

Remuneration Statement 2018



CONTENTS

→ REMUNERATION STATEMENT 2018	2
→ Remuneration philosophy	2
→ Decision-making process	2
→ Remuneration elements	3
→ Annual remuneration report 2018	6

Remuneration statement 2018

Remuneration philosophy

Konecranes remuneration philosophy aims to attract, retain and motivate talented employees. We consider incentives and learning opportunities as drivers and as vital parts of the total employee experience. Remuneration is linked to performance and achievements in all organizational levels.

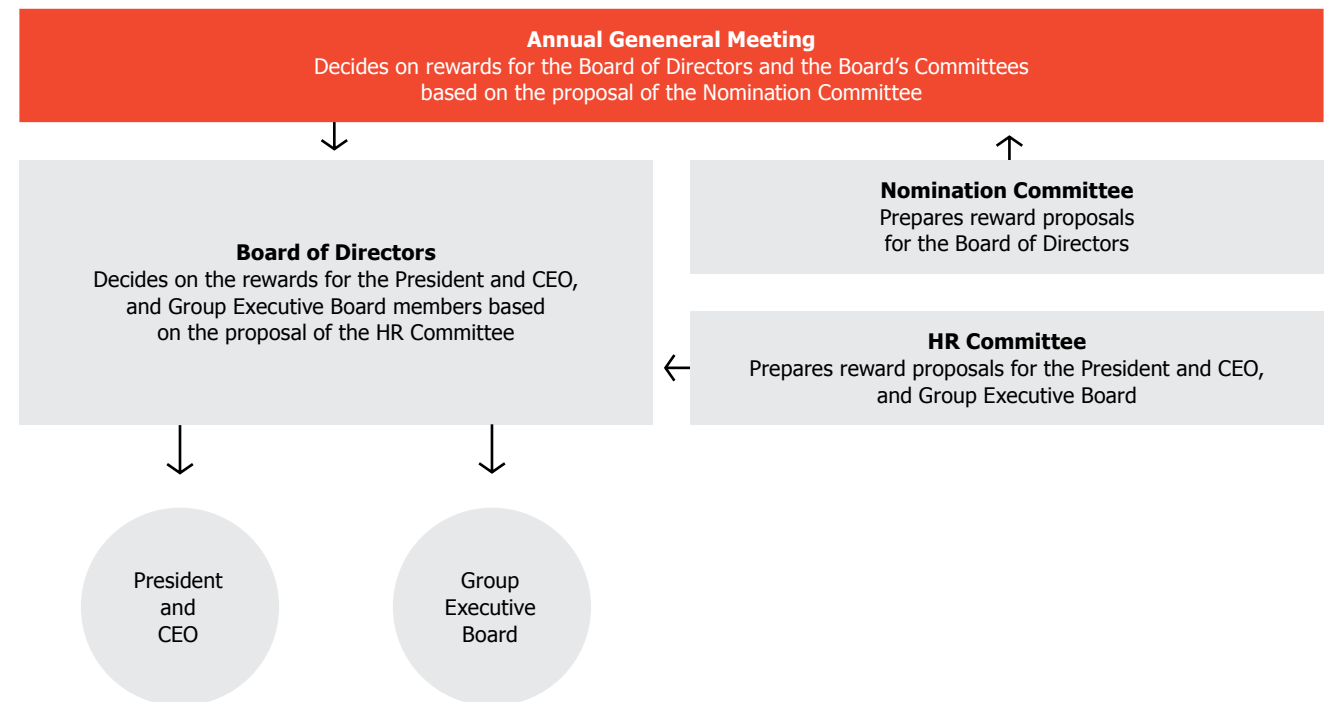
Our remuneration is designed to promote high performance and commitment to our business targets. The goal of the Konecranes remuneration schemes is to drive competitiveness and long-term financial success of the company, as well as to contribute to the positive development of shareholder value.

Konecranes positions itself to the employer market based on the geographical locations of the employees and the employee groups. We are prepared to make additional investments on employer markets where Konecranes employer brand is less distinguished and where less career opportunities exist inside the company. Also, we are prepared to invest more in fast-developing markets, such as countries with high inflation. The definition of market varies between employee groups. For operatives and staff, Konecranes predominantly uses local benchmark companies. As for management, we benchmark ourselves with international companies based on management's geographical location.



Decision-making process

All Konecranes remuneration related decisions are made by the 'one above' principle. In other words the remuneration of an employee must always be accepted by his/her manager's superior. The decision-making process is depicted in the chart below.



Remuneration of the Board of Directors

The Annual General Meeting decides on the remuneration of the Board of Directors and the Board's Committees annually. The decision proposals are prepared by the Nomination Committee.

Remuneration of the President and CEO

The Human Resources Committee reviews the President and CEO's performance and prepares the proposal for the President and CEO's remuneration. External market data and advisers are used to support the proposal preparation and the performance review. Based on the Human Resources Committee's evaluation, market benchmarking and other relevant facts, the Board determines the total remuneration elements of the President and CEO.

Remuneration of the Group Executive Board and Senior Management

The Board evaluates and decides on the total remuneration of the Group Executive Board members and other executives reporting directly to the President and CEO.

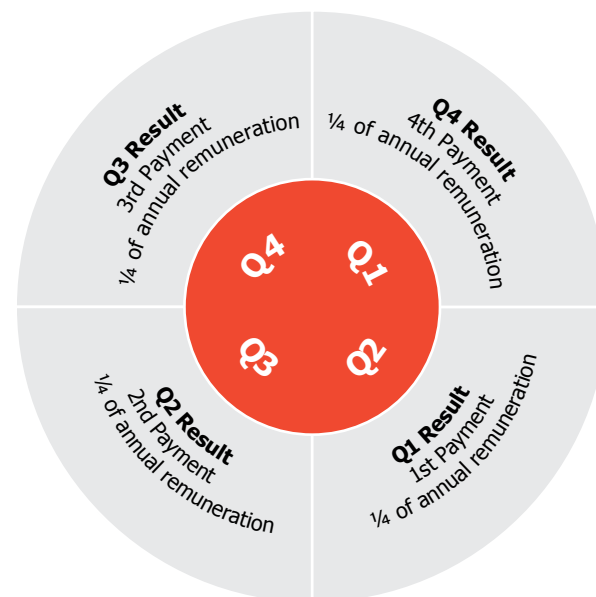
Remuneration Elements

Remuneration of Board of Directors

The Konecranes Annual General Meeting resolves the remuneration of the Board members. In case the term of office of a Board member ends before the closing of the next Annual General Meeting, he or she is entitled to the prorated amount of the annual remuneration calculated based on his or her actual term in office.

50 percent of annual remuneration is paid in Konecranes shares purchased on the market on behalf of the 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. If payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual remuneration will be paid entirely in cash. The remuneration is paid in four equal instalments, each instalment being purchased or transferred within the two-week period following each of the Company's interim report announcements and the Company's financial statements release for each year.

The Konecranes Board members are not in an employment relationship or service contract with Konecranes. They do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.



Remuneration of the Management and Employees

Salaries

The base salaries and fringe benefits of the Konecranes President and CEO and other Group Executive Board members reflect the performance and individual job responsibilities, experience, skills and knowledge.

Konecranes salaries are defined according to the relevant local market in each country. In terms of base salary, Konecranes aims to be globally at the median of the chosen markets. Base salaries vary between countries and employee groups.

At Konecranes, Managers evaluate their employees' salaries annually against the Konecranes Rewards Philosophy, ensuring that possible salary increases are allocated effectively to individual employees based on their performance and contribution. The Annual Salary Review Process also applies to Group Executive Board members and senior management who report directly to the CEO and is completed by the Board of Directors.

Incentives

Short-term Incentives

The Konecranes Group remuneration structure includes an incentive plan. Konecranes short-term incentives are designed to support the Company's financial success and the employees' commitment to achieve set targets on a semi-annual or annual basis, depending on the year. Participants, in addition to Senior Management, are decided locally based on the market practice.

Konecranes incentives are typically based on the financial results of the Konecranes Group, business area, business unit and/or a smaller unit, and the employee's personal performance in comparison to set targets. Incentive criteria may vary but are usually based on the Konecranes Group's five key performance areas: safety, customer, people, growth, and profitability. Currently, a minimum of 50 percent of all employees' targets shall be based on financial performance. As for executives, such as business area/unit management or service region/sub-region management, 70–100 percent of the annual incentive is typically based on financial performance.

The amount of the incentive opportunity is defined by the employee's position in the organization and the geographical location. The actual pay-out is based on the combination of personal and financial performance. The local and global market needs guide the use of incentives in each geographical location, separately.

Konecranes incentive schemes are always based on written documentation. Quantitative performance criteria are used rather than qualitative assessments, whenever possible.

The President and CEO's annual incentive is based on the comparison of financial performance of the Company and the expectations set out by the Board of Directors for the applicable year. The maximum incentive opportunity for the President and CEO is 85 percent of the annual base salary.

The Group Executive Board members' annual variable pay is based on the Group's financial performance and on business area performance, if applicable for the person,

and on the individual's performance against predefined targets. The annual variable pay percentage is based on the individual responsibilities and is at maximum 50 to 75 percent of the individual annual base salary (2/3 of the maximum being the target level).

Long-term Incentives

The aim of Konecranes long-term incentive plans, i.e. the Performance Share Plans, is to align the objectives of shareholders and Konecranes' key employees to increase the value of the Company, to commit key employees to the Company and to reward employees for achieving set targets.

In 2018 Konecranes had four active Performance Share Plans. Konecranes Performance Share Plans have a three-year performance period, during which the plan participants may earn rewards according to the realization of the criteria set in the beginning of the performance period. The exception to this is the 2016 Performance Share Plan which, due to the ongoing corporate transaction process with Terex Corporation at that time, has a one-year performance period and 2 years' holding period. In 2017, the Board of Directors issued an additional Performance Share Plan for the CEO with a five-year performance period.

Each Performance Share Plan period defines a maximum remuneration in shares. For practical reasons, part of the earned share remuneration is paid in cash to ensure that the participants can pay the necessary taxes for the share-based compensation. The actual remuneration payment is based on the performance of the Company against the predefined criteria – if a threshold level for the criteria is not met, long-term incentives will not be paid.

Konecranes long-term incentive plans include ownership obligations that pose restrictions to named plan participants selling shares received as remuneration. The members of the Konecranes Group Executive Board, including the President and CEO, have an obligation to continue to own at least 50 percent of the shares earned annually through the Performance Share Plan until their ownership of the Company shares equals their annual salary. Since 2017, the CEO is not entitled to sell shares paid as reward through the Performance Share Plan until he owns Konecranes shares worth EUR 750,000 in total.

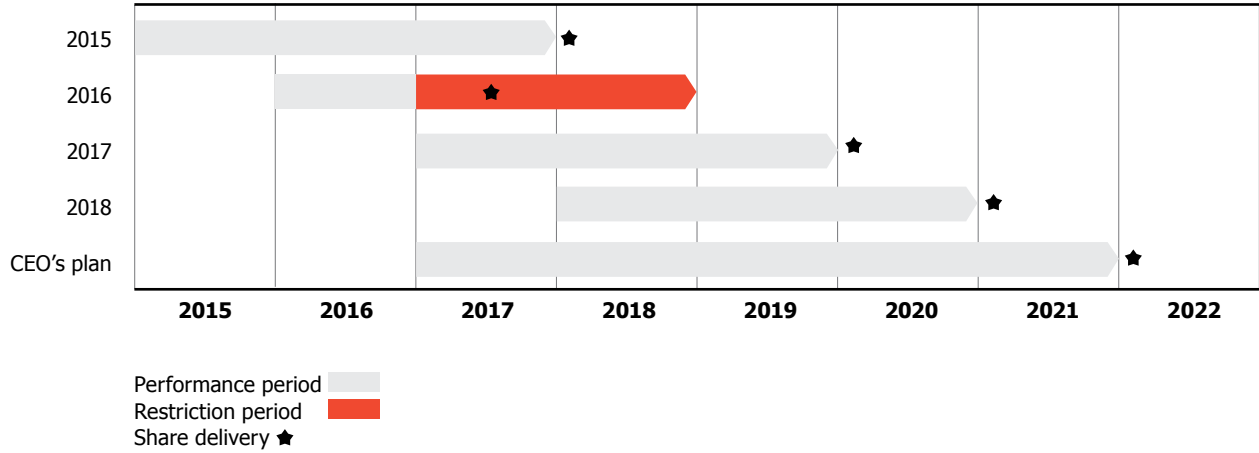
In 2012, Konecranes launched an Employee Share Savings Plan for all employees, including the Management, except in those countries where the plan could not be offered for legal or administrative reasons. Participants save a monthly sum of up to 5 percent of their gross salary, which is used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period, they will receive one matching share for every two initially purchased.

Pensions

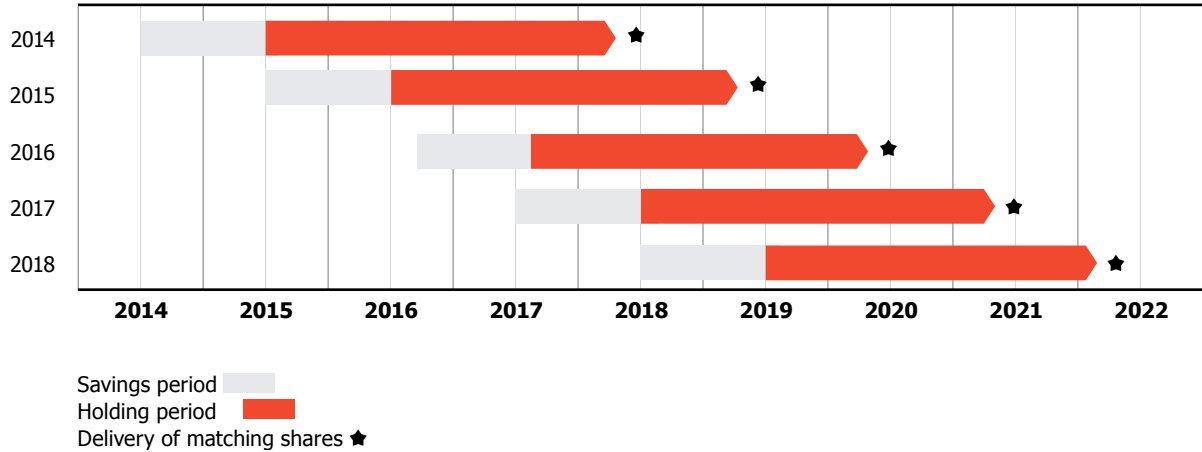
The Finnish statutory pension system covers the Finnish Konecranes Group Executive Board members. The non-Finnish members participate in pension systems in their local countries. In addition to statutory pensions, Konecranes provides supplementary contribution-based pension benefit to the President and CEO.

The pension scheme for the President and CEO sets his defined contribution at 20 percent of his annual salary, excluding performance-based compensation (annual or long-term incentives).

Performance Share Plan



Employee Share Savings Plan



The Finnish members of the Group Executive Board participate in a defined group pension insurance scheme, which can be withdrawn from at the age of 60. However, the retirement age is set according to the Finnish Employees Pensions Act (TyEL). The Finnish Group Executive Board members have life insurance and disability insurances. The non-Finnish members participate in a contribution-based pension plan and have local insurance cover.

Remuneration of the President and CEO and Konecranes Group Executive Board

	President and CEO	Group Executive Board
Base salary	Fixed salary with fringe benefits	Fixed salary with fringe benefits
Short-term incentives	<ul style="list-style-type: none"> Based on financial performance Max. 85% of annual base salary 	<ul style="list-style-type: none"> Based on individual performance and Group/Business area performance Max. 50–75% of individual's base salary
Long-term incentives	Paid according to Performance Share Plans	Paid according to Performance Share Plans
Pensions	<ul style="list-style-type: none"> Finnish Statutory pension Defined contribution plan at 20% of annual salary 	<p>Finnish members</p> <ul style="list-style-type: none"> Statutory pension Contribution-based group pension insurance scheme Life insurance and disability insurances <p>Non-Finnish members</p> <ul style="list-style-type: none"> Defined contribution pension plan Local insurance cover
Shareholding requirements	<p>Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO</p> <ul style="list-style-type: none"> Must hold until he owns shares worth EUR 750,000 in total <p>Previous plans</p> <ul style="list-style-type: none"> Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary 	<p>Must hold min. 50% of any net shares given based on reward plans</p> <ul style="list-style-type: none"> Until the value of shareholding equals annual salary and Membership in the Group Executive Board continues

Terms of Employment for President and CEO

- Period of notice for either party: 6 months
- Severance pay: equals to 12 months' salary and fringe benefits, in addition to the notice period compensation
- Retirement age: 63 years
- Total remuneration:
 - Monthly salary: EUR 50,000 excluding benefits
 - Fringe benefits: car, mobile phone
 - Contribution-based pension: 20% of annual salary
 - Short-term incentive: maximum 85% of annual salary
 - Long-term incentive: paid according to Performance Share Plans

Annual remuneration report 2018

This part presents the remuneration paid and payable to Board of Directors, Konecranes President and CEO, and Group Executive Board in 2018.

Remuneration of the Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting on March 27, 2018 and the total compensation paid in 2018 are shown in the tables below.

Fees payable to the Board of Directors

Annual fee 2018	Total EUR
Chairman of the Board	140,000
Vice Chairman	100,000
Board member	70,000
Fee per Board Committee meeting	1,500
Chairman of the Audit Committee per Audit Committee meeting	3,000

Board members are also reimbursed for their travel expenses.

Total remuneration paid to the Board of Directors during 2018

	Board Remuneration 2018				
Member	EUR Cash portion as part of Total Annual Remuneration	Number of shares as part of Total Annual Remuneration	EUR value of shares as part of Total Annual Remuneration	EUR Committee Meetings	Total EUR
Chairman					
Christoph Vitzthum	87,500	1,506	52,500	18,000	158,000
Vice Chairman					
Ole Johansson	62,500	1,076	37,500	18,000	118,000
Other Board Members					
Anders Nielsen	35,000	513	17,500		52,500
Bertel Langenskiöld	43,750	753	26,250	7,500	77,500
Janina Kugel	43,750	753	26,250	7,500	77,500
Päivi Rekonen	35,000	513	17,500	6,000	58,500
Per Vegard Nerseth	35,000	513	17,500		52,500
Ulf Liljedahl	43,750	753	26,250	25,500	95,500
Board member until March 27, 2018					
Malin Persson	8,750	240	8,750	1,500	19,000
Total Board Compensation	395,000	6,620	230,000	84,000	709,000

Due to the payment cycle, Board remuneration during 2018 includes the Board of Directors' partial remuneration from January 1, 2018 until AGM 2018 (1/4 instalment and committee meeting fees), and from AGM

2018 until December 31, 2018 the partial remuneration (3/4 instalment and committee meeting fees) that was decided by AGM 2018.

Member	Board meeting attendance 2018			
	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended	Nomination Committee meetings attended
Chairman				
Christoph Vitzthum	12/12	(-)	5/5	5/5
Vice Chairman				
Ole Johansson	12/12	6/6	(-)	5/5
Other Board Members				
Anders Nielsen	9/10	(-)	(-)	(-)
Bertel Langenskiöld	12/12	(-)	5/5	(-)
Janina Kugel	12/12	(-)	4/5	(-)
Päivi Rekonen	10/10	5/5	(-)	(-)
Per Vegard Nerseth	9/10	(-)	(-)	(-)
Ulf Liljedahl	12/12	6/6	(-)	5/5
Board member until March 27, 2018				
Malin Persson	2/2	1/1	(-)	(-)

Remuneration of the President and CEO and Konecranes Group Executive Board members

The remuneration of the Konecranes Group Executive Management in 2018 is shown in the table below. The salaries, fringe benefits and short-term incentives paid to the President and CEO and the Group Executive Board amount to a total of EUR 4,293,714.

Konecranes conducted annual target setting and achievement review for 2018 to facilitate business success. The 2018 Group adjusted EBITA was used as main criteria for Group and BA management.

Remuneration of the President and CEO and Konecranes Group Executive Board Members

	President and CEO		Other members of Group Executive Board	
	2018 Panu Routila	2017 Panu Routila	2018	2017
Salaries and fringe benefits	647,700	664,836	2,844,365	2,297,895
Short-term incentives	330,000	575,500	471,649	1,895,783
Share rights allocated (PSP) # of share rights	200,000	248,000	258,000	258,000
Shareholding in Konecranes Plc # of shares ^{*)}	32,419	28,315	238,385	229,727
Expense of statutory/voluntary pension plans	259,653	315,100	303,879	474,536

^{*)} Includes 84,000 shares from PSP 2016, which were under transfer restriction until December 31, 2018. There were no loans outstanding to the Group Executive Board at end of the period 2018 and 2017. There are no guarantees on behalf of the Group Executive Board in year 2018 and 2017.

Long-term Incentives

The long-term incentives awarded in the recent years are shown in the table below.

Performance Share Plan (year)	PSP 2015	PSP 2016	PSP 2017	PSP 2018
Performance period	2015–2017	2016	2017–2019	2018–2020
Measure	Adjusted Cumulative EPS	Adjusted EBITDA	Adjusted Cumulative EPS	Adjusted Cumulative EPS
Total gross shares delivered	98,496	667,509 ^{*)}	N/A	N/A
Restriction period	–	Until 31.12.2018	–	–
Gross shares delivered				
Panu Routila, CEO	8,208	48,000	N/A	N/A
Other members of Group Executive Board, total	16,416	120,000	N/A	N/A

^{*)} On December 17, 2018 a total of 7,000 Konecranes shares have been returned free of consideration to the company according to the terms and conditions of Performance Share Plan 2016.

Konecranes Employee Share Savings Plan (ESSP) is offered to all employees including the management, excepts in countries where it is not possible due to legal or administrative reasons.

Summary of Employee Share Savings Plan

Employee Share Savings Plan (year)	ESSP 2014	ESSP 2015	ESSP 2016	ESSP 2017	ESSP 2018
	July 1, 2014– June 30, 2015	July 1, 2015– June 30, 2016	September 1, 2016– June 30, 2017	July 1, 2017– June 30, 2018	July 1, 2018– June 30, 2019
Savings period					
Amount of participants ^{*)}	1,164	1,269	1,243	2,018	1,981
Amount of shares acquired	71,664	91,368	47,017	100,257	On-going
Delivered or expected matching shares to be delivered ^{*)}	35,832	45,684	23,509	50,129	On-going

^{*)} By the end of January 2019.



Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity-enhancing lifting solutions as well as services for lifting equipment of all makes. The Group has 16,100 employees at 600 locations in 50 countries. Konecranes is listed on the Nasdaq Helsinki (symbol: KCR).

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