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Kratos Receives Lot 13 Option Exercise, Valued at \$22.3 Million, to Provide Unmanned Aerial Target Systems to the United States Air Force Subscale Aerial Target (AFSAT) Program Office

SAN DIEGO, March 13, 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), received Lot 13 production option exercise, valued at \$22.3 million, on the previously awarded Air Force Subscale Aerial Target (AFSAT) Lots 11-13 production contract. CEi will provide an additional quantity of 25 AFSAT production target aircraft, plus the associated warranty. Work will be performed primarily at the company's Sacramento, California production facility. The Air Force Life Cycle Management Center, Eglin Air Force Base, Florida, is the contracting activity.

The contract will be performed by the Kratos Unmanned Systems Division, comprised of CEi and Micro Systems, Inc. (MSI):

- | CEi, located in Sacramento, CA, will lead the effort and provide high performance aerial targets and associated technical support.
- | MSI, located in Ft. Walton Beach, FL, will supply the majority of the high performance avionics utilized on the target aircraft to include critical command / control and flight computer systems.

CEi target systems are used as high fidelity enemy threat surrogates, simulating performance characteristics of certain threat aircraft and missiles, and are utilized by U.S. and allied militaries around the globe for weapons testing/development and training requirements. Kratos is a leading provider of high performance unmanned aerial target systems, unmanned aerial ground and sea platforms, command, control, avionics control, and flight termination systems.

Steve Fendley, President of Kratos' Unmanned Systems Division, said, "We are excited about this 13th consecutive option year of production of our BQM-167A system and are especially proud that the Air Force has been increasing the number of flights and mission requirements for our high performance aerial target system. It is an honor to provide products and services that enable the Aerial Targets Program Office to provide reliable, threat representative targets that support warfighter training and weapon system development for the DoD."

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 in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by Kratos.

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