



Kratos Reports Inducement Grants Under NASDAQ Listing Rule 5635(c)(4) in Connection With Its Acquisition of Composite Engineering, Inc.

Restricted Stock Unit Grants to Serve as a Long-Term Retention Incentive for Key CEI Management

SAN DIEGO, July 2, 2012 (GLOBE NEWSWIRE) -- [Kratos Defense & Security Solutions, Inc.](#) (Nasdaq:KTOS), a leading National Security Solutions provider, today announced that in association with its July 2, 2012 acquisition of Composite Engineering, Inc. ("CEI"), and in accordance with NASDAQ Marketplace Rule 5635(c)(4), Kratos has granted restricted stock units ("RSU") as inducement grants to employees of CEI who are now joining Kratos. On July 2, 2012, 2,000,000 RSUs were granted, with a total of 515,000 RSUs to eight CEI employees who are now employees of Kratos and 1,485,000 RSUs to Michel Fournier, Executive Vice President of Kratos' Unmanned Systems Solutions Division. The RSUs cliff vest on the fourth anniversary of the closing of the CEI acquisition and serve as a long-term retention inducement for these key individuals. Each of these key CEI employees has also entered into a multi-year employment agreement with Kratos, reflecting their commitment to the combined organization.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) is a specialized National Security technology business providing mission critical products, services and solutions for United States National Security priorities. Kratos' core capabilities are sophisticated engineering, manufacturing and system integration offerings for National Security platforms and programs. Kratos' areas of expertise include Command, Control, Communications, Computing, Combat Systems, Intelligence, Surveillance and Reconnaissance (C5ISR), satellite communication systems, unmanned systems, cyber warfare, cyber security, information assurance, critical infrastructure security and weapons systems sustainment. Kratos has primarily an engineering and technical oriented work force of approximately 4,400, many of whom hold an active National Security clearance, including Secret, Top Secret and higher. The vast majority of Kratos' work is performed on a military base, in a secure facility or at a critical infrastructure location. Kratos' primary end customers are United States Federal Government agencies, including the Department of Defense, classified agencies, intelligence agencies and Homeland Security related agencies. News and information are available at www.KratosDefense.com.

The Kratos Defense & Security Solutions, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=3519>

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