



July 11, 2016

Kratos Receives Low-Cost Attributable Strike Unmanned Aerial System Demonstration Contract Award

Base Cost-Share Contract Award of \$40.8 Million, with Potential Additional Government Funded Technology Spirals of Approximately \$100 Million

SAN DIEGO, July 11, 2016 (GLOBE NEWSWIRE) -- [Kratos Defense & Security Solutions, Inc.](#) (Nasdaq:KTOS), a leading National Security Solutions provider announced today that its Unmanned Systems Division (KUSD) recently received a competitive, \$40.8 million single award, cost-share contract by the Air Force Research Laboratory (AFRL) for the Low-Cost Attributable Strike Unmanned Aerial System (UAS) Demonstration (LCASD). This contract award is the result of a competitive acquisition with seven competitors. Under the contract award, KUSD will design, develop, deliver, demonstrate and test a technical baseline for a high-speed, long-range, low-cost, limited life-strike UAS. Additional elements of the LCASD program include the identification of key enabling technologies for future low-cost attributable aircraft demonstrations, and the provision of a vehicle for future capability and technology demonstrations. Under the \$40.8 million cost-share contract, Kratos will receive \$7.3 million in Government funding, and invest up to \$33.5 million over the approximate 30 month period of performance. For the Company's investment, Kratos will retain hard and other assets including aircraft, related support and other equipment, and important intellectual property, software, data, platform, and system rights. Additionally, planning by AFRL includes a desire to further evolve the system via subsequent technology maturation Government funded spirals valued at approximately \$100 million.

The LCASD system KUSD will provide represents a configurable design for multiple variants anticipated to perform various missions that could require Nap-of-The-Earth (NOE) Flight, Cruising at High Altitudes, Defensive Counter Air (DCA) Maneuvers, Offensive Counter Air (OCA) Maneuvers, the Suppression of Enemy Air Defenses (SEAD) and the Destruction of Enemy Air Defenses (DEAD). Additionally, the System will also incorporate performance capability including extreme agility for missile avoidance maneuvers for improved survivability. The Kratos LCASD design will meet or in certain cases significantly exceed the following stated Air Force goals for the program:

- | UAS Acquisition Cost: \$3 million or less for the first unit up to 99 units, and \$2 million or less for 100 or greater unit quantity purchases.
- | 1,500 nautical mile mission radius with a 500 lb. payload.
- | Capable of Mach 0.9 Dash.
- | Maximum G load limits, maneuver rates, and subsystem environmental suitability.
- | Internal weapons capability; sized to carry and deliver at least two GBU-39 small diameter bombs.
- | Runway Independent Take-off and Landing capability.
- | Emphasis on the use of Commercial-Off-The-Shelf (COTS) materials, sub-systems, manufacturing processes, and open mission system architecture concepts.
- | Tactical consideration of the vehicle shape, elimination of gaps and mismatches, and aero-structural inlet integration.

Jerry Beaman, President of Kratos Unmanned Systems Division, said, "The LCASD program is another important step in establishing Kratos in the growing Tactical Unmanned Aerial Vehicle marketplace, with survivable, high performance, mission flexible, tactical platforms designed to counter the potential adversaries of today, and the future."

Eric Demarco, President and CEO of Kratos Defense & Security Solutions, Inc., said, "The LCASD contract award is one of the most important Unmanned Tactical Aerial System awards for Kratos to date, and we are honored to have been selected in a very competitive process. With this win, Kratos has now received each of the most recent high performance unmanned tactical or combat aerial system awards to date, including a DARPA Gremlins Prime win, and a separate Tactical UAS win, which we believe validates our strategy, technology, capabilities and cost effectiveness in the Combat UAS arena. Additionally, and most importantly, we believe that this Government-Industry partnership will result in the demonstration of arguably the world's most capable and affordable long-range strike UAV."

Mr. DeMarco went on, "Similar to other Kratos unmanned drone systems, with LCASD, Kratos' strategy includes an internally funded investment over the approximate three year initial contract period of performance, for which our Company will own and retain aircraft, support equipment, software, other assets, and intellectual property, all of which we believe will be critically important and valuable over the expected long term life of this platform, including future production. We believe that the LCASD aircraft will be an incredibly important strategic platform for multiple users once developed, reflected by the

production quantity purchase price targets of \$3 million per aircraft for block order quantities below 99 units, and \$2 million per aircraft for block quantity order buys of 100 units or more. The potential multiple year revenue, profitability and cash flow opportunity of this program and platform is significant, and Kratos' winning approach and technology resulted in success for this highly competed contract award."

Mr. DeMarco continued, "Also importantly, investments we have been making in the manned-unmanned teaming technologies area will all play together as we work with U.S. DoD entities to shape future capability sets. We believe that ever present budget pressures placed on the U.S. DoD, coupled with Kratos' proven and affordable technologies which we have demonstrated we can field in very short time periods, including Kratos' UTAP-22 Tornado UAS, positions the Company well for participation in this growing and new market space."

Mr. DeMarco concluded, "Kratos' award of LCASD is another significant milestone in our building a leading high performance tactical unmanned combat aerial system business. With the success and progress we have made with AFRL LCASD, DARPA Gremlins, UTAP-22, an additional recent tactical UAS award, other opportunities, and the multiple new unmanned aerial target drone system production programs that we expect to begin later this year and in 2017, we expect increasing future revenues, Adjusted EBITDA profitability and cash flow. Accordingly, we now have a very clear path for the business with significant near, mid and long term growth opportunities."

Kratos will provide additional details on the LCASD award, Kratos' investment and the related aircraft, other assets and intellectual property Kratos will retain during the Company's second quarter earnings conference call.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (Nasdaq:KTOS) is a mid-tier government contractor at the forefront of the Department of Defense's Third Offset Strategy. Kratos is a leading technology, intellectual property and proprietary product and solution company focused on the United States and its allies' national security. Kratos is the industry leader in high performance unmanned aerial drone target systems used to test weapon systems and to train the warfighter, and is a provider of high performance unmanned combat aerial systems for force multiplication and amplification. Kratos is also an industry leader in satellite communications, microwave electronics, cyber security/warfare, missile defense and combat systems. Kratos has primarily an engineering and technically oriented work force of approximately 2,700. 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. 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. Although Kratos believes that the expectations reflected in these forward-looking statements are reasonable, these statements involve many risks and uncertainties that may cause actual results to differ materially from what may be expressed or implied in these forward-looking statements. 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 27, 2015, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

Press Contact:

Yolanda White

858-812-7302 Direct

Investor Information:

877-934-4687

investor@kratosdefense.com

 [Primary Logo](#)

Source: Kratos Defense & Security Solutions, Inc.

News Provided by Acquire Media