

# **Konecranes Plc**

Remuneration Statement 2009

## REMUNERATION STATEMENT 2009

### Principles applied to remuneration schemes

The purpose of Company's remuneration schemes is to motivate the personnel to good performance and to emphasize the personnel's commitment to our 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.

Our purpose 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 '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 are show in the following table.

<b>Fee to the Board of Directors</b>	
	Annual fee 2010
Chairman of the Board	100,000.00
Vice Chairman	60,000.00
Board member	40,000.00
Fee per Board Committee meetings	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.

## Total compensation to the Board of Directors

	Annual fee paid in cash for 2009 EUR	Fee paid in shares in 2009 EUR	Number of shares as part of compensation in 2009	Fee for committee meetings 2009 EUR	Fees for committee meetings accrued from previous years EUR	Paid in total 2009
Gustavson Stig, Chairman of the Board	60,006.70	39,993.30	2,402	7,500.00	9,100.00	116,600.00
Adde Svante, Board member	40,000.00	0.00	0	7,500.00	0.00	47,500.00
Billing Tomas, Board member	23,999.35	16,000.65	961	4,500.00	0.00	44,500.00
Gran Kim, Board member	23,999.35	16,000.65	961	3,000.00	0.00	43,000.00
Järvinen Tapani, Board member	40,000.00	0.00	0	4,500.00	0.00	44,500.00
Kavetvuori Matti, Board member	40,000.00	0.00	0	6,000.00	0.00	46,000.00
Persson Malin, Board member	23,999.35	16,000.65	961	6,000.00	9,100.00	55,100.00
Silvennoinen Mikael, Board member	23,999.35	16,000.65	961	7,500.00	0.00	47,500.00
Poranen Timo, Board member until 12.3.2009	0.00	0.00	0	1,500.00	9,100.00	10,600.00
Saven Björn, Vice Chairman of the Board until 12.3.2009	0.00	0.00	0	1,500.00	8,100.00	9,600.00
<b>TOTAL</b>	<b>276,004.10</b>	<b>103,995.90</b>	<b>6,246.00</b>	<b>49,500.00</b>	<b>35,400.00</b>	<b>464,900.00</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% of CEO's annual base salary. Additionally, the Board of Directors has a possibility, but not an obligation, to set certain strategic targets that can trigger an additional bonus, maximum 50% of 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>2009</b>	<b>2008</b>
	<b>EUR</b>	<b>EUR</b>
Salary and benefits	382,938	357,387
Bonus	198,000	186,000
Option rights owned (# of options) 31 Dec.	154,000	114,000
Shares owned (# of shares) 31 Dec.	180,000	280,000
Shares owned indirectly through KCR Management Oy (# of shares) 31 Dec.	144,437	
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

On December 15, 2006, the Board of Directors approved a long-term incentive scheme for President and CEO Pekka Lundmark. The incentive scheme was implemented by disposing of Konecranes shares in the Company's possession on the basis of the authorization granted to the Board of Directors by the AGM on March 8, 2006. Pursuant to the incentive scheme, a total of 100,000 Company shares were sold to the President and CEO in December 2006 and January 2007 on terms and conditions defined in the terms of subscription. The shares sold are subject to a five-year transfer restriction. As part of the program, the Company paid a separate bonus to Pekka Lundmark to cover the taxes levied as a result of the arrangement. The purpose of the incentive scheme is to motivate the President and CEO to contribute in the best possible manner to the long-term success of the Company and increased shareholder value for all shareholders. The agreed price per share of 12 euros corresponded approximately to the average share price during the period that Mr. Lundmark had been CEO of the Company prior to approval of the incentive scheme.

In May 2009 Konecranes' new executive incentive program was established; see [KCR Management Oy](#). The arrangement extends and continues the incentive scheme provided to the President and CEO of the Company. In connection with the establishment of the new arrangement, the five-year transfer restriction relating to these shares has been amended, enabling the President and CEO to divest these shares on the market, provided that the funds so received are invested in KCR Management Oy.

### Remuneration of Group Management

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. The maximum bonus percentage is based on the individual's responsibilities and can be 30% or 40% of individual's annual base salary.

The Finnish members of the Group Executive 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 Group Executive Team is according to the Employees Pensions Act (TyEL). One member of the Group Executive Team participates in a supplementary contribution-based pension insurance scheme, whose liability is fully covered. The retirement age of the person in question is 60 years.

<b>Remuneration to the Management</b>		
<b>Extended Management Team, excluding the President and CEO</b>		
<b>Salary, bonus and other benefits</b>	<b>2009</b>	<b>2008</b>
	<b>EUR</b>	<b>EUR</b>
Salary and benefits	2,557,089	2,379,208
Bonus	649,355	537,525
Option rights owned (# of options) 31 Dec.	964,200	870,200
Shares owned (# of shares) 31 Dec.	276,018	255,650
Shares owned indirectly through KCR Management Oy (# of shares) 31 Dec.	373,259	0

### Group Executives' Incentive program KCR Management Oy

The Board of Directors of the Konecranes Group has approved an executive incentive program to enable Group Executives to invest in Company shares. For the purposes of share ownership, executive management has established a management-owned company known as KCR Management Oy. The members of the Board of Directors of Konecranes Plc are not shareholders in the company. KCR Management Oy has acquired a total of 517,696 Konecranes Plc shares from the market, financing these purchases through capital investments made by executives totaling EUR 1.3 million and a loan of roughly EUR 7.1 million provided by Konecranes Plc. The purpose of this arrangement is to commit the executives to the Company by encouraging them to acquire and own Company shares. The Board of Directors sees this as a way of increasing management's commitment to long-term shareholder value.

The arrangement will remain in force until fall 2012, at which time the intention is to dissolve it. Any transfer of Konecranes Plc shares held by KCR Management Oy prior to that time is subject to restrictions. Executives holding KCR Management Oy shares may not dispose of their holding before the termination of the program.

KCR Management Oy is owned by the persons who belong to the Extended Management Team at the time of its establishment; Pekka Lundmark, Teo Ottola, Mikko Uhari, Hannu Rusanen, Harry Ollila, Pierre Boyer, Tom Sothard, Pekka Pääkkilä, Pekka Lettijeffer, Edward Yakos, Ari Kiviniitty, Sirpa Poitsalo, Mikael Wegmüller and Jaana Rinne. President and CEO, Pekka Lundmark holds 27.9 % of KCR Management Oy.

### **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 unanimously 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 options plans include Option Series 2007A, 2007B, 2009A and 2009B. Series 2007C was not distributed and, according to the terms and conditions of 2007C stock option, these stock options expired on December 31, 2009. Stock Option Series 2009C have been approved by the AGM 2009, but have not yet been distributed. A summary 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 found on page [Stock Option Plans](#).