

Kratos Awarded \$72.3 Million Award to Provide Unmanned Aerial Target Systems and Technical Support to the United States Air Force Subscale Aerial Target (AFSAT) Program Office

SAN DIEGO, Dec. 22, 2014 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that its subsidiary, Composite Engineering, Inc. (CEI), has received a \$72.3 million award, including options, from the Air Force Life Cycle Management Center, Armament Directorate, Test and Training Division, Aerial Targets Branch for delivery of three Lots of AFSAT target drones and technical support. The award includes the execution of an initial \$24.3 million order for Lot 11 aerial targets, non-recurring engineering, and support, with options for Lot 12 and Lot 13 totaling an additional approximately \$48 million. Contract performance, including options, is expected to be executed through 2018.

Specialized hardware and equipment in support of the contract will be provided by three Kratos entities:

- CEI, located in Sacramento, CA, will lead the effort and provide high performance aerial target drones and technical support.
- Micro Systems Inc., located in Ft. Walton Beach, FL, will supply the majority of the high performance avionics utilized on the target drone to include critical command and control and flight computer systems.
- Herley Industries, Inc., located in Lancaster, PA, will provide additional key avionic systems.

Performance on the contract will commence immediately, with deliveries scheduled to complete in 2018. CEI target drone systems are utilized as high fidelity enemy threat surrogates, simulating performance characteristics of certain threat aircraft and missiles, and are utilized by U.S. and allied militaries around the globe for weapons testing and training requirements. Kratos is a leading provider of high performance unmanned aerial drone and target systems, unmanned aerial, ground and sea platforms, command, control, avionics control and termination systems.

Jerry Beaman, President of Kratos' Unmanned Systems Division, said, "We are proud that the Air Force is continuing our partnership with this important award for an additional three production Lots. It is an honor to provide products and services that enable the Aerial Targets Program Office to provide reliable and threat representative targets and support that help hone the skills of our military pilots and aircrew."

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) is a specialized National Security technology Company providing mission critical products, solutions and services for United States National Security. 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, electronic warfare, unmanned systems, missile defense, cyber warfare, cybersecurity, information assurance, and critical infrastructure security. Kratos has primarily an engineering and technically oriented work force of approximately 3,600. 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, including risks related to product failure, general economic conditions and cutbacks in spending. 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. 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 29, 2013, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

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