



Kratos Defense & Security Solutions to Acquire DEI Services Corporation

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Addition of Leading Weapons Systems Training Simulator Developer Expands
Kratos Warfighter Learning & Performance Products and Services Portfolio

Transaction Expected to be Immediately Accretive

SAN DIEGO, August 11, 2010 -- Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that it has acquired DEI Services Corporation (DEI), a privately-held, premier provider of simulation and training devices to military customers.

Founded in 1996 and headquartered in Orlando, Florida, DEI designs, manufactures and markets full-scale training simulation products. In addition to the engineering and construction of physical simulators for air and ground military vehicles, the company provides instructional design, courseware creation, learning application programming and other supporting services. Among the company's most successful products are training and simulation solutions for fixed-wing aircraft (including the Tiger, Harrier and Prowler aircrafts), rotor-wing aircraft (including Blackhawk, Chinook and Sea Stallion helicopters) and Ground Combat Vehicles (including M1 Abrams Main Battle Tank and M2 Bradley Fighting Vehicle).

"With the acquisition of DEI, Kratos is taking another step toward delivering on our vision to provide a full suite of Workforce Learning, Performance and Training solutions to support the warfighter as well as our other defense, security and government customers," said Phil Carrai, President of Kratos' IT Solutions. "DEI has earned an exceptional reputation for the quality and effectiveness of their solutions and it is a pleasure to have them on our team."

DEI will operate as the Training and Simulations unit within Kratos' IT Solutions (ITS) Division. The ITS Division specializes in supporting network-centered defense, intelligence and government agencies and commercial customers with products and services that maximize Network Operations, Cyber Security, Enterprise Information Management and Workforce Performance.

"We are extremely excited to be joining forces with Kratos," said Jose A. Diaz, Founder and CEO of DEI, who will continue to lead the unit within Kratos. "We share the same dedication to excellence, to an entrepreneurial culture, and to supporting our customers with outcomes-based, technologically advanced learning solutions."

Completion of the transaction is effective immediately. DEI is expected to contribute at least \$15 to \$20 million of revenue in 2011. Net of certain expected excess DEI working capital items, and the assumption of debt, the base net purchase price is expected to be approximately \$6 million, or approximately 4X EBITDA. DEI's stockholders will also have the opportunity to achieve additional consideration if certain revenue, EBITDA and backlog amounts are achieved in 2010, 2011 and 2012, above agreed-to base amounts.

Eric DeMarco, Kratos' President and CEO, said, "From a strategic and operational standpoint, the acquisition of DEI is consistent with Kratos' weapons systems sustainment, upgrade and life cycle extension thesis. We believe that as existing, deployed and proven warfighter systems' life cycles are extended, and new technologies are inserted, additional opportunities for DEI's systems and solutions will be available. Financially, the transaction is expected to be immediately accretive, with an ultimate purchase price multiple of approximately 4X EBITDA to be paid in cash."

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) provides mission critical products, services and solutions for United States National Security. Principal products, services and solution offerings relate to and support C5ISR, weapon systems sustainment, military weapon range operations and technical services, network engineering services, information assurance and cyber security solutions, security and surveillance systems, and critical infrastructure security system design and integration. The Company is headquartered in San Diego, California, with resources located throughout the U.S. and at 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.globenewswire.com/newsroom/prs/?pkgid=3519>

Notice Regarding Forward-Looking Statements

This news release contains certain forward-looking statements including, without limitation, expressed or implied statements concerning the Company's expectations regarding the amount of revenue that will ultimately be recognized under the contract described in this release. 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 customer will curtail or delay the work under the contract; risks of adverse regulatory action or litigation; risks associated with debt leverage; risks that changes or cutbacks in spending by the U.S. Department of Defense may occur, which could cause delays or cancellations of key government contracts; and failure to successfully consummate acquisitions or integrate acquired operations and competition in the marketplace which could reduce revenues and profit margins. 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 27, 2009, the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2010, and in other filings made with the Securities and Exchange Commission.

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