

**GENERAL DYNAMICS**  
Electric Boat

## ELECTRIC BOAT'S VISION

The U.S. Navy's preferred provider...

Concept Development

Engineering and Design

Construction

Life Cycle Support

... for all submarine programs and undersea warfare systems integration.

# STRATEGIC PLAN 2007



## Electric Boat's Mission

Electric Boat is the industry leader in the engineering, design, production, and life cycle support of the world's most advanced nuclear submarines.

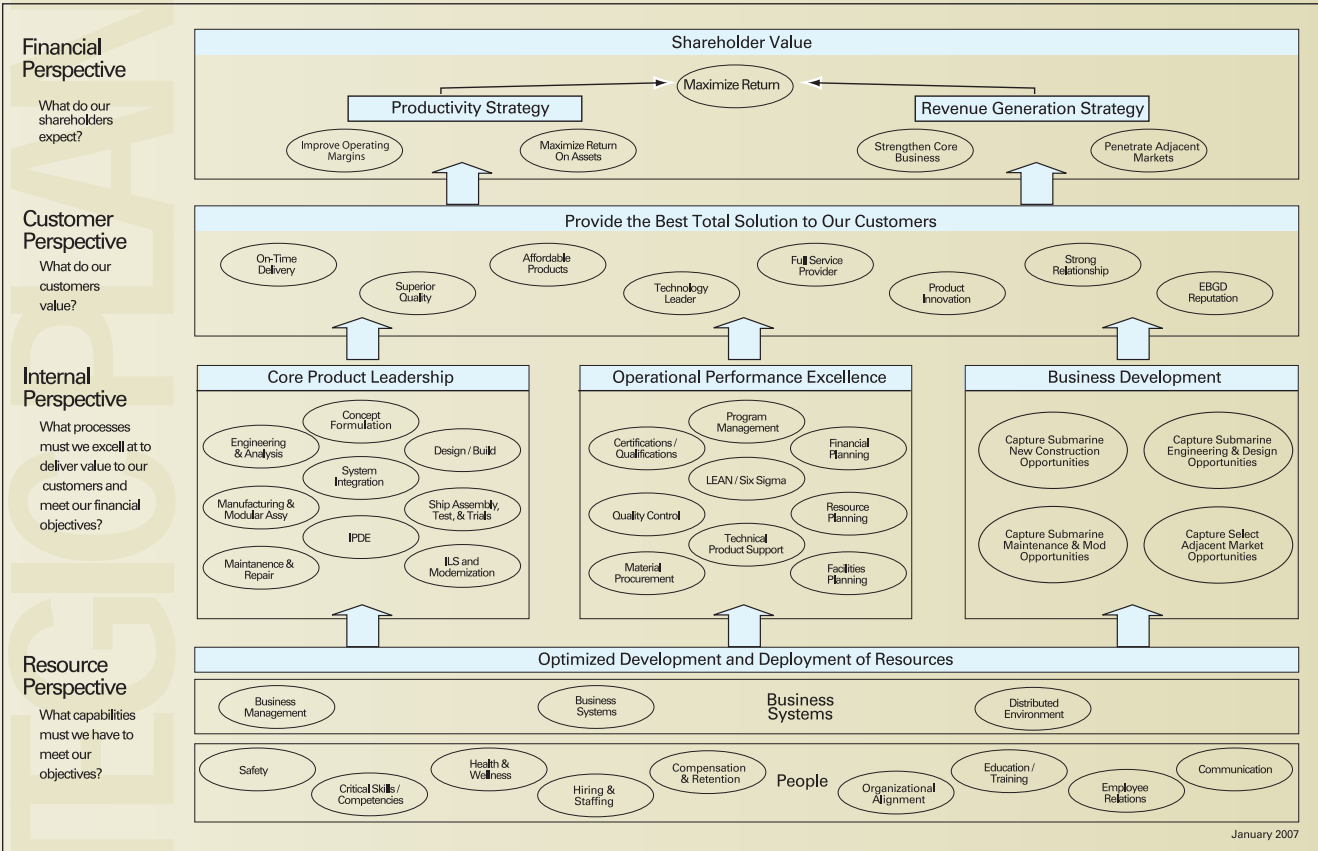
We deliver the highest quality, affordable products and services to our customers through the commitment, technical excellence, and innovation of our workforce and the application of disciplined processes.

We strive to balance and meet the needs of our customers, shareholders, employees, and partners.

## Electric Boat's Vision

Electric Boat will be the U.S. Navy's preferred provider for Concept Development, Engineering / Design, Construction, and Life Cycle Support for all submarine programs and for undersea warfare systems integration.

## Electric Boat's Strategic Roadmap



### FINANCIAL PERSPECTIVE:

In order to achieve our business objectives, we will pursue two parallel strategies:

- ▶ Productivity improvement, improving our operating margins and maximizing return on assets; and
- ▶ Capturing new business, generating solid revenue and earnings, in core and select adjacent markets.

### CUSTOMER PERSPECTIVE:

We will deliver value to our customers by meeting commitments, leading product innovation, and standing as strong, trusted business partners.

### INTERNAL PERSPECTIVE:

We will execute our strategy of maximizing productivity and capturing new business by focusing on improving our processes and performance across our business operations:

- ▶ Core Product Leadership – sustaining leadership in product technology and production processes;
- ▶ Operational Performance Excellence – enabling us to meet quality, schedule, and cost commitments; and
- ▶ Business Development – leveraging our strengths to capture core and select adjacent market opportunities.

### RESOURCE PERSPECTIVE:

The foundation of our strategy is the optimum development and deployment of our people and systems resources.

# Electric Boat Is a “ Values” Driven Company - Our Strong Culture Is a Competitive Advantage

## ELECTRIC BOAT’S VALUES

- ▶ Integrity
- ▶ Commitment
- ▶ Health & well-being of our workforce
- ▶ Respect for our people
- ▶ Loyalty

## Electric Boat Has Unique, Proven Capabilities

### DESIGN & ENGINEERING

- ▶ Concept Formulation (CONFORM)
- ▶ Payload Integration
- ▶ Combat Systems Engineering
- ▶ Electrical Analysis, Components, and Systems
- ▶ Fluid Systems and Components
- ▶ Integrated Product Development Environment
- ▶ IT Systems Engineering
- ▶ Mechanical Systems and Components
- ▶ Naval Architecture
- ▶ Production Support
- ▶ Radiological Engineering
- ▶ Signature Analysis
- ▶ Software Engineering
- ▶ Solid Mechanics and Structural Engineering
- ▶ System Integration
- ▶ Test Engineering

### LIFE CYCLE SUPPORT (LCS)

- ▶ Design, Engineering, & Logistics Support Services
- ▶ Logistic Technical Documentation
- ▶ Configuration Management
- ▶ Navy Supply Support
- ▶ Maintenance & Modernization Planning
- ▶ Crew Training & Trainers

## Electric Boat’s Markets

### U.S. NAVAL SUBMARINES AND UNDERSEA SYSTEMS ENGINEERING

- ▶ Research & Development
- ▶ Concept Formulation, Capability Insertion
- ▶ System Integration
- ▶ Engineering Analysis
- ▶ Design
- ▶ Electronics Integration and Test

### MANUFACTURING & CONSTRUCTION

#### MAINTENANCE & MODERNIZATION

- ▶ Overhaul & Repair
- ▶ Conversion & Technology Insertion
- ▶ Intermediate Level Repairs

#### LIFE CYCLE SUPPORT

- ▶ Engineering & Logistics Services
- ▶ Navy Supply Support
- ▶ Alteration Design & Installation

## ELECTRIC BOAT’S CULTURE IS DEFINED BY OUR COMMITMENT TO:

- ▶ Safety
- ▶ Quality
- ▶ Schedule
- ▶ Cost
- ▶ Continuous Process Improvement
- ▶ Communication

### MANUFACTURING & CONSTRUCTION

- ▶ Design / Build Methodology
- ▶ Modular Manufacturing, Assembly, and Test
- ▶ Mold in Place Technology
- ▶ Final Assembly, Integration & Test
- ▶ Dimensional Control in Modular Construction
- ▶ Submarine Pressure Hull Manufacturing
- ▶ Integrated Mechanical / Structural Assemblies
- ▶ Pre-Fabrication of Assemblies & Fixtures
- ▶ Materials Joining
- ▶ Steel Processing / Dimensional Data

### OVERHAUL & REPAIR

- ▶ Public-Private Workforce Integration
- ▶ Unique Test Program Capabilities
- ▶ Land Based Naval Nuclear Prototype Support
- ▶ Advanced Industrial Management (AIM) Process

### PROGRAM MANAGEMENT

- ▶ Disciplined EVMS Methodology Execution
- ▶ Customer Relationship Management
- ▶ Subcontractor Management
- ▶ Complex Design & Construction Integration
- ▶ Technical Program Management
- ▶ Vessel Operation (AMSEA)

### U.S. NAVAL SHIPBUILDING

- ▶ Engineering Analysis
- ▶ Design
- ▶ Manufacturing

### INTERNATIONAL NAVIES

(with domestic customer concurrence)

- ▶ Australia, United Kingdom, Taiwan, Spain

### SELECT NON – NAVAL MARKETS

- ▶ Engineering Analysis
- ▶ Design
- ▶ Manufacturing
- ▶ Construction Planning
- ▶ Ship Operation and Management (AMSEA)

STRATEGIC PLAN 2007

## Electric Boat's Resource Perspective – what capabilities must we have to meet our objectives?

Electric Boat's strength resides in our people. We must ensure that each individual is properly trained and supported, and effectively employed, in order to maximize their contribution to the success of the business.

### Focus: Optimized Development and Deployment of Resources – People

Electric Boat's vision for our people is to ensure their efficiency and motivation by maintaining the necessary knowledge, skills, and abilities; and to provide a safe, equitable, and challenging environment. Key capabilities needed to achieve that vision are:

**Capability: SAFETY**

**Strategy:** Ensure a company-wide commitment to safety through the education of our workforce, leading the shipbuilding industry in performance to safety goals, and providing necessary equipment and facilities to provide a safe and secure workplace. Create an injury-free workplace / culture through Leadership initiatives.

**Capability: CRITICAL SKILLS / COMPETENCIES**

**Strategy:** Define those attributes that are required to sustain our core capabilities; identify the knowledge, skills, and abilities that define these attributes; and ensure our resource planning and business processes provide the capability to efficiently use this data to manage our workforce.

**Capability: HEALTH AND WELLNESS**

**Strategy:** To maximize the value of investments in people for improved health, productivity, and business results. To ensure our employees are engaged as partners in managing their health and total benefit costs. To provide health and wellness education, programs, and resources that will have a permanent, positive impact on our employees and their families.

**Capability: HIRING & STAFFING**

**Strategy:** To identify and attract the highest caliber candidates, we will ensure equal opportunity to all candidates, and that our hiring processes are optimized to facilitate timely selection and employment of candidates. Our personnel systems and processes will provide forecasting visibility to ensure our workforce is staffed with the appropriate personnel to meet our current and future business needs.

**Capability: COMPENSATION & RETENTION**

**Strategy:** To maintain a competitive workforce and provide our people with rewarding career opportunities, we will provide a compensation plan for our employees that rewards performance and achievement of business goals and objectives, encourages innovation and initiative, and demands strict commitment and adherence to the business values and ethics of Electric Boat.

**Capability: EDUCATION / TRAINING**

**Strategy:** Provide a balanced, cost-effective in-plant program to provide employees the education and training required to perform job requirements; and provide opportunities for employees to improve job performance and pursue career advancement through both internal and external education.

**Capability: EMPLOYEE RELATIONS**

**Strategy:** To maintain strong employee relations we will continue an open and straight-forward dialog with our people that will strive to balance our obligations to and the demands of our workforce with the goals and corporate commitments of the business.

**Capability: COMMUNICATIONS**

**Strategy:** Use EB News, EBTV, newsletters, bulletins, our Intranet, Lotus Notes, and any other appropriate communications method to keep our employees informed of changes to the business, to maximize employee acceptance of and compliance with whatever steps are necessary to move the business forward.

**Capability: ORGANIZATIONAL ALIGNMENT**

**Strategy:** Develop a resource driven organizational alignment where functional organizations are responsible to provide personnel, facilities, and equipment that meet program requirements; where functional overlap is eliminated; and where organizational spans and layers of control are minimized to be cost-effective while ensuring adequate business oversight and control.

### Focus: Optimized Development and Deployment of Resources – Business Systems Technology

Electric Boat's long-term vision for Business Systems Technology is to employ the proper level and mix of technologies that provide the business with the required capabilities, level of quality and process efficiency to most cost-effectively operate and respond to our customer, product and shareholder commitments, while safe guarding the company's information with proper security measures and complying with industry regulatory requirements. Key capabilities needed to achieve that vision are:

**Capability: BUSINESS SYSTEMS**

**Strategy:** Provide a robust Business Systems Environment that places significant emphasis on process improvement, leverages the incumbent (legacy) systems, promotes the use of COTS software and has functionality that supports the requirements of the business.

**Capability: BUSINESS MANAGEMENT**

**Strategy:** Meet or exceed established Information Technology financial targets, leverage cost efficiencies between EB and BIW, continue to negotiate with CSC the most favorable conditions for the Marine Group, and ensure continued compliance with regulatory, corporate, and audit requirements.

**Capability: DISTRIBUTED ENVIRONMENT**

**Strategy:** Provide a technically current, secure, and affordable Distributed Environment that allows for full connectivity within the main EB facilities, off-site locations, customer locations, and non-GD partner sites, and provides authorized users with an effective set of tools to allow them to perform their assigned tasks.

## Electric Boat's Internal Perspective – what processes must we excel at to deliver value to our customers and meet our financial objectives?

The processes identified below define the core of our business operations. The effectiveness and continued improvement of these processes are essential to our ability to meet or exceed our customers' expectations, and to achieve the financial goals of the corporation.

### Focus: Core Product Leadership – sustaining leadership position in traditional business

Electric Boat's long-term vision for Core Product Leadership is to excel at our technical competencies, moving forward in design, production, and life cycle support. Key processes needed to achieve that vision are:

**Process: TECHNOLOGY IDENTIFICATION AND TRANSITION**

**Strategy:** To be a leader in process and product innovation through the rapid identification and transition of emerging technologies. We will accomplish this by developing strategic partnerships with Government, Navy, and Industry technology providers, and by making focused internal investment as appropriate.

**Process: CONCEPT FORMULATION**

**Strategy:** To be the leader in future submarine concept development by continuing to pursue and introduce new technologies and capabilities into submarine and undersea warfare programs, by demonstrating the depth and breadth of our submarine expertise in the analysis of these technologies and capabilities, and by serving as the Navy's prime source to quantify the cost or performance impacts of these concepts.

**Process: ENGINEERING & ANALYSIS**

**Strategy:** To maintain a highly competitive and agile workforce that is sufficiently skilled and equipped to respond to our core submarine customer as well as to cope with a changing business environment characterized by a wider range of customers and products.

**Process: INTEGRATED PRODUCT DEVELOPMENT ENVIRONMENT**

**Strategy:** Establish a next-generation IPDE built on our foundation of process, tools, and organization that capitalizes on our success and experience, leverages industry advances, positions us to retain our submarine design leadership through the entire submarine life cycle, and supports our efforts to expand our engineering and design capability to new markets.

**Process: DESIGN / BUILD**

**Strategy:** Leverage the experience gained on the VIRGINIA, MMP, and SSGN programs, to further develop EB design / build capabilities. Concentrate on VIRGINIA Class cost reduction tasks to achieve a \$2B new construction ship, while maintaining capabilities to perform the next-generation design.

**Process: MANUFACTURING & MODULAR CONSTRUCTION**

**Strategy:** Maximize the level of modular outfitting and the off-hull testing of subsystems and components in support of reducing construction costs and span times. Explore application of EB knowledge and experience in this area to non-submarine ship construction and to adjacent market opportunities.

**Process: SHIP ASSEMBLY, TEST, AND TRIALS**

**Strategy:** To ensure that all final assembly and test requirements are considered in our efforts to increase modular assembly work, to maximize remaining testing prior to float – off and / or accomplished off hull, and to ensure that all test processes minimize / eliminate redundancy and maximize efficiency.

**Process: SYSTEMS INTEGRATION**

**Strategy:** Position Electric Boat as Lead System Integrator (LSI) for undersea warfare systems by building on our program performance (VCS, SSN23, SSGN, Tango / Bravo), capturing new contracts to strengthen our core systems integration capability and broaden our business base and exposure to new customers, and expand submarine payload capability.

**Process: MAINTENANCE AND REPAIR**

**Strategy:** Continue to provide support to the naval shipyards under the "One Shipyard" initiative while focusing on capture of Groton homeport activity. Leverage EB presence and performance in Bangor, Puget Sound, Kings Bay, and Norfolk, as well as EB unique submarine class knowledge and experience, to capture submarine-related work outside the Groton geographic area.

**Process: ILS AND MODERNIZATION**

**Strategy:** Provide high quality, cost effective life cycle support products and services and rapid response to emergent fleet support needs. Become the Navy's preferred provider of submarine modernization design and installation services.

## Focus: Operational Excellence – reduce product cost – meet schedules – maintain quality

Electric Boat's long-term vision for Operational Excellence is to perform successfully in a dynamic business environment, making strategic process improvements while developing an agile, adaptable workforce. Key processes needed to achieve that vision are:

**Process: PROGRAM MANAGEMENT**

**Strategy:** Dedicated Program Offices will work to maintain strong customer communications and relationships, ensure accurate and favorable representation of Electric Boat performance, manage program resource requirements, and work with functional organizations to achieve program goals and objectives, including meeting financial goals and bringing in new business.

**Process: CERTIFICATIONS / QUALIFICATIONS**

**Strategy:** Develop a pro-active approach to the successful completion of all audits and inspections.

**Process: FINANCIAL PLANNING**

**Strategy:** Provide oversight and control to ensure that all contracts and operational business decisions ensure optimum return on investment, to ensure that all business risks are closely managed and controlled, and to aggressively manage overhead costs to ensure labor rates remain competitive.

**Process: LEAN / SIX SIGMA / QUALIFICATIONS**

**Strategy:** Invest in training our people in Lean Six Sigma methodology, challenge these highly trained people to solve our toughest problems on a full-time basis, and provide necessary management support to achieve breakthrough results. This will maximize the talents of our workforce through continued leadership development opportunities, reduce cycle times and improve quality and cost performance, capture new business by making our products more affordable, and establish process improvement as a core competency.

**Process: QUALITY CONTROL**

**Strategy:** Emphasize the importance and responsibility of quality throughout all organizations, focus on achieving first time quality, and reduce the cost of non-conformity, including rework, scrap, and inefficient processes, across all product lines.

**Process: RESOURCE PLANNING**

**Strategy:** Develop resource planning capabilities that will provide the necessary flexibility and efficiency to manage our workforce in an increasingly dynamic environment.

**Process: TECHNICAL PRODUCT SUPPORT**

**Strategy:** Deliver products and services which continue to favorably differentiate Electric Boat from its competitors, from cost, schedule, and quality standpoints.

**Process: MATERIAL PROCUREMENT**

**Strategy:** Reduce material acquisition costs through innovative contracting terms and conditions, maximizing corporate procurement synergies, e-commerce initiatives; and minimize material handling and storage costs through warehouse efficiencies and supplier relationships.

**Process: FACILITIES PLANNING**

**Strategy:** Vacate and consolidate facilities to optimize projected utilization and production requirements, improve workforce efficiency, and reduce facility costs, while pursuing appropriate capital for facilities, infrastructure, and equipment that demonstrate requisite return on investment.

## Focus: Business Development – grow the business in core and adjacent markets

Electric Boat's long-term vision for Business Development is to grow our business organically by leveraging our core capabilities and delivering value at competitive prices to our customers. We look to expand our business base across the full spectrum of the USN submarine and undersea warfare product life cycle, and we look to penetrate and capture new business in select adjacent markets.

**Strategy:** Employ a rigorous and disciplined process to identify, qualify, and capture select opportunities. Our process ensures a high rate of success in capturing new business, and ensures that each new business opportunity provides strategic value, earns an appropriate return on investment, and has its business risks clearly defined.

### SUBMARINE NEW CONSTRUCTION:

- ▶ Develop and execute a production plan to reduce VIRGINIA unit cost to \$2.0B (FY05\$)
- ▶ Develop a Block III VIRGINIA acquisition plan that optimizes Multi-Year Procurement benefits to lower submarine unit cost
- ▶ Work with our customer and political and industry supporters to sustain submarine procurement at no less than the current Navy plan and to accelerate procurement to 2 ships / year earlier than FY12
- ▶ Establish Electric Boat as the Navy's preferred prime contractor for all new submarine classes

### SUBMARINE ENGINEERING AND DESIGN:

- ▶ Develop and execute a comprehensive Submarine Development Roadmap that advances undersea technologies and preserves critical engineering and design resources. Key elements will include:
  - Working with customer and Congress to establish the ULMS II program
  - Identify and request Congressional plus ups for submarine design and technology development
  - Working with U.S. Navy to formalize funding and work scope for VIRGINIA Design for Affordability initiatives
  - Developing an alternative Advanced SEAL Delivery System (ASDS) procurement plan for design and construction of hybrid combatant vehicles
  - Integration of undersea payloads and systems with submarine host platforms
  - Continuation of Tango Bravo technology development and demonstration

### SUBMARINE MAINTENANCE AND MODERNIZATION:

- ▶ Expand Electric Boat participation in Maintenance and Modernization for Groton homeport as well as other geographic areas. Key elements to include:
  - Capturing appropriate Planning Yard contracts and support agreements
  - Development of a permanent EB role to support the SSGN Forward Deployment Plan
  - Expanding EB presence and workscope in the Pacific Northwest and broader Pacific market
  - Expanding EB-KSO's role in support of other agencies in the KSO Maintenance Strategy
  - Sustaining continued growth in off-site modernization services, including VIRGINIA Class LCS

### SELECT ADJACENT MARKET OPPORTUNITIES INCLUDE:

- ▶ Design and engineering support for DDG-1000, Sikorsky, and other non-submarine programs
- ▶ Design and construction efforts for CVN 21
- ▶ Commercial nuclear power plant design and modular unit construction
- ▶ Design and construction for the Taiwan Submarine Program
- ▶ Vessel operation and management in the post-MPS environment (AMSEA)

STRATEGIC PLAN 2007

## Electric Boat's Customer Perspective – what do our customers value?

Achieving our customer value objectives is key to the success of our current business and builds the foundation for future business with our current customers as well as new customers and business partners

**Objective: ON-TIME DELIVERY**

- ▶ Meet or better all contractually agreed-to completion events and deliveries

**Objective: SUPERIOR QUALITY**

- ▶ Meet or exceed all contractual and specification requirements and strive for zero-defect performance

**Objective: AFFORDABLE PRODUCTS**

- ▶ Fairly price products and services that deliver customer value and acceptable return to shareholders

**Objective: TECHNOLOGY LEADER**

- ▶ Lead industry as a responsive, highly-capable source for system and product technology solutions

**Objective: FULL SERVICE PROVIDER**

- ▶ Ability to provide a wide range of technical, production, and / or support capabilities – wherever – whenever

**Objective: PRODUCT INNOVATION**

- ▶ Lead industry for new concepts and technologies applicable to customer requirements and products

**Objective: STRONG CUSTOMER RELATIONSHIP**

- ▶ Ensure accessible, responsive management committed to partnership with the customer

**Objective: EB / GD REPUTATION**

- ▶ Ensure unquestioned commitment to the highest standard of business conduct and ethics

## Electric Boat's Financial Perspective – what do our shareholders expect?

Our shareholders expect a competitive rate of return balanced against an acceptable, carefully managed level of risk. We will meet these expectations by optimizing performance on our contracts, leading industry in Operating Margin and conversion of earnings to cash, and pursuing a disciplined strategy to capture new business in our core and select adjacent markets.

### Focus: Productivity Strategy – perform on the backlog

**Objective: REDUCE COST OF PRODUCTS**

- ▶ Meet / better overhead performance targets as measured by Cost Analysis Improvement Group line and rates
- ▶ Meet / better direct cost performance as measured by Cost Performance Index and contract commitments
- ▶ Meet / better schedule performance targets as measured by Schedule Performance Index and contract commitments

**Objective: MAXIMIZE RETURN ON ASSETS**

- ▶ Minimize / eliminate underutilized property, plant, and equipment
- ▶ Ensure acceptable level of return on all capital investments as measured by Return On Invested Capital
- ▶ Ensure all contracts include acceptable margins and protection against risk

### Focus: Business Development Strategy – grow business organically

**Objective: CAPTURE NEW BUSINESS IN OUR CORE SUBMARINE MARKET**

- ▶ Achieve orders and revenue targets as identified in new business plans
- ▶ Capture qualified emergent opportunities

**Objective: CAPTURE NEW BUSINESS IN SELECT ADJACENT MARKETS**

- ▶ Achieve orders and revenue targets as identified in new business plans
- ▶ Develop sustainable business lines with new customers in adjacent markets

### Focus: Financial Perspective – increase shareholder and stakeholder value

**Objective: MAXIMIZE RETURN ON THE BUSINESS**

- ▶ Achieve or exceed orders, sales, earnings, cash flow, and return on investment targets
- ▶ Set industry standard for Operating Margins and conversion of earnings to cash