

KONE Corporation Remuneration Statement 2010

The key management of KONE Corporation consists of the Board of Directors and the Executive Board.

KONE Corporation's Board of Directors determines the terms and conditions of employment of the full-time Chairman of the Board and of the President and CEO, and these are defined in their respective written contracts. The Nomination and Compensation Committee prepares proposals to be made to the Annual General Meeting regarding the nomination of Board members and their compensation and makes decisions regarding senior management appointments and compensation. The Committee also decides on the compensation systems to be used.

KONE has a share-based incentive plan for the company's senior management (President and CEO, members of the Executive Board and other top management), consisting of approximately 40 individuals. The potential reward is based on the annual growth in both sales and earnings before interest and taxes (EBIT). The reward is to be paid as a combination of class B shares and cash equivalent of the taxes and similar charges that are incurred. The plan prevents participants from transferring the shares during the fifteen-month period following the termination of each fiscal year. As part of the share-based incentive plan, a long-term target for the management's ownership has been set. In April 2010, a total of 311,375 class B shares were granted to the management as a reward due to the achievement of the targets for the year 2009. Respectively, a total of 219,000 class B shares will be granted in April 2011 due to achievement of the targets for the year 2010.

KONE Corporation had during the financial period 2010 three stock option programs. The purpose of the stock options is to encourage long-term efforts by key personnel to increase shareholder value and their commitment to the company by offering them an internationally competitive incentive program. The company's Board Members, President and CEO and members of the Executive Board are not included in the stock option programs.

Compensation paid to the key management, MEUR	Jan 1–Dec 31, 2010	Jan 1–Dec 31, 2009
Salaries and other remunerations	6.5	5.8
Share-based payments	11.3	5.4
Total	17.8	11.2

Compensation recognized as an expense for members of the Board of Directors and the President & CEO, (EUR thousand)	Jan 1–Dec 31, 2010	Jan 1–Dec 31, 2009
Herlin Antti, Chairman of the Board ¹⁾	529.0	528.5
Alahuhta Matti, President and CEO, member of the Board ¹⁾	755.7	755.7
Brunila Anne	34.5	28.5
Hanhinen Reino	34.5	33.5
Herlin Jussi	18.0	18.0
Hämäläinen-Lindfors Sirkka	47.0	48.0
Kaskeala Juhani	35.0	28.0
Kimura Shunichi	30.5	26.0
Pietikäinen Sirpa	33.5	33.5
Shimono Masayuki	-	5.5
Viinanen Iiro	-	6.0
Total	1,517.7	1,511.2

¹⁾ For the financial year 2010 in addition Antti Herlin's accrued bonus is EUR 468,488 and Matti Alahuhta's accrued bonus is EUR 722,200. These will be paid during 2011. In April 2010, the share-based payments for the financial year 2009 received by Matti Alahuhta was EUR 2,196,513.

The Annual General Meeting of KONE Corporation in March 2010 confirmed the fees of the members of the Board as follows:

Annual fees EUR
Chairman of the Board 54,000
Vice chairman 42,000
Member 30,000
Deputy member 15,000

It was also confirmed that a meeting fee of EUR 500 is paid for each meeting of the Board and its committees. Board members' travel expenses and daily allowances are compensated in accordance with the company's travel expense policy.

The compensation for Antti Herlin, full-time Chairman of the Board, consists of a basic salary and a yearly bonus decided by the Board on the basis of the Corporation's financial result. The yearly bonus may not exceed 100 percent of the recipient's annual salary. In 2010, Antti Herlin's basic salary was EUR 468,488. In addition, his bonus accrued for 2010 totaled EUR 468,488. He was also paid EUR 60,500 as compensation for serving as Chairman of the Board. The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. No separate agreement regarding early retirement has been made.

The compensation for the President and CEO, Matti Alahuhta, consists of a basic salary and yearly bonus, defined by the Board on the basis of the Corporation's annual result and other key targets. The yearly bonus may not exceed 100 percent of the recipient's annual salary. In 2010, Matti Alahuhta's basic salary was EUR

722,200. In addition, his bonus accrued for 2010 totaled EUR 722,200. He was also paid EUR 33,500 as compensation for serving on the Board. Matti Alahuhta is included in the share-based incentive plan for the Corporation's senior management. The potential bonus is based on the growth in KONE's net sales and operating profit. In April 2010, on the basis of the incentive plan, Matti Alahuhta received a bonus of EUR 2,196,513, which consisted of 33,920 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2010 and due for payment in April 2011 is 25,000 KONE class B shares together with an estimated cash bonus to cover taxes and similar charges arising from the receipt of shares. As part of Matti Alahuhta's contract, he has the possibility to retire at the age of 60 with a pension of 60 percent of his average monthly salary during his last seven years of earnings. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a six-month term of notice.

The compensation for the members of the Executive Board comprises a basic salary and a yearly bonus, based on the Group's annual result and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary. The Executive Board members' holdings of shares are presented in the table on below. The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2010, on the basis of the incentive plan, the members of the Executive Board received a bonus of 162,816 KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2010 and due for payment in April 2011 is 110,000 KONE class B shares together with an estimated cash bonus equal to the amount of taxes and similar charges. No separate agreement regarding early retirement has been made for the members of the Executive Board. The compensation for the termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a six-month term of notice.

The performance and economic criteria of the senior management's compensation both in terms of the annual bonus plans and the long-term share-based incentive programs are defined and their progress monitored regularly in a manner that ensures that long-term strategic targets are reached.

The Board members and the President and CEO do not have any other financial benefits.

This Remuneration Statement represents a statement recommended by the Finnish Corporate Governance Code 2010 (Recommendation 47).