

The Terms and Conditions of the Option Program of KONE Corporation

[Appendix 3]

1 Number of Option Rights

A maximum number of 350,000 option rights shall be given. The option rights entitle to subscribe for a maximum number of 1,050,000 class B shares in KONE Corporation (the "Company").

2 Classification of Option Rights

The option rights have been marked with either letter A or B. The number of A option rights is 180,000, and the number of B option rights is 170,000. A and B option rights are divided into 5 categories as defined below. In addition to the right to subscribe for shares the holders of A option rights are entitled to a separate cash bonus. The receiving of option rights and the exercising of the subscription right is subject to the profit level of the KONE Group as described in Article 11 below.

3 Who Can Subscribe

Deviating from the Shareholders' pre-emptive right to subscription, the option rights are offered for subscription to key personnel of the KONE Group determined by the Board of Directors. KONE Capital Oy (the "Subsidiary Company"), a wholly owned subsidiary of KONE Corporation, shall also have the right to subscription. KONE Capital Oy can later transfer the option rights to persons designated by the Company and employed by the KONE Group. The Company shall decide upon the number of option rights to be offered to each key person and to the Subsidiary Company. The Board of Directors has given temporary option certificates to the key persons entitled to option rights.

Deviation from the shareholders' pre-emptive right to subscription is proposed, as the option program constitutes a part of an incentive plan of the Group and a weighty financial reason for the Company thus exists.

4 Subscription and Entering into Book-entry System

Persons having the right to subscribe for option rights shall be sent a letter regarding the right to subscription.

The subscription period in respect of the option rights is from 1 March 2004 to 19 March 2004.

The subscription of the A option rights shall be carried out by returning the temporary option certificate entitling to the subscription of the option rights to the Company by the end of the subscription period, or, in the event the temporary option certificate is missing, an acceptable clarification of the right to the option rights. The option rights shall be entered into the book entry account of the subscriber.

The B option rights will be issued to be subscribed for by the Subsidiary Company and they will be entered into the book-entry account of the Subsidiary Company. The

Subsidiary Company shall exchange the option rights to the temporary option certificates entitling to them, once the subscription period with the B option rights commences. The Subsidiary Company shall transfer the option rights only to the key persons determined by the Board of Directors or to another company belonging to the same Group.

The option rights will be given free of charge.

The option rights shall be issued in the book-entry system. The Board of Directors will decide on the relevant procedure.

In the event the holder of a temporary option certificate does not use the right to subscribe for option rights, the right to the option rights shall lapse.

5 Approval of Subscriptions

The Board of Directors of KONE Corporation shall decide on the approval of subscriptions.

6 Option rights

KONE Corporation shall issue a maximum of 350,000 option rights. Each option right entitles to subscribe for three (3) class B shares in KONE Corporation.

7 Cash Bonus

Each A option right entitles to a separate cash bonus of 40 euros provided that the income targets listed in Article 11 have been reached. The cash bonus will be paid during April, 2004.

8 Prohibition of Transfer and Termination of Employment

The temporary option certificates and the rights related thereto shall not be transferred or pledged to a third party without the permission of the Board of Directors of the Company.

Should the employment of a holder of a temporary option certificate entitling to option rights in the KONE Group be terminated prior to the commencement of the share subscription period, he or she shall lose the right to obtain option rights and, thus, the right to subscribe for shares and cash bonus. The temporary option certificates must be returned to the Company immediately without compensation.

Should the reason for termination of employment be retirement, disability or death, the Board of Directors of the Company may accept the exercise of the temporary option certificate to subscribe for option rights on a case-by-case basis.

9 Transfer of Option Rights

The option rights are freely transferable once entered into the book-entry account of the option right holder.

TERMS AND CONDITIONS OF SHARE SUBSCRIPTION

10 Right to Subscription for New Shares

Each option right shall give its holder the right to subscribe for three (3) class B shares in KONE Corporation with a nominal value of one (1) euro. The maximum increase in the share capital of the Company as a result of subscriptions shall be 1,050,000 euros corresponding to 1,050,000 new shares.

11 Subscription and Payment

The option rights have been divided into A and B option rights. The A issue consists of 180,000 option rights and the B issue consists of 170,000 option rights. The A and B option rights have been further divided into five (5) equally large categories. In respect of A option rights the number of option rights in each category is 36,000 and in respect of B option rights 34,000.

The option rights entitle to subscribe for shares subject to the development of the Corporation's cumulative net income (after taxes and minority shares), as shown in the Consolidated Statement of Income over a three-year (3) period (2001-2003) as follows:

	A options number of option rights	B options number of option rights	Minimum Accumulated Income Level for exercising the option rights	Cumulative number of option rights in use
1- category	36.000	34.000	330 M euros	70.000
2- category	36.000	34.000	350 M euros	140.000
3- category	36.000	34.000	380 M euros	210.000
4- category	36.000	34.000	420 M euros	280.000
5- category	36.000	34.000	470 M euros	350.000
Total	180.000	170.000		350.000

Should the cumulative net income target set for the option categories (1-5) not be attained due to a corporate acquisition, arrangement or some other comparable significant change, the Board of Directors shall estimate to what extent the income targets would have been met without those significant changes.

When the KONE Group's Annual General Meeting has confirmed the 2003 Annual Statement of Income and the cumulative three-year net income is known, the Company shall exchange the issued temporary option certificates to the amount of option rights required on the basis of the result. Where income targets are not achieved, the option rights shall expire without value.

The temporary option certificates entitling to the A option rights shall be exchanged to option rights as described above in Article 4 and the temporary option certificates entitling to the B option rights as of 1 April 2005.

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 1 April 2004 and ends on 31 March 2008. In respect of the B option rights the subscription period commences on 1 April 2005 and ends on 31 March 2009.

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

12 Subscription Price of Shares

The subscription price of a share shall be the trade volume weighted average price of class B shares on the Helsinki Stock Exchange between 1 August 2000 and 23 October 2000 increased by 10 per cent and rounded off to the nearest euro. The subscription price, thus, is EUR 24.67.

13 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 made between January 1 and the Annual General Meeting.

14 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.

15 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 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, prior to the end of the subscription period, the Company increase its share capital through a bonus issue, 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.

16 Rights in Certain Situations

Should, prior to the end of the subscription period, the Company reduce its share capital, 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, after the share subscription period has begun, the Company decide to acquire its own shares by an offer made to all shareholders of the Company, 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, before the end of the subscription period, cease to be publicly traded on the Helsinki Exchanges, 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, before the share subscription period ends, be set into liquidation, 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 on 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 nominal 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 nominal 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.

17 Applicable Law

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

18 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.

19 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 KONE Corporation 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 KONE Corporation Option Program.