



Kratos Receives Sole Source, Single Award \$109 Million Maximum Value Three Year Production Contract for Air Force Subscale Aerial Target System (AFSAT) BQM-167A High Performance Unmanned Aerial Target Drone Systems

July 19, 2018

SAN DIEGO, July 19, 2018 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that it has negotiated and received an early effective date of 29 June 2018 for a one year sole source, single award, firm fixed price contract for Kratos' BQM-167A high performance, jet powered unmanned aerial target drone system. The contract includes two one year options for additional production lots. This contract award represents AFSAT Lots 14-16 (corresponding to over 16 years of production) and Contractor Logistics Support, with a possible maximum value of approximately \$109 million. Work will be performed at a Kratos manufacturing facility. Fiscal year 2018 procurement funds in the amount of \$27 million are being initially obligated at the time of award for thirty Lot 14 BQM-167A aerial targets and production support. Air Force Life Cycle Management Center, Eglin Air Force Base, Florida, is the contracting activity.

Kratos is the industry leading supplier of affordable, high performance unmanned aerial target drone systems to all branches of the U.S. military, and many nations around the world. Kratos is also a leading provider of affordable, high performance jet powered unmanned aerial drone systems for tactical applications and mission sets.

The BQM-167A is used by the United States Air Force (USAF) to test and evaluate air-to-air and surface-to-air weapons systems. The primary role of the BQM-167A is to provide USAF aviators with the world's most realistic and comprehensive end-to-end weapons-release evaluation and training. The versatile design of AFSAT supports an extensive range of mission requirements through its performance capabilities and wide array of payloads, which are contracted and procured separately.

Steve Fendley, President Unmanned Systems Division of Kratos, said, "We're thrilled about this most recent long-term contract to continue supporting our USAF customer with unparalleled subscale unmanned aerial target drone performance. The USAF is an extremely important customer to Kratos and we value the importance of the AFSAT system and in continuing to respond to the rapidly growing training and testing needs of the USAF."

Eric DeMarco, CEO of Kratos, said, "The receipt of this sole source contract for AFSAT production Lots 14 through 16 is a clear example of Kratos' strategy and business plan to rapidly develop, demonstrate and field affordable, leading technology platforms and systems which meet or exceed our customer requirements, which result in long term partnership relationships. Kratos' unmanned aerial target drone systems, including the BQM-167A, are the highest performance unmanned aerial systems in their class in the world, and are expected to be significant future revenue, profit and cash flow growth drivers for our Company."

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (NASDAQ:KTOS) develops and fields transformative, affordable technology, platforms and systems for United States National Security related customers, allies and commercial enterprises. Kratos is changing the way breakthrough technology for these industries are rapidly brought to market through proven commercial and venture capital backed approaches, including proactive research and streamlined development processes. Kratos specializes in unmanned systems, satellite communications, cyber security/warfare, microwave electronics, missile defense, hypersonic systems, training and combat systems. For more information go to 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 31, 2017, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

Press Contact:

Yolanda White
858-812-7302 Direct

Investor Information:

877-934-4687

investor@kratosdefense.com



Source: Kratos Defense & Security Solutions, Inc.