

Kratos Composite Engineering, Inc. Receives \$20.2 Million Single Award Contract to Provide Unmanned Aerial Target Systems to Swedish FMV (Swedish Defence Material Administration)

Contract Includes \$11.9 Million Base Award and Options Through 2017 Valued Up to an Additional \$8.3 Million

SAN DIEGO, July 9, 2012 (GLOBE NEWSWIRE) -- [Kratos Defense & Security Solutions, Inc.](#) (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that its newly acquired subsidiary, Composite Engineering, Inc. (CEI), has received an \$11.9 million single award baseline contract from Swedish FMV for the supply of unmanned aerial targets and associated hardware to the Vidsel Test Range. 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, launch equipment, ground support equipment, spares, training, integration support and program management.
- Micro Systems Inc., located in Ft. Walton Beach, FL, will support the program by providing the command and control ground station, target test set and avionics utilized on the target drone.
- Herley Industries, Inc., located in Lancaster, PA, will provide high performance radar altimeters.

Performance on the baseline contract will commence immediately, with deliveries scheduled to complete in 2013. In addition to the baseline contract, options exercisable for hardware through 2017 are valued at up to an additional \$8.3 million. Unmanned aerial target drone systems are utilized as high fidelity enemy threat surrogates, simulating performance characteristics of the threat aircraft and missiles, by militaries around the globe for weapons testing and training requirements.

Richard Selvaggio, President of Kratos Unmanned Systems Solutions Division, said, "Providing target drones to the Swedish FMV marks yet another milestone in CEI's already impressive penetration into international markets. With this award, CEI products will support friendly forces from around the world that deploy to this international location for test and training activities. The systems we will provide are planned to remain in service for decades to come at one of the finest test and evaluation ranges in Europe, located near the Arctic Circle."

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, cyberwarfare, cybersecurity, 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>

About Composite Engineering, Inc.

CEI is a wholly owned subsidiary of Kratos specializing in the design, manufacture, test and operation of aerial target drone systems and composite structures. CEI provides a suite of aerial target drone systems to U.S. Department of Defense agencies and international defense programs that are used to test the effectiveness of air defense systems and train operators in employing air-to-air and surface-to-air missile systems. CEI's products are manufactured at a secure facility in Sacramento, CA, and the company has a workforce of approximately 400 employees. News and information are available at

www.compositeeng.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 general economic conditions and cutbacks in government 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 25, 2011, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

CONTACT: Press Contact:

Yolanda White

858-812-7302 Direct

Investor Information:

877-934-4687

investor@kratosdefense.com



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