



March 16, 2017

Kratos Advances to Gremlins Phase II as Subcontractor on Dynetics Team

Kratos Playing Key Role in Designing, Developing, and Leading Production of Prototype Gremlin Unmanned Aerial Vehicles

SAN DIEGO, March 16, 2017 (GLOBE NEWSWIRE) -- [Kratos Defense & Security Solutions, Inc.](#) (Nasdaq:KTOS), a leading National Security Solutions provider, announced today that its subsidiary, Composite Engineering, Inc. (CEi), is a subcontractor to Dynetics, which has been selected for award on Phase II of the Defense Advanced Research Projects Agency (DARPA) / Air Force Research Laboratory (AFRL) Gremlins program. Under the Phase II contract, CEi will be a critical team member and will support Dynetics by designing, developing and building prototype Gremlin Unmanned Aerial Vehicles (UAVs), tooling, and support equipment, as well as developing performance analyses, supporting subsystem testing, and planning for potential future phases.

DARPA Gremlins Phase I was awarded to four contractors, with Kratos being on two of the Phase I winning teams, one as prime contractor, and one as team member and subcontractor to Dynetics. The Gremlins Phase II down select was planned for two of the Phase I awardees; with the final Phase, Phase III, planned to be awarded to a single contractor. The goal of the Gremlins program is to demonstrate safe and reliable aerial launch and aerial recovery of multiple unmanned aircraft, capable of employing and recovering diverse distributed payloads in volley quantities.

Steve Fendley, President of Kratos' Unmanned Systems Division, said, "The Gremlins program, and specifically the Gremlin UAVs, have been a key element of our strategic focus for expanding our Tactical UAV family of products. We believe the Gremlin UAVs and operational concept substantially increase the utility of tactical UAVs as compared to today's operations and will greatly enhance our warfighter's capability through both technology and, more importantly, quantity of unmanned aircraft, i.e., mass. Needless to say, our entire organization was thrilled when Kratos received two of the four Gremlins Phase I awards last year, one as a prime and the other as a subcontractor, which we believed was testimony to Kratos' ability to quickly develop, design, prototype and produce high performance UAVs for a low cost. We are now equally excited about Kratos' advancement to Gremlins Phase II with Dynetics, one of the industry leaders in complex system engineering and integration, which we believe further validates Kratos' unique capabilities in the high performance UAV area."

Mark Miller, the Dynetics Program Manager for Gremlins, said, "Kratos/CEi is a very important part of our Gremlins team. Our corporate cultures align well, and our capabilities complement one another. The expertise and experience they bring in rapid development of low-cost, re-usable, composite airframes combined with an innovative, agile, design team is exactly what this fast-paced program requires."

Eric DeMarco, President and CEO of Kratos, said, "As a leading innovator of cutting-edge technology in the Unmanned Aerial Systems arena, and in line with our future objectives and internal development efforts over the past several years, Kratos is continuing to broaden our offering of high-performance unmanned jet aircraft, to include the Gremlin UAV, which fits a performance and cost niche comfortably inside our current range of target and tactical unmanned aircraft. We have consistently demonstrated our success in rapidly designing and delivering low cost, high performance unmanned jet aircraft, and we see this as critical with respect to the Gremlins requirement. Our strategic focus is consistent with the Department of Defense's Third Offset Strategy, which emphasizes the need to rapidly prototype innovative technologies to counter emerging threats and provide the United States with an asymmetric advantage over our adversaries. This announcement is an exciting step forward for Kratos in our partnership with Dynetics. Kratos will do everything possible to support Dynetics in making Gremlins a successful program, and I look forward to continuing to work and support as a leader in the UAS market."

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 the warfighter, and 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 2,900. 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 25, 2016, and other filings made with the SEC by Kratos.

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Source: Kratos Defense & Security Solutions, Inc.

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