

The Terms and Conditions of the Option Program of New KONE

[Appendix 4]

The Board of Directors of KONE Corporation ("KONE") proposes a demerger of KONE by transfer of all of its assets and liabilities without a liquidation procedure to two public limited liability corporations to be established, new KONE Corporation ("New KONE" or "Company") and Cargotec Corporation ("Cargotec"). Detailed terms and conditions of the demerger are presented in the demerger plan as signed by the KONE Board of Directors on 1 November, 2004.

In accordance with Section 16 of KONE 2004 option program ("Option program"), in case of demerger, KONE and its Board of Directors can decide to offer an exchange of option rights on corresponding terms, where applicable, as in the exchange of KONE shares.

KONE's Board of Directors has decided to offer KONE option holders an exchange of option rights as follows:

- Each KONE series A option right will be exchanged for one (1) series A option right of New KONE and one (1) series A option right of Cargotec; and
- Each KONE series B option right will be exchanged for one (1) series B option right of New KONE and one (1) series B option right of Cargotec

Since the exchange of the option rights to new issued and corresponding option rights has been decided to be offered, the option right holders have, according to the terms and conditions of the Option Program, no right to request redemption of the option rights.

The New KONE option right terms and conditions will come into effect at effective date of the demerger (estimated 31 May, 2005) and are as follows:

1 Number of Option Rights

A maximum number of 266,780 New KONE option rights shall be issued. The option rights entitle to subscribe for a maximum number of 800,340 class B shares in New KONE.

2 Classification of Option Rights

The New KONE option rights have been marked with either letter A or B. The maximum number of A option rights is 96,780, and the maximum number of B option rights is 170,000.

3 Offering of option rights

KONE 2004 A option rights have been offered for subscription to key personnel of the KONE Group and they are freely transferable. The A option rights are listed on the main list of the Helsinki Stock Exchange. KONE Capital Oy ("Subsidiary Company"), a wholly owned subsidiary of KONE, has subscribed for all the 170,000 B option rights of the Option program, which are anticipated to be listed on the main list of the Helsinki Stock Exchange 1 April, 2005.

The option rights of the Option program have been entered into the book-entry system.

The Subsidiary Company may assign the option rights only to the key employees specified by the Company, or to another group company for assignment of its key employees.

The option rights have been given free of charge.

The option rights entitling to subscription of New KONE class B shares shall be issued in the book-entry system. The option rights shall be entered into the book entry accounts of the holders of the option rights at the effective date of the demerger (estimated 31 May, 2005), on which day the option rights of the Option program shall be null and void and automatically removed from the book-entry accounts of KONE option holders.

A deviation from the shareholders' pre-emptive right to subscription has been made, as the Option program constitutes a part of an incentive plan of the Company and a weighty financial reason for the Company thus exists.

4 Option rights

Each New KONE option right entitles to subscribe for three (3) class B shares in New KONE.

5 Transfer of Option Rights

The option rights held by any option right holder other than the Subsidiary Company are freely transferable once entered into the book-entry account of the option right holder.

TERMS AND CONDITIONS OF SHARE SUBSCRIPTION

6 Right to Subscription for New Shares

Each New KONE option right shall give its holder the right to subscribe for three (3) class B shares in New KONE with an accounting par value of one (1) euro. The maximum increase in the share capital of the Company as a result of the subscriptions shall be 800,340 euros corresponding to 800,340 new shares.

7 Subscription and Payment

The New KONE option rights have been divided into two (2) series, A and B option rights. The A issue consists of 96,780 option rights at maximum and the B issue consists of 170,000 option rights at maximum.

The shares can be subscribed annually from 2 January to 30 November on the dates separately defined by the Board of Directors. In respect of the A option rights the subscription period commences on 13 June, 2005 and ends on 31 March, 2008 and in respect of the B option rights the subscription period commences on 13 June, 2005 and ends on 31 March, 2009. The subscription period is subject to the execution of the demerger on 31 May, 2005 and the first subscription day will be changed in accordance with the actual demerger date.

The subscription of the shares shall take place at the Headquarters of New KONE or another location to be announced later by the Company. Shares shall be fully paid for at the time of subscription. The option rights used for share subscription will be removed from the subscriber's book-entry account.

8 Subscription Price of Shares

The subscription price of a share shall be determined as follows:

The current share subscription price of 24.67 euros based on the Option program is to be divided between New KONE and Cargotec option rights and recalculated to reflect the market value of New KONE and Cargotec at the time of their listing. The market value to be used in recalculating the new subscription price is the trade volume weighted average price of the first six (6) trading days of New KONE shares and Cargotec shares, excluding the first trading day. The subscription price of New KONE and Cargotec shares is anticipated to be disclosed on 13 June, 2005.

9 Registration of Shares

Subscribed and fully paid shares shall be entered into the book-entry account of the subscriber.

The Board of Directors of the Company approves subscriptions at its regular meetings and is responsible for registration of the increases in share capital based on the approved subscriptions without delay as well as to make the new shares subject to trade on Helsinki Stock Exchange. However, the Board of Directors has no obligation to accept subscriptions in the period between the end of the accounting period and the Annual General Meeting.

10 Shareholders' Rights

The shares acquired shall first qualify for dividend payment for the financial year during which the subscription has taken place. Other rights related to the shares shall commence on the date when the increase in the share capital is entered in the Trade Register.

11 Issues of shares, convertible bonds, option rights and other financial instruments entitling to shares prior to the end of the period of subscription

Should the Company, prior to the end of the subscription period for shares, increase its share capital through a share issue or issue of new convertible bonds or option rights or other financial instruments entitling to shares according to the Companies Act so that shareholders have pre-emptive rights to subscription, holders of option rights shall have the same or equal rights as the shareholders. The equality among shareholders shall be addressed by the Board of Directors of the Company through amending the number of shares to be subscribed, the subscription price or both.

Should the Company increase its share capital through a bonus issue prior to the end of the subscription period, the subscription ratio will be amended so that the proportionate part of the share capital of the shares to be subscribed based on the option rights

remains unchanged.

Should the new number of shares to be subscribed based on one option right be a fraction, the fraction will be taken into consideration by lowering the subscription price.

12 Rights in Certain Situations

Should the Company reduce its share capital prior to the end of the subscription period, the right to subscription of the holders of option rights shall be amended accordingly in a manner specified in the decision to reduce share capital.

Should the Company decide to acquire its own shares by an offer made to all shareholders of the Company after the share subscription period has begun, an equal offer has to be made to the holders of option rights. In other cases, the acquisition of the Company's own shares does not require any actions from the Company towards the option right holders.

In the event that a situation under Chapter 14, Section 19 of the Companies Act or a redemption obligation to other shareholders' shares set forth in Chapter 6, Section 6 of the Securities Markets Act arises, the holders of option rights shall be reserved an opportunity to use their right for subscription during the time period set by the Board of Directors. After such time no subscription right shall exist.

Should the share of the Company cease to be publicly traded on the Helsinki Stock Exchange before the end of the subscription period, an opportunity to use subscription rights within a time stipulated by the Board shall be reserved to the holders of the option rights before the trading of the Company's shares ends. Once the trading ends, the right to subscribe for shares with the option rights shall lapse.

Should the Company be set into liquidation before the share subscription period ends, the option holders shall be reserved an opportunity to use their subscription right before the commencement of the liquidation within a time stipulated by the Board of Directors. After this no subscription rights shall exist.

Should the Company decide to merge into another company or in a company to be formed in a combination merger or if the Company resolves to be divided, the Company or the company acquiring or the company to be formed in the combination merger (conditionally) and its Board of Directors may decide to offer an exchange of the option rights of the Company to new issued option rights to be exchanged on equivalent terms following the relevant terms and conditions on the shares of the Company at the merger or division. If the exchange of option rights to new, equivalent option rights is being offered the option right holder has no right to request redemption of the option rights as allowed under the Companies Act. At a merger or division the Board of Directors also has the right to decide that the option right holder shall be given a right to subscribe for the shares during a time stipulated by the Board of Directors before the actual merger or division. After such time no subscription right shall exist.

Should the accounting par value of shares be amended so that the share capital remains unchanged, these terms and conditions of subscription shall be amended so that the total accounting par value of shares to be subscribed and the total subscription price remain unchanged.

Should the Company change from public limited liability company to private limited liability company, the terms and conditions of option rights shall remain unchanged unless the law requires otherwise.

13 Applicable Law

This option program shall be subject to and governed by Finnish law.

14 Disputes

Any dispute, controversy or claim arising out of or relating to this option program shall be finally settled by arbitration in accordance with the Rules of Arbitration of the Finnish Central Chamber of Commerce. Arbitration shall take place in English in Helsinki.

15 Other Issues

The Board of Directors of the Company shall decide on all other matters relating to these option rights or to subscription. Copies of the option rights program shall be available for inspection at the Headquarters of KONE Corporation in Helsinki.

The English translation of the original Finnish language Terms and Conditions of New KONE Option Program is unofficial. In the event of any inconsistency, reference should be made to the Finnish language version of the Terms and Conditions of New KONE Option Program.