



Kratos Defense & Security Solutions Reaches Agreement in Principle to Settle the 2004 and 2007 Shareholder Class Action Lawsuits; 2007 10-K Filing Delayed to Incorporate Settlement Into Financial Statements

Significant Milestone to be Reflected in 2007 Financials; March 17 Earnings Conference Call to be Rescheduled to Occur Within Two Weeks

SAN DIEGO, Mar 14, 2008 (PrimeNewswire via COMTEX News Network) -- Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS), a leading national defense and security solutions provider, today announced it has reached agreements in principle to settle civil litigation relating to two shareholder class action lawsuits filed against the Company in 2004 and 2007. As a result, Kratos will delay the filing of its fourth quarter and fiscal year 2007 financials on Form 10-K so that the Company can have adequate time to incorporate these recent developments into its financial statements. Kratos expects to file its financials on Form 10-K for the fourth quarter and fiscal year 2007 on or before March 28, 2008, within the timeline as prescribed under Rule 12b-25 of the Securities and Exchange Commission (SEC). The Company's financial earnings conference call, originally scheduled for March 17, 2008, will be rescheduled to occur within the next two weeks.

The settlement of the two class action lawsuits, both related to the Company's financial restatement activities in prior years and the Company's completed stock option review, represents a significant and positive development for Kratos by eliminating or reducing legacy legal actions, associated costs, expenses, cash outlays and management distraction. The Company estimates that its collective cash contribution to the two settlements will be approximately \$4 million, with the remainder to be paid by insurance. Further details about the settlements, including their impact on the Company's financial statements, will be described in the 10-K. The parties are beginning the process of documenting their agreements and then will seek determinations by the Court that the proposed settlements are fair, reasonable and adequate. Kratos makes no assurances at this time that the Court will approve the proposed settlements or that the matters ultimately will be settled, though the Company expects settlement to occur. Despite the tentative settlements reached in these two actions, Kratos continues to believe that the allegations lack merit. The previously disclosed shareholder derivative lawsuits filed in 2004 and 2007 remain pending.

As permitted according to rules of the Securities Exchange Act of 1934, Kratos plans to file Form 12b-25 with the SEC, a notification of late filing by a reporting company that determines that is unable to file a required periodic report when first due without unreasonable effort or expense.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) provides mission critical engineering, IT services and war fighter solutions for the U.S. federal government and for state and local agencies. Principle services include C5ISR, weapon systems lifecycle support, military weapon range and technical services, network engineering services, advanced IT services, security and surveillance systems, and critical infrastructure design and integration. The Company is headquartered in San Diego, California, with resources throughout the U.S. and in key strategic military locations. News and information are available at www.KratosDefense.com.

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

Notice Regarding Forward-Looking Statements

This news release and filing contains certain forward-looking statements including, without limitation, expressed or implied statements concerning the Company's expectations regarding the timing of filing of its Annual Report on Form 10-K and the anticipated settlement of the securities litigation. Such statements are only predictions, and the Company's actual results may differ materially. Factors that may cause the Company's results to differ include, but are not limited to: risks that the settlement will be delayed or that the Court will not approve the settlements; risks that unanticipated issues will arise in the completion of the Company's audit and Annual Report on Form 10-K; and risks associated with debt leverage, including the potential for the lender to declare an event of default based upon any of the events described in this release. The Company undertakes no obligation to update any forward-looking statements. These and other risk factors are more fully discussed in the Company's Annual Report on Form 10-K for the period ended December 31, 2006, the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2007, June 30, 2007 and September 30, 2007, and in other filings made with the Securities and Exchange Commission.

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