



OUR BEST YEAR YET



2007 ANNUAL REPORT

OUR BEST YEAR YET

FINANCIAL HIGHLIGHTS

(Millions except per-share data)

Fiscal Year Ended March 31,	2007	Increase	2006	Increase	2005
Revenues	\$ 2,821.1	63%	\$ 1,735.5	33%	\$ 1,308.6
Operating income ¹	\$ 307.6	60%	\$ 192.7	35%	\$ 143.1
Earnings from continuing operations	\$ 127.1	56%	\$ 81.5	40%	\$ 58.1
Net earnings ^{2,3}	\$ 127.1	56%	\$ 81.5	34%	\$ 60.7
Earnings per share from continuing operations					
Basic	\$ 3.19	16%	\$ 2.75	28%	\$ 2.15
Diluted	\$ 3.12	17%	\$ 2.67	28%	\$ 2.09
Weighted average number of shares of common stock outstanding					
Basic	39.9	35%	29.6	9%	27.1
Diluted	40.8	33%	30.6	10%	27.8
Stockholders' equity	\$ 1,502.5	11%	\$ 1,351.6	101%	\$ 671.4
Earnings before interest, taxes, depreciation and amortization (EBITDA) ⁴	\$ 382.5	60%	\$ 239.4	32%	\$ 181.2
Free cash flow ⁴	\$ 139.3	22%	\$ 113.9	12%	\$ 101.7
Bookings	\$ 3,489.2	61%	\$ 2,172.9	52%	\$ 1,433.0
Backlog	\$ 3,037.9	27%	\$ 2,396.1	82%	\$ 1,314.8

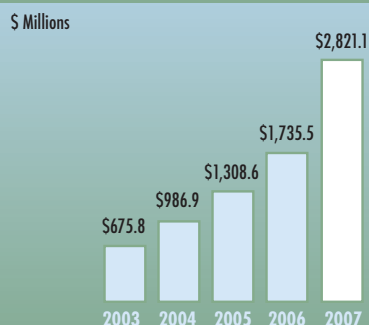
¹ Fiscal 2005 includes the impact of a \$6.5 million litigation charge in connection with the Company's May 4, 2005 \$7.5 million settlement agreement with Miltope Corporation and IV Phoenix Group, Inc.

² Effective April 1, 2006, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" (SFAS 123R), which reduced fiscal 2007 net earnings by \$3.9 million.

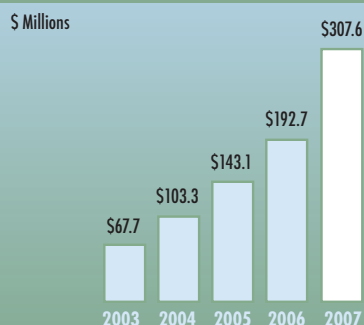
³ Fiscal 2007 net earnings include cumulative discrete tax benefits of \$11.6 million, and fiscal 2006 net earnings include a favorable tax adjustment of \$3.0 million.

⁴ See Management's Discussion and Analysis of Financial Condition and Results of Operations, Use of Non-GAAP Financial Measures, for additional information regarding EBITDA and free cash flow.

REVENUES



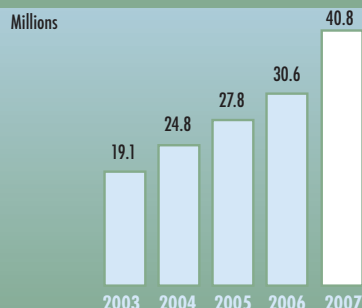
OPERATING INCOME



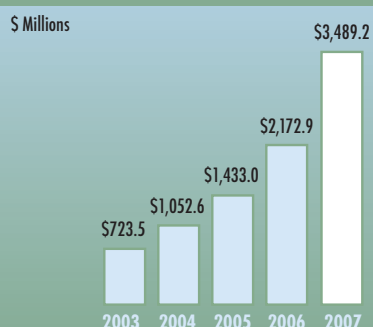
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS



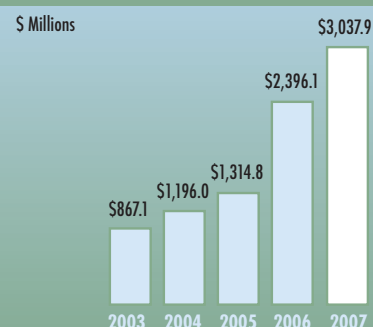
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING



BOOKINGS



BACKLOG



DEAR FELLOW STOCKHOLDERS:



Mark S. Newman
Chairman of the Board,
President and Chief Executive Officer

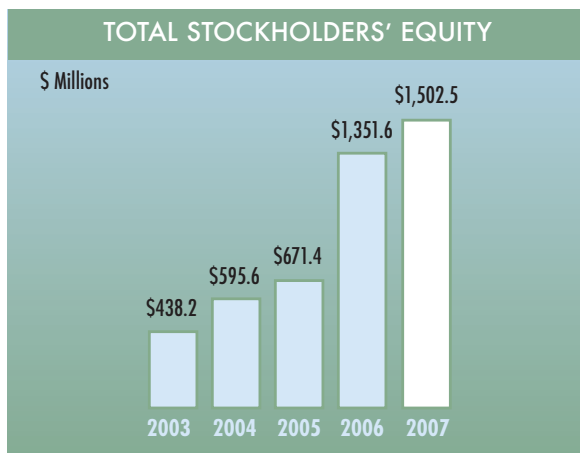
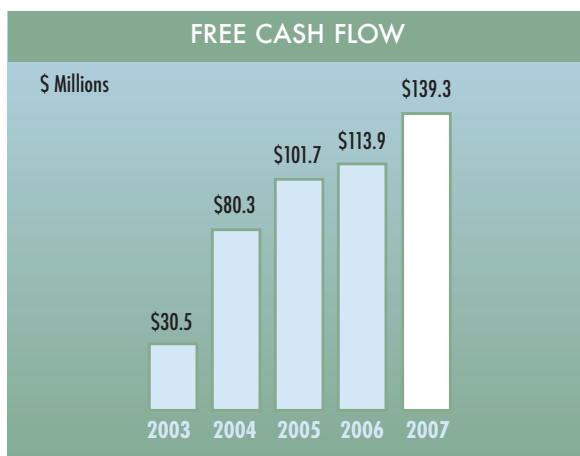
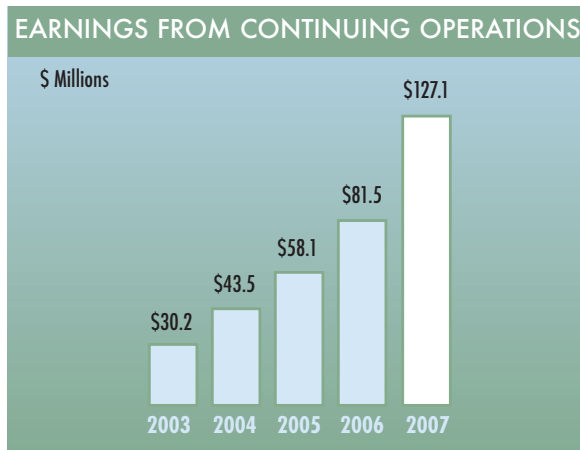
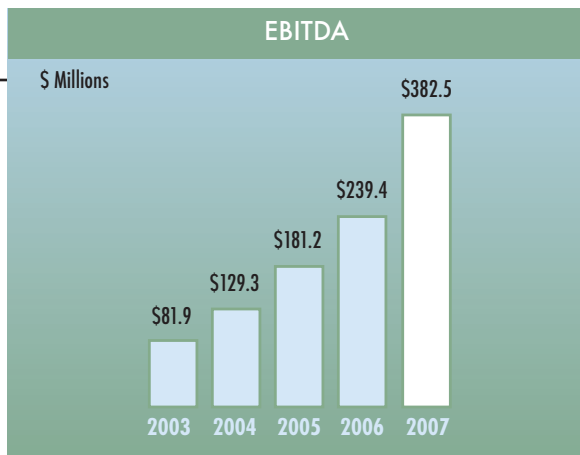
Fiscal 2007 was the most successful year to date for DRS Technologies. We reported record financial results, undertook and substantially completed the integration of a major acquisition comprised of 14 distinct operations, realigned the Corporation into four new operating segments, booked more new orders for products and services than ever before, and, for the first time, achieved status as one of the top 20 defense contractors in the United States.*

In an industry environment supported by strong government funding in areas where we have expertise, DRS continues to make significant progress toward advancing our competitive standing. During the fiscal year, we forged new relationships, building on our reputation as a technology innovator, aligned the Company with and responded quickly to our customers' priorities, and demonstrated our ability to be a desirable partner and strong asset within the aerospace and defense industry. With a program portfolio more diversified than ever before, the Company remains strategically positioned to provide superior products, systems, services and integrated solutions to military, government intelligence and homeland security customers to help them achieve maximum readiness for tomorrow and address the complex challenges facing them today.

Driving Financial Performance – A Sharp Focus on Execution

Strong operational execution is the centerpiece of our corporate strategy. DRS has achieved excellent five-year compound

* DRS Technologies was ranked 17 among U.S. defense contractors and 28 worldwide, as published by Defense News' "Top 100 Defense Contractors," July 2006.



aggregate growth rates of 40% for revenues, 44% for operating income and 17% for diluted earnings per share (EPS). In keeping with this high level of performance, we were pleased to report that the Company's fiscal 2007 financial results set new records, with substantial increases in key metrics across the board.

Revenues for the fiscal year ended March 31, 2007 increased 63% to \$2.82 billion, reflecting the benefit of a full year of sales from our January 31, 2006 acquisition of Engineered Support Systems, Inc. (ESSI), as well as strong organic growth.

Operating income rose 60% over the prior fiscal year to \$307.6 million on a strong, consolidated 10.9% operating margin, despite a higher portion of typically lower-margin services sales generated by our Technical Services Segment, which was part of the business acquired with ESSI.

Once again, we substantially increased net earnings over the prior year's results. Fiscal 2007 net earnings were up 56% to \$127.1 million, even after being reduced by \$3.9 million from the application of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" (SFAS 123R), effective for us on April 1, 2006. Favorably impacting fiscal 2007 net earnings was \$11.6 million in discrete cumulative tax benefits. Diluted EPS of \$3.12 was 17% higher than a year ago.

Free cash flow was especially strong at \$139.3 million, up 22% from a year earlier. We used this strong free cash flow to pay down the outstanding balance of our \$400.0 million revolving credit facility and reduce total debt by \$45.2 million as of our year-end balance sheet. Focusing on de-levering the Company, we are targeting 4.0 times debt to EBITDA (earnings before interest, taxes, depreciation and amortization) as our goal by the end of fiscal 2008.

Operating Efficiently – Realigning to Better Serve Our Customers

Through a disciplined strategy, DRS has been recognized for drawing value from acquired businesses that either complement or supplement our diversified program base. We have accomplished this in part by effectively integrating these new operations and by transforming our legacy operations, as well.

During fiscal 2007, we created a new operating organization that aligned all of our businesses into four

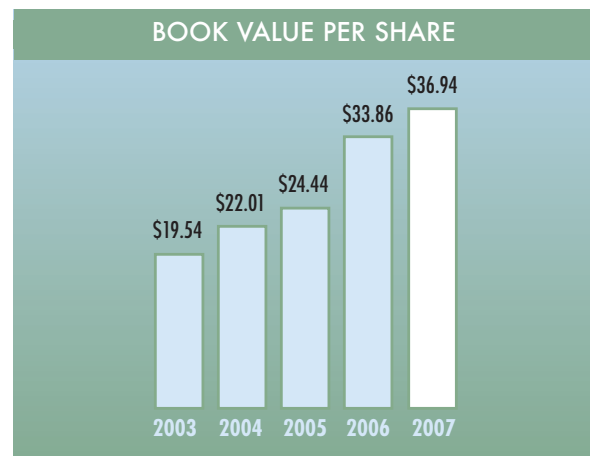
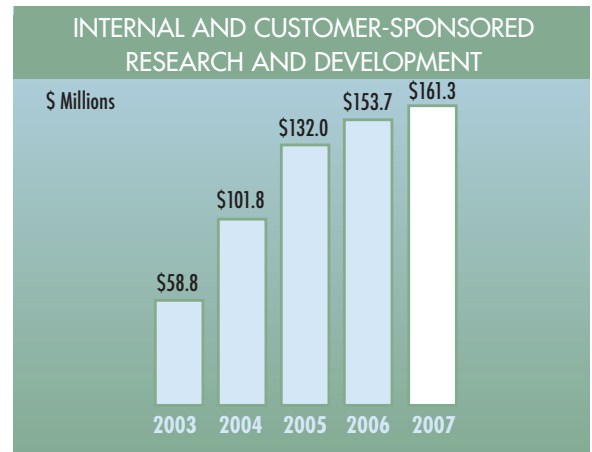
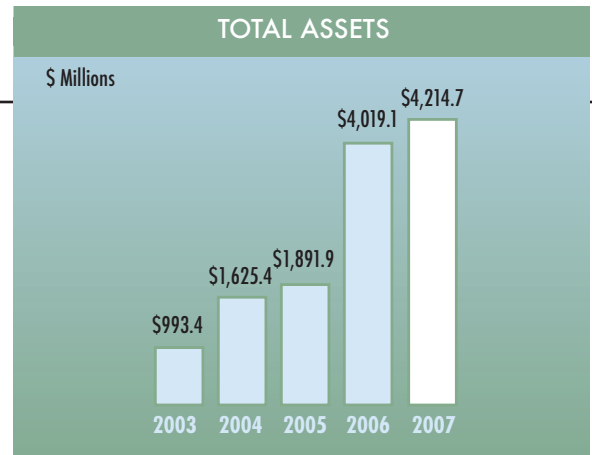
operating segments to meet current and future defense and homeland security challenges and address growth opportunities. These are the Command, Control, Communications, Computers and Intelligence (C4I) Segment; the Reconnaissance, Surveillance & Target Acquisition (RSTA) Segment; the Sustainment Systems Segment; and the Technical Services Segment.

This new organization was designed to support our initiative to integrate and consolidate the 14 operating units of ESSI into seven, as well as reposition DRS's operating units, bringing together operations with similar customers and complementary lines of business. Our new structure has provided greater transparency by streamlining the organization and reducing operational management infrastructure. By this action, we have created a more customer-centric organization, allowing us to sharpen our focus to better serve the Company's diverse customer base, while improving cost competitiveness and enhancing our ability to rapidly address new opportunities. In line with this new organization, we have encouraged inter-segment cooperation and the development of joint initiatives to pursue new business opportunities. Evolving from a shared culture and a common focus on providing value-added solutions for our customers, the highly productive environment we are developing will be a critical component of our continued success and future growth.

DRS consistently seeks better ways to conduct business with customers, and the management team encourages our operations to identify cross-segment synergies and combine efforts to offer a total solutions package. Each DRS segment has implemented initiatives to address these objectives to ensure sustainable long-term performance for our customers and stockholders.

Capturing New Contracts – the Key to Our Future

A key part of our strategy for growth is to capture new contracts that will fuel future revenues. Striving to align the Company with our customers' priorities, DRS pursues contracts that inject upgraded technology into military systems and platforms to support force modernization. We also compete for new contracts that will develop future capabilities. During fiscal 2007, DRS secured a record \$3.49 billion in new orders for products and services, 61% higher than bookings for last fiscal year, and funded backlog climbed to a year-end record of \$3.04 billion,



27% above the level posted at the same time a year ago. This strong backlog provides us with a solid foundation for future growth and good visibility for revenue expectations in fiscal 2008.

Each of our operating segments was awarded many important contracts during the fiscal year, but I will highlight just a few of the significant ones.

For the U.S. Army's Force XXI Battle Command, Brigade and Below (FBCB2) program, our C4I Segment received contracts valued at \$175 million during fiscal 2007. Installed inside more than 40 types of U.S. Army and Marine Corps ground vehicles, at tactical operations centers and at other command post platforms, these systems support the Army's critical Blue Force Tracking requirements, which help identify friend from foe, and are incorporated into the military's overall battlefield visualization efforts. DRS-built systems provide a seamless flow of battle command information, navigation and interoperability with external command and control and sensor systems. The 40,000 FBCB2 systems DRS has delivered to date are serving as crucial assets in the Army's network-centric communications infrastructure supporting the battlefield.

The C4I Segment also was selected for a new \$186 million contract to design Integrated Fight Through Power (IFTP) systems for the U.S. Navy's next-generation DDG-1000 Zumwalt-class destroyers. Our innovative IFTP solution offers proven technology that provides lighter, smaller and more power-dense equipment than any other available today for ship electrical architectures. Our advanced power conversion technologies facilitate the Navy's vision of affordable, common, integrated power systems for future warships, and DRS has become an important strategic supplier of next-generation integrated power systems to the U.S. shipbuilding industry.

Our RSTA Segment experienced high demand to outfit Army ground vehicles with advanced infrared technology that provides our troops with the ability to see clearly without visible light so they can act first in battle. Our RSTA Segment booked a record \$361 million in combined contracts to equip U.S. Army Abrams Main Battle Tanks, Bradley Fighting Vehicles and Scout vehicles with leading edge infrared sighting and targeting systems through such programs as the Improved Bradley Acquisition System, Horizontal Technology Integration and Long-Range Advanced Scout Surveillance System.

RSTA also received new orders totaling \$69 million for Driver Vision Enhancers under a multi-year contract to populate ground vehicles of all types with this lightweight infrared capability that supports increased mobility, survivability and situational awareness for ground combat operations. DRS has demonstrated exceptional performance on this program, successfully increasing production to meet the urgent needs of the Army.

Reflecting the critical need for portable electrical power sources to support troops and equipment on the battlefield, our Sustainment Systems Segment received \$114 million in new awards during fiscal 2007 for U.S. Army and Marine Corps Tactical Quiet Generators and other power generators. This equipment provides America's war fighters with a reliable, lightweight, low-noise, mobile power source that can be used in remote locations wherever electrical power is needed for training missions, peacekeeping efforts and combat operations.

During the fiscal year, this segment also was awarded a five-year \$109 million contract to provide Environmental Control Systems to replace those used for the electronic equipment and personnel of the U.S. Air Force's Minuteman III Intercontinental Ballistic Missile launch, missile-alert and training facilities. Our systems will provide environmental control to 500 operational launch facilities, 50 missile alert facilities, 10 Air Force base sites and 23 trainer facilities, and will operate through 2020. Through this program, DRS is supporting one of the most critical elements of the United States' strategic deterrent forces.

DRS provides a wide range of end-to-end integrated communications solutions to our customers, including deployable, satellite-enabled, command and control connectivity for expeditionary commanders, war fighters, logisticians, coalition forces and others. Our Technical Services Segment currently provides approximately 25% of all of the commercial satellite bandwidth for the Department of Defense. In fiscal 2007, this segment received \$157 million in new orders under the Defense Communications and Army Transmission Systems (DCATS) program. With our extensive track record in the design and operation of communications systems, network management and support, our advanced technical engineering and service solutions have enhanced DRS's reputation as a reliable, proven resource to the military.

Add-on vehicle armor, critical to our troops in the current conflicts in Southwest Asia and produced by our Technical Services

Segment under \$37 million in new fiscal 2007 orders, is being provided as up-armor protection for more than 1,000 commercial trucks. Our up-armor product line provides increased crew safety with the least impact to vehicle performance and at reduced costs, since the armor is easily installed and removed, and parts are replaceable without removing the armor from the vehicle.

SBI_{net}, a landmark program of the Department of Homeland Security (DHS) under its Secure Border Initiative (SBI), was awarded in fiscal 2007 to The Boeing Company-led team of which DRS is an important part. This program is a comprehensive plan to ultimately control over 6,000 miles of America's borders with Mexico and Canada, stemming the flow of illegal entries. It will help the DHS and U.S. Customs and Border Protection better detect, identify, classify, respond to and resolve attempted illegal entries across the northern and southern borders of the continental United States. The program integrates multiple state-of-the-art technology and traditional security infrastructure, resulting in a comprehensive border security suite of capabilities. DRS is working closely with Boeing on the initial phase of SBI_{net}, which covers 28 miles of southern border near Tucson, Arizona, and we are providing surveillance towers, infrared cameras, sensors and subsystem integration. This test bed is serving as a model for further rollouts and funding.

These and many other awards received by DRS in fiscal 2007 have provided a strong foundation for revenue generation in fiscal 2008 and beyond.

Enhancing Our Leadership – Building a Strong Board

During fiscal 2007, we welcomed retired General Charles G. Boyd, U.S. Air Force, to our board of directors, increasing the total number of members to 11. The President and Chief Executive Officer of Business Executives for National Security (BENS) since 2002, General Boyd completed an inspiring 35-year military career, which included serving as a combat pilot and surviving 2,488 days as a prisoner of war in Vietnam, as well as serving as Deputy Commander in Chief of U.S. forces in Europe. As the former Executive Director, U.S. Commission on National Security/21st Century (Hart-Rudman Commission), among other distinguished positions he has held, General Boyd's broad knowledge of national security issues has been a great asset to our Company.

Increasing Research and Development – Investing in Our Future

We continue to recognize the importance of developing leading edge technologies that strengthen our competitive position, as well as offer our customers state-of-the-art advanced technology solutions. As a leading provider of innovative defense technologies, we placed strong emphasis on research and development in fiscal 2007, with combined expenditures of \$161.3 million for internally and customer-funded research and development. This investment reflects a five-year compound aggregate growth rate of 29%.

Promoting Superior Performance – Attracting, Developing and Retaining Outstanding Talent

Through our Company-wide internal leadership initiative, DRS promotes a superior performance culture, encouraging each employee to commit to excellence and continual self improvement. Under our performance-based management system, we reward employee contributions to the Company's success and maximize available opportunities for individual growth through a range of programs for employees, such as tuition reimbursement, our mentorship program and various other training programs. To inspire the children of our employees, we have implemented the DRS Merit Scholarship Fund, which includes several annual scholarship awards plus a special award for the study of engineering or other sciences. Our strong belief in education also leads the Company to annually fund several sponsorship opportunities to support higher education programs for less fortunate children and young adults in local communities and inner cities.

A mainstay of our superior performance culture is our Corporate Ethics program. DRS places the highest importance on our reputation for professional and ethical conduct, including honesty, integrity and high standards. We are committed to the ideas, principles and procedures of this program and are dedicated to safekeeping our hard-earned reputation, recognizing it as one of our greatest assets.

Taking Action As Solid Corporate Citizens – Good People Doing Good Things

Good corporate citizenship is a DRS core value upheld every day by our employees through countless instances of volunteering their time and efforts and generously pledging donations to help those less fortunate.

In previous years, DRS employees overwhelmingly supported the Intrepid Fallen Heroes Fund to financially help surviving families of American military killed in combat. They also fully supported the Center for the Intrepid, the opening of which I had the pleasure of attending in January, along with approximately 3,200 others, including senior military and government officials, philanthropists and many of our wounded. Through employee and Company donations, DRS funded the construction of the rehabilitation aquatic center of the new Center for the Intrepid, Brooke Army Medical Center at Fort Sam Houston in San Antonio, Texas, for catastrophically wounded soldiers returning from combat in Iraq and Afghanistan, U.S. veterans of past conflicts and other severely wounded soldiers. The Center ensures they receive the best possible medical treatment, physical rehabilitation, training and care.

This year, our employees and the Company have joined forces to become a sponsor to support our troops through the USO's Operation Enduring Care program, which will deliver basic essential supplies to injured military personnel as they recover, making their lives a little easier and more comfortable. Knowing that the exceptional people of DRS are once again rising to the occasion to give to our wounded heroes the help they need makes me proud to support the initiatives of the DRS Technologies Charitable Foundation and grateful that we can make a difference in their lives.

Keeping All of Our Stakeholders in Mind – Delivering Value

Our strong fiscal 2007 performance is a result of our continued emphasis on the importance of customer focus, program execution and a culture that supports the drive for continual improvement. The Company's record year-end backlog provides us with good visibility as we move into fiscal 2008, which we expect to be another strong year, and reflects our competitive standing, the high demand for our offerings and a well-funded industry environment that continues to provide many promising opportunities for our diversified mix of systems, services and integrated solutions.

Over the years, DRS has assembled the right competencies – those that help the military keep pace with ever evolving technologies and those that help them stay ahead of the changing threats to national security and our military. We have built our reputation on focusing our resources on customer priorities, listening to their concerns and rapidly responding to resolve them. We have extended our network to become a valued and sought-after business partner and teammate to major prime defense contractors and peers, while exploring and forming joint ventures with others. We also have ensured financial discipline and worked hard to create value for our stockholders by delivering on our performance, managing cost efficiently and implementing proven growth strategies. We believe these principles have been key to our success. Our goal to provide the greatest value we can to our customers and stockholders remains unchanged.

All of us at DRS thank you for your confidence, loyalty and support.



Mark S. Newman
Chairman of the Board,
President and Chief Executive Officer

INVESTOR INFORMATION

CORPORATE OFFICES

Corporate Headquarters
5 Sylvan Way
Parsippany, New Jersey 07054

Washington Operations
2345 Crystal Drive
Suite 915
Arlington, Virginia 22202

OPERATIONS HEADQUARTERS

C4I Segment
7600 Wisconsin Avenue
Suite 1000
Bethesda, Maryland 20814

Reconnaissance, Surveillance &
Target Acquisition Segment
13544 N. Central Expressway
Dallas, Texas 75243

Sustainment Systems Segment
201 Evans Lane
St. Louis, Missouri 63121

Technical Services Segment
8300 Boone Boulevard
Suite 555
Vienna, Virginia 22182

ANNUAL MEETING

The annual meeting of stockholders will be held at 11:00 a.m. EDT on Thursday, August 9, 2007, at DRS Technologies, Inc., Corporate Headquarters, 5 Sylvan Way, Floor 3, Parsippany, New Jersey 07054.

INVESTOR INQUIRIES

The Company files an annual report on Form 10-K with the Securities and Exchange Commission (SEC). This report is contained within this printed 2007 annual report. Stockholders may obtain copies of all of the Company's reports filed with the SEC free of charge by contacting Patricia M. Williamson, Vice President, Investor Relations, DRS Technologies, Inc., 5 Sylvan Way, Parsippany, New Jersey 07054, by phoning 973.898.1500, by e-mailing p.williamson@drs.com or by visiting the Company's web site at <http://www.drs.com>.

STOCK EXCHANGE LISTING

The common stock of DRS Technologies, Inc. is traded on the New York Stock Exchange Euronext (NYSE Euronext) under the symbol "DRS" and on the Berlin Stock Exchange under the symbol "DZ1."

TRANSFER AGENT

Shares of DRS Technologies, Inc. may be transferred by contacting Mellon Investor Services, LLC, 480 Washington Boulevard, Jersey City, New Jersey 07310, phone 800.851.9677, web site <http://www.melloninvestor.com>.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
150 John F. Kennedy Parkway
Short Hills, New Jersey 07078

CERTIFICATIONS

The Chief Executive Officer and Chief Financial Officer certifications required to be filed with the Securities and Exchange Commission, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, are included as Exhibits 31.1 and 31.2, respectively, to our 2007 Annual Report on Form 10-K. In addition, an annual Chief Executive Officer certification, regarding compliance with the Corporate Governance listing standards of the NYSE Euronext, was submitted to the NYSE Euronext on August 4, 2006.

EQUAL OPPORTUNITY EMPLOYER

DRS Technologies is an Equal Opportunity Employer. The Company's policies regarding recruiting, hiring, compensation, benefits, promotions, transfers, training and all other personnel matters are free from discriminatory practices.

WEB SITE

DRS Technologies' web site can be viewed at <http://www.drs.com>.

Photography

Mr. Newman's photograph:
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Courtesy Department of Defense, U.S. Government



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