

Kratos Closes \$625 Million 7% Senior Secured Notes Offering and Refinancing

Cash Paid Interest Expense Reduced by \$18.75 Million Annually

Corporation's Free Cash Flow to Substantially Increase

SAN DIEGO, May 15, 2014 (GLOBE NEWSWIRE) -- Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that the refinancing of its \$625 million 10% senior secured notes due in 2017 has been completed, with newly issued \$625 million 7% senior secured notes due in 2019. The issuance of the 7% senior secured notes and refinancing will reduce the Company's annual cash paid interest expense by \$18.75 million per year for the next three years, the remaining term of the previously outstanding 10% senior secured notes. Additionally, an important feature of the new 7% senior secured notes provides the Company the ability to redeem, on a one-time basis, 10% of the principal at 103% in the first two years of the term. Kratos also announced today that it has replaced its existing \$110 million revolving line of credit with a new \$110 million revolving line of credit. SunTrust Robinson Humphrey, Inc. was sole book running manager for Kratos in the successful execution of this important strategic transaction and the lead arranger for Kratos' new revolving line of credit.

Eric DeMarco, President & CEO of Kratos, said, "The refinancing of our 10% notes at 7% and the resultant annual cash savings of \$18.75 million is incredibly important to our Company and our stakeholders. Investors were interested in our Company's long-term growth potential and prospects, particularly in our unmanned aerial systems and electronic products business areas, where we are currently making sizable internal investments in research and development related to several new, large program opportunities. Additionally, Kratos' investors and the rating agencies recognized that the Company is positioned on what are expected to be well funded and high-priority areas of U.S. National Security and the improved clarity regarding U.S. defense spending that has occurred in recent months."

Mr. DeMarco added, "The success of this transaction was also a result of SunTrust's flawless execution, and numerous of our existing debt holders and new investors to Kratos have commented on the defense industry knowledge, professionalism and expertise of SunTrust. SunTrust's execution was the best of any of Kratos' previous financing transactions, and I am confident no other institution could have achieved such an outstanding result for our Company. SunTrust is an important strategic partner of Kratos, and we look forward to working together for many years in the future."

Mr. DeMarco continued, "In late 2013, we explored a potential opportunistic refinancing of our senior secured notes, and we made the decision not to move forward as the financial and other terms and conditions available to our Company did not make sense at that time. Clearly, we made the correct decision not to execute the transaction in the fall. By waiting to refinance, we avoided an approximate \$45 million cash make whole payment, and we now have an interest rate and total cost of capital below what was available to us previously and the ability to pay down some debt, a top priority of the Company."

Mr. DeMarco concluded, "We remain focused internally -- on executing our strategic plan of building a leading intellectual property, technology and product based national security business and executing on several new and major program opportunities."

As a result of the refinancing transaction of the Company's existing 10% senior notes and existing Asset Based Loan (ABL) revolving line of credit, the Company currently expects to record one-time charges of approximately \$30 - \$35 million in its fiscal second quarter, comprised of the 5% call premium and the write-off of the existing issuance premium and deferred financing costs of the original financing transactions.

The 7% senior secured notes due 2019 described in this press release were offered only to "qualified institutional buyers" in reliance on the exemption from registration pursuant to Rule 144A under the Securities Act and to persons outside of the United States in compliance with Regulation S under the Securities Act. The notes have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

This press release is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy the notes or any other securities. The offering of notes was not made to any person in any jurisdiction in which the offer, solicitation or sale is unlawful. Any offers of the notes were made only by means of a private offering memorandum. This press

release should not be construed as a notice of redemption, offer or solicitation with respect to Kratos' outstanding 10% senior secured notes due 2017.

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 3,700. 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, cutbacks in spending, Kratos' ability to achieve the interest expense savings expected to arise from the refinancing of its outstanding 10% senior secured notes due 2017, and the amount of the one-time accounting charges expected to be recorded by Kratos in connection with such refinancing. 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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