; and to our investors for their confidence in our ability to execute on our vision.

Sincerely,

Mark Dankberg
Chairman of the Board and Chief Executive Officer

Earnings highlights

FISCAL YEAR 2018

$1.6 Billion in revenues | **$1.7 Billion** new contract awards

Viasat ended fiscal year 2018 positioned to drive strong, sustained growth — as each business segment executed its mission.

SATELLITE SERVICES

$589.3 Million in revenues

ViaSat-2 service launched in fiscal year 2018, enabling Viasat to prepare for growth across the Satellite Services businesses.

$71.06

Record high average revenue per user for fixed U.S. broadband services

~1,600

Aircraft in service or expected to receive service under existing contracts

COMMERCIAL NETWORKS

$233.2 Million in revenues

Viasat delivered technology to drive growth: In-Flight Connectivity systems; ViaSat-2 ground network; pre-flight hardware for ViaSat-3.

$250.6 Million

New contract awards

8% Backlog increase year over year

GOVERNMENT SYSTEMS

$772.1 Million in revenues

Viasat delivered record revenue, operating profit and Adjusted EBITDA—up 13%, 42% and 27%*, respectively—year-over-year—by delivering tactical data link products, cybersecurity solutions and global aero systems.

$822.4 Million

New contract awards

1.1:1

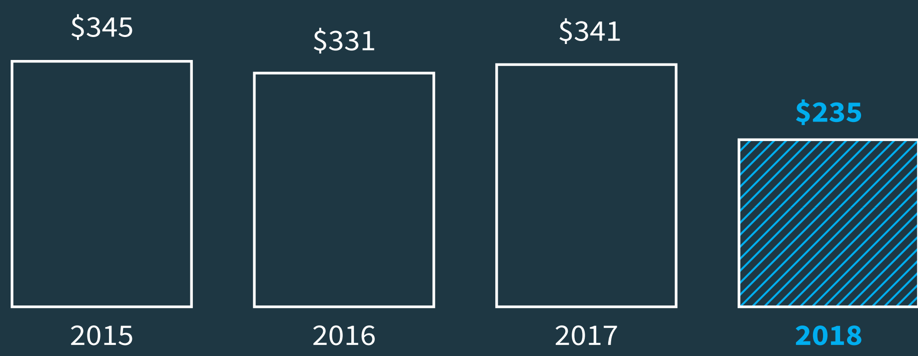
Book-to-bill ratio with a backlog of **$671.2 Million**

LOOKING AHEAD

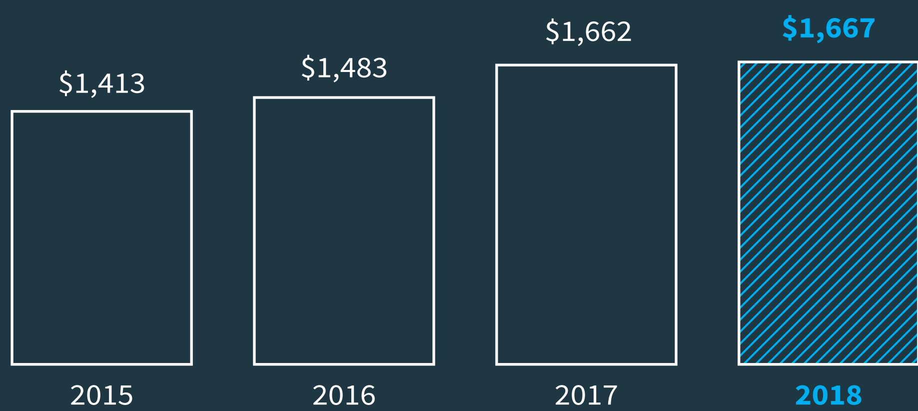
In fiscal year 2019, Viasat is committed to leveraging its strategic positions to deliver solid performance and growth in revenue and Adjusted EBITDA while paving the way for the planned launch and availability of ViaSat-3 services.

*See page 83 for a reconciliation of segment Adjusted EBITDA to segment operating profit (loss) before corporate and amortization of acquired intangible assets.

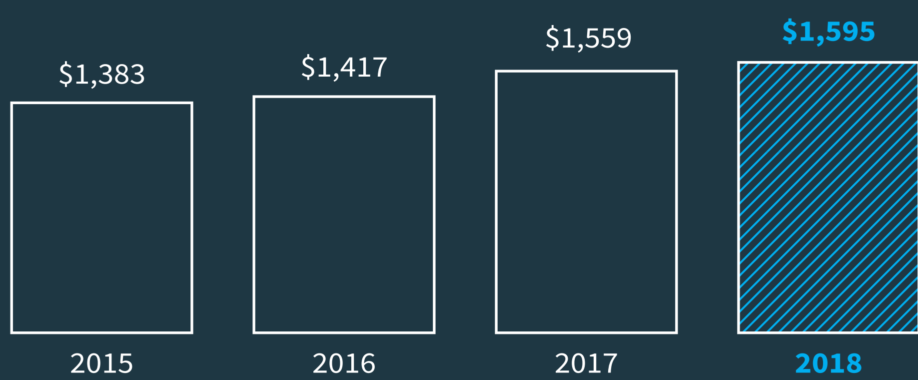
Financial summary



Adjusted EBITDA* dollars in millions
Fiscal year



New contract awards dollars in millions
Fiscal year



Revenues dollars in millions
Fiscal year

*See page 83 for a reconciliation of Adjusted EBITDA to net income (loss) attributable to Viasat, Inc.

Financial performance

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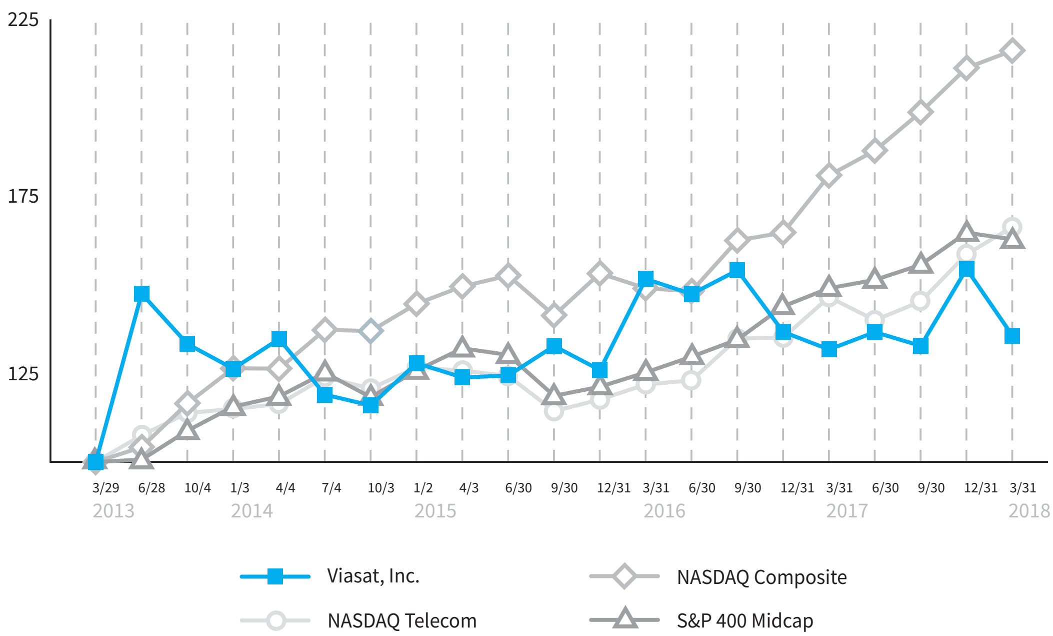
Performance graph

The following graph shows the value of an investment of $100 in cash on March 29, 2013 in (1) Viasat's common stock, (2) the NASDAQ Telecommunications Index, (3) the NASDAQ Composite Index and (4) the S&P MidCap 400 Index. The graph assumes that all dividends, if any, were reinvested. The stock price performance shown on the graph is based on historical data and should not be considered indicative of future performance. The information contained under this heading "Performance graph" shall not be deemed to be "soliciting material," or to be "filed" with the SEC, or subject to Regulation 14A or Regulation 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and shall not be deemed to be incorporated by reference into any filing of Viasat, except to the extent that Viasat specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.



SELECTED FINANCIAL DATA

The following table provides our selected financial information for each of the fiscal years in the five-year period ended March 31, 2018. The data as of and for each of the fiscal years in the five-year period ended March 31, 2018 have been derived from our audited consolidated financial statements, except as otherwise noted. 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 consolidated financial statements and notes which are included elsewhere in this Annual Report.

	Fiscal Years Ended				
	March 31, 2018	**March 31, 2017**	**March 31, 2016**	**April 3, 2015**	**April 4, 2014**
	(In thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Product revenues	$ 755,547	$ 713,936	$ 664,821	$ 728,074	$ 785,738
Service revenues	839,078	845,401	752,610	654,461	565,724
Total revenues	1,594,625	1,559,337	1,417,431	1,382,535	1,351,462
Operating expenses:					
Cost of product revenues	553,677	524,026	489,246	519,483	571,855
Cost of service revenues	567,137	524,949	495,099	444,431	419,425
Selling, general and administrative	385,420	333,468	298,345	270,841	281,533
Independent research and development	168,347	129,647	77,184	46,670	60,736
Amortization of acquired intangible assets	12,231	10,788	16,438	17,966	14,614
(Loss) income from operations	(92,187)	36,459	41,119	83,144	3,299
Interest expense, net	(3,066)	(11,075)	(23,522)	(29,426)	(37,903)
Loss on extinguishment of debt	(10,217)	—	—	—	—
(Loss) income before income taxes	(105,470)	25,384	17,597	53,718	(34,604)
Benefit from (provision for) income taxes	35,217	(3,617)	4,173	(13,827)	25,947
Equity in income of unconsolidated affiliate, net	1,978	—	—	—	—
Net (loss) income	(68,275)	21,767	21,770	39,891	(8,657)
Less: net (loss) income attributable to noncontrolling interests, net of tax	(970)	(2,000)	29	(472)	789
Net (loss) income attributable to Viasat, Inc.	$ (67,305)	$ 23,767	$ 21,741	$ 40,363	$ (9,446)
Basic net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.15)	$ 0.45	$ 0.45	$ 0.86	$ (0.21)
Diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.15)	$ 0.45	$ 0.44	$ 0.84	$ (0.21)
Shares used in computing basic net (loss) income per share	58,438	52,318	48,464	47,139	45,744
Shares used in computing diluted net (loss) income per share	58,438	53,396	49,445	48,285	45,744
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 71,446	$ 130,098	$ 42,088	$ 52,263	$ 58,347
Working capital (1) (2)	146,096	289,339	241,567	221,685	217,641
Total assets (2)	3,414,109	2,954,653	2,397,312	2,147,405	1,951,160
Senior notes (2)	690,886	575,380	575,304	575,144	574,906
Other long-term debt (2) (3)	287,519	273,103	370,224	220,276	105,900
Other liabilities	121,240	42,722	37,371	39,995	48,893
Total Viasat, Inc. stockholders' equity	1,837,166	1,734,618	1,129,103	1,038,582	941,012

(1) In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, Income Taxes (ASC 740): Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as non-current on the balance sheet. We early adopted this

standard retrospectively during the fourth quarter of fiscal year 2016 and reclassified all of our current deferred tax assets to non-current deferred tax assets on our consolidated balance sheets for all periods presented.

(2) During the first quarter of fiscal year 2017, we adopted ASU 2015-03. The retrospective adoption of this guidance resulted in the reclassification of unamortized debt issuance costs as a direct deduction from the carrying amounts of our former 6.875% Notes due 2020 (the 2020 Notes) and the direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (Ex-Im Credit Facility), consistent with unamortized discount, for all periods presented.

(3) Includes only the long-term portion of the Ex-Im Credit Facility. The current portion of the Ex-Im Credit Facility totaled $45.3 million as of March 31, 2018. There was no current portion related to the Ex-Im Credit Facility in any other period presented.

Our fiscal year 2015 information presented reflects the amounts realized under our settlement agreement with Space Systems/Loral (SS/L) and Loral Space & Communications, Inc. (Loral), (the Settlement Agreement) of $53.7 million, of which $33.0 million was recognized as product revenues in our satellite services segment, $18.7 million was recognized as a reduction to selling, general and administrative (SG&A) expenses in our satellite services segment, and $2.0 million was recognized as interest income in the consolidated financial statements. Our fiscal year 2016 information presented reflects the amounts realized under the Settlement Agreement of $27.5 million, of which $25.3 million was recognized as product revenues in our satellite services segment, and $2.2 million was recognized as interest income in the consolidated financial statements. Our fiscal year 2017 information presented reflects amounts realized under the Settlement Agreement of $27.5 million, of which $26.8 million was recognized as product revenues in our satellite services segment, and an insignificant amount was recognized as interest income in the consolidated financial statements. As of March 31, 2017 all payments pursuant to the Settlement Agreement had been made. Our fiscal year 2017 information presented also reflects the amounts accrued for uncharacterized damages and penalties of $11.4 million and $0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary, TrellisWare Technologies, Inc. (TrellisWare), recognized in SG&A expenses in our government systems segment. The impact of the loss contingency on net income attributable to Viasat, Inc. stockholders for fiscal year 2017, net of tax, was $4.0 million, with the related amount of $3.7 million recorded to net (loss) income attributable to noncontrolling interests, net of tax. The impact of the loss contingency on basic and diluted net income per share attributable to Viasat, Inc. common stockholders for fiscal year 2017 was $0.08 per share and $0.07 per share, respectively. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation. Our fiscal year 2018 information presented reflects the repurchase and redemption of our former 2020 Notes and the associated $10.2 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the repurchase and redemption of all of the 2020 Notes and loss on extinguishment of debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

We are an innovator in broadband technologies and services. Our end-to-end platform of high-capacity Ka-band satellites, ground infrastructure and user terminals enables us to provide cost-effective, high-speed, high-quality broadband solutions to enterprises, consumers and government users around the globe, whether on the ground, on the move or in flight. In addition, we develop and provide advanced wireless communications systems, secure networking systems and cybersecurity and information assurance products and services. Our product, system and service offerings are often linked through common underlying technologies, customer applications and market relationships. We believe that our portfolio of products and services, combined with our ability to effectively cross-deploy technologies between government and commercial segments and across different geographic markets, provides us with a strong foundation to sustain and enhance our leadership in advanced communications and networking technologies. Viasat operates in three segments: satellite services, commercial networks and government systems.

During the third quarter of fiscal year 2017, we completed the sale of an aggregate of 7,475,000 shares of Viasat common stock in an underwritten public offering. Our net proceeds from the offering were approximately $503.1 million after deducting underwriting discounts and offering expenses. We used $225.0 million of the net proceeds from the offering to repay the then-outstanding borrowings under the revolving credit facility (the Revolving Credit Facility).

Satellite Services

Our satellite services segment provides satellite-based high-speed broadband services to consumers, enterprises, commercial airlines and mobile broadband customers both in the United States and abroad. Our Viasat Internet and Viasat Business Internet fixed broadband services offer high-speed, high-quality broadband internet access. We also offer high-speed internet and other in-flight services for a growing number of commercial aircraft. Our satellite services business also provides a platform for the provision of network management services to domestic and international satellite service providers.

Our satellite services business uses our proprietary technology platform to provide satellite-based high-speed broadband services with multiple applications to consumers, enterprises, commercial airlines and mobile broadband customers. Our proprietary Ka-band satellites are at the core of our technology platform. Our ViaSat-1 satellite (our first-generation high-capacity Ka-band spot-beam satellite) was placed into service in January 2012. On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit, and in the fourth quarter of fiscal year 2018 we launched commercial broadband services on the ViaSat-2 satellite. We currently have two third-generation ViaSat-3 class satellites under construction, and anticipate commencing construction on a third ViaSat-3 class satellite in the future. We also own the WildBlue-1 satellite, which was placed into service in March 2007.

The primary services offered by our satellite services segment are comprised of:

- Fixed broadband services, which provide consumers and businesses with high-speed broadband internet access and Voice over Internet Protocol (VoIP) services. As of March 31, 2018, we provided fixed broadband services to approximately 576,000 subscribers. In addition, we offer satellite-enabled community Wi-Fi hotspot services, primarily in Mexico.
- In-flight services, including our flagship Viasat in-flight internet services and aviation software services. As of March 31, 2018, 635 commercial aircraft were in service utilizing our Viasat in-flight connectivity (IFC) systems.
- Mobile broadband services, which provide global network management and high-speed internet connectivity services for customers using airborne, maritime and ground-mobile satellite systems.

We also offer a variety of other broadband services, including business connectivity, live on-line event streaming, oil and natural gas data gathering services and high-definition satellite news gathering.

In September 2014, we entered into the Settlement Agreement with SS/L and Loral, pursuant to which SS/L and Loral were required to pay us a total of $108.7 million, inclusive of interest, over a two and a half year period from the date of settlement. In exchange, we dismissed both lawsuits against SS/L and Loral. The parties further agreed not to sue each other with respect to the patents and intellectual property that were the subject of the lawsuits and, for a period of two years, not to sue each other or each other's customers for any intellectual property claims. We recorded payments under the Settlement Agreement as product revenues and as a reduction of SG&A expenses in our satellite services segment, and as interest income. As of March 31, 2017, all payments pursuant to this Settlement Agreement had been recorded and no further impacts to our consolidated financial statements are anticipated related to this Settlement Agreement.

Commercial Networks

Our commercial networks segment develops and produces a variety of advanced satellite and wireless products, systems and solutions that enable the provision of high-speed fixed and mobile broadband services. Our products, systems and solutions include an array of satellite-based and wireless broadband platforms, networking equipment, space hardware, radio frequency and advanced microwave solutions, space-to-earth connectivity systems, customer premise equipment (CPE), satellite modems and antenna technologies, as well as satellite payload development and application specific integrated circuit (ASIC)chip design. Our products, systems and solutions are generally developed through a combination of customer and discretionary internal research and development funding, are utilized to provide services through our satellite services segment and are also sold to commercial networks customers (with sales of complementary products, systems and solutions to government customers included in our government systems segment). The primary products, systems, solutions and services offered by our commercial networks segment are comprised of:

- Mobile broadband satellite communication systems, designed for use in aircraft and seagoing vessels.
- Fixed satellite networks, including next-generation satellite network infrastructure and ground terminals to access Ka-band broadband services on high-capacity satellites.
- Antenna systems specializing in earth imaging, remote sensing, mobile satellite communication, Ka-band earth stations and other multi-band antennas.
- Satellite networking development, including specialized design and technology services covering all aspects of satellite communication system architecture and technology, including satellite and ground systems, fabless semiconductor design for ASIC and monolithic microwave integrated circuit (MMIC) chips and network function virtualization, as well as modules and subsystems for various commercial, military and space uses and radio frequency and advanced microwave solutions. We also design and develop high-capacity Ka-band satellites as part of our commercial networks segment (both for our own satellite fleet and for third parties) and design, develop and produce the associated satellite payload technologies.

Government Systems

Our government systems segment provides global mobile broadband services to military and government users, and develops and produces network-centric Internet Protocol (IP)-based fixed and mobile secure communications products and solutions that are designed to enable the collection and dissemination of secure real-time digital information between individuals on the tactical edge, command centers, strategic communications nodes, ground and maritime platforms and airborne intelligence and defense platforms. Customers of our government systems segment include the Department of Defense (DoD), allied foreign governments, allied armed forces, public safety first-responders and remote government employees.

The primary products and services of our government systems segment include:

- Government mobile broadband products and services, which provide military and government users with high-speed, real-time, broadband and multimedia connectivity in key regions of the world, as well as line-of-sight and beyond-line-of-sight intelligent surveillance and reconnaissance (ISR) missions.
- Government satellite communication systems, which comprise an array of portable, mobile and fixed broadband modems, terminals, network access control systems and antenna systems using a range of satellite frequency bands for command and control (C2) missions, satellite networking services and network management systems for Wi-Fi and other internet access networks, and include products designed for manpacks, aircraft, unmanned aerial vehicles (UAVs), seagoing vessels, ground-mobile vehicles and fixed applications.
- Cybersecurity and information assurance products, which provide advanced, high-speed IP-based “Type 1” and High Assurance Internet Protocol Encryption (HAIPE®)-compliant encryption solutions that enable military and government users to communicate information securely over networks, and that secure data stored on computers and storage devices.
- Tactical data links, including our Battlefield Awareness and Targeting System – Dismounted (BATS-D) handheld Link 16 radios, our KOR-24A 2-channel Small Tactical Terminal for manned and unmanned applications, “disposable” defense data links, our Multifunctional Information Distribution System (MIDS) terminals for military fighter jets and their successor, MIDS Joint Tactical Radio System (MIDS-JTRS) terminals.

Sources of Revenues

Our satellite services segment revenues are primarily derived from our fixed broadband services business, our in-flight services business and our worldwide managed network services.

Revenues in our commercial networks and government systems segments are primarily derived from three types of contracts: fixed-price, time-and-materials and cost-reimbursement contracts. Fixed-price contracts (which require us to provide products and services under a contract at a specified price) comprised approximately 88%, 87% and 90% of our total revenues for these segments for fiscal years 2018, 2017 and 2016, respectively. The remainder of our revenues in these segments for such periods was derived primarily 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).

Our ability to grow and maintain our revenues in our commercial networks and government systems segments has to date depended on our ability to identify and target markets where the customer places a high priority on the technology solution, and our ability to obtain additional sizable contract awards. Due to the nature of this process, it is difficult to predict the probability and timing of obtaining awards in these markets.

Historically, a significant portion of our revenues in our commercial networks and government systems segments has been derived from customer contracts that include the research and development of products. The research and development efforts are conducted in direct response to the customer's specific requirements 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 from our customer contracts were approximately 19%, 19% and 20% of our total revenues during fiscal years 2018, 2017 and 2016, respectively.

We also incur independent research and development (IR&D) expenses, which are not directly funded by a third party. IR&D expenses consist primarily of salaries and other personnel-related expenses, supplies, prototype materials, testing and certification related to research and development projects. IR&D expenses were approximately 11%, 8% and 5% of total revenues in fiscal years 2018, 2017 and 2016, respectively. As a government contractor, we are able to recover a portion of our IR&D expenses pursuant to our government contracts.

Approximately 12%, 13% and 15% of our total revenues in fiscal years 2018, 2017 and 2016, respectively, were derived from international sales. Doing business internationally creates additional risks related to global political and economic conditions and other factors identified under the heading "Risk Factors" in our most recent Annual Report on Form 10-K.

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 of America (GAAP). 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 our revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to these contracts are accounted for under the authoritative guidance for the percentage-of-completion method of accounting (Accounting Standards Codification (ASC) 605-35). Sales and earnings under these contracts are recorded either 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. For contract claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable. During fiscal years 2018, 2017 and 2016, we recorded losses of approximately $10.2 million, $6.0 million and $5.1 million, respectively, related to loss contracts.

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 future 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. We believe we have established appropriate systems and processes to enable us to reasonably estimate future costs on our programs through regular evaluations of contract costs, scheduling and technical matters by business unit personnel and management. Historically, in the aggregate, we have not experienced significant deviations in actual costs from estimated program costs, and when deviations that result in significant adjustments arise, we disclose the related impact in Management's Discussion and Analysis of Financial Condition and Results of Operations. However, these estimates require significant management judgment and a significant change in future cost estimates on one or more programs could have a material effect on our results of operations. A one percent variance in our future cost estimates on open fixed-price contracts as of March 31, 2018 would change our loss before income taxes by an insignificant amount.

We also derive a substantial portion of our revenues from contracts and purchase orders where revenue is recorded on delivery of products or performance of services in accordance with the authoritative guidance for revenue recognition (ASC 605). Under this standard, we recognize revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

We also enter into certain leasing arrangements with customers and evaluate the contracts in accordance with the authoritative guidance for leases (ASC 840). Our accounting for equipment leases involves specific determinations under the authoritative guidance for leases, which often involve complex provisions and significant judgments. In accordance with the authoritative guidance for leases, we classify the transactions as sales type or operating leases based on: (1) review for transfers of ownership of the equipment to the lessee by the end of the lease term, (2) review of the lease terms to determine if it contains an option to purchase the leased equipment for a price which is sufficiently lower than the expected fair value of the equipment at the date of the option, (3) review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment, and (4) review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease. Additionally, we consider the cancelability of the contract and any related uncertainty of collections or risk in recoverability of the lease investment at lease inception. Revenue from sales type leases is recognized at the inception of the lease or when the equipment has been delivered and installed at the customer site, if installation is required. Revenues from equipment rentals under operating leases are recognized as earned over the lease term, which is generally on a straight-line basis.

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, ASU 2009-13, Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of FASB codification, for substantially all of the arrangements with multiple deliverables, we allocate revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how we determine VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, we determine whether the tangible hardware systems product and the software work together to deliver the product's essential functionality and, if so, the entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, we establish VSOE of the selling price using the price charged for a deliverable when sold separately. We also consider specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If we are unable to determine the selling price because VSOE or TPE doesn't exist, we determine ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considering several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which we offer our products and services, the type of customer (i.e. distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers our pricing model and go-to-market strategy. As our, or our competitors', pricing and go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes to our determination of VSOE, TPE and ESP. As a result, our future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

Collections in excess of revenues and deferred revenues represent cash collected from customers in advance of revenue recognition and are recorded in accrued liabilities for obligations within the next 12 months. Amounts for obligations extending beyond the 12 months are recorded within other liabilities in the consolidated financial statements.

Warranty reserves

We provide limited warranties on our products for periods of up to five years. We record a liability for our warranty obligations when we ship the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the consolidated financial statements. 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 failures 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.

Property, equipment and satellites

Satellites and other property and equipment are recorded at cost or in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentive payments expected to be payable to the satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. We also construct earth stations, network operations systems and other assets to support our satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, we estimate the useful life of our satellites for depreciation purposes based upon an analysis of each satellite's performance against the original manufacturer's orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends.

We own three satellites in service: ViaSat-2 (our second-generation high-capacity Ka-band spot-beam satellite, which was placed into service in the fourth quarter of fiscal year 2018), ViaSat-1 (our first-generation high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). We currently have two third-generation ViaSat-3 class satellites under construction. In addition, we have an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005) and own related earth stations and networking equipment for all of our satellites. Property and equipment also includes the CPE units leased to subscribers under a retail leasing program as part of our satellite services segment.

Impairment of long-lived and other long-term assets (property, equipment and satellites, and other assets, including goodwill)

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), we assess potential impairments to our long-lived assets, including property, equipment and satellites and other assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We periodically review the remaining estimated useful life of the satellite to determine if revisions to the estimated life are necessary. 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. No material impairments were recorded by us for fiscal years 2018, 2017 and 2016.

We account for our goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Testing Goodwill for Impairment, which simplifies how we test goodwill for impairment. Current authoritative guidance allows us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after completing the qualitative assessment, we determine that it is more likely than not that the estimated fair value is greater than the carrying value, we conclude that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, we compare the fair value of the reporting unit to its carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in 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.

The qualitative analysis includes assessing the impact of changes in certain factors including: (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or our competitive environment since the acquisition date, (3) changes in the overall economy, our market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on our qualitative assessment performed during the fourth quarter of fiscal year 2018, we concluded that it was more likely than not that the estimated fair value of our reporting units exceeded their carrying value as of March 31, 2018 and, therefore, determined it was not necessary to perform the two-step goodwill impairment test.

Income taxes and 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 to determine if the weight of available evidence suggests that an additional valuation allowance is needed. In accordance with the authoritative guidance for income taxes (ASC 740), 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. In the event that our estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established which would cause a decrease to income in the period such determination is made. Our valuation allowance against deferred tax assets increased from $17.7 million at March 31, 2017 to $29.0 million at March 31, 2018. The valuation allowance primarily relates to state net operating loss carryforwards and state research and development tax credit carryforwards.

Our analysis of the need for a valuation allowance on deferred tax assets considered historical as well as forecasted future operating results. In addition, our evaluation considered other factors, including our contractual backlog, history of positive earnings, current earnings trends assuming our satellite services segment continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. We also considered the period over which these net deferred tax assets can be realized and our history of not having federal tax loss carryforwards expire unused.

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). Under the authoritative guidance, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance addresses the derecognition of income tax assets and liabilities, classification of deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures.

We are subject to income taxes in the United States and numerous foreign jurisdictions. In the ordinary course of business, there are calculations and transactions where the ultimate tax determination is uncertain. In addition, changes in tax laws and regulations as well as adverse judicial rulings could adversely affect the income tax provision. We believe we have adequately provided for income tax issues not yet resolved with federal, state and foreign tax authorities. However, if these provided amounts prove to be more than what is necessary, the reversal of the reserves would result in tax benefits being recognized in the period in which we determine that provision for the liabilities is no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to expense would result.

Results of Operations

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

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Revenues:	100.0%	100.0%	100.0%
Product revenues	47.4	45.8	46.9
Service revenues	52.6	54.2	53.1
Operating expenses:			
Cost of product revenues	34.7	33.6	34.5
Cost of service revenues	35.6	33.7	34.9
Selling, general and administrative	24.2	21.4	21.0
Independent research and development	10.6	8.3	5.4
Amortization of acquired intangible assets	0.8	0.7	1.2
(Loss) income from operations	(5.8)	2.3	2.9
Interest expense, net	(0.2)	(0.7)	(1.7)
Loss on extinguishment of debt	(0.6)	—	—
(Loss) income before income taxes	(6.6)	1.6	1.2
Benefit from (provision for) income taxes	2.2	(0.2)	0.3
Net (loss) income	(4.3)	1.4	1.5
Net (loss) income attributable to Viasat, Inc.	(4.2)	1.5	1.5

Fiscal Year 2018 Compared to Fiscal Year 2017

Revenues

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	**March 31, 2018**	**March 31, 2017**	**Increase (Decrease)**	**Increase (Decrease)**
Product revenues	$ 755.5	$ 713.9	$ 41.6	5.8%
Service revenues	839.1	845.4	(6.3)	(0.7%)
Total revenues	$ 1,594.6	$ 1,559.3	$ 35.3	2.3%

Our total revenues grew by $35.3 million as a result of a $41.6 million increase in product revenues, offset by a $6.3 million decrease in service revenues. The product revenue increase was driven by an increase of $82.1 million in our government systems segment, partially offset by decreases of $27.0 million in our satellite services segment and $13.4 million in our commercial networks segment. The decrease in product revenue in our satellite services segment reflected the completion in fiscal year 2017 of payments under the Settlement Agreement with SS/L recognized as product revenue. The service revenue decrease was driven by a decrease of $13.3 million in our satellite services segment, partially offset by increases of $5.0 million in our government systems segment and $2.0 million in our commercial networks segment.

Cost of revenues

	Fiscal Years Ended		Dollar	Percentage
(In millions, except percentages)	**March 31, 2018**	**March 31, 2017**	**Increase (Decrease)**	**Increase (Decrease)**
Cost of product revenues	$ 553.7	$ 524.0	$ 29.7	5.7%
Cost of service revenues	567.1	524.9	42.2	8.0%
Total cost of revenues	$ 1,120.8	$ 1,049.0	$ 71.8	6.8%

Cost of revenues increased by $71.8 million due to increases of $42.2 million in cost of service revenues and $29.7 million in cost of product revenues. The cost of service revenue increase mainly related to lower margins for Viasat Internet broadband services and in-flight internet services in our satellite services segment primarily due to preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018 and the ramp-up of large-scale commercial air in-flight IFC systems, partially offset by improved margins in global mobile broadband services in our government systems segment. The cost of product revenue increase was mainly due to increased revenues, causing a $52.2 million increase in cost of product revenues on a constant margin basis (excluding the effect of the payments under the Settlement Agreement in the prior year period recognized as product revenues), partially offset by improved margins mainly related to our tactical data links products, global mobile broadband products and cybersecurity and information assurance products in our government systems segment.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 385.4	$ 333.5	$ 52.0	15.6%

The $52.0 million increase in SG&A expenses reflected a $34.2 million increase in support costs primarily in our satellite services and commercial networks segments, mainly due to the higher employee-related costs supporting the ViaSat-2 service launch and our commercial air growth activities, as well as in support of the expansion of our international business. In addition, selling costs increased $11.9 million, primarily due to an increase in our satellite services segment in preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. New business proposal costs also increased $5.9 million, driven primarily by increases in our government systems and commercial networks segments. SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 168.3	$ 129.6	$ 38.7	29.9%

The $38.7 million increase in IR&D expenses was primarily the result of increases of $22.2 million in IR&D efforts in our commercial networks segment (primarily related to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites and next-generation consumer broadband integrated networking technologies) and $15.8 million in our government systems segment (primarily related to research increases in the development of next-generation dual band mobility solutions).

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to ten years. The $1.4 million increase in amortization of acquired intangible assets in fiscal year 2018 compared to fiscal year 2017 was primarily the result of our acquisition of Arconics in November 2016. Current and expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2019	$ 9,571
Expected for fiscal year 2020	7,726
Expected for fiscal year 2021	5,277
Expected for fiscal year 2022	3,451
Expected for fiscal year 2023	3,146
Thereafter	2,691
	$ 31,862

Interest income

The slight decrease in interest income for fiscal year 2018 compared to fiscal year 2017 was primarily due to the effect of payments in the prior year period under the Settlement Agreement recognized as interest income. This decrease was partially offset by slightly higher average interest rates on our investments coupled with higher average invested cash balances during fiscal year 2018 compared to fiscal year 2017.

Interest expense

The $8.1 million decrease in interest expense in fiscal year 2018 compared to fiscal year 2017 was primarily due to an increase of $9.2 million in the amount of interest capitalized during fiscal year 2018 compared to fiscal year 2017. Capitalized interest expense during fiscal years 2018 and 2017 related to the construction of our ViaSat-2 satellite and related gateway and networking equipment, construction of our ViaSat-3 class satellites and other assets.

Benefit from (provision for) income taxes

The income tax benefit in fiscal year 2018 reflected the tax benefit from our loss before income taxes and the benefit from federal and state research tax credits. The effective income tax expense in fiscal year 2017 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. Fiscal year 2018 also included an expense due to the revaluation of net deferred tax assets resulting from the lowering of the corporate federal income tax rate from 35% to 21% under the tax legislation enacted in December 2017.

Segment Results for Fiscal Year 2018 Compared to Fiscal Year 2017

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 0.7	$ 27.7	$ (27.0)	(97.6%)
Segment service revenues	588.6	601.9	(13.3)	(2.2%)
Total segment revenues	$ 589.3	$ 629.6	$ (40.4)	(6.4%)

Our satellite services segment revenues decreased by $40.4 million as a result of a $27.0 million decrease in product revenues and a $13.3 million decrease in service revenues. The $27.0 million decrease in product revenue in our satellite services segment reflected the completion in fiscal year 2017 of payments under the Settlement Agreement. The decrease in service revenues was primarily driven by a decrease in our fixed broadband services due to a decrease in the overall number of subscribers, partially offset by higher average revenue per fixed broadband subscriber in the United States compared to the prior year period and the expansion of our in-flight internet services. As of March 31, 2018, 635 commercial aircraft were in service utilizing our IFC systems, compared to 559 commercial aircraft in service as of March 31, 2017. Total subscribers of our fixed broadband services decreased year over year, with approximately 576,000 subscribers at March 31, 2018 compared to 659,000 subscribers at March 31, 2017.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 12.0	$ 131.1	$ (119.1)	(90.8%)
Percentage of segment revenues	2.0%	20.8%		

The decrease in our satellite services segment operating profit was driven primarily by lower earnings contributions of $82.7 million, reflecting the decrease in product revenues resulting from the completion in fiscal year 2017 of payments under the Settlement Agreement, as well as lower margins related to in-flight internet services and fixed broadband services due to large-scale commercial air IFC ramp-up and preparation for the ViaSat-2 service launch in the fourth quarter of fiscal year 2018. The decrease in operating profit was further impacted by higher SG&A costs of $35.6 million compared to the prior year period mainly due to the higher employee-related costs supporting the ViaSat-2 service launch, as well as in support of the expansion of our international businesses and higher selling costs due to promotion of our fixed broadband services in preparation for the ViaSat-2 service launch.

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 198.0	$ 211.5	$ (13.4)	(6.3%)
Segment service revenues	35.2	33.1	2.0	6.1%
Total segment revenues	$ 233.2	$ 244.6	$ (11.4)	(4.7%)

Our commercial networks segment revenues decreased by $11.4 million, due to a $13.4 million decrease in product revenues, partially offset by a $2.0 million increase in service revenues. The decrease in product revenues was primarily due to a decrease of $52.1 million in fixed satellite networks products (mainly due to a decrease in broadband terminal orders from our large-scale Australian Ka-band infrastructure project that completed last fiscal year and a decrease from our next-generation Ka-band system contract in Canada) and a decrease of $3.7 million in satellite networking development programs products, partially offset by an increase of $34.4 million in mobile broadband satellite communication systems products and an increase of $7.8 million in antenna systems products. The increase in service revenues was primarily due to an increase of $2.6 million in mobile broadband satellite communication systems services.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (229.1)	$ (180.5)	$ (48.6)	(26.9%)
Percentage of segment revenues	(98.2)%	(73.8)%		

The $48.6 million increase in our commercial networks segment operating loss was driven primarily by a $22.2 million increase in IR&D expenses (primarily due to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites and next-generation consumer broadband integrated networking technologies). In addition, we experienced lower earnings contributions of $15.1 million (primarily due to lower margins in our satellite networking development programs products) and a $11.4 million increase in overall SG&A costs (primarily due to the higher employee-related costs supporting our commercial air growth activities and the ViaSat-2 service launch).

Government systems segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 556.8	$ 474.8	$ 82.1	17.3%
Segment service revenues	215.3	210.3	5.0	2.4%
Total segment revenues	$ 772.1	$ 685.1	$ 87.0	12.7%

Our government systems segment revenues increased by $87.0 million due to increases of $82.1 million in product revenues and $5.0 million in service revenues. The product revenue increase was primarily due to a $55.2 million increase in tactical data link products, a $14.8 million increase in global mobile broadband products, a $7.5 million increase in cybersecurity and information assurance products and a $5.9 million increase in tactical satcom radio products. The service revenue increase was primarily due to an $8.6 million increase in government satellite communication systems services, a $4.6 million increase in global mobile broadband services and a $1.7 million increase in tactical data link services, partially offset by a $10.9 million decrease in our network management services for Wi-Fi and other internet access networks.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 137.1	$ 96.7	$ 40.5	41.9%
Percentage of segment revenues	17.8%	14.1%		

The $40.5 million increase in our government systems segment operating profit reflected higher earnings contributions of $61.3 million, primarily due to higher revenues in our tactical data links products, global mobile broadband products, government satellite communication systems services and cybersecurity and information assurance products, coupled with improved margins in global mobile broadband products and services. This operating profit increase was partially offset by higher IR&D costs of $15.8 million (primarily related to research increases in the development of next-generation dual band mobility solutions) and overall higher SG&A costs of $5.0 million.

Fiscal Year 2017 Compared to Fiscal Year 2016

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Product revenues	$ 713.9	$ 664.8	$ 49.1	7.4%
Service revenues	845.4	752.6	92.8	12.3%
Total revenues	$ 1,559.3	$ 1,417.4	$ 141.9	10.0%

Our total revenues grew by $141.9 million as a result of a $92.8 million increase in service revenues and a $49.1 million increase in product revenues. The service revenue increase was comprised of an increase of $68.3 million in our satellite services segment, $13.4 million in our government systems segment and $11.1 million in our commercial networks segment. The product revenue increase was primarily driven by an increase of $64.2 million in our government systems segment, partially offset by a $17.2 million decrease in our commercial networks segment.

Cost of revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cost of product revenues	$ 524.0	$ 489.2	$ 34.8	7.1%
Cost of service revenues	524.9	495.1	29.9	6.0%
Total cost of revenues	$ 1,049.0	$ 984.3	$ 64.6	6.6%

Cost of revenues increased by $64.6 million due to a $34.8 million increase in cost of product revenues and $29.9 million increase in cost of service revenues. The cost of product revenue increase was primarily due to increased revenues, causing a $36.1 million increase in cost of product revenues on a constant margin basis. This cost of product revenue increase mainly related to our cybersecurity and information assurance products and tactical data links products in our government systems segment. The cost of service revenue increase was primarily due to increased service revenues, which generated a $61.0 million increase in cost of service revenues on a constant margin basis. This increase mainly related to our fixed broadband services and in-flight internet services in our satellite services segment, as well as our network management services for Wi-Fi and other internet access networks in our government systems segment, and was partially offset by improved margins from our fixed broadband services resulting from a higher mix of subscribers choosing premium service plans and value-added service bundles compared to the prior year period in our satellite services segment and improved margins in our government mobile broadband services in our government systems segment.

Selling, general and administrative expenses

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Selling, general and administrative	$ 333.5	$ 298.3	$ 35.1	11.8%

The $35.1 million increase in SG&A expenses was primarily attributable to higher support costs of $41.4 million spread across all three segments. The increase in SG&A expenses included the amounts accrued in fiscal year 2017 in our government systems segment for uncharacterized damages and penalties of $11.4 million and $0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation, which was settled in the fourth quarter of fiscal year 2018. The increase in SG&A expenses was partially offset by lower new business proposal costs mainly in our government systems segment as well as lower selling costs in our satellite services segment. Other than the amounts accrued for the TrellisWare

False Claims Act civil investigation, SG&A expenses consisted primarily of personnel costs and expenses for business development, marketing and sales, bid and proposal, facilities, finance, contract administration and general management.

Independent research and development

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Independent research and development	$ 129.6	$ 77.2	$ 52.5	68.0%

The $52.5 million increase in IR&D expenses was primarily the result of increased IR&D efforts in our commercial networks segment of $51.1 million, primarily related to research increases in next-generation satellite payload technologies for our ViaSat-3 class satellites, mobile broadband satellite communication systems and next-generation consumer broadband integrated networking technologies.

Amortization of acquired intangible assets

We amortize our acquired intangible assets from prior acquisitions over their estimated useful lives, which range from two to ten years. The $5.7 million decrease in amortization of acquired intangible assets in fiscal year 2017 compared to fiscal year 2016 was primarily the result of certain acquired customer relationship intangibles in our satellite services segment becoming fully amortized over the preceding fiscal year. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization (In thousands)
Expected for fiscal year 2018	$ 11,733
Expected for fiscal year 2019	9,076
Expected for fiscal year 2020	7,312
Expected for fiscal year 2021	4,993
Expected for fiscal year 2022	3,171
Thereafter	5,392
	$ 41,677

Interest income

The $1.2 million decrease in interest income in fiscal year 2017 compared to fiscal year 2016 was due to a decrease of $1.5 million in the amount of payments under the Settlement Agreement recognized as interest income during fiscal year 2017 compared to fiscal year 2016. As of March 31, 2017 all payments pursuant to the Settlement Agreement were recorded and no further impacts to our consolidated financial statements are anticipated related to the Settlement Agreement.

Interest expense

The $13.7 million decrease in interest expense year-over-year was primarily due to an increase of $19.6 million in the amount of interest capitalized during fiscal year 2017 compared to fiscal year 2016. This decrease was partially offset by increased interest expense due to the overall higher amount of outstanding borrowings during fiscal year 2017 compared to fiscal year 2016. Capitalized interest expense during fiscal years 2017 and 2016 related to the construction of our ViaSat-2 and related gateway and networking equipment, construction of our ViaSat-3 class satellites, and other assets.

Provision for (benefit from) income taxes

Income tax expense in fiscal year 2017 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. The effective income tax benefit in fiscal year 2016 reflected the tax expense from our income before income taxes and the benefit from federal and state research tax credits. The Protecting Americans from Tax Hikes (PATH) Act of 2015 enacted on December 18, 2015 extended the federal research and development credit permanently, retroactive to January 2015. As a result, fiscal year 2016 included 15 months of federal research tax credit (comprising three months from fiscal year 2015 and 12 months from fiscal year 2016), whereas fiscal year 2017 only included 12 months of federal research tax credit. Fiscal year 2016 also included an expense related to the increase in valuation allowance related primarily to state net operating loss carryforwards and research and development credit carryforwards available to reduce state income taxes.

Segment Results for Fiscal Year 2017 Compared to Fiscal Year 2016

Satellite services segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 27.7	$ 25.6	$ 2.1	8.2%
Segment service revenues	601.9	533.6	68.3	12.8%
Total segment revenues	$ 629.6	$ 559.2	$ 70.4	12.6%

Our satellite services segment revenues grew by $70.4 million as a result of a $68.3 million increase in service revenues and a $2.1 million increase in product revenues. The increase in service revenues was primarily driven by higher average revenue per fixed broadband subscriber in the United States, as well as the expansion of our in-flight internet services compared to the prior year period. As of March 31, 2017, 559 commercial aircraft were in service utilizing our IFC systems, compared to 476 commercial aircraft in service as of March 31, 2016. Total subscribers of our fixed broadband services decreased year over year, with approximately 659,000 subscribers at March 31, 2017 compared to 697,000 subscribers at March 31, 2016.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 131.1	$ 81.8	$ 49.3	60.2%
Percentage of segment revenues	20.8%	14.6%		

The $49.3 million increase in operating profit for our satellite services segment was driven primarily by higher earnings contributions of $52.6 million primarily due to the increase in service revenues. In the United States, the higher average revenue per fixed broadband subscriber in the current year period was primarily driven by a higher mix of subscribers choosing premium service plans and value-added service bundles compared to the prior year period, and resulted in increased service revenues and improved margins. We also experienced positive contributions from our mobile broadband services and in-flight services in fiscal year 2017.

Commercial networks segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 211.5	$ 228.7	$ (17.2)	(7.5)%
Segment service revenues	33.1	22.0	11.1	50.4%
Total segment revenues	$ 244.6	$ 250.7	$ (6.1)	(2.4)%

Our commercial networks segment revenues decreased by $6.1 million, due to a $17.2 million decrease in product revenues partially offset by a $11.1 million increase in service revenues. The product revenue decrease was comprised mainly of a decrease of $21.1 million in mobile broadband satellite communication systems and a decrease of $7.4 million in fixed satellite networks (reflecting the nearing of completion of the Australian Ka-band infrastructure project and a decrease from our next-generation Ka-band system contract in Canada), partially offset by an increase of $6.0 million related to satellite networking development programs and an increase of $5.3 million in antenna systems products. The service revenue increase was primarily due to a $10.5 million increase related to fixed satellite networks support agreements.

Segment operating loss

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar (Increase) Decrease	Percentage (Increase) Decrease
Segment operating loss	$ (180.5)	$ (111.3)	$ (69.2)	(62.1)%
Percentage of segment revenues	(73.8)%	(44.4)%		

The $69.2 million increase in operating loss for our commercial networks segment was driven primarily by a $51.1 million increase in IR&D expenses (primarily due to an increase in IR&D efforts relating to next-generation satellite payload technologies for our ViaSat-3 class satellites, mobile broadband satellite communication systems and next-generation consumer broadband integrated networking technologies) and lower earnings contributions of $10.6 million primarily due to lower revenues and lower margins in our mobile broadband satellite communication systems. Additionally, support costs increased $8.5 million compared to the prior year period.

Government systems segment

Revenues

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment product revenues	$ 474.8	$ 410.5	$ 64.2	15.6%
Segment service revenues	210.3	196.9	13.4	6.8%
Total segment revenues	$ 685.1	$ 607.5	$ 77.6	12.8%

Our government systems segment revenues increased by $77.6 million, due to a $64.2 million increase in product revenues and a $13.4 million increase in service revenues. The product revenue increase was primarily due to a $25.9 million increase in cybersecurity and information assurance products, a $19.1 million increase in tactical data link products, an $11.4 million increase in tactical satcom radio products and a $7.8 million increase in government satellite communications systems. Of the service revenues increase, $11.1 million related to our network management services for Wi-Fi and other internet access networks.

Segment operating profit

(In millions, except percentages)	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Segment operating profit	$ 96.7	$ 87.1	$ 9.6	11.0%
Percentage of segment revenues	14.1%	14.3%		

The $9.6 million increase in our government systems segment operating profit reflected higher earnings contributions of $35.3 million primarily due to higher revenues and improved margins in our cybersecurity and information assurance products, tactical data link products and tactical satcom radio products. This operating profit increase was partially offset by higher overall SG&A expenses of $24.4 million. The increase in our government systems segment SG&A expenses included the amounts accrued in fiscal year 2017 for uncharacterized damages and penalties of $11.4 million and $0.4 million, respectively, in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. Refer to Note 12 to the consolidated financial statements for further discussion of the False Claims Act civil investigation, which was settled in the fourth quarter of fiscal year 2018.

Backlog

As reflected in the table below, our overall firm and funded backlog increased during fiscal year 2018. The increases in both firm and funded backlog were attributable primarily to increases in our government systems and commercial networks segments.

	As of March 31, 2018	As of March 31, 2017
	(In millions)	
Firm backlog		
Satellite services segment	$ 130.5	$ 125.2
Commercial networks segment	288.3	265.9
Government systems segment	671.2	633.3
Total	$ 1,090.0	$ 1,024.4
Funded backlog		
Satellite services segment	$ 130.5	$ 125.2
Commercial networks segment	288.3	265.9
Government systems segment	592.1	546.8
Total	$ 1,010.9	$ 937.9

The firm backlog does not include contract options. Of the $1.1 billion in firm backlog, $624.6 million is expected to be delivered in fiscal year 2019, and the balance is expected to be delivered in fiscal year 2020 and thereafter. We include in our backlog only those orders for which we have accepted purchase orders. Backlog does not include contracts with our subscribers for fixed broadband services in our satellite services segment, nor does it include anticipated purchase orders and requests for the installation of IFC systems or future recurring in-flight internet service revenues under commercial in-flight internet agreements recorded in our commercial networks and satellite services segments, respectively. As of March 31, 2018, we expected to install IFC systems on approximately 955 additional aircraft under our existing customer agreements with commercial airlines, approximately 196 of which relate to accepted purchase orders (and are included in firm backlog in our commercial networks segment) and approximately 759 of which relate to anticipated purchase orders and requests under existing customer agreements. There can be no assurance that all anticipated purchase orders and requests will be placed.

Our total new awards were approximately $1.7 billion, $1.7 billion and $1.5 billion for fiscal years 2018, 2017 and 2016, respectively.

Backlog is not necessarily indicative of future sales. A majority of our contracts can be terminated at the convenience of the customer. 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 contract.

Firm backlog amounts 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 funding has ultimately been approximately equal to the aggregate amounts of the contracts.

Liquidity and Capital Resources

Overview

We have financed our operations to date primarily with cash flows from operations, bank line of credit financing, debt financing, export credit agency financing and equity financing. At March 31, 2018, we had $71.4 million in cash and cash equivalents, $146.1 million in working capital, and no outstanding borrowings and borrowing availability of $770.4 million under the Revolving Credit Facility. As of March 31, 2018, our $362.4 million Ex-Im Credit Facility was fully drawn. At March 31, 2017, we had $130.1 million in cash and cash equivalents, $289.3 million in working capital, no outstanding borrowings and borrowing availability of $761.4 million under our Revolving Credit Facility and $274.6 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility. We invest our cash in excess of current operating requirements in short-term, highly liquid bank money market accounts.

Our future capital requirements will depend upon many factors, including the timing and amount of cash required for our satellite projects and any future broadband satellite projects we may engage in, 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 or additional financing.

The general cash needs of our satellite services, commercial networks and government systems segments can vary significantly. The cash needs of our satellite services segment tend to be driven by the timing and amount of capital expenditures (e.g., payments under satellite construction and launch contracts and investments in ground infrastructure roll-out), investments in joint ventures and strategic partnering arrangements (such as our Eutelsat strategic partnering arrangement) and network expansion activities, as well as the quality of customer, type of contract and payment terms. In our commercial networks segment, cash needs tend to be driven primarily by the type and mix of contracts in backlog, the nature and quality of customers, the timing and amount of investments in IR&D activities (including with respect to next-generation satellite payload technologies) and the payment terms of customers (including whether advance payments are made or customer financing is required). In our government systems segment, the primary factors determining cash needs tend to be the type and mix of contracts in backlog (e.g., product or service, development or production) and timing of payments (including restrictions on the timing of cash payments under U.S. government procurement regulations). Other factors affecting the cash needs of our commercial networks and government systems segments include contract duration and program performance. For example, if a program is performing well and meeting its contractual requirements, then its cash flow requirements are usually lower.

To further enhance our liquidity position or to finance the construction and launch of any future satellites, acquisitions, strategic partnering arrangements, joint ventures or other business investment initiatives, we may obtain additional financing, which could consist of debt, convertible debt or equity financing from public and/or private credit and capital markets. In February 2016, we filed a universal shelf registration statement with the Securities and Exchange Commission (SEC) for the future sale of an unlimited amount of common stock, preferred stock, debt securities, depositary shares, warrants and rights. The securities may be offered from time to time, separately or together, directly by us, by selling security holders, or through underwriters, dealers or agents at amounts, prices, interest rates and other terms to be determined at the time of the offering. We believe that our current cash balances and net cash expected to be provided by operating activities along with availability under our Revolving Credit Facility will be sufficient to meet our anticipated operating requirements for at least the next 12 months.

Cash flows

Cash provided by operating activities for fiscal year 2018 was $358.6 million compared to cash provided by operating activities of $411.3 million for fiscal year 2017. This $52.7 million decrease was primarily driven by our operating results (net (loss) income adjusted for depreciation, amortization and other non-cash changes) which resulted in $99.3 million of higher cash outflows year-over-year, partially offset by a $46.6 million year-over-year decrease in cash used to fund net operating assets. The decrease in cash used to fund net operating assets during fiscal year 2018 when compared to fiscal year 2017 was primarily due to an increase in the long-term portion of deferred revenues included in other liabilities in our satellite services segment.

Cash used in investing activities for fiscal year 2018 was $584.5 million compared to $715.0 million for fiscal year 2017. This $130.5 million decrease in cash used in investing activities year-over year reflects a decrease of $140.4 million in cash used for investment in unconsolidated affiliates, a decrease of $81.7 million in cash used for satellite construction, and a decrease of $16.5 million in cash used for acquisitions. This decrease was partially offset by an increase of $70.1 million in capital expenditures for property and other general purpose equipment, a year-over-year decrease of $27.6 million in proceeds from the sale of real property adjacent to our current headquarters location in fiscal year 2017 and an increase of $8.5 million in cash used for the construction of earth stations and network operation systems related to the ViaSat-2 satellite.

Cash provided by financing activities for fiscal year 2018 was $165.8 million compared to $392.8 million for fiscal year 2017. This $227.0 million decrease in cash provided by financing activities year-over-year was primarily related to the repurchase and redemption of $575.0 million in aggregate principal amount of our former 2020 Notes and the related payment of $10.6 million of debt extinguishment costs during the second quarter of fiscal year 2018, a year-over-year decrease of $25.0 million in net proceeds from borrowings under our Ex-Im Credit Facility, and a year-over-year increase of $3.1 million related to payments of debt issuance costs during fiscal year 2018, as well as the $503.1 million we received in net proceeds from a public offering of our common stock in the third quarter of fiscal year 2017 (after deducting underwriting discounts and offering expenses). This decrease was partially offset by the issuance of $700.0 million in aggregate principal amount of our 5.625% Senior Notes due 2025 (the 2025 Notes) during the second quarter of fiscal year 2018 and a year-over-year decrease of $180.0 million in net payments on borrowings under our Revolving Credit Facility. Cash provided by financing activities for both periods included cash received from stock option exercises and employee stock purchase plan purchases, offset by cash used for the repurchase of common stock related to net share settlement of certain employee tax liabilities in connection with the vesting of restricted stock unit awards.

Comparing cash flows in fiscal year 2017 to fiscal year 2016, the $114.4 million increase in cash provided by operating activities was primarily driven by a $94.9 million year-over-year decrease in cash used to fund net operating assets needs, coupled with our operating results (net income adjusted for depreciation, amortization and other non-cash charges) which generated cash inflows in fiscal year 2017 that were $19.4 million higher than in fiscal year 2016. The $258.7 million increase in cash used in investing activities reflected a year-over-year increase of $139.1 million in cash used for investment in unconsolidated affiliates, $101.3 million in cash used for satellite construction, $18.6 million in cash used for the construction of earth stations and network operation systems related to ViaSat-2, $16.9 million in capital expenditures for property and other general purchase equipment and $12.1 million in cash used for acquisitions, offset by $27.6 million in proceeds from the sale of real property adjacent to our current headquarters location. The $243.7 million increase in cash provided by financing activities year-over-year was primarily related to $503.1 million in net proceeds from a public offering of our common stock during the third quarter of fiscal year 2017 (after deducting underwriting discounts and offering expenses). This increase was partially offset by a year-over-year increase of $150.0 million in net payments under our Revolving Credit Facility, as well as a $98.4 million year-over-year decrease in net proceeds from borrowings under our Ex-Im Credit Facility.

Satellite-related activities

On June 1, 2017, our second-generation ViaSat-2 satellite was successfully launched into orbit and in the fourth quarter of fiscal year 2018 we launched commercial broadband services on our ViaSat-2 satellite. With ViaSat-2 now in service, we expect additional operating costs to be incurred in fiscal year 2019 in our satellite services segment. These increased operating costs are expected to include depreciation, amortization of capitalized software development, earth station connectivity, marketing and advertising costs, logistics, customer care and various support systems. In addition, we expect interest expense to increase during fiscal year 2019 as we no longer capitalize the interest expense relating to the debt incurred for the construction of ViaSat-2 and the related gateway and networking equipment now that the satellite is in service. However, we expect the relative impact of the launch of service on the ViaSat-2 satellite and roll-out of related ground infrastructure to our financial results to be less than we experienced in relation to ViaSat-1. In fiscal year 2019, we expect the total number of subscribers of our fixed broadband services to increase, and that the resultant increase in service revenues in our satellite services segment will improve operating profit for that segment over time. However, there can be no assurance that we will be successful in our subscriber expansion plans. We also expect our capital expenditures to increase significantly during fiscal year 2019 compared to fiscal year 2018 as a result of increased CPE-related capital expenditures relating to the expected increase in the number of subscribers of our fixed broadband services. In addition, we expect to capitalize certain contract-related costs as a result of our adoption of ASC 606, Revenue from Contracts with Customers in fiscal year 2019.

In July 2016, we entered into two separate agreements with the Boeing Company (Boeing) for the construction and purchase of two ViaSat-3 class satellites and the integration of Viasat's payload technologies into the satellites. The aggregate purchase price for the two satellites is approximately $379.5 million (subject to purchase price adjustments based on factors such as launch delay and early delivery), plus an additional amount for launch support services to be performed by Boeing. In addition, under one of these agreements, we have the option to order up to two additional ViaSat-3 class satellites. The first ViaSat-3 class satellite is expected to provide broadband services over the Americas, and the second is expected to provide broadband services over the Europe, Middle East and Africa (EMEA) region. The projected aggregate total project cost for the two ViaSat-3 class satellites, including the satellites, launches, insurance and related earth station infrastructure, through satellite launch is estimated to be between $1.2 billion and $1.4 billion, and will depend on the timing of the earth station infrastructure roll-out of each satellite and the method we use to procure fiber access. Our total cash funding may be reduced through various third-party agreements, including potential joint service offerings and other strategic partnering arrangements. We believe we have adequate sources of funding for the ViaSat-3 class satellites, which include our cash on hand, available borrowing capacity and the cash we expect to generate from operations over the next few years.

During the second half of fiscal year 2018, our two ViaSat-3 class satellites currently under construction entered the phase of full construction. Although IR&D investments are expected to continue throughout fiscal year 2019 and beyond relating to ViaSat-3 ground infrastructure and support of our growing government and commercial air mobility businesses, we expect the level of our IR&D investments to be lower in fiscal year 2019 compared to fiscal year 2018.

Revolving Credit Facility

As of March 31, 2018, the Revolving Credit Facility provided an $800.0 million revolving line of credit (including up to $150.0 million of letters of credit) with a maturity date of May 24, 2021.

Borrowings under the Revolving Credit Facility bear interest, at our option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent's prime rate as announced from time to time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on our total leverage ratio. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of Viasat (as defined in the Revolving Credit

Facility) and secured by substantially all of our assets. As of March 31, 2018, none of our subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. Subsequent to the fiscal year end, on May 24, 2018, the Revolving Credit Facility was amended to, among other matters, increase the maximum permitted total leverage ratio for each of the quarters of fiscal year 2019.

At March 31, 2018, we had no outstanding borrowings under the Revolving Credit Facility and $29.6 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2018 of $770.4 million.

Ex-Im Credit Facility

As of March 31, 2018, the Ex-Im Credit Facility provided a $362.4 million senior secured direct loan facility, which was fully drawn. Of the $362.4 million in principal amount of borrowings made under the Ex-Im Credit Facility, $321.2 million was used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remaining $41.2 million used to finance the total exposure fees incurred under the Ex-Im Credit Facility (which included all previously accrued completion exposure fees).

Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38%, payable semi-annually in arrears. The effective interest rate on our outstanding borrowings under the Ex-Im Credit Facility, which takes into account timing and amount of borrowings, exposure fees, debt issuance costs and other fees, is 4.6%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 approximately equal semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. The Ex-Im Credit Facility is guaranteed by Viasat and is secured by first-priority liens on the ViaSat-2 satellite and related assets as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding Viasat’s maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments.

The borrowings under the Ex-Im Credit Facility are recorded as current portion of long-term debt and as other long-term debt, net of unamortized discount and debt issuance costs, in our consolidated financial statements. The discount of $42.3 million (comprising the initial $6.0 million pre-exposure fee, $35.3 million of completion exposure fees and other customary fees) and deferred financing cost associated with the issuance of the borrowings under the Ex-Im Credit Facility are amortized to interest expense on an effective interest rate basis over the term of the borrowings under the Ex-Im Credit Facility.

Senior Notes

Discharge of indenture and loss on extinguishment of debt

In connection with our issuance of the 2025 Notes in September 2017, we repurchased and redeemed all of our $575.0 million in aggregate principal amount of 2020 Notes then outstanding through a cash tender offer and redemption, and the indenture governing the 2020 Notes was satisfied and discharged in accordance with its terms. In September 2017, we repurchased $298.2 million in aggregate principal amount of the 2020 Notes pursuant to the tender offer. The total cash payment to repurchase the tendered 2020 Notes in the tender offer, including accrued and unpaid interest to, but excluding, the repurchase date, was $309.3 million. Also in September 2017, in connection with the redemption of the remaining $276.8 million in aggregate principal amount of 2020 Notes, we irrevocably deposited $287.4 million with Wilmington Trust, as trustee, as trust funds solely for the benefit of the holders of such 2020 Notes. The redemption price for the 2020 Notes was 101.719% of the principal amount so redeemed, plus accrued and unpaid interest to, but excluding, the redemption date of October 5, 2017.

In connection with the satisfaction and discharge of the indenture governing the 2020 Notes, all of our obligations (other than certain customary provisions of the indenture that expressly survive pursuant to the terms of the indenture) were discharged in September 2017.

As a result of the repurchase of the 2020 Notes in the tender offer and the redemption of the remaining 2020 Notes, we recognized a $10.2 million loss on extinguishment of debt during the second quarter of fiscal year 2018, which was comprised of $10.6 million in cash payments (including tender offer consideration, redemption premium and related professional fees), net of an insignificant amount in non-cash gain (including unamortized premium, net of unamortized debt issuance costs).

Senior Notes due 2025

In September 2017, we issued $700.0 million in principal amount of 2025 Notes in a private placement to institutional buyers. The 2025 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in our consolidated financial statements. The 2025 Notes bear interest at the rate of 5.625% per year, payable semi-annually in cash in arrears, which interest payments commenced in March 2018. Debt issuance costs associated with the issuance of the 2025 Notes are amortized to interest expense on a straight-line basis over the term of the 2025 Notes, the results of which are not materially different from the effective interest rate basis.

The 2025 Notes are required to be guaranteed on an unsecured senior basis by each of our existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2018, none of our subsidiaries guaranteed the 2025 Notes. The 2025 Notes are our general senior unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated debt. The 2025 Notes are effectively junior in right of payment to our existing and future secured debt, including under our Revolving Credit Facility and Ex-Im Credit Facility (collectively, the Credit Facilities) (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries that do not guarantee the 2025 Notes, and are senior in right of payment to all of their existing and future subordinated indebtedness.

The indenture governing the 2025 Notes limits, among other things, our and our restricted subsidiaries' ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce our satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to September 15, 2020, we may redeem up to 40% of the 2025 Notes at a redemption price of 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. We may also redeem the 2025 Notes prior to September 15, 2020, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest, if any, thereon to the redemption date. The applicable premium is calculated as the greater of: (i) 1.0% of the principal amount of such 2025 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2025 Notes on September 15, 2020 plus (2) all required interest payments due on such 2025 Notes through September 15, 2020 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2025 Notes. The 2025 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on September 15, 2020 at a redemption price of 102.813%, during the 12 months beginning on September 15, 2021 at a redemption price of 101.406%, and at any time on or after September 15, 2022 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control triggering event occurs (as defined in the indenture), each holder will have the right to require us to repurchase all or any part of such holder's 2025 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2025 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Contractual Obligations

The following table sets forth a summary of our obligations at March 31, 2018:

		For the Fiscal Years Ending			
(In thousands, including interest where applicable)	**Total**	**2019**	**2020-2021**	**2022-2023**	**Thereafter**
Operating leases and satellite capacity agreements	$ 590,935	$ 95,541	$ 197,752	$ 122,216	$ 175,426
2025 Notes	995,422	39,484	78,750	78,750	798,438
Revolving Credit Facility	—	—	—	—	—
Ex-Im Credit Facility	399,052	53,633	104,093	99,763	141,563
Satellite performance incentive obligation	28,471	2,460	5,474	6,285	14,252
Purchase commitments including satellite-related agreements (1)	1,111,211	738,745	307,369	30,111	34,986
Total	$ 3,125,091	$ 929,863	$ 693,438	$ 337,125	$ 1,164,665

(1) Our satellite performance incentive obligation relating to the ViaSat-2 satellite under our contract with Boeing for the construction of the satellite is included under "Purchase commitments including satellite-related agreements" in the above table. Under this contract, we are required to make approximately $21.0 million of in-orbit satellite performance incentive payments, excluding interest, payable monthly over a nine-year period commencing one month after the completion of in-orbit testing (as defined in the contract), subject to the continued satisfactory performance of the satellite. See Note 11 to our consolidated financial statements for additional information regarding satellite performance incentive obligation relating to the ViaSat-2 satellite.

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 defined by us or that establish the parameters defining our requirements. We also enter into agreements and purchase commitments with suppliers for the construction, launch, and operation of our satellites. 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.

Our consolidated balance sheets included $121.2 million and $42.7 million of "other liabilities" as of March 31, 2018 and March 31, 2017, respectively, which primarily consisted of the long-term portion of our satellite performance incentive obligation relating to the ViaSat-1 satellite, our long-term warranty obligations, the long-term portion of deferred rent, long-term portion of deferred revenue and long-term deferred income taxes. With the exception of the long-term portion of our satellite performance incentive obligation relating to the ViaSat-1 satellite (which is included under "Satellite performance incentive obligation"), these remaining liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain. See Note 11 to our consolidated financial statements for additional information regarding satellite performance incentive obligation relating to the ViaSat-1 satellite. See Note 8 to our consolidated financial statements for additional information regarding our income taxes and related tax positions and Note 13 to our consolidated financial statements for a discussion of our product warranties.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at March 31, 2018 as defined in Regulation S-K Item 303(a)(4) other than as discussed under Contractual Obligations above or disclosed in the notes to our consolidated financial statements included in this report.

Recent Authoritative Guidance

For information regarding recently adopted and issued accounting pronouncements, see Note 1 to the consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, short-term and long-term obligations, including the Credit Facilities and the 2025 Notes, and foreign currency forward contracts. We consider investments in highly liquid instruments purchased with a remaining maturity of three months or less at the date of purchase to be cash equivalents. As of March 31, 2018, we had no outstanding borrowings under our Revolving Credit Facility, $362.4 million in principal amount of outstanding borrowings under our Ex-Im Credit Facility, and $700.0 million in aggregate principal amount outstanding of the 2025 Notes, and we held no short-term investments. Our 2025 Notes and borrowings under our Ex-Im Credit Facility bear interest at a fixed rate and therefore our exposure to market risk for changes in interest rates relates primarily to borrowings under our Revolving Credit Facility, cash equivalents, short-term investments and short-term obligations.

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. To minimize this risk, we maintain a significant amount of our cash balance in money market accounts. In general, money market accounts are not subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. Our cash and cash equivalents earn interest at variable rates. Our interest income has been and may continue to be negatively impacted by low market interest rates. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. If the underlying weighted average interest rate on our cash and cash equivalents, assuming balances remain constant over a year, changed by 50 basis points, interest income would have increased or decreased by an insignificant amount for the fiscal years ended March 31, 2018 and March 31, 2017. Because our investment policy restricts us to invest in conservative, interest-bearing investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on our investment portfolio to be material.

Our primary interest rate under the Revolving Credit Facility is the Eurodollar rate plus an applicable margin that is based on our total leverage ratio. Under the Revolving Credit Facility, the effective interest rate as of March 31, 2018 that would have been applied to any new Eurodollar-based borrowings under the Revolving Credit Facility was approximately 4.15%. As of March 31, 2018, we had no outstanding borrowings under our Revolving Credit Facility. Accordingly, assuming the outstanding balance remained constant over a year, changes in interests rates applicable to our Revolving Credit Facility would have no effect on our interest incurred and cash flow.

Foreign Exchange Risk

We generally conduct our business in U.S. dollars. However, as our international business is conducted in a variety of foreign currencies, we are exposed to fluctuations in foreign currency exchange rates. The closing of our strategic partnering arrangement with Eutelsat during the fourth quarter of fiscal year 2017 and related investment in Euro Broadband Infrastructure Sàrl., which is denominated in Euros, increases our exposure to foreign currency risk. A five percent variance in foreign currencies in which our international business is conducted would change our loss before income taxes by an insignificant amount. Our objective in managing our exposure to foreign currency risk is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, from time to time, we may enter into foreign currency forward contracts to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions.

As of March 31, 2018, we had a number of foreign currency forward contracts outstanding which are intended to reduce the foreign currency risk for amounts payable to vendors in Euros. The foreign currency forward contracts had an insignificant notional amount and had an insignificant amount of fair value recorded in other current assets as of March 31, 2018. If the foreign currency forward rate for the Euro to the U.S. dollar on these foreign currency forward contracts had changed by 10%, the fair value of these foreign currency forward contracts as of March 31, 2018 would have changed by an insignificant amount.

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 2018 and 2017 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share data)			
2018				
Total revenues	$ 380,044	$ 393,074	$ 381,837	$ 439,670
Loss from operations	(17,950)	(15,860)	(25,326)	(33,051)
Net loss	(9,246)	(13,892)	(25,621)	(19,516)
Net loss attributable to Viasat, Inc.	(9,039)	(13,689)	(24,631)	(19,946)
Basic net loss per share attributable to Viasat, Inc.	(0.16)	(0.24)	(0.42)	(0.34)
Diluted net loss per share attributable to Viasat, Inc.	(0.16)	(0.24)	(0.42)	(0.34)
2017				
Total revenues	$ 363,130	$ 399,158	$ 380,630	$ 416,419
Income from operations	7,778	18,414	7,591	2,676
Net income	2,157	10,739	4,622	4,249
Net income attributable to Viasat, Inc.	1,855	11,019	4,243	6,650
Basic net income per share attributable to Viasat, Inc.	0.04	0.22	0.08	0.12
Diluted net income per share attributable to Viasat, Inc.	0.04	0.22	0.08	0.11

Summarized quarterly data for the second quarter of fiscal year 2018 reflects a $10.2 million loss on extinguishment of debt. Refer to Note 5 to the consolidated financial statements for discussion of the refinancing of the 2020 Notes and associated loss on extinguishment of debt. Summarized quarterly data reflects product revenue recognized with respect to amounts realized under the Settlement Agreement of approximately $6.7 million for each quarter of fiscal year 2017.. As of March 31, 2017, all payments pursuant to the Settlement Agreement were recorded. In addition, summarized quarterly data for the fourth quarter of fiscal year 2017 reflects (under income from operations and net income) $11.4 million of uncharacterized damages and $0.4 million of penalties, and (under net income attributable to Viasat, Inc.) approximately $4.0 million, net of tax, related to the impact of the loss contingency, in each case accrued in SG&A expenses in our government systems segment in connection with the False Claims Act civil investigation related to our 52% majority-owned subsidiary TrellisWare. The TrellisWare False Claims Act civil investigation also resulted in a $0.07 per share impact to basic and diluted net income per share attributable to Viasat Inc. in the fourth quarter of fiscal year 2017. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full. Refer to Note 12 to the consolidated financial statements for further discussion of the TrellisWare False Claims Act civil investigation.

Basic and diluted net (loss) income per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income per share.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance of achieving the objective that information in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified and pursuant to the requirements of the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2018, the end of the period covered by this report. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2018.

Management's Report on Internal Control Over Financial Reporting

The company's 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 the company's management, including our Chief Executive Officer and Chief Financial Officer, the company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company's management concluded that its internal control over financial reporting was effective as of March 31, 2018.

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.

The company's independent registered public accounting firm has audited the effectiveness of the company's internal control over financial reporting as of March 31, 2018, as stated in their report which appears on page 42.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. During the quarter ended March 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Viasat, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Viasat, Inc. and its subsidiaries (the "Company") as of March 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income (loss), cash flows, and equity for each of the three years in the period ended March 31, 2018, including the related notes and financial statement schedule appearing on page 81 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

San Diego, California
May 30, 2018

We have served as the Company's auditors since 1992.

VIASAT, INC.
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2018	As of March 31, 2017
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 71,446	$ 130,098
Accounts receivable, net	267,665	263,721
Inventories	196,307	163,201
Prepaid expenses and other current assets	77,135	57,836
Total current assets	612,553	614,856
Satellites, net	1,239,987	1,108,270
Property and equipment, net	722,488	540,608
Other acquired intangible assets, net	31,862	41,677
Goodwill	121,085	119,876
Other assets	686,134	529,366
Total assets	$ 3,414,109	$ 2,954,653
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 157,481	$ 100,270
Accrued liabilities	263,676	224,959
Current portion of long-term debt	45,300	288
Total current liabilities	466,457	325,517
Senior notes	690,886	575,380
Other long-term debt	287,519	273,103
Other liabilities	121,240	42,722
Total liabilities	1,566,102	1,216,722
Commitments and contingencies (Notes 11 and 12)		
Equity:		
Viasat, Inc. stockholders' equity		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2018 and 2017, respectively	—	—
Common stock, $0.0001 par value, 100,000,000 shares authorized; 58,905,274 and 57,600,609 shares outstanding at March 31, 2018 and 2017, respectively	6	6
Paid-in capital	1,535,635	1,439,645
Retained earnings	285,960	297,471
Accumulated other comprehensive income (loss)	15,565	(2,504)
Total Viasat, Inc. stockholders' equity	1,837,166	1,734,618
Noncontrolling interest in subsidiaries	10,841	3,313
Total equity	1,848,007	1,737,931
Total liabilities and equity	$ 3,414,109	$ 2,954,653

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
	(In thousands, except per share data)		
Revenues:			
Product revenues	$ 755,547	$ 713,936	$ 664,821
Service revenues	839,078	845,401	752,610
Total revenues	1,594,625	1,559,337	1,417,431
Operating expenses:			
Cost of product revenues	553,677	524,026	489,246
Cost of service revenues	567,137	524,949	495,099
Selling, general and administrative	385,420	333,468	298,345
Independent research and development	168,347	129,647	77,184
Amortization of acquired intangible assets	12,231	10,788	16,438
(Loss) income from operations	(92,187)	36,459	41,119
Other income (expense):			
Interest income	960	1,008	2,226
Interest expense	(4,026)	(12,083)	(25,748)
Loss on extinguishment of debt	(10,217)	—	—
(Loss) income before income taxes	(105,470)	25,384	17,597
Benefit from (provision for) income taxes	35,217	(3,617)	4,173
Equity in income of unconsolidated affiliate, net	1,978	—	—
Net (loss) income	(68,275)	21,767	21,770
Less: net (loss) income attributable to noncontrolling interests, net of tax	(970)	(2,000)	29
Net (loss) income attributable to Viasat, Inc.	$ (67,305)	$ 23,767	$ 21,741
Net (loss) income per share attributable to Viasat, Inc. common stockholders:			
Basic net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.15)	$ 0.45	$ 0.45
Diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	$ (1.15)	$ 0.45	$ 0.44
Shares used in computing basic net (loss) income per share	58,438	52,318	48,464
Shares used in computing diluted net (loss) income per share	58,438	53,396	49,445
Comprehensive income (loss):			
Net (loss) income	$ (68,275)	$ 21,767	$ 21,770
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedging, net of tax	67	(182)	122
Foreign currency translation adjustments, net of tax	15,785	(2,329)	(262)
Other comprehensive income (loss), net of tax	15,852	(2,511)	(140)
Comprehensive (loss) income	(52,423)	19,256	21,630
Less: comprehensive (loss) income attributable to noncontrolling interests, net of tax	(970)	(2,000)	29
Comprehensive (loss) income attributable to Viasat, Inc.	$ (51,453)	$ 21,256	$ 21,601

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended March 31, 2018	March 31, 2017	March 31, 2016
	(In thousands)		
Cash flows from operating activities:			
Net (loss) income	$ (68,275)	$ 21,767	$ 21,770
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	210,441	200,686	193,086
Amortization of intangible assets	45,211	45,236	48,990
Deferred income taxes	(36,558)	(218)	(5,003)
Stock-based compensation expense	68,545	55,775	47,510
Loss on disposition of fixed assets	32,978	35,431	33,960
Loss on extinguishment of debt	10,217	—	—
Other non-cash adjustments	6,883	10,018	8,957
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(12,439)	16,071	(26,342)
Inventories	(37,562)	(12,386)	(26,749)
Other assets	(25,975)	(15,259)	(3,335)
Accounts payable	32,503	972	5,250
Accrued liabilities	60,042	48,039	(337)
Other liabilities	72,622	5,166	(820)
Net cash provided by operating activities	358,633	411,298	296,937
Cash flows from investing activities:			
Purchase of property, equipment and satellites	(511,634)	(514,692)	(377,894)
Investment in unconsolidated affiliate	—	(140,378)	(1,258)
Cash paid for patents, licenses and other assets	(72,853)	(70,966)	(72,731)
Payments related to acquisition of businesses, net of cash acquired	—	(16,528)	(4,402)
Proceeds from sale of real property	—	27,559	—
Net cash used in investing activities	(584,487)	(715,005)	(456,285)
Cash flows from financing activities:			
Proceeds from issuance of 2025 Notes	700,000	—	—
Repayment of 2020 Notes	(575,000)	—	—
Payment of debt extinguishment costs	(10,602)	—	—
Proceeds from revolving credit facility borrowings	—	90,000	175,000
Payments of revolving credit facility borrowings	—	(270,000)	(205,000)
Proceeds from Ex-Im credit facility borrowings, net of discount	52,503	77,469	175,834
Payment of debt issuance costs	(9,759)	(6,677)	(840)
Proceeds from issuance of common stock under equity plans	26,165	22,403	22,309
Purchase of common stock in treasury (immediately retired) related to tax withholdings for stock-based compensation	(24,206)	(21,670)	(16,397)
Proceeds from common stock issued in public offering, net of issuance costs	—	503,061	—
Proceeds from noncontrolling interest capital contribution	8,491	—	—
Other financing activities	(1,816)	(1,802)	(1,784)
Net cash provided by financing activities	165,776	392,784	149,122
Effect of exchange rate changes on cash	1,426	(1,067)	51
Net (decrease) increase in cash and cash equivalents	(58,652)	88,010	(10,175)
Cash and cash equivalents at beginning of fiscal year	130,098	42,088	52,263
Cash and cash equivalents at end of fiscal year	$ 71,446	$ 130,098	$ 42,088
Supplemental information:			
Cash paid for interest (net of amounts capitalized)	$ 3,722	$ 10,094	$ 21,787
Cash paid for income taxes, net	$ 4,021	$ 1,468	$ 1,380
Non-cash investing and financing activities:			
Issuance of stock in satisfaction of certain accrued employee compensation liabilities	$ 16,409	$ 13,080	$ 11,609
Capital expenditures not paid for	$ 41,149	$ 29,813	$ 60,796
Exposure fees on Ex-Im credit facility financed through Ex-Im credit facility	$ 5,764	$ 8,505	$ 20,992
Issuance of common stock in connection with acquisition	$ —	$ 4,988	$ —

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Viasat, Inc. Stockholders						
	Common Stock						
	Number of Shares Issued	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiaries	Total
	(In thousands, except share data)						
Balance at April 3, 2015	47,697,413	$ 5	$ 786,467	$ 251,963	$ 147	$ 5,151	$ 1,043,733
Exercise of stock options	432,706	—	13,520	—	—	—	13,520
Issuance of stock under Employee Stock Purchase Plan	170,968	—	8,789	—	—	—	8,789
Stock-based compensation	—	—	51,399	—	—	—	51,399
Shares issued in settlement of certain accrued employee compensation liabilities	185,424	—	11,609	—	—	—	11,609
RSU awards vesting, net of shares withheld for taxes which have been retired	439,906	—	(16,397)	—	—	—	(16,397)
Other noncontrolling interest activity	—	—	—	—	—	141	141
Net income	—	—	—	21,741	—	29	21,770
Other comprehensive loss, net of tax	—	—	—	—	(140)	—	(140)
Balance at March 31, 2016	48,926,417	$ 5	$ 855,387	$ 273,704	$ 7	$ 5,321	$ 1,134,424
Exercise of stock options	273,050	—	12,117	—	—	—	12,117
Issuance of stock under Employee Stock Purchase Plan	188,938	—	10,286	—	—	—	10,286
Common stock issued in public offering, net of issuance costs	7,475,000	1	503,060	—	—	—	503,061
Stock-based compensation	—	—	62,397	—	—	—	62,397
Shares issued in settlement of certain accrued employee compensation liabilities	176,731	—	13,080	—	—	—	13,080
RSU awards vesting, net of shares withheld for taxes which have been retired	498,585	—	(21,670)	—	—	—	(21,670)
Shares issued in connection with acquisition of business	61,888	—	4,988	—	—	—	4,988
Other noncontrolling interest activity	—	—	—	—	—	(8)	(8)
Net income (loss)	—	—	—	23,767	—	(2,000)	21,767
Other comprehensive loss, net of tax	—	—	—	—	(2,511)	—	(2,511)
Balance at March 31, 2017	57,600,609	$ 6	$ 1,439,645	$ 297,471	$ (2,504)	$ 3,313	$ 1,737,931
Exercise of stock options	287,012	—	13,371	—	—	—	13,371
Issuance of stock under Employee Stock Purchase Plan	227,381	—	12,794	—	—	—	12,794
Stock-based compensation	—	—	76,512	—	—	—	76,512
Shares issued in settlement of certain accrued employee compensation liabilities	228,791	—	16,409	—	—	—	16,409
RSU awards vesting, net of shares withheld for taxes which have been retired	561,481	—	(24,206)	—	—	—	(24,206)
Cumulative effect adjustment upon adoption of new stock compensation guidance (ASU 2016-09)	—	—	1,110	58,011	—	—	59,121
Reclassification of stranded tax effects in OCI due to Tax Reform Revaluation	—	—	—	(2,217)	2,217	—	—
Proceeds from noncontrolling interest capital contribution	—	—	—	—	—	8,491	8,491
Other noncontrolling interest activity	—	—	—	—	—	7	7
Net loss	—	—	—	(67,305)	—	(970)	(68,275)
Other comprehensive income, net of tax	—	—	—	—	15,852	—	15,852
Balance at March 31, 2018	58,905,274	$ 6	$ 1,535,635	$ 285,960	$ 15,565	$ 10,841	$ 1,848,007

See accompanying notes to the consolidated financial statements.

VIASAT, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company

Viasat, Inc. (also referred to hereafter as the “Company” or “Viasat”) is an innovator in broadband technologies and services, including high-speed and cost-effective broadband and advanced communications products and services.

Principles of consolidation

The Company’s consolidated financial statements include the assets, liabilities and results of operations of Viasat, its wholly owned subsidiaries and its majority-owned subsidiaries, TrellisWare Technologies, Inc. (TrellisWare) and Euro Broadband Retail Sàrl (Euro Retail Co.). All significant intercompany amounts have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investment in unconsolidated affiliate in other assets (long-term) on the consolidated balance sheets.

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

Recent transactions

During the first quarter of fiscal year 2016, the Company completed the acquisition of Engreen Inc. (Engreen), a privately held company focused on network function virtualization. The Engreen purchase price of approximately $5.3 million was primarily allocated to acquired technology intangible assets and the assumption of certain liabilities. The acquisition was accounted for as a purchase and, accordingly, the consolidated financial statements include the operating results of Engreen from the date of acquisition.

During the third quarter of fiscal year 2017, the Company completed the acquisition of Aerodocs Limited (Arconics), a privately held company focused on wireless in-flight entertainment management software services. The Arconics purchase price of approximately $21.6 million was comprised of approximately $16.6 million in cash consideration paid to former Arconics equity holders and $5.0 million related to the fair value of 61,888 shares of the Company’s common stock issued at the closing. The approximately $16.6 million in cash consideration paid to former Arconics equity holders less cash acquired of $0.6 million resulted in a net cash outlay by the Company of approximately $16.0 million. The Arconics purchase price was primarily allocated to acquired technology and customer relationships intangible assets, and goodwill. Through this acquisition, the Company gained broader expertise, aviation-grade software and mobile applications to make flying safer and more efficient for pilots, cabin crews and flight operations teams, as well as applications that are expected to create new opportunities for passenger entertainment and airline services and revenue. This acquisition was accounted for as a purchase and, accordingly, the consolidated financial statements include the operating results of Arconics in the Company’s satellite services segment from the date of the acquisition.

During the third quarter of fiscal year 2017, the Company also completed the sale of an aggregate of 7,475,000 shares of Viasat common stock in an underwritten public offering. The Company’s net proceeds from the offering were approximately $503.1 million after deducting underwriting discounts and offering expenses. The Company used $225.0 million of the net proceeds from the offering to repay the then-outstanding borrowings under the Company’s revolving credit facility (the Revolving Credit Facility).

During the fourth quarter of fiscal year 2017, the Company consummated its strategic partnering arrangement with Eutelsat S.A (together with its affiliates, Eutelsat) for the ownership and operation of satellite broadband infrastructure and equipment, and provision of satellite-based broadband internet services in the European region (see Note 9). At the closing of the transaction, Eutelsat contributed and transferred assets relating to its existing wholesale satellite broadband business (including its KA-SAT satellite) to a subsidiary of Eutelsat, Euro Broadband Infrastructure Sàrl (Euro Infrastructure Co.), in exchange for the issuance of new shares in such subsidiary, and immediately following such contribution and issuance, the Company purchased 49% of the issued shares of Euro Infrastructure Co. from Eutelsat for cash consideration of $139.5 million. The Company’s total net cash outlay for this investment in Euro Infrastructure Co., including approximately $2.4 million of transaction costs, was approximately $141.9 million. Also at the closing, Eutelsat purchased 49% of the issued shares of Euro Retail Co. for an immaterial amount. Under the strategic partnering arrangement, Euro Infrastructure Co. owns and operates the KA-SAT satellite and related assets and offers wholesale satellite capacity services in the European region, and Euro Retail Co. purchases wholesale satellite capacity services and offers retail satellite-based broadband internet services in the European region.

Management estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, stock-based compensation, self-insurance reserves, allowance for doubtful accounts, warranty accruals, valuation of goodwill and other intangible assets, patents, orbital slots and other licenses, software development, property, equipment and satellites, long-lived assets, derivatives, contingencies and income taxes including the valuation allowance on deferred tax assets.

Cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less at the date of purchase.

Accounts receivable, unbilled accounts receivable and allowance for doubtful accounts

The Company records receivables at net realizable value including an allowance for estimated uncollectible accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of accounts receivable balances and current economic conditions that may affect a customer's ability to pay. Amounts determined to be uncollectible are charged or written off against the reserve. Historically, the Company's allowance for doubtful accounts has been minimal primarily because a significant portion of its sales has been to the U.S. government or with respect to its satellite services commercial business, the Company bills and collects in advance.

Unbilled accounts receivables consist of costs and fees earned and billable on contract completion or other specified events. Unbilled accounts receivables are generally expected to be billed and 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 and accounts receivable which are generally not collateralized. The Company limits its exposure to credit loss by placing its cash equivalents with high credit quality financial institutions and investing in high quality short-term debt instruments. The Company establishes customer credit policies related to its accounts receivable based on historical collection experiences within the various markets in which the Company operates, historical past due amounts and any specific information that the Company becomes aware of such as bankruptcy or liquidity issues of customers.

Revenues from the U.S. government as an individual customer comprised approximately 30.6%, 28.8% and 23.7% of total revenues for fiscal years 2018, 2017 and 2016, respectively. Billed accounts receivable to the U.S. government as of March 31, 2018 and 2017 were approximately 36.4% and 30.1%, respectively, of total billed receivables. In addition, none of the Company's commercial customers comprised 10.0% or more of total revenues for fiscal years 2018, 2017 and 2016. The Company's five largest contracts generated approximately 19.7%, 19.6% and 19.4% of the Company's total revenues for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016, respectively.

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

Inventory

Inventory is valued at the lower of cost and net realizable value, cost being determined by the weighted average cost method.

Property, equipment and satellites

Satellites and other property and equipment, including internally developed software, are recorded at cost or, in the case of certain satellites and other property acquired, the fair value at the date of acquisition, net of accumulated depreciation. Capitalized satellite costs consist primarily of the costs of satellite construction and launch, including launch insurance and insurance during the period of in-orbit testing, the net present value of performance incentives expected to be payable to satellite manufacturers (dependent on the continued satisfactory performance of the satellites), costs directly associated with the monitoring and support of satellite construction, and interest costs incurred during the period of satellite construction. The Company also constructs earth stations, network operations systems and other assets to support its satellites, and those construction costs, including interest, are capitalized as incurred. At the time satellites are placed in service, the Company estimates the useful life of its satellites for depreciation purposes based upon an analysis of each satellite's performance against the original manufacturer's orbital design life, estimated fuel levels and related consumption rates, as well as historical satellite operating trends. Costs related to internally developed software for internal uses are capitalized after the preliminary project stage is complete and are amortized over the estimated useful lives of the assets. Costs incurred for additions to property, equipment and satellites, together with major renewals and betterments, are capitalized and depreciated over the remaining life of the underlying asset. Costs incurred for maintenance, repairs and minor renewals and betterments are charged to expense as incurred. 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 in operations, which for the periods presented, primarily related to losses incurred for unreturned customer premise equipment (CPE). The Company computes depreciation using the straight-line method over the estimated useful lives of the assets ranging from two to 24 years. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the lease term or the life of the improvement.

Interest expense is capitalized on the carrying value of assets under construction, in accordance with the authoritative guidance for the capitalization of interest (Accounting Standards Codification (ASC) 835-20). With respect to assets under construction, including the ViaSat-2 satellite and related gateway and networking equipment (which commenced construction during the first quarter of fiscal year 2014), and the ViaSat-3 class satellites (which commenced construction during the fourth quarter of fiscal year 2016), the Company capitalized $58.9 million, $49.7 million, and $30.1 million of interest expense during the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016, respectively.

The Company owns three satellites in service: ViaSat-2 (its second-generation high-capacity Ka-band spot-beam satellite, which was placed into service in the fourth quarter of fiscal year 2018), ViaSat-1 (its first-generation high-capacity Ka-band spot-beam satellite, which was placed into service in January 2012) and WildBlue-1 (which was placed into service in March 2007). The Company currently has two third-generation ViaSat-3 class satellites under construction. The Company also has an exclusive prepaid lifetime capital lease of Ka-band capacity over the contiguous United States on Telesat Canada's Anik F2 satellite (which was placed into service in April 2005) and owns related earth stations and networking equipment for all of its satellites. The Company periodically reviews the remaining estimated useful life of its satellites to determine if revisions to estimated lives are necessary. The Company procures indoor and outdoor CPE units leased to subscribers under a retail leasing program as part of the Company's satellite services segment, which are reflected in investing activities and property and equipment in the accompanying consolidated financial statements. The Company depreciates the satellites, earth stations and networking equipment, CPE units and related installation costs over their estimated useful lives. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of March 31, 2018 were $298.7 million and $129.0 million, respectively. The total cost and accumulated depreciation of CPE units included in property and equipment, net, as of March 31, 2017 were $271.9 million and $158.2 million, respectively.

Occasionally, the Company may enter into capital lease arrangements for various machinery, equipment, computer-related equipment, software, furniture or fixtures. The Company records amortization of assets leased under capital lease arrangements within depreciation expense.

On October 6, 2015, the Company purchased approximately 23 acres of land adjacent to the Company's current headquarters location for $39.5 million. On March 1, 2017, the Company sold approximately 16 acres of the land for approximately $27.6 million and leased back certain office space in a sale-leaseback transaction. The lease has been classified as an operating lease and contains a ten year initial term plus renewal options with the future commitments included in Note 11.

Goodwill and intangible assets

The authoritative guidance for business combinations (ASC 805) requires that all business combinations be accounted for using the purchase method. The authoritative guidance for business combinations also specifies criteria for recognizing and reporting intangible assets apart from goodwill; however, acquired workforce must be recognized and reported in goodwill. The authoritative guidance for goodwill and other intangible assets (ASC 350) requires that intangible assets with an indefinite life should not be amortized until their life is determined to be finite. All other intangible assets must be amortized over their useful life. The authoritative guidance for goodwill and other intangible assets prohibits the amortization of goodwill and indefinite-lived intangible assets, but instead requires these assets to be tested for impairment 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.

Patents, orbital slots and other licenses

The Company capitalizes the costs of obtaining or acquiring patents, orbital slots and other licenses. Amortization of intangible assets that have finite lives is provided for by the straight-line method over the shorter of the legal or estimated economic life. Total capitalized costs of $3.2 million related to patents were included in other assets as of March 31, 2018 and 2017. The Company capitalized costs of $15.4 million related to acquiring and obtaining orbital slots and other licenses included in other assets as of March 31, 2018 and 2017. Accumulated amortization related to these assets was $2.5 million and $2.1 million as of March 31, 2018 and 2017, respectively. Amortization expense related to these assets was an insignificant amount for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016. If a patent, orbital slot or orbital license is rejected, abandoned or otherwise invalidated, the unamortized cost is expensed in that period. During fiscal years 2018, 2017 and 2016, the Company did not write off any significant costs due to abandonment or impairment.

Debt issuance costs

Debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. During fiscal years 2018, 2017 and 2016, $9.8 million, $6.1 million and an insignificant amount, respectively, of debt issuance costs were capitalized. Unamortized debt issuance costs related to extinguished debt are expensed at the time the debt is extinguished and recorded in loss on extinguishment of debt in the consolidated statements of operations and comprehensive income. Debt issuance costs related to the Revolving Credit Facility are recorded in prepaid expenses and other current assets and in other long-term assets in the consolidated balance sheets in accordance with the authoritative guidance for imputation of interest (ASC 835-30). Debt issuance costs related to the Company’s 5.625% Senior Notes due 2025 (the 2025 Notes) and the Company’s direct loan facility with the Export-Import Bank of the United States for ViaSat-2 (the Ex-Im Credit Facility) are recorded as a direct deduction from the carrying amount of the related debt, consistent with debt discounts, in accordance with the authoritative guidance for imputation of interest (ASC 835-30).

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, generally within five years. Capitalized costs, net, of $246.8 million and $203.7 million related to software developed for resale were included in other assets as of March 31, 2018 and 2017, respectively. The Company capitalized $75.6 million and $73.1 million of costs related to software developed for resale for the fiscal years ended March 31, 2018 and 2017, respectively. Amortization expense for software development costs was $32.5 million, $32.5 million and $32.2 million during fiscal years 2018, 2017 and 2016, respectively.

Impairment of long-lived and other long-term assets (property, equipment, and satellites, and other assets, including goodwill)

In accordance with the authoritative guidance for impairment or disposal of long-lived assets (ASC 360), the Company assesses potential impairments to long-lived assets, including property, equipment and satellites, and other 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) 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. No material impairments were recorded by the Company for fiscal years 2018, 2017 and 2016.

The Company accounts for its goodwill under the authoritative guidance for goodwill and other intangible assets (ASC 350) and the provisions of ASU 2011-08, Intangibles — Goodwill and Other (ASC 350): Testing Goodwill for Impairment, which simplifies how the Company tests goodwill for impairment. Current authoritative guidance allows the Company to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If, after completing the qualitative assessment, the Company determines that it is more likely than not that the estimated fair value is greater than the carrying value, the Company concludes that no impairment exists. If it is more likely than not that the carrying value of the reporting unit exceeds its estimated fair value, the Company compares the fair value of the reporting unit to its carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second step is performed in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value, resulting in goodwill impairment. The Company tests 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.

The qualitative analysis includes assessing the impact of changes in certain factors including (1) changes in forecasted operating results and comparing actual results to projections, (2) changes in the industry or its competitive environment since the acquisition date, (3) changes in the overall economy, its market share and market interest rates since the acquisition date, (4) trends in the stock price and related market capitalization and enterprise values, (5) trends in peer companies total enterprise value metrics, and (6) additional factors such as management turnover, changes in regulation and changes in litigation matters.

Based on the Company's qualitative assessment performed during the fourth quarter of fiscal year 2018, the Company concluded that it was more likely than not that the estimated fair value of the Company's reporting units exceeded their carrying values as of March 31, 2018, and therefore, determined it was not necessary to perform the two-step goodwill impairment test. No impairments were recorded by the Company related to goodwill and other intangible assets for fiscal years 2018, 2017 and 2016.

Warranty reserves

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when the Company ships the products or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the consolidated financial statements. For mature products, the Company estimates the warranty costs based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company's underlying assumptions will not reflect the actual experience, and in that case, the Company will make future adjustments to the recorded warranty obligation (see Note 13).

Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash equivalents, receivables, accounts payable and accrued liabilities, approximate their fair values due to their short-term maturities. The estimated fair value of the Company's long-term borrowings and other long-term interest bearing liabilities is determined by using available market information for those securities or similar financial instruments (see Note 3).

Self-insurance liabilities

The Company has self-insurance plans to retain a portion of the exposure for losses related to employee medical benefits and workers' compensation. The self-insurance plans include policies which provide for both specific and aggregate stop-loss limits. The Company utilizes internal actuarial methods as well as other historical information for the purpose of estimating ultimate costs for a particular plan year. Based on these actuarial methods, along with currently available information and insurance industry statistics, the Company has recorded self-insurance liability for its plans of \$4.5 million and \$4.2 million in accrued liabilities in the consolidated balance sheets as of March 31, 2018 and 2017, respectively. The Company's estimate, which is subject to inherent variability, is based on average claims experience in the Company's industry and its own experience in terms of frequency and severity of claims, including asserted and unasserted claims incurred but not reported, with no explicit provision for adverse fluctuation from year to year. This variability may lead to ultimate payments being either greater or less than the amounts presented above. Self-insurance liabilities have been classified as a current liability in accrued liabilities in accordance with the estimated timing of the projected payments.

Indemnification provisions

In the ordinary course of business, the Company includes indemnification provisions in certain of its contracts, generally relating to parties with which the Company has commercial relations. Pursuant to these agreements, the Company will indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, including but not limited to losses relating to third-party intellectual property claims. To date, there have not been any material costs incurred in connection with such indemnification clauses. The Company's insurance policies do not necessarily cover the cost of defending indemnification claims or providing indemnification, so if a claim was filed against the Company by any party that the Company has agreed to indemnify, the Company could incur substantial legal costs and damages. A claim would be accrued when a loss is considered probable and the amount can be reasonably estimated. At March 31, 2018 and 2017, no such amounts were accrued related to the aforementioned provisions.

Noncontrolling interests

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to the Company and is reported as equity of the Company, separately from the Company's controlling interest. Revenues, expenses, gains, losses, net income (loss) and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interest.

Investments in unconsolidated affiliate — equity method

Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investment in unconsolidated affiliate in other assets (long-term) on the consolidated balance sheets. The Company records its share of the results of such entities within equity in income (losses) of unconsolidated affiliate, net on the consolidated statements of operations and comprehensive income (loss). The Company monitors such investments for other-than-temporary impairment by considering factors including the current economic and market conditions and the operating performance of the entities and records reductions in carrying values when necessary. The fair value of privately held investments is estimated using the best available information as of the valuation date, including current earnings trends, undiscounted cash flows, quoted stock prices of comparable public companies, and other company specific information, including recent financing rounds.

Common stock held in treasury

As of March 31, 2018 and 2017, the Company had no shares of common stock held in treasury.

During fiscal years 2018, 2017 and 2016, the Company issued 896,776, 792,616 and 703,043 shares of common stock, respectively, based on the vesting terms of certain restricted stock unit agreements. In order for employees to satisfy minimum statutory employee tax withholding requirements related to the issuance of common stock underlying these restricted stock unit agreements, the Company repurchased 335,295, 294,031 and 263,137 shares of common stock at cost and with a total value of $24.2 million, $21.7 million and $16.4 million during fiscal years 2018, 2017 and 2016, respectively. Although shares withheld for employee withholding taxes are technically not issued, they are treated as common stock repurchases for accounting purposes (with such shares deemed to be repurchased and then immediately retired), as they reduce the number of shares that otherwise would have been issued upon vesting of the restricted stock units. These retired shares remain as authorized stock; however they are considered to be unissued. The retirement of treasury stock had no impact on the Company's total consolidated stockholders' equity.

Derivatives

The Company enters into foreign currency forward and option contracts from time to time 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 other income (expense) as gains (losses) on derivative instruments. Gains and losses arising from the effective portion of foreign currency forward and option contracts which are designated as cash-flow hedging instruments are recorded in accumulated other comprehensive income (loss) as unrealized gains (losses) on derivative instruments until the underlying transaction affects the Company's earnings, at which time they are then recorded in the same income statement line as the underlying transaction.

During fiscal years 2018, 2017 and 2016, the Company settled certain foreign exchange contracts and in connection therewith for each year recognized an insignificant gain or loss recorded in cost of revenues based on the nature of the underlying transactions. The fair value of the Company's foreign currency forward contracts was an insignificant amount recorded as an other current asset as of March 31, 2018 and as an accrued liability as of March 31, 2017. The notional value of foreign currency forward contracts outstanding as of March 31, 2018 and 2017 was an insignificant amount and $2.6 million, respectively.

At March 31, 2018 the estimated net amount of unrealized gains or losses related to foreign currency forward contracts that was expected to be reclassified to earnings within the next 12 months was insignificant. The Company's foreign currency forward contracts outstanding as of March 31, 2018 will mature within approximately 36 months from their inception. There were no gains or losses from ineffectiveness of these derivative instruments recorded for fiscal years 2018, 2017 and 2016.

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 U.S. dollars, and the effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income within Viasat, Inc. stockholders' equity.

Other comprehensive income related to the effects of foreign currency translation adjustments attributable to Viasat, Inc. during fiscal year 2018 was $22.8 million, or $15.8 million net of tax. Other comprehensive loss related to the effects of foreign currency translation adjustments attributed to Viasat, Inc. during fiscal years 2017 and 2016 were $2.4 million and an insignificant amount, respectively. The tax effect related to the effects of foreign currency translation adjustments recorded in other comprehensive income (loss) in fiscal years 2017 and 2016 was insignificant.

Revenue recognition

A substantial portion of the Company's revenues is derived from long-term contracts requiring development and delivery of complex equipment built to customer specifications. Sales related to long-term contracts are accounted for under the authoritative guidance for the percentage-of-completion method of accounting (ASC 605-35). Sales and earnings under these contracts are recorded either 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. 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. During fiscal years 2018, 2017 and 2016, the Company recorded losses of approximately $10.2 million, $6.0 million and $5.1 million, respectively, related to loss contracts.

The Company also derives a substantial portion of its revenues from contracts and purchase orders where revenue is recorded on delivery of products or performance of services in accordance with the authoritative guidance for revenue recognition (ASC 605). Under this standard, the Company recognizes revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

The Company also enters into certain leasing arrangements with customers and evaluates the contracts in accordance with the authoritative guidance for leases (ASC 840). The Company's accounting for equipment leases involves specific determinations under the authoritative guidance for leases, which often involve complex provisions and significant judgments. In accordance with the authoritative guidance for leases, the Company classifies the transactions as sales type or operating leases based on: (1) review for transfers of ownership of the equipment to the lessee by the end of the lease term, (2) review of the lease terms to determine if it contains an option to purchase the leased equipment for a price which is sufficiently lower than the expected fair value of the equipment at the date of the option, (3) review of the lease term to determine if it is equal to or greater than 75% of the economic life of the equipment, and (4) review of the present value of the minimum lease payments to determine if they are equal to or greater than 90% of the fair market value of the equipment at the inception of the lease. Additionally, the Company considers the cancelability of the contract and any related uncertainty of collections or risk in recoverability of the lease investment at lease inception. Revenue from sales type leases is recognized at the inception of the lease or when the equipment has been delivered and installed at the customer site, if installation is required. Revenues from equipment rentals under operating leases are recognized as earned over the lease term, which is generally on a straight-line basis.

In accordance with the authoritative guidance for revenue recognition for multiple element arrangements, ASU 2009-13, Revenue Recognition (ASC 605) Multiple-Deliverable Revenue Arrangements, which updates ASC 605-25, Revenue Recognition-Multiple element arrangements, of the Financial Accounting Standards Board (FASB) codification, for substantially all of the arrangements with multiple deliverables, the Company allocates revenue to each element based on a selling price hierarchy at the arrangement inception. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence (VSOE) if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available (a description as to how the Company determines VSOE, TPE and ESP is provided below). If a tangible hardware systems product includes software, the Company determines whether the tangible hardware systems product and the software work together to deliver the product's essential functionality and, if so, the entire product is treated as a nonsoftware deliverable. The total arrangement consideration is allocated to each separate unit of accounting for each of the nonsoftware deliverables using the relative selling prices of each unit based on the aforementioned selling price hierarchy. Revenue for each separate unit of accounting is recognized when the applicable revenue recognition criteria for each element have been met.

To determine the selling price in multiple-element arrangements, the Company establishes VSOE of the selling price using the price charged for a deliverable when sold separately. The Company also considers specific renewal rates offered to customers for software license updates, product support and hardware systems support, and other services. For nonsoftware multiple-element arrangements, TPE is established by evaluating similar and/or interchangeable competitor products or services in standalone arrangements with similarly situated customers and/or agreements. If the Company is unable to determine the selling price because VSOE or TPE doesn't exist, the Company determines ESP for the purposes of allocating the arrangement by reviewing historical transactions, including transactions whereby the deliverable was sold on a standalone basis and considers several other external and internal factors including, but not limited to, pricing practices including discounting, margin objectives, competition, the geographies in which the Company offers its products and services, the type of customer (i.e., distributor, value added reseller, government agency or direct end user, among others), volume commitments and the stage of the product lifecycle. The determination of ESP considers the Company's pricing model and go-to-market strategy. As the Company's, or its competitors', pricing and go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to its determination of VSOE, TPE and ESP. As a result, the Company's future revenue recognition for multiple-element arrangements could differ materially from those in the current period.

In accordance with the authoritative guidance for shipping and handling fees and costs (ASC 605-45), the Company records shipping and handling costs billed to customers as a component of revenues, and shipping and handling costs incurred by the Company for inbound and outbound freight as a component of cost of revenues.

Collections in excess of revenues and deferred revenues represent cash collected from customers in advance of revenue recognition and are recorded in accrued liabilities for obligations within the next 12 months. Amounts for obligations extending beyond 12 months are recorded within other liabilities in the consolidated financial statements.

Contract costs on U.S. government contracts are subject to audit and review by the Defense Contracting Management Agency (DCMA), the Defense Contract Audit Agency (DCAA), and other U.S. government agencies, as well as negotiations with U.S. government representatives. The Company's incurred cost audits by the DCAA have not been concluded for fiscal years 2016 through 2018. As of March 31, 2018, the DCAA had completed its incurred cost audit for fiscal year 2004 and approved the Company's incurred cost claims for fiscal years 2005 through 2015 without further audit. Although the Company has recorded contract revenues subsequent to fiscal year 2015 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. As of March 31, 2018 and 2017, the Company had $1.6 million and $1.8 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year U.S. government cost reimbursable contracts (see Note 12).

Advertising costs

In accordance with the authoritative guidance for advertising costs (ASC 720-35), advertising costs are expensed as incurred and included in SG&A expenses. Advertising expenses for fiscal years 2018, 2017 and 2016 were $14.4 million, $4.8 million and $12.2 million, respectively.

Commissions

The Company compensates third parties based on specific commission programs directly related to certain product and service sales, and these commissions costs are expensed as incurred.

Stock-based compensation

In accordance with the authoritative guidance for share-based payments (ASC 718), the Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award, and recognizes expense for restricted stock units and stock options on a straight-line basis over the employee's requisite service period. During the third quarter of fiscal year 2018, the Company began granting total shareholder return (TSR) performance stock options to executive officers under the 1996 Equity Participation Plan (see Note 6). Expense for TSR performance stock options that vest is recognized regardless of the actual TSR outcome achieved and is recognized on a graded-vesting basis. Effective April 1, 2017, the Company adopted a change in accounting policy in accordance with ASU 2016-09, Compensation — Stock Compensation (ASC 718) to account for forfeitures as they occur. Prior to April 1, 2017, forfeitures were estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differed from those estimates.

Independent research and development

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

Rent expense, deferred rent obligations and deferred lease incentives

The Company leases all of its facilities under operating leases. Some of these lease agreements contain tenant improvement allowances funded by landlord incentives, rent holidays and rent escalation clauses. The authoritative guidance for leases (ASC 840) requires rent expense to be recognized on a straight-line basis over the lease term. The difference between the rent due under the stated periods of the lease compared to that of the straight-line basis is recorded as deferred rent within other long-term liabilities in the consolidated balance sheets.

For purposes of recognizing landlord incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date that it obtains the legal right to use and control the leased space to begin recording rent expense, which is generally when the Company enters the space and begins to make improvements in preparation of occupying new space. For tenant improvement allowances funded by landlord incentives and rent holidays, the Company records a deferred lease incentive liability in accrued and other long-term liabilities on the consolidated balance sheets and amortizes the deferred liability as a reduction to rent expense on the consolidated statements of operations and comprehensive income (loss) over the term of the lease.

Certain lease agreements contain rent escalation clauses which provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy. Such increasing rent expense is recorded in the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term.

At March 31, 2018 and 2017, deferred rent included in other long-term liabilities in the Company's consolidated balance sheets was $13.8 million and $10.7 million, respectively.

Income taxes

Accruals for uncertain tax positions are provided for in accordance with the authoritative guidance for accounting for uncertainty in income taxes (ASC 740). The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative guidance for accounting for uncertainty in income taxes also provides guidance on derecognition of income tax assets and liabilities, classification of deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.

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.

The Company's analysis of the need for a valuation allowance on deferred tax assets considered historical as well as forecasted future operating results. In addition, the Company's evaluation considered other factors, including the Company's contractual backlog, history of positive earnings, current earnings trends assuming the Company's satellite services segment continues to grow, taxable income adjusted for certain items, and forecasted income by jurisdiction. The Company also considered the period over which these net deferred tax assets can be realized and the Company's history of not having federal tax loss carryforwards expire unused.

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 (including TSR performance stock options) and restricted stock units awarded under the Company's equity compensation plan which are included in the earnings per share calculations using the treasury stock method, common shares expected to be issued under the Company's employee stock purchase plan, and shares potentially issuable under the ViaSat 401(k) Profit Sharing Plan in connection with the Company's decision to pay a discretionary match in common stock or cash.

Segment reporting

The Company's reporting segments, namely its satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company's satellite services segment provides satellite-based broadband services to customers, enterprises, commercial airlines and mobile broadband customers. The Company's commercial networks segment develops and offers advanced satellite and wireless broadband platforms, ground networking equipment, radio frequency and advanced microwave solutions, ASIC chip design, satellite payload development and space-to-earth connectivity systems, some of which are ultimately used by the Company's satellite services segment. The Company's government systems segment develops and offers network-centric, Internet Protocol (IP)-based fixed and mobile secure government communications systems, products, services and solutions and provides global mobile broadband service and product offerings. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company's segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance (see Note 14).

Recent authoritative guidance

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. This guidance will replace most existing revenue recognition guidance and will be effective for the Company beginning in fiscal year 2019, including interim periods within that reporting period, based on the FASB decision in July 2015 (ASU 2015-14, Revenue from Contracts with Customers — Deferral of the Effective Date) to delay the effective date of the new revenue recognition standard by one year, but providing entities a choice to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, which provides practical expedient for contract modifications and clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for non-cash consideration and completed contracts at transition. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to ASC 606, Revenue from Contracts with Customers, which provides for correction or improvement to the guidance previously issued in ASU 2014-09. These standards permit the use of either the retrospective or cumulative effect transition method. The Company currently plans to adopt the standard in fiscal year 2019 using the "modified retrospective method." Under that method, the Company will apply the rules to all open contracts existing as of April 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and the Company's interim and annual fiscal year 2019 reporting periods will provide additional disclosures comparing results to previous accounting standards.

Based upon the Company's evaluation to date, the Company believes the key changes in the standard impact its accounting for certain contract related costs such as the deferral of commissions in the Company's satellite service segment, which are currently expensed as incurred under the current standard. The requirement to defer incremental contract acquisition costs and recognize them with the transfer of the related good or service will result in the recognition of a deferred charge on the Company's consolidated balance sheet and corresponding impact to the Company's consolidated statement of operations and comprehensive income (loss). The Company has to date reviewed a majority of its contracts with regard to the new revenue recognition standard and is in the process of finalizing the impacts on the Company's financial statements and disclosures associated with adoption of the new standard.

In July 2015, the FASB issued ASU 2015-11, Inventory (ASC 330): Simplifying the Measurement of Inventory. ASU 2015-11 simplifies the guidance on the subsequent measurement of inventory, excluding inventory measured using last-in, first out or the retail inventory method. Under the new standard, in-scope inventory should be measured at the lower of cost and net realizable value. The new standard should be applied prospectively and became effective for the Company in fiscal year 2018. The Company elected to early adopt this guidance on a prospective basis in the fourth quarter of fiscal year 2017 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Income Taxes (ASC 740), which requires entities to classify deferred tax liabilities and assets as non-current in a classified balance sheet. The new guidance can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The new standard became effective for the Company in fiscal year 2018. During the fourth quarter of fiscal year 2016, the Company early adopted this standard retrospectively and reclassified all of its current deferred tax assets to non-current deferred tax assets on its consolidated balance sheets for all periods presented.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASC 825-10). ASU 2016-01 requires that most equity investments (except those accounted for under the equity method for accounting or those that result in consolidation of the investee) be measured at fair value, with subsequent changes in fair value recognized in net income (loss). The new guidance also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The new guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. ASU 2016-01 will become effective for the Company in fiscal year 2019, with early adoption permitted with certain stipulations. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842). ASU 2016-02 requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and eliminates certain real estate-specific provisions. In January 2018 the FASB issued ASU 2018-01, Leases (ASC 842). ASU 2018-01 permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. The new guidance will become effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. ASU 2016-02 will be adopted on a modified retrospective transition basis for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (ASC 815). ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument, in and of itself, does not require dedesignation of a hedging relationship. This guidance became effective for the Company beginning in the first quarter of fiscal year 2018. The Company adopted this guidance in the first quarter of fiscal year 2018 on a prospective basis and the guidance did not have a material impact on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (ASC 815). ASU 2016-06 clarifies the requirements for assessing whether contingent put or call option in a debt instrument qualifies as a separate derivative. The new guidance is required to be applied on a modified retrospective basis to all existing and future debt instruments of the fiscal year for which the amendments are effective. This guidance became effective for the Company beginning in the first quarter of fiscal year 2018. The Company adopted this guidance in the first quarter of fiscal year 2018 on a modified retrospective basis and the guidance did not have a material impact on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-07, Investment — Equity Method and Joint Ventures (ASC 323). ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. This guidance became effective for the Company beginning in the first quarter of fiscal year 2018. The Company adopted this guidance in the first quarter of fiscal year 2018 on a prospective basis and the guidance did not have a material impact on its consolidated financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation (ASC 718). ASU 2016-09 simplifies various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance became effective for the Company beginning in fiscal year 2018. The Company adopted this guidance in the first quarter of fiscal year 2018. On a prospective basis the Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows classified within operating activities. With respect to the forfeiture accounting policy election, the Company elected to account for forfeitures as they occur, adopted on a modified retrospective basis as a cumulative effect adjustment to retained earnings. The election to account for forfeitures as they occur did not have a material impact on the Company's consolidated financial statements and disclosures. See Note 8 for additional information regarding the impact of the adoption of this guidance.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (ASC 326). ASU 2016-13 requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new guidance will become effective for the Company beginning in fiscal year 2021, with early adoption permitted. The new guidance is required to be applied on a modified-retrospective basis. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (ASC 230). ASU 2016-15 makes eight targeted changes to how companies present and classify certain cash receipts and cash payments in the statement of cash flows. The new standard will become effective for the Company beginning in fiscal year 2019, with early adoption permitted. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company early adopted the guidance on a retrospective basis in the second quarter of fiscal year 2018 and as a result cash payments for debt prepayment and extinguishment are classified as cash outflows for financing activities. Otherwise the adoption of this guidance did not have a material impact on its consolidated financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (ASC 740). ASU 2016-16 requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs as opposed to when the asset has been sold to an outside party. The new standard will become effective for the Company beginning in fiscal year 2019, with early adoption permitted. The new standard will require adoption on a modified retrospective basis through cumulative-effect adjustment directly to retained earnings as of the beginning of the period. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-17, Consolidation: Interests Held through Related Parties That Are Under Common Control (ASC 810). The amendments change how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that variable interest entity. The new standard became effective for the Company beginning in fiscal year 2018. The Company adopted this guidance in the first quarter of fiscal year 2018 on a retrospective basis and the guidance did not have a material impact on its consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash (ASC 230). The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new standard will become effective for the Company beginning in fiscal year 2019, with early adoption permitted. During the third quarter of fiscal year 2017, the Company early adopted this standard on a retrospective basis. The guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the Definition of a Business (ASC 805). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new standard will become effective for the Company beginning in fiscal year 2019, with early adoption permitted with limitations. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment (ASC 350). ASU 2017-04 removes Step 2 from the goodwill impairment test. The standard will become effective for the Company beginning in fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In February 2017, the FASB issued ASU 2017-05, Other Income — Gains and Losses from the Derecognition of Nonfinancial Assets (ASC 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. ASU 2017-05 clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term "in-substance nonfinancial asset." ASU 2017-05 also adds guidance for partial sales of nonfinancial assets. The standard will become effective for the Company in fiscal year 2019, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-08, Receivables — Nonrefundable Fees and Other Costs (ASC 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 amends the amortization period for certain callable debt securities held at a premium. The amendments require the premium to be amortized to the earliest call date. The standard will become effective for the Company beginning in fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (ASC 718): Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The standard will become effective for the Company beginning in fiscal year 2019, with early adoption permitted. During the fourth quarter of fiscal year 2018, the Company early adopted this standard. The guidance did not have a material impact on the Company's consolidated financial statements and disclosures.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The standard will become effective for the Company beginning in fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (ASC 220) which permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate under H.R.1, informally known as the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017 (the Tax Reform). The standard will become effective for the Company beginning in fiscal year 2020, with early adoption permitted. During the fourth quarter of fiscal year 2018, the Company early adopted this standard and elected to reclassify the stranded tax effects from accumulated other comprehensive income to retained earnings. Adoption of this standard resulted in a provisional reclassification of $2.2 million from accumulated other comprehensive income to retained earnings, which is reflected as a separate line within the Company's consolidated statements of equity.

Note 2 — Composition of Certain Balance Sheet Captions

	As of March 31, 2018	As of March 31, 2017
	(In thousands)	
Accounts receivable, net:		
Billed	$ 184,536	$ 145,626
Unbilled	85,156	119,565
Allowance for doubtful accounts	(2,027)	(1,470)
	$ 267,665	$ 263,721
Inventories:		
Raw materials	$ 62,252	$ 56,096
Work in process	47,465	25,820
Finished goods	86,590	81,285
	$ 196,307	$ 163,201
Prepaid expenses and other current assets:		
Prepaid expenses	$ 68,516	$ 51,856
Other	8,619	5,980
	$ 77,135	$ 57,836
Satellites, net:		
Satellites (estimated useful life of 10-17 years)	$ 1,152,503	$ 559,380
Capital lease of satellite capacity — Anik F2 (estimated useful life of 10 years)	99,090	99,090
Satellites under construction	362,342	776,354
	1,613,935	1,434,824
Less: accumulated depreciation and amortization	(373,948)	(326,554)
	$ 1,239,987	$ 1,108,270
Property and equipment, net:		
Equipment and software (estimated useful life of 2-7 years)	$ 864,140	$ 679,008
CPE leased equipment (estimated useful life of 4-5 years)	298,746	271,917
Furniture and fixtures (estimated useful life of 7 years)	35,234	30,539
Leasehold improvements (estimated useful life of 2-17 years)	111,841	80,727
Building (estimated useful life of 24 years)	8,923	8,923
Land	15,322	14,573
Construction in progress	108,192	116,902
	1,442,398	1,202,589
Less: accumulated depreciation	(719,910)	(661,981)
	$ 722,488	$ 540,608
Other assets:		
Investment in unconsolidated affiliate	$ 163,835	$ 141,894
Deferred income taxes	222,274	134,764
Capitalized software costs, net	246,792	203,686
Patents, orbital slots and other licenses, net	16,100	16,500
Other	37,133	32,522
	$ 686,134	$ 529,366
Accrued liabilities:		
Collections in excess of revenues and deferred revenues	$ 121,439	$ 76,682
Accrued employee compensation	46,106	41,691
Accrued vacation	39,022	33,214
Warranty reserve, current portion	5,357	7,796
Other	51,752	65,576
	$ 263,676	$ 224,959
Other liabilities:		
Deferred revenue, long-term portion	$ 77,831	$ 4,617
Deferred rent, long-term portion	13,769	10,743
Warranty reserve, long-term portion	1,557	3,262
Satellite performance incentive obligation, long-term portion	18,181	19,164
Deferred income taxes, long-term	864	1,936
Other	9,038	3,000
	$ 121,240	$ 42,722

Note 3 — Fair Value Measurements

In accordance with the authoritative guidance for financial assets and liabilities measured at fair value on a recurring basis (ASC 820), the Company prioritizes the inputs used to measure fair value from market-based assumptions to entity specific assumptions:

- Level 1 — Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Inputs which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The following tables present the Company's hierarchy for its assets measured at fair value on a recurring basis as of March 31, 2018 and assets and liabilities measured at fair value on a recurring basis as of March 31, 2017. The Company had no liabilities measured at fair value on a recurring basis as of March 31, 2018:

	Fair Value as of March 31, 2018	Level 1	Level 2	Level 3
		(In thousands)		
Assets:				
Cash equivalents	$ 1,011	$ 1,011	$ —	$ —
Foreign currency forward contracts	9	—	9	—
Total assets measured at fair value on a recurring basis	$ 1,020	$ 1,011	$ 9	$ —

	Fair Value as of March 31, 2017	Level 1	Level 2	Level 3
		(In thousands)		
Assets:				
Cash equivalents	$ 2,003	$ 2,003	$ —	$ —
Total assets measured at fair value on a recurring basis	$ 2,003	$ 2,003	$ —	$ —
Liabilities:				
Foreign currency forward contracts	$ 96	$ —	$ 96	$ —
Total liabilities measured at fair value on a recurring basis	$ 96	$ —	$ 96	$ —

The following section describes the valuation methodologies the Company uses to measure financial instruments at fair value:

Cash equivalents — The Company's cash equivalents consist of money market funds. Money market funds are valued using quoted prices for identical assets in an active market with sufficient volume and frequency of transactions (Level 1).

Foreign currency forward contracts — The Company uses derivative financial instruments to manage foreign currency risk relating to foreign exchange rates. The Company does not use these instruments for speculative or trading purposes. The Company's objective is to reduce the risk to earnings and cash flows associated with changes in foreign currency exchange rates. Derivative instruments are recognized as either assets or liabilities in the accompanying consolidated financial statements and are measured at fair value. Gains and losses resulting from changes in the fair values of those derivative instruments are recorded to earnings or other comprehensive income (loss) depending on the use of the derivative instrument and whether it qualifies for hedge accounting. The Company's foreign currency forward contracts are valued using standard calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, or can be corroborated by observable market data (Level 2).

Long-term debt — The Company's long-term debt consists of borrowings under its Revolving Credit Facility and Ex-Im Credit Facility (collectively, the Credit Facilities), as well as $700.0 million in aggregate principal amount of 2025 Notes. Long-term debt related to the Revolving Credit Facility is reported at the outstanding principal amount of borrowings, while long-term debt related to the Ex-Im Credit Facility and the Company's current and former senior notes (including the 2025 Notes) is reported at amortized cost. However, for disclosure purposes, the Company is required to measure the fair value of outstanding debt on a recurring basis. As of March 31, 2018, the estimated fair value of the Company's outstanding long-term debt related to the 2025 Notes was determined based on actual or estimated bids and offers for the 2025 Notes in an over-the-counter market (Level 2) and was $674.0 million. As of March 31, 2017, the fair value of the Company's outstanding long-term debt related to its former $575.0 million in aggregate principal amount of 6.875% Notes due 2020 (the 2020 Notes) was determined using quoted prices in active markets (Level 1) and was $587.9 million. The 2020 Notes were repurchased and redeemed in full in connection with the issuance of the 2025 Notes. The fair value of the Company's long-term debt related to the Revolving Credit Facility approximates its carrying amount due to its variable interest rate, which approximates a market interest rate. As of March 31, 2018 and 2017, the fair value of the Company's long-term debt related to the Ex-Im Credit Facility was determined based on a discounted cash flow analysis using observable market interest rates for instruments with similar terms (Level 2) and was approximately $347.4 million and $297.2 million, respectively.

Satellite performance incentive obligation — The Company's contract with the manufacturer of ViaSat-1 requires the Company to make monthly in-orbit satellite performance incentive payments, including interest at 7.0%, over a 15-year period from December 2011 to December 2026, subject to the continued satisfactory performance of the satellite. The Company records the net present value of these expected future payments as a liability and as a component of the cost of the satellite. However, for disclosure purposes, the Company is required to measure the fair value of outstanding satellite performance incentive obligation on a recurring basis. The fair value of the Company's outstanding satellite performance incentive obligation relating to the ViaSat-1 satellite is estimated to approximate its carrying value based on current rates (Level 2). As of each of March 31, 2018 and 2017, the Company's estimated satellite performance incentive obligation relating to the ViaSat-1 satellite, including accrued interest was $21.0 million and $21.8 million, respectively.

Note 4 — Goodwill and Acquired Intangible Assets

During fiscal year 2018, the increase in the Company's goodwill reflected the effects of foreign currency translation recorded within all three of the Company's segments. During fiscal year 2017, the Company's goodwill increased by $2.8 million, which reflected $3.8 million of goodwill acquired in connection with the acquisition of Arconics during the third quarter of fiscal year 2017, which was recorded in the Company's satellite services segment. The increase was partially offset by the effects of foreign currency translation recorded within all three of the Company's segments.

During fiscal year 2017, $19.3 million of the increase in other acquired intangibles related to the acquisition of Arconics recorded during the third quarter of fiscal year 2017 in the Company's satellite services segment. All other amounts recorded related to the acquisition of Arconics were not significant. Other acquired intangible assets are amortized using the straight-line method over their estimated useful lives of two to ten years. Amortization expense related to other acquired intangible assets was $12.2 million, $10.8 million and $16.4 million for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016, respectively.

The expected amortization expense of amortizable acquired intangible assets may change due to the effects of foreign currency fluctuations as a result of international businesses acquired. Expected amortization expense for acquired intangible assets for each of the following periods is as follows:

	Amortization
	(In thousands)
Expected for fiscal year 2019	$ 9,571
Expected for fiscal year 2020	7,726
Expected for fiscal year 2021	5,277
Expected for fiscal year 2022	3,451
Expected for fiscal year 2023	3,146
Thereafter	2,691
	$ 31,862

The allocation of the other acquired intangible assets and the related accumulated amortization as of March 31, 2018 and 2017 is as follows:

	Weighted Average Useful Life	As of March 31, 2018 Total	As of March 31, 2018 Accumulated Amortization	As of March 31, 2018 Net Book Value	As of March 31, 2017 Total	As of March 31, 2017 Accumulated Amortization	As of March 31, 2017 Net Book Value
	(In years)	(In thousands)					
Technology	6	$ 90,652	$ (69,387)	$ 21,265	$ 87,592	$ (62,749)	$ 24,843
Contracts and customer relationships	7	103,808	(94,584)	9,224	103,034	(89,083)	13,951
Satellite co-location rights	9	8,600	(7,668)	932	8,600	(6,743)	1,857
Trade name	3	5,940	(5,940)	—	5,940	(5,940)	—
Other	6	10,137	(9,696)	441	9,925	(8,899)	1,026
Total other acquired intangible assets		$219,137	$ (187,275)	$ 31,862	$215,091	$ (173,414)	$ 41,677

Note 5 — Senior Notes and Other Long-Term Debt

Total long-term debt consisted of the following as of March 31, 2018 and 2017:

	As of March 31, 2018	As of March 31, 2017
	(In thousands)	
2025 Notes	$ 700,000	$ —
2020 Notes	—	575,000
Revolving Credit Facility	—	—
Ex-Im Credit Facility (1)	362,401	304,134
Other	—	288
Total debt	1,062,401	879,422
Unamortized premium/(discount and debt issuance costs), net (1)	(38,696)	(30,651)
Less: current portion of long-term debt	45,300	288
Total long-term debt	$ 978,405	$ 848,483

(1) As of March 31, 2017, included in Ex-Im Credit Facility and in unamortized discount and debt issuance costs on the Ex-Im Credit Facility was $29.5 million and $23.0 million, respectively, relating to the exposure fees accrued as of such date and subsequently financed under the Ex-Im Credit Facility.

The estimated aggregate amounts and timing of payments on the Company's long-term debt obligations as of March 31, 2018 for the next five fiscal years and thereafter were as follows (excluding the effects of discount accretion under the 2025 Notes and the Ex-Im Credit Facility):

For the Fiscal Years Ending	(In thousands)
2019	$ 45,300
2020	45,300
2021	45,300
2022	45,300
2023	45,300
Thereafter	835,901
	1,062,401
Plus: unamortized discount and debt issuance costs	(38,696)
Total	$ 1,023,705

Revolving Credit Facility

As of March 31, 2018, the Revolving Credit Facility provided an $800.0 million revolving line of credit (including up to $150.0 million of letters of credit), with a maturity date of May 24, 2021.

Borrowings under the Revolving Credit Facility bear interest, at the Company's option, at either (1) the highest of the Federal Funds rate plus 0.50%, the Eurodollar rate plus 1.00%, or the administrative agent's prime rate as announced from time to time, or (2) the Eurodollar rate, plus, in the case of each of (1) and (2), an applicable margin that is based on the Company's total leverage ratio. The Company has capitalized certain amounts of interest expense on the Revolving Credit Facility in connection with the construction of various assets during the construction period. The Revolving Credit Facility is required to be guaranteed by certain significant domestic subsidiaries of the Company (as defined in the Revolving Credit Facility) and secured by substantially all of the Company's and any such subsidiaries' assets. As of March 31, 2018, none of the Company's subsidiaries guaranteed the Revolving Credit Facility.

The Revolving Credit Facility contains financial covenants regarding a maximum total leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, among other things, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. Subsequent to the fiscal year end, on May 24, 2018, the Company amended the Revolving Credit Facility to, among other matters, increase the maximum permitted total leverage ratio for each of the quarters of fiscal year 2019.

The Company was in compliance with its financial covenants under the Revolving Credit Facility as of March 31, 2018. At March 31, 2018, the Company had no outstanding borrowings under the Revolving Credit Facility and $29.6 million outstanding under standby letters of credit, leaving borrowing availability under the Revolving Credit Facility as of March 31, 2018 of $770.4 million.

Ex-Im Credit Facility

As of March 31, 2018, the Ex-Im Credit Facility provided a $362.4 million senior secured direct loan facility, which was fully drawn. Of the $362.4 million in principal amount of borrowings made under the Ex-Im Credit Facility, $321.2 million was used to finance up to 85% of the costs of construction, launch and insurance of the ViaSat-2 satellite and related goods and services (including costs incurred on or after September 18, 2012), with the remaining $41.2 million used to finance the total exposure fees incurred under the Ex-Im Credit Facility (which included all previously accrued completion exposure fees).

Borrowings under the Ex-Im Credit Facility bear interest at a fixed rate of 2.38%, payable semi-annually in arrears. The effective interest rate on the Company's outstanding borrowings under the Ex-Im Credit Facility, which takes into account timing and amount of borrowings, exposure fees, debt issuance costs and other fees, is 4.6%. Borrowings under the Ex-Im Credit Facility are required to be repaid in 16 approximately equal semi-annual principal installments, which commenced on April 15, 2018, with a maturity date of October 15, 2025. The Ex-Im Credit Facility is guaranteed by Viasat and is secured by first-priority liens on the ViaSat-2 satellite and related assets, as well as a pledge of the capital stock of the borrower under the facility.

The Ex-Im Credit Facility contains financial covenants regarding Viasat's maximum total leverage ratio and minimum interest coverage ratio. In addition, the Ex-Im Credit Facility contains covenants that restrict, among other things, the Company's ability to sell assets, make investments and acquisitions, make capital expenditures, grant liens, pay dividends and make certain other restricted payments. The Company was in compliance with its financial covenants under the Ex-Im Credit Facility as of March 31, 2018.

Borrowings under the Ex-Im Credit Facility are recorded as current portion of long-term debt and as other long-term debt, net of unamortized discount and debt issuance costs, in the Company's consolidated financial statements. The discount of $42.3 million (comprising the initial $6.0 million pre-exposure fee, $35.3 million of completion exposure fees, and other customary fees) and deferred financing cost associated with the issuance of the borrowings under the Ex-Im Credit Facility is amortized to interest expense on an effective interest rate basis over the term of the borrowings under the Ex-Im Credit Facility.

Senior Notes

Discharge of indenture and loss on extinguishment of debt

In connection with the Company's issuance of the 2025 Notes in September 2017, the Company repurchased and redeemed all of its $575.0 million in aggregate principal amount of 2020 Notes then outstanding through a cash tender offer and redemption, and the indenture governing the 2020 Notes was satisfied and discharged in accordance with its terms. In September 2017, the Company repurchased $298.2 million in aggregate principal amount of the 2020 Notes pursuant to the tender offer. The total cash payment to repurchase the tendered 2020 Notes in the tender offer, including accrued and unpaid interest to, but excluding, the repurchase date, was $309.3 million. Also in September 2017, in connection with the redemption of the remaining $276.8 million in aggregate principal amount of 2020 Notes, the Company irrevocably deposited $287.4 million with Wilmington Trust, as trustee, as trust funds solely for the benefit of the holders of such 2020 Notes. The redemption price for the 2020 Notes was 101.719% of the principal amount so redeemed, plus accrued and unpaid interest to, but excluding, the redemption date of October 5, 2017.

In connection with the satisfaction and discharge of the indenture governing the 2020 Notes, all of the obligations of the Company (other than certain customary provisions of the indenture that expressly survive pursuant to the terms of the indenture) were discharged in September 2017.

As a result of the repurchase of the 2020 Notes in the tender offer and the redemption of the remaining 2020 Notes, the Company recognized a $10.2 million loss on extinguishment of debt during the second quarter of fiscal year 2018, which was comprised of $10.6 million in cash payments (including tender offer consideration, redemption premium and related professional fees), net of an insignificant amount in non-cash gain (including unamortized premium, net of unamortized debt issuance costs).

Senior Notes due 2025

In September 2017, the Company issued $700.0 million in principal amount of 2025 Notes in a private placement to institutional buyers. The 2025 Notes were issued at face value and are recorded as long-term debt, net of debt issuance costs, in the Company's consolidated financial statements. The 2025 Notes bear interest at the rate of 5.625% per year, payable semi-annually in cash in arrears, which interest payments commenced in March 2018. Debt issuance costs associated with the issuance of the 2025 Notes are amortized to interest expense on a straight-line basis over the term of the 2025 Notes, the results of which are not materially different from the effective interest rate basis.

The 2025 Notes are required to be guaranteed on an unsecured senior basis by each of the Company's existing and future subsidiaries that guarantees the Revolving Credit Facility. As of March 31, 2018, none of the Company's subsidiaries guaranteed the 2025 Notes. The 2025 Notes are the Company's general senior unsecured obligations and rank equally in right of payment with all of the Company's existing and future unsecured unsubordinated debt. The 2025 Notes are effectively junior in right of payment to the Company's existing and future secured debt, including under the Credit Facilities (to the extent of the value of the assets securing such debt), are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 2025 Notes, and are senior in right of payment to all of their existing and future subordinated indebtedness.

The indenture governing the 2025 Notes limits, among other things, the Company's and its restricted subsidiaries' ability to: incur, assume or guarantee additional debt; issue redeemable stock and preferred stock; pay dividends, make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase subordinated debt; make loans and investments; grant or incur liens; restrict dividends, loans or asset transfers from restricted subsidiaries; sell or otherwise dispose of assets; enter into transactions with affiliates; reduce the Company's satellite insurance; and consolidate or merge with, or sell substantially all of their assets to, another person.

Prior to September 15, 2020, the Company may redeem up to 40% of the 2025 Notes at a redemption price of 105.625% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. The Company may also redeem the 2025 Notes prior to September 15, 2020, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest, if any, thereon to the redemption date. The applicable premium is calculated as the greater of: (i) 1.0% of the principal amount of such 2025 Notes and (ii) the excess, if any, of (a) the present value at such date of redemption of (1) the redemption price of such 2025 Notes on September 15, 2020 plus (2) all required interest payments due on such 2025 Notes through September 15, 2020 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the treasury rate (as defined under the indenture) plus 50 basis points, over (b) the then-outstanding principal amount of such 2025 Notes. The 2025 Notes may be redeemed, in whole or in part, at any time during the 12 months beginning on September 15, 2020 at a redemption price of 102.813%, during the 12 months beginning on September 15, 2021 at a redemption price of 101.406%, and at any time on or after September 15, 2022 at a redemption price of 100%, in each case plus accrued and unpaid interest, if any, thereon to the redemption date.

In the event a change of control triggering event occurs (as defined in the indenture), each holder will have the right to require the Company to repurchase all or any part of such holder's 2025 Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the 2025 Notes repurchased, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Note 6 — Common Stock and Stock Plans

In February 2016, the Company filed a universal shelf registration statement with the SEC for the future sale of an unlimited amount of common stock, preferred stock, debt securities, depositary shares, warrants, and rights. The securities may be offered from time to time, separately or together, directly by the Company, by selling security holders, or through underwriters, dealers or agents 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 Equity Participation Plan). The 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 units and performance awards. From November 1996 to September 2017 through various amendments of the Equity Participation Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 29,050,000 shares. The Company believes that such awards better align the interests of its employees with those of its stockholders. Shares of the Company's common stock granted under the Equity Participation Plan in the form of stock options or stock appreciation right are counted against the Equity Participation Plan share reserve on a one for one basis. Shares of the Company's common stock granted under the Equity Participation Plan as an award other than as an option or as a stock appreciation right with a per share purchase price lower than 100% of fair market value on the date of grant are counted against the Equity Participation Plan share reserve as two shares for each share of common stock prior to September 22, 2010 and subsequent to September 19, 2012, and as 2.65 shares for each share of common stock during the period beginning on September 22, 2010 and ending on September 19, 2012. Restricted stock units are granted to eligible employees and directors and represent rights to receive shares of common stock at a future date.

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. From November 1996 to September 2017 through various amendments of the Employee Stock Purchase Plan, the Company increased the maximum number of shares reserved for issuance under this plan to 3,650,000 shares. To facilitate participation for employees located outside of the United States in light of non-U.S. law and other considerations, the amended Employee Stock Purchase Plan also provides for the grant of purchase rights that are not intended to be tax-qualified. 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.

Total stock-based compensation expense recognized in accordance with the authoritative guidance for share-based payments was as follows:

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Stock-based compensation expense before taxes	$ 68,545	$ 55,775	$ 47,510
Related income tax benefits	(16,278)	(21,057)	(18,089)
Stock-based compensation expense, net of taxes	$ 52,267	$ 34,718	$ 29,421

Effective April 1, 2017, in accordance with ASU 2016-09, on a prospective basis, the Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows classified within operating activities. Prior to April 1, 2017 any unrealized excess tax benefits were tracked off the balance sheet and recognition of the benefits was deferred until realized through a reduction in taxes payable. When the excess tax benefits or deficiencies were realized, they were recognized in paid-in-capital and the related cash flows were classified as an outflow from operating activities and an inflow from financing activities.

The compensation cost that has been charged against income for the Equity Participation Plan under the authoritative guidance for share-based payments was $65.1 million, $52.6 million and $45.2 million, and for the Employee Stock Purchase Plan was $3.4 million, $3.1 million and $2.3 million, for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016, respectively. The Company capitalized $8.0 million, $6.6 million and $5.6 million of stock-based compensation expense as a part of the cost for software development for resale included in other assets and as a part of the equipment and software for internal use included in property and equipment for fiscal years 2018, 2017 and 2016, respectively.

As of March 31, 2018, total unrecognized compensation cost related to unvested stock-based compensation arrangements granted under the Equity Participation Plan (including stock options, TSR performance stock options and restricted stock units) and the Employee Stock Purchase Plan was $184.3 million and $1.0 million, respectively. These costs are expected to be recognized over a weighted average period of 2.0 years, 2.1 years and 2.7 years, for stock options, TSR performance stock options and restricted stock units, respectively, under the Equity Participation Plan and less than six months under the Employee Stock Purchase Plan.

Stock options, TSR performance stock options and employee stock purchase plan. The Company's employee stock options typically have a simple four-year vesting schedule and a six year contractual term. During the third quarter of fiscal year 2018, the Company began granting TSR performance stock options to executive officers under the 1996 Equity Participation Plan. The number of shares of TSR performance stock options that will become eligible to vest based on the time-based vesting schedule described below is based on a comparison over a four-year performance period of the Company's TSR to the TSR of the companies included in the S&P Mid Cap 400 Index. The number of options that may become vested and exercisable will range from 0% to 175% of the target number of options based on the Company's relative TSR ranking for the performance period. The Company's TSR performance stock options have a four-year time-based vesting schedule and a six year contractual term. The TSR performance stock options must be vested under both the time-based vesting schedule and the performance-based vesting conditions in order to become exercisable. Expense for TSR performance stock options that time-vest is recognized regardless of the actual TSR outcome achieved and is recognized on a graded-vesting basis. The weighted average estimated fair value of TSR performance stock options granted during fiscal year 2018 was $32.04 per share, using the Monte Carlo simulation. The weighted average estimated fair value of employee stock options granted and employee stock purchase plan shares issued during fiscal year 2018 was $19.86 and $15.09 per share, respectively, during fiscal year 2017 was $23.62 and $16.27 per share, respectively, and during fiscal year 2016 was $20.35 and $13.37 per share, respectively, using the Black-Scholes model. The weighted average assumptions (annualized percentages) used in the Black-Scholes model and Monte Carlo simulation were as follows:

	Employee Stock Options			**TSR Performance Stock Options**	**Employee Stock Purchase Plan**		
	Fiscal Year 2018	**Fiscal Year 2017**	**Fiscal Year 2016**	**Fiscal Year 2018 ***	**Fiscal Year 2018**	**Fiscal Year 2017**	**Fiscal Year 2016**
Volatility	30.4%	33.4%	32.9%	27.5%	22.0%	31.1%	24.6%
Risk-free interest rate	1.9%	1.7%	1.7%	1.9%	1.3%	0.5%	0.3%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life	5.4 years	5.5 years	5.5 years	5.0 years	0.5 years	0.5 years	0.5 years

* The Company began granting TSR performance stock options to executive officers in the third quarter of fiscal year 2018.

The Company's expected volatility is a measure of the amount by which its stock price is expected to fluctuate over the expected term of the stock-based award. The estimated volatilities for stock options and TSR performance options are based on the historical volatility calculated using the daily stock price of the Company's stock over a recent historical period equal to the expected term. The risk-free interest rate that the Company uses in determining the fair value of its stock-based awards is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of its stock-based awards. The expected terms or lives of employee stock options and TSR performance stock options represent the expected period of time from the date of grant to the estimated date that the stock options under the Company's Equity Participation Plan would be fully exercised. The expected term assumption is estimated based primarily on the options' vesting terms and remaining contractual life and employees' expected exercise and post-vesting employment termination behavior.

A summary of employee stock option activity for fiscal year 2018 is presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2017	2,004,262	$ 58.99		
Options granted	53,000	63.59		
Options canceled	(3,750)	65.86		
Options exercised	(287,012)	46.59		
Outstanding at March 31, 2018	1,766,500	$ 61.13	3.05	$ 10,279
Vested and exercisable at March 31, 2018	1,111,625	$ 58.14	2.40	$ 9,185

The total intrinsic value of stock options exercised during fiscal years 2018, 2017 and 2016 was $5.2 million, $8.3 million and $14.5 million, respectively. 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 excess tax deficiency from stock options exercised during fiscal year 2018 was an insignificant amount. No excess tax benefits were realized from stock options exercised during fiscal years 2017 and 2016 as the excess tax benefit from stock options exercised increased the Company's net operating loss carryforward.

A summary of TSR performance stock option activity for fiscal year 2018 is presented below:

	Number of Shares (1)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (In thousands)
Outstanding at March 31, 2017 (2)	—	$ —		
TSR performance options granted	497,500	73.77		
TSR performance options canceled	—	—		
TSR performance options exercised	—	—		
Outstanding at March 31, 2018	497,500	$ 73.77	5.63	$ —
Vested and exercisable at March 31, 2018	—	$ —	—	$ —

(1) Number of shares is based on the target number of options under each TSR performance stock option.
(2) The Company began granting TSR performance stock options to executive officers in the third quarter of fiscal year 2018.

Restricted stock units. Restricted stock units represent a right to receive shares of common stock at a future date determined in accordance with the participant's award agreement. There is no exercise price and no monetary payment required for receipt of restricted stock units or the shares issued in settlement of the award. Instead, consideration is furnished in the form of the participant's services to the Company. Restricted stock units generally vest over four years. Compensation cost for these awards is based on the fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. For fiscal years 2018, 2017 and 2016, the Company recognized $54.0 million, $44.9 million and $38.4 million, respectively, in stock-based compensation expense related to these restricted stock unit awards.

The per unit weighted average grant date fair value of restricted stock units granted during fiscal years 2018, 2017 and 2016 was $72.89, $69.99 and $61.81, respectively. A summary of restricted stock unit activity for fiscal year 2018 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value per Share
Outstanding at March 31, 2017	2,679,354	$ 64.47
Awarded	1,166,362	72.89
Forfeited	(86,746)	67.73
Released	(896,776)	64.98
Outstanding at March 31, 2018	2,862,194	$ 67.64
Vested and deferred at March 31, 2018	159,460	$ 40.58

The total fair value of shares vested related to restricted stock units during the fiscal years 2018, 2017 and 2016 was $64.6 million, $58.4 million and $43.8 million, respectively.

Note 7 — Shares Used In Computing Diluted Net (Loss) Income Per Share

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Weighted average:			
Common shares outstanding used in calculating basic net (loss) income per share attributable to Viasat, Inc. common stockholders	58,438	52,318	48,464
Options to purchase common stock as determined by application of the treasury stock method	—	246	281
TSR performance options to purchase common stock as determined by application of the treasury stock method	—	*	*
Restricted stock units to acquire common stock as determined by application of the treasury stock method	—	658	533
Potentially issuable shares in connection with certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan	—	174	167
Shares used in computing diluted net (loss) income per share attributable to Viasat, Inc. common stockholders	58,438	53,396	49,445

* The Company began granting TSR performance stock options to executive officers in the third quarter of fiscal year 2018 (see Note 6).

The weighted average number of shares used to calculate basic and diluted net loss per share attributable to Viasat, Inc. common stockholders is the same for fiscal year ended 2018, as the Company incurred a net loss attributable to Viasat, Inc. common stockholders for such period and inclusion of potentially dilutive weighted average shares of common stock would be antidilutive. Potentially dilutive weighted average shares of common stock excluded from the calculation for fiscal year ended 2018 were 1,358,275 relating to stock options (other than TSR performance stock options), 175,598 relating to TSR performance stock options, 1,053,649 relating to restricted stock units, and 193,608 relating to certain terms of the ViaSat 401(k) Profit Sharing Plan and Employee Stock Purchase Plan, respectively.

Antidilutive shares relating to stock options excluded from the calculation comprised 582,315 and 810,231 shares for the fiscal years ended March 31, 2017 and March 31, 2016, respectively. Antidilutive shares relating to restricted stock units excluded from the calculation comprised 24 and 4,138 for the fiscal years ended March 31, 2017 and March 31, 2016, respectively.

Note 8 — Income Taxes

The components of (loss) income before income taxes by jurisdiction are as follows:

	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016
	(In thousands)		
United States	$ (92,767)	$ 29,649	$ 20,280
Foreign	(12,703)	(4,265)	(2,683)
	$ (105,470)	$ 25,384	$ 17,597

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

	Fiscal Years Ended March 31, 2018	Fiscal Years Ended March 31, 2017	Fiscal Years Ended March 31, 2016
	(In thousands)		
Current tax benefit (provision)			
Federal	$ (284)	$ (2,041)	$ (132)
State	(401)	(1,167)	(543)
Foreign	(953)	(600)	(148)
	(1,638)	(3,808)	(823)
Deferred tax benefit (provision)			
Federal	24,833	(4,410)	(2,266)
State	10,450	4,509	7,090
Foreign	1,572	92	172
	36,855	191	4,996
Total benefit from (provision for) income taxes	$ 35,217	$ (3,617)	$ 4,173

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

	As of March 31, 2018	As of March 31, 2017
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 184,177	$ 202,752
Tax credit carryforwards	189,970	145,369
Other	46,376	74,962
Valuation allowance	(29,049)	(17,728)
Total deferred tax assets	391,474	405,355
Deferred tax liabilities:		
Intangible assets	(73,403)	(98,099)
Property, equipment and satellites	(96,661)	(174,428)
Total deferred tax liabilities	(170,064)	(272,527)
Net deferred tax assets	$ 221,410	$ 132,828

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

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Tax benefit (provision) at federal statutory rate	$ 22,149	$ (8,885)	$ (6,167)
State tax benefit (provision), net of federal benefit	2,605	(1,681)	(1,197)
Tax credits, net of valuation allowance	21,898	15,121	16,016
Non-deductible compensation	(2,852)	(2,659)	(2,457)
Non-deductible transaction costs	-	(645)	(30)
Non-deductible meals and entertainment	(727)	(794)	(751)
Stock-based compensation	799	(886)	(551)
Change in federal tax rate due to Tax Reform	(5,335)	—	—
Change in state effective tax rate	(235)	(417)	354
Foreign effective tax rate differential, net of valuation allowance	(2,054)	(2,391)	(859)
Other	(1,031)	(380)	(185)
Total benefit from (provision for) income taxes	$ 35,217	$ (3,617)	$ 4,173

Effective January 1, 2018, the Tax Reform reduced the corporate federal income tax rate from 35% to 21%. As the Company has a March 31 fiscal year-end, the lower corporate federal income tax rate is phased in, resulting in a U.S. statutory federal rate of approximately 31.6% for fiscal year 2018. However, the Company has applied the 21% federal tax rate in the rate reconciliation for fiscal year 2018 as the fiscal year 2018 taxable loss will not be subject to federal tax at the 31.6% blended tax rate. Instead, the taxable loss increases the net operating loss carryforwards and will be subject to the lower 21% federal tax rate in future periods.

As of March 31, 2018, the Company had federal and state research credit carryforwards of $135.8 million and $130.0 million, respectively, which begin to expire in fiscal year 2026 and fiscal year 2019, respectively. As of March 31, 2018, the Company had federal and state net operating loss carryforwards of $697.8 million and $637.8 million, respectively, which begin to expire in fiscal year 2021 and fiscal year 2019, respectively. The Tax Reform repealed the alternative minimum tax (AMT) for tax years beginning January 1, 2018, and provides that existing AMT credit carryovers are refundable beginning in calendar year 2018. The Company has an insignificant amount of AMT credit carryovers that are expected to be fully refunded by fiscal year 2022.

In accordance with ASU 2016-09, which the Company adopted during the first quarter of fiscal year 2018, the Company recorded a cumulative effect adjustment as of the beginning of the first quarter of fiscal year 2018 to increase retained earnings by $58.7 million with a corresponding increase to deferred tax assets to recognize net operating loss carryforwards attributable to excess tax benefits on share-based compensation that had not been previously recognized. On a prospective basis, the Company recognizes excess tax benefits or deficiencies on vesting or settlement of awards as discrete items within income tax benefit or provision within net income (loss) and the related cash flows classified within operating activities.

In accordance with the authoritative guidance for income taxes (ASC 740), 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. Future realization of existing deferred tax assets ultimately depends on future profitability and the existence of sufficient taxable income of appropriate character (for example, ordinary income versus capital gains) within the carryforward period available under tax law. In the event that the Company's estimate of taxable income is less than that required to utilize the full amount of any deferred tax asset, a valuation allowance is established which would cause a decrease to income in the period such determination is made. A valuation allowance of $29.0 million at March 31, 2018 and $17.7 million at March 31, 2017 has been established relating to state and foreign net operating loss carryforwards, state research credit carryforwards, and foreign tax credits that, based on management's estimate of future taxable income attributable to such jurisdictions and generation of additional research credits, are considered more likely than not to expire unused.

The following table summarizes the activity related to the Company’s unrecognized tax benefits:

	As of		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Balance, beginning of fiscal year	$ 49,066	$ 45,080	$ 41,769
Decrease related to prior year tax positions	(155)	(421)	(586)
Increases related to current year tax positions	6,563	4,407	3,897
Balance, end of fiscal year	$ 55,474	$ 49,066	$ 45,080

Of the total unrecognized tax benefits at March 31, 2018, $49.5 million would reduce the Company’s annual effective tax rate if recognized, subject to valuation allowance consideration.

In the next 12 months it is reasonably possible that the amount of unrecognized tax benefits will not change significantly.

The Company is subject to periodic audits by domestic and foreign tax authorities. By statute, the Company’s U.S. federal income tax returns are subject to examination by the Internal Revenue Service (“IRS”) for fiscal years 2015 through 2017. Additionally, tax credit carryovers that were generated in prior years and utilized in these years may also be subject to examination by the IRS. With few exceptions, fiscal years 2014 to 2017 remain open to examination by state and foreign taxing jurisdictions. The Company believes that it has appropriate support for the income tax positions taken on its tax returns and its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations. The Company’s policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. There were no accrued interest or penalties associated with uncertain tax positions as of March 31, 2018 and 2017.

U.S. Tax Reform

On December 22, 2017, the Tax Reform was enacted into law. Among other matters, the Tax Reform lowered the corporate federal income tax rate from 35% to 21%, effective January 1, 2018, and transitions U.S. international taxation from a worldwide tax system to a territorial tax system, including a one-time transition tax on accumulated foreign earnings, and creates new taxes on certain foreign earnings.

For the fiscal year ended March 31, 2018, the Company has not finalized the accounting for the tax effects of the enactment of the Tax Reform. However, consistent with applicable SEC guidance, the Company has made a reasonable estimate of the effects on the Company’s existing deferred tax balances and has recognized a provisional income tax expense of $5.3 million for the fiscal year ended March 31, 2018 related to the re-measurement of deferred tax assets and liabilities. Based on the Company's provisional assessment, the one-time transition tax had no impact to its income tax provision.

The final impact of the Tax Reform may differ from the above estimate due to, among other things, changes in interpretation, the issuance of additional guidance and any updates to estimates the Company utilized to calculate the transition impacts. The Securities and Exchange Commission has issued rules under SAB 118 that allow for a measurement period of up to one year after the enactment date of the Tax Reform to finalize the recording of the related tax impacts. The Company currently anticipates finalizing and recording any resulting adjustments by the end of the quarter ending December 31, 2018.

Note 9 — Equity Method Investments and Related Party Transactions

Eutelsat strategic partnering arrangement

In March 2017, the Company acquired a 49% interest in Euro Infrastructure Co. for $139.5 million as part of the consummation of the Company’s strategic partnering arrangement with Eutelsat. The Company’s total net cash outlay for its investment in Euro Infrastructure Co., including approximately $2.4 million of transaction costs, was approximately $141.9 million. Also at the closing, Eutelsat purchased 49% of the issued shares of a subsidiary of the Company, Euro Retail Co. for an immaterial amount. Under the strategic partnering arrangement, Euro Infrastructure Co. owns and operates the KA-SAT satellite and related assets and offers wholesale satellite capacity services in the European region, and Euro Retail Co. purchases wholesale satellite capacity services and offers retail satellite-based broadband internet services in the European region. Also at the closing, the Company and Eutelsat entered into shareholders’ agreements and other ancillary agreements with respect to the ownership, management and operation of the two entities.

The Company's investment in Euro Infrastructure Co. is accounted for under the equity method and the total investment, including basis difference allocated to tangible assets, identifiable intangible assets, deferred income taxes and goodwill, is classified as a single line item, as an investment in unconsolidated affiliate, on the Company's consolidated balance sheets. Because the underlying net assets in Euro Infrastructure Co. and the related excess carrying value of investment over the proportionate share of net assets are denominated in Euros, foreign currency translation gains or losses impact the recorded value of the Company's investment. The Company recorded foreign currency translation gains, net of tax, of approximately $12.7 million for the fiscal year ended March 31, 2018, in accumulated other comprehensive income (loss). The Company records its proportionate share of the results of Euro Infrastructure Co., and any related basis difference amortization expense, within equity in income (losses) of unconsolidated affiliate, net, one quarter in arrears. Accordingly, the Company included its share of the results of Euro Infrastructure Co. from the date of the Company's investment in Euro Infrastructure Co. on March 3, 2017 through December 31, 2017 in its consolidated financial statements for the fiscal year ended March 31, 2018. The Company's investment in Euro Infrastructure Co. is presented at cost of investment plus its accumulated proportional share of income or loss, including amortization of the difference in the historical basis of the Company's contribution, less any distributions it has received.

The difference between the Company's carrying value of its investment in Euro Infrastructure Co. and its proportionate share of the net assets of Euro Infrastructure Co. as of March 31, 2018 and March 31, 2017 is summarized as follows:

	As of March 31, 2018	As of March 31, 2017
	(In thousands)	
Carrying value of investment in Euro Infrastructure Co.	$ 163,835	$ 141,894
Less: proportionate share of net assets of Euro Infrastructure Co.	147,115	127,393
Excess carrying value of investment over proportionate share of net assets	$ 16,720	$ 14,501
The excess carrying value has been primarily assigned to:		
Goodwill	$ 23,523	$ 20,791
Identifiable intangible assets	12,839	12,379
Tangible assets	(21,342)	(20,241)
Deferred income taxes	1,700	1,572
	$ 16,720	$ 14,501

The identifiable intangible assets have useful lives of up to 11 years and a weighted average useful life of approximately ten years, and tangible assets have useful lives of up to 11 years and a weighted average useful life of approximately 11 years. Goodwill is not deductible for tax purposes.

The Company's share of income on its investment in Euro Infrastructure Co. was $2.0 million for the fiscal year ended March 31, 2018, consisting of the Company's share of equity in Euro Infrastructure Co.'s income, including amortization of the difference in the historical basis of the Company's contribution. As the Company records its proportionate share of the results of Euro Infrastructure Co., and any related basis difference amortization expense, within equity in income (losses) of unconsolidated affiliate, net, one quarter in arrears, the Company did not have any share of income on its investment in Euro Infrastructure Co. in the prior year period.

Since acquiring its interest in Euro Infrastructure Co., the Company has recorded $2.0 million in retained earnings of undistributed cumulative earnings in equity interests, net of tax, as of March 31, 2018.

Related-party transactions

Transactions with the equity method investee are considered related-party transactions. Richard Baldridge, the President and Chief Operating Officer and a Director of the Company, also serves on the board of directors of Ducommun Inc. The following tables set forth the material related-party transactions entered into between Euro Infrastructure Co. and its subsidiaries, or Ducommon Inc. on the one hand, and the Company and its subsidiaries, on the other hand, in the ordinary course of business for the time periods presented:

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
	(In thousands)		
Revenue – Euro Infrastructure Co.	$ 9,277	$ **	$ *
Expense – Euro Infrastructure Co.	7,134	**	*
Cash received – Euro Infrastructure Co.	7,460	**	*
Cash paid – Euro Infrastructure Co.	7,040	**	*

	As of March 31, 2018	As of March 31, 2017
	(In thousands)	
Accounts receivable – Euro Infrastructure Co.	$ 3,307	$ **
Accounts payable – Ducommun Inc.	2,073	***
Collections in excess of revenues and deferred revenues – Euro Infrastructure Co.	3,246	**

* Euro Infrastructure Co. and its subsidiaries were not related parties in fiscal year 2016.

** Amount was insignificant.

*** There was no related-party activity for the periods indicated.

Note 10 — Employee Benefits

The Company is a sponsor of a voluntary deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, the Company may make discretionary contributions to the plan which vest over six years. The Company's discretionary matching contributions to the plan are based on the amount of employee contributions and can be made in cash or the Company's common stock at the Company's election. Subsequent to the 2018 fiscal year end, the Company elected to settle the discretionary contributions liability in shares of the Company's common stock, consistent with fiscal year 2017. Based on the closing price of the Company's common stock at the 2018 fiscal year end, the Company would issue approximately 294,507 shares of common stock at this time. Discretionary contributions accrued by the Company as of March 31, 2018 and 2017 amounted to $19.4 million and $16.8 million, respectively.

Note 11 — Commitments

In January 2008, the Company entered into several agreements with Space Systems/Loral, Inc. (SS/L), its former parent company Loral Space & Communications, Inc. (Loral) and Telesat Canada related to the Company's ViaSat-1 satellite, which was placed into service in January 2012. The Company's contract with SS/L requires monthly in-orbit satellite performance incentive payments, including interest, over a 15-year period from December 2011 until December 2026, subject to the continued satisfactory performance of the satellite. The Company recorded the net present value of these expected future payments as a liability and as a component of the cost of the satellite during the third quarter of fiscal year 2012. As of March 31, 2018, the Company's estimated satellite performance incentive obligation and accrued interest for the ViaSat-1 satellite was approximately $21.0 million, of which $2.8 million and $18.2 million have been classified current in accrued liabilities and non-current in other liabilities, respectively. Under the satellite construction contract with SS/L, the Company may incur up to $28.5 million in total costs for satellite performance incentive obligation and related interest earned over the 15-year period for ViaSat-1 with potential future minimum payments of $2.5 million, $2.6 million, $2.8 million, $3.0 million and $3.3 million in fiscal years 2019, 2020, 2021, 2022 and 2023, respectively, with $14.3 million commitments thereafter.

In May 2013, the Company entered into an agreement to purchase the ViaSat-2 satellite from The Boeing Company (Boeing), which satellite was paced into service during the fourth quarter of fiscal year 2018. The agreement was amended in April 2017 to replace the remaining milestone payments for the satellite with approximately $21.0 million of in-orbit satellite performance incentives payments, excluding interest, payable monthly over a nine-year period commencing one month after the completion of in-orbit testing (as defined in the contract), subject to the continued satisfactory performance of the satellite.

In July 2016, the Company entered into two separate agreements with Boeing for the construction and purchase of two ViaSat-3 class satellites and the integration of Viasat's payload technologies into the satellites. The aggregate purchase price for the two satellites is approximately $379.5 million (subject to purchase price adjustments based on factors such as launch delay and early delivery), plus an additional amount for launch support services to be performed by Boeing. In addition, under one of these agreements, the Company has the option to order up to two additional ViaSat-3 class satellites. The first ViaSat-3 class satellite is expected to provide broadband services over the Americas, and the second is expected to provide broadband services over the Europe, Middle East and Africa (EMEA) region.

In addition to the satellite construction agreements described above, the Company also enters into various other satellite-related purchase commitments, including with respect to the provision of launch services, operation of our satellites and satellite insurance. As of March 31, 2018, future minimum payments under the Company's satellite construction contracts and other satellite-related purchase commitments for the next five fiscal years and thereafter were as follows:

Fiscal Years Ending	(In thousands)
2019	$ 229,433
2020	149,094
2021	47,124
2022	8,977
2023	5,323
Thereafter	30,037
	$ 469,988

The Company has various other purchase commitments under satellite capacity agreements which are used to provide satellite networking services to its customers for future minimum payments of approximately $49.4 million, $56.6 million, $43.3 million, $19.3 million and $13.3 million in fiscal years 2019, 2020, 2021, 2022 and 2023, respectively, and no further minimum payments thereafter.

The Company leases office and other facilities under non-cancelable operating leases with initial terms ranging from one to 15 years which expire between fiscal year 2019 and fiscal year 2030 and provide for pre-negotiated fixed rental rates during the terms of the lease. Certain of the Company's facilities leases contain option provisions which allow for extension of the lease terms.

For operating leases, minimum lease payments, including minimum scheduled rent increases, are recognized as rent expense on a straight-line basis over the lease term as that term is defined in the authoritative guidance for leases including any option periods considered in the lease term and any periods during which the Company has use of the property but is not charged rent by a landlord ("rent holiday"). Leasehold improvement incentives paid to the Company by a landlord are recorded as a liability and amortized as a reduction of rent expense over the lease term. Total rent expense was $41.2 million, $34.0 million and $27.7 million in fiscal years 2018, 2017 and 2016, respectively.

As of March 31, 2018, future minimum lease payments for the next five fiscal years and thereafter were as follows:

Fiscal Years Ending	(In thousands)
2019	$ 46,182
2020	48,933
2021	48,941
2022	47,035
2023	42,514
Thereafter	175,426
	$ 409,031

Note 12 — Contingencies

From time to time, the Company is involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of business, including government investigations and claims, and other claims and proceedings with respect to intellectual property, breach of contract, labor and employment, tax and other matters. Such matters could result in fines; penalties, compensatory, treble or other damages; or non-monetary relief. A violation of government contract laws and regulations could also result in the termination of its government contracts or debarment from bidding on future government contracts. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of its current pending matters will not have a material adverse effect on its business, financial condition, results of operations or liquidity.

In March 2016, the Company's 52% majority-owned subsidiary TrellisWare was informed by the Civil Division of the U.S. Attorney's Office for the Southern District of California that it was investigating TrellisWare's eligibility for certain prior government contracts and whether TrellisWare's conduct in connection therewith violated the False Claims Act. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Company regularly evaluates current information available to determine whether such accruals should be adjusted and whether new accruals are required. During the fourth quarter of fiscal year 2017, based on further developments in that investigation and TrellisWare's discussions with the U.S. Attorney's Office, the Company accrued a total loss contingency of $11.8 million in SG&A expenses in its government systems segment, which consisted of $11.4 million in uncharacterized damages and $0.4 million in penalties. The impact of the loss contingency on net income attributable to Viasat, Inc. stockholders for fiscal year 2017, net of tax, was $4.0 million, with the related amount of $3.7 million recorded to net (loss) income attributable to noncontrolling interests, net of tax, while the impact on basic and diluted net income per share attributable to Viasat, Inc. common stockholders for fiscal year 2017 was $0.08 per share and $0.07 per share, respectively. As of March 31, 2017, the total loss contingency was recorded in accrued liabilities and other long term liabilities in the consolidated balance sheet in the amounts of $8.8 million and $3.0 million, respectively. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full.

The Company has contracts with various U.S. government agencies. Accordingly, the Company is routinely subject to audit and review by the DCMA, the DCAA and other U.S. government agencies of its performance on government contracts, indirect rates and pricing practices, accounting and management internal control business systems, and compliance with applicable contracting and procurement laws, regulations and standards. An adverse outcome to a review or audit or other failure to comply with applicable contracting and procurement laws, regulations and standards could result in material civil and criminal penalties and administrative sanctions being imposed on the Company, which may include termination of contracts, forfeiture of profits, triggering of price reduction clauses, suspension of payments, significant customer refunds, fines and suspension, or a prohibition on doing business with U.S. government agencies. In addition, if the Company fails to obtain an "adequate" determination of its various accounting and management internal control business systems from applicable U.S. government agencies or if allegations of impropriety are made against it, the Company could suffer serious harm to its business or its reputation, including its ability to bid on new contracts or receive contract renewals and its competitive position in the bidding process. The Company's incurred cost audits by the DCAA have not been concluded for fiscal years 2016 through 2018. As of March 31, 2018, the DCAA had completed its incurred cost audit for fiscal year 2004 and approved the Company's incurred cost claims for fiscal years 2005 through 2015 without further audit. Although the Company has recorded contract revenues subsequent to fiscal year 2015 based upon an estimate of costs that the Company believes will be approved upon final audit or review, the Company does not know the outcome of any ongoing or future audits or reviews and adjustments, and if future adjustments exceed the Company's estimates, its profitability would be adversely affected. As of March 31, 2018 and 2017, the Company had $1.6 million and $1.8 million, respectively, in contract-related reserves for its estimate of potential refunds to customers for potential cost adjustments on several multi-year

U.S. government cost reimbursable contracts. This reserve is classified as either an element of accrued liabilities or as a reduction of unbilled accounts receivable based on the status of the related contracts.

Note 13 — Product Warranty

The Company provides limited warranties on its products for periods of up to five years. The Company records a liability for its warranty obligations when products are shipped or they are included in long-term construction contracts based upon an estimate of expected warranty costs. Amounts expected to be incurred within 12 months are classified as accrued liabilities and amounts expected to be incurred beyond 12 months are classified as other liabilities in the consolidated financial statements. For mature products, the warranty cost estimates are based on historical experience with the particular product. For newer products that do not have a history of warranty costs, the Company bases its estimates on its experience with the technology involved and the types of failures that may occur. It is possible that the Company's 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 the Company's warranty accrual in fiscal years 2018, 2017 and 2016.

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Balance, beginning of period	$ 11,058	$ 11,434	$ 15,545
Change in liability for warranties issued in period	897	7,815	4,327
Settlements made (in cash or in kind) during the period	(5,041)	(8,191)	(8,438)
Balance, end of period	$ 6,914	$ 11,058	$ 11,434

Note 14 — Segment Information

The Company's reporting segments, comprised of the satellite services, commercial networks and government systems segments, are primarily distinguished by the type of customer and the related contractual requirements. The Company's satellite services segment provides satellite-based broadband and related services to consumers, enterprises, commercial airlines and mobile broadband customers. The Company's commercial networks segment develops and offers advanced satellite and wireless broadband platforms, ground networking equipment, radio frequency and advanced microwave solutions, ASIC chip design, satellite payload development and space-to-earth connectivity systems, some of which are ultimately used by the Company's satellite services segment. The Company's government systems segment provides global mobile broadband services to military and government users and develops and offers network-centric, IP-based fixed and mobile secure communications products and solutions. The more regulated government environment is subject to unique contractual requirements and possesses economic characteristics which differ from the satellite services and commercial networks segments. The Company's segments are determined consistent with the way management currently organizes and evaluates financial information internally for making operating decisions and assessing performance.

Segment revenues and operating profits (losses) for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016 were as follows:

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Revenues:			
Satellite services			
Product (1)	$ 664	$ 27,711	$ 25,606
Service	588,623	601,936	533,628
Total	589,287	629,647	559,234
Commercial networks			
Product	198,034	211,458	228,694
Service	35,187	33,149	22,042
Total	233,221	244,607	250,736
Government systems			
Product	556,849	474,767	410,521
Service	215,268	210,316	196,940
Total	772,117	685,083	607,461
Elimination of intersegment revenues	—	—	—
Total revenues	$ 1,594,625	$ 1,559,337	$ 1,417,431
Operating profits (losses):			
Satellite services (1)	$ 12,018	$ 131,085	$ 81,830
Commercial networks	(229,105)	(180,496)	(111,339)
Government systems (2)	137,131	96,658	87,066
Elimination of intersegment operating profits	—	—	—
Segment operating (loss) profit before corporate and amortization of acquired intangible assets	(79,956)	47,247	57,557
Corporate	—	—	—
Amortization of acquired intangible assets	(12,231)	(10,788)	(16,438)
(Loss) income from operations	$ (92,187)	$ 36,459	$ 41,119

(1) Product revenues and operating profits in the satellite services segment included $26.8 million and $25.3 million for the fiscal years ended March 31, 2017 and March 31, 2016, respectively, relating to amounts realized under the Company's settlement agreement entered into in fiscal year 2015 with SS/L and its former parent company Loral. As of March 31, 2017, all payments pursuant to this settlement agreement had been recorded and no further impacts to the Company's consolidated financial statements are anticipated related to this settlement agreement.

(2) Operating profits for the government systems segment reflected $11.8 million of SG&A expenses for the fiscal year ended March 31, 2017, relating to uncharacterized damages and penalties in connection with the False Claims Act civil investigation related to the Company's 52% majority-owned subsidiary TrellisWare. In the fourth quarter of fiscal year 2018, the TrellisWare investigation was settled and the accrued amount of loss contingency was paid out in full. See Note 12.

Assets identifiable to segments include: accounts receivable, unbilled accounts receivable, inventory, acquired intangible assets and goodwill. The Company's property and equipment, including its satellites, earth stations and other networking equipment, are assigned to corporate assets as they are available for use by the various segments throughout their estimated useful lives. Segment assets as of March 31, 2018, March 31, 2017 and March 31, 2016 were as follows:

	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016
		(In thousands)	
Segment assets:			
Satellite services	$ 66,830	$ 81,728	$ 57,529
Commercial networks	211,447	179,992	212,943
Government systems	337,451	326,242	311,927
Total segment assets	615,728	587,962	582,399
Corporate assets	2,798,381	2,366,691	1,814,913
Total assets	$ 3,414,109	$ 2,954,653	$ 2,397,312

Other acquired intangible assets, net and goodwill included in segment assets as of March 31, 2018 and 2017 were as follows:

	Other Acquired Intangible Assets, Net		Goodwill	
	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
		(In thousands)		
Satellite services	$ 16,580	$ 21,843	$ 13,991	$ 13,579
Commercial networks	3,340	4,903	44,011	43,930
Government systems	11,942	14,931	63,083	62,367
Total	$ 31,862	$ 41,677	$ 121,085	$ 119,876

Amortization of acquired intangible assets by segment for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016 was as follows:

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
Satellite services	$ 7,622	$ 5,866	$ 9,122
Commercial networks	1,563	1,679	2,569
Government systems	3,046	3,243	4,747
Total amortization of acquired intangible assets	$ 12,231	$ 10,788	$ 16,438

Revenue information by geographic area for the fiscal years ended March 31, 2018, March 31, 2017 and March 31, 2016 was as follows:

	Fiscal Years Ended		
	March 31, 2018	March 31, 2017	March 31, 2016
		(In thousands)	
United States	$ 1,403,473	$ 1,352,002	$ 1,207,651
Europe, the Middle East and Africa	85,704	85,828	80,202
Asia, Pacific	72,465	88,888	79,213
North America other than United States	18,777	24,649	38,957
Central and Latin America	14,206	7,970	11,408
Total revenues	$ 1,594,625	$ 1,559,337	$ 1,417,431

The Company distinguishes revenues from external customers by geographic area based on customer location.

The net book value of long-lived assets located outside the United States was $53.4 million at March 31, 2018, $32.4 million at March 31, 2017 and $23.7 million at March 31, 2016.

VALUATION AND QUALIFYING ACCOUNTS

For the Three Fiscal Years Ended March 31, 2018

	Allowance for Doubtful Accounts
	(In thousands)
Balance, April 3, 2015	$ 1,055
Charged (credited) to costs and expenses	5,885
Deductions	(5,787)
Balance, March 31, 2016	$ 1,153
Charged (credited) to costs and expenses	7,139
Deductions	(6,822)
Balance, March 31, 2017	$ 1,470
Charged (credited) to costs and expenses	8,357
Deductions	(7,800)
Balance, March 31, 2018	$ 2,027

	Deferred Tax Asset Valuation Allowance
	(In thousands)
Balance, April 3, 2015	$ 15,550
Charged (credited) to costs and expenses	1,539
Deductions	—
Balance, March 31, 2016	$ 17,089
Charged (credited) to costs and expenses	639
Deductions	—
Balance, March 31, 2017	$ 17,728
Charged (credited) to costs and expenses	11,321
Deductions	—
Balance, March 31, 2018	$ 29,049

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

Our common stock is traded on the Nasdaq Global Select Market under the symbol "VSAT." The following table sets forth, for the periods indicated, the range of high and low sales prices of our common stock as reported by Nasdaq.

	High	Low
Fiscal Year 2017		
First Quarter	$ 79.15	$ 65.80
Second Quarter	76.77	68.84
Third Quarter	82.19	65.89
Fourth Quarter	69.72	62.25
Fiscal Year 2018		
First Quarter	$ 72.62	$ 61.85
Second Quarter	67.94	57.75
Third Quarter	75.88	60.65
Fourth Quarter	80.26	62.85

As of May 11, 2018, there were approximately 575 holders of record of our common stock. A substantially greater number of holders of Viasat common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividend Policy

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. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, general business condition and such other factors as the Board of Directors may deem relevant. In addition, as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report, the existing terms of our Credit Facilities and the indenture governing our 2025 Notes restrict our ability to declare or pay dividends on our common stock.

USE OF NON-GAAP FINANCIAL INFORMATION

To supplement Viasat's consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), Viasat uses Adjusted EBITDA, a measure Viasat believes is appropriate to provide meaningful comparison with, and enhance an overall understanding of, Viasat's past financial performance and prospects for the future. We believe Adjusted EBITDA provides useful information to both management and investors by excluding specific expenses that we believe are not indicative of our core operating results. In addition, since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency in our financial reporting and facilitates comparisons to the company's historical operating results. Further, these non-GAAP results are among the primary indicators that management uses as a basis for evaluating the operating performance of our segments, allocating resources to such segments, planning and forecasting in future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with GAAP. A reconciliation of specific adjustments to GAAP results is provided in the tables below.

An itemized reconciliation between net income (loss) attributable to Viasat, Inc. and Adjusted EBITDA is as follows:

Fiscal Years Ended	March 31, 2018	March 31, 2017	March 31, 2016	April 3, 2015
(In thousands)				
Net (loss) income attributable to Viasat Inc.	$ (67,305)	$ 23,767	$ 21,741	$ 40,363
(Benefit from) provision for income taxes	(35,217)	3,617	(4,173)	13,827
Interest expense, net	3,066	11,075	23,522	29,426
Depreciation and amortization	255,652	245,922	242,076	221,433
Stock-based compensation expense	68,545	55,775	47,510	39,353
Loss on extinguishment of debt	10,217	-	-	-
Acquisition related expenses	-	615	-	444
Adjusted EBITDA	$ 234,958	$ 340,771	$ 330,676	$ 344,846

An itemized reconciliation between segment operating profit (loss) before corporate and amortization of acquired intangible assets and Adjusted EBITDA is as follows:

Fiscal Year Ended March 31, 2018	Satellite Services	Commercial Networks	Government Systems	Total
(In thousands)				
Segment operating profit (loss) before corporate and amortization of acquired intangible assets	$ 12,018	$ (229,105)	$ 137,131	$ (79,956)
Depreciation *	146,138	28,098	36,205	210,441
Stock-based compensation expense	16,861	25,873	25,811	68,545
Other amortization	14,464	9,281	9,235	32,980
Equity in income of unconsolidated affliate, net	1,978	-	-	1,978
Noncontrolling interests	2,486	-	(1,516)	970
Adjusted EBITDA	$ 193,945	$ (165,853)	$ 206,866	$ 234,958

Fiscal Year Ended March 31, 2017	Satellite Services	Commercial Networks	Government Systems	Total
(In thousands)				
Segment operating profit (loss) before corporate and amortization of acquired intangible assets	$ 131,085	$ (180,496)	$ 96,658	$ 47,247
Depreciation *	141,108	24,483	35,095	200,686
Stock-based compensation expense	11,917	22,225	21,633	55,775
Other amortization	13,136	14,631	6,681	34,448
Acquisition related expenses	190	179	246	615
Noncontrolling interests	-	-	2,000	2,000
Adjusted EBITDA	$ 297,436	$ (118,978)	$ 162,313	$ 340,771

* Depreciation expenses not specifically recorded in a particular segment have been allocated based on other indirect allocable costs, which management believes is a reasonable method.

Forward-looking statements

This Annual Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would," variations of such words and similar expressions to identify forward-looking statements. In addition, statements that refer to projections of earnings, revenue, costs or other financial items; anticipated growth and trends in our business or key markets; future economic conditions and performance; the development, customer acceptance and anticipated performance of technologies, products or services; satellite construction and launch activities; the performance and anticipated benefits of our ViaSat-2 and ViaSat-3 class satellites and any future satellite we may construct or acquire; the impacts on overall coverage area, planned services and financial results of the identified antenna deployment issue on the ViaSat-2 satellite; the expected completion, capacity, service, coverage, service speeds and other features of our satellites, and the timing, cost, economics and other benefits associated therewith; anticipated subscriber growth; plans, objectives and strategies for future operations, including the expansion of community Wi-Fi hotspot services; and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially include: our ability to realize the anticipated benefits of the ViaSat-2 and ViaSat-3 class satellites and any future satellite we may construct or acquire; unexpected expenses related to our satellite projects; our ability to realize the anticipated benefits of our strategic partnering arrangement with Eutelsat or any of our acquisitions; our ability to successfully implement our business plan for our broadband services on our anticipated timeline or at all; risks associated with the construction, launch and operation of satellites, including the effect of any anomaly, operational failure or degradation in satellite performance; our ability to successfully develop, introduce and sell new technologies, products and services; audits by the U.S. government; changes in the global business environment and economic conditions; delays in approving U.S. government budgets and cuts in government defense expenditures; our reliance on U.S. government contracts, and on a small number of contracts which account for a significant percentage of our revenues; reduced demand for products and services as a result of continued constraints on capital spending by customers; changes in relationships with, or the financial condition of, key customers or suppliers; our reliance on a limited number of third parties to manufacture and supply our products; increased competition; introduction of new technologies and other factors affecting the communications and defense industries generally; the effect of adverse regulatory changes on our ability to sell products and services; the effect of recent changes to U.S. tax laws; our level of indebtedness and ability to comply with applicable debt covenants; our involvement in litigation, including intellectual property claims and litigation to protect our proprietary technology; our dependence on a limited number of key employees; and other factors identified in our most recent reports on Form 10-K, 10-Q and 8-K and our other filings with the SEC. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to revise or update any forward-looking statements for any reason.

Corporate information

Board of directors

Mark Dankberg
Chairman of the Board and Chief Executive Officer

Richard Baldridge
President and Chief Operating Officer

Frank J. Biondi, Jr.
Senior Managing Director, WaterView Advisors LLC

Dr. Robert Johnson
Venture Capital Investor

Allen Lay
Private Investor

Dr. Jeffrey Nash
Private Investor

Sean Pak
Partner, Quinn Emanuel Urquhart & Sullivan LLP

Varsha Rao
Private Consultant

John Stenbit
Private Consultant

Harvey White
Chairman (SHW)2 Enterprises

Executive officers

Mark Dankberg
Chairman of the Board and Chief Executive Officer

Richard Baldridge
Director, President and Chief Operating Officer

Doug Abts
Vice President, Global Mobility

Marc Agnew
Vice President, Commercial Networks

Robert Blair
Vice President, General Counsel and Secretary

Girish Chandran
Vice President and Chief Technical Officer

Melinda Del Toro
Senior Vice President, People and Culture, and Chief People Officer

Bruce Dirks
Senior Vice President, Treasury and Corporate Development

Shawn Duffy
Senior Vice President and Chief Financial Officer

Kevin Harkenrider
Senor Vice President and President, Broadband Systems

Keven Lippert
Executive Vice President, Corporate Development and Chief Administrative Officer

Mark Miller
Executive Vice President and Chief Technical Officer

Ken Peterman
Senior Vice President and President, Government Systems

David Ryan
Vice President and President, Viasat Space Systems

Annual meeting

The 2018 Annual Meeting will be held at Viasat's headquarters, located at 6155 El Camino Real, Founders Hall, Carlsbad, California 92009 on September 6 at 8:30 a.m. Pacific Time.

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Investor relations

For investor information, financial information, SEC filings, and other useful information, visit our website at www.viasat.com. To obtain a printed copy of our Form 10-K without charge, or to receive additional copies of this Annual Report or other financial information, please contact our Investor Relations department at:

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