

***A Steel Wheels Story...
Whirlpool Corporation
and The Kansas City
Southern's Journey***



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History

- 1) 2004-2006 A series of changes within Whirlpool North America's manufacturing facilities; Whirlpool Corporation acquired Maytag Corporation
- 2) Q3 2007 Completed optimization study and developed Mexico northbound business case
- 3) Q4 2007 BOD approval to build rail-served warehouses in the United States and Mexico
- 4) 2008 Converted Clyde, Ohio, to an outbound rail-served facility
- 5) 2008-2009 Opportunistically:
 - Partnered with the KCS for Northbound rail
 - Partnered with TranSystems for rail expertise
- 6) Q1 2009 Started northbound shipments from Mexico to the United States and Canada, and southbound from the United States to Mexico
- 7) Future 2010.....and beyond is yet to be written

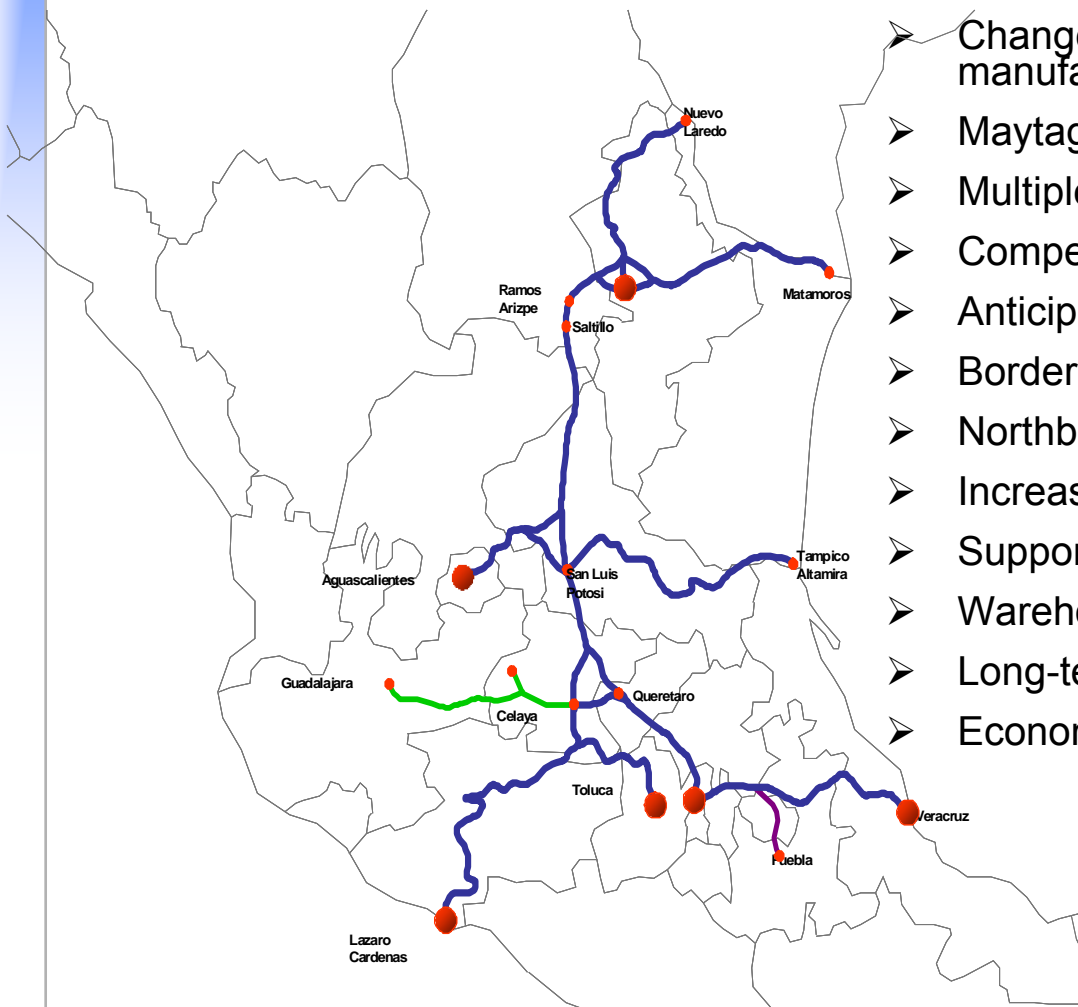


Whirlpool Supply Chain Objective

- ***Mission:*** Develop a logistics network that proactively responds to business conditions while supporting service levels and driving total inventory and logistics cost reduction
 - Provide inventory deployment flexibility
 - Diversify transportation modes with truck, intermodal and box car
 - Mitigate Supply Chain risks and dynamics
 - Support long-term logistics strategy

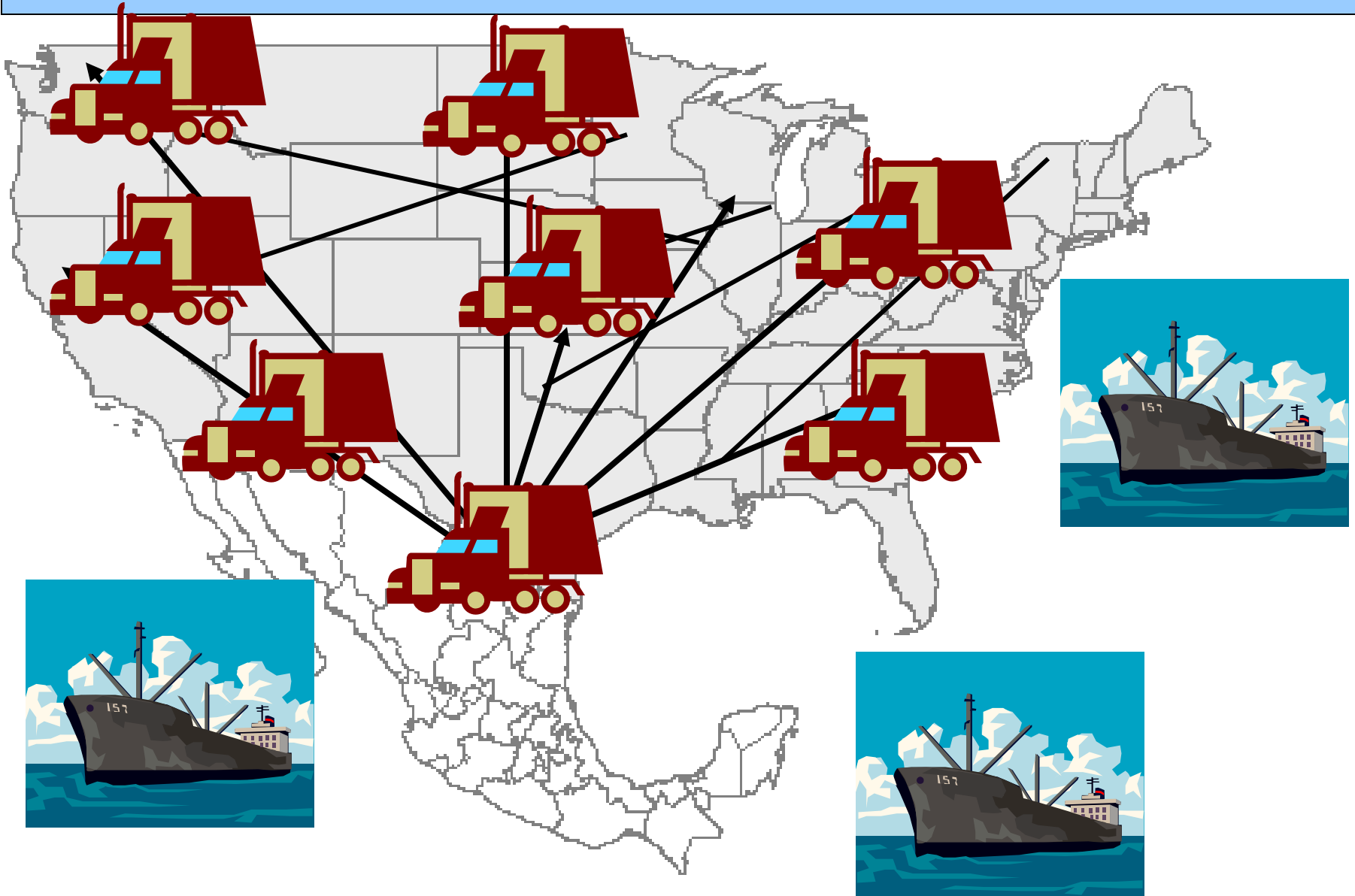
***Needed to optimize the
Whirlpool Supply Chain Network***

One Solution: Rail Transportation Opportunities



- Changes within Whirlpool North America's manufacturing facilities
- Maytag acquisition and integration
- Multiple production and warehouse locations
- Competitor advantage with rail service in Mexico
- Anticipated truck and driver capacity Issues
- Border crossing congestion for trucks
- Northbound and southbound trade flow imbalance
- Increased fuel costs
- Support of "green" initiatives
- Warehousing space constraints
- Long-term strategic locations and size
- Economic environment and inflation

Three years ago, Whirlpool looked like this...thousands of trucks, some intermodal and ocean





Phase I: Logistics Optimization Summary

- Over 25 scenarios were evaluated in Q4 2006
- Variables included:
 - Number of “Super Factory” DC’s, (SFDC’s) 0 - 3)
 - Mode selection (boxcar, intermodal, truckload)
 - Direct vs. indirect shipping from Mexico
- Sensitivity Tests:
 - Forced 100% or 0% from plants through an SFDC
 - Forced Modes
 - Non-optimal locations were tested for comparison
 - Compared 2006 SFDC volume versus optimal SFDC volumes

- **Results:**
 - Recommended a high % of direct ships, but clearly favored having an SFDC
 - Texas-based SFDCs were preferred to Mexico-based SFDC
 - Multiple SFDC’s showed little benefit
 - The model would not choose any SFDC location outside of Texas
 - Offsite warehouse space in Mexico was cost effective

Phase II: Deep Dive Methodology

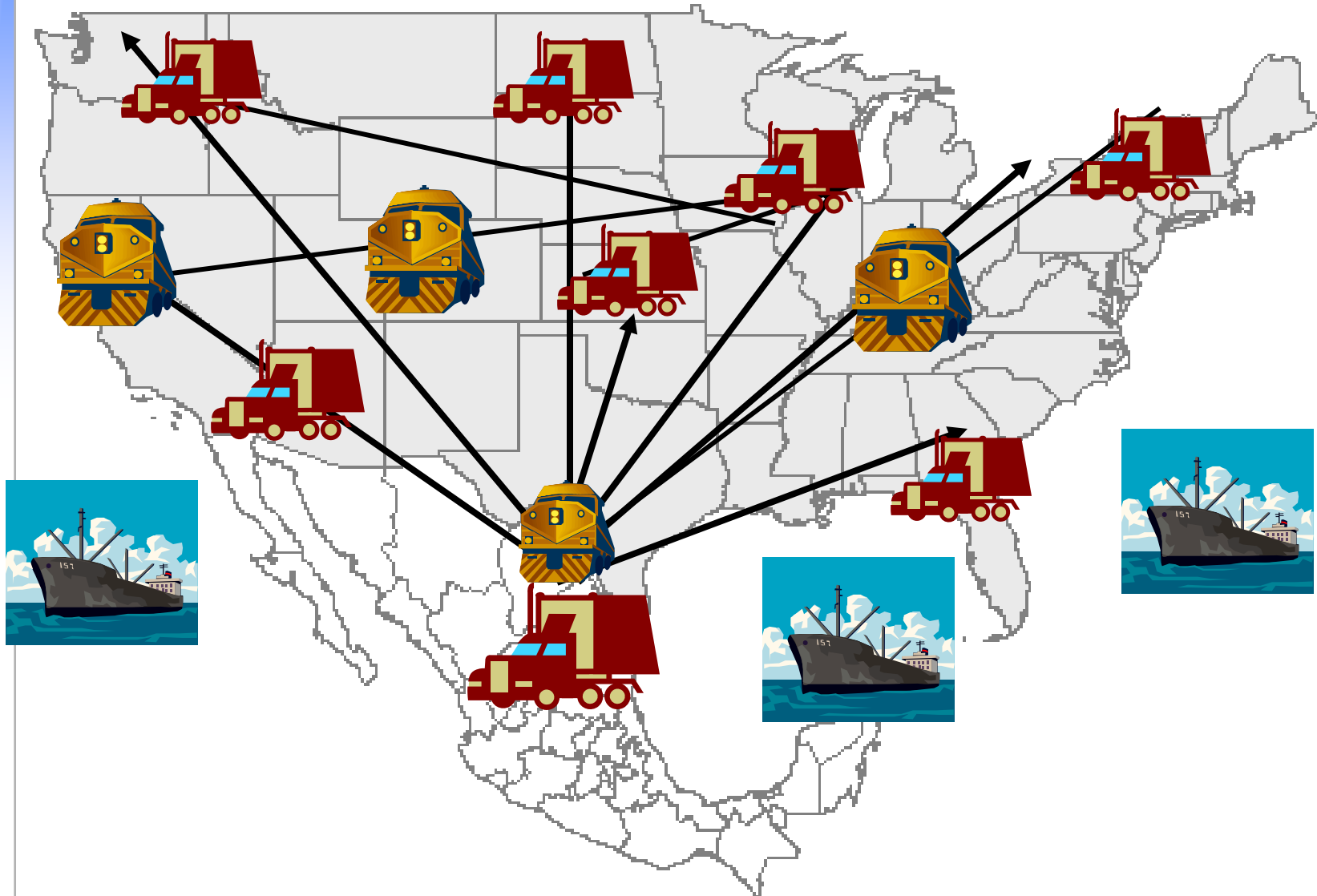
Variables / Inputs / Factors in the Model:

$$\text{Total Logistics Cost} = \sum \begin{array}{l} \text{Transportation cost (Rates, FSC, Miles, Load-ability)} \\ \text{Inventory capital cost (4 wall, in transit, DOS)} \\ \text{Warehouse costs (Operations, Lease)} \\ \text{Damage and dunnage cost} \end{array}$$

Status Quo – Was not an option

A dynamic environment requires dynamic optimization

Today, Supported by rail, Whirlpool U.S. supply chain looks like....



Proof of Design – Test loads

Whirlpool is currently using boxcars without impacting product damage compared to OTR and IM modes



Ups

- ▲ +2,000 boxcars in 2009
- ▲ No product damage
 - ▲ Productivity in loading and unloading
 - ▲ Recyclable dunnage is working well



Downs

- ▼ Variable transits: Whirlpool owns part of this problem, need door-to-door consistency
- ▼ Whirlpool needs the RR's to be proactive, rather than reactive
- ▼ Challenge with EDI technology



Aha's - Gives and Takes

Whirlpool

KCS

➤ Then

- Expected service like OTR / IM
 - Door-to-Door
 - Transit times to be very reliable
- Whirlpool needs equipment, when we need it, normally Now!!!
- Expected EDI from day 1
- Expected near flawless operations

➤ Now

- Continuous work for best solution
 - Service
 - Equipment Availability
 - Operations
 - EDI and other technology

➤ Then

- Traditional RR perspective
 - Very prepared for traditional service
- Needs some planning lead time
- Working on it
- Traditional operations

➤ Now

- Continuous work for best solution
 - Service
 - Equipment Availability
 - Operations
 - EDI and other technology

We started with our own industry paradigms....

We're now partnered for the future



Every home...Everywhere Every home...Everywhere Every home...Everywhere Every home...Everywhere Every home...Everywhere Every home...Everywhere

End