

Konecranes Plc

Remuneration Statement
2012

REMUNERATION STATEMENT 2012

Principles applied to remuneration schemes

All Konecranes remuneration schemes are designed to promote high performance and emphasize focus and commitment to business targets. Remuneration schemes promote competitiveness and the long-term financial success of the Company and contribute to the favorable development of shareholder value.

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

All remuneration schemes are designed to meet both global and local needs, and may differ between locations as a result.

Decision-making process

The Annual General Meeting adopts resolutions and decides the remuneration of the Board of Directors and the Board's Committees annually.

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

The Nomination and Compensation Committee also evaluates and prepares for Board decision the remuneration packages of Group Executive Board members who report directly to the President and CEO. Remuneration packages for other Extended Management Team members are decided on by the President and CEO.

All Konecranes remuneration issues are decided by the 'one above' principle, i.e. a manager's superior must always confirm the remuneration of an employee.

Remuneration of the Board of Directors

The remuneration of the Board members is resolved by the AGM. Fees payable to the Board members as confirmed by the latest AGM are shown in the following table.

Fees paid to the Board of Directors	Annual fee 2012 EUR
Chairman of the Board	105,000.00
Vice Chairman	67,000.00
Board member	42,000.00
Fee per a Board Committee meeting	1,500.00
Chairman of the Audit Committee per AC meeting	3,000.00
Board members are also reimbursed for their travel expenses.	

50 percent of the annual remuneration is paid in Konecranes shares purchased on the market on behalf of Board members. Remuneration may also be paid by transferring treasury shares based on the authorization given to the Board of Directors by the General Meeting. In the event that payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual remuneration shall be paid entirely in cash.

Total Compensation paid to the Board of Directors in 2012					
	Cash	Shares	Shares	Committee meetings	TOTAL
	EUR	EUR	#	EUR	EUR
Gustavson Stig, Chairman of the Board	53,328.58	52,511.42	2,276	6,000	111,840.00
Adde Svante, Board member	21,339.66	20,995.34	910	10,500	52,835.00
Järvinen Tapani, Board member	21,339.66	20,995.34	910	6,000	48,335.00
Kavetvuo Matti, Board member	21,339.66	20,995.34	910	6,000	48,335.00
Kopola Nina, Board member	21,339.66	20,995.34	910	6,000	48,335.00
Langenskiöld Bertel Board member	21,339.66	20,995.34	910	4,500	46,835.00
Persson Malin, Board member	21,339.66	20,995.34	910	6,000	48,335.00
Silvennoinen Mikael, Board member	21,339.66	20,995.34	910	6,000	48,335.00
Kim Gran, Board member until 3/2012	0	0	0	1,500	1,500.00
TOTAL	202,706.22	199,478.78	8,646	52,500	454,685.00

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 base salary, fringe benefits, a pension scheme, a performance-related annual bonus scheme and a long term performance related share plan. 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 can, but is not required to, set certain strategic targets that can trigger an additional bonus, which can be a maximum of 50 percent of the President and CEO's annual base salary.

The new 2012 pension scheme for the President and CEO sets his retirement age at 63 and the defined contribution at 18.6 % of his annual salary, excluding performance based compensation (annual or long-term incentives). The new scheme replaces the earlier one, which set the retirement age at 60 and a target pension level 60 %.

The annual salary and benefits paid to the President and CEO in 2012 and 2011 are shown in the following table.

Compensation paid to the President and CEO		
Salary, bonus and other benefits	2012	2011
1. Salary and benefits	468,196 EUR	440,140 EUR
2. Bonus	262,800 EUR	330,066 EUR
3. Option rights owned (# of options 31 Dec.)	80,000	174,000
4. Shares owned (# of shares 31 Dec.)	263,749	180,000
5. Additional shares as result of the KCR Management Oy Share Swap (# of shares, transfer restriction until November 1, 2012)	0	83,606
6. Total shares owned (# of shares)	263,749	263,606
7. Retirement age	63 years	60 years
8. Target pension level	Defined contribution plan	60 %
9. Period of notice	6 months	6 months
10. Severance payment (in addition to notice period compensation)	18 months salary and fringe benefits	18 months salary and fringe benefits

As part of his temporary relocation to Singapore, the President and CEO's monthly base salary was amended to EUR 40,000 a month as of August 1, 2012. In addition to his monthly salary, he has standard work-related benefits (e.g. mobile phone) and is compensated for his housing and travelling expenses.

Konecranes has a loan receivable of EUR 221,725.43 from President and CEO Pekka Lundmark with an interest rate of 12 month euribor + 1 percentage point. The interest rate is adjusted annually on the 5th of November or the respective next banking day. 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 process is concluded.

The Konecranes 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.

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. 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 (item 5 in the table above).

KCR Management Oy was merged into Konecranes Plc effective on December 31, 2011.

Remuneration of Group Management (Extended Management Team)

The Nomination and Compensation Committee evaluates and prepares for Board decision the remuneration packages of 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 2012 is 50 percent of individual's annual base salary.

The Finnish members of the Extended Management Team participate in a defined 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 set according to the Finnish Employees Pensions Act (TyEL). The Finnish EMT members have life insurance and disability insurances. Non-Finnish members of the EMT also participate in defined contribution pension plans and have local insurance.

Remuneration to the Management		
Extended Management Team, excluding the President and CEO		
	2012	2011
1. Salary and benefits	3,121,537 EUR	2,705,215 EUR
2. Bonuses	524,691 EUR	667,241 EUR
3. Option rights owned (# of options 31 Dec.)	493,635	777,500
4. Shares owned (# of shares 31 Dec.)	279,132	258,948
5. Additional shares as a result of the Share Swap (# of shares)	0	164,888
6. Total shares owned (# of shares)	279,132	423,836

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 and as a result of the share swap the Extended Management Team received in total 164,888 Konecranes shares (item 5 in the table above). KCR Management Oy was merged to Konecranes Plc effective on December 31, 2011

There were no loans issued by the Company to the Extended Management Team (excluding the President and CEO) at the end of December 2012.

Performance Share Plan 2012

As of the beginning of 2012, Konecranes launched a new Long Term Incentive Plan for key employees and discontinued the use of stock option plans.

The purpose of the Performance Share Plan is to motivate key personnel to contribute to the long-term success of the Company and to create 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 allocation of shares to key personnel under a proposal made by the President and CEO. In allocating shares to the President and CEO, the Board acts independently.

The actual number of shares earned is triggered by criteria set by the Board annually. The 2012 Plan has one criterion for fiscal year 2012 performance and one for 2012 – 2014 performance. Earned shares are paid out in the first quarter of 2015. In the 2012 – 2014 Plan, if maximum performance level is achieved in both criteria, the President and CEO will be eligible for 48,000 shares and the Extended Management Team in total for 240,000 shares (the maximums are gross numbers).

The members of the Extended Management Team, including the President and CEO, have an obligation to continue owning at least 50 % of the shares they earn annually through the Performance Share Plan until they own Company shares with a value equal to their annual salary including benefits.

Stock Option Plans

The Company has in the past issued stock option plans for its key employees, including top and middle management, and employees in certain expert positions. All plans have been adopted by the relevant General Meetings. The board has decided to discontinue the use of these plans until further notice.

Konecranes Plc's remaining outstanding stock option plans are Option Series 2009A, 2009B and 2009C. The subscription periods for these plans are:

- Stock Option 2009A: 1 April 2012 – 30 April 2014
- Stock Option 2009B: 1 April 2013 – 30 April 2015
- Stock Option 2009C: 1 April 2014 – 30 April 2016

The terms and conditions of Konecranes stock option plans and number of unsubscribed stock options, based on outstanding stock option plans and number of employees concerned, can be consulted at the Company's website at www.konecranes.com > Investors > Share information > Stock option plans.

As of the end of 2012, approximately 200 employees were part of the Group's stock option plans. More information on stock options can be found in Konecranes Annual Report.

Employee Share savings Plan 2012

Konecranes launched a new Employee Share Savings Plan on July 1, 2012 for all employees except those in countries where the Plan could not be offered for legal or administrative reasons.

The Plan also covers top managements and the President and CEO. Participation is voluntary for all concerned.

The Plan is based on the idea that participants save a monthly sum up to 5 % of their gross salary. This money is then used to buy Konecranes shares from the market on behalf of participants. Savings can be made from July 1, 2012 to June 30, 2013. If the participants are still in possession of these shares on February 15, 2016, they will receive one matching share for every two initially purchased.