

# **Konecranes Plc**

Remuneration Statement 2011

## REMUNERATION STATEMENT 2011

### Principles applied to remuneration schemes

The idea of the Company's remuneration schemes is to motivate the personnel to good performance and to emphasize personnel's commitment to Konecranes' business targets. The goal of the remuneration schemes is to promote competitiveness and long-term financial success of the Company and to contribute to the favorable development of shareholder value.

The objective is that all Company employees have a variable component based on their performance as a part of their overall remuneration. The amount of this variable component varies according to the person's duty, organizational level, and responsibilities. Typically the variable components used in remuneration are based on financial results of the Company and/or the unit in question and personal achievements. Remuneration schemes are drawn up in writing and numerical evaluation is used in them whenever it is possible.

### Decision-making process

The remuneration packages for Board members are resolved by the AGM on the basis of a proposal made by the Nomination and Compensation Committee.

The Nomination and Compensation Committee reviews and issues guidelines for the Company's remuneration schemes. The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board determines the total remuneration package paid to the President and CEO.

In addition, the Nomination and Compensation Committee confirms remuneration packages for Group Executive Board members who report directly to the President and CEO. Remuneration packages for other Extended Management Team members are confirmed by the President and CEO.

All other remuneration packages are also confirmed by the 'one above' principle, i.e. a superior's superior must always accept remuneration principles of a person.

### Remuneration of the Board of Directors

The remuneration packages for Board members are resolved by the AGM. Compensation to the Board as confirmed in the latest AGM is shown in the following table.

<b>Fees paid to the Board of Directors</b>	
	Annual fee 2011
Chairman of the Board	100,000.00
Vice Chairman	64,000.00
Board member	40,000.00
Fee per a Board Committee meeting	1,500.00

Board members were also recompensed for their travel expenses.

Remuneration for Board members may also be paid in the form of Company shares. Board members employed by the Company do not receive separate compensation for their Board membership. Non-executive members of the Board of Directors do not receive stock options.

<b>Total Compensation to the Board of Directors</b>					
	Annual fee paid in cash for 2011	Fee paid in shares in 2011	Number of shares as part of compensation in 2011	Fee for committee meetings 2011	Paid in total 2011
	EUR	EUR		EUR	
Gustavson Stig, Chairman of the Board	60,234.88	39,765.12	1,788	6,000.00	106,000.00
Adde Svante, Board member	24,076.16	15,923.84	716	6,000.00	46,000.00
Gran Kim, Board member	24,076.16	15,923.84	716	1,500.00	41,500.00
Järvinen Tapani, Board member	24,076.16	15,923.84	716	6,000.00	46,000.00
Kavetvuo Matti, Board member	24,076.16	15,923.84	716	6,000.00	46,000.00
Kopola Nina, Board member (31.3.2011->)	24,076.16	15,923.84	716	3,000.00	43,000.00
Persson Malin, Board member	24,076.16	15,923.84	716	6,000.00	46,000.00
Silvennoinen Mikael, Board member	24,076.16	15,923.84	716	4,500.00	44,500.00
<b>TOTAL</b>	<b>228,768.00</b>	<b>151,232.00</b>	<b>6,800.00</b>	<b>39,000.00</b>	<b>419,000.00</b>

#### Remuneration of the President and CEO

The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board determines the total compensation package paid to the President and CEO.

The compensation package includes basic salary, fringe benefits, pension scheme, and performance-related bonus scheme. The President and CEO's bonus scheme is based on Group Profitability and Growth and the maximum bonus is 50 percent of the President and CEO's annual base salary. Additionally, the Board of Directors have a possibility, but not an obligation, to set certain strategic targets that can trigger an additional bonus, maximum 50 percent of President and CEO's annual base salary.

The pension scheme states that when the President and CEO reaches the age of 60 years, both he and the Company may request his retirement with a target pension of 60 percent of his underlying income, excluding bonuses.

Salary and benefits paid to the President and CEO are shown in the table.

<b>Compensation to the President and CEO</b>		
<b>Salary, bonus and other benefits</b>		
	<b>2011</b>	<b>2010</b>
	<b>EUR</b>	<b>EUR</b>
Salary and benefits	440,140	402,022
Bonus	330,066	176,880
Option rights owned (# of options 31 Dec.)	174,000	194,000
Shares owned (# of shares 31 Dec.)	180,000	180,000
Additional shares as a result of the Share Swap (# of shares)	83,606	83,606
Total shares owned (# of shares)	263,606	263,606
Retirement age	60 years	60 years
Target pension level	60 %	60 %
Period of notice	6 months	6 months
Severance payment	18 months salary and fringe benefits	18 months salary and fringe benefits

At the end of year 2011, Konecranes had a loan receivable of EUR 217,197 from President and CEO Pekka Lundmark with an interest rate of 2.039 percent. The loan relates to a tax payment resulting from the incentive scheme directed to the President and CEO in 2006. There is a tax appeal pending against the imposed payment and the loan is effective until the appeal is concluded.

The Konecranes Group executives established a company named KCR Management Oy in May 2009. KCR Management Oy acquired 517,696 Konecranes Plc shares from the market. The acquisition was financed by capital investments by the executives, in the total approximate amount of EUR 1.3 million, as well as by a loan in the approximate amount of EUR 7.1 million provided by Konecranes Plc. KCR Management Oy was owned by the executives who belonged to the Group Extended Management Team upon the establishment of KCR Management Oy.

The arrangement extended and continued the incentive scheme provided to the President and CEO of the Company in 2006. In connection with the establishment of the new arrangement, the five-year transfer restriction relating to the 100,000 shares sold to the President and CEO in connection to the 2006 incentive scheme was amended, enabling the President and CEO to divest these shares on the market, provided that the funds so received were invested in KCR Management Oy.

According to the agreements governing KCR Management Oy, KCR Management Oy had an obligation to repay the loan granted by Konecranes Plc prematurely in case the share price of Konecranes Plc other than temporarily exceeds a certain level determined in the agreements. This condition was met in December 2010. The Board of Directors of Konecranes Plc decided that the loan will be repaid through a share swap whereby Konecranes Plc acquired all the shares in KCR Management Oy. To implement the share swap, the Board of Directors of Konecranes Plc decided on a directed share issue in which the Company offered, in derogation from the shareholders' pre-emptive subscription rights, a total of 281,007 new Konecranes shares to the shareholders of KCR Management Oy against share consideration (Share Swap). In the Share Swap, the shareholders of KCR Management Oy conveyed the KCR Management Oy shares they held and received new Konecranes Plc shares in return. The new shares are subject to the transfer restriction

determined by the Board of Directors in May 2009 and expiring on November 1, 2012. President and CEO Pekka Lundmark had a 27.9 percent share in KCR Management Oy and as a result of the share swap he received 83,606 Konecranes shares. KCR Management Oy was merged to Konecranes Plc effective on December 31, 2011.

## Remuneration of Group Management (Extended Management Team)

The Nomination and Compensation Committee reviews and issues guidelines for the Company's remuneration schemes. In addition, the Nomination and Compensation Committee confirms remuneration packages for Group Executive Board members who report directly to the President and CEO. Remuneration packages for other Extended Management Team members are confirmed by the President and CEO. Compensation packages normally include basic salary, fringe benefits (typically use of a company car and mobile phone), contribution-based pension schemes, and performance-related bonus schemes. Bonus schemes are always based on written contracts. Bonus criteria vary, but are usually based on the Group's five Key Performance Areas: Safety, Customer, People, Growth, and Profitability. Bonuses are related to an individual's performance and to the performance of the unit that he/she belongs to. Numerical performance criteria are used rather than personal assessments, whenever possible. The maximum bonus percentage is based on the individual's responsibilities and in 2011 varied between 30 and 50 percent of individual's annual base salary.

The Finnish members of the Extended Management Team participate in a contribution-based group pension insurance scheme, which can be withdrawn from the age of 60. However, the retirement age of the members of the EMT is according to the Employees Pensions Act (TyEL).

<b>Remuneration to the Management</b>		
<b>Extended Management Team, excluding the President and CEO</b>		
<b>Salary, bonus and other benefits</b>	<b>2011</b>	<b>2010</b>
	<b>EUR</b>	<b>EUR</b>
Salary and benefits	2,705,215	3,084,611
Bonus	667,241	396,534
Option rights owned (# of options 31 Dec.)	777,500	957,000
Shares owned (# of shares 31 Dec.)	256,218	256,218
Additional shares as a result of the Share Swap (# of shares)	167,618	183,467
Total shares owned (# of shares)	423,836	439,685

The Konecranes Group executives established a company named KCR Management Oy in May 2009. KCR Management Oy acquired 517,696 Konecranes Plc shares from the market. The acquisition was financed by capital investments by the executives, in the total approximate amount of EUR 1.3 million, as well as by a loan in the approximate amount of EUR 7.1 million provided by Konecranes Plc. KCR Management Oy was owned by the executives who belonged to the Group Extended Management Team upon the establishment of KCR Management Oy.

KCR Management Oy had an obligation to repay the loan granted by Konecranes Plc prematurely in case the share price of Konecranes Plc other than temporarily exceeds a certain level determined in the agreements. This condition was met in December 2010. The Board of Directors of Konecranes Plc decided that the loan will be repaid through a share swap whereby Konecranes Plc acquired all the shares in KCR Management Oy. To implement the share swap, the Board of Directors of Konecranes Plc decided on a directed share issue in which the Company offered, in derogation from the shareholders' pre-emptive subscription rights, a total of 281,007 new Konecranes shares to the shareholders of KCR Management Oy against share consideration (Share Swap). In the Share Swap, the shareholders of KCR Management Oy conveyed the KCR Management Oy shares they held and received new Konecranes Plc shares in return. The new shares are subject to the transfer restriction determined by the Board of Directors in May 2009 and expiring on November 1, 2012. KCR Management Oy was merged to Konecranes Plc effective on December 31, 2011.

There are no loans issued by the Company to the Extended Management Team (excluding the President and CEO) at the end of the period 2010 and 2011.

### **Stock Option Plans**

The Company has issued stock option plans for its key employees, including top and middle management, and employees in certain expert positions.

Stock option plans require a corresponding resolution by a General Meeting, and all plans have been adopted by the relevant General Meetings. Certain large institutional shareholders have adopted guidelines for stock option plans. These guidelines offer advice on the acceptable (maximal) dilution effect, levels of incentives, lock-up periods, length of programs, etc. The Company's option plans have been designed to comply with these guidelines in all their essentials.

The purpose of the option schemes is to motivate key personnel to contribute to the long-term success of the Company and to create a common understanding of and commitment to the creation of shareholder value. A further purpose is to create a joint sense of common ownership among managers, which is seen as valuable for a company like Konecranes with operations covering many countries, cultures, and customer industries.

The Board decides on the distribution of options to key personnel under a proposal made by the President and CEO. In granting options to the President and CEO, the Board acts independently. Konecranes Plc's outstanding stock option plans include Option Series 2007B, 2009A, 2009B and 2009C. Series 2007C was not distributed and, according to the terms and conditions of 2007C stock option, these stock options expired on December 31, 2009. The terms and conditions of stock option plans and number of unsubscribed stock options based on outstanding stock option plans and number of employees belonging into stock option plans can be consulted on the Company's website at [www.konecranes.com](http://www.konecranes.com) > Investors > Share information > Stock option plans.

As of the end of 2011, approximately 200 employees were part of the Group's stock option plans. More information on stock options can be found on page 95 of the Financial Statements, note 29.