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Kratos Announces Award of BQM-177A Subsonic Aerial Target Drone System Low Rate Initial Production Contract of \$37,091,710 from U.S. Navy

SAN DIEGO, June 28, 2017 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS), a leading National Security Solutions provider, announced today that its Unmanned Systems Division (USD) was awarded an amendment to a previously awarded contract to exercise an option for Low Rate Initial Production Year 1 (LRIP 1) from the U.S. Navy, for BQM-177A Subsonic Aerial Target (SSAT) Drone Systems. The SSAT LRIP 1 order has an initial value of \$34,553,229. Coincident with the LRIP 1 order, Kratos was awarded a contract to provide Contractor Logistics Support (CLS); initial value of the CLS award is \$2,538,481 for fiscal 2017. In addition, separate contracts for Peculiar Support Equipment, Initial Systems Spares, External Payload Systems and Flight Consumables will follow shortly. Kratos' USD is at the forefront in the design, development, demonstration and delivery of Affordable, High Performance, Jet Powered Unmanned Aerial Tactical and Target Drone Systems. The BQM-177A is one of the highest performance unmanned aerial drone systems in the world today, with unmatched flight performance characteristics in multiple key mission areas. SSAT LRIP 1, which coincides with the Fiscal 2017 U.S. Department of Defense (DoD) Budget, is the initial annual production order for this unmanned aerial target drone system, which recently completed development. The Fiscal 2018 SSAT production order LRIP 2 is currently expected to be approximately 25 percent higher than Fiscal 2017 SSAT LRIP 1.

A photo accompanying this announcement is available at <http://www.globenewswire.com/NewsRoom/AttachmentNg/49dd9e0d-865b-46c5-8ba2-90cc11639438>

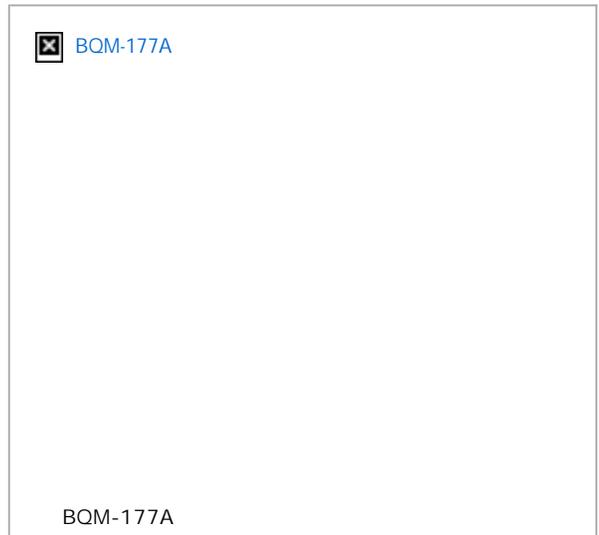
The SSAT Program is designed to meet the U.S. Navy's requirements for a new High Fidelity Target to replicate subsonic anti-ship cruise missile threats in direct support of fleet training and weapon system testing and evaluation. The BQM-177A will initially augment, and will eventually replace, the existing BQM-74E Chukar Targets and will deliver longer range, lower cruise altitudes and greater maneuverability.

The BQM-177A is based on Kratos' BQM-167X Aircraft, a derivative of the BQM-167A Skeeter Target currently being supplied to the U.S. Air Force. While leveraging legacy designs of the BQM-167A, the BQM-177A introduces a new fuselage with area ruling, high mounted wings and an internally integrated MicroTurbo TR-60-5+ turbo jet engine for reduced transonic drag. The BQM-177A can support various mission requirements by carrying a variety of internal and wing tip mounted payloads, including electronic counter measures, active and passive radar augmentation, infrared, identification friend or foe, internal chaff and flare dispensing, threat emitter simulators, smoke and scoring.

Steve Fendley, President of Kratos' Unmanned Systems Division, said, "We are extremely proud of the performance capabilities of this target aircraft, arguably the most capable and maneuverable low altitude high subsonic unmanned aircraft in existence. Transitioning to production is a significant milestone for our team and with this achievement it delivers a much needed capability to the Navy in supporting our country's National Security requirements."

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) is a mid-tier government contractor at the forefront of the Department of Defense's Third Offset Strategy. Kratos is a leading technology, intellectual property and proprietary product and solution company focused on the United States and its allies' national security. Kratos is the industry leader in high performance unmanned aerial drone target systems used to test weapon systems and to train the warfighter, and is a provider of high performance unmanned combat aerial systems for force multiplication and amplification. Kratos is also an industry leader in satellite communications, microwave electronics, cyber security/warfare, missile defense and combat systems. Kratos has primarily an engineering and technically oriented work force of approximately 2,900. Substantially all of Kratos' work is performed on a military base, in a secure facility or at a critical infrastructure location. Kratos' primary end customers are National Security related agencies. News and information are available at www.KratosDefense.com.



Notice Regarding Forward-Looking Statements

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of the management of Kratos and are subject to significant risks and uncertainty. Investors are cautioned not to place undue reliance on any such forward-looking statements. All such forward-looking statements speak only as of the date they are made, and Kratos undertakes no obligation to update or revise these statements, whether as a result of new information, future events or otherwise. Although Kratos believes that the expectations reflected in these forward-looking statements are reasonable, these statements involve many risks and uncertainties that may cause actual results to differ materially from what may be expressed or implied in these forward-looking statements. For a further discussion of risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to the business of Kratos in general, see the risk disclosures in the Annual Report on Form 10-K of Kratos for the year ended December 25, 2016, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

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