May 23, 2005

LISTING PARTICULARS

Cargotec Corporation

On June 1, 2005, as estimated (the "Demerger Date"), Kone Corporation will be demerged by the transfer of all of its assets and liabilities without a liquidation procedure into two new public limited corporations (Oyj), Cargotec Corporation ("Cargotec") and KONE Corporation ("New KONE").

As consideration for their shares in Kone Corporation, the shareholders of Kone Corporation will receive, in proportion to their existing shareholding, shares in Cargotec and New KONE. The shares in the new corporations will be divided into class A and class B shares. Shareholders of Kone Corporation are entitled to receive as consideration shares in Cargotec and New KONE on the Demerger Date as follows: (i) for each class A share of Kone Corporation one (1) class A share of Cargotec and one (1) class A share of New KONE, and (ii) for each class B share of Kone Corporation one (1) class B share of Cargotec and one (1) class B share of New KONE.

As a result, 63,754,755 shares of Cargotec, a company incorporated in the Republic of Finland, are to be distributed to the shareholders of Kone Corporation on the Demerger Date as consideration for their shares of Kone Corporation.

The nominal value of Kone Corporation's share is one Euro (EUR 1.00). The accounting par value of a share of Cargotec will be one Euro (EUR 1.00).

The ownership structure and the division of voting rights of Cargotec on the Demerger Date will be identical to the structure of Kone Corporation on the Demerger Date. The class A and class B shares differ from each other on the basis of the voting rights and the right to dividends connected to the shares.

The existing option rights in Kone Corporation will be exchanged into new option rights of Cargotec (the "Cargotec Option Rights") and new option rights of New KONE (the "New KONE Option Rights") on the Demerger Date as follows: (i) Each series A option right of Kone Corporation will be exchanged into one (1) series A option right of Cargotec and one (1) series A option right of New KONE; and (ii) each series B option right of Kone Corporation will be exchanged into one (1) series B option right of Cargotec and one (1) series B option right of New KONE.

After the exchange the holder of a present option right of Kone Corporation will be entitled to subscribe for three (3) class B shares in Cargotec and three (3) class B shares in New KONE. The current share subscription price of EUR 24.67 in accordance with the prevailing option program will be divided on the basis of the market values of Cargotec and New KONE at the time of their listing. The market values will be calculated on the basis of the trade weighted average price on the first six (6) trading days of Cargotec and New KONE, however so that the first trading day is excluded from the calculation. If the shares are listed as planned on June 1, 2005, the trade weighted average price between June 2 and June 8, 2005 will be used as the calculation basis.

Cargotec shares and Cargotec Option Rights will be distributed in the book-entry system and the receipt of Cargotec shares and Cargotec Option Rights will not require additional measures by shareholders or option right holders of Kone Corporation.

This document has been prepared for listing purposes only. No securities in Cargotec or New KONE are being sold or offered in connection with the listing. Kone Corporation has published a combined Demerger Prospectus and Offering Circular dated December 7, 2004 (the "Demerger Prospectus"). For further information on the Demerger and Kone Corporation, investors are advised to review the Demerger Prospectus. The Demerger is conditional upon the registration of the implementation of the Demerger in the Finnish Trade Register. It is estimated that the registration of the Demerger will take place on June 1, 2005. For further information on the listing of New KONE B shares and New KONE Option Rights, investors are advised to review the Listing Prospectus of New KONE dated May 23, 2005.

Application has been made for the Cargotec class B shares (the "Cargotec B Shares") and Cargotec Option Rights to be listed on the Main List of Helsinki Stock Exchange Ltd (the "Helsinki Stock Exchange"). Trading of the Cargotec B Shares and Cargotec Option Rights on the Main List of the Helsinki Stock Exchange is expected to commence on June 1, 2005. The last trading day of Kone Corporation class B shares and series A and B option rights is May 31, 2005.

See "*Investment Considerations*" for a discussion of certain matters that should be considered prior to investing in the Cargotec B Shares or Cargotec Option Rights.

THE CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT, UNLESS SO REGISTERED, BE OFFERED OR SOLD WITHIN THE UNITED STATES TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Manager & Financial Advisor

Aventum Partners

Financial Advisor

UBS Investment Bank

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CERTAIN INFORMATION WITH RESPECT TO THE CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS

KONE CORPORATION ACCEPTS RESPONSIBILITY FOR THE COMPLETENESS AND ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST KNOWLEDGE AND BELIEF OF THE MEMBERS OF THE BOARD OF DIRECTORS OF KONE CORPORATION, THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS AND THERE HAVE NOT BEEN OMITTED MATERIAL FACTS, THE OMISSION OF WHICH WOULD MAKE MISLEADING ANY STATEMENTS OF FACT OR OPINION CONTAINED HEREIN. OTHER THAN AS SET FORTH ABOVE, NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY KONE CORPORATION OR THE MANAGER OR THE FINANCIAL ADVISORS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY KONE CORPORATION OR THE MANAGER OR THE FINANCIAL ADVISORS. THE DELIVERY OF THIS PROSPECTUS SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF KONE CORPORATION OR CARGOTEC SINCE SUCH DATE. NOTHING CONTAINED IN THIS PROSPECTUS IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, EXPRESS OR IMPLIED, BY KONE CORPORATION OR THE MANAGER OR THE FINANCIAL ADVISORS AS TO THE FUTURE. BEFORE THE LISTING, KONE CORPORATION SHALL, AS DEEMED NECESSARY, UPDATE THE INFORMATION SET FORTH IN THIS PROSPECTUS PURSUANT TO CHAPTER 2, SECTION 3 OF THE FINNISH SECURITIES MARKETS ACT (26.5.1989/495), AS AMENDED. INVESTORS ARE ALSO ADVISED TO INFORM THEMSELVES OF ANY STOCK EXCHANGE RELEASES PUBLISHED BY KONE CORPORATION.

EXCEPT FOR CERTAIN ADDITIONAL INFORMATION INCLUDED FOR THE BENEFIT OF NON-FINNISH SHAREHOLDERS, THIS PROSPECTUS IS, IN ALL ESSENTIAL RESPECTS, A TRANSLATION OF A PROSPECTUS PREPARED UNDER FINNISH REGULATIONS IN FINNISH. THE FINNISH LANGUAGE PROSPECTUS HAS BEEN APPROVED BY THE FINNISH FINANCIAL SUPERVISION AUTHORITY. HOWEVER, THE FINNISH FINANCIAL SUPERVISION AUTHORITY ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF THE INFORMATION CONTAINED THEREIN OR HEREIN. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE TWO DOCUMENTS, THE FINNISH LANGUAGE DOCUMENT SHALL PREVAIL.

THIS DOCUMENT HAS BEEN PREPARED ONLY FOR THE LISTING OF CARGOTEC. NO SECURITIES IN CARGOTEC ARE BEING SOLD OR OFFERED IN CONNECTION WITH THE LISTING.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF KONE CORPORATION, CARGOTEC AND THE TERMS OF THIS LISTING, INCLUDING THE MERITS AND RISKS INVOLVED.

ANY DISPUTE ARISING FROM THIS LISTING SHALL BE SETTLED EXCLUSIVELY BY FINNISH COURTS IN ACCORDANCE WITH FINNISH LAW.

UBS LIMITED IS ACTING FOR KONE CORPORATION AND NO-ONE ELSE IN CONNECTION WITH THE LISTING OF CARGOTEC. UBS LIMITED WILL NOT BE RESPONSIBLE TO ANYONE OTHER THAN KONE CORPORATION FOR PROVIDING THE

PROTECTIONS AFFORDED TO CLIENTS OF UBS LIMITED OR FOR GIVING ADVICE TO ANY OTHER PERSON IN RELATION TO THE LISTING OR THE CONTENTS OF THIS DOCUMENT OR ANY TRANSACTION OR ARRANGEMENT REFERRED TO HEREIN.

THIS PROSPECTUS MEETS THE REQUIREMENTS OF THE FINNISH SECURITIES MARKETS ACT AND THE DECREE OF THE MINISTRY OF FINANCE CONCERNING LISTING PARTICULARS (19.6.2002/539), AND IT COMPLIES WITH THE REGULATIONS, GUIDELINES AS WELL AS THE EXEMPTION ORDER ISSUED BY THE FINNISH FINANCIAL SUPERVISION AUTHORITY.

THE NUMBER OF THE APPROVAL DECISION BY THE FINANCIAL SUPERVISION AUTHORITY IS 77/250/2005, AND THE DIARY NUMBER OF THE EXEMPTION ORDER RELATED TO THE PROSPECTUS IS 76/250/2005.

RESTRICTIONS ON DISTRIBUTION OF THIS PROSPECTUS

THIS PROSPECTUS IS REQUIRED TO BE PUBLISHED PURSUANT TO THE FINNISH SECURITIES MARKETS ACT AND THE RULES AND REGULATIONS OF THE HELSINKI STOCK EXCHANGE. THIS PROSPECTUS RELATES TO SECURITIES OF CARGOTEC WHICH WILL BE LISTED ON THE HELSINKI STOCK EXCHANGE, WHICH IS A REGULATED MARKET FOR THE PURPOSES OF ARTICLES 67 AND 68 OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001.

THE CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS WILL BE ISSUED IN RELIANCE ON THE DEMERGER NOT INVOLVING A "SALE" OF SECURITIES PURSUANT TO SECTION 5 OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND, AS A CONSEQUENCE, WILL NOT BE REGISTERED UNDER THE SECURITIES ACT. THE CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS HAVE NOT BEEN REGISTERED UNDER ANY U.S. STATE SECURITIES LAWS.

EXCEPT FOR THE CIRCUMSTANCES DESCRIBED BELOW, THE CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS SHOULD NOT BE TREATED AS “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144(A)(3) UNDER THE SECURITIES ACT AND MAY BE RESOLD BY FORMER KONE CORPORATION SHAREHOLDERS WITHOUT RESTRICTION UNDER THE SECURITIES ACT. UNDER U.S. SECURITIES LAWS, A KONE CORPORATION SHAREHOLDER WHO IS DEEMED TO BE AN AFFILIATE OF KONE CORPORATION BEFORE, OR OF CARGOTEC AFTER, THE DEMERGER DATE (WHETHER OR NOT A U.S. PERSON) MAY NOT RESELL CARGOTEC B SHARES AND CARGOTEC OPTION RIGHTS RECEIVED PURSUANT TO THE DEMERGER WITHOUT REGISTRATION UNDER THE SECURITIES ACT, EXCEPT PURSUANT TO THE APPLICABLE RESALE PROVISIONS OF RULE 145(D) PROMULGATED UNDER THE SECURITIES ACT, OR ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR IN A TRANSACTION NOT SUBJECT TO SUCH REQUIREMENTS (INCLUDING A TRANSACTION THAT SATISFIES THE APPLICABLE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT RELATING TO OFFERS AND SALES OUTSIDE THE UNITED STATES). “AFFILIATES” OF A COMPANY ARE GENERALLY DEFINED AS PERSONS WHO DIRECTLY, OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES, CONTROL, OR ARE CONTROLLED BY, OR ARE UNDER COMMON CONTROL WITH, THAT COMPANY. WHETHER A PERSON IS AN AFFILIATE OF A COMPANY FOR SUCH PURPOSE DEPENDS ON THE CIRCUMSTANCES, BUT AFFILIATES OF A COMPANY CAN INCLUDE DIRECTORS, OFFICERS AND SIGNIFICANT SHAREHOLDERS.

THIS PROSPECTUS MAY NOT BE DISTRIBUTED IN CANADA, AUSTRALIA OR JAPAN. THE CIRCULATION AND PUBLICATION OF THIS PROSPECTUS MAY BE RESTRICTED IN CERTAIN OTHER JURISDICTIONS AND IT MAY NOT BE CIRCULATED OR PUBLISHED IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES WHERE RESTRICTED BY APPLICABLE LAW OR REQUIRING ANY ACTION BASED ON LAW OTHER THAN THAT OF FINLAND. PERSONS WHO COME INTO POSSESSION OF THIS PROSPECTUS OR TO WHOM THIS PROSPECTUS IS PASSED ARE EXPECTED TO INFORM THEMSELVES OF AND OBSERVE SUCH RESTRICTIONS.

DEMERGING COMPANY, NEW COMPANY TO BE LISTED, MANAGER, FINANCIAL ADVISORS AND OTHER ADVISORS

Demerging Company

Kone Corporation, P.O. Box 8, Kartanontie 1, 00330 Helsinki, Finland

New Company to be listed

Cargotec Corporation, P.O. Box 61, Sörnäisten rantatie 23, 00501 Helsinki, Finland

Manager of the Listing and Financial Advisor

Aventum Partners Ltd., WTC, Keskuskatu 5 B, 00100 Helsinki, Finland

Financial Advisor

UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, UK

Legal Advisor to Kone Corporation and Cargotec regarding Finnish Law

Castrén & Snellman Attorneys Ltd., Erottajankatu 5 A, 00130 Helsinki, Finland

Auditors

Jukka Ala-Mello, Authorized Public Accountant
PricewaterhouseCoopers Oy, Authorized Public Accountants, Itämerentori 2, 00180 Helsinki, Finland

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus provides estimates on future prospects involving risk and uncertainty factors, and other factors as a result of which the actual performance, operation or achievements of Cargotec may substantially deviate from the estimates made by the Management based upon information at its disposal at the time of preparing this Prospectus. The estimates are assumptions of the probable and projected future business operation of Cargotec. Especially statements concerning the future financial performance or position, future cash flow, future business strategies, goals and plans concerning future operations of Cargotec, or any other statements including e.g. the wordings “believes”, “in the opinion of”, “expects”, “pursues”, “aims”, “plans”, “can”, “may”, “presumes”, “could”, “should”, or any other corresponding expression are forward-looking statements.

Forward-looking statements relating to future prospects are subject to risks related to e.g. raw material prices, demand and price development of Cargotec’s products and services, currency rates, IT systems, product development and intellectual property rights, key personnel, suppliers, insurance coverage, acquisitions, product and other liabilities and to uncertainties and assumptions, the implementation of which depends on the future business environment and circumstances. The future financial result and shareholder value of Cargotec after the Demerger can deviate significantly from what is proposed herein. Many factors related to the financial results and shareholder value of Cargotec are beyond Kone Corporation’s control.

Investors are advised to take into consideration that Cargotec will exist only as of the Demerger Date. Thus, the fulfillment of its strategy, management of business and achievement of financial targets will be conditional upon decisions of the Board of Directors and the operative management of Cargotec.

These forward-looking statements are not guarantees on the future activities or the financial result of Cargotec. The financial status or financial result of Cargotec may substantially differ from what is estimated in the forward-looking statements for reasons explained in “*Investment Considerations*” and elsewhere in this Prospectus.

Unless otherwise provided by Section 2 paragraph 3 of the Finnish Securities Markets Act, Kone Corporation or Cargotec are not obligated to update this Listing Prospectus with forward-looking statements. Comments presented above or elsewhere in this Listing Prospectus apply in their entirety to all subsequently made written or oral forward-looking statements concerning Cargotec or any other parties acting on its behalf.

FINANCIAL AND CERTAIN OTHER INFORMATION

Kone Corporation introduced International Financial Reporting Standards ("IFRS") in its reporting as of January 1, 2004. Before the application of IFRS, the financial statements of Kone Corporation were based on Finnish Accounting Standards ("FAS"). The main changes compared with the previous standards are:

- Revenue recognition – Percentage of completion method to be implemented in major long term projects;
- Leases – Financial leases to be included in the balance sheet;
- Customer finance arrangements – Some of these to be included in the balance sheet;
- Derivative financial instruments – To be valued at fair market price in the balance sheet;
- Goodwill – Impairment testing to replace amortization; and
- Employee benefits – Valuation and allocation of defined benefit pension plans.

If not otherwise mentioned or evident from the context, the financial information in this Prospectus concerning Kone Corporation is historical, and information concerning Cargotec is pro forma in nature.

This Prospectus contains the financial statement information for Kone Corporation for the accounting period January 1, 2004 - March 31, 2005. Cargotec is established in the Demerger, hence the financial information in compliance with the requirements in the Decree of the Ministry of Finance concerning Listing Particulars (19.6.2002/539) is not available. Therefore, only unaudited pro forma financial statements and key figures are made available of Cargotec. The unaudited pro forma financial statements are made available only on a consolidated level according to the business and corporate structure prevailing after the Demerger. Information in the unaudited pro forma financial statements is based both on companies included in the business of Cargotec and Kone Corporation's Financial Statements that have been split according to the Demerger Plan. Pro forma figures include adjustments that are disclosed in the principles and reconciliation bridges contained herein. The unaudited pro forma financial statements give materially fair and adequate information on the result of operations and financial position of Cargotec. The unaudited pro forma financial statements have been made available for illustrative purposes only and as such by nature, they do not necessarily give a true and complete view on the result of operations or financial position for the disclosed periods, nor are they indicative of the future results of operations and financial position of Cargotec. See Appendix 1 for a description of the calculation principles applied in connection with the preparation of the pro forma financial information for Cargotec.

In this Prospectus, references to "EUR" and "Euro" are to the currency of the member states of the European Union ("EU") participating in the European Economic and Monetary Union, references to "USD" and "U.S. Dollar" are to the currency of the United States of America, references to "Swedish Krona" and "SEK" are to the currency of Sweden and references to "GBP" are to the currency of United Kingdom.

Any estimates with respect to market statistics relating to Cargotec are based upon the reasonable estimation of the Management. Where certain market estimates contained in this Prospectus have been derived from third party sources, the name of the source is given herein. Kone Corporation has not separately verified the correctness of any information contained in the sources or any estimates concerning the field of operation referred to in this Listing Prospectus, and consequently Kone Corporation and Cargotec disclaim any responsibility for the accuracy or completeness of the content of these third party market estimates.

The financial information and certain other information set forth in this Prospectus may have been rounded to the nearest whole number or the nearest decimal. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages, including period-to-period percentage changes, reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

CERTAIN DEFINED TERMS

Set forth below are definitions of certain terms as used herein:

- "Cargotec" refers to Cargotec Corporation and when appropriate, the Cargotec Group of Companies, to be established in the Demerger.
- "Cargotec B Shares" refers to the class B shares of Cargotec after the Demerger.
- "Cargotec Option Rights" refers to series A and B option rights of Cargotec after the Demerger.
- "Demerger" refers to the demerger of Kone Corporation in accordance with the Demerger Plan approved by the Extraordinary Shareholders' Meeting of Kone Corporation on December 17, 2004.
- "Demerger Consideration" refers to shares of Cargotec and New KONE to be distributed to the shareholders of Kone Corporation on the Demerger Date as consideration for their shares of Kone Corporation.
- "Demerger Date" refers to June 1, 2005, as estimated.
- "Demerger Plan" refers to the demerger plan approved by the Extraordinary Shareholders' Meeting of Kone Corporation on December 17, 2004.
- "Demerger Prospectus" refers to the combined Demerger Prospectus and Offering Circular of Kone Corporation dated December 7, 2004.
- "FAS" refers to Finnish Accounting Standards.
- "Financial Advisors" refers to Aventum Partners Ltd and UBS Limited.
- "IFRS" refers to International Financial Reporting Standards.
- "Kone 2004 Option Program" refers to the option program confirmed by the Annual General Meeting of Kone Corporation in 2004.
- "Kone Cargotec" refers to the Kone Cargotec business of Kone Corporation.
- "Kone Corporation" refers to Kone Corporation, and when appropriate, to the Kone Corporation Group of companies, as in existence before June 1, 2005.
- "KONE Corporation" refers to New KONE, to be established in the Demerger.
- "Management" refers to members of the Board of Directors of Kone Corporation, members of the Executive Committee of Kone Corporation (Kone Cargotec) and other management of Kone Corporation (Kone Cargotec).
- "Manager" refers to Aventum Partners Ltd.
- "New KONE" refers to new KONE Corporation and when appropriate, new KONE Group of Companies, to be established in the Demerger.
- "New KONE B Shares" refers to the class B shares of New KONE after the Demerger.
- "New KONE Option Rights" refers to series A and B option rights of New KONE after the Demerger.
- "New Option Rights" refers to Cargotec Option Rights and New KONE Option Rights.
- "Option Rights" refers to option rights of Kone Corporation under the Kone 2004 Option Program.
- "Prospectus" refers to this Listing Particulars concerning the Cargotec B Shares and Cargotec Option Rights.
- "Recipient Corporation" refers to Cargotec or New KONE.

AVAILABILITY OF PROSPECTUSES AND AVAILABLE INFORMATION

The Demerger Prospectus has been available at Kone Corporation's website www.konecorp.com/agm since December 9, 2004. This Prospectus will be available at www.konecorp.com in the Investors section and at OMX way, Fabianinkatu 14, Helsinki, Finland as of May 25, 2005, and at Cargotec's website to be opened at www.cargotec.com on June 1, 2005.

Cargotec's first accounting period is June 1, 2005 – December 31, 2005. Thereafter, the accounting period will be the calendar year. Information on publication dates of Cargotec's financial information will be available at www.hex.com and at Cargotec's website www.cargotec.com, to be launched on June 1, 2005. The financial information for MacGREGOR, acquired in 2005, is available at the principal executive offices of Cargotec.

The principal executive offices of Cargotec are located at Sörnäisten rantatie 23, 00500 Helsinki, Finland and the telephone number of Cargotec is +358 204 5511.

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SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Prospectus, including the unaudited pro forma financial information for Cargotec and the consolidated financial statements of Kone Corporation. See "Investment Considerations" and other Sections for a discussion of certain matters that could impact upon the value of the Cargotec B Shares and Cargotec Option Rights.

Background

The purpose of the Demerger and the listing of Cargotec and New KONE separately is to divide Kone Corporation's businesses into two new corporations, Cargotec comprising the container, load and marine cargo handling businesses and New KONE comprising of the elevator, escalator and automatic door businesses. The Board of Directors of Kone Corporation believes that the Demerger will enhance the businesses' strategic focus and flexibility to take independent strategic decisions, provide them with growth potential through improved access to capital markets and improve shareholders' ability to evaluate them as separate investments supporting the value development of shares in Cargotec and New KONE in line with respective sector peers.

Business Overview

Cargotec is a world leading provider of cargo handling solutions for ports, terminals, ships and local distribution measured by turnover of Cargotec's product and service offering. Cargotec has customer-focused operations with an extensive distribution network. Its leading market positions result from its extensive product range, global presence, robust aftermarket service offering, long-standing customer relationships and strong brands.

Cargotec is comprised of three business areas: Kalmar, Hiab and MacGREGOR.

Kalmar is a global market leader in container, trailer and heavy industrial handling solutions to ports, intermodal traffic, terminals and demanding industrial customers. Kalmar is the global leader in reach stackers, straddle carriers, and terminal tractors measured by turnover of Kalmar's product and service offering. The operations are divided into container handling operations, applications for heavy industrial needs, trailer handling, container spreaders and services. Kalmar operates in more than 140 countries through 19 sales companies and an extensive dealer network.

Hiab is a global market leader in on-road load handling solutions for truck manufacturers, transportation companies, agriculture and forestry, rental firms and municipalities. The operations are divided into five product lines: loader cranes, demountable systems, truck-mounted forklift trucks, tail lifts and forestry cranes. In these product lines Hiab is a global market leader measured by the turnover of Hiab's product and service offering. Hiab has an extensive sales and service network for load handling equipment with its own sales companies in 24 countries and over 100 importers around the world.

MacGREGOR is a global market leader creating customer specific cargo flow solutions to improve the quality, safety and performance of shipowners' vessels and shipbuilders' production. MacGREGOR's customers are shipbuilders, ship owners and ship operators. The operations are divided into Dry Cargo (hatch covers, cranes and securing systems), RoRo (e.g. ramps, car decks, bow access equipment) and Services. MacGREGOR has a Global Service Network offering 24-hour service around the globe through over 50 service stations in more than 25 countries.

Strategy Overview

As a global market leader Cargotec aims to benefit from the growth in world trade and global goods transportation demand. In addition, Cargotec aims to expand its service offering to increase its share of the growing aftermarket potential.

Cargotec's strategy is founded on a comprehensive understanding of customer needs, a competitive product range and service offering, technological know-how, and on utilizing its strong brands and strong market positions. By operating through three business areas, each focusing on its specific customer segment, Cargotec aims to further develop its strong customer relationships. Cargotec aims to be the primary partner for its customers over the entire life cycle of its products.

Key elements of Cargotec's strategy are its continuous emphasis on product development while outsourcing production and focusing on assembly and service. In addition, supply chain efficiency and competitiveness are increased through sourcing from cost-efficient locations.

Through successful implementation of its strategy Cargotec targets sustainable, profitable growth, both organically and through acquisitions.

Board of Directors and Management

The Extraordinary Shareholders' Meeting of Kone Corporation held on December 17, 2004 elected the following seven ordinary members to the Board of Directors of Cargotec: Matti Alahuhta, Jean-Pierre Chauvarie, Antti Herlin, Sirkka Hämäläinen-Lindfors, Masayuki Shimono, Iiro Viinanen and Gerhard Wendt.

On May 2, 2005 the Board of Directors of Cargotec, the company to be established in the Demerger, elected Antti Herlin as Chairman and Sirkka Hämäläinen-Lindfors as Vice Chairman as well as appointed Carl-Gustaf Bergström as the President as of the Demerger Date.

Cargotec's Board of Directors, which was chosen by the Extraordinary Shareholders' Meeting, has announced that it will relinquish its duty and await election by the Extraordinary Shareholders' Meeting to be called by Cargotec Corporation and to be held on July 12, 2005. Kone Corporation's Nomination Committee has proposed the number of Board members in Cargotec to be confirmed at six and the members of the Board to be Henrik Ehrnrooth, Tapio Hakakari, Antti Herlin, Ilkka Herlin, Peter Immonen and Karri Kaitue, as consented. The Nomination Committee has proposed that Cargotec's Board of Directors will promote the election of Ilkka Herlin as Chairman of the Board and Henrik Ehrnrooth as Vice Chairman.

Shares and Option Rights of Cargotec

Shareholders of Kone Corporation will receive as Demerger Consideration for their Kone Corporation shares Cargotec shares and New KONE shares in proportion to their existing shareholding as follows:

- each class A share of Kone Corporation entitles the holder to one (1) class A share of Cargotec and one (1) class A share of New KONE; and
- each class B share of Kone Corporation entitles the holder to one (1) class B share of Cargotec and one (1) class B share of New KONE.

The Demerger Consideration will be distributed to the shareholders of Kone Corporation on the Demerger Date. Receipt of the Demerger Consideration requires no action from the shareholders.

Holders of Option Rights under the Kone 2004 Option Program will receive New Option Rights pursuant to the Demerger as follows:

– one (1) series A Option Right of Kone Corporation is converted into one (1) series A option right of Cargotec and one (1) series A option right of New KONE; and
– one (1) series B Option Right of Kone Corporation is converted to one (1) series B option right of Cargotec and one (1) series B option right of New KONE.

New Option Rights are given on the Demerger Date. Receipt of New Option Rights requires no action from the holders of Option Rights.

Share Capital and Accounting Par Value of Shares of Cargotec

The fully paid share capital of Cargotec on the Demerger Date will be EUR 63,754,755, comprising a total of 54,228,666 listed B shares and a total of 9,526,089 unlisted A shares. The accounting par value of Cargotec's share will be EUR 1.00.

Trading in Cargotec B Shares and Cargotec Option Rights

Kone Corporation has applied for listing of Cargotec B Shares and Cargotec Option Rights on the Main List of the Helsinki Stock Exchange as of June 1, 2005. The trading code for Cargotec B Shares on the Helsinki Stock Exchange is CGCBV and the ISIN code is FI0009013429. The trading code for series A Cargotec Option Rights is CGCBVEW105 and the ISIN code is FI0009617328. The trading code for series B Cargotec Option Rights is CGCBVEW205 and the ISIN code is FI0009617367.

Persons trading in the Cargotec Option Rights before the determination and disclosure (estimated for June 13, 2005) of the subscription price for Cargotec class B shares under the Cargotec Option Rights are requested to consider that substantive uncertainty is attached to the valuation of the Cargotec Option Rights in this period due to the fact that the subscription price has not yet been determined.

Trading in Kone Corporation B Shares and Option Rights

The standardized clearing and settlement time of trades made on the Helsinki Stock Exchange is three days (T+3). Thus the buyer in the trades with the shares of Kone Corporation made on May 27, 2005, May 30, 2005 and May 31, 2005 should take into account that in case the trades' settlement takes place on or after June 1, 2005, the shares to be entered into the buyer's book-entry account will be shares of Cargotec and New KONE instead of shares of Kone Corporation. If the Demerger is registered after June 1, 2005 the dates set forth above will be postponed accordingly.

The last trading day of Kone Corporation class B shares and series A and B option rights is May 31, 2005.

SUMMARY OF UNAUDITED PRO FORMA INFORMATION

Cargotec's pro forma financial information has been prepared in accordance with the calculation principles presented in Appendix 1 of this Prospectus. The pro forma financial information is based on Finnish Accounting Standards (FAS) for 2002 and otherwise on International Financial Reporting Standards (IFRS).

The following table presents certain key figures of Cargotec.

Key figures, MEUR	1-3/2005	1-3/2004	2004	2003*	FAS 2002*
Orders received	644.9	536.1	2,337.3	1,461.1	1,314.5
Order book	1,309.6	860.6	1,179.7	471.3	299.6
Sales	543.8	404.0	1,889.8	1,344.1	1,319.2
Operating income	35.2	19.8	122.9**	72.4	41.4***
Cash flow from operations before financial items and taxes	16.1	34.8	157.5	134.8	107.1
Net working capital	213.1	166.5	180.3	198.9	247.9
Tangible fixed assets	186.2	178.1	175.9	170.8	143.0
Total equity/total assets	41.7	40.7	42.3	52.2	53.6

* Investors are advised to note that the MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002.
** Disregarding EUR 3.1 million non-recurring income due to a provision reversal regarding disability pensions
*** Operating income before goodwill amortization

INVESTMENT CONSIDERATIONS

Investors are encouraged to read this Prospectus carefully as well as to closely review the risk factors listed below. Important factors related to the business activities of Cargotec are also discussed in "Industry and Market Overview" and "Business of Cargotec". The occurrence of any of the circumstances or factors listed below may have an unfavorable impact on the business environment, financial status and operational result of Cargotec or price of the Cargotec B Shares or Cargotec Option Rights.

Future Strategy and Business

All information in this Prospectus relating to the business and strategy of Cargotec is based on estimates made by the Management. Investors are advised to take into consideration that Cargotec will exist only as of the Demerger Date. Thus, the fulfillment of strategy, management of business and accomplishment of business objectives will also be conditional upon decisions of the Board of Directors and operative management of Cargotec.

Business Cycles in the Global Economy and Customer Industries

Business cycles in the global economy and customer industries influence the demand for Cargotec's products, its financial status and the results of its operations, especially in the short-term.

Kalmar is affected by the development of container handling volumes and business cycles in heavy industry worldwide. Hiab is affected by the level of new truck sales, construction industry volumes and business cycles in delivery traffic and MacGREGOR by the business cycles of the ship building and maritime transportation industry.

In the long-term, the effects of business cycles are reduced by the geographical scope of operations and the diversity of customer industries served. Also, new equipment orders tend to be more affected by business cycles than the demand for service operations. In order to further reduce the risks of business cycles Cargotec has increased the flexibility of the cost base through outsourcing all or significant parts of its production and focusing on assembly of selected core components.

Raw Materials and Components

A significant proportion of Cargotec's business concerns the manufacture of complex industrial machinery using both purchased and internally manufactured components, where steel and other raw materials are important inputs. The availability and prices of these commodities, used by Cargotec in manufacturing, fluctuate. The availability and prices of raw materials can also affect the prices of components to be purchased.

Cargotec utilizes long term material and key component procurement agreements when possible in order to ensure better availability of components and raw material as well as predictability in purchasing costs. When possible, Cargotec attempts to pass on raw material and component price increases to end product prices. However, the competitive situation may restrict Cargotec's ability to increase prices. In the event that increases in the costs of raw materials and components used by Cargotec cannot be passed on to end products, an increase in raw material and component prices may have an adverse impact on the business operations, financial status and profitability of Cargotec.

Currency Exchange Rate Fluctuations

Cargotec's currency exchange risks are primarily related to its international operations where expenses and income may arise in various currencies the most important of which are Euro, Swedish Krona and U.S. Dollar. A considerable portion of Cargotec's expenses is incurred in Euros and Swedish Kronas whereas a substantial part of income is accrued in U.S. Dollars.

Cargotec will hedge its investments in subsidiaries against currency risks in accordance with Cargotec's hedging policy which will mainly follow the hedging policy of Kone Corporation as detailed below.

Cargotec operates internationally and is thus exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases (transaction risk) and the translation of foreign subsidiaries' income statements and balance sheets into Euros (translation risk).

The policy of Kone Corporation has been to fully hedge the initial transaction exposure so that the effect of currency risks related to already contracted and highly probable business deals is eliminated, while also giving the business time to react and adapt to changes in exchange rate levels.

The policy regarding translation risks is to hedge the balance sheet structure in such a way that exchange rates have a neutral impact on the group's gearing. Balance sheet structure in foreign entities is hedged by using cross-currency swaps and also loans denominated in foreign currencies.

Dependency on Subcontractors

Cargotec has extensively outsourced the production of components, which increases operating flexibility but may expose Cargotec to risks related to interruptions of supply from its suppliers. The global coverage of Cargotec's operations and suppliers is expected to reduce the effect of any local disturbance. In addition, where possible, replacement suppliers have been identified in order to manage risks related to a single supplier. Though Cargotec continuously aims at ensuring the reliability, quality and accurate delivery of its subcontractors' products, no guarantee can be given on the possible adverse effects on Cargotec's results and financial position caused by subcontractor operations.

Product Development and Intellectual Property

Cargotec aims to systematically apply for patents or to protect all inventions and innovations made during product development or in any other connection, and to actively protect all of its patents and its intellectual property.

Cargotec takes a special interest in product development and the management of patents and other intellectual property. Cargotec's ability to develop new products and to improve existing products and to apply these products accordingly has an impact on Cargotec's competitiveness, business operations, financial status and profitability.

Dependency on Key Personnel

Cargotec's success is dependent on its management and its personnel in general. The possible resignation of a senior manager or a key person could negatively affect Cargotec's operations and ability to carry out its strategy. The success of Cargotec is also dependent on its ability to recruit, develop, educate and motivate its employees and to retain the key personnel in its service.

Data Systems

The decentralized management systems of Cargotec are dependent on telecommunication connections. Major disruptions in these systems can have an adverse impact on the operation and financial status and profitability of Cargotec.

Insurance Coverage

Cargotec aims to protect itself against product and other liability claims by ensuring accurate insurance coverage. However, instances where the current insurance coverage turns out to be inadequate may arise.

Increases in events insured against, insurance premiums and retentions and potential shortages of insurance coverage might have an adverse impact on the competitiveness, business operations, financial status and profitability of Cargotec.

While Cargotec aims to hedge against potential operational liability e.g. by taking insurances and other such provisions typical in the industry, there is no guarantee that possible claims related to product or other liabilities would not have adverse effects on the competitiveness, business operations, financial status and profitability of Cargotec.

M&A Activity and Other Corporate Restructuring Measures

In recent years, Kone Corporation has carried out several substantial corporate restructuring measures which have had either directly or indirectly, due to other measures required by such transactions, an impact on the group's structure and balance sheet position. Considering the business operations and the values of the target companies, these transactions include customary acquisition related and other liabilities. In the event that a substantial amount of these contingent liabilities are realized, this might have an adverse effect on the financial status and profitability of Cargotec.

Successor Responsibility for Kone Corporation's Liabilities

Cargotec and New KONE will take up the business operations of Kone Corporation and will accordingly assume responsibility for Kone Corporation's assets and liabilities according to the Demerger Plan. According to the Finnish Companies Act (29.9.1978/734), as amended, Cargotec will be secondarily responsible for debts and other liabilities that belong to the business operations of New KONE or that have otherwise been allocated to New KONE according to the Demerger Plan. A demand for such secondary liability can be directed to Cargotec only after it has been determined that payment will not be obtained from New KONE or from a possible security for the liability.

In the event that a substantial amount of these successor liabilities are realized, this might have an adverse effect on Cargotec's financial status and profitability.

Differences in Share Class Voting Rights of Cargotec

The shares of Cargotec are divided into class A and class B shares. Each class A share shall entitle its holder to one vote and each full lot of ten class B shares shall entitle their holder to one vote, but each shareholder shall have at minimum one vote. The largest shareholder, Antti Herlin, who controls approximately 66 percent of the votes and 31 percent of the shares in Kone Corporation, currently holds the position of CEO and full-time chairman of the Board of Directors of Kone Corporation. The ownership structure of Cargotec upon Demerger will correspond to the ownership structure of Kone Corporation on the Demerger Date. Kone Corporation's largest shareholders on March 31, 2005 are presented in "*Ownership Structure*". This Section also includes further information on the ownership reorganization to be completed by July 15, 2005.

Trading in Cargotec Option Rights

Persons trading in Cargotec Option Rights before the determination and disclosure of (June 13, 2005 as estimated) the subscription price for Cargotec B Shares under the Cargotec Option Rights are advised to consider that substantive uncertainty is attached to the valuation of Cargotec Option Rights in this period due to the fact that the subscription prices of the above-mentioned shares have not yet been determined. See Appendix 8 for the terms and conditions of the option program of Cargotec.

DIVIDENDS

Investors are advised to take into consideration that Cargotec will exist only as of the Demerger Date. Thus, the distribution of dividends will be conditional upon, among other things, the financial situation of Cargotec and decisions of the Board of Directors and Shareholders' Meeting of Cargotec.

Cargotec's Board of Directors is expected to propose, for the approval of the company's shareholders, reasonable dividends to be distributed to the shareholders in the company taking into account the company's financial condition, gearing ratio, cash flows, expected future earnings, working capital requirements, potential acquisition opportunities and other factors. It is expected that Cargotec will adopt a specific dividend policy. However, there can be no assurance that any annual dividend will actually be paid, nor can there be any assurances as to the amount that will be paid in any given year.

Under the Finnish Companies Act, the general meeting of shareholders decides on the distribution of dividends. Dividends on shares of a Finnish company, if any, are generally declared once a year and may be paid only after the annual general meeting of shareholders has approved the company's financial statements and the amount of the dividend proposed by the Board of Directors. The distribution of dividends by Cargotec in respect of its shares will require the approval of the holders of a majority of the votes cast at the annual general meeting of shareholders.

As a result of the requirements of the Finnish Companies Act, the amount of any dividend is limited to the profits and other distributable funds at the end of the preceding financial year of the parent company or of Cargotec on a consolidated basis, whichever is lower.

For further information, please see "*Description of Shares and Share Capital*".

According to the Articles of Association of Cargotec, in case of dividend distribution, the dividend paid on the class B shares is higher than that on class A shares. The difference between the dividends paid on the different classes of shares is at minimum one percent and at maximum two and one half percent, calculated from the accounting par value of the share. Under certain circumstances holders of class A shares can convert their A shares to B shares. For further information, please see Appendix 7, *Articles of Association of Cargotec*.

EXCHANGE RATE INFORMATION

The following tables set forth, for the periods and dates indicated, the average, high, low, and period-end reference rates as published by the European Central Bank for the U.S. Dollar and Swedish Krona per EUR 1.00. The average rate means the average of the exchange rates on the last day of each month during the applicable period.

These rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of Kone Corporation's financial statements or Cargotec's pro forma financial information. No representation is made that Euros could have been converted into U.S. Dollars or Swedish Kronas at the rates shown or at any other rate for such periods or at such dates.

	Reference rates, EUR/USD			
	Average	High	Low	Period - End
2001	0.8950	0.9269	0.8384	0.8813
2002	0.9458	1.0487	0.8578	1.0487
2003	1.1346	1.2630	1.0377	1.2630
2004	1.2474	1.3633	1.1802	1.3621
2005 (through January 1 - March 31, 2005)	1.3219	1.3580	1.2731	1.2964

	Reference rates, EUR/SEK			
	Average	High	Low	Period - End
2001	9.2505	9.9631	8.8395	9.3012
2002	9.1448	9.5451	9.0015	9.1528
2003	9.1430	9.3148	8.8848	9.0800
2004	9.1203	9.2810	8.8992	9.0206
2005 (through January 1 - March 31, 2005)	9.0817	9.1430	8.9768	9.1430

REASONS FOR THE DEMERGER AND LISTING OF THE NEW COMPANIES

This Section provides a short description of the reasons for the Demerger and listing. For further information on the Demerger, investors are advised to review the Demerger Prospectus. For further information on the listing of New KONE B shares and New KONE Option Rights, investors are advised to review the Listing Prospectus of New KONE dated May 23, 2005.

The purpose of the Demerger and the listing of Cargotec and New KONE separately is to divide Kone Corporation's businesses into two new corporations: Cargotec consisting of the container, load and marine cargo handling businesses and New KONE comprising the elevator, escalator and automatic door businesses. The Board of Directors of Kone Corporation believes that the Demerger will enhance each company's strategic focus and flexibility to make independent strategic decisions, provide each with growth potential through improved access to capital markets and improve shareholders' ability to evaluate them as separate investments, thus supporting the value development of shares in Cargotec and New KONE in line with their respective sector peers.

INDUSTRY AND MARKET OVERVIEW

Description of Sector

Introduction

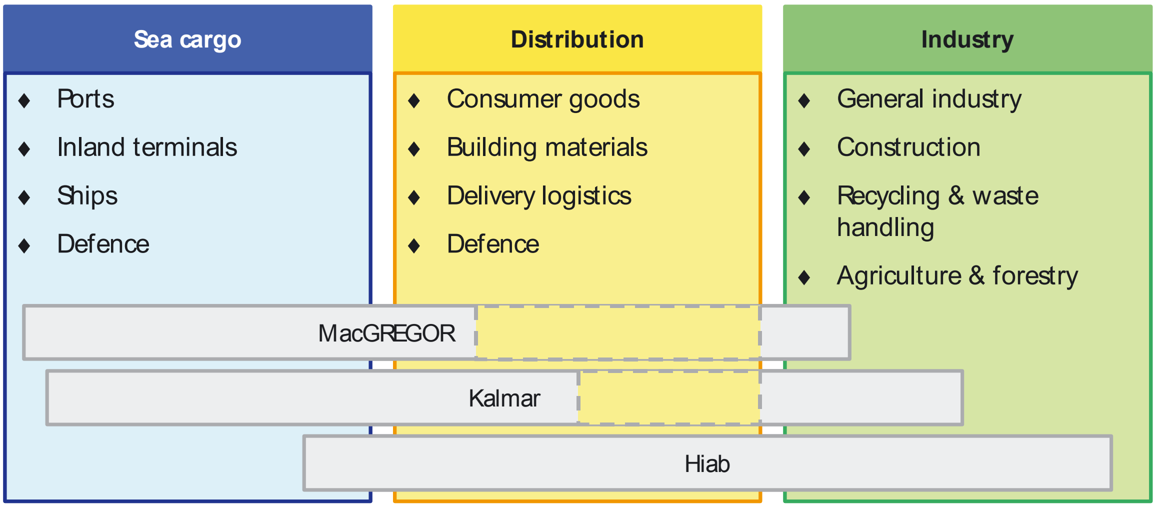
Cargotec is a world leading provider of cargo handling solutions for ports, terminals, ships and distribution measured by turnover of Cargotec's product and service offering. Through its three business areas, Kalmar, Hiab and MacGREGOR, it operates in ships and in materials handling hubs such as ports, terminals and local distribution centres. Kalmar provides solutions for container, trailer and other heavy industry material handling, Hiab supplies on-road load handling equipment and services while MacGREGOR focuses on the design, delivery and servicing of marine cargo flow solutions.

The Company's solutions are used to increase the efficiency and speed of the transportation and distribution of industrial and consumer goods. As such it greatly benefits from globalization and increasing world trade, positive historical trends that are forecasted to continue.

Cargotec serves a diverse set of customers including port operators, ship builders, ship owners and operators, terminals, truck owners, fleet operators, distribution centres, logistics companies and the defence industry. There has been a gradual trend towards outsourcing of equipment and systems maintenance across parts of the Company's customer base. Management believes this to be a significant opportunity for Cargotec to exploit its global capabilities and to grow further.

Sources of Demand

Management views demand in its addressable markets as being broadly derived from three sources – Sea cargo, Distribution and Industry – served by its three business areas as outlined in the chart below.



Sea cargo encompasses equipment involved in the handling and transportation of cargo in container ships, bulk carriers or RoRo vessels in ports and in inland terminals, as well as on ships. For handling of cargo in standard containers, the key segment for Cargotec, its business areas supply equipment such as ship-to-shore cranes, rubber tired gantry cranes, straddle carriers, reach stackers, terminal tractors, and securing systems. For bulk and general cargo handling Cargotec's business areas supply equipment such as hatch covers and sea cranes.

Distribution largely covers the transportation of goods from industry to the customer, characterized by a network of a large number of distribution points and standardized equipment. In addition, building materials handling is an important customer segment in this area. Distribution is very reliant on just-in-time processes and uses terminal tractors, truck-mounted fork lifts, loader cranes, demountables and tail lifts among others.

Serving industrial cargo handling needs typically requires specialized equipment. Equipment includes heavy forklift trucks, demountables, log stackers, as well as loader and forestry cranes. The solutions are mainly utilized in business-to-business industrial distribution such as construction as well as agriculture and forestry, but also in general industry. In addition, recycling and waste handling are increasingly utilizing specialized load handling solutions.

Trends and Growth Drivers

The underlying growth for Cargotec's business areas is generated by globalization and the associated increase in world trade, since it implicitly involves increased transportation and distribution of goods. Historically world trade has been increasing faster than GDP.

On top of this strong fundamental growth driver are a number of other drivers based on increasing efficiency of logistics, not only in transportation and distribution but also in manufacturing and retail. Management believes that these drivers have a direct and indirect positive impact on demand for Cargotec's goods and services.

First, there has been an increasing use of machinery to load and unload goods at all stages of the manufacturing and distribution process: in plants, terminals, ports, distribution centres, retail outlets and so forth. Cargotec is strongly positioned in long haul and short haul transportation both in business-to-business and business-to-consumer transport. Development is progressing beyond the simple use of manual equipment, as automated handling and tracking systems are being tested and installed, especially in ports, to further increase efficiency and security. The Company has been at the forefront of these advances.

Second, the introduction of standard containers in the 1950s to simplify the process of mass transportation and integrate road and sea transport has transformed the industry. Standard containers have gained momentum and now account for over 60 percent of total cargo carried by weight, up from 22 percent in 1980. Measured by cargo value, Management believes the market share of containers to be even greater. The combined effect of globalization and containerization has seen container transported cargo volumes grow to approximately 356 million TEU in 2004, representing a CAGR in excess of 8 percent over the last twenty years. Moreover, in the period 1992-2002, according to data from Drewry Shipping consultants, container traffic grew at 10 percent per annum on average and was higher in each year than global GDP growth, which averaged 3.4 percent.

Third, the continued relocation and outsourcing of manufacturing to lower cost countries in the effort to maintain cost competitiveness has increased the distances and amount of cargo handling (in the form of loading and unloading) between production and end consumer, as well as those between component manufacture and product assembly. The average annual growth in exports for the G7 group of countries was 4.7 percent between 1996 and 2004, compared with growth of over 10 percent for lower cost regions. For example, South Korean exports grew on average by close to 14 percent per annum during that period and Turkey's exports by over 13 percent per annum. Between 1993 and 2003, US and Japanese manufacturing employment as a percentage of the non-farm total fell by six percentage points. This relocation and outsourcing continues to increase both the volume and need for efficient distribution solutions as more goods and products require transportation.

Fourth, the development of manufacturing and retail best practices, including just-in-time supply, have created a need for an efficient and pro-active transportation and distribution system that minimizes downtime. The trend has been for centralization in industry and retail with larger and more widespread facilities replacing the denser networks of smaller plants and retail outlets. Overall, Management believes that the effect has been an increase in cargo volumes. Inventory management techniques and supply practices have also added to the volumes, as companies prefer continuous and appropriate supply rather than maintaining large stocks of raw materials, components or goods.

The overall effect of the above mentioned trends has been significant increases in the volume and handling requirements of goods and products transported, promoting growth in the demand for Cargotec's solution offering. This demand is not only a result of the greater volumes and distances requiring more handling capacity but also due to companies trying to limit transportation costs through mechanization.

The lifetime of Cargotec's equipment is between 10 and 30 years, creating a significant market for spare parts, maintenance, refits and replacement.

Due to increases in cargo volumes, shipyards have experienced very high order intake in the past two years. The demand for vessel capacity has outpaced current supply, resulting in significant increases in freight rates – a proxy for cargo ship utilization rates – as indicated by the Baltic Exchange Dry Cargo index. The impact of the intensified cargo demand is twofold for Cargotec's marine cargo flow solutions: older vessels, no longer economically viable, are being replaced generating new demand for products to equip the new vessels and other vessels are being refitted and upgraded, generating replacement and service demand.

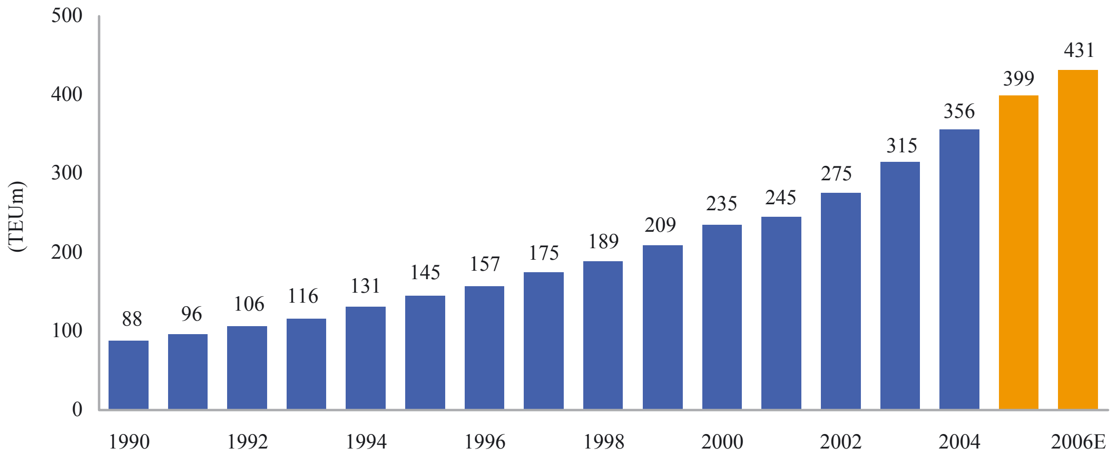
The demand for operative availability of Cargotec's products and systems creates a further source of demand, in addition to replacement, in the form of maintenance, services and upgrades. This demand is less influenced by business cycles than that for new equipment. Traditionally, there were segments of the Company's customer base that performed the bulk of these services in-house, in particular the ports and fleet operators, however, there have been gradual moves to outsource this activity, an opportunity which Cargotec has seized. Management has noted a change in the type of demand from Cargotec's customers: previously they wanted just equipment whereas now they are gradually requesting a total solution offering–equipment and lifetime servicing. Cargotec is well positioned to benefit from this trend, having one of the broadest product portfolios with a matching global scale for services.

Industry Outlook

Management expects that world trade will continue to grow and the demand for efficient logistical solutions to increase even if customers' investments as such are expected to reflect business cycles also in the future. Global economic expansion is expected to continue with consensus forecasts for global GDP growth at 4.0 percent in both 2005 and 2006, promoting likely faster advances in global trade. These fundamentals support an attractive outlook for the transportation and distribution of goods as shown in the forecast growth drivers for Cargotec's products discussed below.

Over the period 2004 to 2006, container throughput is forecast to grow at an average annual rate of 10 percent, according to Drewry Shipping Consultants, as illustrated in the chart below. This growth is supported by an expected increase in containers' share of transported cargo which Management expects to increase from approximately 62 percent to almost 70 percent in the same time period and an increasing number of moves per container, increasing the intensity of handling operations.

Global container throughput development



Source: Drewry Shipping Consultants, March 2005

The average economic life of a cargo vessel is between 25 and 30 years. Worldwide, according to Sjöfartens Analys Institut there are approximately 9,000 vessels that are at least 25 years old. This aging segment of the global fleet will need to be replaced in the near-to-medium term along with its onboard cargo handling solutions.

The current high utilization rates have accelerated the order books of shipbuilders creating further growth opportunities for Cargotec in terms of new equipment and services. Many of the orders for new ships placed recently will not be delivered for several years as it takes up to two years to build a new vessel. Capacity constraints at shipyards have resulted in long backlogs, further prolonging the time lag between order and delivery. A high proportion of shipyards are fully booked until 2007, implying a strong order book for Cargotec's marine cargo solutions. Management estimates that new deliveries of vessels in Cargotec's addressed market (bulkers, container, RoRo and general cargo) rose by close to 50 percent in 2004 and expects delivery levels to remain broadly at that level until 2008. Management expects deliveries in 2008 to be close to 40 percent above those in 2003.

In terms of aftermarket demand, over 5,500 vessels in Cargotec's addressed markets were delivered between 1995 and 2000 and will be undergoing regulatory class inspections and dry dockings to ensure continued sea-worthiness, during which time Cargotec products will be serviced or replaced. Management believes this to represent a substantial maintenance and refurbishment demand potential.

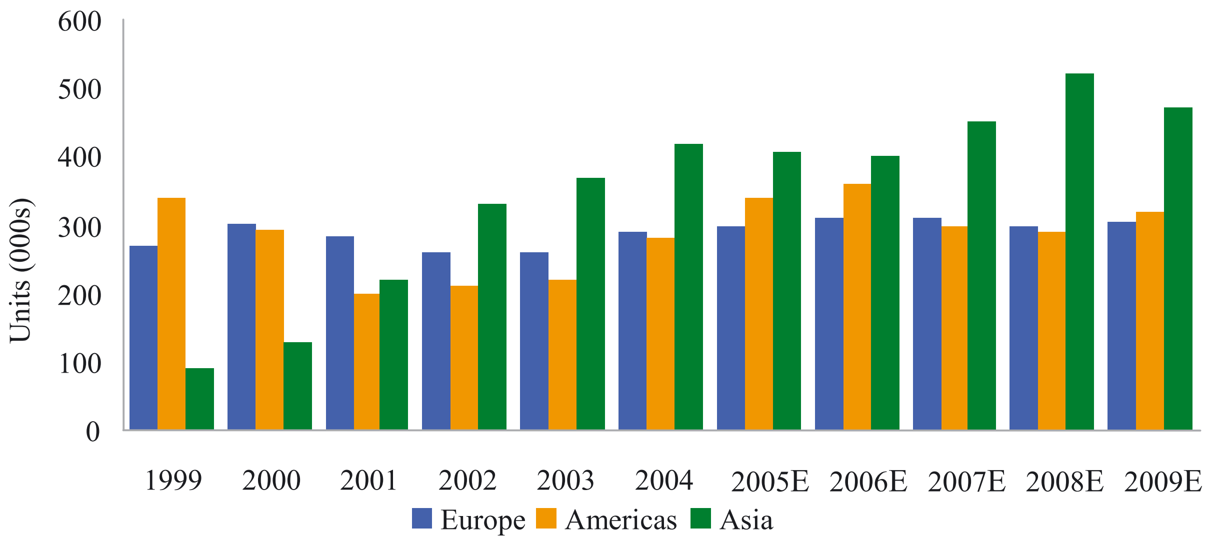
Moreover, international marine safety and environmental regulations can create significant demand for new ships or conversion of existing ships. Examples include the decision to phase out single hull tankers by 2010 – following events such as the Exxon-Valdez oil spill and the Prestige industrial fuel spill – which will create increased replacement demand for new double-hulled tankers.

The defence sector has proved to be a resilient customer of Cargotec's. Military customers seek out the best solutions in the commercial world for their distribution needs – solid logistics being a strategic advantage – and have very demanding client vetting procedures. The refocusing of defence budgets on mobility and rapid deployment, and the ongoing peace missions worldwide has led to increased military demand for load handling solutions. With the current global situation and defence budget trends this is anticipated to continue.

Distribution activity, both industrial and consumer, is expected to continue to grow. In industrialized regions, increasing short haul distribution activity creates greater needs for faster, safer and more efficient systems for transporting, loading and unloading cargo. Advances in standards of living in developing markets are driving the demand for load handling equipment as retail infrastructure expands and machinery replaces manual labour in lifting and loading applications. Management believes that reliable indicators for Distribution and Industry demand are truck deliveries, road, rail and construction activity, all of which have solid outlooks.

Truck deliveries have been recovering since the beginning of the decade and are expected to broadly maintain the high 2004 levels up to 2009, following high growth in 2005 and 2006 in the Americas. Asia is forecast to show particularly strong growth in demand for trucks between 2006 and 2008. Currently load handling equipment is only used to a limited extent in Asia due to the ample supply of labour and the majority of trucks being small and lightweight. However, development in the Asian truck market, driven by the prospects of increased transportation and distribution efficiency, is gradually opening opportunities for Cargotec's solutions. Management believes this to be an attractive growth opportunity in the future.

Global >16 tonnes truck market



Source: Global Insight

The global highways and rail tracks industry sector is forecast by Datamonitor to have a value of USD 597 billion in 2008, an increase of 21.7 percent since 2003 and representing significant investment to handle increased traffic. Construction activity in the US and Europe grew strongly in 2004 with expected rates surpassing 2 percent for the first time since 2001; the outlook is positive but slightly more muted. Asia, again, is expected to show the strongest growth.

Business Area Market Overviews

In order to provide its customers with a focused service, Cargotec is organized into three separate business areas. Accordingly, Management has historically tended to analyze its competitive positions and addressed markets from the perspective of its business areas.

Kalmar

In 2004 the total expenditure on new container, trailer and heavy industrial handling equipment and services was estimated by Management to exceed EUR 4 billion, and, when including the service business conducted by customers, the market is believed to have exceeded EUR 6 billion in turnover. Europe, Middle East and Africa accounted for 41 percent of this demand, with Asia at 38 percent and the Americas 21 percent.

Customers

Port operators constitute the largest customer segment (61 percent of total in 2004), other customer groups include distribution and logistics centers (20 percent), heavy industry (13 percent) and defence forces (6 percent). Global port operators are forecast by Management to gain market share relative to other private and public sector players allowing Kalmar to leverage its strong customer relationships and well established global sales and service network.

Competition

Kalmar believes that it has the broadest product offering in the container handling industry. It believes it has a global leadership position in reach stackers, terminal tractors and straddle carriers. Management estimates its global market share in container handling equipment at approximately 20 percent and increasing. Kalmar benefits from strong customer relationships built and proven over an extended period of time, combined with leading technical expertise and a strong reliability track record.

The competition in the container handling equipment market includes companies such as Fantuzzi Group with a broad range of equipment, Shanghai Zhenhua Port Machinery Co Ltd. (ZPMC) with a focus on ship-to-shore and RTG cranes, as well as a number of other suppliers with more limited scope of equipment for container handling applications such as Capacity, CVS Ferrari, Hyster, KCI Konecranes, Linde Heavy and Terberg.

Hiab

The on-road load handling market predominantly consists of loader and forestry cranes, tail lifts, truck-mounted forklifts and demountable systems. Management estimates that the size of the global market for Hiab's load handling solutions is approximately EUR 3.3 billion.

Europe represents almost two-thirds of the global market for Hiab's products, the Americas stand for some 22 percent and the Asia-Pacific region for about 10 percent. Load handling solutions are not uniform, but vary by geographical region and different solutions are used to perform the same tasks.

Customers

The bulk of Hiab's customers consist of truck manufacturers and owners, transportation companies, rental companies, organizations active in forestry and agriculture, defence, waste handling and municipalities. Overall, the customer base is extensive and diverse.

Competitors

Hiab emerges as the market leader in its chosen market segment – Management estimates that it has a 20-25 percent global market share. Apart from Palfinger, Hiab is the only company to offer a complete product range. This gives it an advantage over its competitors, as it is able to offer total solutions and a single point of contact for its customers. Competitors with a more narrow product range for load handling include Bär, Chrisman, Cranab, Dautel, D'Hollandia, Effer, Fassi, Foresteri, Hyva, Manitou, Maxon, MBB and Stellar.

MacGREGOR

Marine cargo handling is focused on onboard cargo handling. Management estimates that the global market size of the marine cargo handling market exceeds EUR 2 billion.

Geographically, most RoRo and passenger vessels are built in Europe whereas Japan and Korea have been historically focused on bulkers, container ships and tanker production. Chinese yards have quickly developed their experience and capabilities, and are now building bulkers, container ships and tankers at a scale similar to Japan and Korea. Whilst the majority of the world's shipbuilding activity has moved from Europe to the Far East, ship owners remain predominantly based in Europe.

Customers

Customers mainly consist of ship builders, ship owners and operators, shipping companies, port terminals and defence forces. The primary segmentation of customers into ship owners and ship builders highlights some of the pricing dynamics in the industry. When a new ship is ordered, the ship owner and ship builder will agree on a "maker's list" of approved suppliers for critical equipment. The ship builder often negotiates with the equipment suppliers on the future ship owner's behalf in selecting the supplier that best satisfies the financial terms of the shipbuilding contract. Ship owners, on the other hand, are less price sensitive in this selection since the quality of the equipment will affect their financial returns going forward. In the selection of the after sales service provider, the ship owners and/or ship operator have the sole decision. MacGREGOR is highly placed with both ship owners and shipyards given its strong brand name and valued solutions offering.

Competitors

The marine cargo handling equipment industry has significant barriers to entry. The design and implementation of marine cargo handling equipment systems requires specialized know-how unique to the shipping and shipbuilding industries. MacGREGOR possess extensive expertise in this area. Shipping and shipbuilding are also highly regulated industries overseen by classification societies and other regulating bodies such as Lloyd's Register. These institutions are increasingly relying on inspection certificates issued by ISO certified companies such as MacGREGOR. The requirements needed to be recognized represent the most significant entry barriers to the marine cargo handling market.

MacGREGOR's closest competitor is TTS (Norway). Other companies, such as All Set Marine, Liebherr, NMF and Tsuji, have reduced product offerings with niche applications.

HISTORY OF CARGOTEC

Cargotec Corporation has been formed through a series of mergers and acquisitions during the past couple of decades. However, the businesses within Cargotec have much longer histories during which their know-how, product offering as well as customer relationships have been built.

The container handling business area within Cargotec grew into its present shape in 1997, when Partek Corporation acquired the majority shareholding in the Finnish state-owned Oy Sisu Ab. In 1994, Sisu had acquired the materials handling business of Finnish Valmet Oy, whose history goes back to 1948 when the first Valmet lift truck was built. Sisu's business activities included container handling, heavy lift trucks and terminal tractors. During the same year, a majority shareholding was acquired in Kalmar Industries AB, a container handling equipment producer that like Sisu had built its first lift truck in 1948. Kalmar Industries had been listed on the Swedish Stock Exchange since 1994. Sisu Terminal Systems was then combined with Kalmar Industries. In 2000, Kalmar Industries became fully owned by Partek Corporation and was delisted. In 2001, the container handling business area was further strengthened by the acquisition of both the Dutch ship-to-shore and straddle carrier manufacturer, Nelcon B.V., and the maintenance service company, Groot-Hensen B.V. Nelcon was founded in 1883.

The foundation for the load handling business was established in 1977, when Partek Corporation began to invest in the engineering industry with its acquisition of the Multilift Group that had been established in Naantali, Finland in 1949. Hiab (Hydrauliska Industrier AB, established in 1944 in Hudiksvall, Sweden), one of the world's leading producers of loader cranes, was acquired together with Jonsered forestry cranes in 1985. In 1988, the forestry-crane operations of Fiskars (currently Loglift) were acquired. During the year 2000 the load handling business area was strengthened through the acquisitions of the Waltco and Zepro tail lift operations. Also the truck-mounted forklift producers, Moffett, Kooi and Princeton, were acquired during the same year as well as Bromma, which produces container spreaders. Bromma was transferred from load handling to container handling in 2002. During 2004 the whole load handling business area was renamed Hiab.

The global marine cargo flow solutions provider MacGREGOR International AB was acquired in March 2005 in order to further strengthen Cargotec's cargo handling offering. MacGREGOR, which serves ship owners, ship operators and shipyards, was established in 1937 in Whitlay Bay on the northeast cost of England. In 1983 MacGREGOR merged with Finnish Navire and formed MacGREGOR-Navire. In 1993 Incentive acquired MacGREGOR-Navire and merged it with the operations of Hägglunds Marine and today's MacGREGOR Group was formed. Five years later, in 1998, the majority of the MacGREGOR Group was sold to Industri Kapital.

In August 2002, Kone Corporation acquired Partek Corporation and the container and load handling operations became part of Kone Corporation. In December 2004, at the extraordinary shareholders' meeting of Kone Corporation it was decided to demerge the company into two companies to be listed: Cargotec and New KONE. After the Demerger, the container handling (Kalmar), load handling (Hiab) and marine cargo handling (MacGREGOR) businesses will form Cargotec.

BUSINESS OF CARGOTEC

As Cargotec will be incorporated only as of the Demerger Date, the following information in this Section is based on information that was available to Kone Corporation at the time of preparing this Prospectus and on assessments based on this information. Investors are requested to review information concerning Cargotec as presented in other Sections of this Prospectus. When reading this Section, the investors are advised to notice that business cycles have an impact on Cargotec's business environment and orders achieved by it.

Overview

Cargotec is, through its global brands, a world leading provider of cargo handling solutions for ships, ports, terminals and local distribution, measured by market turnover of Cargotec's product and service offering. Cargotec has customer-focused operations with an extensive distribution network. Cargotec's leading market positions result from its extensive product range, global presence, robust aftermarket service offering and strong brands. Cargotec's headquarters are in Helsinki, Finland. Today Cargotec has production facilities in 9 countries and a presence in over 140 countries.

Cargotec's strategy is to strengthen further its position as a global leader in cargo handling solutions and its strategic objective is to be the primary choice of its customers in all its segments. Cargotec will focus on product development, assembly, distribution, marketing, and expanding its service offering. It strives for both organic and acquired growth with a particular emphasis on its service business.

Cargotec operates through three strong global business areas: Kalmar, Hiab and MacGREGOR. Each of the business areas focuses on their specific customer segments within cargo handling.

Kalmar

Kalmar is the global market leader in reach stackers, straddle carriers, and terminal tractors measured by worldwide sales. Kalmar's operations are divided into five customer based business segments: container handling, industrial handling, trailer handling, container spreaders and services. Kalmar operates in more than 140 countries through 19 sales companies and an extensive dealer network as well as production centers in Sweden, Finland, the Netherlands, Malaysia, China and the USA. Kalmar's sales and service network is organized into three time zone based regions.

Kalmar's main products are reach stackers, straddle carriers, shuttle carriers, terminal tractors, heavy forklift trucks, log stackers, automated stacking cranes, rail-mounted and rubber tired gantry cranes, ship-to-shore cranes and container spreaders. Kalmar also offers automation solutions for container handling. Further information on Kalmar's products and services is provided below in this section.

Kalmar focuses on the development, assembly and marketing of products and developing value adding services. Over the past five years Kalmar has expanded its market presence, restructured its product supply units including outsourcing of its own component production to globally competitive suppliers in order to increase flexibility and limit capital requirements. Services accounted in 2004 for 26 percent of Kalmar's net sales.

Hiab

Hiab is a global market leader in on-road load handling solutions measured by turnover of Hiab's product and service offering. The operations are divided into five product lines: loader cranes, truck-mounted forklift trucks, demountable systems, tails lifts and forest cranes.

Hiab is organized into product lines and sales areas. The product lines are responsible for product development and product supply. Hiab currently has 12 production plants in eight countries.

Sales areas are responsible for sales and overall customer service. There are three geographical sales areas: Europe, the Americas and Asia-Pacific. Hiab has an extensive sales and service network for load handling equipment with its own sales companies in 24 countries and over 100 importers. In 2004, the service business accounted for 14 percent of Hiab's net sales.

Further information on Hiab's products and services is provided below in this Section.

MacGREGOR

MacGREGOR is a global market leader, measured by market turnover of its product and service offering, creating customer specific cargo flow solutions to improve the quality, safety and performance of shipbuilders' production and shipowners' vessels. Customers are shipbuilders, ship owners and ship operators. MacGREGOR supplies solutions for the following main types of ships: container ships, general cargo, bulk carriers, RoRo, RoPax, ferries, and naval logistic ships.

MacGREGOR specializes in the engineering, design, supply and service of ship-based and port-based equipment providing solutions across the entire chain of cargo flow process. MacGREGOR is organized into three divisions: Dry Cargo, RoRo and Service. The Dry Cargo division provides engineering solutions for essential cargo care and cargo flow functions for ships operating in the container, bulk and general cargo sectors of maritime transport. Products include: hatch covers, cranes (deck cranes for shipboard applications), cargo securing systems (twist-locks, lashings and lashing bridges used to secure cargo and containers on ships). Solutions provided by the RoRo division focus upon flow and care of rolling cargo transported by Ro-Ro ships, RoPax and Ferries as well as ship access systems for ports and terminals. Typical products combined in such solutions include: stern, bow and side access ramps/doors, car decks, bow access equipment, side loading equipment, internal ramps, ramp covers and door systems as well as linkspans, passenger gangways, mooring systems and floating car parks and floating terminals. The Service division offers operative availability by providing various levels of service products combining maintenance, spare parts and condition monitoring. In addition, conversion and modernization services extend the useful and profitable lifetime of a ship. Further information on MacGREGOR's products and services is provided below in this Section.

MacGREGOR has over 50 service stations providing extensive 24-hour service in over 25 major shipping and shipbuilding countries. The company has significant presence in China, where it has operated for approximately 30 years. In 2004, the service business accounted for 34 percent of MacGREGOR's net sales.

Segment information

Sales by business area, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003 **	FAS 1-12/2002 **
Kalmar	264.5	181.7	865.4	728.3	697.7
Hiab	197.8	155.0	697.0	622.4	632.8
MacGREGOR	81.7	67.6	328.8	-	-
Internal sales	-0.2	-0.3	-1.4	-6.6	-11.3
Total	543.8	404.0	1,889.8	1,344.1	1,319.2

Operating income by business area, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003 **	FAS 1-12/2002 **
Kalmar	20.7	13.3	66.4	52.1	31.9
Hiab	14.2	8.7	44.6	29.4	19.6
MacGREGOR	3.0	0.4	19.9	-	-
Corporate administration and other	-2.7	-2.6	-8.0	-9.1	-10.1
Total	35.2	19.8	122.9	72.4	41.4

Sales by geographical segments, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003 **	FAS 1-12/2002 **
EMEA *	306.0	232.3	1,063.8	740.1	774.7
Americas	130.6	107.2	476.2	445.2	382.0
Asia Pacific	107.2	64.5	349.8	158.8	162.5
Total	543.8	404.0	1,889.8	1,344.1	1,319.2

* EMEA = Europe, Middle East, Africa
** Excluding MacGREGOR marine cargo handling business

Strategy

As a global market leader Cargotec aims to benefit from the growth in world trade and global goods transportation demand. In addition, Cargotec aims to expand its service offering to increase its share of the growing aftermarket potential.

Cargotec's strategy is founded on a comprehensive understanding of customer needs, a competitive product range and service offering, technological know-how, and on utilizing its strong brands and strong market positions. By operating through three business areas, each focusing on their specific customer segment, Cargotec aims to develop further its strong customer relationships. Cargotec aims to be the primary partner for its customers over the entire life cycle of the products.

Key elements of Cargotec's strategy are continuous emphasis on product development while outsourcing production and focusing on assembly and services. In addition, supply chain efficiency and competitiveness are increased through sourcing from cost-efficient locations.

Through successful implementation of its strategy Cargotec targets sustainable, profitable growth, both organically and through acquisitions.

Financial Targets

Cargotec's long-term financial targets are:

- Growth exceeding the industry average;
- An operating income margin of eight percent; and
- Increasing the turnover rate of assets employed.

It is not certain that Cargotec will achieve the targets mentioned above. See *"Special Cautionary Notice Regarding Forward-Looking Statements"*.

Actions for Implementing the Strategy

Kalmar

For the last five years Kalmar has focused on improving the competitiveness of its product supply chain by implementing a strategy of moving downstream. This has meant focusing on development, marketing, assembly and service while co-operating with globally competitive partners in component production. This transformation is effectively completed, which gives Kalmar a globally more competitive sourcing base and increased volume flexibility. Kalmar is now entering a phase of bringing assembly closer to the end markets. Kalmar is therefore investing in new assembly operations in Asia and North America.

For Kalmar, the service business represents the single largest potential growth area, particularly in Europe. Organic growth potential also exists in strengthening Kalmar's presence in new emerging markets such as Brazil, India, Mexico and Russia.

While continuing to invest in product development Kalmar has increasingly paid attention to the growing market for automated container handling solutions. Kalmar already holds a leading position as an automation supplier to its customers and aims to further develop its competencies in on-board smart features for container handling.

A successful brand consolidation has placed the Kalmar name as a clear reference in the industry.

Hiab

Hiab's current product range, covering a wide range of on-road load handling solutions, has been built through acquisitions. Non-core operations have been exited and production has been consolidated to larger units in order to gain economies of scale.

Hiab's organizational structure has been streamlined and strengthened by transferring from a product-based line organization to a more customer-focused matrix organization. The competitiveness and flexibility of production is being further improved by increasing automation, by outsourcing a part of manufacturing and by moving assembly closer to customers.

In 2004, the company name was changed to Hiab, after the company's most recognized brand, HIAB. This further strengthens Hiab's brand and facilitates its recognition among existing and potential customers.

Hiab's growth strategy for new equipment focuses on creating demand in emerging markets, such as Asia and Eastern Europe, while in areas such as North America and Europe it aims to develop new customer applications.

Hiab's sales and distribution channels are being consolidated with the goal to offer a wide range of efficient load handling solutions to customers all around the world under the same roof. This strategy differentiates Hiab from its competitors who are mainly focused on one product group or are local suppliers.

Increased focus on service business is an important part of Hiab's growth strategy. The organization and service concept are being developed with the aim to control a greater part of the entire life cycle of the products.

MacGREGOR

MacGREGOR, a global leader in marine cargo handling equipment, develops innovative solutions for cargo handling on ships with a strong focus on customer needs and cost competitiveness. It has outsourced all manufacturing, mainly to low cost countries, which provides it with a flexible and competitive cost base. MacGREGOR aims to enhance its customer relationships by providing systems and services that improve the quality, safety and performance of shipowners' vessels.

Aftersales offering and operative availability play a very important role for MacGREGOR and these activities will be further increased. In line with this strategy, during 2004 MacGREGOR launched a premium service product – MacGREGOR Onboard Care – which provides customers a predetermined standard of condition and functionality of the cargo handling equipment for a fixed rate.

MacGREGOR is also deploying a global spare part service and distribution concept by developing logistics centers in Europe, Asia and America. This will ensure that spares are available immediately, anywhere in the world. In addition, it intends to extend its service network to include additional areas of high-density cargo traffic. Primary additional locations are: China, the Middle East, and the Americas (Panama and the Caribbean).

Competitive Strengths

Strong Market Position and Strong Brands

Cargotec's leading brands, broad product range and service offering as well as extensive distribution and service network provide a unique position to compete locally and globally in the cargo handling solutions market and to maintain its current strong market position.

Customer-focused Operations with an Extensive Distribution Network

Cargotec's operations are highly customer-focused. With its global client base and extensive distribution network Cargotec is able to respond quickly to client needs and develop market-leading tailored products. In order to secure its competitive advantage and grow the share of less cyclical sales, Cargotec is further developing its service business. Cargotec's business areas have extensive distribution networks focused on their particular customer segments, comprising of both own sales offices as well as dealers.

Broad Product Range and Service Offering for Growing Global Demand

Cargotec has a broad product range and service offering of material handling solutions for ports, terminals, ships and local distribution. Customers' increasing requirements for more efficient systems of loading, unloading and moving cargo create the base for rising demand. As a result of globalization, both long- and short-haul transportation are increasing, creating further demand for Cargotec's products and services.

Capital Efficient Business Model

Cargotec's business model aims for flexible manufacturing, which is implemented through significant outsourcing of non-core operations. A considerable part of Cargotec's business utilizes this model, which through a more flexible cost base makes it less vulnerable to adverse business cycles. It also enables more rapid adaptation to changes in the market environment and requires less capital.

Financial Strength with Strong Acquisition Experience

Cargotec's strong balance sheet and operating cash flow provide financial flexibility to drive both organic and acquisitive growth. Furthermore, the Management and Cargotec's business areas have accumulated extensive experience in acquiring, restructuring and integrating companies across the world.

Kalmar

Products & Services

Kalmar's products are used in ports, international transportation terminals, and in heavy material handling applications operated by demanding industrial customers. Kalmar's main products are reach stackers, straddle carriers, shuttle carriers, terminal tractors, heavy forklift trucks, log stackers, rail-mounted and rubber tired gantry cranes and automatic stacking cranes, ship-to-shore cranes, and container spreaders. The average lead time of Kalmar's order book is 6-12 months, which provides satisfactory visibility to the market situation development.

Reach stackers are primarily used in small- and mid-sized terminals, where versatile container handling equipment is required. Kalmar's new generation of reach stackers, Kalmar ContChamp and ContMaster, which were launched in 2002, have supported reach stacker sales in recent years.

Straddle carriers are used for all types of container handling applications: stacking, loading, unloading, and moving. They are typically used in mid-sized ports and large terminals. Shuttle carriers are used for moving containers between the pier and the port yard.

Terminal tractors are used for moving trailers in distribution terminals. In ports, terminal tractors are used for loading and unloading trailers on/off ships, and for moving trailers between the pier and the port yard. Kalmar is the world's leading terminal tractor brand according to Management.

Kalmar's forklift trucks are used in heavy duty applications for cargo handling in ports and heavy industry handling, for example of timber, pulp and paper and steel. Log stackers are designed primarily for handling wooden products in different stages of production within the forestry industry.

Rail-mounted gantry cranes and rubber tired gantry cranes are designed for stacking containers. They are used in large ports that require high container stacks.

Ship-to-shore cranes are used for loading and unloading containers on/off ships. They are used in large ports and container terminals. As a result of large STS orders, Kalmar became the largest STS supplier in Europe in 2004.

Kalmar was one of the first to recognize the potential and importance of integrated intelligence and automation. Kalmar supplied automated stacking cranes for the first automated port in Rotterdam, the Netherlands, 15 years ago. The first GPS based, automated steering and positioning system, Smartrail® for RTG cranes, was introduced in 1997. The system functions by the means of virtual rails. By enabling quicker container movements Smartrail® significantly reduces the risk of errors in placing and locating containers. It also allows for easily relocating the containers on the port yard. In 2002, the first fully automated straddle carrier port started operating in Brisbane, Australia.

Kalmar has continued to develop automated container handling technology and to extend its maintenance contracts to encompass new product areas. It launched several new products in 2004. Kalmar's focus on increasing the automation and intelligence of its equipment offering was enhanced by launching a simulation tool to assist customers in terminal design. In 2004, Kalmar introduced its 7th generation straddle carrier, a new 6-9 tonne forklift range and a new RoRo terminal tractor. In the beginning of 2005, Kalmar launched a new fully electric E-One rubber tired gantry crane.

Customers

Kalmar's main customers are port operators, distribution terminals and industrial customers. Port operators are the largest customer segment. The five largest port operators are: Hutchison Port Holdings, PSA International, APM Terminals, P&O and Eurogate. According to the estimates of Drewry Shipping Consultants, the five largest port operators handle more than 35 percent of container traffic around the world. They are increasingly trying to benefit from their purchasing power when acquiring equipment and services from global suppliers.

Currently, customers mainly take care of equipment servicing and maintenance themselves and the market has only been partly open to external service providers. This trend is, however, gradually changing, as customers are increasingly interested in outsourcing in order to improve their productivity and reliability.

Production Facilities

The following table presents Kalmar's largest production facilities.

Production site	Straddle carriers	Rubber tired gantry cranes	Terminal tractors	Spreaders	Reach stackers	Heavy trucks	Empty container handlers	Fork-lift trucks
Tampere, Finland	**X**	**X**	**X**	**X**				
Lidhult, Sweden					**X**	**X**	**X**	
Ljungby, Sweden								**X**
Ottawa, USA			**X**					**X***
Ipoh, Malaysia				**X**				
Shanghai, China		**X***	**X**		**X***		**X***	

* Production will commence by the beginning of 2006.

Kalmar is today assembling terminal tractors in Shanghai, China and by investing further in a new assembly plant, Kalmar will expand its terminal tractor capacity. Kalmar also intends to start up assembly of reach stackers, rubber tired gantry cranes and empty container handlers in the region. The current smaller-scale operation in Wai Gao Qiao, Shanghai will be expanded as a base for Kalmar's service and support operations in the region.

Kalmar is also continuing to strengthen its position in North America by starting up the assembly of medium-sized forklift trucks in its Ottawa plant.

Outsourced Production

Kalmar has almost completely outsourced its component production. The outsourcing has improved the flexibility of Kalmar's operations to respond to fluctuations in demand as well as to enable a more competitive cost base. By focusing on assembly and moving downstream in the value chain Kalmar has also concentrated resources closer to the customer.

Hiab

Products & Services

Hiab has a comprehensive product range, strong knowledge of its customers' businesses and an extensive sales and distribution network that enables Hiab to offer solutions that cover the entire life cycle of its products. Through continuous new product development and utilization of the latest technology Hiab aims to respond effectively to customers' changing requirements with tailored solutions. Local service networks have been strengthened and the spare part logistics operations have been rationalized by consolidating distribution.

Hiab aims to offer its entire range of products through its sales and service network, and this ensures that customers are offered the most efficient solution for their needs from one contact point. The lead time of the order book is 2-4 months.

Hiab's product range consists of: HIAB loader cranes, MULTILIFT demountable systems, MOFFETT, MOFFETT-KOOI and PRINCETON PIGGY BACK® truck-mounted forklifts, ZEPRO, FOCOLIFT and WALTCO tail lifts and LOGLIFT and JONSERED forestry cranes.

Loader cranes are typically mounted on trucks, and are primarily used for loading and unloading building material and other material used in industry. The HIAB loader crane range comprises approximately 50 models ranging from 0.8 to almost 80 ton meters in lifting capacity.

The counterweightless truck-mounted forklifts are mounted either on the rear or the platform of a truck. Given the versatility of this solution, the load can be delivered to locations unreachable by the truck. Mounting and dismounting a truck-mounted forklift is a fast procedure.

Tail lifts increase distribution efficiency, especially when smaller cargo is continuously being loaded and unloaded. Its elevating properties eliminate the need for manual lifting.

Demountable systems increase truck usage efficiency. They are used for handling interchangeable platform skips and containers in commercial and defence applications. Vehicles equipped with both a demountable system and a loader crane allow even more versatile cargo handling.

Forestry cranes are mounted on logging trucks or forest machines. They are also used in industrial applications and in recycling and waste handling.

In 2004, Hiab launched several new products complementing its successful HIAB XS loader crane range and the LOGLIFT and JONSERED forestry crane families. The MULTILIFT XR demountable system and the new-generation ZEPRO tail lifts were launched while the new PRINCETON P40 truck-mounted forklift was introduced to the U.S. market. One of the most significant future launches will be the new MOFFETT M50 truck-mounted forklift in the high-volume product category for the North American markets.

Customers

Hiab's products are used in numerous ways and applications. The largest customer segments are building materials supply and construction industry, forestry and agriculture, transportation of industrial products, local distribution, the defence sector and waste and recycling. Hiab's customer base varies from one-truck owners to large transportation companies and fleet operators, vehicle rental firms, truck manufacturers and municipalities.

Production Facilities

Hiab has consolidated its production to 12 production units in eight countries. The following table presents Hiab's largest production facilities.

Production site	Loader cranes	Truck-mounted forklifts	Tail lifts	Forestry cranes	Demountables
Raisio, Finland					**X**
Salo, Finland				**X**	
Bispgården, Sweden			**X**		
Hudiksvall, Sweden	**X**				
Meppel, The Netherlands	**X**				
Oude Leije, The Netherlands		**X**			
Zaragoza, Spain	**X**				
Dundalk, Ireland		**X**			
Tallmadge, USA			**X**		
Canal Winchester, USA		**X**			
Chungbuk, South Korea	**X**				
Shanghai, China					**X***

* Production will commence during 2005.

As part of its strategy to concentrate production on bigger facilities, Hiab transferred the JONSERED timber and recycling crane production from Hudiksvall, Sweden to Salo, Finland in 2004.

Hiab has decided to expand its operations in Asia by starting up a demountables assembly plant in China. Assembly will begin in the new plant in Shanghai during 2005. The aim is to strengthen Hiab's position as a manufacturer of demountables and to meet better the growing needs of the Asia Pacific region by supplying this region from the new plant.

Further strategic initiatives are being taken to outsource component manufacturing and to move assembly closer to customers.

MacGREGOR

Products & Services

MacGREGOR is one of the largest providers of marine cargo handling equipment and services to the shipping and shipbuilding industries. MacGREGOR's products perform critical functions in ensuring safe, efficient and profitable operation of cargo ships. MacGREGOR focuses on the cargo handling needs of the following main types of ships: container ships, bulk carriers, general cargo, RoRo, RoPax, ferries and naval logistics ships. The lead time of the order book is relatively long being 12-24 months due to the length of ship building projects into which new solutions are incorporated. MacGREGOR is organized into three divisions: Dry Cargo, RoRo and Service.

MacGREGOR's core competency is its project management experience and technical know-how in the engineering, design, installation and service of ship-based and port-based cargo handling equipment. In order to streamline its operations and upgrade its supply chain management, the company has standardized parts, introduced a common design platform and established new logistics centers in Hamburg, Germany, and Shanghai, China. A third center will be established on the U.S. East Coast.

The Dry Cargo division comprises the following products: hatch covers, cranes (crane systems for shipboard applications), cargo securing systems (twist-locks, lashings and lashing bridges used to secure cargo and containers on ships). Hatch covers allow access to the ship's hold whilst providing a watertight closure to ensure seaworthiness and the protection of the cargo. Hatch covers are highly engineered structures designed to carry heavy deck loads and withstand the tensional forces on a vessel at sea.

MacGREGOR's cranes are used to move cargo onto, off and around cargo ships. Cranes are critical equipment for the loading and unloading of vessels at port. MacGREGOR produces a wide range of cranes for marine applications, including general purpose and heavy-duty models with capacity ranging between 40 and 320 tonnes.

Securing systems are used to secure cargo on the deck of the ship, preventing cargo from shifting during transit. MacGREGOR provides complete securing systems, which are comprised of consumable components, including twist-locks, turn buckles, and lashing bars. MacGREGOR also provides lashing bridges which are large steel structures that enable ship-owners to increase the number of containers stacked on the deck of the ship.

The RoRo division provides ramps, car decks, bow equipment, side access equipment, doors and link spans. RoRo systems are primarily used on passenger ferries, car carriers and navy ships, and in general represent the most engineering-intensive products in the MacGREGOR portfolio.

The Service division comprises repair and maintenance services, spare parts as well as conversion and modernisation services. It provides services and certified high quality spare parts to its own and competitors' equipment utilizing MacGREGOR's extensive global network of service stations. Conversion and modernization include highly engineered alterations to revitalize older ships to increase their profitability and extend their working life.

In 2004, MacGREGOR launched MacGREGOR Onboard Care, a new service product comprising a range of various service solution levels in order to provide operative availability and assure efficiency. The customer can choose the solution that best matches its needs from four service packages. At the highest level in the MacGREGOR Onboard care range MacGREGOR takes responsibility for the maintenance of all MacGREGOR equipment onboard the customer's ships.

Customers

MacGREGOR has developed very comprehensive networks of customer relationships, with some relationships lasting for more than 60 years, in the shipping and shipbuilding industries. The company is a leading supplier of cargo handling systems to the U.S. Navy and also has long-term relationships with many of the world's largest ship operators, ship owners and shipyards. The service business benefits from access to installed equipment base on more than 13,000 vessels.

Production Facilities

MacGREGOR focuses on developing marine cargo handling solutions, i.e. design, installation and service. Hence, MacGREGOR owns no production facilities.

Outsourced Production

MacGREGOR has outsourced the manufacturing of all main products to partners in Poland, Croatia, China, Korea and Vietnam while also some design and engineering activities have been outsourced to European and Chinese subcontractors. MacGREGOR's outsourced manufacturing base is the key to its flexible cost structure enabling it to adapt quickly to market fluctuations.

MacGREGOR selects its manufacturing suppliers based on quality and overall costs. Overall costs are predominantly driven by the cost of labour and the cost of transportation from the manufacturing site to the customer. MacGREGOR's manufacturing base allows it to source products from different regions in order to achieve optimal cost effectiveness for each delivery.

MacGREGOR manages a large low-cost supplier network in China and Eastern Europe. MacGREGOR sources most of its critical components from Europe in order to assure quality of components and maintain a strong position in the value chain. MacGREGOR continues to consolidate its supplier base to capitalize on economies of scale. MacGREGOR utilizes its logistics network to control transportation costs associated with moving its equipment to customers.

Sourcing and Raw Materials

Cargotec has moved downstream in its production i.e. concentrated on engineering and assembly within new equipment production, while outsourcing most of the component manufacturing. Cargotec is continuously striving for cost leadership in its products and services, which necessitates globally competitive sourcing of components and raw materials.

Cargotec aims to maximize group synergies by combining volumes and sourcing activities over business area and geographical boundaries when appropriate. By reducing the number of suppliers and concentrating purchases to fewer core suppliers the aim is to achieve a planned and manageable supplier base. Also, by working on a long-term basis with chosen partners the aim is to secure availability and maintain constant high quality. An important focus area is to use global opportunities more widely and more of the purchases are moving to suppliers in lower cost regions. Currently, the main focus of sourcing work lies in three main areas: (i) steel, steel structures and related parts, (ii) hydraulics and (iii) power line components and systems. A key basis for sourcing operations is an internal sourcing navigator database that includes the necessary information of the Company's purchases for developing sourcing further.

Research and Development

The aim of Cargotec's R&D activities is to maintain and enhance the technical, competitive and cost position of its products, in order to help customers increase their efficiency and to improve the production processes of the company. In 2004, research and development expenditure was EUR 29.0 (2003: 24.0) million, which is 1.5 (1.8) percent of the company's net sales.

Kalmar's R&D activity is decentralized to the product lines close to their customers. In addition to strengthen the development of automated cargo handling solutions, Kalmar has in 2005 established a new dedicated business unit, Kalmar Intelligence & Automation, to focus on the marketing and R&D of on-board smart features for container handling equipment, integrated systems and remote maintenance products in co-operation with customers and partners.

Hiab's R&D activity is decentralized to the product lines. Each product line is responsible for development, marketing and production. In addition, product development is conducted via joint projects with customers. The product lines cooperate in products that are used in more than one product line, for example, control and safety devices. R&D emphasizes the use of Hiab's core competences in steel structures, electronics and hydraulics. R&D key areas also include developing intelligent control systems for load handling equipment. These aim to increase the lifting capacity, user friendliness and the lifetime of the equipment. They can also be used for more advanced service concepts.

MacGREGOR's R&D activity is decentralized to the divisions close to their customers. However, the business area also has a few centers of excellence where it concentrates certain know-how which then are responsible for R&D projects of interest to the whole business area. R&D focus areas have included developing electrical based solutions to substitute hydraulics. Trends in environmental legislation have also been influencing R&D work.

Sales, Marketing and Distribution

Kalmar, Hiab and MacGREGOR operate their own sales and marketing operations as well as distribution networks.

Kalmar serves its global key customers as well as its port and terminal customers and operates in more than 140 countries through 19 sales companies and an extensive dealer network. Kalmar's sales and service network is organized into three time zone based regions.

Hiab has an extensive sales and service network for load handling equipment with its own sales companies in 24 countries and over 100 importers. Hiab aims to offer its entire range of products through its sales and service network, and this ensures that customers are offered the most efficient solution for their needs from one contact point.

MacGREGOR serves its customers primarily through own sales channels located in 25 countries globally. This network is complemented with dealer distribution and an extensive service network of over 50 service stations.

Intellectual Property, Patents, Licenses and Trademarks

Cargotec has registered approximately 400 patents around the world. The most important patents involve for example new product concepts and related technology, and they apply to all significant markets. Cargotec has an international trademark portfolio that is focused on its main business activities.

The company monitors that its patents and trademarks are managed appropriately, and that its patents and trademarks are respected.

Employees

Cargotec employed 7,349 people as of 31 March, 2005. EMEA accounted for 74 percent of total personnel, Americas for 15 percent, and the Asia-Pacific region for 11 percent.

Personnel by geographical segments	31/3/2005	31/3/2004	31/12/2004	31/12/2003 **	31/12/2002 **
EMEA *	5,450	5,461	5,529	4,627	5,373
Americas	1,131	986	1,038	897	943
Asia Pacific	768	689	727	508	428
Total	7,349	7,136	7,294	6,032	6,744

* EMEA = Europe, Middle East, Africa
** Excluding MacGREGOR marine cargo handling business

Group Structure

Cargotec consists of the three separately managed business areas: Kalmar, Hiab and MacGREGOR. The business areas are organized to facilitate the efficient operation of each business area while the legal structure is organized on the Cargotec group level. Therefore, the legal structure deviates from the operational structure.

Companies belonging to Cargotec as of May 3, 2005 are itemized in Appendix 9 of this Prospectus.

After the Demerger Date, there will be no jointly owned companies between Cargotec and New KONE.

Properties

The following table presents the book values of Cargotec's most important land and property holdings by country as of 31 March, 2005.

Country	Land MEUR	Property MEUR	Total MEUR
Austria	0.3	0.7	1.0
Finland	6.3	12.5	18.8
Germany	0.4	1.5	1.9
Great Britain	0.0	2.0	2.0
Ireland	1.3	2.9	4.2
Malaysia	0.2	0.8	1.0
Netherlands	0.3	5.7	6.0
Norway	0.1	1.5	1.6
South Korea	0.9	1.0	1.9
Singapore	0.0	1.1	1.1
Spain	0.9	2.9	3.8
Sweden	2.7	17.7	20.4
United States	0.6	10.1	10.7
Other countries	0.2	0.7	0.9
Total	14.2	61.1	75.3

Environmental Matters

Cargotec's servicing and assembly based operations do not normally result in significant risks to the environment. However, it is possible that future amendments of environmental legislation may require Cargotec to incur additional costs in relation to environmental matters.

Cargotec determines the environmental impact of its operations and products through its environmental management systems. According to life-cycle analyses, the most significant part of Cargotec's products' life-cycle impact on the environment takes place when the products are used, not during their manufacture. Cargotec is best able to influence the environmental impact incurred from the use of its products by steps taken during the product development phase e.g. to lower energy and fuel consumption and to cut back on oil requirements. Electrically operated equipment has been developed in recent years for some applications and is in some cases preferred over hydraulics due to a nil oil requirement.

Many production facilities have earned ISO 9001 Quality Certification. The ISO 14001 Environmental Management System is in use in one of Kalmar's production facilities and six of Hiab's production facilities.

Cargotec complies with relevant legislation and has appropriate environmental licences to operate its business. It has also sought to cover its potential environmental liabilities by environmental investigations and contractual clauses. In environmental audits historical pollution caused by industrial activity has been discovered in certain facilities. However, there is no guarantee that all risks relating to the environment are fully observed.

Insurance

Cargotec has broad-based, global insurance policies against key potential losses. For further information please see "*Investment Considerations*". The most important insurance protection concerns the company's assets, personnel, disruption of production, product and operational liability, and transport.

REGULATORY OVERVIEW AND LEGAL PROCEEDINGS

This Section describes some significant regulations that may have an impact on the operations of Cargotec. This is not an exhaustive presentation of applicable regulations, and thus investors are requested to note that Cargotec has operations in several jurisdictions, in which national regulations are applicable and have not been described in this Prospectus.

The operations of Cargotec are regulated at a general level by the EU Machine Directive (98/37/EC). The directive lays down the essential health and safety requirements related to the design and construction of machinery and safety components. It also sets forth the obligation to draw up an EC declaration of conformity of the machinery or safety components and an obligation to affix the CE marking to the machine.

In addition to the EU Machine Directive, the safety of Cargotec's products is governed by various national and international regulations. Cargotec cooperates with many research organizations in an effort to improve the safety and environmental characteristics of its products.

Cargotec operates an international business and is involved both as plaintiff and defendant in legal and administrative processes. The company's Management does not expect any single process or the combined effect of all processes to adversely affect Cargotec's operations, financial situation or financial results.

Investors are advised to review also "*Investment Considerations*".

MD & A AND PROSPECTS

Key Factors Affecting the Company's Results of Operations

Demand for Cargo Handling Solutions

A key factor affecting the results of Cargotec is the business environment and demand outlook for the company's products. The company's products and services cater to the needs of cargo handling in ships, ports, terminals and distribution. The most important demand drivers are world trade and global goods transportation. Historically world trade has been increasing faster than GDP. However, any disruption affecting global trade flows or prolonged global economic weakness could affect the company's results.

Growth of Service Business

The service business is estimated to offer significant growth potential for Cargotec. The company's ability to grow the size and value of its maintenance base, and to gain significant market shares in service in new equipment growth markets, will affect the future results of Cargotec.

Cargotec aims to grow its service base, in particular by further developing its service offering to provide customers with value-adding solutions. Today customers are still to a large extent taking care of many service activities themselves. In addition to organic growth the company has grown and plans also in the future to grow through acquisitions.

Cost-efficiency of the Global Business Model

Cargotec's businesses are global in nature, and the competitive landscape is also global. Competition necessitates constant focus on cost competitiveness and the success of the company in continuously improving its efficiency will affect the results.

While all of Cargotec's businesses have in the past focused in-house operations more on assembly and outsourced component production to subcontractors globally, the extent of outsourcing still varies between the businesses. This outsourcing has been done with the aim of increasing the flexibility of the operations to better respond to demand fluctuations while also benefiting from the capabilities of lower cost regions.

For several years the company has also concentrated its production and assembly operations to fewer and bigger locations to gain economies of scale to increase its long-term competitiveness. Furthermore, as part of increasing the efficiency of operations, Cargotec's businesses have joint initiatives in production and purchasing to achieve economies of scale from combining purchasing and logistics, sharing of best practices and harmonizing standards.

Success in R&D Operations

The success of the R&D operations of Cargotec's businesses in finding new solutions to address customer needs is a further key element affecting the results of the company. Cargotec's success has been built on high technological know-how and innovative products. R&D operations also need to successfully utilize and build on new technological advances from other fields and find intelligent ways of incorporating them for the benefit of the company's customers.

Changes in Market Conditions

Important external factors affecting Cargotec's results of operations are the development in prices of new equipment and service, cost inflationary pressures, primarily labor and raw material costs, and changes in currency rates.

Please refer to "*Investment Considerations*", "*Industry and Market Overview*" and market reviews in this MD&A for further information regarding factors affecting results, business climate and main trends, product demand and customer activities.

Financial Risk Management

The financing policy of Cargotec is to be based, as applicable, on the current main principles for risk management determined by the Board of Directors of Kone Corporation. Cargotec's business activities are exposed to financial risks such as currency risks, interest rate risks, refinancing and liquidity risks, counterparty risks and operative credit risks. Cargotec's Group Treasury function manages financial risks centrally according to limits set in the Group Treasury Policy approved by the Treasury Committee. The financing policy is based on the main principles of risk management determined by the Board of Directors.

Currency Risks

Cargotec operates internationally and is, thus, exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases (transaction risk) and from translation of foreign subsidiaries' income statements and balance sheets into Euros (translation risk).

The policy of the Group is to fully hedge the initial transaction exposure. This means that the effect of currency risks related to already contracted and highly probable business deals is eliminated while also giving the business time to react and adapt to changes in the exchange rate levels.

The initial exposure is managed in the business units by taking into account foreign exchange risk considerations when deciding on the currencies used in export/import pricing and invoicing and by using currency clauses in tenders and agreements. Group companies hedge their exposures with forward contracts externally and report monthly their transaction risk position to Group Treasury. Binding contracts are hedged for the whole contract period and estimated sales or purchases for a period of 6 to 9 months. Large tenders can be hedged on the basis of option strategies.

Hedge accounting is applied to cash flow hedges of firm contracts and estimated quarterly cash flows of highly probable purchases or sales. The Cash flow is hedged by FX forward contracts. The majority of the hedged cash flows are denominated in SEK, USD and GBP and they are expected to be realized within one year. A few longer-term projects are estimated to be realized within two to four years.

The policy regarding translation risks is to hedge the balance sheet structure in such a way that changes in exchange rates have a neutral impact on the group's gearing. The balance sheet structure in foreign entities is hedged by using cross-currency swaps and loans denominated in foreign currencies.

Interest-rate Risks

Changes in interest rates on interest-bearing receivables and debts create interest-rate risks. These risks are managed by adjusting the duration of debt to the targeted level through different combinations of fixed and floating interest in the debt portfolio and various interest-rate derivatives.

Refinancing and Liquidity Risks

In order to minimize funding and liquidity risks and to cover estimated financing needs, the group has negotiated 5-7 years bilateral un-drawn credit facilities.

Counterparty Risks

Only counterparties with high creditworthiness are approved when investing liquid assets. Derivative contracts are made exclusively with leading banks and credit institutions.

Operative Credit Risks

The group's customer base consists of a large number of customers in all market areas. Measures to reduce credit risks include advance and progress payments, documentary credits and guarantees. Some customer credit risks have been shared with financing partners. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for the Group.

Funding

Pro forma Capitalization

The following table sets forth net of the pro forma cash and cash equivalents, loans receivable and other interest-bearing receivables, current and non-current interest-bearing liabilities and shareholders' equity of Cargotec. This table must be read in conjunction with the unaudited pro forma financial information for Cargotec included elsewhere in this Prospectus. For further information, please see Appendix 2.

	As at March 31, 2005 unaudited EUR in millions
Cash and cash equivalents, loans receivable and other interest bearing receivables	-44.4
Current interest-bearing liabilities	213.8
Non-current interest-bearing liabilities	134.5
Equity	
Share capital	63.7
Share premium account	92.9
Other reserves	-0.6
Retained earnings	498.1
Minority interests	5.7
Total equity	659.8
Total capitalization, net	963.7

Pro forma gearing at the end of March 2005 was 46.1 percent. Non-current interest-bearing liabilities are mainly bank loans, current interest-bearing liabilities include also, in addition to bank loans, commercial papers. Cargotec's structure of interest-bearing liabilities (pro forma) as of March 31, 2005 is based on the structure of liabilities of Kone Corporation as of March 31, 2005. The financing of the company will be reorganized in connection with the listing. The company's actions to decrease in-house manufacturing have reduced the fixed assets tied in operations. Possible future funding requirements will arise mainly from potential acquisitions. Cargotec Corporation has not set a more exact gearing target or an optimal gearing level. It is estimated that the equity of the parent company will be EUR 1 billion and the distributable funds EUR 900 million.

Recent Developments and Initiatives

Acquisitions and Divestments

Kone Cargotec agreed on December 2, 2004, to purchase the entire share capital in global marine cargo flow solution and service provider MacGREGOR International AB from Swedish Industri Kapital and Gambro. The debt-free transaction price was approximately EUR 180 million. MacGREGOR is the global market leader in providing marine cargo flow solutions and service for ship owners, ship operators and shipyards. MacGREGOR employed 975 people at the end of December, 2004. The transaction was finalized on March 4, 2005. Through the acquisition goodwill of EUR 150 million was created (for more information please see Appendix 4). The elevator operations of MacGREGOR will be transferred to New KONE and hence the pro forma figures for Cargotec Corporation discussed below do not reflect these operations. In addition, Cargotec has signed a letter of intent on the sale of the galley business operations of MacGREGOR, which will not have any material effect on the business of MacGREGOR or Cargotec due to its small scale. The galley business operations employ 40 people.

In February 2005, Hiab signed an agreement to divest the entire shareholding of Zetterbergs Produkt AB of Sweden to its management. Zetterbergs' product range comprises tipper and dumper bodies as well as other truck bodies. Its 2004 net sales totalled EUR 15 million and it employed 143 people. The final necessary competition authority approvals were received on 22 April, 2005.

In March 2005, Kalmar sold Finmec, located in Estonia, which specializes in the welding and provision of steel components for heavy equipment. Finmec employed 133 people. This divestment is part of Kalmar's strategy to outsource production while concentrating on product development, assembly and service. The divestment does not have any material effect on the business of Cargotec due to its small scale.

Kalmar's own maintenance and rental services were further strengthened in March 2005 by the acquisition of companies specializing in these activities in the Netherlands. The acquisitions of Peinemann Kalmar CV and Peinemann Kalmar Rental BV, which employ 37 people, strengthened Kalmar's strategy of expanding the direct provision of maintenance and rental services in major ports and container terminals around the world. The acquisition does not have any material effect on the business of Cargotec due to its small scale.

Capital Expenditure

In order to strengthen its position in the Asia Pacific region, Kalmar is investing during 2005 approximately USD 10 million in a new assembly plant in the Shanghai area. The assembly plant will primarily serve the Asian container handling equipment market, which is the fastest growing area for most Kalmar products.

Hiab is also expanding its operations in Asia by starting-up a demountables assembly plant in China. Assembly will begin in the new plant in Shanghai during 2005. This project will strengthen Hiab's position as a manufacturer of demountables and will prepare it for future growth in demand in the Asia Pacific region. The target is to supply this region with all demountable products from the new plant in the future.

Current Outlook

Cargotec's outlook is based on figures including MacGREGOR. Order intake during the rest of the year is expected to return to a normalized level from the record levels experienced during the past twelve months. However, the current strong order backlog supports expectations of Cargotec's net sales clearly exceeding EUR 2 billion in 2005. Comparable operating income is estimated to improve slightly from the previous year despite the negative effects of changes in product mix, cost increases in raw materials and components, and currency effects.

Preparation of the Financial Information

The following financial information comprises the unaudited pro forma financial figures. The accounting principles of the financial information are described in Appendix 1 "*Accounting Principles of Pro Forma Financial Information and Reconciliation Bridges*" and in Appendix 4 "*Kone Corporation's Financial Statement Information for the Accounting Period January 1, 2004 - March 31, 2005*".

Results of the Operations

Unaudited Pro Forma Financial Information

Cargotec's pro forma financial information has been prepared in accordance with the calculation principles presented in Appendix 1 of this Prospectus. The pro forma financial information is based on Finnish Accounting Standards (FAS) for year 2002 and otherwise on International Financial Reporting Standards (IFRS).

The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002.

Consolidated statement of income MEUR	1-3/2005	%	1-3/2004	%	1-12/2004 *	%	1-12/2003	%	FAS 1-12/2002	%
Sales	543.8		404.0		1,889.8		1,344.1		1,319.2	
Costs and expenses	-499.2		-375.6		-1,734.4		-1,238.7		-1,252.6	
Depreciation	-9.4		-8.6		-32.5		-33.0		-25.2**	
Operating income before goodwill amortization	35.2	6.5	19.8	4.9	122.9	6.5	72.4	5.4	41.4	3.1
Goodwill amortization									-29.2	
Operating income	35.2	6.5	19.8	4.9	122.9	6.5	72.4	5.4	12.2	0.9
Share of associated companies' income	-1.4		-0.2		3.3		5.2		3.4	
Financing income and expenses	-3.1		-3.9		-14.0		-9.3		-9.9	
Income before taxes	30.7	5.6	15.7	3.9	112.2	5.9	68.3	5.1	5.7	0.4
Taxes	-10.1		-3.0		-34.8		-18.5		-2.1	
Minority interests									-1.3	
Net income	20.6	3.8	12.7	3.1	77.4	4.1	49.8	3.7	2.3	0.2
Net income attributable to:										
Shareholders of the parent company	20.4		12.4		76.0		48.9			
Minority interests	0.2		0.3		1.4		0.9			
Total	20.6		12.7		77.4		49.8			

* Disregarding EUR 3.1 million non-recurring income due to a provision reversal regarding disability pensions
** Without goodwill amortization

Consolidated cash flow					FAS
MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003	1-12/2002
Operating income	35.2	19.8	122.9	72.4	12.2
Change in working capital	-28.5	6.4	2.1	29.4	40.5
Depreciation	9.4	8.6	32.5	33.0	54.4
Cash flow from operations	16.1	34.8	157.5	134.8	107.1
Cash flow from financial items and taxes	-13.4	-8.3	-34.8	-19.4	-10.6
Cash flow from operating activities	2.7	26.5	122.7	115.4	96.5
Cash flow from investing activities	-25.2	-7.7	-43.0	-30.5	-20.0
Change in net debt	-22.5	18.8	79.7	84.9	76.5
Net debt in the beginning of period	281.4	361.1	361.1	275.7	284.9
Net debt in the end of period	303.9	342.3	281.4	190.8	208.4
Change in net debt	-22.5	18.8	79.7	84.9	76.5

1 January, 2005 – 31 March, 2005 Compared to 1 January, 2004 – 31 March, 2004

Investors are advised to note that the MacGREGOR marine cargo handling business has been included in both periods presented herein.

Markets

Investments in new ports and on-going port expansions continued globally at a strong level in the first quarter 2005 similar to that of the previous year. Good container traffic volumes kept activity in ports at a high level which was reflected in strong demand for service and refurbishments.

Container freight prices remained high despite additional capacity coming on-stream during the quarter. As a result, ship building activity remained strong, especially for container ships and bulk carriers.

Investments in new trucks increased in all main market areas resulting in strong growth in demand for load handling solutions. The growth was strongest in North America due to the continued strength of the U.S. economy and the robust retail and building material markets.

Orders Received and Order Book

Cargotec's orders received in the first quarter 2005 grew by 20 percent from the comparison period and amounted to EUR 644.9 (1-3/2004: 536.1) million. Kalmar accounted for EUR 310.1 (244.2) million, Hiab for EUR 220.1 (201.5) million and MacGREGOR for EUR 115.1 (90.8) million of the orders received.

Kalmar's orders received for container handling solutions continued to be extremely strong. Also demand for terminal tractors in North American distribution centers was also at a very high level. In March 2005, Kalmar won a major order from Gateway Terminals India Pvt Ltd. (GTI) for the supply of 29 rubber tired gantry cranes (RTGs) for a new terminal under construction at the Port of Nhava Sheva. GTI is joint venture between Maersk A/S and Container Corporation of India Ltd. and is due to start operations in August 2006. The RTGs will be delivered during 2006.

During the quarter Kalmar also received an order from Antwerp Gateway N.V. for 20 electrical 7th generation ESC-straddle carriers for the new Antwerp Gateway port operated by P&O Ports. In addition, Virginia Port Authority in Norfolk, Virginia, USA ordered 31 straddle carriers, which will be delivered by the end of 2005.

Orders received for Hiab's load handling solutions grew significantly from the corresponding period a year ago. Growth was strongest in North America, where demand for truck-mounted forklifts and tail lifts was particularly strong. However, order intake was also healthy in Europe and Asia.

MacGREGOR's orders received reflect the continued high ship building activity for container ships and bulk carriers. Orders for hatch covers and securing systems grew clearly relative to the comparison period. Demand from the RoRo segment was somewhat weaker than a year ago, but remains at a satisfactory level.

Cargotec's order book strengthened clearly and at the end of March 2005 totalled EUR 1,309.6 (end of March 2004: 860.6) million. Kalmar accounted for EUR 624.4 (398.0) million, Hiab for EUR 241.2 (163.5) million and MacGREGOR for EUR 444.3 (299.3) million of the order book.

Net Sales

Cargotec's net sales amounted to EUR 543.8 (404.0) million. Sales growth of 35 percent from the comparison period reflects the significantly higher delivery volumes in all business areas. Net sales in Kalmar accounted for EUR 264.5 (181.7) million, in Hiab for EUR 197.8 (155.0) million and in MacGREGOR for EUR 81.7 (67.6) million.

Service revenue grew by 16 percent and amounted to EUR 107.5 (92.9) million, accounting for 20 (23) percent of net sales. In Kalmar service business accounted for 21 (26) percent of net sales, in Hiab for 13 (15) percent and in MacGREGOR for 31 (34) percent.

Financial Result

Cargotec's operating income improved clearly to EUR 35.2 (19.8) million, which represents 6.5 (4.9) percent of net sales. All business areas continued to benefit from the strong market situation and increased deliveries. In addition, the businesses saw further benefits from the restructuring done during recent years. The continued rise in raw material and component prices affected profitability. Operating income in Kalmar accounted for EUR 20.7 (13.3) million, in Hiab for EUR 14.2 (8.7) million and in MacGREGOR for EUR 3.0 (0.4) million.

Net income amounted to EUR 20.6 (12.7) million and earnings per share were EUR 0.32 (0.19).

Net Working Capital and Cash Flow

At the end of March, net working capital was EUR 213.1 (31.3.2004: 166.5) million.

Cash flow from operations (before financial items and taxes) was EUR 16.1 (1-3/2004: 34.8) million. Improved profitability had a positive effect on cash flow but the increased work in progress and delivery volumes tied up more working capital in the business.

Capital Expenditure and Product Development

Capital expenditure totalled EUR 9.3 (7.7) million, customer financing accounted for EUR 3.0 (3.9) million.

Investments are ongoing in China for both Kalmar and Hiab. Kalmar is investing in a new assembly plant for terminal tractors, empty container lift trucks, reach stackers and rubber tired gantry cranes in the Shanghai area. The plant will open by the beginning of 2006. Hiab is starting up a demountables assembly plant which is also in Shanghai. Assembly of demountables is expected to begin in the new plant during 2005.

Cargotec's research and development expenditure was EUR 7.1 (7.3) million, which represents 1.3 (1.8) percent of net sales.

1 January, 2004 – 31 December, 2004 Compared to 1 January, 2003 – 31 December, 2003

Investors are advised to note that the MacGREGOR marine cargo handling business has been included in the figures for 2004, but not for 2003.

Markets

Cargotec benefited from strong demand, and was able to take full advantage of the good market environment and restructuring actions taken.

The investment cycle for container handling equipment and services was at an exceptionally high level in 2004. Container traffic is estimated to have increased by over 14 percent in 2004, as it did in 2003. Investments in new ports and port expansions were underway in most markets. Maintenance and replacement investment continued to be strong, due to high activity in ports.

The market for on-road load handling solutions improved clearly in 2004. Heavy truck sales grew by approximately 10 percent in Europe and by over 30 percent in North America after several years of flat or decreasing sales. The North American market continued to show the greatest growth, buoyed by the robust retail and building materials markets. Demand in Asia also continued to be strong.

After a record year in 2003 new ship orders remained strong in 2004. The continued increase in the number of ships under construction supported demand for MacGREGOR's products. The rapid increase in freight rates increased demand especially for new container ships and bulk carriers.

Orders Received and Order Book

Cargotec's order intake amounted to EUR 2,337.3 (1-12/2003: 1,461.1) million.

Kalmar benefited from high demand for all product lines including ship-to-shore (STS) cranes, straddle carriers, reachstackers and heavy forklift trucks. In the Americas, the general strengthening of the U.S. economy led to higher demand, in particular for terminal tractors in distribution centers.

In Hiab, growth was strongest in North America due to both strong retail and building materials markets. Hiab's actions to penetrate new load handling applications led to an improved market position. In Europe, which is the largest market for equipment and services provided by Hiab, demand improved for all key products. Both in Asia and Europe Hiab's order intake was supported by the success of new XS cranes and XR hooklifts. Hiab also succeeded in booking some exceptionally large orders both for tail lifts and truck-mounted forklifts.

MacGREGOR experienced strong order growth supported especially by the increased demand for new container ships, which has led to strong order books at ship builders. In general, the increased demand for maritime freight capacity led to a significant improvement in MacGREGOR's order book.

Cargotec's order book at the end of 2004 totalled EUR 1,179.7 (31.12.2003: 471.3) million, of which Kalmar accounted for EUR 548.7 (357.2) million, Hiab for EUR 215.0 (114.2) million and MacGREGOR for EUR 416.2 million. MacGREGOR's comparable (not consolidated) order book at the end of 2003 was EUR 304.4 million and orders received EUR 386.8 million.

Net Sales

Net sales amounted to EUR 1,889.8 (2003: 1,344.1) million. In Kalmar service sales accounted for EUR 222.5 (2003: 175.6) million, which represents 26 (24) percent of the business area's total sales, in Hiab service sales totalled EUR 95.1 (85.2) million, which represents 14 (14) percent of total sales, and in MacGREGOR service sales totalled EUR 110.0 million, which represents 34 percent of total sales. Production capacity was increased in both Kalmar and Hiab, which facilitated the increase in delivery volumes and hence, net sales, especially during the second half of 2004.

MacGREGOR's comparable net sales 2003 (not consolidated) was EUR 312.7 million.

Financial Result

Cargotec's operating income amounted to EUR 122.9 (72.4) million, or 6.5 (5.4) percent of net sales, disregarding the nonrecurring pension liability reversal of EUR 3.1 million. The operating income of all business areas rose as profitability continued to benefit from the restructuring of production done over the past three years, in addition to higher sales. Profitability was negatively affected by the weaker U.S. Dollar and, especially in the fourth quarter, by higher steel prices.

MacGREGOR's comparable operating income 2003 (not consolidated) was EUR 13.2 million.

Net income amounted to EUR 77.4 (49.8) million and earnings per share were EUR 1.19 (0.77).

Net Working Capital and Cash Flow

At the end of 2004, Cargotec's net working capital was EUR 180.3 (31.12.2003: 198.9) million. The value of tangible fixed assets was EUR 175.9 (2003: 170.8) million. Kalmar's net working capital decreased from the end of 2003 level despite substantially higher sales, while Hiab's net working capital increased due to higher volumes and work in progress.

Cash flow from operating activities before financial items and taxes was EUR 157.5 (2003: 134.8) million. Kalmar's cash flow improved further due to the improvements achieved in capital turnover and operating profit.

Capital Expenditure and Product Development

Capital expenditure totalled EUR 42.7 (30.1) million of which customer financing accounted for EUR 18.3 (6.9) million. Research and development expenditure was EUR 29.0 (24.0) million, which is 1.5 (1.8) percent of net sales.

1 January, 2003 – 31 December, 2003 Compared to 1 January, 2002 – 31 December, 2002

Investors are advised to note that the pro forma figures for year 2002 are reported according to FAS, while the 2003 figures are reported according to IFRS. The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002.

Markets

Cargotec's sales and order intake rose significantly as the market for container handling equipment and services improved in 2003 and a stronger market position was achieved.

In 2003 the market for container handling equipment and services benefited from the continued increase in container traffic. As latent demand was released, replacement investments, as well as port expansions and new port projects, increased. Demand for on-road load handling equipment remained at approximately the same level as in 2002 as economic weakness in Europe, the main market, was offset by improved demand in North America and the Asia Pacific area.

Orders Received and Order Book

Cargotec's orders received rose to EUR 1,461.1 (2002: 1,314.5) million. The year-end order book totalled EUR 471.3 (299.6) million.

Kalmar won the largest European order ever for ship-to-shore cranes, consisting of 10 cranes, with deliveries scheduled for late 2004 and 2005 to the Port of Antwerp. This exceptional order boosted the order book to a record level. Hiab's orders also rose, especially for truck-mounted forklifts and large loader cranes.

Net Sales

Cargotec's net sales amounted to EUR 1,344.1 (2002: 1,319.2) million. In Kalmar service business accounted for 24 (21) percent and Hiab for 14 (14) percent of the total net sales.

Financial Result

Operating income totalled EUR 72.4 million. According to FAS, the 2002 operating income before goodwill amortization was EUR 41.4 million and operating income EUR 12.2 million.

This significant profitability improvement was made possible especially by the favorable reception of recently introduced Kalmar equipment, enabling Kalmar to benefit fully from the improved market situation.

Restructuring measures in business areas also contributed to improved profitability. Kalmar continued focusing its operations and outsourcing non-core activities such as welding operations and steel construction in Finland and the Netherlands. Hiab's loader crane production was streamlined, and the number of production plants was decreased. The production of hydraulic cylinders was outsourced, and the production of demountables concentrated at one site.

Net income amounted to EUR 49.8 (2.3) million and earnings per share were EUR 0.77 (0.04).

Net Working Capital and Cash Flow

Net working capital at the end of 2003 was EUR 198.9 (247.9) million. Tangible fixed assets amounted to EUR 170.8 (143.0) million.

Cash flow from operating activities before financial items and taxes was EUR 134.8 (107.1) million.

Capital Expenditure and Product Development

Capital expenditure totalled EUR 30.1 (22.0) million of which customer financing accounted for EUR 6.9 (0.0) million. Research and development expenditure totalled EUR 24.0 (27.0) million, which constitutes 1.8 (2.0) percent of the net sales.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

General

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of Cargotec, responsibility for the control and management of Cargotec is divided between the general meeting of shareholders, the Board of Directors and the Managing Director (President).

Cargotec will comply with the Corporate Governance Recommendation for Listed Companies, which came into force July 1, 2004, of the Helsinki Stock Exchange, Central Chamber of Commerce and The Confederation of Finnish Industry and Employers.

Board of Directors and Executive Committee

Board of Directors

Cargotec's Board of Directors consists of a minimum of five and a maximum of eight regular members. The term of office of the Board members expires at the first Annual General Shareholders' Meeting following the election.

The duties of the Board of Directors are determined in the Articles of Association and in the Finnish Companies Act. The tasks of the Board of Directors include the approval and confirmation of strategic guidelines and principles of risk management, ratification of annual budgets and plans, decisions about corporate structure, and significant acquisitions and investments. The Board of Directors appoints the President of Cargotec and determines the conditions of his employment.

The Board of Directors will establish two permanent committees to assist it with its work: an Audit Committee and a Compensation and Nomination Committee. The Board of Cargotec will confirm the working order of the Committees. The compositions of the committees will be announced later.

The Audit Committee will direct and supervise Cargotec's internal auditing by, among other activities, assessing the adequacy and appropriateness of the corporation's internal control and risk management efforts as well as handling internal audit plans and reports.

The Compensation and Nomination Committee will make decisions regarding senior management appointments and remuneration as well as prepare and plan these matters. It will also prepare presentations to be made to the Annual General Meeting regarding the nomination of Board members and their remuneration.

The Extraordinary Shareholders' Meeting of Kone Corporation held on December 17, 2004 elected seven members to Cargotec's Board of Directors. The Board of Directors of Cargotec, the Company to be established in the Demerger, elected Antti Herlin as Chairman and Sirkka Hämäläinen-Lindfors as Vice Chairman as well as appointed Carl-Gustaf Bergström as the President as of the Demerger Date.

The Board has on May 2, 2005 announced that it will relinquish its duty in an Extraordinary Shareholders Meeting of Cargotec Corporation to be held on July 12, 2005.

The members of Cargotec's Board of Directors until July 12, 2005, are as follows:

Name	Year born	Position	Year appointed to the board of Kone Corporation
Antti Herlin	1956	Chairman of the Board	1991
Sirkka Hämäläinen-Lindfors	1939	Vice Chairman of the Board	2004
Matti Alahuhta	1952	Member of the Board	2003
Jean-Pierre Chauvarie	1935	Member of the Board	2000 (deputy 1999-2000)
Masayuki Shimono	1947	Member of the Board	2004
Iiro Viinanen	1944	Member of the Board	1997
Gerhard Wendt	1934	Member of the Board	1979

Antti Herlin has been the CEO of Kone Corporation since 1996 and Chairman of the Board of Directors of Kone Corporation since 2003. During 1996 - 2003 Mr. Herlin was the Vice Chairman of the Board of Directors. Mr. Herlin has been a member of the Board of Directors of Kone Corporation since 1991. Mr. Herlin is the Chairman of the Boards of Directors of Technology Industries of Finland, Security Trading Oy and Holding Manutas Oy. He is Deputy Chairman of the Board of Directors of Confederation of Finnish Industries. He is also a Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. In addition, he is a member of the Board of Directors of YIT Group. Mr. Herlin holds an Honorary Doctor of Science degree in Economics.

Matti Alahuhta has been a member of the Board of Directors of Kone Corporation since 2003 and the President of Kone Corporation since January 1, 2005. During 2004, Mr. Alahuhta was an Executive Vice President of Nokia Corporation, during 1998-2003, the President of Nokia Mobile Phones and, during 1993-1998 the President of Nokia Telecommunications. Mr. Alahuhta is the Chairman of the Board of the Centennial Foundation, Finnish Technology Industries and the Chairman of the Executive Committee of the International Institute for Management Development (IMD). Mr. Alahuhta holds a Doctor of Science degree in Engineering.

Jean-Pierre Chauvarie has been a member of the Board of Directors of Kone Corporation since 2000. He was a deputy member of the Board of Directors during 1999 - 2000 and President of Kone Corporation during 1999 - 2001. During 1995 - 1998, Mr. Chauvarie was an Area Director of Kone Corporation and, during 1980 - 1995 the Managing Director of KONE France. Mr. Chauvarie holds a Master of Science degree in Engineering.

Sirkka Hämäläinen-Lindfors has been a member of the Board of Directors of Kone Corporation since 2004. Ms. Hämäläinen-Lindfors was a member of the Executive Board of the European Central Bank during 1998 - 2003 and Governor and Chairman of the Board of the Bank of Finland during 1992 - 1998. During 1991 - 1992 she was a member of the Board of the Bank of Finland. Ms. Hämäläinen-Lindfors' other key positions of trust include being a member of the Board of Sanoma WSOY Corporation, Investor AB and the Foundation for Economic Education. Ms. Hämäläinen-Lindfors holds a Doctor of Economic Sciences degree.

Masayuki Shimono has been a member of the Board of Directors of Kone Corporation since 2004. He is President of Toshiba Elevator and Building Systems Corporation and he has served Toshiba Corporation since 1972. Mr. Shimono was Executive Vice President and General Manager of International Operations of Toshiba Elevator and Building Systems Corporation during 2003 – 2004 and Associate Director of Toshiba International Corp. USA during 2001 - 2003, CEO during 1999 – 2001 and Director during 1991 - 1996. Mr. Shimono's other key positions of trust include being a member of the Board of Shenyang Toshiba Elevator Co Ltd and Shanghai Toshiba Elevator Co Ltd.

Iiro Viinanen has been a member of the Board of Directors of Kone Corporation since 1997. During 1996 - 2000, he was the President and CEO of Pohjola Group, during 1991 - 1996, Minister of Finance and, during 1983 - 1996 a member of the Parliament. Mr. Viinanen's other key positions of trust include being a member of the Board of Polttimo Companies Ltd. Mr. Viinanen holds a Master of Science degree in Technology.

Gerhard Wendt has been a member of the Board of Directors of Kone Corporation since 1979. During 1989 - 1994 he was the President of Kone Corporation. Mr. Wendt is the chairman of the Board of Directors of Algol Oy. He is also a member of the Boards of Directors of Oy Halton Group Ltd and Vaisala Oyj. Mr. Wendt holds a Ph.D. degree.

The mailing address of the Board of Directors and the President is Cargotec Oyj, P.O. Box 61, 00501 Helsinki, Finland.

Tapio Hakakari has been secretary to the Board of Directors of Kone Corporation since 1998. He served at KCI Konecranes Plc from 1994 to 1998 as Director Administration and prior to that worked for Kone Corporation from 1983 to 1994. Mr. Hakakari is the Managing Director of Security Trading Oy and Holding Manutas Oy. In addition, he is member of the Boards of Directors in Security Trading Oy, Holding Manutas Oy, Etteplan Oyj, Martela Oyj and Consolis Oy Ab. Mr. Hakakari holds a Master of Law degree.

Cargotec's Board of Directors, which was chosen by the Extraordinary Shareholders' Meeting, has announced that it will relinquish its duty in the Extraordinary Shareholders' Meeting to be called by Cargotec Corporation and to be held on July 12, 2005. Kone Corporation's Nomination Committee has proposed that the number of Board members in Cargotec be confirmed at six and, as consented, that the members proposed for election to the Board of Directors are as follows:

Name	Year born	Proposed position
Ilkka Herlin	1959	Chairman of the Board
Henrik Ehrnrooth	1954	Vice Chairman of the Board
Tapio Hakakari	1953	Member of the Board
Antti Herlin	1956	Member of the Board
Peter Immonen	1959	Member of the Board
Karri Kaitue	1964	Member of the Board

Ilkka Herlin has been the Chairman of the Board of Directors at WIP Asset Management Oy since 2000. Mr. Herlin was previously a member of the Board of Directors of Kone Corporation during 1990-2000 and the Managing Director of Security Trading Oy during 1987-2000. Mr. Herlin holds a Ph.D. degree.

Henrik Ehrnrooth has been the Chairman of the Board of Directors at Jaakko Pöyry Group and Evox Rifa Group since 2003. He is also a member of the Board of Directors at Oy Forcit Ab and Otava Books and Magazines Group Ltd. Mr. Ehrnrooth was Chief Executive Officer of Jaakko Pöyry Group during 1995-1997. He was appointed member of the Board of Directors of Jaakko Pöyry Group in 1997 and served as Vice Chairman of the Board during 1997-2002. Mr. Ehrnrooth holds a M.Sc. (Forest Economics) and a B.Sc. (Econ.) degree.

Tapio Hakakari has been secretary to the Board of Directors of Kone Corporation since 1998. He served at KCI Konecranes Plc from 1994 to 1998 as Director Administration and prior to that worked for Kone Corporation from 1983 to 1994. Mr. Hakakari is the Managing Director of Security Trading Oy and Holding Manutas Oy. In addition, he is member of the Boards of Directors in Security Trading Oy, Holding Manutas Oy, Etteplan Oyj, Martela Oyj and Consolis Oy Ab. Mr. Hakakari holds a Master of Law degree.

Antti Herlin has been the CEO of Kone Corporation since 1996 and Chairman of the Board of Directors of Kone Corporation since 2003. During 1996 - 2003 Mr. Herlin was the Vice Chairman of the

Board of Directors. Mr. Herlin has been a member of the Board of Directors of Kone Corporation since 1991. Mr. Herlin is the Chairman of the Boards of Directors of Technology Industries of Finland, Security Trading Oy and Holding Manutas Oy. He is Deputy Chairman of the Board of Directors of Confederation of Finnish Industries. He is also a Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company. In addition, he is a member of the Board of Directors of YIT Group. Mr. Herlin holds an Honorary Doctor of Science degree in Economics.

Peter Immonen has been Managing Director of WIP Asset Management Oy since 2002. He was Chairman of the Board of Directors at WIP Asset Management Oy during 1995-2001. Mr. Immonen has been a member of the Board of Directors of eQ Fund Management Company Ltd. since 1998 and the Vice Chairman of the Board of Directors of the Finnish Shareholders Association since 1991. Mr. Immonen holds a M.Sc. (Econ.) degree.

*Karri Kaitu*e has been Deputy Chief Executive Officer of Outokumpu Group and Vice Chairman of the Group Executive Committee since 2005. Mr. Kaitue has been a member of the Outokumpu Group Executive Committee since 2002. His responsibilities include commercial operations, Outokumpu Technology, portfolio businesses, strategy and corporate planning, business development, M&A and legal affairs, communications, investor relations and corporate social responsibility. He has been employed by Outokumpu Group since 1990. Mr. Kaitue holds a LL. Lic. degree.

Executive Committee

The Executive Committee of Cargotec will consist of the following members as of the Demerger Date:

Name	Year born	Position
Carl-Gustaf Bergström	1945	President of Cargotec
Kari Heinistö	1958	Senior Executive Vice President and CFO, Cargotec
Christer Granskog	1947	President, Kalmar
Pekka Vartiainen	1956	President, Hiab
Hans Pettersson	1951	President, MacGREGOR
Tor-Erik Sandelin	1943	Senior Vice President, Service Business Development
Lauri Björklund	1953	Senior Vice President, Production and Purchasing
Eeva Mäkelä	1973	Senior Vice President, Investor Relations and Communications

Carl-Gustaf Bergström is the President of Cargotec. He has served Cargotec since 1970. During 1986 - 2002 he served as the Senior Executive Vice President of Cargotec and at the same time during 1985 - 1997 as the President of Hiab (former Partek Cargotec). He is a member of the Board of Förslags Ab Sydvästkusten and the Chairman of the Trade Policy Committee of the Confederation of Finnish Industries. Mr. Bergström holds a Bachelor of Science degree in Economics.

Kari Heinistö is the Senior Executive Vice President and Chief Financial Officer of Cargotec. He has served Cargotec since 1983 and during 1993 - 2000 he was the Chief Financial Officer of Cargotec. He is the Vice Chairman of the Board of Consolis Oy Ab and a member of the Board of Suomen Autoteollisuus Oy. Mr. Heinistö holds a Master of Science degree in Economics.

Christer Granskog is the President of Kalmar. He has served Cargotec since 1979. Mr. Granskog was the President of Oy Sisu Ab during 1994 - 1997 and, during 1990 - 1994 the President of Valmet Automation Inc. Mr. Granskog is a member of the Board of Rautaruukki Corporation and Sarlin Oy. Mr. Granskog holds a Master of Science degree in Engineering.

Pekka Vartiainen is the President of Hiab. He has served Cargotec since 2003. Prior to joining Cargotec Mr. Vartiainen had several positions in ESAB during 1983 - 2003. Mr. Vartiainen holds a Master of Science degree in Engineering.

Hans Pettersson is the President of MacGREGOR. He has served MacGREGOR since 2001. Mr. Pettersson joined MacGREGOR as General Manager for the Crane Division and became President in 2002. During 1991 - 1999 he was the President of Modo Paper AB and during 1999 - 2000 the Senior Vice President of ASSI Domän AB. Mr. Pettersson holds a Master of Science degree in Forestry.

Tor-Erik Sandelin, Senior Vice President, Service Business Development. He has served Kone Corporation since 1968 and Cargotec since 2004. During 1993 - 1999 he was the Area Director of Kone Corporation Elevators and Escalators in Northern Europe. Mr. Sandelin is a member of the Board of Teknos Corporation. Mr. Sandelin holds an engineering degree.

Lauri Björklund, Senior Vice President, Production & Purchasing. He has served Kone Corporation since 1977 and Cargotec since 2002. During 1996 - 2001 he was the Senior Vice President of Purchasing and Manufacturing of Kone Corporation in Brussels and during 2001 - 2002 in Helsinki. In addition, during 1993 - 1996 he was the Director of Manufacturing and Logistics of Kone Corporation Elevators and Escalators in Brussels. Mr. Björklund is a member of the Board of Suomen Laatukeskus Oy, Suomen Laatuyhdistys ry and Suomen Konepajainsinööriyhdistys ry. In addition, he is a member of the Delegate Council of the Espoo Chamber of Commerce. Mr. Björklund holds a Master of Science degree in Engineering.

Eeva Mäkelä, Senior Vice President, Investor Relations and Communications since 2005. During 2002 - 2005 she was Vice President Investor Relations of Metso Corporation and during 1999 - 2002 she was an Analyst at Mandatum Stockbrokers Ltd, a company belonging to the Sampo Bank Group. Ms. Mäkelä holds a Master of Science degree in Economics.

Compensation of Directors, Auditors and Officers

The Extraordinary Shareholders Meeting of Kone Corporation decided on remuneration for the board members and auditors of Cargotec as follows: A monthly remuneration of EUR 4,000 for the Chairman, EUR 3,000 for the Deputy Chairman, and, respectively, EUR 2,000 for the other board members, unless a board member is otherwise compensated by the corporation in his or her position as an employee or like. There will be no separate compensation for attendance at board meetings. Expenses are compensated against invoice. Auditors' fees are compensated against invoice.

Kone Corporation or Cargotec has not granted any loans or loan guarantees to the members of the board or the Executive Committee. Kone Corporation or Cargotec has not granted any special benefits nor made corresponding arrangements to members of its inner circle.

For the financial period January 1, 2004 – March 31, 2005, a total of EUR 3,259,488 was paid as salaries, bonuses and other benefits to the parent company Kone Corporation's Board members, CEO, President of Kone Cargotec and the members of the Executive Committee of Kone Cargotec of which EUR 1,607,065 was paid to the Board members and CEO of the parent company Kone Corporation and the President of Kone Cargotec.

Compensation for the President consists of a base salary and a yearly bonus, which is defined by the Board. For 2004, the President of Cargotec Carl-Gustaf Bergström had a base salary of EUR 290,500 including benefits. The yearly bonus may not exceed 50 percent of the recipient's annual salary and it is based on Cargotec's result and other key objectives. For the financial year 2004, Mr. Bergström was paid a bonus totaling EUR 117,600. In addition, he was granted 1,000 A Option Rights and 2,000 B Option Rights. The President's pension is fully funded.

Compensation for the members of the Executive Committee is comprised of a fixed base salary and a bonus, which is based on Cargotec's annual result and achievement of personal targets. The bonus amount is determined by the Compensation Committee and is not to exceed 50 percent of annual salary. The company's senior management is also eligible for inclusion in the option program. Certain Executive Officers are entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the retirement salary. The arrangement has been covered with insurances taken by the Company. Compensation for termination of employment prior to retirement is a maximum of 12 months' salary.

Auditors

The auditors of Cargotec are the Authorized Public Accountants Jukka Ala-Mello and PricewaterhouseCoopers Oy.

The consolidated financial statements of Kone Corporation as at and for accounting periods ended March 31, 2005 and December 31, 2003 have been audited by PricewaterhouseCoopers Oy, Authorized Public Accountants and Jukka Ala-Mello, Authorized Public Accountant.

RELATIONSHIP BETWEEN COMPANIES

According to the Finnish Companies Act, the Recipient Corporation that has incurred a liability according to the Demerger Plan will be primarily responsible and the other Recipient Corporation secondarily responsible for such liability. A demand for such liability can be directed to a company with secondary responsibility only after it has been determined that payment will not be obtained from the company with primary responsibility or from a security for the liability.

Cargotec and New KONE will not be significantly indebted to one another after the Demerger.

The companies will also be separated operationally by the Demerger Date.

For further information, please see the Demerger Plan.

OWNERSHIP STRUCTURE

Cargotec's ownership structure on the Demerger Date corresponds to that of Kone Corporation on the Demerger Date. Kone Corporation had 12,373 shareholders on March 31, 2005.

Kone Corporation's largest shareholders on 31 March, 2005 are listed below.

		Class A	Class B	Total	% of shares	% of votes
1	Ownership of Antti Herlin					
	Holding Manutas *	6,785,574	145,890	6,931,464	10.89	45.52
	Security Trading**	2,034,627	10,671,819	12,706,446	19.95	20.76
	Antti Herlin		136,294	136,294	0.21	0.09
	Total	8,820,201	10,954,003	19,774,204	31.05	66.37
2	Toshiba Elevator and Building Systems Corporation		3,023,340	3,023,340	4.75	2.02
3	The KONE Foundation	705,888	1,232,454	1,938,342	3.04	5.55
4	Ilmarinen Mutual Pension Insurance Company		463,986	463,986	0.73	0.31
5	Finnish State Pension Fund		440,000	440,000	0.69	0.29
6	Hanna Nurminen		390,001	390,001	0.61	0.26
7	Niklas Herlin		383,985	383,985	0.60	0.26
8	Etera Mutual Pension Insurance Company		305,220	305,220	0.48	0.20
9	Mutual Insurance Company Pension Fennia		247,015	247,015	0.39	0.17
10	Polaris Pension Foundation		218,520	218,520	0.34	0.15
	10 major shareholders total	9,526,089	17,658,524	27,184,613	42.68	75.58
	Nominee registered (100 largest)***		25,625,066	25,625,066	40.25	17.15
	Other shareholders		10,866,776	10,866,776	17.07	7.27
	Total	9,526,089	54,150,366	63,676,455	100.00	100.00

* Antti Herlin's ownership in Holding Manutas represents 0.75 percent of the shares and 3.03 percent of the voting rights and together with the ownership of Security Trading, a company in which he exercises controlling power, his ownership represents 45.75 percent of the shares and 50.58 percent of the voting rights.
** Antti Herlin's ownership in Security Trading Oy represents 21.85 percent of the shares and 68.54 percent of the voting rights.
*** The American investment fund company Tweedy Browne Company LLC notified Kone Corporation on April 1, 1999 that its holdings of Kone Corporation were over 5 percent of the shares.

Kone Corporation has become aware of the Finnish Financial Supervision Authority having made a request for preliminary investigation regarding suspected misuse of insider information in connection with trades made by Security Trading Oy with shares in Partek Corporation in spring 2002. Security Trading Oy is a company controlled by Antti Herlin.

Mr. Antti Herlin, Mr. Ilkka Herlin, Ms. Ilona Herlin and Mr. Niklas Herlin have on April 5, 2005 signed an agreement on the reorganization of the ownership of Kone Corporation. In accordance with the agreement, joint ownership will be dissolved and the shareholding will be allocated to companies separately owned by each of the persons mentioned above. The multi-phased reorganization will be completed by July 15, 2005.

The conclusion of the reorganization of ownership will affect the ownership of shares and voting rights in Cargotec in such a way that the largest corporate shareholders in Cargotec will be Sijoitus-Wipunen Ltd., Mariatorp Ltd. and D-sijoitus Ltd., each with approximately 10.3 percent of the shares and 22 percent of the voting rights. The principal owners of these corporations, with more than 90 percent of the shares, are Ilkka Herlin (Sijoitus-Wipunen Ltd.), Niklas Herlin (Mariatorp Ltd.) and Ilona Herlin (D-sijoitus Ltd.).

As a result of the reorganization, neither Security Trading Ltd. nor Holding Manutas Ltd., in which Antti Herlin exercises controlling power, will have a shareholding in Cargotec.

Antti Herlin’s personal shareholding in Cargotec and New KONE will correspond to 0.21 percent of the shares and 0.09 percent of the voting rights.

The ownership status prior to and after the reorganization is described in the chart in Appendix 10.

The reorganization of ownership clarifies the ownership structure of Cargotec and New KONE. A diverged and simplified ownership structure supports the objective of developing the corporations as independent companies in accordance with their own business and ownership strategies.

SHARE OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

As of May 6, 2005, Kone Corporation's President and members of the Kone Corporation Board of Directors and Executive Committee (Kone Cargotec) directly owned 156,648 class B shares, and their underage children and the organizations controlled by the directors and executive officers in accordance with the Finnish Securities Markets Act, owned 10,844,699 class B shares and 8,820,201 class A shares, representing a total of 31.1 percent of shares and a total of 66.4 percent of votes.

The table below presents the share and option right holdings of the President and members of the Board of Directors of Kone Corporation and members of the Executive Committee (Kone Cargotec) and their underage children and the organizations controlled by the directors and executive officers on May 6, 2005.

	Class A Shares	Class B Shares	A Option Rights *	B Option Rights **
Bergström Carl-Gustaf			1,000	2,000
Heinistö Kari			1,000	2,000
Granskog Christer		3,000		2,000
Vartiainen Pekka				2,000
Pettersson Hans				
Sandelin Tor-Erik		1,534	1,200	800
Björklund Lauri				
Mäkelä Eeva		100		
Alahuhta Matti				
Chauvarie Jean-Pierre		15,720		
Herlin Antti	8,820,201	10,980,993	2,850	7,000
Hämäläinen-Lindfors Sirkka				
Shimono Masayuki				
Viinanen Iiro				
Wendt Gerhard				

* A Option Rights were granted on April 1, 2004.
** B Option Rights were granted on April 1, 2005.

DESCRIPTION OF SHARES AND SHARE CAPITAL

General Information on Cargotec

The corporate name for Cargotec in Finnish is Cargotec Oyj and in English Cargotec Corporation. Cargotec will be registered in the Trade Register of the National Board of Patents and Registration of Finland on the Demerger Date. Cargotec's corporate ID is 1927402-8, and its domicile is Helsinki, Finland. Cargotec is a public limited company, to which the Finnish Companies Act applies. Cargotec's registered office will be located at Sörnäisten rantatie 23, 00500 Helsinki, Finland.

According to 2 § of Cargotec's Articles of Association, the company's line of activity is the metal industry, primarily the mechanical engineering and electrical engineering industries, trade in the products of the metal industry, and industrial and business activities related to these. In addition, the company can engage in the practice of buying, selling, owning and administration of property and securities.

Shares and Share Capital

Pursuant to the Articles of Association of Cargotec the minimum share capital of the company is EUR 60 million, and its maximum share capital EUR 260 million, within which limits the share capital may be increased or decreased without amendment of the Articles of Association.

The accounting par value of both share classes of Cargotec will be one Euro (EUR 1.00).

Kone Corporation's B shares and Option Rights have been listed on the Main List of the Helsinki Stock Exchange.

The fully paid share capital of Cargotec on the Demerger Date will be EUR 63,754,755 comprising a total of 54,228,666 class B shares listed on the Helsinki Stock Exchange and a total of 9,526,089 unlisted class A shares.

Kone Corporation has not issued any option loans, convertible or subordinated loans.

Kone Corporation's Board does not currently have authorization to raise the share capital of the company.

Except for the ownership reorganization described in "*Ownership Structure*", Kone Corporation has no information regarding any other agreements between shareholders, or between the company and shareholders, regarding the ownership or use of voting rights that could significantly affect the share price. The company does not have any information of other agreements or arrangements regarding the ownership or use of voting rights that could significantly affect the share price.

Shareholders of Kone Corporation will receive as Demerger Consideration for each Kone Corporation share, shares in Cargotec and New KONE in proportion to their existing shareholding as follows:

- each class A share of Kone Corporation entitles the holder to one (1) class A share of Cargotec and one (1) class A share of New KONE; and
- each class B share of Kone Corporation entitles the holder to one (1) class B share of Cargotec and one (1) class B share of New KONE.

The Demerger Consideration will be distributed in the book-entry system so that the shares in Kone Corporation entered in its list of shareholders and in the book-entry accounts of its shareholders on the Demerger Date are converted into shares in Cargotec and New KONE in accordance with the terms of conversion determined in the Demerger Plan. Receipt of the Demerger Consideration requires no action from shareholders.

Those Kone Corporation shares which have not been entered into the book-entry system by shareholders will be deposited on a joint book-entry account maintained by the Finnish Central Securities Depository. On March 31, 2005, there were 5,625 class B shares of Kone Corporation deposited on the joint book-entry account. Shareholders who submit their share certificates in the relevant book-entry register not later than seven days before the Demerger Date will receive the Demerger Consideration in the book-entry system and the shares given as the Demerger Consideration will be registered to the shareholder's book entry account in accordance with the conversion rate. In any other event, the shares will be converted in the joint book-entry account.

Shares of Cargotec received as Demerger Consideration will entitle the shareholder to full shareholder rights as of the Demerger Date.

Class A and class B shares of Cargotec will have different voting rights so that each class A share has one vote and ten class B shares has one vote in the Shareholders' Meeting, with the proviso that all shareholders will have at least one vote.

Cargotec B shares are entitled to higher dividends than the Cargotec class A shares. The dividends distributed to each share class are to differ by at least one percent and at the most by two and a half percent of their accounting par value.

Upon an offer by the Board of Directors, class A shares can be converted into class B shares in the proportion of 1:1, as described in more detail in the Articles of Association of Cargotec. The Articles of Association of Cargotec are attached to this Prospectus as Appendix 7.

The 2004 Annual General Meeting of Kone Corporation approved the option program. The Shareholders' Meeting granted 350,000 Option Rights divided into 180,000 series A Option Rights to be subscribed for by the key personnel and 170,000 series B Option Rights to be subscribed for by Kone Corporation's subsidiary Kone Capital Oy. In total 145,130 series A Option Rights were subscribed for during the subscription period. Kone Capital subscribed for all 170,000 series B Option Rights of which it assigned 149,340 B Option Rights to the key personnel of the corporation on April 1, 2005. The granting of Option Rights pursuant to the terms and conditions of the Kone 2004 Option Program was connected to the development of Kone Corporation's cumulative net income (after taxes) during a three-year period (2001 to 2003) shown in the Consolidated Statements of Income. Holders of Option Rights under the Kone 2004 Option Program will receive New Option Rights in the Demerger as follows:

- each series A Option Right of Kone Corporation is converted into one (1) series A Cargotec Option Right and one (1) series A New KONE Option Right; and
- each series B Option Right of Kone Corporation is converted into one (1) series B Cargotec Option Right and one (1) series B New KONE Option Right.

New Option Rights are issued in the book-entry system. New Option Rights will be entered on book-entry accounts of Option Right holders under the Kone 2004 Option Program on the Demerger Date when Option Rights under the Kone 2004 Option Program are annulled and accordingly removed automatically from the book-entry accounts of Option Right holders. Receipt of New Option Rights does not require any action from the Option Right holders.

Each Cargotec Option Right will entitle the holder to subscribe for three (3) class B shares in Cargotec. Series A Cargotec Option Rights entitle the holder to subscribe for class B shares in Cargotec, as of June 14, 2005 (provided that the Demerger Date is June 1, 2005) to March 31, 2008 annually between the period January 2 - November 30 on dates separately determined by the Board of Directors of Cargotec. Series B Cargotec Option Rights entitle the holder to subscribe for class B shares in Cargotec, as of June 14, 2005 (provided that the Demerger Date is June 1, 2005) to March 31, 2009 annually between the period January 2 - November 30 on dates separately determined by the Board of Directors of Cargotec.

The Cargotec Option Rights entitle their holders to subscribe for a total of 654,255 Cargotec B shares and the share capital can be increased by EUR 654,255.

According to the prevailing option program, the current share subscription price is EUR 24.67. It will be divided between the New Option Rights in the proportion of the market values of Cargotec and New KONE at the time of their listing. The market values will be calculated on the basis of the trade weighted average price of the first six (6) trading days of Cargotec and New KONE, with the proviso that the first trading day is excluded from the calculation. The trade weighted average price between June 2 and 8, 2005 will be used as the calculation basis. The subscription prices of Shares in Cargotec and New KONE are expected to be published on June 13, 2005.

The Board of Directors of Kone Corporation has decided, due to the Demerger, not to allow subscription of shares based on Kone Corporation Option Rights in the month preceding the Demerger Date, which is May 1 - 31, 2005.

As Kone Corporation and its Board of Directors have decided to offer exchange of existing Option Rights into new, corresponding New Option Rights in the Demerger, Option Right holders will not have the right to demand redemption of Option Rights in accordance with the Finnish Companies Act.

The terms of the Cargotec Option Rights are attached to this Prospectus as Appendix 8.

For further information on the Demerger, please refer to the Demerger Prospectus.

History of Share Capital

Changes in Kone Corporation's share capital 1 January, 2001 – 4 May, 2005

	Registered date	Increase/ decrease/ share split	Share capital	Number of shares: class A share	Number of shares: class B share	Nominal value
Share capital	1.1.2001		EUR 60,463,620	3,484,941	16,669,599	EUR 3.00
Share split	28.5.2002	3 for 1	EUR 60,463,620	10,454,823	50,008,797	EUR 1.00
Targeted share issue: State of Finland*	14.6.2002	EUR 3,000,000	EUR 63,463,620	10,454,823	53,008,797	EUR 1.00
Conversion of unlisted class A shares to class B shares	20.12.2002	928,734 A shares to B shares	EUR 63,463,620	9,526,089	53,937,531	EUR 1.00
Share subscription with 2004 series A Option Rights	28.4.2004	EUR 79,200	EUR 63,542,820	9,526,089	54,016,731	EUR 1.00
Share subscription with 2004 series A Option Rights	1.6.2004	EUR 22,350	EUR 63,565,170	9,526,089	54,039,081	EUR 1.00
Share subscription with 2004 series A Option Rights	30.6.2004	EUR 22,500	EUR 63,587,670	9,526,089	54,061,581	EUR 1.00
Share subscription with 2004 series A Option Rights	2.8.2004	EUR 21,000	EUR 63,608,670	9,526,089	54,082,581	EUR 1.00
Share subscription with 2004 series A Option Rights	28.10.2004	EUR 32,790	EUR 63,641,460	9,526,089	54,115,371	EUR 1.00
Share subscription with 2004 series A Option Rights	10.12.2004	EUR 17,130	EUR 63,658,590	9,526,089	54,132,501	EUR 1.00
Share subscription with 2004 series A Option Rights	3.2.2005	EUR 10,080	EUR 63,668,670	9,526,089	54,142,581	EUR 1.00
Share subscription with 2004 series A Option Rights	24.3.2005	EUR 7,785	EUR 63,676,455	9,526,089	54,150,366	EUR 1.00
Share subscription with 2004 series A and series B Option Rights	4.5.2005	EUR 78,300	EUR 63,754,755	9,526,089	54,228,666	EUR 1.00

* The subscription price: EUR 35.33

Shareholder Rights

Pre-emptive Rights

Under the Finnish Companies Act, when the share capital is raised as well as when option rights are issued or a convertible loan is taken, the shareholders of the company shall have a pre-emptive right to all the new shares as well as to the option rights and convertible loans in proportion to their prior holdings of shares in the company. The General Meeting of Shareholders may decide to deviate from such pre-emptive right of subscription if the deviation is justified because of a weighty financial reason of the company. Under the Finnish Companies Act, the decision to deviate from the pre-emptive right of subscription must be supported by the Meeting at least by two-thirds of the votes cast and the shares represented at the Meeting. The fact that shares of different classes are issued in the mutual proportion of shares of different classes shall not be deemed a deviation from the pre-emptive right of subscription if the shareholders have, in proportion to their previous shares in the company, a primary right to shares of the same class and a secondary right to shares not subscribed under the primary right.

Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland, including "U.S. Holders" (as defined in Regulation S under the Securities Act), may not be able to exercise any pre-emptive rights and preferential rights in respect of their shareholding unless a registration statement, or an equivalent thereof, under the applicable laws of their respective jurisdictions is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

General Meeting of Shareholders

Under the Finnish Companies Act, shareholders exercise their power to decide on corporate matters at General Meetings of Shareholders. Cargotec's Articles of Association require the Annual General Meeting of Shareholders be held annually within three months after the closing of the accounting period, on a date designated by the Board of Directors. The meeting, among other things, the financial statements and the auditors' report, and takes decisions on elections of members of the Board of Directors and the auditors. An Extraordinary General Meeting of shareholders in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by an auditor of the company or by shareholders representing at least one-tenth of all the issued shares of the company.

Under Cargotec's Articles of Association, a Summons to a General Meeting of Shareholders shall be published in at least two daily newspapers, decided upon by the Board of Directors and appearing in the Helsinki region, no earlier than two months before the last date for the declaration of the intention to attend, and no later than one week before the fixed date referred to in Chapter 3 a, Section 11, paragraph 1, of the Finnish Companies Act.

In order to be permitted to participate in a General Meeting of Shareholders, a shareholder shall, no later than on the date designated by the Board of Directors and mentioned in the summons to the Meeting, which date may be no earlier than ten days before the Meeting, declare to the company her/his intention to attend.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered not later than ten days prior to the relevant General Meeting of Shareholders in the register of shareholders maintained by the Finnish Central Securities Depository Ltd. ("FCSD") in accordance with Finnish law (see "*The Finnish Securities Market*"). A beneficial share owner wishing to attend and vote at the General Meeting of Shareholders should seek from the FCSD a temporary registration in the register of shareholders no later than ten days prior to the relevant General Meeting of Shareholders. There are no quorum requirements for General Meetings of Shareholders in the Finnish Companies Act or Cargotec's Articles of Association.

Voting Rights

A shareholder may attend and vote at a General Meeting of Shareholders in person or through an authorized representative. According to the Articles of Association of Cargotec, each class A share shall entitle its holder to one vote and each full ten class B shares shall entitle its holder to one vote, with the proviso that all shareholders shall have at least one vote. At a General Meeting of Shareholders, resolutions generally require the approval of a majority of the votes cast. However, certain resolutions, such as a resolution to amend the Articles of Association and a resolution to issue shares in deviation from the shareholders' pre-emptive rights require a majority of two-thirds of the votes cast and of the shares represented at the General Meeting of Shareholders. Certain decisions, such as a resolution regarding a merger or demerger of the company, require, in addition to the above majority of votes, the consent of shareholders representing at least two-thirds of the shares of each class of shares represented at the General Meeting. Further, if an amendment of the Articles of Association of the company would diminish the rights of an entire class of shares, the resolution requires, in addition to the above majority of votes the consent of shareholders representing at least one-half of all the shares of such class and a majority of two-thirds of the shares of such class represented at the General Meeting of Shareholders.

Dividends and Other Distributions

Under the Finnish Companies Act and in accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually and may only be paid after shareholder approval of the company's financial statements and of the amount of the dividend proposed by the Board of Directors. The distribution by the company of a dividend in respect of the shares of the company will require the approval of a majority of the votes cast at a General Meeting of Shareholders.

Under the Finnish Companies Act, shareholders' equity is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the share premium fund, the reserve fund and the revaluation fund. Other equity funds are included in unrestricted equity. The amount of any dividend is limited to the amount of distributable funds. Distributable funds include the profit for the preceding financial year, retained earnings from previous years and other unrestricted equity less the losses reported in the balance sheet and the amount that the Articles of Association of the company requires to be transferred to the reserve fund or is otherwise to be left undistributed. Establishment and research costs activated by December 31, 2004, if any, are reported as undistributable funds. However, a parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the most recently approved parent company's financial statements or the consolidated financial statements, whichever is lower. When calculating the distributable funds of the consolidated group for dividend purposes, the distributable funds are also reduced by the amount of untaxed reserves included in retained earnings (voluntary reserves and the difference between actual depreciation and depreciation according to plan). The dividend may not exceed the amount proposed by the Board of Directors unless so requested at the General Meeting of Shareholders by the holders of at least 10 percent of all shares of the company. In such case the dividend, if so requested, shall amount to (i) at least one-half of the profit for the last preceding financial period less the amount that the Articles of Association of the company requires to be transferred to the reserve fund or is otherwise to be left undistributed and other amounts determined by the Finnish Companies Act exceeding the total of the unrestricted funds, the share premium fund and the reserve fund, however (ii) not more than the amount of distributable funds. In such case the dividend may not exceed 8 percent of the total shareholders' equity of the company. The company may not, under the Finnish Companies Act, pay interim dividends based on the current financial year's earnings.

Dividends and other distributions are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Such register is maintained by the FCSD through the relevant book-entry account operators. Under the Finnish Book-Entry Securities System, dividends are paid by account transfers to the accounts of the shareholders appearing in the register.

According to Cargotec's Articles of Association, the dividend paid on the class B shares shall be higher than that on the class A shares. The difference between the dividends paid on the different classes of shares shall be at minimum one percent and at maximum two and one half percent, calculated from the accounting par value of the share.

The right to dividend expires in 5 years from the date on which it would have been payable, or, in the event such date is not explicitly defined in the Annual General Meeting's decision, the right to dividend expires five years from the date of the Annual General Meeting's decision on the dividends.

For information relating to taxation of dividends, see "*Taxation*".

Treasury Shares

Under the Companies Act, a company may acquire its own shares using distributable funds. Decisions on the acquisition of a company's own shares must be taken by a General Meeting of Shareholders, unless the General Meeting of Shareholders has authorized the Board of Directors to decide upon share repurchases. Any such authorization to the Board of Directors of a company may remain in effect for a period not exceeding one year. In the General Meeting of Shareholders of a public limited company, the decision to acquire own shares may not be made so that after the acquisition of the shares referred to in the decision the aggregate nominal value of the shares belonging to the company and its subsidiaries or the share of the voting rights attached to the shares belonging to the company and its subsidiaries exceeds 10 percent of the share capital or the voting rights relating to all the shares of the company.

Kone Corporation has on December 10, 2004 sold all of its 2,696,876 class B shares that were in the company's possession. Kone Corporation's Board of Directors does not have a valid authorization to acquire or dispose of Kone Corporation's own shares. On the Demerger Date, there will not be treasury shares in Kone Corporation's possession.

The Board of Directors of Cargotec, the company to be established in the Demerger, has summoned the Extraordinary Shareholders' Meeting of Cargotec to convene on July 2, 2005 to decide on new members of the Board and on repurchase and distribution of the company's own shares. The Board proposes that the Shareholders' Meeting authorizes the Board to decide on repurchase altogether no more than 6,367,000 shares, of which no more than 952,000 are class A shares and no more than 5,415,000 are class B shares. The proposed amount would correspond to less than 10 percent of the share capital of the company and the total voting rights.

Transfers

Upon a sale of shares that have been admitted to the Finnish Book-Entry Securities System, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. The sale is registered as an advance transaction until the settlement thereof and the payment for the shares, after which the buyer will automatically be registered in the register of shareholders of the relevant company. In the case of registration in the name of a nominee, a sale of shares does not require any entries into the Finnish Book-Entry Securities System unless the nominee is changed pursuant to the sale.

Restrictions on Foreign Ownership

Restrictions on foreign ownership of Finnish companies were abolished as of January 1, 1993. However, under the Act on the Control of Foreigners' Acquisition of Finnish Companies (30.12.1992/1612), as amended, clearance by the Finnish Ministry of Trade and Industry would be required if a foreign person or entity, other than a person or entity from another member state of the European Economic Area (the "EEA") or the OECD (Organization for Economic Co-operation and Development), or a Finnish entity controlled by one or more such foreign persons or entities were to acquire a holding of one-third or more of the voting rights in the company. The Control Act is applicable for acquisitions of companies or parent companies of groups of companies (i) with more than 1,000 employees during the preceding or current financial year; (ii) with the turnover exceeding EUR 168.2 million according to its latest approved financial statements; or (iii) with total assets exceeding EUR 168.2 million according to its latest approved financial statements. The

Ministry of Trade and Industry could refuse clearance where the acquisition would jeopardize important national interests, in which case the matter would be referred to the Finnish Council of State.

Foreign Exchange Control

Other than as described above, shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may receive dividends without separate Finnish exchange control consent, the transfer out of Finland being subject to payment by the company of withholding taxes in the absence of or within the limits specified in an applicable double taxation treaty. Non-residents having acquired shares in Finnish company may receive shares pursuant to a bonus issue or through participation in a rights issue without a separate Finnish exchange control consent. Shares of a Finnish company may be sold in Finland by non-residents, and capital invested or the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations applying to the sale of shares of a Finnish company by non-residents to other non-residents.

THE FINNISH SECURITIES MARKET

General Introduction

The securities market in Finland is supervised by the Finnish Financial Supervision Authority (the "Financial Supervision"). The principal statute governing the securities market is the Securities Markets Act. The Securities Markets Act contains regulations, inter alia, with respect to company and shareholder disclosure obligations, listing of securities, trade in listed securities, public take-overs, redemption obligations and insider obligations. The role of the Financial Supervision is to monitor compliance with these regulations.

The Securities Markets Act specifies minimum disclosure requirements for Finnish companies listed on the Helsinki Stock Exchange or offering securities to the public in Finland. The information provided must be sufficient to enable investors to make a sound evaluation of the security being offered and the issuing company. Finnish listed companies have an obligation to publish regularly information inter alia with respect to their results and financial standings as well as a continuing obligation to publish any such matters likely to have a material impact on the value of their securities.

A shareholder is required to notify without undue delay a Finnish listed company and the Financial Supervision when its voting rights in, or its percentage ownership of issued share capital of such Finnish listed company reaches, exceeds or falls below 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3 percent, calculated in accordance with the Securities Markets Act, or when it enters into an agreement or other arrangement that, when effected, has such effect. If a Finnish listed company receives such information, it must disclose such information to the public and to the Helsinki Stock Exchange.

According to the Securities Markets Act, a shareholder whose holding in a listed company exceeds 66 2/3 percent of the total voting rights of the company subsequent to the commencement of a public quotation of such shares must offer to purchase the remaining shares and other securities convertible into shares of such company at a fair market price. According to the Companies Act, a shareholder holding more than 90 percent of the shares and the voting rights in a company has the right to redeem the remaining shares of such company at a fair market price. In addition, any shareholder whose shares may be so redeemed in accordance with the Finnish Companies Act is entitled to require the shareholder entitled to the redemption to redeem its shares at a fair market price. Detailed provisions apply for the calculation of the above proportions of shares and votes. However, pursuant to the Takeover Directive (2004/25/EC), the EU member states must ensure by May 20, 2006 that a shareholder whose holding in a company gives the shareholder control of the company must make a public tender offer to purchase the remaining shares. The Takeover Directive provides that EU member states, when implementing the Directive, may not adopt a threshold for a mandatory tender offer that exceeds 50 percent. The member states may, however, adopt thresholds lower than 50 percent.

Breach of certain provisions of the Securities Markets Act constitutes a criminal offence. The Finnish Penal Code (19.12.1889/39A), as amended, contains provisions relating to inter alia the violation of disclosure obligations, the misuse of insider information, and distortion of the market price. The Securities Markets Act, the Penal Code and the Finnish Act on the Financial Supervision Authority (27.6.2003/587), are expected to be amended due to the implementation of the EU Market Abuse Directive (2003/6/EC).

The Finnish Book-entry System

General

The book-entry system refers to a changeover from physical share certificates to a book-entry system where shares are entered into book-entry accounts and become book-entry securities. The book-entry system is centralized at the Finnish Central Securities Depository ("FCSD"), which provides national clearing and registration services for securities. The FCSD maintains a central book-entry system for both equity and debt securities and regulates and monitors the custody and clearing of securities. Use of the book-entry system is mandatory for companies whose shares are subject to public trading on the Helsinki Stock Exchange.

The FCSD maintains a register of the shareholders of listed companies and offers book-entry account services to shareholders that do not wish to utilize the services of a commercial account operator. The basic custody expenses incurred by the FCSD in connection with maintaining the book-entry accounts are borne by the issuers and account operators participating in the book-entry system. Account operators, which comprise securities intermediaries and clearing parties authorized by the FCSD to act as account operators (each an "Account Operator"), administer the book-entry accounts and are entitled to make entries in the book-entry system.

Registration Procedure

In order to effect entries in the book-entry system, a security holder must open a book-entry account with the FCSD or an Account Operator. Book-entry securities held by a foreigner or a foreign entity or trust may, however, be deposited in a custodial nominee account (nominee registration). All transactions in securities registered with the book-entry system are executed as computerized book-entry transfers. Account Operators notify the account holders of all entries into the account. In addition, investors receive an annual statement of their holdings as at the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder as well as other holders of rights pertaining to the book-entries registered in the account, the custodian administering the assets of a custodial nominee account as well as the Account Operator administering the account. The information entered in a book-entry account includes the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A custodial nominee account is identified as such on the entry.

The FCSD and the Account Operators are required to observe strict confidentiality, although certain information entered into the shareholders' register maintained by the FCSD (the name, nationality and postal address of the shareholder as well as the number of shares) shall be public information, nominee registrations notwithstanding.

Each Account Operator is strictly liable for errors and omissions in the book-entry accounts administered by it and for any unauthorized disclosure of information. However, if an appropriate Account Operator fails to fulfill its obligations and an account holder has suffered a loss and the Account Operator is unable to compensate for such loss, such an account holder having suffered loss is entitled to receive compensation from the FCSD. To cover this contingency, the FCSD has established and maintains a statutory registration fund (in Finnish: "Kirjausrahasto"), the capital of which shall correspond to 0.000048 percent of the average of aggregate market value of the securities in the book-entry system during the past five years, however not less than EUR 20 million. The compensation to be paid to one injured party from the assets of the Registration Fund shall be equal to the amount of damages payable to the injured party from the same Account Operator, however, not more than EUR 25,000. The duty of the Registration Fund to pay damages relating to one damage incident shall, however, be not more than EUR 10 million.

Trading and Settlement

The Helsinki Stock Exchange launched the common Nordic trading platform SAXESS on September 27, 2004. SAXESS is an order-based system where orders are matched when prices and volumes meet. The trading day in SAXESS consists of a pre-trading session, continuous trading with opening, closing and intraday calls in case of trading halt and a post-trading session. The different stages of a trading day are shortly described below.

(i) During the pre-trading session (8:30 - 9:45 a.m.) manual trading is possible on prices based on final closing bid and ask formed during the previous trading day.

(ii) Official share trading takes place between 9:45 a.m. and 6:30 p.m. Opening call is 9:45 to 10:00 a.m. Pre-opening offers and contract transactions are automatically matched. Partially matched or unmatched offers are transferred to continuous trading at 10:00 a.m. Continuous trading is divided into the round lot and odd lot trading in automatic order matching. Some order books are shifted to continuous trading while other order books continue still in call. Orders are matched automatically in continuous trading but contract transactions are also possible. Continuous trading ends at 6:20 p.m. with the closing call. During closing, block trades are automatically shifted from continuous trade to bidding thereby determining closing prices at 6:30 p.m.

(iii) The post-trading session is between 6:40 and 7:00 p.m. when manual trades, so called aftermarket trades, can be registered. The price limits for manual trades recorded in post-trading session are based in the normal case on the prices of round lot trades and final closing bid and ask concluded during the trading day.

The transactions are cleared in the FCSD's clearing and settlement system HEXClear. The standardized clearing and settlement time of trades is three banking days (T+3). Thus the buyer in the trades with the shares of Kone Corporation made on May 27, 2005, May 30, 2005 and May 31, 2005 shall take into account that in case the trades' settlement takes place on or after June 1, 2005, the shares to be entered into the buyer's book-entry account will be shares of Cargotec and New KONE instead of the shares of Kone Corporation. If the Demerger is registered after June 1, 2005 the dates set forth above will be postponed accordingly.

Custody of the Shares and Nominees

Shares may be held in a book-entry account administered by either the FCSD or an Account Operator. Finnish Depositories for both Euroclear Bank, S.A./N.V., as operator of Euroclear, and Clearstream have nominee accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares through their accounts with Euroclear or Clearstream.

A non-Finnish shareholder may appoint an Account Operator (or certain non-Finnish organizations approved by the FCSD) to act as a nominee registration custodian on its behalf. A nominee shareholder is entitled to receive dividends and to exercise all share pre-emptive rights and other financial rights attaching to the shares held in its name. Principally, however, it may not exercise any administrative rights attaching to such shares (such as the right to attend and vote at Shareholders' Meetings of a company). A beneficial owner wishing to exercise such rights must terminate the nominee arrangement and obtain temporary registration of such shares in such owner's own name not later than ten days prior to the relevant Shareholders' Meeting. A nominee registration custodian is required to disclose to the Financial Supervision and the relevant company on request the name of the beneficial owner of any shares registered in the name of such nominee registration custodian, where the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the nominee registration custodian is required to disclose the said information on the representative acting on behalf of the beneficial owner and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish legal or natural person.

Shareholders wishing to hold their shares in the book-entry system in their name and who do not maintain a book-entry account in Finland are required to open a book-entry account with an Account Operator or the FCSD as well as a euro account in Finland.

Compensation Fund for Investors

Following amendments to the Finnish Act on Investment Firms (26.7.1996/579) and to the Securities Markets Act in 1998, a compensation fund for investors was established and investors were divided into professional and non-professional investors. The definition of professional investors includes business enterprises and public entities, which can be deemed to know the securities markets and the risks related thereto. An investor may also notify in writing that, on the basis of his professional skills and experience in investment activities, he is a professional investor. However, private investors are generally considered non-professional investors.

Investment firms and credit institutions providing investment services must belong to the compensation fund. The compensation fund safeguards payment of clear and indisputable claims when an investment company or a credit institution, for a reason other than temporary insolvency, is not capable of paying the claims of an investor within a determined period of time. Only claims of non-professional investors are paid by the compensation fund. The amount of compensation to be paid to an investor shall be 90 percent of the claim. However, the maximum amount of compensation is EUR 20,000. The fund shall not compensate for losses due to decrease in stock value or incorrect investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions. If a bank becomes insolvent, customers of a credit institution shall be compensated from the deposit safeguard fund for claims up to EUR 25,000. The funds of an investor are safeguarded either through the deposit safeguard fund or the compensation fund. Accordingly, same funds are not subject to double protection.

TAXATION

The following summary is based on tax laws of Finland as in effect on the date of this Prospectus, and is subject to changes in Finnish law, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland. Investors are advised to consult their own professional tax advisors as to the Finnish or other tax consequences of the purchase, ownership and disposition of shares. The tax legislation concerning the Demerger has been summarized in the Demerger Prospectus of December 7, 2004 and investors are also advised to review the Demerger Prospectus.

Prospective investors who may be affected by the tax laws of other jurisdictions should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish Tax Considerations

The following is a description of the material Finnish income and net wealth tax consequences that may be relevant with respect to this listing. The description below only addresses Finnish tax legislation as in effect on the date of this Prospectus and does not take into account the tax laws of any other countries. In addition, relevant case law, decisions and statements made by the tax authorities in effect and available on the date of this Prospectus have also been taken into account.

The description below is only applicable to residents in Finland for the purposes of Finnish internal tax legislation. This description does not address tax considerations applicable to holders of shares or option rights that may be subject to special tax rules, including, among others, business carrying entities, tax-exempt entities or general or limited partnerships. Furthermore this description addresses neither Finnish inheritance nor gift tax consequences.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income and net wealth of persons resident in Finland is subject to taxation in Finland. Non-residents who are not generally liable for tax in Finland are taxed on Finnish source income and net wealth located in Finland only, although shares in Finnish limited liability companies that are taxed on the basis of Business Income Tax Act (24.6.1968/360), as amended, are not included in the taxable net wealth of non-residents. In addition, all income of a non-resident derived from and net wealth allocable to a permanent establishment located in Finland will be taxed in Finland.

Generally, an individual is deemed a resident of Finland if such individual resides in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates while capital income is currently taxed at a flat rate of 28 percent.

Entities established under the laws of Finland are regarded as residents of Finland. Finnish companies are subject to domestic corporate income tax on their worldwide income.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of shares and option rights by Finnish resident shareholders.

Taxation of Dividends Received

The taxation of dividends distributed by a company listed on the Helsinki Stock Exchange varies depending on whether a shareholder that is a resident in Finland is a company listed on the Helsinki Stock Exchange, a non-listed company or an individual.

When the shareholder is a company listed on the Helsinki Stock Exchange, dividends received by such shareholder are 75 percent taxable in case the underlying shares are included in the investment assets of the shareholder. If the dividend is paid based on shares that are not included in the investment assets of the shareholder (listed company), the dividend income will not be taxable income.

If the shareholder is a non-listed company, dividends received by such shareholder are 75 percent taxable in case the underlying shares are included in the investment assets of the shareholder. If the shares are not part of the investment assets of the respective shareholder, 75 percent of the dividend received is taxable income, provided that the respective shareholder does not directly own at least 10 percent of the share capital of the distributing company. If the 10 percent ownership threshold is met, the dividend income will not be treated as taxable income of the respective shareholder (non-listed company).

If the shareholder is an individual, 70 percent of the dividends received by such shareholder will be taxable as capital income. The applicable tax rate will be 28 percent. The rest of the dividend income received by such a shareholder from a listed company will not be treated as taxable income.

A Finnish listed company paying dividends to individuals or Finnish estates of deceased persons is responsible for deducting withholding tax amounting to 19 percent (2005 15 percent). The levied withholding tax is credited in the final taxation.

Year 2005 serves as a transition period and lower percentages than those described above shall be used in the taxation of dividends. If the shareholder is a non-listed company or if the underlying shares are included in the investment assets of the shareholder, 60 percent (instead of 75 percent) of the dividends received by such a shareholder will be taxable income in such a shareholder’s taxation in tax year 2005. Similarly, if the shareholder is a natural person, 57 percent (instead of 70 percent) of the dividends received by such shareholder will be taxable as capital income in such shareholder’s taxation of year 2005.

Finland has previously applied an imputation (*avoir fiscal*) system for profits distributed as dividends in order to eliminate double taxation of the profits distributed to shareholders by limited liability companies. As a tax credit has been available to shareholders who are tax resident in Finland on the payment of dividends, shareholders have not been liable to pay taxes for dividends received from Finnish listed companies. The imputation system has been abolished and in the new system dividends received in 2005 or thereafter will be partly subject to double taxation.

Tax at Source Withheld on Dividend Income

Non-resident shareholders are subject to Finnish withholding tax on dividends paid by a Finnish company. In the absence of any applicable double taxation treaty, the rate of such withholding tax is currently 28 percent. Finland has entered into double tax treaties for the elimination of double taxation with many countries pursuant to which the withholding tax rates are generally reduced. Detailed information on tax treaties is available from tax experts or the tax authorities. In tax treaties, the withholding tax is usually reduced 0-10 percentage units concerning corporate entities that possess a certain shareholding (usually 10-20 percent) of the share capital of the distributing company. The withholding tax for individuals in tax treaty situations is normally 15 percent.

No withholding tax is levied on dividends paid to corporate entities which reside in the European Union and directly hold at least 20 percent of the capital of the distributing Finnish company, provided that such entities are subject to a general corporate tax in their respective countries of residency, as specified in Directive 90/435/EEC.

Cargotec will levy the withholding tax of the dividends paid to non-residents of Finland and the share dividend to the said shareholders will be distributed after deducting the withholding tax. In practice, however, the Finnish banks paying the dividend of a listed Finnish company to the non-resident shareholders deduct any applicable Finnish withholding tax. A reduction of the withholding tax rate can be obtained at source upon the submission of required information (name, date of birth, and personal or corporate code in the home country and address) to the payer prior to the payment of dividends. If a tax card or required information is not submitted in time, a refund of tax withheld in excess of the applicable treaty rate can be obtained upon application to the Uusimaa Tax Office.

Finnish Capital Gains

The Advance Ruling regarding the Tax Treatment of the Demerger

Kone Corporation has received an advance ruling (89/2004) from the Finnish Central Board of Taxation regarding the tax treatment of the Demerger. In accordance with the advance ruling, the Demerger does not realize any income tax consequences neither for Kone Corporation nor the shareholders.

According to the advance ruling, the exchange of Kone Corporation's shares into the shares of Cargotec and New KONE is not treated as a transfer and the shares of Cargotec and New KONE are deemed to be acquired when the shareholder acquired the shares in Kone Corporation. The acquisition cost of the shares of the Recipient Corporation is considered to be the part of the acquisition cost of Kone Corporation's shares that corresponds to the part of the net assets of Kone Corporation transferred to the Recipient Corporation. If it is apparent that the proportion of net assets transferred to Cargotec and New KONE substantially differs from the proportion of the current values of these companies' shares, the proportion of the current values is used as the basis for dividing the acquisition cost between the shares. In this case, the average weighted value of the first trading day, or secondarily the corresponding value of the five first trading days, if the latter is considered to better reflect the share's current value, can be considered as the current value of the Recipient Corporations' shares.

According to the advance ruling on the tax treatment of the Option Rights, Demerger and the following conversion of Kone Corporation's Option Rights into New Option Rights is not considered as exercising option rights in the taxation of those liable to pay taxes in Finland.

Taxation of Individuals

Any capital gain arising from the sale of shares is taxable capital income for individuals or an estate of a deceased person residing in Finland for tax purposes. Capital gains or losses are calculated by deducting the original acquisition cost and sales-related expenses from the transaction price. Alternatively, individuals and estates of a deceased person can apply a so-called presumptive acquisition cost, which is 20 percent of the purchase price. In applying the presumptive acquisition cost, any expenses related to the acquiring profit are deemed to be included in the presumptive acquisition cost and may, therefore, not be deducted separately. The presumptive acquisition cost for shares held at least for a period of 10 years is 40 percent of the purchase price. Capital gains are taxed at a rate of 28 percent.

An individual and a Finnish estate of a deceased person can deduct capital losses of sold shares from the total capital gains received on the same or the following three consecutive years.

Capital gains arising from the sale of shares are tax exempt income provided that the sales prices of all assets sold by the individual during the fiscal year do not, in the aggregate, exceed EUR 1,000 in that particular year. Capital losses arising in corresponding circumstances are not tax deductible.

Taxation of Corporations

The transaction prices from the shares regarded as fixed assets are exempt from tax as of May 19, 2004, provided that the corporate entity's holding is at least 10 percent and the sold shares have been part of this holding for at least one year prior to the transfer. Correspondingly, capital losses are non-deductible in similar conditions. The transaction price can, however, be taxable to the same extent that the selling corporate entity or other group entity has received tax benefits from certain deductions or depreciations during its possession of the shares.

Otherwise, the transaction price received is taxable income for the corporate entity. The transaction price received by corporate entities engaged in venture capital operations is always taxable. The corporate entity may deduct the effective acquisition cost and sales-related expenses from its taxable income. It pays taxes at a rate of 26 percent for its taxable income.

Taxation of Option Rights

If the option holder has obtained the option rights otherwise than by employment (e.g. public trading) capital gain of such option rights is treated as taxable capital income and calculated basically according to the same principles as capital gains of the Shares.

The tax treatment of the option rights obtained by employment has been summarized in the Demerger Prospectus.

Taxation of Non-residents

Non-residents who are not generally liable for tax in Finland will normally not be subject to Finnish taxes on capital gains realized in the transfer of shares of a Finnish company, unless the non-resident taxpayer is deemed to have a permanent establishment for income tax purposes in Finland and the shares are considered as assets of that permanent establishment.

Finnish Transfer Tax

There is no transfer tax payable in Finland on transfers or sales of shares or option rights made on the Helsinki Stock Exchange. If the intermediary of the transferee is not a "securities broker" as defined in the Transfer Tax Act (29.11.1996/931), as amended, (i.e., the intermediary is a foreign broker not having a branch or office in Finland), the precondition for the tax exemption is that the transferee submits a notification to the Finnish tax authorities within two months from such transfer.

If the transfer or sale of shares or option rights is not made on the Helsinki Stock Exchange, a transfer tax at the rate of 1.6 percent of the relevant sales price is payable by the buyer. However, if the buyer is neither a resident of Finland nor a Finnish branch of a foreign credit institution nor a Finnish branch of a foreign investment firm, the seller must collect the tax from the buyer. If neither the buyer nor the seller is a resident of Finland or a Finnish branch office of a foreign credit institution or a Finnish branch of a foreign investment firm, the transfer of shares will be exempt from Finnish transfer tax. Where a Finnish securities dealer, or credit institution, or the Finnish branch office of a foreign securities dealer, or a foreign credit institution is used as a broker in the transaction, such a broker is liable to collect and pay the transfer tax on behalf of the buyer. No transfer tax is payable in connection with the issuance of new shares. The minimum amount of transfer tax is EUR 10.

Net Wealth Taxation

The shares and option rights are included in the taxable net wealth of individuals resident in Finland, Finnish estates of a deceased person and Finnish legal entities that are subject to net wealth tax. Most Finnish legal entities e.g. limited liability companies are, however, exempt from net wealth tax. The shares of a listed company as well as option rights obtained otherwise than by employment are valued for net wealth tax purposes at 70 percent of their market value at the end of the relevant tax year.

Non-resident individuals and legal entities are generally subject to net wealth tax in Finland on their net assets located in Finland. Shares will not be included in the tax base when computing such tax liability of a non-resident, unless they are related to the business of a permanent establishment located in Finland. Tax treaties may limit the taxation of wealth of non-residents.

The net wealth tax rate is 0.8 percent and the threshold for the taxable net wealth is EUR 250,000.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO OWNERSHIP OF SHARES. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

RIGHTS RELATED TO NEW SECURITIES

On the Demerger Date (June 1, 2005, as estimated) Kone Corporation will be demerged by transfer of all of its assets and liabilities without a liquidation procedure into Cargotec and New KONE and Kone Corporation will simultaneously be dissolved and the shares and Option Rights of Kone Corporation will cease to exist. Shares in the new companies will be distributed in the book-entry system so that the shares in Kone Corporation entered in its list of shareholders and in the book-entry accounts of its shareholders on the Demerger Date will be converted into shares in Cargotec and New KONE on the terms of conversion determined in the Demerger Plan. Existing Option Rights will be exchanged into New Option Rights of Cargotec and New KONE. Receipt of the new shares and New Option Rights will not require any measures from the shareholders or option holders. The new shares will qualify for shareholders' rights as of the Demerger Date.

The transactions are cleared in the FCSD's clearing and settlement system HEXClear. The standardized clearing and settlement time of trades is three banking days (T+3). Thus the buyer in the trades with the shares of Kone Corporation made on May 27, 2005, May 30, 2005 and May 31, 2005 shall take into account that in case the trades' settlement takes place on or after June 1, 2005, the shares to be entered into the buyer's book-entry account will be shares of Cargotec and New KONE instead of the shares of Kone Corporation. If the Demerger is registered after June 1, 2005 the dates set forth above will be postponed accordingly.

For further information on the shares and option rights, please see Appendix 7, *Articles of Association of Cargotec*, and Appendix 8, *Terms and Conditions of the Option Program of Cargotec*.

APPENDICES

Officially approved documents are appended as approved by the Shareholders' Meeting and/or as confirmed by the auditors. Consequently, definitions may differ from those presented in the Prospectus.

Index to Financial Information

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Appendix 1. Accounting Principles of Pro Forma Financial Information and Reconciliation Bridges

The Recipient Corporations are new companies, established in the Demerger, hence the financial information in compliance with the requirements in the Decree of the Ministry of Finance Concerning Listing Particulars (19.6.2002/539) is not available. Therefore, only pro forma consolidated financial statements and key figures are made available in relation to the Recipient Corporations. Unaudited pro forma information is made available only on a consolidated level according to the business and corporate structure prevailing after the Demerger. Unaudited pro forma information is based on the financial statements of the companies included in the businesses of the Recipient Corporations and the financial statements of Kone Corporation split according to the Demerger Plan. The impact of the acquisition of MacGREGOR is included in the pro forma financial information for the periods January-March 2005, January-March 2004 and January-December 2004. Unaudited pro forma figures also include adjustments that are disclosed in the principles and reconciliation bridges below. Pro forma figures give materially fair and adequate information on the result of operations and financial position of New KONE and Cargotec. Unaudited pro forma information has been made available for illustrative purposes only and as such by nature, does not necessarily give a true view on the result of operations or financial position for the disclosed periods.

Principles used in calculating of pro forma figures

The pro forma information in relation to the Recipient Corporations established in the Demerger is based on the financial statements and interim financial statements of the subsidiaries consolidated in the financial statements of Kone Corporation. In addition, the impact of the acquisition of MacGREGOR has been adjusted for 2004 and the interim periods January-March 2004 and January-March 2005. Thus the pro forma information for the accounting periods 2003 and 2002 does not include MacGREGOR.

The pro forma information is based on Finnish Accounting Standards (FAS) for 2002. Pro forma information for the periods 2003, 2004, January-March 2004 and January-March 2005 is in compliance with International Financial Reporting Standards (IFRS). Kone Corporation issued Stock Exchange Releases on April 8, 2004 and June 18, 2004 regarding the main IFRS-conversion impacts. The financial statements for the financial period 1 January 2004 – 31 March 2005 also includes information on the transition to reporting under IFRS. The main conversion impacts on the pro forma financial statements of New KONE were due to the changes in the accounting treatment of goodwill amortization, defined benefit pension plans and own shares held by the company. The main conversion impacts on the pro forma financial statements of Cargotec were due to the changes in the accounting treatment of goodwill amortization, finance leasing and customer finance contracts. The pro forma information of MacGREGOR has been adjusted from Swedish accounting principles in all material respects to be comparable with IFRS. The most significant changes were due to changes in the accounting treatment of goodwill amortization and cash flow hedging derivatives. The accounting principles used are equivalent to the principles used by Kone Corporation.

Kone Corporation has gone through significant structural changes during recent years. Kone Corporation acquired Partek Corporation in the summer of 2002. During 2002-2004 Kone divested the Nordkalk, Paroc, Real Estate, Forest Machines, Tractors, Velsa, Mascus and Sisu Auto businesses that it received with the Partek acquisition. The acquisition of MacGREGOR International AB´s shareholding was finalized on March 4, 2005.

The following principles have been used when calculating the pro forma figures:

- The companies included in the container and load handling business (Kalmar and Hiab) have been consolidated into Cargotec in accordance with the Demerger Plan. MacGREGOR's marine cargo handling business excluding its marine elevator operations has been consolidated into Cargotec in the periods 2004, January-March 2004 and January-March 2005.
- The companies included in the elevators, escalators and automatic door businesses have been consolidated to New KONE in accordance with the Demerger Plan. MacGREGOR's marine elevator operations have been consolidated to New KONE in the periods 2004, January-March 2004 and January-March 2005.

- The consolidated financial statements have been prepared so that the equities of the Recipient Corporations in total equals the equity of Kone Corporation as of March 31, 2005.
- The impact of the divested businesses has been eliminated from the pro forma figures as if the businesses had been divested prior to the periods under review (January 1, 2002).
- The MacGREGOR acquisition has been added to the pro forma figures in the periods 2004, January-March 2004 and January-March 2005 as if the acquisition had occurred prior to the period under review (January 1, 2004).
- The pro forma figures have been calculated based on the financial statements or interim financial statements of the subsidiaries included in the business.
- The pro forma figures of the Recipient Corporations established in the Demerger include assets and liabilities to be transferred according to the Demerger Plan to the new parent companies to be established in the Demerger.
- In the transition to IFRS reporting as per January 1, 2003 the disability portion of Finnish pension insurance companies' TEL scheme (Finnish Statutory Employment Pension Scheme) has been accounted for as a defined benefit plan. Following changes in the TEL scheme, enacted in late 2004, the disability pensions arranged with insurance companies have been changed from a defined benefit plan to a defined contribution plan. Therefore the bookings related to the disability pension scheme liabilities have been reversed from the Recipient Corporations' pro forma information regarding 2003 and 2004.
- In addition, the adjustments and eliminations as specified below have been made.

The transaction prices of the divestments have been eliminated from Kone Corporation's interest-bearing debt. After these eliminations and the inclusion of the MacGREGOR acquisition, the Recipient Corporations' financial structures for the periods 2004, January-March 2004 and January-March 2005 correspond to the financial structures after the Demerger.

Cargotec's 2002 pro forma figures include the figures for the businesses that correspond with the current business operations of Kalmar and Hiab for the period before Kone Corporation acquired these businesses (1 January – 30 June, 2002) in the Partek acquisition. The figures consolidated for the period preceding the Partek acquisition are based on the financial statements of the corresponding business areas in the Partek group. Accordingly the pro forma figures include the figures for MacGREGOR's businesses from January 1, 2004.

The costs of fulfilling the requirements of a listed company have been estimated for the recipient parent company, and an equivalent amount has been added to the fixed costs of Cargotec's parent company. An estimated annual cost of EUR 1.2 million has been added to Cargotec for 2002-2004, in addition to the allocated EUR 3.5 million cost of the unallocated cost of Kone Corporation. The remaining expenses are estimated to represent the expenses required by New KONE as a separately listed company.

Interest expenses included in financial income and expenses have been adjusted with the calculated interest rate effect of the transaction prices of the divestments in each period under review from January 1, 2002, and of the acquisitions in each period under review from January 1, 2004. The calculated interest rate effects have been made under the assumption that divestments of businesses and companies had been made before the period 2002 and acquisitions of businesses (MacGREGOR) before the period 2004. An interest rate of 4.0 percent per annum has been used in the calculations. In addition, the interest has been adjusted so that it corresponds to the average financing cost for the average net debt.

Taxes have been calculated for the Recipient Corporations to correspond to the actual tax rate of Kone Corporation for the presented periods. In calculating the tax rate, the effects of divestments of businesses have been eliminated from each presented period, and effects of the acquisitions of businesses from January 1, 2004. The estimated items affecting income in the pro forma calculations have been accordingly included in the calculation of the taxes for the period in question.

New KONE is assumed to have paid the previous dividends of Kone Corporation and repurchased treasury shares.

Internal eliminations have been made so that they correspond with the group structure after the Demerger. Group contributions and dividends issued between the Recipient Corporations established in the Demerger have been eliminated in the pro forma calculations.

Pro forma cash flow statements are based on the income statements and balance sheets prepared in accordance with principles used in calculating pro forma figures. Estimated adjustments, such as interest and taxes, have been taken into account.

Calculation principles of pro forma key figures

$$\text{Total Equity/Total Assets (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets - repurchased treasury shares}}$$

$$\text{Gearing (\%)} = 100 \times \frac{\text{Interest-bearing-debt – cash and cash equivalents - loans receivable}}{\text{Total equity}}$$

$$\text{Earnings/Share} = \frac{\text{Net income attributable to the shareholders of the parent company}}{\text{Issue adjusted weighted average number of shares - repurchased treasury shares (average of the figures for the financial year)}}$$

$$\text{Equity/Share} = \frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares (issue adjusted) - repurchased treasury shares}}$$

Shareholders' equity does not include capital loans and repurchased treasury shares. Interest-bearing debt includes capital loans. Total equity includes minority shares.

Equity per share and Earnings per share for Cargotec have been calculated in all presented periods with the number of shares as per March 31, 2005.

Pro forma reconciliation bridges

The pro forma financial statements of New KONE and Cargotec, established in the Demerger, have been reconciled with Kone Corporation's consolidated financial statements for the accounting periods 1 January – 31 December, 2002, 1 January – 31 December, 2003 and 1 January, 2004 – 31 March, 2005 as follows:

Accounting period January 1, 2004-March 31, 2005

The pro forma consolidated statement of income for the periods January-March 2005 and January-December 2004 of New KONE and Cargotec, established in the Demerger, has been reconciled to the consolidated statement of income of Kone Corporation for the accounting period January 1, 2004 – March 31, 2005, without the impact of the MacGREGOR acquisition (Reconciliation bridge of consolidated statement of income January-December 2004 and January- March 2005 excluding acquired businesses).

Adjustments undertaken in order to have the internal eliminations correspond with the corporate structure after the Demerger and other adjustments as disclosed in the accounting principles are presented in the column "Adjustments and eliminations".

Elimination of business transactions associated with the divested businesses during the reporting period and profit from the divestments together with tax effects is presented in the column "Divested businesses".

Cargotec, New KONE, Divested businesses and Adjustments and eliminations added together form the consolidated statement of income of demerging Kone.

In additional reconciliation bridges, the impact of the MacGREGOR acquisition and business operations is added to the pro forma consolidated statement of income of Cargotec and New KONE excluding the MacGREGOR acquisition calculated as presented above (Reconciliation bridge of MacGREGOR's impact to pro forma consolidated statement of income January-December 2004 and January-March 2005).

MacGREGOR's official consolidated financial statements have been adjusted in all material respects to be comparable with IFRS. In addition, eliminations and adjustments according to the pro forma principles have been made. The calculated MacGREGOR pro forma figures have been divided into the MacGREGOR pro formas to be consolidated into Cargotec (MacGREGOR, Cargotec -column) and the MacGREGOR pro formas to be consolidated into New KONE (MacGREGOR, New KONE -column).

Consolidated balance sheet of the demerging Kone Corporation per March 31, 2005 includes the acquisition of MacGREGOR, and thus the acquisition is also included in the pro forma consolidated balance sheets of the corporations to be established in the Demerger per March 31, 2005. Cargotec pro forma, New KONE pro forma and Adjustments and eliminations added together form the consolidated balance sheet of demerging Kone Corporation (Reconciliation bridge of consolidated balance sheet 31/3/2005).

Accounting periods January 1-December 31, 2002 and January 1-December 31, 2003

The consolidated pro forma financial information for the accounting periods 2002 and 2003 of New KONE and Cargotec, established in the Demerger, has been reconciled to the consolidated financial statements of Kone Corporation, all without the impact of the MacGREGOR acquisition (Reconciliation bridge 2002 excluding acquired businesses and Reconciliation bridge 2003 excluding acquired businesses).

Adjustments undertaken in order to have the internal eliminations correspond with the corporate structure after the Demerger and other adjustments as disclosed in the accounting principles are presented in the column "Adjustments and eliminations".

Elimination of business transactions associated with the divested businesses during the reporting period and profit from the divestments together with tax effects is presented in the column ”Divested businesses”.

Cargotec pro forma, New KONE pro forma, Divested businesses and Adjustments and eliminations added together form the consolidated statement of income and balance sheet of demerging Kone Corporation.

Reconciliation bridge of the consolidated statement of income January-December 2004 and January- March 2005 excluding acquired businesses

Consolidated statement of income (IFRS) **MEUR**	Kone 1/2004-3/2005	Adjustments and eliminations 1/2004-3/2005	Divested businesses 1/2004-3/2005	Cargotec 1-12/2004 *	New KONE 1-12/2004 **	Cargotec 1-3/2005	New KONE 1-3/2005
Sales	5,561.9	-15.8	40.9	1,561.0	2,866.4	462.1	647.3
Costs and expenses	-5,106.1	36.1	-36.4	-1,427.4	-2,575.0	-420.9	-682.5
Depreciation	-113.2	-0.1	-0.4	-30.6	-58.4	-9.0	-14.7
Profit from sale of businesses	187.8	0.0	187.8				
Operating income	530.4	20.2	191.9	103.0	233.0	32.2	-49.9
Share of associated companies´ income	3.7	0.0		3.3	1.3	-1.4	0.5
Financing income and expenses	-14.0	0.0	-1.2	-6.7	-2.3	-1.8	-2.0
Income before taxes	520.1	20.2	190.7	99.6	232.0	29.0	-51.4
Taxes	-211.7	-5.6	-111.6	-28.6	-68.9	-8.7	11.7
Net income	308.4	14.6	79.1	71.0	163.1	20.3	-39.7
Net income attributable to:							
Shareholders of the parent company	306.9	14.7	79.1	69.6	163.0	20.0	-39.5
Minority interests	1.5	-0.1	0.0	1.4	0.1	0.3	-0.2
Total	308.4	14.6	79.1	71.0	163.1	20.3	-39.7

* Disregarding EUR 3,1 million non-recurring income due to a provision reversal regarding disability pensions.

** Disregarding EUR 15,3 million non-recurring income due to a provision reversal regarding disability pensions.

The pro forma consolidated statement of income for the periods January-March 2005 and January-December 2004 of New KONE and Cargotec, established in the Demerger, has been reconciled to the consolidated statement of income of Kone Corporation for the accounting period January 1, 2004 – March 31, 2005, all without the impact of the MacGREGOR acquisition. Thus Cargotec, New KONE, Divested businesses and Adjustments and eliminations added together form the consolidated statement of income of the demerging Kone Corporation for the extended 15-month accounting period.

Intra-corporate sales and internal purchases of EUR 20.9 million between divested businesses and Recipient Corporations have been eliminated in the column “Adjustments and eliminations.” This column also includes an adjustment of EUR 18.4 million related to income due to the reversal of the Finnish disability pension scheme liability which reduces taxes by EUR 5.3 million, and an operating expense estimate of EUR 1.2 million of Cargotec Corporation as an independent listed company.

In addition, the column “Adjustments and Eliminations” includes elimination of exchange rate differences arising from translation of income statements. The statements of income of foreign subsidiaries are translated into Euros based on the average exchange rate during the accounting period when preparing pro forma income statements, whereas 15 months average rates are applied when preparing financial statements for January 1, 2004- March 31, 2005.

Reconciliation bridge of MacGREGOR's impact to pro forma consolidated statements of income January-December 2004 and January-March 2005

Consolidated statement of income Jan-Dec 2004

MEUR	MacGREGOR	Adjustments and eliminations	MacGREGOR, Cargotec	MacGREGOR, New KONE
Sales	361.0	4.1	328.8	28.1
Costs and expenses	-340.8	-7.3	-307.0	-26.5
Depreciation	-7.2	-5.3	-1.9	0.0
Operating income	13.0	-8.5	19.9	1.6
Share of associated companies´ income	0.0	0.0	0.0	0.0
Financing income and expenses	-4.1	3.6	-7.3	-0.4
Income before taxes	8.9	-4.9	12.6	1.2
Taxes	-7.1	-0.6	-6.2	-0.3
Net income	1.8	-5.5	6.4	0.9
Net income attributable to:				
Shareholders of the parent company	1.8	-5.5	6.4	0.9
Minority interests	0.0	0.0	0.0	0.0
Total	1.8	-5.5	6.4	0.9

MacGREGOR's financial statements according to Swedish accounting principles are presented in the MacGREGOR column. The adjustments and eliminations column includes the following IFRS and pro forma adjustments: EUR 1.7 million has been adjusted from net sales to other income and EUR 0.8 million from financial expenses to costs and expenses. Goodwill amortization of EUR 5.2 million has been reversed. Adjustments related to a discontinued business had an impact of EUR 2.4 million on net sales, EUR 3.6 million on costs and expenses and EUR 0.1 million on depreciation. The acquisition of MacGREGOR had an interest impact of EUR 4.4 million on calculated financing income and expenses. Eliminations and adjustments made had a total calculated impact of EUR 0.6 million on taxes.

Consolidated statement of income Jan-Mar 2005

MEUR	MacGREGOR	Adjustments and eliminations	MacGREGOR, Cargotec	MacGREGOR, New KONE
Sales	84.9	1.2	81.7	2.0
Costs and expenses	-82.0	-1.4	-78.3	-2.3
Depreciation	-0.4	0.0	-0.4	0.0
Operating income	2.5	-0.2	3.0	-0.3
Share of associated companies´ income	0.0	0.0	0.0	0.0
Financing income and expenses	-1.1	0.3	-1.3	-0.1
Income before taxes	1.4	0.1	1.7	-0.4
Taxes	-4.1	-2.8	-1.4	0.1
Net income	-2.7	-2.7	0.3	-0.3
Net income attributable to:				
Shareholders of the parent company	-2.6	-2.7	0.4	-0.3
Minority interests	-0.1	0.0	-0.1	0.0
Total	-2.7	-2.7	0.3	-0.3

MacGREGOR's interim financial statement according to Swedish accounting principles are presented in MacGREGOR column. The adjustments and eliminations –column includes the following IFRS and pro forma adjustments: Adjustments related to a discontinued business had an impact of EUR 1.2 million on net sales and EUR 1.4 million on costs and expenses. The acquisition of MacGREGOR had an interest impact of

EUR 0.3 million on calculated financing income and expenses. Eliminations and adjustments made had a total calculated impact of EUR 2.8 million on taxes.

Consolidated statement of income Jan-Dec 2004 (IFRS)

MEUR	Cargotec excluding MacGREGOR	Mac-GREGOR, Cargotec	**Cargotec, pro forma**	New KONE excluding MacGREGOR	Mac-GREGOR, New KONE	**New KONE, pro forma**
Sales	1,561.0	328.8	1,889.8	2,866.4	28.1	2,894.5
Costs and expenses	-1,427.4	-307.0	-1,734.4	-2,575.0	-26.5	-2,601.5
Depreciation	-30.6	-1.9	-32.5	-58.4	0.0	-58.4
Operating income	103.0	19.9	122.9	233.0	1.6	234.6
Share of associated companies´ income	3.3	0.0	3.3	1.3	0.0	1.3
Financing income and expenses	-6.7	-7.3	-14.0	-2.3	-0.4	-2.7
Income before taxes	99.6	12.6	112.2	232.0	1.2	233.2
Taxes	-28.6	-6.2	-34.8	-68.9	-0.3	-69.2
Net income	71.0	6.4	77.4	163.1	0.9	164.0
Net income attributable to:						
Shareholders of the parent company	69.6	6.4	76.0	163.0	0.9	163.9
Minority interests	1.4	0.0	1.4	0.1	0.0	0.1
Total	71.0	6.4	77.4	163.1	0.9	164.0

Consolidated statement of income Jan-Mar 2005 (IFRS)

MEUR	Cargotec excluding MacGREGOR	Mac-GREGOR, Cargotec	**Cargotec, pro forma**	New KONE excluding MacGREGOR	Mac-GREGOR, New KONE	**New KONE, pro forma**
Sales	462.1	81.7	543.8	647.3	2.0	649.3
Costs and expenses	-420.9	-78.3	-499.2	-682.5	-2.3	-684.8
Depreciation	-9.0	-0.4	-9.4	-14.7	0.0	-14.7
Operating income	32.2	3.0	35.2	-49.9	-0.3	-50.2
Share of associated companies´ income	-1.4	0.0	-1.4	0.5	0.0	0.5
Financing income and expenses	-1.8	-1.3	-3.1	-2.0	-0.1	-2.1
Income before taxes	29.0	1.7	30.7	-51.4	-0.4	-51.8
Taxes	-8.7	-1.4	-10.1	11.7	0.1	11.8
Net income	20.3	0.3	20.6	-39.7	-0.3	-40.0
Net income attributable to:						
Shareholders of the parent company	20.0	0.4	20.4	-39.5	-0.3	-39.8
Minority interests	0.3	-0.1	0.2	-0.2	0.0	-0.2
Total	20.3	0.3	20.6	-39.7	-0.3	-40.0

Reconciliation bridge of consolidated balance sheet 31/3/2005

Consolidated balance sheet (IFRS)
Assets 31/3/2005

MEUR	Kone	Adjustments and eliminations	**Cargotec, pro forma**	**New KONE, pro forma**
Non-current assets				
Intangible assets	999.7		485.6	514.1
Tangible assets	400.1		186.2	213.9
Loans receivable and other interest-bearing assets	69.4		0.7	68.7
Other non interest-bearing assets	165.9		39.9	126.0
Investments	253.5		63.6	189.9
Total	1,888.6		776.0	1,112.6
Current assets				
Inventories	481.7		322.0	159.7
Loans receivable and other interest-bearing assets	1.8		1.3	0.5
Accounts receivable and other non interest-bearing assets	1,140.2	-15.1	440.7	714.6
Cash and cash equivalents	154.6		42.4	112.2
Total	1,778.3	-15.1	806.4	987.0
Total assets	3,666.9	-15.1	1,582.4	2,099.6

Shareholders' equity and liabilities 31/3/2005

MEUR	Kone	Adjustments and eliminations	**Cargotec, pro forma**	**New KONE, pro forma**
Equity	1,341.6		659.8	681.8
Non-current liabilities				
Loans	226.2		134.5	91.7
Deferred tax liabilities	32.3		12.9	19.4
Pension benefit liabilities and other liabilities	189.2		41.9	147.3
Total	447.7		189.3	258.4
Provisions	245.8		29.8	216.0
Current liabilities				
Loans	334.8		213.8	121.0
Accounts payable and other liabilities	1,297.0	-15.1	489.7	822.4
Total	1,631.8	-15.1	703.5	943.4
Total shareholders' equity and liabilities	3,666.9	-15.1	1,582.4	2,099.6

Intra-corporate accounts receivable and accounts payable, totalling EUR 15.1 million, between Recipient Corporations have been eliminated in the column “Adjustments and eliminations.”

Reconciliation bridge 2003 excluding acquired businesses

Consolidated statement of income Jan-Dec 2003 (IFRS)					
MEUR	Kone	Adjustments and eliminations	Divested businesses	**Cargotec, pro forma**	**New KONE, pro forma**
Sales	5,410.4	-24.9	1,235.2	1,344.1	2,856.0
Costs and expenses	-4,890.2	23.9	-1,156.4	-1,238.7	-2,519.0
Depreciation	-108.1		-17.9	-33.0	-57.2
Profit from sale of businesses	24.9		24.9		
Operating income	437.0	-1.0	85.8	72.4	279.8
Share of associated companies´ income	6.7		-0.1	5.2	1.6
Financing income and expenses	-27.8	20.1	-37.7	-9.3	-0.9
Income before taxes	415.9	19.1	48.0	68.3	280.5
Taxes	-113.2	-6.4	-12.6	-18.5	-75.7
Net income	302.7	12.7	35.4	49.8	204.8
Net income attributable to:					
Shareholders of the parent company	300.2	12.7	34.9	48.9	203.7
Minority interests	2.5		0.5	0.9	1.1
Total	302.7	12.7	35.4	49.8	204.8

Intra-corporate sales and internal purchases of EUR 24.9 million between divested businesses and Recipient Corporations have been eliminated in the column “Adjustments and eliminations.” This column also includes an adjustment of EUR 2.2 million related to booked Finnish disability pension scheme cost and an operating expense estimate of EUR 1.2 million of Cargotec Corporation as an independent listed company.

The decreasing effect of the transaction prices of divested businesses on the interest expense of EUR 31.1 million is included in the operational figures in the column “Divested businesses”. The column “Adjustments and Eliminations” includes an adjustment of EUR 20.1 million regarding financing income and expenses, which increases the financing expenses of the Recipient Corporations to correspond to the average financing expenses on the average net debt.

Taxes of the Recipient Corporations have been adjusted by EUR 7.0 million due to the impact of the calculatory entries in the column “Adjustments and eliminations”. An adjustment of EUR -0.6 million to deferred taxes related to the Finnish disability pension scheme cost adjustment is also presented in this column.

Consolidated balance sheet (IFRS)

Assets 31/12/2003

MEUR	Kone	Adjustments and eliminations	Divested businesses	**Cargotec, pro forma**	**New KONE, pro forma**
Non-current assets					
Intangible assets	1,018.8		252.2	330.0	436.6
Tangible assets	444.8		91.3	170.8	182.7
Loans receivable and other interest-bearing assets	67.8		0.2	7.6	60.0
Other non interest-bearing assets	136.5	5.3	5.9	22.2	103.1
Investments	228.6		5.1	52.0	171.5
Total	1,896.5	5.3	354.7	582.6	953.9
Current assets					
Inventories	476.7		143.4	225.2	108.1
Loans receivable and other interest-bearing assets	1.6	-101.7	102.2	0.6	0.5
Accounts receivable and other non interest-bearing assets	1,037.0	-38.5	132.5	296.5	646.5
Cash and cash equivalents	412.2	-30.2	36.4	17.7	388.3
Total	1,927.5	-170.4	414.5	540.0	1,143.4
Total assets	3,824.0	-165.1	769.2	1,122.6	2,097.3

Shareholders' equity and liabilities 31/12/2003

MEUR	Kone	Adjustments and eliminations	Divested businesses	**Cargotec, pro forma**	**New KONE, Pro forma**
Equity	1,114.8	-14.3	-78.7	585.9	621.9
Non-current liabilities					
Loans	723.5	1.2	324.5	184.0	213.8
Deferred tax liabilities	25.5		1.0	9.9	14.6
Pension benefit liabilities and other liabilities	185.8	18.4	7.9	21.4	138.1
Total	934.8	19.6	333.4	215.3	366.5
Provisions	151.9		-9.0	12.0	148.9
Current liabilities					
Loans	504.8	-131.9	393.9	32.7	210.1
Accounts payable and other liabilities	1,117.7	-38.5	129.6	276.7	749.9
Total	1,622.5	-170.4	523.5	309.4	960.0
Total shareholders' equity and liabilities	3,824.0	-165.1	769.2	1,122.6	2,097.3

Intra-corporate receivables and liabilities, totalling EUR 170.4 million, between divested businesses and Recipient Corporations have been eliminated in the column "Adjustments and eliminations." Equity has been adjusted by EUR 1.2 million due to deferred calculatory entries having an impact through the statement of income 2004 and the corresponding adjustment has been undertaken in loans. Pension benefit liabilities have been adjusted by EUR 18.4 million, other non interest-bearing assets (deferred tax assets) by EUR 5.3 million and equity by EUR 13.1 million related to the Finnish disability pension scheme cost adjustment.

Reconciliation bridge 2002 (FAS) excluding acquired businesses

Consolidated statement of income Jan-Dec 2002 (FAS)

MEUR	Kone	Adjustments and eliminations	Divested businesses	Cargotec 1-6/2002	**Cargotec, pro forma**	**New KONE, pro forma**
Sales	4,341.8	-22.5	668.2	593.2	1,319.2	2,970.1
Costs and expenses	-3,926.0	23.7	-607.0	-560.6	-1,252.6	-2,650.7
Depreciation	-75.6		-18.1	-12.1	-25.2	-44.4
Operating income before goodwill amortization	340.2	1.2	43.1	20.5	41.4	275.0
Goodwill amortization	-65.0		-8.0	-14.7	-29.2	-42.5
Operating income	275.2	1.2	35.1	5.8	12.2	232.5
Share of associated companies´ income	5.9		1.6	0.9	3.4	1.8
Financing income and expenses	-24.9	33.2	-46.2	-4.8	-9.9	-6.8
Income before taxes	256.2	34.4	-9.5	1.9	5.7	227.5
Taxes	-95.5	-13.8	3.5	-1.1	-2.1	-84.2
Minority interests	-3.6		-1.9	-0.6	-1.3	-1.0
Net income	157.1	20.6	-7.9	0.2	2.3	142.3

Cargotec includes the businesses' figures for the whole year, whereas they have been consolidated for July-December, 2002 in Kone Corporation. Therefore Cargotec pro forma decreased by Cargotec January - June 2002 figures together with New KONE pro forma, Divested businesses and the column “Adjustment and eliminations” form the consolidated statement of income and balance sheet of Kone Corporation.

Intra-corporate sales and internal purchases of EUR 22.5 million between divested businesses and the Recipient Corporations have been eliminated in the column “Adjustments and eliminations”. An operating expense estimate of EUR 1.2 million for Cargotec as an independent listed company has been presented in this column.

The decreasing effect of the transaction prices of the divested businesses on the interest expense of EUR 37.0 million is included in the operational figures in the column “Divested businesses”. In the column “Adjustments and eliminations” row “Financing income and expenses” includes an adjustment of EUR 33.2 million regarding the calculatory interest expense on the transaction price of the Partek acquisition for the period 1-6/2002 and an increase in the financing expenses of the Recipient Corporations to correspond with the average financing expenses of the average net debt.

Taxes of Recipient Corporations have been adjusted by EUR 13.8 million due to the impact of the calculatory entries in the column “Adjustments and eliminations”.

Consolidated balance sheet (FAS)

Assets 31/12/2002

MEUR	Kone	Adjustments and eliminations	Divested businesses	**Cargotec, pro forma**	**New KONE, pro forma**
Non-current assets					
Intangible assets	1,120.2		357.8	340.4	422.0
Tangible assets	648.7		315.0	143.0	190.7
Loans receivable and other interest-bearing assets	60.8		38.1	8.3	14.4
Other non interest-bearing assets	108.5		14.5	14.6	79.4
Investments	234.0		14.3	31.1	188.6
Total	2,172.2		739.7	537.4	895.1
Current assets					
Inventories	530.4	11.3	209.9	214.0	95.2
Loans receivable and other interest-bearing assets	0.0	-97.4	79.8	3.3	14.3
Accounts receivable and other non interest-bearing assets	1,037.9	-4.6	180.3	283.0	579.2
Cash and cash equivalents	419.7	-26.7	57.5	17.0	371.9
Total	1,988.0	-117.4	527.5	517.3	1,060.6
Total assets	4,160.2	-117.4	1,267.2	1,054.7	1,955.7

Shareholders' equity and liabilities 31/12/2002

MEUR	Kone	Adjustments and eliminations	Divested businesses	**Cargotec, pro forma**	**New KONE, pro forma**
Equity	1,129.4	-9.3	-16.7	565.6	589.8
Non-current liabilities					
Loans	975.8	15.5	580.2	214.9	165.2
Deferred tax liabilities	49.6		18.8	12.6	18.2
Total	1,025.4	15.5	599.0	227.5	183.4
Provisions	247.0	5.1	12.4	17.4	212.1
Current liabilities					
Loans	654.1	-126.2	474.4	22.1	283.8
Accounts payable and other liabilities	1,104.3	-2.5	198.1	222.1	686.6
Total	1,758.4	-128.7	672.5	244.2	970.4
Total shareholders' equity and liabilities	4,160.2	-117.4	1,267.2	1,054.7	1,955.7

Intra-corporate receivables and liabilities, totalling EUR 128.7 million, between Divested businesses and Recipient Corporations have been eliminated in the column "Adjustments and eliminations". An adjustment of EUR 11.3 million has been made to the inventory valuation of Cargotec in compliance with Kone Corporation accounting standards and correspondingly EUR 5.1 million has been released from provisions. Equity has been adjusted in the column "Adjustments and eliminations" due to deferred calculatory entries having an impact through statement of income 2003-2004 and the corresponding adjustment has been undertaken in loans.

Reconciliation bridge of MacGREGOR's 2003 comparable income

Consolidated pro forma financial information for years 2003 and 2002 of Cargotec to be established in the Demerger does not included MacGREGOR's marine cargo handling business or the impact of its acquisition. Comparable MacGREGOR figures for year 2003, presented in the review of MacGREGOR's business operations and financial result (year 2004 compared to year 2003, *"MD & A and Prospects"*) have been reconciled with MacGREGOR's official consolidated financial statements 2003 as follows:

Consolidated statement of income 1-12/2003 M€	MacGREGOR	Adjustments and eliminations	Marine Elevators	MacGREGOR, Cargotec
Sales	354.2	7.0	34.5	312.7
Costs and expenses	-337.0	-8.4	-31.5	-297.1
Depreciation	-7.7	-5.3	0.0	-2.4
Operating income	9.5	-6.7	3.0	13.2

MacGREGOR's official consolidated financial statement according to the Swedish accounting principles is presented in column MacGREGOR. Adjustments and eliminations –column includes following IFRS adjustments: EUR 3.5 million has been adjusted from net sales to other income and EUR 1.0 million from financial expenses to costs and expenses. Goodwill amortization of EUR 5.2 million has been reversed. Adjustments related to a discontinued business had an impact of EUR 3.5 million to net sales, EUR 3.9 million to costs and expenses and EUR 0.1 million to depreciation. In addition to this, marine elevator operations have been eliminated as the business will be transferred to New KONE. The impact of the acquisition of MacGREGOR to financial income and expenses and taxes has not been adjusted in 2003.

Appendix 2: Cargotec's Pro Forma Financial Information

Consolidated statement of income									FAS	
MEUR	1-3/2005	%	1-3/2004	%	1-12/2004*	%	1-12/2003	%	1-12/2002	%
Sales	543.8		404.0		1,889.8		1,344.1		1,319.2	
Costs and expenses	-499.2		-375.6		-1,734.4		-1,238.7		-1,252.6	
Depreciation	-9.4		-8.6		-32.5		-33.0		-25.2**	
Operating income before goodwill amortization	35.2	6.5	19.8	4.9	122.9	6.5	72.4	5.4	41.4	3.1
Goodwill amortization									-29.2	
Operating income	35.2	6.5	19.8	4.9	122.9	6.5	72.4	5.4	12.2	0.9
Share of associated companies' income	-1.4		-0.2		3.3		5.2		3.4	
Financing income and expenses	-3.1		-3.9		-14.0		-9.3		-9.9	
Income before taxes	30.7	5.6	15.7	3.9	112.2	5.9	68.3	5.1	5.7	0.4
Taxes	-10.1		-3.0		-34.8		-18.5		-2.1	
Minority interests									-1.3	
Net income	20.6	3.8	12.7	3.1	77.4	4.1	49.8	3.7	2.3	0.2
Net income attributable to:										
Shareholders of the parent company	20.4		12.4		76.0		48.9			
Minority interests	0.2		0.3		1.4		0.9			
Total	20.6		12.7		77.4		49.8			

*) Disregarding EUR 3.1 million non-recurring income due to a provision reversal regarding disability pensions
**) Without goodwill amortization

Consolidated balance sheet					
Assets					FAS
MEUR	31/3/2005	31/3/2004	31/12/2004	31/12/2003	31/12/2002
Non-current assets					
Intangible assets	485.6	475.9	480.9	330.0	340.4
Tangible assets	186.2	178.1	175.9	170.8	143.0
Loans receivable and other interest-bearing assets	0.7	8.1	0.3	7.6	8.3
Other non interest-bearing assets	39.9	27.2	24.6	22.2	14.6
Investments	63.6	51.3	64.8	52.0	31.1
Total	776.0	740.6	746.5	582.6	537.4
Current assets					
Inventories	322.0	266.6	296.4	225.2	214.0
Loans receivable and other interest-bearing assets	1.3	0.3	0.6	0.6	3.3
Accounts receivable and other non interest-bearing assets	440.7	408.5	459.7	296.5	283.0
Cash and cash equivalents	42.4	32.4	46.3	17.7	17.0
Total	806.4	707.8	803.0	540.0	517.3
Total assets	1,582.4	1,448.4	1,549.5	1,122.6	1,054.7

The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002 on this page.

Shareholders' equity and liabilities MEUR	31/3/2005	31/3/2004	31/12/2004	31/12/2003	FAS 31/12/2002
Equity	659.8	589.0	655.1	585.9	565.6
Non-current liabilities					
Loans	134.5	199.7	135.8	184.0	214.9
Deferred tax liabilities	12.9	10.4	16.5	9.9	12.6
Pension benefit liabilities and other liabilities	41.9	48.9	42.6	21.4	-
Total	189.3	259.0	194.9	215.3	227.5
Provisions	29.8	31.9	29.6	12.0	17.4
Current liabilities					
Loans	213.8	183.4	192.8	32.7	22.1
Accounts payable and other liabilities	489.7	385.1	477.1	276.7	222.1
Total	703.5	568.5	669.9	309.4	244.2
Total shareholders' equity and liabilities	1,582.4	1,448.4	1,549.5	1,122.6	1,054.7

Consolidated cash flow MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
Operating income	35.2	19.8	122.9	72.4	12.2
Change in working capital	-28.5	6.4	2.1	29.4	40.5
Depreciation	9.4	8.6	32.5	33.0	54.4
Cash flow from operations	16.1	34.8	157.5	134.8	107.1
Cash flow from financial items and taxes	-13.4	-8.3	-34.8	-19.4	-10.6
Cash flow from operating activities	2.7	26.5	122.7	115.4	96.5
Cash flow from investing activities	-25.2	-7.7	-43.0	-30.5	-20.0
Change in net debt	-22.5	18.8	79.7	84.9	76.5
Net debt in the beginning of period	281.4	361.1	361.1	275.7	284.9
Net debt in the end of period	303.9	342.3	281.4	190.8	208.4
Change in net debt	-22.5	18.8	79.7	84.9	76.5

Key figures		1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
Basic earnings per share	EUR	0.32	0.19	1.19	0.77	0.04
Equity per share	EUR	10.27	9.17	10.20	9.15	8.83
Interest-bearing net debt	MEUR	303.9	342.3	281.4	190.8	208.4
Total equity/total assets	%	41.7	40.7	42.3	52.2	53.6
Gearing	%	46.1	58.1	43.0	32.6	36.8

The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002 on this page.

Commitments MEUR	31/3/2005	31/12/2004
Mortgages	5.5	6.3
Pledged assets	0.6	0.0
Guarantees		
Associated companies	0.0	0.0
Others	4.0	4.6
Operating leases	23.8	16.5
Customer finance	15.3	10.5
Other contingent liabilities	0.3	0.3
Total	49.5	38.2

Sales by geographical segments, MEUR	1-3/2005	%	1-3/2004	%	1-12/2004	%	1-12/2003	%	FAS 1-12/2002	%
EMEA *	306.0	56.3	232.3	57.5	1,063.8	56.3	740.1	55.1	774.7	58.7
Americas	130.6	24.0	107.2	26.5	476.2	25.2	445.2	33.1	382.0	29.0
Asia Pacific	107.2	19.7	64.5	16.0	349.8	18.5	158.8	11.8	162.5	12.3
Total	543.8		404.0		1,889.8		1,344.1		1,319.2	

* EMEA = Europe, Middle East, Africa

Sales, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
Kalmar	264.5	181.7	865.4	728.3	697.7
Hiab	197.8	155.0	697.0	622.4	632.8
MacGREGOR	81.7	67.6	328.8	-	-
Internal sales	-0.2	-0.3	-1.4	-6.6	-11.3
Total	543.8	404.0	1,889.8	1,344.1	1,319.2

Operating income, MEUR	1-3/2005	%	1-3/2004	%	1-12/2004	%	1-12/2003	%	FAS 1-12/2002 *	%
Kalmar	20.7	7.8	13.3	7.3	66.4	7.7	52.1	7.2	31.9	4.6
Hiab	14.2	7.2	8.7	5.6	44.6	6.4	29.4	4.7	19.6	3.1
MacGREGOR	3.0	3.7	0.4	0.6	19.9	6.1	-	-	-	-
Corporate administration and other	-2.7		-2.6		-8.0		-9.1		-10.1	
Total	35.2	6.5	19.8	4.9	122.9	6.5	72.4	5.4	41.4	3.1

* Operating income before goodwill amortization

Orders received, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
Kalmar	310.1	244.2	1,065.6	813.7	686.8
Hiab	220.1	201.5	805.1	653.2	639.2
MacGREGOR	115.1	90.8	468.1	-	-
Internal orders received	-0.4	-0.4	-1.5	-5.8	-11.5
Total	644.9	536.1	2,337.3	1,461.1	1,314.5

The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002 on this page.

Order book, MEUR	31/3/2005	31/3/2004	31/12/2004	31/12/2003	FAS 31/12/2002
Kalmar	624.4	398.0	548.7	357.2	208.4
Hiab	241.2	163.5	215.0	114.2	93.0
MacGREGOR	444.3	299.3	416.2	-	-
Internal order book	-0.3	-0.2	-0.2	-0.1	-1.8
Total	1,309.6	860.6	1,179.7	471.3	299.6

Capital expenditure, MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
In fixed assets	5.8	3.6	23.4	21.5	22.0
In leasing agreements	0.5	0.2	1.0	1.7	-
In customer financing	3.0	3.9	18.3	6.9	-
Total	9.3	7.7	42.7	30.1	22.0

Expenditure for R&D	1-3/2005	1-3/2004	1-12/2004	1-12/2003	FAS 1-12/2002
Expenditure for R & D, MEUR	7.1	7.3	29.0	24.0	27.0
Expenditure for R & D, as percentage of sales	1.3	1.8	1.5	1.8	2.0

Number of employees at the end of the period	31/3/2005	31/3/2004	31/12/2004	31/12/2003	31/12/2002
Kalmar	2,899	2,888	2,936	2,821	3,175
Hiab	3,487	3,296	3,420	3,168	3,513
MacGREGOR	925	911	900	-	-
Corporate administration	38	41	38	43	56
Total	7,349	7,136	7,294	6,032	6,744

The MacGREGOR marine cargo handling business has not been included in the figures for 2003 and 2002 on this page.

Appendix 3: Auditors' Statement on Pro Forma Financial Information

AUDITORS' STATEMENT ON THE PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of Kone Corporation

We report on the pro forma financial information set out in Appendix 1 and 2 of Cargotec Corporation's Listing Prospectus, which has been prepared, for illustrative purposes only, to provide information about how the described transactions might have affected the financial information presented if it had occurred at the date presented in the pro forma information.

We have reviewed the presented pro forma financial information. It is the responsibility solely of the directors of Kone Corporation to prepare the pro forma financial information in accordance with Standard 5.2a (Dnro 6/120/2004) issued by the Finnish Financial Supervision Authorities and the exemption resolution 76/250/2005 by the Finnish Financial Supervision Authorities. It is our responsibility to form an opinion based on our work as required by the Financial Supervision's Standard, on the pro forma financial information and to report our opinion to you. The pro forma financial information is based on Kone Corporation's financial statements audited by us, and in our reports dated 30.1.2003, 30.1.2004 and 2.5.2005 we expressed as our opinion that the financial statements with the consolidated financial statements had been prepared in accordance with the rules and regulation governing the preparation of financial statements in Finland. PricewaterhouseCoopers AB has issued a similar opinion on MacGREGOR International AB's consolidated financial statements, which forms a basis for the pro forma financial information, in its auditors' report dated 8. March 2005.

We conducted our review in accordance with the standard issued by the Finnish Institute of Authorised Accountants applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the pro forma financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We state as our opinion that

– the pro forma financial information has been compiled on the basis stated in Appendix 1 of this Prospectus;

– such basis is consistent with the accounting policies of Kone Corporation in all material respects;

– the pro forma adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to above mentioned Financial Supervision's Standard; and

– based on our review, nothing has come to our attention that causes us to believe that the pro forma financial information does not give in all material respects a true and fair view of the result of operations and the financial position of the groups to be established in the demerger.

Helsinki, 23 May 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen	Jukka Ala-Mello
Authorised Public Accountant	Authorised Public Accountant

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Appendix 4: Kone Corporation's Financial Statement Information for the Accounting Period January 1, 2004 - March 31, 2005

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Board of Directors' Report

KONE's Extraordinary Shareholders' Meeting on 17 December, 2004 approved the demerger plan that the Board of Directors signed on 1 November, 2004, according to which KONE will split into two separate corporations, KONE Corporation and Cargotec Corporation. The planned date of registration is 31 May, 2005. The recipient corporations will apply for the listing of their class B shares and option rights on the main list of the Helsinki Stock Exchange as of 1 June, 2005.

The Extraordinary Shareholders' Meeting also approved the Board's proposal that the corporation's financial period be extended through 31 March, 2005.

As a result of these decisions, the consolidated figures for the 15-month period under review are not comparable to the figures for 2003, which are shown in brackets. The period under review also includes non-recurring revenue from the sale of businesses and a provision for the non-recurring costs of an elevator and escalator operations development and restructuring program.

In order to facilitate the evaluation of the financial performance and status of the companies, New KONE and Cargotec, to be listed in the demerger of KONE Corporation, separate pro forma reviews will be published in conjunction with this report. These reviews give a more detailed and comparable picture of the development of the market and the two businesses for the period 1 January–31 March, 2005. They present New KONE's and Cargotec's January–March 2005 financial results according to the business and corporate structure prevailing after the demerger, and are based on KONE Corporation's Financial Statements and the inclusion of the recently acquired MacGREGOR Group.

Discontinued Operations and Changes in Group Structure

The following divestments and discontinued businesses are included in the 2003 consolidated figures but no longer in the figures for the accounting period 1 January, 2004–31 March, 2005:

- Forest Machines business
- Tractors business
- Oy Sisu Auto Ab and discontinued non-core businesses
- Velsa Inc. (consolidated up to the end of October, 2004)

Kone Cargotec's acquisition of global marine cargo-flow solution and service provider MacGREGOR was finalized on 4 March, 2005, and MacGREGOR's balance sheet has been consolidated in KONE's balance sheet at the end of March 2005.

The parent company, KONE Corporation, transferred the operative elevator and escalator business in Finland to two fully owned Finnish subsidiaries on 1 October, 2004. The operative business unit and the export and major project units were transferred to KONE Elevators Ltd. The Finnish production units were transferred to KONE Industrial Ltd. Shared headquarter functions remain in the parent company, KONE Corporation.

During the accounting period KONE Finance Oy, Tracfin Holding Oy and KONE Lift Oy were merged in the parent company, KONE Corporation.

KONE's Financial Result, Balance Sheet, Cash Flow and Personnel

KONE's consolidated net sales in the 15-month period 1 January, 2004–31 March, 2005 totaled EUR 5,562 (1-12/2003: 5,410) million.

Consolidated operating income in the period 1 January, 2004–31 March, 2005 totaled EUR 530.4 (437.0) million, representing 9.5 (8.1) percent of net sales.

Net income totaled EUR 308.4 (302.7) million and diluted earnings per share from continuing operations equaled EUR 3.72 (3.96). Cash flow from operating activities was EUR 270.3 (435.5) million.

KONE's net debt at the end of March 2005 was EUR 335.2 (end of 2003: 746.7) million. Total equity as a share of total assets was 37 (29) percent. Gearing was 25 (67) percent. Total assets amounted to EUR 3,667 (3,824) million, and assets employed totaled EUR 1,677 (1,862) million.

KONE had 33,021 (33,305) employees at the end of March 2005. The average number of employees during 1 January, 2004–31 March, 2005 was 30,976 (34,489).

KONE Elevators & Escalators

Market Review, Orders Received and Order Book

In recent years, demand for new equipment has shown moderate growth, with Asia recording strong growth while the more mature markets of North America and Europe have remained fairly unchanged. This development also characterized the period under review.

Orders received in 1 January, 2004–31 March, 2005, excluding the value of maintenance contracts, totaled EUR 2,706 (2003: 2,021) million. At the end of March 2005, the order book amounted to EUR 2,023 (end of 2003: 1,640) million. The average margin for the order book is somewhat below the end-2003 level.

Total order intake in Europe, the Middle East and Africa (EMEA) rose despite weakness on some markets, buoyed particularly by strong demand in the Middle East. The residential sector showed healthy growth in several major markets. In general, new equipment demand in Europe was at a low level in the office and retail sector.

The pricing environment remained tough, especially in the escalator market, where lower demand combined with increasing imports from China led to lower prices. In Germany, heavy pressure on construction prices resulting from overcapacity in the market led to elevator price erosion.

The service business in Europe was characterized by tougher competition, which was influenced by the bleak economic outlook. The trend of large customers to bundle maintenance contracts for their entire equipment base continued. Modernization demand continued to increase steadily, supported by growing demand for full replacements and the installation of elevators in existing buildings that do have them.

In North America, the new equipment market began to recover from the last quarter of 2004 onwards. Acceptance of the machine-room-less elevator concept continued to gain ground in the U.S.A. as all major competitors have followed KONE’s lead and begun marketing their own solutions. As a result of the improved U.S. economy, there is pent-up demand for new building starts in the office, residential, hotel and public transportation segments. Price levels were still low because of tough competition, but increased material costs resulted in signs of pressure on prices easing somewhat towards the end of the period under review.

The service business in the U.S.A. suffered from high industry-wide labor inflation, which was not fully reflected in higher prices.

Strong growth in new equipment demand in China and India boosted growth in the Asia-Pacific region. KONE’s order-intake activity in the Asia-Pacific region remained roughly unchanged for the 15-month period under review, but order intake posted increases the last quarter of 2004 and first quarter of 2005. Products made in China have achieved acceptance in other Asian markets. In particularly, the pricing environment for escalators suffered due to production capacity increases in China. Maintenance demand in China grew strongly as a result of the rapid growth of the installed base.

Net Sales

Net sales during 1 January, 2004–31 March, 2005 totaled EUR 3,516 (1-12/2003:2,856) million. Europe, the Middle East and Africa (EMEA) accounted for 66 (65) percent, North America for 22 (24) percent and Asia-Pacific for 12 (11) percent of net sales.

Revenue from new equipment sales in the 15-month period under review was EUR 1,339 (1,163) million, or 38 (41) percent of total revenue. Service revenue totaled EUR 2,177 (1,693) million, or 62 (59) percent of total revenue, including building door service revenue of EUR 205 (130) million.

The number of elevators and escalators under service contract increased slightly to more than 550,000 (end of 2003: 520,000) units, of which approximately 420,000 are in Europe, over 90,000 in North America and more than 35,000 in the Asia-Pacific region.

Profitability

KONE Elevators & Escalators’ operating income during 1 January, 2004–31 March, 2005 was EUR 208.2 (289.6) million, representing 5.9 (10.1) percent of net sales. This figure includes both the EUR 89.2 million provision for the development and restructuring program described below and a positive impact of EUR 15.3 million from the reversal of disability pensions.

The overall profitability in the maintenance business was stable despite some erosion in the U.S.A. due to significant labor inflation. The decline in operating profitability, disregarding the EUR 89.2 million provision for the development and restructuring program, was mainly due to lower profitability in the new equipment business as the pricing environment remained tough while material and labor costs increased. The profitability of the new equipment business also suffered from cost overruns in some major projects in the first half of 2004.

Net working Capital and Cash Flow

At the end of March 2005, net working capital allocated to KONE Elevators & Escalators was negative at EUR –246.4 (end of 2003: –184.2) million. The EUR 89.2 million provision for the development and restructuring program reduced working capital. Due to the timing of maintenance contract payments, working capital is seasonally lower at the end of March than at the end of the calendar year.

Cash flow from operations (before financial items and taxes) totaled EUR 357.1 (331.3) million.

Elevator and Escalator Development and Restructuring Program

KONE’s Board of Directors decided in 19 October, 2004 to initiate preparations for a development and restructuring program in order to secure the long-term competitiveness and profitability of its elevator and escalator business. The program was published on 17 March, 2005.

In order to improve the productivity of production lines and the cost-competitiveness of KONE products, certain supply functions are to be relocated and production volumes are to be consolidated in cost-effective locations. In addition, KONE will continue consolidating certain competencies globally in order to achieve benefits of scale.

The initiatives in this plan will be implemented in the new equipment business during 2005–2006 and are aimed at returning KONE to double-digit EBIT margin by 2007. In total, the plans affect almost 450 jobs globally in KONE’s elevator and escalator business. Some 300 of these positions – located in Hattingen, Germany – are affected by the plan to discontinue escalator manufacturing in Germany. The plan to concentrate production of electrification components in two locations would affect about 95 jobs in Bristol in the U.K. The rest of the positions are located in production units in the U.S.A. and Finland and in global KONE functions that are indirectly affected by the initiatives to be taken in the manufacturing functions.

The measures presented in this program target an annual positive impact on operating income of almost EUR 30 million with much of this effect already being felt in 2006.

The total one-time operating income impact of the program, including lay-offs, canceling of long-term commitments, and write-offs of assets will be close to EUR 90 million.

Capital Expenditure and Product Development

Capital expenditure totaled EUR 184.0 (100.4) million, of which acquisitions accounted for EUR 124.1 (59.9) million. KONE's new elevator component plant in the Czech Republic started production of elevator doors in December, 2004. Production also came on stream in the expanded escalator plant in China.

KONE Elevators & Escalators' product development expenditures in the 15-month period under review totaled EUR 51.8 (40.5) million, representing 1.5 (1.4) percent of net sales. Research and development investment and resources are increasingly being allocated to develop maintenance and modernization offerings. KONE Proximity is a real-time customer service concept that encompasses remote equipment monitoring, field terminals for service personnel, extranet-based maintenance service and customer care centers, which are examples of ongoing initiatives.

In 2004, KONE also introduced a new technology platform, KONE MaxiSpace™, that eliminates the need for counterweights in roped elevators. Elevators using this technology can have cabins as much as one-third larger than traditional elevators designed for the same hoistway space, enabling KONE to offer a 6- or even 8-passenger elevator where previously only a 4-passenger unit could have been installed.

In 2004, KONE MaxiSpace™ received pan-European approval, and the first pilot installations were successfully completed. KONE MaxiSpace™ was well received on the market. Low-volume deliveries for the full replacement market have started, and installations will be completed during 2005. Currently KONE is building up the supply chain to support increased order and installation volumes across Europe in 2006.

Acquisitions and Cooperation Agreements

KONE continued its aggressive acquisition activity in order to strengthen its position in growth markets and to increase the density of its maintenance base. Most of the acquired units were local elevator or door service companies.

In 2004, KONE substantially increased its market share in India with the acquisition of Bharat Biljee Limited's elevator operations (BBL). BBL has a maintenance portfolio of about 5,000 units and sells some 800 new elevators annually. BBL's elevator business net sales total approximately EUR 12 million.

KONE also began its own operations in Korea by acquiring a majority shareholding in Soolim Elevator.

In February 2005, KONE and Giant Elevator Co. Ltd of China agreed to form an independent joint venture: Giant Kone Elevator Company Ltd. KONE will own 40 percent of Giant-Kone, Giant Elevator will own 60 percent, and KONE has an option to increase its shareholding to more than 50 percent. Giant Elevator, with annual sales of EUR 18 million and 1,100 units, a service base of 2,500 elevators, and 620 employees, is one of the largest national elevator companies in China.

In February 2005, KONE also acquired U.K. Lift Company Ltd, with annual sales of approximately EUR 40 million and 200 employees.

In March 2005, KONE acquired a controlling interest in Thai Lift Industries Public Company Limited, which is listed on the Stock Exchange of Thailand, and made a public offer to acquire all its outstanding shares. Thai Lift has represented KONE in Thailand for more than ten years and is a leading elevator company in the Thai market with 2004 net sales of approximately EUR 9.2 million, 2,500 units under maintenance contract and annual installations of more than 400 elevators, a majority of which are KONE products.

The following distributors became fully owned subsidiaries during the period under review: Kandur (Estonia), Liftco Hellas (Greece), I-Select (Iceland), Industrial Logistics (Ireland) and SIA KONE Lifti (Latvia).

KONE and Toshiba Elevator and Building Systems Corporation agreed to strengthen their alliance through a licensing arrangement enabling KONE to supply high-speed double-deck elevators based on Toshiba's proven technology.

The building door service operations were strengthened through a strategic global alliance with the door systems supplier DORMA, and the addition of Door Systems, Inc. in the United States and Overhead Doors in Australia.

European Commission Investigation

In January 2004 the European Commission initiated an investigation of the European elevator and escalator industry, alleging anticompetitive behavior on an EEA-wide basis. As a result of an internal audit, KONE identified certain local anti-competitive practices in Belgium, Luxembourg and Germany but has not found evidence or indications of any European-wide anti-competitive practices.

KONE has taken immediate measures to stop anything that could potentially be considered anti-competitive behavior. KONE continues to be fully responsive to and cooperative with the European Commission's investigations.

Significant Events after the Period under Review

In April 2005, KONE and Toshiba Elevator and Building Systems Corporation (TELC) agreed to strengthen their alliance by establishing an independent joint-venture company for escalator production in China. KONE will own 70 percent of the new company, and TELC will own 30 percent. The joint venture will be the main source of escalators for both parties and will offer a full range of escalator products based on KONE and TELC designs.

The joint venture will operate two manufacturing facilities, consisting of the current KONE and TELC escalator manufacturing lines in China. Operations are expected to start during the second half of 2005 and reach full-scale operations in the second half of 2006.

Finalization of the agreement will follow approval by the appropriate authorities.

KONE also signed a joint-venture agreement with Russia's premier elevator company, Karacharovo Mechanical Factory (KMZ), which will significantly increase KONE's participation in the rapidly growing Russian elevator and escalator market. KONE will own 40 percent of the new company, KMZ-Kone, and KMZ's current beneficial owner will own 60 percent, with KONE holding an option to increase its shareholding to a majority stake.

KONE and KMZ have a combined share of more than 35 percent in the Russian new elevator market, which totals about 15,000 units per year. KONE is strongly positioned in the high end of the market, while KMZ is Russia's largest elevator company and the market leader in the low end of the market with over 5,000 units produced in 2004. Initially, KMZ-Kone's annual sales are expected to exceed EUR 70 million.

KMZ-Kone aims to take advantage of significant maintenance and modernization growth opportunities by combining KONE's worldwide expertise with KMZ's market knowledge. In addition, immediate plans include identifying and implementing a new production site for a new elevator product line. Execution of the joint-venture agreement will follow approval by the appropriate authorities.

KONE announced at the end of April a new organizational structure, which takes effect from 1 May, 2005. The organization will be developed by clarifying and strengthening the matrix consisting on the one hand of global business units and on the other of areas comprising local sales and service companies. These developments will make it possible to respond better to the differing needs of various market areas while simultaneously taking advantage of globally harmonized processes, operational methods, and product and service concepts. At the same time the activities of the Major Project Unit activities will be strengthened, and its focus will be shifted to Asia.

Concurrently, KONE's area directors will become members of the Executive Board, and KONE management will be located more evenly across the company's main market areas. As of 1 May, the members of the Executive Board will include area directors Eric Maziol, Noud Veeger, Heimo Mäkinen and Pekka Kemppainen. Joining them will be Heikki Leppänen, who takes responsibility for New Elevator and Escalator Business, Peter de Neef, whose responsibility is Service Business and William Orchard, whose responsibility is the Major Project Unit. In addition, Aimo Rajahalme, Kerttu Tuomas, Klaus Cawén and Matti Alahuhta will continue in their current roles and as members of the Executive Board.

Outlook

KONE reiterates its outlook for unchanged operative profitability for the calendar year 2005, disregarding the EUR 89.2 million costs of the development and restructuring program. No major changes have been made to our expectations in regard to factors that will affect the operating environment during 2005: higher steel and oil prices, price competition and currency rates.

KONE Elevators & Escalators' focus in 2005 is on implementing the necessary changes to enable faster-than-market growth and improving profitability from 2006 onward. One key action is the implementation of the comprehensive development and restructuring program aimed at strengthening the competitiveness of our new equipment business. We have raised our ambition for growth. The key opportunity here is to better exploit growth opportunities in Asia, particularly in China and India, as well as in Russia. Other areas of growth include the machine-room-less elevator, high-rise segments and the market for modernizations.

Kone Cargotec

Market Review, Orders Received and Order Book

The investment cycle for investments in new ports and port expansions was at an exceptionally high level during the period under review. Container traffic is estimated to have increased by over 14 percent in 2004, as it did in 2003. This double-digit growth kept activity in ports at a continued high level, which was also reflected in strong demand for service, replacement investments and refurbishments.

The market for on-road load-handling solutions improved clearly in the period under review. The North American market continued to show the greatest growth, buoyed by the robust retail and building material markets, which increased demand for efficient local distribution solutions. Heavy truck sales grew by approximately 10 percent in Europe and by over 30 percent in North America in 2004 after several years of flat or decreasing sales.

Kone Cargotec's order intake in the 15-month period under review amounted to EUR 2,423 (1-12/2003: 1,482) million, of which Kalmar accounted for EUR 1,399 (834.9) million and Hiab for EUR 1,027 (653.2) million.

Kalmar benefited from high demand for all product lines. Port investments were at a high level, especially in Asia and Europe. In the Americas, the general strengthening of the U.S. economy led to significantly higher demand, in particular for terminal tractors in ports and distribution centers.

In Hiab, growth was strongest in North America. Hiab improved its market position by launching new load-handling applications. Demand in Europe, which is the largest market for equipment and services provided by

Hiab, improved for all key products. Demand in Asia also continued to be strong.

Kone Cargotec's order book strengthened clearly and at the end of March 2005 totaled EUR 1,312 (end of 2003: 473.6) million. Kalmar accounted for EUR 624.4 (359.7) million, Hiab for EUR 241.2 (114.2) million and MacGREGOR for EUR 446.5 million of the order book.

In March 2005, Kalmar won a major order from Gateway Terminals India Pvt Ltd. (GTI) for the supply of 29 rubber-tired gantry cranes (RTGs) for a new terminal under construction at the Port of Nhava Sheva. GTI is joint venture between Maersk A/S and Container Corporation of India Ltd. and is due to start operations in August 2006. The RTGs will be delivered during 2006.

Net Sales

Net sales in 1 January, 2004–31 March, 2005 amounted to EUR 2,046 (1,364) million. Production capacity was increased in both Kalmar and Hiab, which facilitated the necessary increase in delivery volumes, especially from the third quarter of 2004 onward.

Kone Cargotec's service revenue amounted to EUR 402 million, accounting for 20 (19) percent of net sales. Of total revenue, Kalmar's service business accounted for 24 (23) percent and Hiab for 14 (14) percent.

Profitability

Kone Cargotec's operating income in 1 January, 2004–31 March, 2005 rose to EUR 149.4 (76.7) million or 7.3 (5.6) percent of net sales. This includes a non-recurring pension liability reversal of EUR 3.1 million. Both Kalmar's and Hiab's operating income rose clearly as profitability continued to benefit from the strong market situation and increased deliveries. In addition, both businesses saw further benefits from the restructuring of production done over the past three years.

Profitability was negatively affected by the weaker dollar and, especially in the fourth quarter of 2004 and first quarter of 2005, by higher steel and component prices.

Net Working Capital and Cash Flow

At the end of March 2005, Kone Cargotec's net working capital was EUR 211.7 (end of 2003: 197.6) million.

Kalmar's working capital decreased from the end of 2003 level despite substantially higher sales while Hiab's working capital increased due to higher volumes and work in progress. MacGREGOR's working capital was negative.

Cash flow from operations (before financial items and taxes) was EUR 155.5 (136.0) million. Kalmar's cash flow improved further due to the improvements achieved in capital turnover and operating income.

Capital Expenditure and Product Development

Capital expenditure amounted to EUR 211.3 (23.6) million, of which acquisitions accounted for EUR 183.1 (0.0) million. In addition, customer financing totaled EUR 21.3 (6.9) million.

In order to strengthen its position in the Asia-Pacific region, Kalmar has initiated an approximately USD 10 million investment in a new assembly plant in the Shanghai area. The assembly plant will primarily serve the Asian container-handling equipment market, which is the fastest growing area for most Kalmar products.

Hiab is also expanding its operations in Asia by starting up a demountables assembly plant in China. Assembly will begin in the new plant in Shanghai during 2005. This project will strengthen Hiab's position as a manufacturer of demountables, and it will prepare for future growth in the Asia-Pacific region. The target is to supply this region with demountable products from the new plant in the future.

Hiab launched its new corporate name in 2004, including name changes in most sales companies and a new unified visual identity for all product lines. The integration of sales outlets support Hiab's aim of offering load-handling products and services from under one roof.

Research and development expenditure was EUR 32.3 (25.1) million, which is 1.6 (1.8) percent of net sales. Kalmar's R&D expenses totaled EUR 13.5 million and, in addition, several product development projects were implemented jointly with customers. Hiab's R&D expenses totaled EUR 18.8 million.

New Products

In 2004, Kalmar launched its seventh generation straddle carrier, a new 6–9 ton forklift range and a new RoRo terminal tractor. Kalmar's focus on increasing the automation and intelligence in its equipment range was enhanced by launching a simulation tool to assist customers in port design. In addition, Kalmar introduced to the market the first all-electric rubber-tired gantry (RTG), the E-One, which operates without hydraulics. The E-One contains fewer critical mechanical components and therefore provides less opportunity for mechanical failure, while extending the maintenance cycle.

Hiab launched several new products during 2004; complementary products to the successful HIAB XS loader crane range, the MULTILIFT XR hooklift system, six new LOGLIFT and JONSERED forestry cranes, ZEPRO's new generation of medium to heavy standard tail lifts, and the PRINCETON P40 truck-mounted forklift for the U.S. market. Some major launches are being made during the first half of 2005, which include the new MOFFETT M50 truck-mounted forklift in the high-volume product category for the North American markets.

Acquisitions and Divestments

Kone Cargotec agreed on 2 December, 2004 to purchase the entire share capital of global marine cargo-flow solution provider MacGREGOR International AB. The acquisition was finalized on 4 March, 2005.The debt-free transaction price was approximately EUR 180 million.

MacGREGOR is the global market leader in providing marine cargo flow solutions for ship owners, ship operators and shipyards. Its products include hatch covers, cranes, cargo-securing systems, RoRo equipment, shipboard elevators and escalators, and galleys. MacGREGOR's 2004 net sales totaled EUR 360 million. MacGREGOR employed 975 people at the end of December 2004. Because the elevator operations of MacGREGOR will be transferred to KONE Elevators & Escalators, the respective reported balance sheet and order book figures have been excluded from Kone Cargotec and are included in KONE Elevators & Escalators.

In February 2005, Hiab signed an agreement to divest the entire shareholding of Zetterbergs Produkt AB of Sweden to its operative management. Zetterbergs' product range comprises tipper and dumper bodies as well as other truck bodies. Its 2004 net sales totaled EUR 15 million, and it employed 143 people. The final necessary competition authority approvals were received on 22 April, 2005.

In October 2004, Kalmar divested the Finnish company, Velsa, which manufactures mobile cabins for machines. Furthermore, in March 2005 Kalmar sold Finmec, located in Estonia, which specializes in the welding and provision of steel components for heavy equipment.

Kalmar's own maintenance and rental services were further strengthened in the beginning of 2005 by the acquisition of companies specializing in these activities in the Netherlands. The acquisitions of Peinemann Kalmar CV and Peinemann Kalmar Rental BV strengthened Kalmar's strategy of expanding maintenance and rental services in major ports and container terminals around the world. In addition, Kalmar acquired Belgian BIA NV's Material Handling Equipment Division at the end of May 2004.

Changes in Kone Cargotec's Executive Committee

Tor-Erik Sandelin was appointed Senior Vice President, Service Business Development of Kone Cargotec, and member of the Executive Committee as of 1 September, 2004. Hans Pettersson, President of MacGREGOR, was appointed a member of the Executive Committee as of 4 March, 2005. Ms. Eeva Mäkelä was appointed Senior Vice President, Investor Relations and Communications of Kone Cargotec and a member of the Executive Committee effective 1 April, 2005. Sandelin, Pettersson and Mäkelä report to Kone Cargotec's President Carl-Gustaf Bergström.

Outlook

Kone Cargotec's outlook is based on figures including MacGREGOR. Order intake during the rest of the year is expected to return to a normalized level from the record levels experienced during the past twelve months. However, the current strong order backlog supports expectations of Kone Cargotec's net sales clearly exceeding EUR 2 billion in 2005. Comparable operating income is estimated to improve somewhat from the previous year despite the negative effects of changes in product mix, cost increases in raw materials and components, and currency effects.

KONE Shareholders' Meetings and Board of Directors

During KONE's Annual General Meeting (AGM) in February 2004, shareholders approved the 2003 financial statements and discharged the responsible parties from liability for the financial year. Dividends of EUR 1.98 for each of the 9,526,089 class A shares and EUR 2.00 for the 53,104,052 outstanding class B shares were approved. The rest of the distributable equity, EUR 743.6 million, will be retained and carried forward.

The number of members of the Board of Directors was confirmed at seven. Antti Herlin was re-elected chairman of the Board. Re-elected as full members of the Board were Matti Alahuhta, Jean-Pierre Chauvarie, Iiro Viinanen and Gerhard Wendt. Sirkka Hämäläinen-Lindfors and Masayuki Shimono were elected as new members of the Board.

The Board of Directors' proposal that the AGM authorize the Board of Directors to repurchase KONE's own shares with assets distributable as profit was approved. The number of shares to be repurchased shall not exceed 3,173,180 (maximum 476,304 class A shares and 2,696,876 class B shares), respecting the provisions of the Companies Act regarding the maximum number of own shares held by the company.

In addition, the proposal to authorize the Board of Directors to decide on the distribution of any shares repurchased by the company was approved. The authorizations are in effect for a period of one year from the date of the AGM.

KONE's Extraordinary Shareholders' Meeting on 17 December, 2004 approved the demerger plan that the Board of Directors signed on 1 November, 2004, according to which KONE will split into two separate companies, KONE Corporation and Cargotec Corporation. The demerger will enter into force when the execution of the demerger is registered in the Trade Register. The planned date of registration is 31 May, 2005. The recipient corporations will apply for the listing of their class B shares and option rights on the main list of the Helsinki Stock Exchange as of 1 June, 2005.

In addition, the Board of Directors' proposal that the financial period of the corporation be extended until 31 March, 2005 was approved.

Appointment of New President

KONE's Board of Directors decided in November, 2004 to appoint Matti Alahuhta, D.Sc (Eng) as President, effective 1 January, 2005. Before joining KONE, Alahuhta was Executive Vice President, Chief Strategy Officer of Nokia.

Matti Alahuhta has been a member of KONE's Board of Directors since February 2003.

Option Program and Increase in Share Capital

The Board of Directors' proposal that the AGM confirm the option program and issue option rights to the key personnel of KONE was approved. The option program was connected to the development of KONE's aggregated net income (after taxes) during 2001–2003 as shown in the Consolidated Financial Statements.

The AGM confirmed that KONE's aggregated net income for 2001–2003 exceeded EUR 470 million. In accordance with the decision of the shareholder meeting, a maximum of 350,000 options rights were issued, of which a maximum of 180,000 A option rights were offered to the Group's key personnel and a maximum of 170,000 B option rights to Kone Capital Oy. The Board of Directors approved the 145,130 A option rights and 170,000 B option rights that have been subscribed.

The option program also includes a cash bonus totaling EUR 5.8 million. The cash bonus related to each A option right has been separated from the option rights after 27 February, 2004, when the AGM confirmed the amount of option rights to be offered.

The KONE 2004 A option rights are listed on the main list of the Helsinki Exchanges. Subscription of shares with the option rights commenced on 1 April, 2004, and by 31 March, 2005, 212,835 class B shares have been subscribed. The maximum number of shares that can be subscribed with the 2004 A option rights is 435,390 class B shares.

Each option right confers the right to subscribe to three KONE class B shares with a par value of 1.00 euro. The subscription price is EUR 24.67/share. The A option rights confer entitlement to subscribe to 435,390 KONE B shares between 1 April, 2004 and 31 March, 2008, and the B option rights to subscribe to 510,000 KONE B shares between 1 April, 2005 and 31 March, 2009. The annual window during which the shares can be subscribed to with these option rights is from 2 January to 30 November.

On 28 January, 2005, the Board of KONE Corporation decided to apply for listing of series B option rights on the main list of the Helsinki Stock Exchange as of 1 April, 2005. Due to the demerger of the company, share subscriptions with A and B option rights will not be allowed from 1 May, 2005 to 31 May, 2005.

On 31 March, 2005, KONE's share capital was 63,676,455.00 euros, comprising 54,150,366 listed class B shares and 9,526,089 unlisted class A shares.

Repurchase and Assignment of KONE Shares

During the first half of 2004, KONE repurchased 1,863,397 of its class B shares at an average price of EUR 48.35. KONE's Board of Directors decided on 1 December, 2004 to assign class B shares held by the company and to use the proceeds in financing the acquisition of MacGREGOR Group. On 10 December, 2004, KONE sold all of its 2,696,876 class B shares as a contractual trade on the Helsinki Stock Exchange. The price was EUR 56.00 per share and the total transaction value was EUR 150.1 million. The sold shares represented 4.24 percent of KONE's share capital. The shares were acquired at the average price of EUR 43.18 per share.

At the end of March 2005, KONE's Board of Directors had no authorization to raise the share capital or to issue convertible or warrant loans.

Annual General Meeting and Distribution of Profits

KONE's distributable equity as of 31 March, 2005 stands at EUR 983.3 million. The parent company's distributable equity from previous years totaled EUR 2,026 million, and net income from the accounting period under review was EUR 1,269 million. The Board of Directors proposes to the AGM that a dividend of EUR 1.98 (1.98) be paid for each class A share and EUR 2.00 (2.00) for each class B share from retained earnings. The date of record for dividend distribution is 23 May, 2005, and it is proposed that dividends be paid on 30 May, 2005. If the AGM of 18 May, 2005 approves the Board of Directors' proposal on profit distribution, the dividends will total EUR 127.3 (2003: EUR 125.1) million.

Ownership Reorganization in Companies with a Significant Shareholding in KONE

The ownership of KONE Corporation's largest shareholders, Security Trading Ltd. and Holding Manutas Ltd., will be reorganized through an exchange of shares in June–July, 2005. At the conclusion of the reorganization, the shareholding inherited by each of Pekka Herlin's children will be allocated to his or her own company and joint ownership will be dissolved. The multi-phased reorganization will be completed by 15 July, 2005.

These actions will clarify the ownership structure as KONE Corporation is demerged. A separate and simpler ownership structure in both new companies supports the objective of developing the corporations as independent companies in accordance with their own business and ownership strategies.

Antti Herlin, Ilona Herlin, Niklas Herlin and Ilkka Herlin, in conjunction with some other individuals and the KONE Foundation, share ownership in KONE Corporation through their holdings in KONE's two principal owners, Security Trading Ltd. and Holding Manutas Ltd. These companies owned 30.84 percent of KONE Corporation's shares and held 66.28 percent of the voting rights at the end of March 2005. Antti Herlin commands a majority of the voting rights in both companies.

The conclusion of the reorganization of ownership will affect the ownership of shares and voting rights in the postdemerger KONE Corporation and Cargotec Corporation in such a way that Security Trading Ltd. and Holding Manutas Ltd. will hold about 21 percent of the shares and 62 percent of the voting rights in new KONE. After the reorganization, Antti Herlin will be the principal owner of Security Trading Ltd. with a more than 90 percent shareholding, and neither Security Trading Ltd. nor Holding Manutas Ltd. will have a shareholding in Cargotec Corporation.

The largest corporate shareholders in Cargotec Corporation will be Sijoitus-Wipunen Ltd., Mariatorp Ltd. and D-Sijoitus Ltd., whose principal owners are Ilkka Herlin, Niklas Herlin and Ilona Herlin, each with more than 90 percent of the shares in the respective company. Each of the three companies will control approximately 10.3 percent of the shares and 22 percent of the voting rights. In addition, each company will own approximately 3.4 percent of KONE's shares and hold 1.5 percent of KONE's voting rights.

At the end of March 2005, Antti Herlin's personal shareholding in KONE and Cargotec corresponded to 0.21 percent of the shares and 0.09 percent of the voting rights.

Helsinki, 2 May, 2005

KONE Corporation, Board of Directors

Consolidated Financial Statements, IFRS
Consolidated Statement of Income

MEUR	Note	1 Jan, 2004– 31 Mar, 2005	%	1 Jan, 2003– 31 Dec, 2003	%
Sales	3, 5	**5,561.9**		**5,410.4**	
Costs, expenses and depreciation	6, 7	-5,219.3		-4,998.3	
Gain on divested operations	4	187.8		24.9	
Operating Income	3	**530.4**	**9.5**	**437.0**	**8.1**
Share of associated companies' net income	14	3.7		6.7	
Financing income and expenses	8	-14.0		-27.8	
Income before Taxes		**520.1**	**9.4**	**415.9**	**7.7**
Taxes	9	-211.7		-113.2	
Net Income		**308.4**	**5.5**	**302.7**	**5.6**
Net Income attributable to:					
Shareholders of the parent company		306.9		300.2	
Minory interests		1.5		2.5	
Total		308.4		302.7	
Earnings per share for profit attributable to the shareholders of the parent company, EUR (Note 10)					
Basic earnings per share, from continuing operations, EUR		3.75		3.98	
Diluted earnings per share, from continuing operations, EUR		3.72		3.96	
Basic earnings per share, from divested operations, EUR		1.20		0.81	
Diluted earnings per share, from divested operations, EUR		1.20		0.81	

Consolidated Balance Sheet

Assets MEUR		Note	31 Mar, 2005	31 Dec, 2003
Non-Current Assets				
Goodwill		11	937.2	955.1
Other intangible assets		12	62.5	63.7
Property, plant and equipment		13	400.1	444.8
Investments in associated companies		14	86.4	69.8
Shares		15	158.7	150.6
Available-for-sale investments		16	8.4	8.2
Non-current financial receivables	I	17	69.4	67.8
Deferred tax assets		18	163.6	131.2
Other non-current assets			2.3	5.3
Total Non-Current Assets			**1,888.6**	**1,896.5**
Current Assets				
Inventories		19	938.3	787.8
Advance payments received		19	-456.6	-311.1
Accounts receivable			802.5	755.8
Deferred assets		20	255.7	210.3
Income tax receivables			82.0	70.9
Current financial receivables	I	17	1.8	1.6
Financial assets	I	21	50.4	308.7
Cash and bank	I		104.2	103.5
Total Current Assets			**1,778.3**	**1,927.5**
Total Assets			**3,666.9**	**3,824.0**

Items designated ” I ” comprise interest-bearing net debt

Equity and Liabilities MEUR		Note	31 Mar, 2005	31 Dec, 2003
Capital and reserves attributable to the shareholders of the parent company				
Share capital		22	63.7	63.5
Share premium account			249.5	219.6
Fair value and other reserves			3.1	15.4
Translation differences			-41.0	-37.7
Retained earnings			1,038.0	829.9
Total Shareholders' Equity			**1,313.3**	**1,090.7**
Minority interests			28.3	24.1
Total Equity			**1,341.6**	**1,114.8**
Non-Current Liabilities				
Loans	I	23	226.2	723.5
Deferred tax liabilities		18	32.3	25.5
Employee benefits and other liabilities		24	188.1	185.8
Other non-current liabilities			1.1	0.0
Total Non-Current Liabilities			**447.7**	**934.8**
Provisions		25	**245.8**	**151.9**
Current Liabilities				
Current portion of long-term loans	I	23	95.6	159.7
Other liabilities	I	23	239.2	345.1
Accounts payable			438.9	376.8
Accruals		26	719.3	630.4
Income tax payables			138.8	110.5
Total Current Liabilities			**1,631.8**	**1,622.5**
Total Equity and Liabilities			**3,666.9**	**3,824.0**

Items designated " I " comprise interest-bearing net debt

Consolidated Statement of Changes in Equity

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Retained earnings	Minority interests	Total equity
1 Jan, 2004	63.5	219.6	15.4	-37.7	829.9	24.1	1,114.8
Dividends paid					-125.1		-125.1
Issue of shares	0.2	5.0					5.2
Purchase of own shares					-90.1		-90.1
Sales of own shares		24.9			116.4		141.3
Cash flow hedge			-12.3				-12.3
Translation differences				3.2			3.2
Hedging of foreign subsidiaries				-6.5			-6.5
Change in minority interests						2.7	2.7
Net income for the period					306.9	1.5	308.4
31 Mar, 2005	63.7	249.5	3.1	-41.0	1,038.0	28.3	1,341.6

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Retained earnings	Minority interests	Total equity
1 Jan, 2003	63.5	219.6	13.2	0.0	623.4	20.1	939.8
Dividends paid					-93.7		-93.7
Cash flow hedge			2.2				2.2
Translation differences				-38.9			-38.9
Hedging of foreign subsidiaries				1.2			1.2
Change in minority interests						1.5	1.5
Net income for the period					300.2	2.5	302.7
31 Dec, 2003	63.5	219.6	15.4	-37.7	829.9	24.1	1,114.8

The sales profit of own shares is presented after deducting the related income taxes, the amount of income taxes was EUR 8.8 (0.0) million.

The retained earnings contains non-distributable earnings EUR 16.8 (16.4) million, including the cumulative untaxed reserves less the deferred tax.

Consolidated Statement of Cash Flows

MEUR	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Cash receipt from customers	5,717.6	5,432.3
Cash paid to suppliers and employees	-5,216.2	-4,895.8
Cash Flow from Operations	**501.4**	**536.5**
Interest received	46.3	35.0
Interest paid	-51.5	-74.0
Dividends received	2.9	1.7
Other financial items	-5.1	16.3
Income taxes paid	-223.7	-80.0
Cash Flow from Operating Activities	**270.3**	**435.5**
Capital expenditure	-102.0	-102.4
Proceeds from sales of fixed assets	10.4	18.2
Acquisitions, net of cash	-324.5	-89.0
Proceeds from divested operations, net of cash	617.2	364.8
Cash Flow from Investing Activities	**201.1**	**191.6**
Cash Flow after Investing Activities	**471.4**	**627.1**
Change in current creditors, net	-170.0	-171.1
Proceeds from long-term borrowings	0.6	180.0
Repayments of long-term borrowings	-497.9	-582.1
Purchases of own shares	-90.1	0.0
Sales of own shares	150.1	0.0
Share issue	5.2	0.0
Dividends paid	-125.1	-93.7
Other financing activities	256.5	27.4
Cash Flow from Financing Activities	**-470.7**	**-639.5**
Change in Net Cash	**0.7**	**-12.4**
Cash and bank at the end of period	104.2	103.5
Translation difference	0.0	10.0
Cash and bank in the beginning of period	103.5	125.9
Change in Net Cash	**0.7**	**-12.4**
Reconciliation of Net Income to Cash Flow from Operating Activities		
Net Income	308.4	302.7
Depreciation	113.2	108.1
Gain on divested operations	-187.8	-24.9
Income before Change in Working Capital	**233.8**	**385.9**
Change in receivables	-54.9	41.5
Change in payables	202.2	-63.5
Change in inventories	-110.8	71.6
Cash Flow from Operating Activities	**270.3**	**435.5**

In drawing up the Statement of Cash Flows, the impact of variations in exchange rates has been eliminated by adjusting the beginning balance to reflect the exchange rate prevailing at the time of the closing of the books for the period under review.

Notes on the Consolidated Financial Statements

1. Accounting Principles

Basis of Presentation

The Consolidated Financial Statements of KONE Corporation ("KONE" or "the Group"), a Finnish limited liability company domiciled in Helsinki, have been prepared in accordance with International Financial Reporting Standards (IFRS) observing the standards and interpretations effective on 31 March, 2005. The Group has adopted the revised standards IAS 1, IAS 2, IAS 8, IAS 10, IAS 16, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28 and IAS 33. The Group has also applied IFRS 3 as well as the related revised standards IAS 36, and IAS 38, the application of which was not compulsory during this accounting period. IFRS 2, IFRS 5, IAS 32 (revised in 2003) and IAS 39 (revised in 2003) will be adopted as of 1 April, 2005.

The consolidated financial statements have been prepared for the extraordinary accounting period of 15 months between 1 January, 2004 and 31 March, 2005, due to the corresponding extension of the accounting period of the parent company and Finnish subsidiaries. The accounting period of foreign subsidiaries was the calendar year 2004, hence the Group's Consolidated Financial Statements have been prepared based on the interim financial closings of foreign subsidiaries as of 31 March, 2005. The comparative financial statements have been prepared based on an accounting period of 12 months, between 1 January–31 December, 2003.

The Consolidated Financial Statements are presented in millions of euros and prepared under the historical cost convention except as disclosed below. The First-Time Adoption of IFRS Standards was undertaken according to IFRS 1 using 1 January, 2003 as the transition date. Prior to IFRS adoption, KONE reported its financial performance under the Finnish Accounting Standards (FAS). The most significant exemption applied in the transition in compliance with IFRS 1 was the use of the goodwill values of FAS financial statements in the opening Balance Sheet on the IFRS transition date. The Group used the exemption to recognize all cumulative actuarial gains and losses of defined employee benefit plans and to reclassify the cumulative translation differences for all foreign operations in retained earnings upon the transition date. The effect of adopting IFRS is summarized in the bridge calculations provided with the Consolidated Financial Statements. Comparative figures for 2003 have been restated accordingly.

Consolidation Principles

All intra-corporate transactions have been eliminated in the Consolidated Financial Statements. Intra-corporate shareholdings have been eliminated by deducting the amount of each subsidiary's equity at the time of acquisition from the acquisition cost of its shares.

Subsidiaries

The consolidated accounts include the parent company and those companies in which the parent company held, directly or indirectly, more than 50 percent of the voting power or controls through management agreements with majority shareholders at the end of the accounting period. Subsidiaries acquired during the period were included in the Consolidated Financial Statements from the date of acquisition, and divested subsidiaries up to the date of sale. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. Acquisition costs are allocated as assets and liabilities on the basis of fair value. The excess cost of an acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see "Goodwill and Other Intangible Assets").

Associated Companies

An associated company is a company in which the Group holds 20–50 percent of the voting power and has a participating interest of at least 20 percent or in which the Group has considerable influence. Investments in associated companies were accounted for in the Consolidated Financial Statements under the equity method. KONE's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item and its investments in the associated companies upon the date of acquisition, adjusted for changes in the associated companies' equity after the date of acquisition, are shown in the Balance Sheet under "Investments in Associated Companies".

Minority Share

Minority interests are disclosed separately under consolidated shareholders' equity and are recorded as a separate deduction on the Consolidated Statement of Income.

Foreign Currency Transactions and Translations

Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the individual transaction. An approximate exchange rate that is close enough to the exchange rate of the transaction date may be used. Foreign currency denominated receivables and liabilities were translated using the exchange rate of the Balance Sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Foreign exchange gains and losses associated with financing are included as a net amount under financial income and expenses.

The Statements of Income of foreign subsidiaries are translated into euros based on the average exchange rate of the accounting period. Balance Sheet items, with the exception of net income for the accounting period, are translated into euros with the Balance Sheet exchange rate. Translation differences are recorded under equity. Exchange rate differences resulting from derivatives and loans designated as hedges on assets and liabilities in foreign subsidiaries have been entered as translation differences under shareholders' equity. Exchange rate differences arising on the translation of the net investments in foreign subsidiaries and associated companies are recorded in translation difference. When a foreign entity is sold, cumulative translation differences are recognized in the Statement of Income as part of the gain or loss on the sale.

Settlement Date Accounting is applied to all financial assets and liabilities.

Derivative Financial Instruments

The Group applies IAS 39, issued in 2000, and hence also hedge accounting for qualifying hedges. Derivative financial instruments are initially recognized in the Balance Sheet at cost and subsequently measured at their fair value on each Balance Sheet date.

When derivative contracts are entered into, the Group designates them as either cash flow hedges for forecast transactions or firm commitments, fair value hedges for loans or deposits in foreign currencies or other Balance Sheet items or as hedges of investments in foreign entities.

Changes in the fair value of hedges qualifying as cash flow hedges that are effective are recognized in equity in the Fair Value and Other Reserves. Cumulative gain or loss of derivatives deferred to equity is transferred to the Statement of Income and classified as revenue or expense for the period when the hedged item affected the Statement of Income. Changes in the fair value of cash flow hedges that no longer qualify for hedge accounting under IAS 39 are recognized as they are incurred in the Statement of Income.

Changes in the fair value of economic hedges for loans and deposits in foreign currencies or other Balance Sheet items are recognized in financing items in the Statement of Income, alongside the change in the valuation of the underlying exposure.

The fair values of FX forward contracts are calculated by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies bought and sold, translating the discounted amounts into the reporting currency using the Balance Sheet date foreign exchange rate and calculating the difference between the discounted amounts. The fair values of foreign currency options are calculated with an option pricing model using exchange rates, interest rate yield curves and volatilities of foreign currencies quoted in the FX market on the Balance Sheet date. The fair values of interest rate swaps and cross currency swaps are determined by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies concerned, translating the discounted amounts into the reporting currency using the Balance Sheet date foreign exchange rate and calculating the difference between the incoming and outgoing discounted amounts.

Segment Reporting

The segment information is presented by business segment in primary segment reporting format and by geographical segment in secondary reporting format. Primary business segments provide products and services subject to risks and returns that are different from those of other business segments. Secondary segments, geographical segments, are the main market areas. These provide products and services within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments. Sales are reported by customer location and assets and capital expenditure by the location of the assets.

Discontinued Operations

A discontinued operation results from a decision, pursuant to a single disposal plan, to divest an operation comprising a separate major line of business for which the assets less liabilities and net financial results may be distinguished physically, operationally and for financial reporting purposes. The pre-tax gain or loss on the disposal of a discontinued operation is shown as a separate item on the Consolidated Statement of Income. Divested operations -segment consist of discontinued operations.

Revenue Recognition

Sale of goods is recognized after KONE has transferred the risks and rewards to the customer, and KONE retains neither a continuing right to dispose of the goods, nor effective control of the goods. The main rule is that revenue is recorded when goods have been handed over to the customer in accordance with the agreed contractual terms.

Revenues from separately defined, long-term major projects are recorded as sales under the percentage of completion method. The percentage of completion is defined as the proportion of individual contract cost incurred to date from the total estimated contract costs. Expected contract losses are recognized as they are incurred. Revenues from repairs are recognized when the work has been carried out. Revenues from services are recognized when the services have been rendered

Research and Development Costs

Research and development costs are expensed as they are incurred as future economic benefits of new products can only be proven after their successful introduction to the market.

Income Tax

The Group tax expense includes taxes of Group companies based on taxable income for the period, together with tax adjustments for previous periods and the change of deferred taxes. Deferred taxes are provided using the liability method for temporary differences arising between the tax basis of assets and liabilities and their book values in financial reporting, and measured with enacted tax rates. The principal temporary differences arise from defined benefit plans, provisions, inter-company inventory profits, untaxed reserves and tax losses carried forward. Tax losses carried forward are recognized only to the extent that it is probable that future taxable profits will be available, against which unused tax losses can be used. Only deferred tax assets that seem certain to be realized are recognized. Deferred taxes are not provided for goodwill that is not deductible for tax purposes.

Goodwill and Other Intangible Assets

Acquisitions of companies are accounted for using the purchase method of accounting. Goodwill represents the excess of purchase cost over the fair value of assets and liabilities of acquired companies. Goodwill represents the value of business and market share acquired. Goodwill is not amortized but impairment tested (see impairment of assets below).

In connection with the KONE Elevators & Escalators business' minor acquisitions, typically acquisitions of small elevator and door service companies, the excess of purchase cost over the fair value of the net identifiable assets is allocated to the acquired maintenance contracts with the estimated useful lifetime and included in intangible assets with a definite lifetime. They are amortized on a straight-line basis over the expected useful lifetime, typically five years.

Expenditure on acquired patents, trademarks and licenses, including acquired software licenses, is included in other intangible assets and capitalized and amortized using the straight-line method over their useful lives, but not exceeding five years. Where an indication of impairment exists, the book value of any intangible asset is impairment tested (see impairment of assets below).

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses (see impairment of assets below). Depreciation is recorded on a straight-line basis over the economic useful lives of the assets as follows:

Buildings	5–40 years
Machinery and equipment	4–10 years

Land is not depreciated.

Impairment of Assets

The book values of non-current tangible assets and other intangible assets are reviewed upon each Balance Sheet date to determine whether there is any indication of impairment, or more frequently should any indication arise. If any such an indication arises, the recoverable amount is estimated as the higher of the net selling price and the value in use. An impairment loss is recognized in the Statement of Income whenever the book value exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to an extent higher than the book value that would have been determined had no impairment loss been recognized in prior years.

The Group assesses the book value of goodwill annually or more frequently if any indication of impairment exists. Goodwill is allocated to the cash generating units (CGUs) of the Group, identified according to the country of operation and business unit at the level at which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value based on the weighted average cost of capital prevailing in KONE for the main currency area in the location of the cash generating unit (country or business area). The weighted average cost of capital reflects the average, long-term financial structure prevailing in KONE and the shareholder risk premium. An impairment loss of goodwill is never reversed.

Leases

KONE has entered into various operating leases under which payments are treated as rentals and charged to the Statement of Income on a straight-line basis over the leasing term. Leases of plant and equipment where KONE fundamentally bears all the rewards and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased equipment and the estimated present value of the underlying lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Plant and equipment acquired under finance leasing contracts are depreciated over the lesser of the useful life of the asset and lease period.

Customer Finance

Customer finance arrangements are used in different customer segments, distribution channels and geographical markets. For these arrangements KONE, especially Kone Cargotec, is involved in arranging financing for the customer and/or the dealer. Customer finance contracts can either be operating or finance lease contracts, hire purchase contracts or loans with similar features. In operating lease agreements, the end customer has the sole right to use the equipment. In finance lease agreements, the risks and rewards of ownership are transferred to the end customer in practice, even if legal title remains with the financing partner. Revenue recognition and Balance Sheet treatment of sales transactions that include end customer or dealer financing depend on the substance of the transaction.

Inventories
Inventories are valued at the lowest of cost and net realizable value. Cost is determined on a first in first out (FIFO) basis. Raw materials and supplies, however, are valued at standard cost. Semi-manufactures have been valued at variable production costs. Work in progress includes direct labor and material costs as of the Balance Sheet date with a proportion of indirect costs related to manufacturing and installation costs of sales orders included in work in progress. An allowance is recorded for obsolete items. Inventories are presented in the Balance Sheet as a gross amount, however, the advance payments received from customers for the orders in work in progress are presented in current assets.

Receivables and Other Current Assets
Accounts receivable are initially measured at cost. Subsequently, an estimate is made for doubtful accounts based on an analysis of potential credit loss risk. Bad debts are written off when identified.

Loans Receivable
Loans receivable originated by the Group with a fixed maturity are measured at amortized cost using the effective interest method and those that do not have a fixed maturity are measured at cost. Loans receivable are impaired if the book value is greater than the estimated recoverable amount.

Financial Assets
Deposits at banks are classified as financial assets held to maturity. Commercial papers, bonds and other comparable financial assets are measured at fair values. These fair values are based on market quotations or the net present value calculations of the future cash flows of the assets. Changes in the fair values of available-for-sale financial assets are recognized in equity through the statement of changes in equity until the item is sold, collected, otherwise disposed or impaired, at which time the cumulative gain or loss recognized in equity is included in the Statement of Income for the period. Non-current available-for-sale investments are recognized at cost as they include unlisted shares for which fair value cannot be measured reliably.

Shares
Share investments are valued at fair values, and change in fair values and exchange gains and losses of designated hedging instruments are recognized in the Statement of Income. Investments in shares are measured at cost when fair values are not available.

Cash and Bank
Cash and cash equivalents include cash balances and short-term deposits with banks. Bank overdrafts are included in other current liabilities.

Post-Employment Benefits
The Group operates various employee benefit plans in accordance with local conditions and practices, the assets of which are generally held in separate insurance companies or trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant KONE companies, taking into account the recommendations of independent qualified actuaries. Contributions to the defined contribution plans are charged directly to the Statement of Income in the year to which these contributions relate.

The liability of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets together with adjustments for unrecognized actuarial gains or losses. For defined benefit plans, pension cost is determined based on the advice of qualified actuaries who carry out a full valuation of the plan on a regular basis using the projected unit credit method. Under this method, the costs of providing pensions are charged to the Statement of Income so as to spread the regular costs over the working lives of employees. Actuarial gains and losses are recognized in the Statement of Income for the employees' average remaining working lives to the extent that they exceed the greater of 10 percent of the defined benefit obligation or 10 percent of the fair value of plan assets. Obligations to pay long-term disability benefit, whose level is dependent on the length of service of the employee, are measured to reflect the probability that payment will be required and the length of service for which payment is expected to be made.

Provisions
Provisions are recognized when KONE has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for warranties cover the estimated liability to repair or replace products still under warranty on the Balance Sheet date. This provision is calculated based on historical experience of levels of repair and replacements. Obligations arising from restructuring plans are recognized only when the detailed and formal plans have been established, when there is a valid expectation that such a plan will be carried out and the plan has been communicated.

Loans Payable
Loans payable are initially recognized at cost. Costs directly attributable to the issuing of the debt are deducted from the amount of loan payable and initially recognized. Interest expenses are accrued and recorded in the Statement of Income over the period of the loan payable using the effective interest rate method.

Equity and Share Based Compensation

When the Group purchases KONE Corporation's own shares, the consideration paid and directly attributable costs are recognized as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

The granted stock option program allows certain key employees of the Group to subscribe KONE Corporation's shares. No compensation cost or obligation is recognized for the stock option program. When the options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium fund. IFRS 2, which will be applied for the accounting period commencing 1 April, 2005, may have an effect on the said recognition principle.

2. Financial Risk Management

KONE business activities are exposed to financial risks such as currency risks, interest rate risks, refinancing and liquidity risks, commodity risks, energy price risks, counterparty risks and operative credit risks. KONE Group Treasury function manages financial risks centrally according to limits set in the Group Treasury Policy approved by the Treasury Committee, which are based on the main principles for risk management determined by the Board. The derivative instruments used and their nominal values on 31 March, 2005 appear in note 28.

Currency Risks

KONE operates internationally and is, thus, exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases (transaction risk) in foreign subsidiaries (translation risk).

The policy of the Group is to fully hedge the initial transaction exposure. This means that the effect of foreign exchange rate changes on the margin of already contracted and highly probable business deals is eliminated while also giving the business time to react and adapt to changes in the exchange rate levels.

The initial exposure is managed in the business units by taking in the account the foreign exchange risk considerations when deciding on the currencies used in export/import pricing and invoicing and by using currency clauses in tenders. The Group companies hedge their exposures with internal forward contracts and report monthly their transaction risk position to the Group Treasury. Binding contracts are hedged for the whole contract period and estimated sales or purchases for the period of 6 to 9 months. Large tenders are hedged on basis of option strategies. The Group Treasury is responsible for managing the Group's currency risks externally.

Hedge accounting is applied to cash flow hedges of firm contracts and estimated quarterly cash flows of highly probable purchases or sales. The instruments used for cash flow hedging are FX forward contracts. The majority of the hedged cash flows are denominated in SEK, USD, GBP, SGD and AUD and they are expected to be realized within one year. A few longer-term projects are estimated to be realized within two to four years.

The policy regarding translation risks is to hedge the balance sheet structure in such a way that changes in exchange rates have a neutral impact on KONE's gearing. Balance sheet structure in foreign entities is hedged by using cross-currency swaps and loans denominated in foreign currencies.

Interest-rate Risks

Changes in interest rates on interest-bearing receivables and debts in different currencies create interest-rate risks. These risks are managed by adjusting the duration of debt to the targeted level through different combinations of fixed and floating interest in the debt portfolio and various interest-rate derivatives.

Commodity Derivatives and Energy Price Risks

The group uses electricity derivatives to hedge risk in electricity price development. These instruments are classified as economic hedges.

Refinancing and Liquidity Risks

In order to minimize funding and liquidity risks and to cover estimated financing needs, KONE has committed 5–7 years bilateral undrawn credit facilities.

Interest-bearing net debt fell as a result of divestments and strong cash flow from operations. The long-term loan repayment schedule can be found in note 23.

Counterparty Risks

KONE only approves counterparties with high creditworthiness when investing liquid assets. Derivative contracts are made exclusively with leading banks and credit institutions.

Operative Credit Risks

Group's customer base consists of a large number of customers in all market areas. Measures to reduce credit risks include advance and progress payments, documentary credits and guarantees. Some customer credit risks have been shared with financing partners as described in Accounting Principles under Customer Finance. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for the Group.

3. Segment Information

The segment information is presented by business segments in primary segment reporting format and by geographical segment in secondary segment reporting format.

The primary business segments based on the internal reporting and management structure are KONE Elevators & Escalators and Kone Cargotec. KONE Elevators & Escalators sells, manufactures, installs, maintains and modernizes elevators and escalators and services automatic building doors. Kone Cargotec comprises three globally leading businesses: Kalmar provides container and heavy industrial handling solutions and services. Hiab provides on-road load-handling equipment and services and MacGREGOR, which joined the company on 31 March, 2005, provides marine cargo-flow solutions and services.

Segment Others includes the non-core businesses. The Divested operations -segment includes the business operations sold during the reported periods including the pre-tax gain on these disposals.

Geographical segments are the main market areas. Sales is reported by customer location and assets and capital expenditure by the location of the assets.

The accounting policies of the reportable segments are described in Note 1.

3.1. Business Segments

Sales, operating income & share of associated companies' net income

1 Jan, 2004– 31 Mar, 2005	KONE Elevators & Escalators	Kone Cargotec	Divested operations	Others	Eliminations	Non allocated	KONE Corporation total
Sales, external	3,516.3	2,045.6	-	-	-	-	5,561.9
Sales, internal	-	-	-	-	-	-	-
Total sales	3,516.3	2,045.6	-	-	-	-	5,561.9
Operating income	208.2	149.4	187.8	-1.1	-	-13.9	530.4
Share of associated companies' net income	1.8	0.4	-	1.5	-	-	3.7
Financing items & taxes						-225.7	-225.7
Net income							308.4

1 Jan, 2003– 1 Dec, 2003	KONE Elevators & Escalators	Kone Cargotec	Divested operations	Others	Eliminations	Non allocated	KONE Corporation total
Sales, external	2,856.0	1,356.0	1,196.9	1.5	-	-	5,410.4
Sales, internal	-	8.4	3.8	0.7	-12.9	-	0.0
Total sales	2,856.0	1,364.4	1,200.7	2.2	-12.9	-	5,410.4
Operating income	289.6	76.7	83.8	0.4	-	-13.5	437.0
Share of associated companies' net income	1.6	-	-0.1	5.2	-	-	6.7
Financing items & taxes						-141.0	-141.0
Net income							302.7

Capital expenditure* & depreciation, amortization and impairment

1 Jan, 2004– 31 Mar, 2005	Capital expenditure	Depreciation and amortization	Impairment
KONE Elevators & Escalators	184.0	72.8	-
Kone Cargotec	232.6	40.1	-
Divested operations	-	-	-
Others	-	0.3	-
Total	416.6	113.2	-

1 Jan, 2003– 31 Dec, 2003	Capital expenditure	Depreciation and amortization	Impairment
KONE Elevators & Escalators	100.4	56.6	-
Kone Cargotec	30.5	34.4	-
Divested operations	31.4	17.1	-
Others	-	-	-
Total	162.3	108.1	-

* Capital expenditure on property, plant and equipment and on intangible assets including additions resulting from acquisitions through business combinations

Segment assets and liabilities

31 Mar, 2005	KONE Elevators & Escalators	Kone Cargotec	Divested operations	Others**	Eliminations	Non allocated	KONE Corporation total
Segment assets excluding fixed assets	792.6	729.1	-	7.7	-3.8	-	1,525.6
Segment liabilities	1,039.0	517.4	-	21.1	-3.8	4.5	1,578.2
Working capital	-246.4	211.7	-	-13.4	0.0	-4.5	-52.6
Fixed assets *	914.8	673.7	-	65.4	-0.5	-	1,653.4
Assets employed	668.4	885.4	-	52.0	-0.5	-4.5	1,600.8
* Of which investments in associated companies	22.3	1.4	-	62.7	-	-	86.4

31 Dec, 2003	KONE Elevators & Escalators	Kone Cargotec	Divested operations	Others**	Eliminations	Non allocated	KONE Corporation total
Segment assets excluding fixed assets	639.4	477.3	264.6	12.2	-7.0	-1.7	1,384.8
Segment liabilities	823.6	279.7	158.3	33.7	-7.0	26.4	1,314.7
Working capital	-184.2	197.6	106.3	-21.5	0.0	-28.1	70.1
Fixed assets *	785.7	534.1	316.3	56.1	-	-	1,692.2
Assets employed	601.5	731.7	422.6	34.6	0.0	-28.1	1,762.3
* Of which investments in associated companies	13.4	0.6	4.4	51.4	-	-	69.8

** Includes the non-core businesses

Reconciliation of assets employed to total assets

	31 Mar, 2005	31 Dec, 2003
Assets employed	1,600.8	1,762.3
Segment liabilities	1,578.2	1,314.7
Interest bearing receivables	225.8	481.6
Tax receivables	245.6	202.1
Other receivables *	16.5	63.3
Total assets	3,666.9	3,824.0

* Includes derivative receivables and deferred interests

Reconciliation of segment liabilities to total liabilities

	31 Mar, 2005	31 Dec, 2003
Equity	1,341.6	1,114.8
Segment liabilities	1,578.2	1,314.7
Interest bearing liabilities	561.0	1,228.3
Tax liabilities	171.1	136.0
Other liabilities *	15.0	30.2
Total equity and liabilities	3,666.9	3,824.0

* Includes derivative liabilities and accrued interests

3.2 Geographical Segments

Sales

KONE Corporation	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
EMEA	3,513.3	3,507.1
Americas	1,349.0	1,394.1
Asia-Pacific	699.6	509.2
Total	5,561.9	5,410.4

KONE Elevators & Escalators	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
EMEA	2,312.7	1,859.0
Americas	767.4	681.7
Asia-Pacific	436.2	315.3
Total	3,516.3	2,856.0

Kone Cargotec	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
EMEA	1,200.6	772.7
Americas	581.6	445.4
Asia-Pacific	263.4	146.3
Total	2,045.6	1,364.4

Assets employed

	31 Mar, 2005	31 Dec, 2003
EMEA	778.0	885.4
Americas	220.0	260.1
Asia-Pacific	167.8	147.1
Unallocated & Eliminations *	435.0	469.7
Total assets employed	1,600.8	1,762.3

* Includes the goodwill in Kone Cargotec and divested operations, which is not allocated to geographical segments.

Capital expenditure*

	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
EMEA	205.4	121.2
Americas	32.7	34.5
Asia-Pacific	23.6	6.6
Unallocated	154.9	-
Total	416.6	162.3

* Capital expenditure on property, plant and equipment and on intangible assets, including additions resulting from acquisitions through business combinations

3.3 Other Segment Information

	Orders received		Order book	
	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003	31 Mar, 2005	31 Dec, 2003
KONE Elevators & Escalators	2,705.9	2,021.0	2,023.1	1,639.6
Kone Cargotec	2,423.0	1,481.5	1,311.9	473.6
Divested operations	-	1,067.5	-	83.0
Eliminations	-	-11.6	-	-
Total	5,128.9	4,558.4	3,335.0	2,196.2

Number of employees

	31 Mar, 2005	31 Dec, 2003
KONE Elevators & Escalators	25,593	23,664
Kone Cargotec	7,335	6,377
Divested operations	-	3,177
KONE Corporation group administration	93	87
Total	33,021	33,305

Average number of employees

	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
KONE Elevators & Escalators	24,427	23,488
Kone Cargotec	6,461	6,701
Divested operations	-	4,212
KONE Corporation group administration	88	88
Total	30,976	34,489

Number of employees

	31 Mar, 2005	31 Dec, 2003
EMEA	21,203	23,279
Americas	6,049	6,550
Asia-Pacific	5,769	3,476
Total	33,021	33,305

4. Acquisitions, Divested Operations and Disposal

4.1 Acquisitions

KONE Elevators & Escalators

KONE continued to pursue an aggressive acquisition policy during the financial periods. Most of the acquisitions were companies specializing in elevator, escalator and automatic building door service. The acquisitions are individually immaterial to KONE's financial statements. The fair values of the asset and liability items booked on the acquisitions did not differ materially from the book values prior to the business combinations.

During 1 January, 2004–31 March, 2005 KONE made major acquisitions for a total consideration of EUR 91.5 million and an increase in goodwill EUR 73.9 million. Among the major acquisitions were Bharat Bijlee Ltd. (India), Soolim Elevator Company (South Korea), Door Systems Inc. (U.S.A.), Lödige Service Management GmbH (Germany), Overhead Doors Pty Ltd (Australia), Isalp S.A.S. (France), U.K. Lift Company Ltd (Great Britain) and five companies in Spain. The marine elevator business of MacGREGOR International AB, acquired by Kone Cargotec, was transferred to KONE Elevators and Escalators. The Group also acquired majority shares in companies in Ireland and Greece, that were previously associated companies. The above mentioned acquisitions have been summarized in the following table. KONE acquired a controlling interest in Thai Lift Industries Public Company Limited, which is listed on the Stock Exchange of Thailand, and made a public offer to acquire all its outstanding shares. Previously KONE held 10 percent of its shares. This acquisition is presented in Note 15 Shares due to the transaction not being finalized on the Balance Sheet date. The shares in real estate company KONE Building were acquired in the beginning of 2005 and it is presented in Note 13 Property, plant and equipment under companies acquired, land and buildings.

In 2003, among the major acquisitions for a total consideration of EUR 53.1 million were Lift Service KM S.A. (Switzerland), ATS Ascenseurs S.A. (France), Peters Aufzüge GmbH (Germany), Block Elevator Co. (U.S.A.), Baxter & Sons Elevator, Inc. (U.S.A.) and Staley Elevator Co. (U.S.A.). These acquisitions have been summarized in the following table.

Assets and liabilities of the acquired companies:

	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Intangible assets	0.1	0.1
Tangible assets	3.0	0.6
Inventories	15.7	2.0
Accounts receivables	26.5	2.7
Cash and bank	8.9	3.8
Total assets	54.2	9.2
Pension liabilities	0.2	0.0
Interest-bearing loans	4.2	0.0
Provisions	1.6	0.2
Other liabilities	30.6	4.8
Total liabilities	36.6	5.0
Net assets	17.6	4.2
Acquisition cost	91.5	53.1
Goodwill	73.9	48.9

Kone Cargotec

During 1 January, 2004–31 March, 2005 Kone Cargotec made one major acquisition. On 2 December, 2004 Kone Cargotec agreed to purchase the entire share capital in global marine cargo-flow solution and service provider MacGREGOR International AB. The transaction was closed on 4 March, 2005 and MacGREGOR has been consolidated to the group from 31 March, 2005. The initial accounting for MacGREGOR was determined only provisionally as the fair values to be assigned to the assets, liabilities and contingent liabilities and the cost of the combination were being determined at the time of the preparation of these financial statements. The summary of the intial accounting for the acquisition is presented in the table below. The consolidated sales of Kone Cargotec would have been increased with EUR 412 million if the MacGREGOR had been consolidated from the beginning of the accounting period.

Other acquisitions during the accounting period include Peinemann Kalmar CV and Peinemann Kalmar BV, which were previously Kone Cargotec's associated companies, and BIA NV's Material Handling Equipment Division.

In 2003, Kone Cargotec made no major acquisitions.

Assets and liabilities of the acquired companies:

1 Jan, 2004–31 Mar, 2005	MacGREGOR	Other acquisitions
Goodwill	82.1	0.0
Intangible assets	1.1	0.0
Tangible assets	24.1	16.9
Inventories	24.2	1.1
Other receivables	81.1	4.7
Cash and bank	18.8	0.0
Total assets	231.4	22.7
Pension liabilities	16.7	0.0
Interest-bearing loans	58.0	9.7
Provisions	16.6	0.0
Other liabilities	90.0	7.6
Total liabilities	181.3	17.3
Minority interests	1.2	-
Net assets	48.9	5.4
Acquisition cost	115.7	13.6
Goodwill total	148.9	8.2

Acquired goodwill has been revaluated and reallocated when measuring total goodwill.

4.2 Divested Operations

The divestment of the Tractors and Forest Machines businesses and that of Partek's non-core businesses and assets are presented as divested operations. The pre-tax gain on disposal of divested operations after deducting transaction costs is shown as a separate item in the consolidated income statement and discontinued operations are presented as a separate segment in the segment information.

Forest machines operations was sold to Komatsu Ltd. of Japan on 31 December, 2003. The enterprise value of the transaction was EUR 120 million. Net assets sold totaled EUR 53.4 million.

Tractor operations was sold to the U.S. based AGCO Corporation on 5 January, 2004. The transaction price was EUR 600 million. Net assets sold totaled EUR 344.2 million.

Divestments of Partek's non-core businesses and assets include Oy Sisu Auto Ab (closed beginning of 2004), Cellit Oy Ab (closed end of March 2003) and holdings in Polar Kiinteistöt Oyj (closed October 2003). These transactions did not significantly affect KONE's result.

Total pre-tax profit from the sale of divested operations came to EUR 187.8 (24.9) million. Proceeds from the disposal of divested operations in the consolidated cash flow statement was EUR 617.2 (364.8) million.

Consolidated statement of income contains the following amounts related to divested operations:

	1 Jan, 2003–31 Dec, 2003
Sales	1,200.7
Costs, expenses and depreciation	-1,141.8
Operating income	58.9
Share of associated companies' net income	-0.1
Financing income and expenses	-4.5
Income before taxes	54.3
Taxes	-15.7
Net income	38.6

Assets and liabilities as of 31 December, 2003 contain following amounts related to divested operations:

	31 Dec, 2003
Total assets	725.0
Total liabilities	366.9
Net assets	358.1

Divested operations as of 1 January–31 December, 2003 generated EUR 60.4 million in cash flow from operations before financial items and taxes and EUR -23.5 million in cash flow from investing activities.

Divestments of Nordkalk Corporation and Paroc Group Oy Ab were finalized at the beginning of the year 2003 and thus the disposals have a material impact only on the consolidated statement of cash flows. Cash flow from investing activities of 2003 includes EUR 244.7 million from these disposals.

4.3 Disposals

KONE Elevators & Escalators

In KONE Elevators & Escalators all the disposals were immaterial during the financial periods.

Kone Cargotec

Disposals during 1 January, 2004–31 March, 2005 include Velsa Inc and Finmec AS, and during 2003 Nummi Oy Ab and Nummi Cylinder AB. Total disposal consideration EUR 39.7 (3.9) million was received in cash. The net assets disposed totaled EUR 37.7 (2.5) million.

5. Percentage of Completion Method

The effect of the percentage of completion method on the amount of sales was EUR 81.7 (48.7) million for the period. The balance sheet includes EUR 46.4 (5.7) million in unbilled contract revenue due to the percentage of completion method for long-term contracts in progress on the balance sheet date.

6. Costs and Expenses

		1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Change of work in progress		-162.1	11.3
Materials, supplies and external services		2,397.8	2,355.0
Wages and other salaries		1,286.6	1,169.7
Pension costs		103.1	102.4
Other statutory employer expenses		467.2	324.2
Other expenses		1,094.2	973.4
Other income		-80.7	-45.8
Depreciation and amortization	(Note 7)	113.2	108.1
Impairment charges		-	-
Total		5,219.3	4,998.3

R&D costs included in total costs	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
KONE Elevators & Escalators	51.8	40.5
Kone Cargotec	32.3	25.1
Divested operations	-	22.8
Total	84.1	88.4
as percentage of sales	1.5	1.6

The change in the provision for doubtful accounts included in costs was EUR 17.3 (11.1) million.

7. Depreciation and Amortization

	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Other intangible assets		
Maintenance contracts	13.7	8.2
Other	11.0	12.1
Buildings	13.6	14.5
Machinery and equipment	74.9	73.3
Total	113.2	108.1

8. Financing Income and Expenses

	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Dividend income	2.9	1.7
Interest income	31.7	32.8
Other financing income	0.5	0.8
Change in fair value of interest rate swaps	2.6	2.6
Interest expenses	-43.4	-66.1
Other financing expenses	-7.6	-7.5
Exchange rate differences	-0.7	7.9
Total	-14.0	-27.8

Exchange rate differences arising from the effective hedging of sales and material purchases by FX derivatives are recognized in operating income as a correction to sales and material purchases. The net exchange rate gain amounted to EUR 10.3 million.

9. Income Taxes

Taxes in Statement of Income	1 Jan,2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Current year tax expense	227.1	118.3
Change in deferred tax assets and liabilities	-10.6	-0.9
Tax expense for previous years	3.4	4.6
Tax credit on dividends	-4.5	-8.8
Other/taxes from associated companies	-3.7	0.0
Income taxes in the Statement of Income	211.7	113.2

Reconciliation of income before taxes with total income taxes in the Statement of Income	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Income before taxes	520.1	415.9
Tax calculated at the domestic corporation tax rate	135.2	120.6
Effect of different tax rates in foreign subsidiares	18.9	2.0
Permanent differences	64.1	-3.0
Previous years taxes	3.4	4.6
Tax credit on dividends	-4.5	-8.8
Utilization of unrecorded carry forward tax losses	-8.3	-13.9
Depreciation	-0.9	-1.2
Provisions	-0.1	4.4
Other items	3.9	8.5
Total	211.7	113.2
Effective tax rate	40.7%	27.2%

10. Earnings per Share

Basic earnings per share are calculated by dividing the Net income of the Group by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares for the effect of all dilutive potential shares. The Group has only one category of dilutive potential shares, i.e. share options.

	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Weighted average number of shares (1,000 pcs)	62,013	62,630
Basic earnings per share, from continuing operations, EUR	3.75	3.98
Weighted average number of shares, dilution adjusted (1,000 pcs)	62,443	62,987
Diluted earnings per share, from continuing operations, EUR	3.72	3.96
Basic earnings per share, from divested operations, EUR	1.20	0.81
Diluted earnings per share, from divested operations, EUR	1.20	0.81

11. Goodwill

Goodwill is impairment tested annually or more frequently if there is any indication that the current asset value is not recoverable.

In connection with minor acquisitions in KONE Elevators & Escalators business, the excess of the purchase cost over the fair value of the net identifiable assets is allocated to the acquired maintenance contracts with the estimated useful lifetime and therefore these excess values are treated as intangible assets with definite lifetime.They are amortized on a straight-line basis over their expected useful lifetimes, typically in five years.

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the country of the operation and business unit at the level at which the goodwill is monitored for internal management purposes. In KONE Elevators & Escalators, this level is country consolidation and in Kone Cargotec it is by business area. A segment-level summary of the goodwill allocation is presented below (carrying amounts):

KONE Elevators & Escalators	31 Mar, 2005	31 Dec, 2003
EMEA	302.8	245.3
Americas	121.7	115.0
Asia-Pasific	32.0	18.7
Total	456.5	379.0

Kone Cargotec	31 Mar, 2005	31 Dec, 2003
Kalmar	167.7	190.6
Hiab	164.1	165.2
MacGREGOR	148.9	-
Total	480.7	355.8

	31 Mar, 2005	31 Dec, 2003
Divested operations	-	220.3

Kone Corporation	31 Mar, 2005	31 Dec, 2003
Total	937.2	955.1

The value-in-use calculations use cash flow projections based on financial estimates approved by the management covering a three year period. Cash flows beyond the three year period are extrapolated by using the estimated growth rate of zero. Based on these calculations no impairment loss needs to be recognized. Discount rates used in calculations:

KONE Elevators &	EMEA	Americas	Asia-Pacific
Escalators	5.82%	7.50%	8.40%
	Kalmar	Hiab	MacGREGOR
Kone Cargotec	7.79%	7.79%	7.79%

Goodwill	31 Mar, 2005	31 Dec, 2003
Opening net book value	955.1	1,027.4
Translation difference	-3.8	-27.1
Increase	1.7	0.2
Decrease	-2.7	-6.0
Reclassifications	5.9	-
Companies acquired	231.0	48.9
Companies sold	-250.0	-88.3
Impairment charges	-	-
Closing net book value	937.2	955.1

12. Other Intangible Assets

1 Jan, 2004–31 Mar, 2005	Maintenance contracts	Other	Total
1 Jan, 2004:			
Acquisition cost	66.5	105.7	172.2
Accumulated amortization and impairment	-37.7	-70.8	-108.5
Net book value	28.8	34.9	63.7
Opening net book value	28.8	34.9	63.7
Translation difference	1.1	0.0	1.1
Increase	6.2	4.5	10.7
Decrease	-2.1	-1.7	-3.8
Reclassifications	-5.9	-	-5.9
Companies acquired	24.3	1.2	25.5
Companies sold	-1.9	-2.2	-4.1
Amortization	-13.7	-11.0	-24.7
Impairment charges	-	-	-
Closing net book value	36.8	25.7	62.5
31 Mar, 2005:			
Acquisition cost	88.2	107.0	195.2
Accumulated amortization and impairment	-51.4	-81.3	-132.7
Net book value	36.8	25.7	62.5

1 Jan, 2003–31 Dec, 2003	Maintenance contracts	Other	Total
1 Jan, 2003:			
Acquisition cost	57.1	116.9	174.0
Accumulated amortization and impairment	-29.5	-59.8	-89.3
Net book value	27.6	57.1	84.7
Opening net book value	27.6	57.1	84.7
Translation difference	-0.6	-2.5	-3.1
Increase	0.0	7.3	7.3
Decrease	-0.2	-8.0	-8.2
Reclassifications	-	-	-
Companies acquired	10.2	0.1	10.3
Companies sold	0.0	-7.0	-7.0
Amortization	-8.2	-12.1	-20.3
Impairment charges	-	-	-
Closing net book value	28.8	34.9	63.7
31 Dec, 2003:			
Acquisition cost	66.5	105.7	172.2
Accumulated amortization and impairment	-37.7	-70.8	-108.5
Net book value	28.8	34.9	63.7

Maintenance Contracts

In KONE Elevators & Escalators most acquisitions are elevator, escalator and automatic door service businesses. These businesses are based on firm contractual commitments with customers to service and maintain the said equipment. The value of these contracts is usually not included in the Balance Sheet of the acquired business prior to the acquisition. For the acquisition, goodwill is calculated as disclosed in the Accounting Principles and it represents the fair value of the acquired maintenance contracts, market share and business. When the object of the acquisition is mainly the maintenance contract portfolio and when the value of goodwill is insignificant it is allocated to intangible assets with a finite useful lifetime. It is amortized over five years on a straight line basis.

Others

Externally acquired intangible assets, e.g. patents, trademarks and licences, including software licenses, amortized using the straight line method over their useful lives not exceeding five years.

13. Property, Plant and Equipment

13.1 Property, Plant and Equipment, Total

1 Jan, 2004–31 Mar, 2005	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
1 Jan, 2004:						
Acquisition cost	27.7	291.3	709.3	6.4	6.6	1,041.3
Accumulated depreciation	-1.3	-117.7	-477.5	0.0	0.0	-596.5
Net book value	26.4	173.6	231.8	6.4	6.6	444.8
Opening net book value	26.4	173.6	231.8	6.4	6.6	444.8
Translation difference	0.0	-0.4	-0.9	0.0	0.0	-1.3
Increase	1.6	12.2	84.1	13.5	4.7	116.1
Decrease	-0.5	-1.6	-18.5	-3.1	-4.4	-28.1
Reclassifications	0.0	3.3	2.6	-6.1	-0.1	-0.3
Companies acquired	5.3	22.0	22.9	0.0	0.0	50.2
Companies sold	-1.6	-35.3	-50.7	-4.6	-0.6	-92.8
Depreciation	-	-13.6	-74.9	0.0	0.0	-88.5
Impairment charges	-	-	-	-	-	-
Closing net book value	31.2	160.2	196.4	6.1	6.2	400.1
31 Mar, 2005:						
Acquisition cost	32.5	285.9	731.6	6.1	6.2	1,062.3
Accumulated depreciation	-1.3	-125.7	-535.2	0.0	0.0	-662.2
Net book value	31.2	160.2	196.4	6.1	6.2	400.1

1 Jan, 2003–31 Dec, 2003	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
1 Jan, 2003:						
Acquisition cost	103.9	351.4	764.5	21.2	0.9	1,241.9
Accumulated depreciation	-4.8	-106.2	-414.4	0.0	0.0	-525.4
Net book value	99.1	245.2	350.1	21.2	0.9	716.5
Opening net book value	99.1	245.2	350.1	21.2	0.9	716.5
Translation difference	-4.2	-11.2	-19.0	-0.1	0.0	-34.5
Increase	1.5	12.1	92.9	16.1	8.5	131.1
Decrease	-1.3	-9.1	-24.5	0.0	-0.1	-35.0
Reclassifications	0.0	5.7	18.2	-21.4	-2.4	0.1
Companies acquired	0.0	0.0	0.6	0.0	0.0	0.6
Companies sold	-68.7	-54.6	-113.2	-9.4	-0.3	-246.2
Depreciation	0.0	-14.5	-73.3	0.0	0.0	-87.8
Impairment charges	-	-	-	-	-	-
Closing net book value	26.4	173.6	231.8	6.4	6.6	444.8
31 Dec, 2003:						
Acquisition cost	27.7	291.3	709.3	6.4	6.6	1,041.3
Accumulated depreciation	-1.3	-117.7	-477.5	0.0	0.0	-596.5
Net book value	26.4	173.6	231.8	6.4	6.6	444.8

KONE Elevators & Escalators

During the period of 1 Jan, 2004–31 March, 2005 capital expenditure in production facilities, customer service of sales and maintenance operations and information systems including new finance lease agreements, totaled EUR 59.9 (40.5) million. In recent years the major investment target has been information systems as production and maintenance have been streamlined and harmonized. Principal capital expenditure in production facilities: The elevator component plant in the Czech Republic began operating in December 2004, for which the total capital expenditure amounted to approximately EUR 8 million. New production facilities were acquired and old ones sold at the Slimpa production unit in Italy. The production of electrification components for standard elevators will be concentrated in this unit, and the total capital expenditure was approximately EUR 6 million. The expansion of the escalator plant in China, which had reached its final stage by the end of the period is included in fixed assets under construction on 31 March, 2005.

Shares in a real estate company KONE Building were acquired in the beginning of 2005 and it is presented under companies acquired, land and buildings.

In 2003, capital expenditure in production facilities, customer service field operations and information systems including new finance lease agreements totaled EUR 40.5 million. Investments in production facility machinery and information systems accounted for the major part of the capital expenditure.

Kone Cargotec

During the period of 1 Jan, 2004–31 March, 2005 capital expenditure including new finance lease agreements totalled EUR 28.3 (23.6) million and customer financing agreements EUR 21.3 (6.9) million.

In addition to replacement investment the main focus has been investments, which increase the flexibility and efficiency of assembling.

13.2 Property, Plant and Equipment, Leased for Own Use

Property, plant and equipment include capitalized finance leases as follows:

1 Jan, 2004–31 Mar, 2005	Buildings	Machinery & equipment	Total
1 Jan, 2004:			
Acquisition cost	15.8	32.3	48.1
Accumulated depreciation	-1.1	-10.5	-11.6
Net book value	14.7	21.8	36.5
Opening net book value	14.7	21.8	36.5
Translation difference	-0.1	-0.3	-0.4
Increase	0.0	10.3	10.3
Decrease	0.0	-2.0	-2.0
Reclassifications	-2.3	0.3	-2.0
Companies acquired	0.0	0.0	0.0
Companies sold	-7.7	-1.0	-8.7
Depreciation	-0.4	-10.3	-10.7
Impairment charges	-	-	-
Closing net book value	4.2	18.8	23.0
31 Mar, 2005:			
Acquisition cost	5.1	39.2	44.3
Accumulated depreciation	-0.9	-20.4	-21.3
Net book value	4.2	18.8	23.0

1 Jan, 2003–31 Dec, 2003	Buildings	Machinery & equipment	Total
1 Jan, 2003:			
Acquisition cost	16.5	28.7	45.2
Accumulated depreciation	-0.4	-2.3	-2.7
Net book value	16.1	26.4	42.5
Opening net book value	16.1	26.4	42.5
Translation difference	-0.6	-0.9	-1.5
Increase	0.0	5.5	5.5
Decrease	-0.1	-1.0	-1.1
Reclassifications	0.0	0.1	0.1
Companies acquired	0.0	0.0	0.0
Companies sold	0.0	-0.1	-0.1
Depreciation	-0.7	-8.2	-8.9
Impairment charges	-	-	-
Closing net book value	14.7	21.8	36.5
31 Dec, 2003:			
Acquisition cost	15.8	32.3	48.1
Accumulated depreciation	-1.1	-10.5	-11.6
Net book value	14.7	21.8	36.5

13.3 Customer Finance for Equipment

Property, plant and equipment include machinery and equipment leased under trade finance contracts as follows:

1 Jan, 2004–31 Mar, 2005	Machinery & equipment
1 Jan, 2004:	
Acquisition cost	64.0
Accumulated depreciation	-15.8
Net book value	48.2
Opening net book value	48.2
Translation difference	0.0
Increase	21.1
Decrease	-10.7
Reclassifications	-0.6
Companies acquired	16.1
Companies sold	-9.9
Depreciation	-13.1
Impairment charges	-
Closing net book value	51.1
31 Mar, 2005:	
Acquisition cost	78.0
Accumulated depreciation	-26.9
Net book value	51.1

1 Jan, 2003–31 Dec, 2003	Machinery & equipment
1 Jan, 2003:	
Acquisition cost	49.7
Accumulated depreciation	-5.7
Net book value	44.0
Opening net book value	44.0
Translation difference	-5.7
Increase	26.8
Decrease	-3.6
Reclassifications	0.0
Companies acquired	0.0
Companies sold	-3.2
Depreciation	-10.1
Impairment charges	-
Closing net book value	48.2
31 Dec, 2003:	
Acquisition cost	64.0
Accumulated depreciation	-15.8
Net book value	48.2

14. Associated Companies and Related Party Transactions

Investments in associated companies	31 Mar, 2005	31 Dec, 2003
Total in the beginning of period	69.8	73.0
Translation difference	0.2	-1.2
Share of associated companies result after taxes	3.7	6.7
Dividend received	-1.9	-1.8
Acquisitions	26.9	2.7
Disposals	-9.6	-9.6
Reclassification from associated company to subsidiary	-3.5	-
Reclassification from subsidiary to associated company	0.8	-
Impairment charges	-	-
Total at the end of period	86.4	69.8

Investments in associated companies at the end of period include goodwill of EUR 7.7 (2003: 9.0) million.

Lödige Aufzugstechnik GmbH in Germany became an associated company at the end of accounting period 1 January, 2004–31 March, 2005. It is presented under acquisitions at cost since there were no financial statements of 31 March, 2005 available from the company.

In February 2005 it was published that KONE Corporation and Giant Elevator Co. Ltd of China have agreed to form an independent joint venture company: Giant Kone Elevator Company Ltd. KONE will own 40 percent of Giant-Kone, and Giant Elevator will own 60 percent. The investment is not included in financial statements on 31 March, 2005 since the approval by the appropriate authorities required for the finalization of joint venture agreement is pending.

The group's investments in its principal associates are as follows:

31 Mar, 2005 Company	Country	Assets	Equity	Sales	Net income	Asset value	Shareholding (%) Parent company	 Group
Consolis Oy Ab	Finland	461.1	153.4	646.1	4.3	60.3	42	42
Other associated companies (12 companies)						18.4		
Goodwill						7.7		
Total						86.4		

31 Dec, 2003 Company	Country	Assets	Equity	Sales	Net income	Asset value	Shareholding (%) Parent company	 Group
Konette Design Center Oy	Finland	6.3	3.5	15.3	0.9	1.4	40	40
Consolis Oy Ab	Finland	437.9	121.6	618.4	11.4	50.3		41
Valtra Traktor AB	Sweden	17.5	3.6	71.8	0.1	1.4		40
Sisu Akselit Oy	Finland	8.2	2.3	19.8	0.1	0.4		30
Other associated companies (26 companies)						7.3		
Goodwill						9.0		
Total						69.8		

The figures presented in the tables above are based on the latest available financial statements. The financial period for associated companies is mainly the calendar year, and for the calculation of the share of net income the reporting of associates for year 2004 has been adjusted to comply with KONE's financial period.

Transactions with associated companies

	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Sales of goods and services	25.1	53.1
Purchases of goods and services	17.2	21.0

Balances with associated companies

Receivables from associated companies	31 Mar, 2005	31 Dec, 2003
Long-term loans	0.7	8.1
Short-term loans	0.0	2.0
Accounts receivables	2.0	6.9
Deferred assets	0.0	0.7
Total	2.7	17.7

Liabilities to associated companies	31 Mar, 2005	31 Dec, 2003
Long-term loans	0.0	0.0
Short-term loans	0.9	1.1
Accounts payables	0.3	2.4
Accruals	2.0	0.0
Total	3.2	3.5

Transactions with key management

Key management of KONE consist of Board of Directors, KONE Elevators & Escalators Executive Committee and Kone Cargotec Executive Committee.

	31 Mar, 2005	31 Dec, 2003
Salaries and remunerations	5.9	3.8
Severance payments	0.3	0.3
Post-employment benefits	0.0	0.0
Share based payments	0.0	0.0
Total	6.2	4.1

Compensation for Chairman and CEO, Antti Herlin, consists of a basic salary and a yearly bonus, defined by the Board and based on the Corporation's annual result. This bonus may not exceed 40 percent of the recipient's annual salary. Antti Herlin's basic salary for the financial period (15 months) was EUR 540,979, in addition to which he was paid a bonus of EUR 54,950 for 2004. Antti Herlin was issued with 2,850 KONE 2004 A option rights and 7,000 KONE 2004 B option rights. The Chairman of the Board's pension and retirement age are determined in accordance with the retirement age legislation in force. No separate agreement has been made regarding early retirement.

Compensation for KONE Corporation's President consists of a basic salary and yearly bonus, defined by the Board and based on the Corporation's annual result. Manfred Eiden served as President of KONE Corporation until 31 December, 2004. His basic salary for 2004 was EUR 432,000, in addition to which he was granted 2,850 KONE 2004 A option rights and 7,000 KONE 2004 B option rights. As of 1 January, 2005, Matti Alahuhta served as President of KONE Corporation. His basic salary for January–March 2005 was EUR 157,300, in addition to which he is entitled to a yearly bonus defined by the Board of Directors on the basis of the Corporation's annual result and other key targets. This bonus may not exceed 100 percent of the recipient's annual salary. Alahuhta will also be included in future option incentive programs. His pension and retirement age are determined in accordance with the legislation in force. No separate agreement has been made regarding early retirement. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary.

15. Shares

Shares held includes a 19.9 percent ownership in Toshiba Elevator and Building Systems Corporation together with the advance payments paid at the end of the period 1 January, 2004–31 March, 2005 for acquisitions that have not been finalized on the Balance Sheet date. These advance payments paid include the acquisition of Thai Lift Industries Public Company Limited, published in March 2005, of which company KONE acquired a controlling interest and made a public offer to acquire all its outstanding shares.

16. Available-for-Sale Investments

	31 Mar, 2005	31 Dec, 2003
Opening net book value	8.2	16.8
Increase	1.6	0.1
Decrease	-1.3	-6.5
Companies sold	-0.1	-2.2
Closing net book value	8.4	8.2

17. Financial Receivables

	31 Mar, 2005	31 Dec, 2003
Non-current	69.4	67.8
Current	1.8	1.6
Total	71.2	69.4

Financial receivables consist mainly of loans receivable from companies divested in 2003–2004, loans receivable from associated companies and the fair value of cross-currency swaps.

The average interest rate of the loans receivable portfolio on 31 March, 2005 was 2.4 percent.

18. Deferred Tax Assets and Liabilities

Deferred tax assets	31 Mar, 2005	31 Dec, 2003
Tax losses carried forward	9.8	20.9
Provisions	62.5	37.5
Pensions	31.2	33.6
Consolidation entries	28.0	19.0
Other temporary differences for assets	32.1	20.2
Total	163.6	131.2
Total in the beginning of period	131.2	148.2
Translation difference	-0.3	-0.8
Change in statement of income	16.6	-8.4
Acquisitions and divestments	16.1	-7.8
Total at the end of period	163.6	131.2

Deferred tax liabilities	31 Mar, 2005	31 Dec, 2003
Depreciation difference	2.4	6.9
Goodwill depreciation	12.5	5.0
Other temporary differences for liabilities	17.4	13.6
Total	32.3	25.5
Total in the beginning of period	25.5	47.2
Translation difference	-0.1	-0.1
Change in statement of income	6.0	-9.3
Acquisitions and divestments	0.9	-12.3
Total at the end of period	32.3	25.5
Net deferred tax assets and liabilities	131.3	105.7

19. Inventories

	31 Mar, 2005	31 Dec, 2003
Raw materials, supplies and finished goods	385.7	403.1
Work in progress	544.0	381.6
Advance payments paid	8.6	3.1
Inventories	938.3	787.8
Advance payments received	-456.6	-311.1
Total	481.7	476.7

Work in progress includes direct labour and material costs as of the Balance Sheet date with the proportion of indirect costs related to manufacturing and installation of firm customer orders received. Firm customer orders are mainly fixed price contracts with customers for the sale of new equipment or for the modernization of old equipment. Advance payments include customer payments for the orders in work in progress according to the contractual payment terms.

20. Deferred Assets

	31 Mar, 2005	31 Dec, 2003
Deferred interests	1.7	15.7
Accrued income of service contracts	19.5	9.1
Unbilled contract revenue (Note 5)	46.4	5.7
Derivative assets	14.8	47.6
Prepaid expenses and other receivables	173.3	132.2
Total	255.7	210.3

The net present value of cross currency swaps excluding accrued interests is not included in derivative assets but in financial receivables (Note 17).

21. Financial Assets

	31 Mar, 2005	31 Dec, 2003
Deposits	48.8	308.4
Other	1.6	0.3
Total	50.4	308.7

The average interest rate of the financial assets portfolio on 31 March, 2005 was 2.2 percent.

22. Shareholders' Equity and its Changes

Total shareholder's equity consists of share capital, share premium account, fair value and other reserves, translation differences and retained earnings. Share premium account includes the impacts of change in share capital, which exceeds the par value of the shares and the sales of own shares over or under the acquisition value. Fair value and other reserves include the changes in fair value of cash flow hedges and in the fair values of available-for-sale financial assets.

Translation differences arising from the application of the purchase method on the translation of the net investment in foreign subsidiaries and associated companies are recorded in translation differences. Exchange rate differences resulting from derivatives and loans intended as hedges on assets and liabilities in foreign subsidiaries are entered also in translation differences. Net income of the accounting period is booked directly to retained earnings.

Shares and Share Capital

At the end of the financial period on 31 March, 2005 the number of shares outstanding was 63,676,455. Par value of each share is 1 EUR. Share capital was EUR 63.7 million and the total number of votes was 14,940,323. Each class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote. KONE Corporation's Articles of Association state that the minimum share capital is EUR 54 million and the maximum share capital is EUR 216 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association. At the end of the nancial period, the Board of Directors of KONE Corporation had no valid authority to increase the share capital or to issue convertible or warrant loans, nor were any convertible or warrant loans issued during the financial period 1 January, 2004–31 March, 2005.

In accordance with the Articles of Association, class B shares are preferred for a dividend, which is at least two percent and no more than five percent higher than the dividend paid to the holders of class A shares, calculated from the par value of the share.

Option Incentive Program

On 27 February, 2004 the AGM approved the option incentive program, which was introduced to approximately 250 key employees in the year 2000, and which was tied to KONE's cumulative net income (after taxes) in 2001–2003. This option plan is part of a long-range incentive system, which motivates key employees to commit themselves to attaining KONE Corporation's consolidated global growth and profitability goals. According to the terms of the program, the maximum number of option rights, 350,000, was to be issued, entitling the holders to subscription of 1,050,000 class B shares and a cash bonus of EUR 7.2 million, as the minimum cumulative net income requirement of EUR 470 million after taxes for the maximum number of option rights had been exceeded. As the requirement was fulfilled, the total amount of 350,000 option rights was offered and it comprised 180,000 series A option rights, entitling their holders to subscription to 540,000 class B shares starting 1 March, 2004 and a cash bonus of EUR 40 per option right payable in April 2004, and 170,000 series B option rights, entitling their holders to subscription to 510,000 class B shares starting 1 April, 2005. Assuming all option rights subscribed pursuant to the terms of the program, KONE Corporation share capital could have been increased by total EUR 1,050,000 or 1,050,000 class B shares, representing 1.65 percent of the share capital and 0.70 percent of the voting rights on 31 December, 2003.

Subscription period for option rights was 1 March, 2004–19 March, 2004. The option rights were granted free of charge. During that period 145,130 series A and 170,000 series B option rights were subscribed for and in April 2004 a cash bonus of EUR 5.8 million was paid. Series A option rights were subscribed for by KONE key personnel and series B option rights by KONE Capital Oy to be offered to plan participants according to the terms of the program. Pursuant to the option rights subscribed, KONE Corporation share capital can be increased by maximum EUR 945,390 or 945,390 class B shares.

The annual period of subscription for shares falls between 2 January and 30 November, on dates to be determined by the company. The subscription price is EUR 24.67. The shares entitle for dividends for the financial year in which the subscribtion occurs. Other shareholders rights will commence on the date on which the share subscribtion is entered in the Finnish Trade Register.

Due to the demerger of the company and the extension of the financial period, the Board of Directors decided to allow subscription of shares with option rights also from 1 December, 2004 to 31 December, 2004. Subscription was, however, not allowed one month prior to the end of the accounting period, from 1 March, 2005 to 31 March, 2005. The Board accepted as well share subscriptions made in January and February 2005 and these shares qualify for dividend payment for the extended financial year. Other rights related to the shares commence on the date when the increase in the share capital is entered in the Trade Register.

The Board has also decided that share subscriptions will not be allowed one month prior to the estimated demerger date 31 May, 2005, or from 1 May, 2005 to 31 May, 2005.

In connection with the demerger, the Board of Directors of KONE has offered an exchange of option rights so that for each current series A option right will be given one series A option right of New KONE and one series A option right of Cargotec, and for each current series B option right will be given one series B option right of New KONE and one series B option right of Cargotec. The share subscription price of EUR 24.67 based on the terms of the KONE 2004 option program is to be divided between the two corporations new option rights and recalculated to reflect the market value of KONE Corporation and Cargotec Corporation 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 prices of New KONE and Cargotec shares are anticipated to be disclosed on 13 June, 2005. According to the demerger plan, the subscription period for shares in New KONE and Cargotec will commence on 13 June, 2005. The subscription period is subject to the execution of the demerger on 31 May, 2005.

Option rights	Amount of option rights subscribed for	Number of class B shares one option right entitles to subscribe for	Subscribtion price, EUR	Period of subscription for shares
Series A	145,130	3	24.67	1 April, 2004–31 March, 2008
Series B	170,000	3	24.67	1 April, 2005–31 March, 2009

Changes in share capital

	Class A	Class B	Total
Number of shares as of 1 January, 2003	9,526,089	53,937,531	63,463,620
Number of shares as of 1 January, 2004	9,526,089	53,937,531	63,463,620
Share subscription with 2004 A option rights 28 Apr, 2004		79,200	79,200
Share subscription with 2004 A option rights 1 Jun, 2004		22,350	22,350
Share subscription with 2004 A option rights 30 Jun, 2004		22,500	22,500
Share subscription with 2004 A option rights 2 Aug, 2004		21,000	21,000
Share subscription with 2004 A option rights 28 Oct, 2004		32,790	32,790
Share subscription with 2004 A option rights 10 Dec, 2004		17,130	17,130
Share subscription with 2004 A option rights 3 Feb, 2005		10,080	10,080
Share subscription with 2004 A option rights 24 Mar, 2005		7,785	7,785
Number of shares at 31 March, 2005	9,526,089	54,150,366	63,676,455
Number of votes at 31 March, 2005	9,526,089	5,414,234	14,940,323
Share capital at 31 March, 2005, MEUR	9.5	54.2	63.7

Changes in the number of option rights outstanding

	1 Jan, 2004–31 Mar, 2005
Number of option rights outstanding at 1 January, 2004	0
Granted	315,130
Exercised	70,945
Lapsed	0
Number of option rights outstanding at 31 March, 2005	244,185

Authority to Purchase Own Shares

In 2002 the 833,479 KONE class B shares were purchased by the Corporation and were in its possession at the end of 2003 (1.3 percent of total shares at 1 January, 2004).

On 21 February, 2003 the Annual General Meeting authorized the Board of Directors to purchase the company's own shares, using funds available for profit distribution. The shares were to be acquired for use as compensation in possible company acquisitions or other arrangements as well as for the development of the company's capital structure. In addition, the Annual General Meeting authorized the Board of Directors to decide to whom and in what order the shares were to be surrendered.

The total amount of the KONE Corporation shares to be acquired was set to be at most five percent of the company's total number of shares and votes, namely 476,304 class A shares and 2,696,876 class B shares. The authorization was not used during 2003.

In 2004 AGM approved the proposal of Board of Directors for the authorization to be extended and during the year 2004 total amount of 1,863,397 shares was purchased.

KONE's Board of Directors decided on 1 December, 2004 to assign all class B shares held by the company and to use the proceeds in financing the acquisition of MacGREGOR Group.

KONE Corporation has on 10 December, 2004, in accordance with the authorization approved by KONE's Annual General Meeting on 27 February, 2004, sold all of its 2,696,876 class B shares that were in the company's possession as a contractual trade on the Helsinki Stock Exchange. The price was EUR 56.00 per share and the total transaction value was EUR 150.1 million.

The sold shares represent 4.24 percent of KONE's share capital. The shares were acquired in accordance with the decisions of KONE's 2003 and 2004 Annual General Meetings to the average price of EUR 43.18 per share.

Own shares bought

	Number of shares	Cost in MEUR
Year 2002	833,479	26.3
March 2004	150,980	7.3
April 2004	1,050,020	51.2
May 2004	662,397	31.5
Total year 2004	1,863,397	90.1
Total Jan 2002–May 2004	2,696,876	116.4
Own shares sold		
December 2004	2,696,876	150.1
Total own shares as of 31 March, 2005	0	

23. Interest-Bearing Liabilities

	Fair value	Carrying amount	
	31 Mar, 2005	31 Mar, 2005	31 Dec, 2003
Non-current			
Loans	199.0	199.0	673.5
Finance lease liabilities	27.2	27.2	50.0
Total	226.2	226.2	723.5
Current portion of long-term loans			
Loans	80.1	80.1	147.7
Finance lease liabilities	15.5	15.5	12.0
Total	95.6	95.6	159.7
Current			
Loans	35.0	35.0	101.0
Commercial papers	179.6	179.6	206.7
Overdrafts used	24.6	24.6	37.4
Total	239.2	239.2	345.1
Total interest-bearing liabilities	561.0	561.0	1,228.3

The fair values of the interest-bearing liabilities are not materially different from their carrying amounts. The average interest rate of the non-current liabilities portfolio on 31 March, 2005 was 3.3 percent and that of current liabilities 2.6 percent.

Repayment schedule of non-current interest-bearing liabilities

	2006	2007	2008	2009	Later	Total
Loans	37.5	43.2	58.1	2.2	58.0	199.0
Finance lease liabilities	12.7	7.0	3.1	0.8	3.6	27.2
Total	50.2	50.2	61.2	3.0	61.6	226.2

KONE has non-cancellable finance lease agreements for machinery & equipment and buildings with varying terms and renewal rights.

	31 Mar, 2005	31 Dec, 2003
Minimum lease payments		
Less than 1 year	16.3	12.5
1–5 years	26.9	49.4
Over 5 years	5.1	9.3
	48.3	71.2
Future finance charges	-5.6	-9.2
Present value of finance lease liabilities	42.7	62.0

	31 Mar, 2005	31 Dec, 2003
Present value of finance lease liabilities		
Less than 1 year	15.5	12.0
1–5 years	23.2	42.8
Over 5 years	4.0	7.2
Total	42.7	62.0

24. Employee Benefits and Other Liabilities

Employee Benefits

The group operates various employee benefits plans throughout the world. Pension arrangements are made in accordance with local regulations and practise in line with the defined contribution pension plans or defined benefit pension plans. For defined benefit pension plans retirement, disability, death and termination income benefits are determined, retirement benefits generally being a function of years worked and final salary.

In Finland, pension cover has been arranged through local insurance companies in accordance with defined contribution plans (Finnish Statutory Employment Pension Scheme " TEL "). In the transition to IFRS reporting as per 1 January, 2003, the disability portion of TEL has been accounted for as a defined benefit plan. Following changes in the TEL scheme, enacted late 2004, the disability pensions arranged with insurance companies will change from a defined benefit plan to defined contribution plan. Due to this change the Group released EUR 18.4 million in the Statement of Income by decreasing the defined benefit pension liability. In Sweden, pension cover is arranged through both insurance companies and book reserves in accordance with the Swedish "FPG/PRI System". Same type of book reserve for unfunded defined benefit pension plans are used also e.g. in Germany and in Italy. Other post-employment unfunded obligations include book reserves for termination income benefits, which are made in some countries in accordance with local practise.

The main countries to have funded defined benefit plans are U.K., U.S.A., Canada and Australia. Defined benefit pension plans are funded by the relevant KONE companies to satisfy local statutory funding requirements. The discount rates used in actuarial calculations of employee benefits liabilities are adjusted to market rates. The group funds also include certain other post-employment benefits in U.S.A. relating to retirement, medical and life insurance programmes.

Other Liabilities

Repurchase liability relates to customer finance agreements. It comprises future obligations to repurchase the equipment, rented to the end-user, from the finance company at the residual value.

	31 Mar, 2005	31 Dec, 2003
Employee benefits		
Defined benefit plans	162.1	154.0
Other post-employment benefits	19.3	18.2
Repurchase liabilities	6.7	13.6
Total	188.1	185.8

	Defined benefit plans		Other post-employment benefits	
Amounts recognised in the balance sheet	31 Mar, 2005	31 Dec, 2003	31 Mar, 2005	31 Dec, 2003
Present value of unfunded obligations	87.7	101.0	11.2	9.4
Present value of funded obligations	233.5	171.5	14.0	12.7
Fair value of benefit plans' assets	-146.2	-114.1	-3.5	-3.5
Unrecognized actuarial gains (+)/losses (-)	-12.9	-4.4	-2.4	-0.4
Total	162.1	154.0	19.3	18.2

	Defined benefit plans		Other post-employment benefits	
Benefit plan reconciliation	31 Mar, 2005	31 Dec, 2003	31 Mar, 2005	31 Dec, 2003
Net liability in the beginning of period	154.0	154.9	18.2	18.9
Translation difference	0.4	-6.2	-0.2	-1.5
Acquisition of new companies	16.7	0.0	0.0	0.0
Disposal of companies	0.0	0.0	0.0	0.0
Costs recognized in statement of income	2.6	15.0	1.4	1.8
Paid contributions	-11.6	-9.7	-0.1	-1.0
Net liability at the end of period	162.1	154.0	19.3	18.2

Amounts recognised in the statement of income

Total pensions	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Defined contribution pension plans	99.1	85.6
Defined benefit pension plans	2.6	15.0
Other post-employment benefits	1.4	1.8
Total	103.1	102.4

	Defined benefit plans		Other post-employment benefits	
	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003	1 Jan, 2004–31 Mar, 2005	1 Jan, 2003–31 Dec, 2003
Current service costs	13.9	12.3	1.2	1.2
Interest costs	18.3	14.6	0.9	1.1
Expected return on plans' assets	-12.3	-8.8	-0.7	-0.5
Net actuarial gains (-)/losses (+) recognized	0.1	-0.4	0.0	0.0
Past-service costs	1.1	1.3	0.0	0.0
Settlements/TEL-disability adjustment	-18.5	-4.0	0.0	0.0
Loss curtailments	0.0	0.0	0.0	0.0
Total	2.6	15.0	1.4	1.8

The actual return on plan assets was EUR 13.0 (18.7) million.

Defined benefit plans: Assumptions used in calculating benefit obligations

	1 Jan, 2004–31 Mar, 2005		1 Jan, 2003–31 Dec, 2003	
	Europe	U.S.A.	Europe	U.S.A.
Discount rate, %	4.80–5.40	6.50	4.80–5.40	6.75
Expected return on plan assets, %	3.0–7.45	9.25	3.00–7.75	9.25
Future salary increase, %	3.0–4.5	4.0	3.0–4.5	4.0
Future pension increase, %	2.2–3.0	4.0	2.0–2.8	4.0
Expected average remaining working years	11–19	15	11–19	15

25. Provisions

1 Jan, 2004–31 Mar, 2005	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision in the beginning of period	30.1	7.8	3.3	31.1	79.6	151.9
Translation difference	-0.3	-0.5	-0.1	-0.3	-0.6	-1.8
Increase	26.7	7.5	90.5	47.1	25.1	196.9
Provision used	-23.4	-2.6	-1.0	-33.8	-36.9	-97.7
Reversal of provision	-4.4	-0.2	-1.7	-2.1	-10.6	-19.0
Companies acquired	13.2	0.1	0.1	2.9	0.3	16.6
Companies sold	0.0	0.0	-0.1	0.0	-1.0	-1.1
Total provision at the end of period	41.9	12.1	91.0	44.9	55.9	245.8

	Non-current liabilities	Current liabilities	Total
Distribution of the provisions as of 31 March, 2005	14.2	231.6	245.8

1 Jan, 2003–31 Dec, 2003	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision in the beginning of period	35.7	10.7	19.5	22.1	94.1	182.1
Translation difference	-0.2	0.0	0.0	0.0	-0.2	-0.4
Increase	9.1	0.5	1.2	15.6	31.7	58.1
Provision used	-10.3	-2.1	-17.4	-4.1	-25.1	-59.0
Reversal of provision	-0.1	-1.3	0.0	-2.5	-12.0	-15.9
Companies sold	-4.1	0.0	0.0	0.0	-8.9	-13.0
Total provision at the end of period	30.1	7.8	3.3	31.1	79.6	151.9

	Non-current liabilities	Current liabilities	Total
Distribution of the provisions as of 31 December, 2003	39.9	112.0	151.9

Provisions for warranties cover the expenses related to warranty claims from goods sold with a valid warranty in the accounting period or earlier. Provisions for claims are made for claims received for which the value, probability and realization can be estimated. Provisions for loss contracts are recognized when it is probable that contract costs will exceed the estimated total contract revenue. The expected loss is recognized as an expense immediately. Other provisions include various items, e.g. related to product quality, severance, unemployment and other employment items and the sale of divested operations.

A provision for restructuring costs is recognized only when the general criteria for the recognition are met. KONE Corporation's Board of Directors decided in its meeting on 19 October, 2004 to initiate preparations for a development and restructuring program in order to secure the long-term competitiveness and profitability of its elevator and escalator business. KONE announced on 17 March, 2005 a detailed formal plan of development and restructuring program, which meets the general recognized criteria for provisions. In the accounting period 1 January, 2004–31 March, 2005 a provision for restructuring costs totaling EUR 89.2 million is recognized.

26. Accruals

	31 Mar, 2005	31 Dec, 2003
Accrued interests	2.4	13.2
Deferred income of service contracts	137.8	18.8
Late costs accruals	103.2	68.8
Accrued salaries, wages and employment costs	197.0	166.9
Derivative liabilities	12.6	17.0
Rent income, customer finance	9.0	16.2
Other accrued expenses	257.3	329.5
Total	719.3	630.4

27. Commitments

	31 Mar, 2005	31 Dec, 2003
Mortgages		
Group and parent company	6.2	18.6
Pledged assets		
Group and parent company	12.5	14.7
Guarantees		
Associated companies	5.3	10.1
Others	26.3	33.9
Operating leases	122.7	112.8
Customer finance	15.3	27.8
Other contingent liabilities	0.3	4.5
Total	188.6	222.4

KONE leases machinery & equipment and buildings under non-cancellable operating leases. The leases have varying terms and renewal rights.

The future minimum lease payments under non-cancellable

operating leases	31 Mar, 2005	31 Dec, 2003
Less than 1 year	33.5	37.5
1-5 years	75.3	59.4
Over 5 years	13.9	15.9
Total	122.7	112.8

The aggregate operating lease expenses totaled EUR 44.1 (35.1) million.

Customer finance commitments	31 Mar, 2005	31 Dec, 2003
Dealer financing	8.4	9.0
End customer financing	6.9	18.8
Total	15.3	27.8

It is not anticipated that any material liabilities will arise from customer finance commitments.

28. Derivatives

Fair values of derivative financial instruments	Positive fair value 31 Mar, 2005	Negative fair value 31 Mar, 2005	Net fair value 31 Mar, 2005	Net fair value 31 Dec, 2003
FX Forward contracts	14.6	10.5	4.1	41.3
Currency options	0.1	0.1	0.0	0.5
Cross-currency swaps	37.1	0.0	37.1	32.7
Interest rate swaps	0.0	2.0	-2.0	-4.6
Electricity derivatives	0.4	0.0	0.4	0.1
Total	52.2	12.6	39.6	70.0

Nominal values of derivative financial instruments	31 Mar, 2005	31 Dec, 2003
FX Forward contracts	1,382.5	958.3
Currency options	52.0	94.1
Cross-currency swaps	173.8	173.8
Interest rate swaps, due under 1 year	75.0	20.0
Interest rate swaps, due in 1–3 years	45.0	120.0
Electricity derivatives	3.0	2.8
Total	1,731.3	1,369.0

29. KONE as Lessor

KONE rents out container handling equipment under non-cancellable operating leases. The leases have varying terms and renewal rights.

The future minimum lease payment receivables under non-

cancellable operating leases	31 Mar, 2005	31 Dec, 2003
Less than 1 year	10.3	4.0
1–5 years	24.4	20.0
Over 5 years	0.6	0.2
Total	35.3	24.2

Rent income recognised in the statement of income was EUR 11.7 (7.9) million.

Parent Company Financial Statements, FAS

Parent Company: Statement of Income

MEUR	1 Jan, 2004– 31 Mar, 2005	1 Jan, 2003– 31 Dec, 2003
Sales	402.4	374.8
Change of work in progress	10.8	-8.2
Other business income	642.3	7.3
Materials and supplies	-235.9	-175.6
Personnel expenses	-72.1	-79.8
Depreciation	-4.7	-3.0
Other business expenses	-130.7	-72.7
Operating Income	612.1	42.8
Financing income and expenses	439.1	190.4
Income after Financial Items	1,051.2	233.2
Extraordinary items	319.5	-87.0
Income before Taxes and Allocations	1,370.7	146.2
Depreciation difference	2.5	0.2
Taxes for the period	-104.1	-42.5
Deferred taxes	0.0	3.9
Net Income	1,269.1	107.8

Figures are presented according to Finnish Accounting Standards (FAS).

Parent Company: Balance Sheet

Assets MEUR	31 Mar, 2005	31 Dec, 2003
Fixed Assets and Other Long-term Investments		
Intangible assets		
Trademarks	0.9	-
Other long-term expenditures	0.4	0.8
	1.3	0.8
Tangible assets		
Land	0.4	1.3
Buildings	3.9	17.9
Machinery and equipment	2.7	6.6
	7.0	25.8
Investments		
Shares in subsidiaries	2,008.2	416.1
Other stocks and shares	72.2	4.7
Own shares	-	26.3
Advances paid	18.2	-
	2,098.6	447.1
Total Fixed Assets and Other Long-term Investments	2,106.9	473.7
Current Assets		
Inventories		
Raw materials and supplies	-	19.5
Work in progress	-	12.1
	-	31.6
Receivables		
Deferred tax assets	1.7	3.9
Accounts receivable	21.9	60.4
Loans receivable	2,176.2	2,162.7
Deferred assets	74.9	152.0
	2,274.7	2,379.0
Current Investments	16.9	254.3
Cash and bank	2.4	8.1
	19.3	262.4
Total Current Assets	2,294.0	2,673.0
Total Assets	4,400.9	3,146.7

Shareholders' Equity and Liabilities MEUR	31 Mar, 2005	31 Dec, 2003
Shareholders' Equity		
Share capital	63.7	63.5
Share premium account	249.5	219.6
Reserve for own shares	0.0	26.3
Retained earnings	757.3	760.8
Net income	1,269.1	107.8
Total Shareholders' Equity	2,339.6	1,178.0
Untaxed Reserves	-	1.6
Provision for Liabilities and Charges	0.3	9.9
Liabilities		
Long-term debt		
Loans from financial institutions	144.2	420.3
Current liabilities		
Loans from financial institutions	114.6	153.6
Advances received	-	19.9
Accounts payable	7.8	32.9
Other current liabilities	1,643.7	1,185.5
Accruals	150.7	145.0
	1,916.8	1,536.9
Total Debt	2,061.0	1,957.2
Total Shareholders' Equity and Liabilities	4,400.9	3,146.7

Figures are presented according to Finnish Accounting Standards (FAS).

Principal Subsidiaries

KONE Elevators & Escalators		Shareholding (%)	
Company	Country	Parent company	Group
KONE Inc.	United States		100
KONE plc	United Kingdom	100	100
Société Française des Ascenseurs KONÉ S.A.	France		99.96
KONE S.p.A.	Italy		100
KONE GmbH	Germany		100
KONE Elevators Pty Ltd	Australia	30	100
KONE B.V.	Netherlands		100
KONE Elevators Co. Ltd	China		95
KONE AB	Sweden		100
KONE Belgium S.A.	Belgium	80.88	80.88
KONE Elevadores S.A.	Spain	0.02	100
Other subsidiaries (166 companies)			

Kone Cargotec		Shareholding (%)	
Company	Country	Parent company	Group
Kone Cargotec Oy	Finland	100	100
Kalmar Industries Oy Ab	Finland		100
Kalmar Industries AB	Sweden		100
Cargotec Inc	United States		100
Kalmar Industries USA LLC	United States		100
MacGREGOR (FIN) Oy	Finland		100
MacGREGOR Cranes AB	Sweden		100
Kalmar Industries B.V.	Netherlands		100
Kalmar Ltd	United Kingdom		100
Bromma Conquip AB	Sweden		100
Waltco Truck Equipment Co. Inc.	United States		100
Other subsidiaries (159 companies)			

A list of shares and participations can be found in the KONE Corporation closing documents.

Shares and Shareholders

Market Value

The price of the KONE Corporation class B share rose 32 percent during the period under review from EUR 45.50 to EUR 59.97. During the same period, the Helsinki Exchanges All Share Index rose 9 percent, the HEX Portfolio Index rose 23 percent, and the HEX Metal and Engineering Sector Index rose 23 percent. The highest KONE Corporation class B share price during the period under review was EUR 66.48 and the lowest EUR 45.01. The company's market capitalization, in which the unlisted class A shares are valued at the closing price of the class B shares on the last trading day of the accounting period, was EUR 3,819 (end-2003: 2,850) million. At the end of March 2005, the company had no own shares in its possession (end-2003: 833,479 class B shares).

During the period under review 55,360,575 (2003: 34,985,572) KONE Corporation class B shares were traded on the Helsinki Exchanges. The value of shares traded was EUR 2,851 (1,307) million. The average daily traded number of shares was 176,308 (139,942), representing EUR 9.1 million. The annualized relative turnover was 84 (65) percent.

KONE Corporation's share capital consists of the following:

	Number of shares	Par value (EUR)
Class A	9,526,089	9,526,089
Class B	54,150,366	54,150,366
Total	63,676,455	63,676,455

KONE class B share	
Trading code, Helsinki Exchanges	KONBS
ISIN Code	FI0009000566
Trading lot	20
Par value	EUR 1.00

KONE 2004 A option rights	
Trading code, Helsinki Exchanges	KONBSEW104
ISIN code	FI0009612287
Trading lot	10
Conversion rate	1:3 KONBS

KONE 2004 B option rights	
Trading code, Helsinki Exchanges	KONBSEW204
ISIN code	FI0009612295
Trading lot	10
Conversion rate	1:3 KONBS

Shares and Share Capital

KONE Corporation's Articles of Association state that the minimum share capital is EUR 54 million and the maximum share capital EUR 216 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association. At the end of March 2005, the share capital was EUR 63.7 (63.5) million. The increase in share capital was the result of subscriptions of 212,835 B shares with 2004 A option rights during the period under review. (See note 22 to the financial statements for table of changes in share capital)

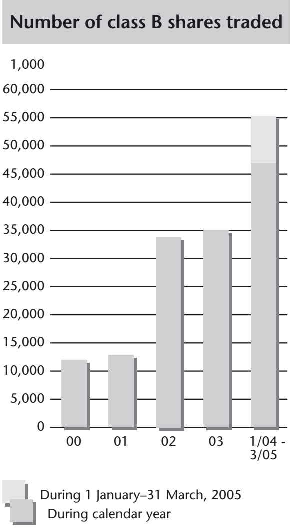
Each class A share is assigned one vote, as is each block of 10 class B shares, with the proviso that each shareholder is entitled to at least one vote. At the end of March 2005, the total number of shares was 63,676,455, comprising 54,150,366 B shares and 9,526,089 A shares, with the par value of EUR 1.00 per share. The total number of votes was 14,940,323 (14,919,039).

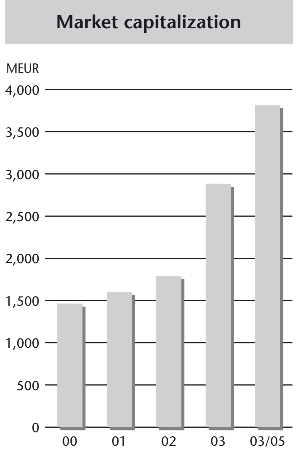
Dividends

In accordance with the Articles of Association, class B shares are preferred for a dividend, which is at least two percent and no more than five percent higher than the dividend paid to the holders of class A shares, calculated from the par value of the share. KONE's Board proposes that dividends for the accounting period 1 January, 2004–31 March, 2005 be EUR 1.98 (1.98) for each class A share and EUR 2.00 (2.00) per class B share.

Authority to Raise Share Capital

At the end of the period under review, KONE's Board had no valid authority to increase the share capital or to issue convertible or warrant loans, nor were any convertible or warrant loans issued during the period under review.





Authority to Purchase and Surrender Own Shares

On 27 February, 2004 the Annual General Meeting (AGM) authorized the Board to purchase the company's own shares, using funds available for profit distribution. The shares were to be acquired for use as compensation in possible company acquisitions or other arrangements as well as for the development of the company's capital structure. In addition, the AGM authorized the Board to decide to whom and in what order the shares were to be surrendered.

The total amount of KONE shares to be acquired was to be at most five percent of the company's total number of shares and votes, namely 476,304 class A shares and 2,696,876 class B shares. During 2004, 1,863,397 B shares were acquired, which increased the number of B shares in the company's possession to the maximum allowed 2,696,876 B shares, as the company had 833,479 B shares in its possession at the end of 2003. On 1 December, 2004, KONE's Board decided to assign all B shares in its possession and to use the proceeds to finance the acquisition of MacGREGOR Group. The shares were sold on 10 December, 2004 for EUR 56.00 per share and the total transaction value was EUR 150.1 million. The average price of the acquired shares was EUR 43.18 per share.

Option Program

KONE's AGM in February 2004 approved the option incentive program introduced to approximately 250 key employees in year 2000 and which is tied to KONE's cumulative net income (after taxes) in 2001–2003.

According to the terms of the program, the maximum number of option rights, 350,000, would be issued, entitling to subscription of 1,050,000 class B shares and a cash bonus of maximum EUR 7.2 million, as the minimum cumulative net income requirement of EUR 470 million for the maximum number of option rights to be issued was exceeded. The meeting of the net income targets and the right to the option rights become evident subsequent to the AGM's approval of the 2003 financial statements.

During the subscription period 1–19 March, 2004, a total of 145,130 A option rights were subscribed for, entitling to subscription of 435,390 class B shares starting 1 March, 2004 and a cash bonus of EUR 40 per option right, which was paid in April 2004 (EUR 5.8 million in total). Provisions covering in full the cash bonus were made in the 2002 and 2003 accounts. The A option rights were listed on the main list of the Helsinki Exchanges as of 1 April, 2004. During the period under review 212,835 B shares were subscribed for with 70,945 A option rights. The remaining 74,185 A option rights entitle to subscription of 222,555 B shares.

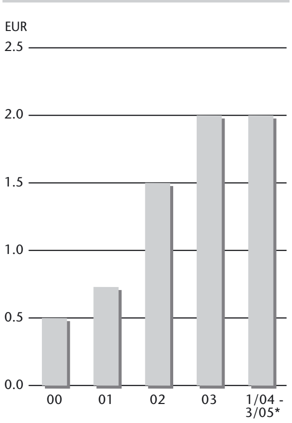
All 170,000 B option rights were subscribed for by Kone Capital Oy, to be offered to key personnel according to the terms of the option program. The B option rights entitle to subscription to 510,000 class B shares starting 1 April, 2005, when the option rights were also listed on the main list of the Helsinki Stock Exchange.

The subscription price is EUR 24.67 for both A and B option rights. The option rights were given free of charge, and they were issued in the book-entry system. The maximum increase in shares through subscription with outstanding option rights represents 1.15 percent of the shares and 0.49 percent of the voting rights in KONE. The annual subscription period will fall between 2 January and 30 November, on dates to be determined by the company.

Shareholders

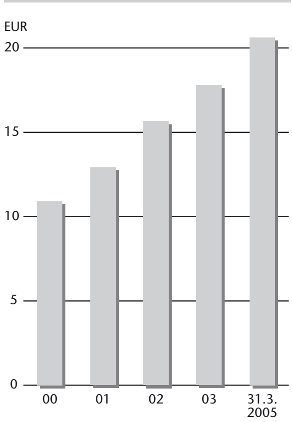
At the end of March 2005, KONE had 12,373 (10,249) shareholders. A breakdown of shareholders is given in the enclosed table.

Dividend/class B share

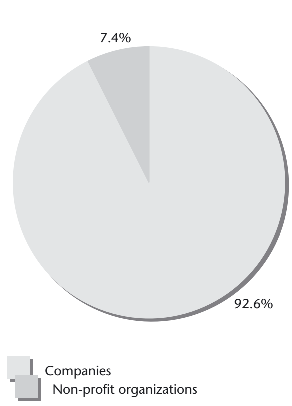


* Board's proposal

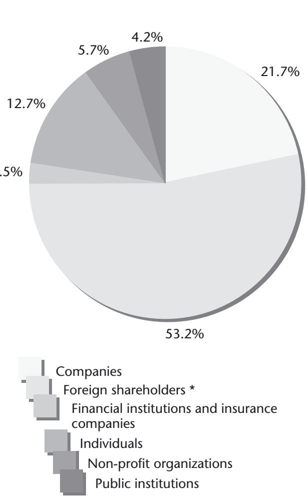
Equity/share



Class A shares



Class B shares



*) Includes foreign-owned shares registered by Finnish nominees

Shares and Shareholders

At the end of March 2005, the ownership of approximately 45 (41) percent of KONE shares was in non-Finnish hands, corresponding to around 19 percent of the votes in the company. Foreign-owned shares can be registered in the name of Finnish nominees. Only shares registered in shareholders' own names entitle the holder to a vote in shareholders' meetings. There were 25,637,842 (22,717,729) foreign-owned shares – representing 40.3 percent of the shares – registered in the name of Finnish nominees at the end of March 2005.

Shareholdings of the President and Members of the Board of Directors

KONE Corporation's president and members of the Board of Directors directly owned 152,014 class B shares, and indirectly 8,820,201 class A shares and 10,817,709 class B shares on 31 March, 2005, representing 31.05 percent of shares and 66.37 percent of votes.

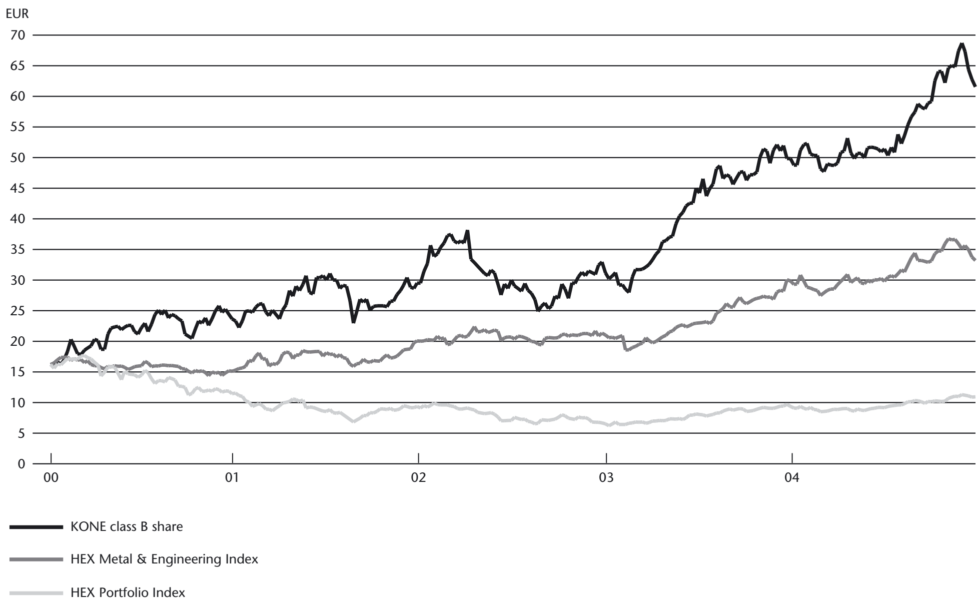
On 5 April, 2005 KONE CEO Antti Herlin, Ilkka Herlin, Ilona Herlin and Niklas Herlin signed an agreement aiming at the reorganization of the ownership of the holding companies of KONE, Security Trading Oy and Holding Manutas Oy, as well of their holdings in KONE and their other holdings. The multi-phased reorganization will be completed by 15 July, 2005, at which time the demerger of KONE will have come into effect.

When the agreement comes into effect, the shares of the new KONE Corporation controlled by Antti Herlin will correspond to 20.8 percent of the shares and 62 percent of the votes.

Shareholdings in KONE Corporation on 31 March, 2005 by Number of Shares

Number of shares			Number of owners	Percentage of owners	Number of shares	Percentage of shares
1	–	10	210	1.70	1,626	0.00
11	–	100	4,905	39.64	307,822	0.48
101	–	1,000	5,908	47.75	2,139,291	3.36
1,001	–	10,000	1,207	9.76	3,358,756	5.28
10,001	–	100,000	114	0.92	3,158,169	4.96
100,001	–		29	0.23	54,705,166	85.91
Total			12,373	100.00	63,670,830	99.99
Shares which have not been transferred to the paperless book entry system					5,625	0.01
Total					63,676,455	100.00

KONE Class B Share Price Development 2000–3/2005



Largest Shareholders on 31 March, 2005

		Number of Class A shares	Number of Class B shares	Total number of shares	% of shares	% of votes
1	Ownership of Antti Herlin					
	Holding Manutas*	6,785,574	145,890	6,931,464	10.89	45.52
	Security Trading**	2,034,627	10,671,819	12,706,446	19.95	20.76
	Antti Herlin		136,294	136,294	0.21	0.09
	Total	8,820,201	10,954,003	19,774,204	31.05	66.37
2	Toshiba Elevator and Building Systems Corporation		3,023,340	3,023,340	4.75	2.02
3	The KONE Foundation	705,888	1,232,454	1,938,342	3.04	5.55
4	Ilmarinen Mutual Pension Insurance Company		463,986	463,986	0.73	0.31
5	Finnish State Pension Fund		440,000	440,000	0.69	0.29
6	Hanna Nurminen		390,001	390,001	0.61	0.26
7	Niklas Herlin		383,985	383,985	0.60	0.26
8	Etera Mutual Pension Insurance Company		305,220	305,220	0.48	0.20
9	Mutual Insurance Company Pension Fennia		247,015	247,015	0.39	0.17
10	Polaris Pension Foundation		218,520	218,520	0.34	0.15
	10 major shareholders total	9,526,089	17,658,524	27,184,613	42.68	75.58
	Nominee registered (within 100 largest shareholders)***		25,625,066	25,625,066	40.25	17.15
	Other shareholders		10,866,776	10,866,776	17.07	7.27
Total		9,526,089	54,150,366	63,676,455	100.00	100.00

* Antti Herlin's ownership in Holding Manutas represents 0.75 percent of the shares and 3.03 percent of the voting rights and together with the ownership of Security Trading, company in which he exercises controlling power, his ownership represents 45.75 percent of the shares and 50.58 percent of the voting rights.
** Antti Herlin's ownership in Security Trading Oy represents 21.85 percent of the shares and 68.54 percent of the voting rights.
*** The American investment fund company Tweedy Browne Company LLC notified KONE Corporation on 1 April, 1999 that its holdings of KONE Corporation was over 5 percent of the shares.

Transition to IFRS Reporting

KONE Group has applied the International Financial Reporting Standards (IFRS) as of 1 January, 2004. Prior to IFRS adoption KONE Group reported under Finnish Accounting Standards (FAS). The transition date to IFRS is 1 January, 2003. The transition to IFRS changed the Accounting Principles, financial reports and notes compared to the previously published financial reports.

Accounting Principles (Note 1) were applied in preparing the data on the previous year as per 31 December, 2003 and the opening IFRS balance sheet on the date of the transition to IFRS. In the transition to IFRS, KONE has applied the First-Time Adoption Standard that allows exemptions to some of the specific standards at the time of transition. The most significant exemption applied is the use of goodwill values in FAS financial statements in the opening balance sheet on IFRS transition date.

The Reconciliations of Consolidated Statement of Income, Consolidated Balance Sheet and Equity presented below provide information on the main differences between Finnish Accounting Standards (FAS) and IFRS in year 2003 and as of Transition Date 1 January, 2003. Reconciliation of Statement of Cash Flow is not presented since there are no significant differences between IFRS and FAS.

There are few minor changes in classification, presentation, and interpretation of some items and corrections of items between figures presented in the Consolidated Balance Sheet on 31 December, 2003 and the comparative figures presented in the Balance Sheet, published in Interim Reports during 2004. The total of Balance Sheet has changed since some items have been presented as gross amounts.

Principal IFRS adjustments

The numbers below refer to the effects of adopting IFRS in the reconciliation of net income and equity.

1) Cumulative translation differences in shareholders' equity prior to the transition date have been transferred to retained earnings.
2) Capital loans are classified as liabilities in IFRS balance sheet.
3) Own shares held by the company are not included in assets or in equity.
4) Goodwill is not amortized but impairment tested. The amount of goodwill amortizations in reconciliation calculations is different from the amount of goodwill amortizations in the FAS consolidated statement of income due to the reclassification of items previously included in goodwill as intangible assets in the IFRS balance sheet.
5) The percentage of completion revenue recognition method is applied to long term projects.
6) Deferred tax includes the impact of several IFRS adjustments.
7) Leasing agreements have been classified as financial leases.
8) Customer finance arrangements, e.g. sale and lease-back agreements, and customer finance commitments have been classified in compliance with IAS 17 (Leases), IAS 18 (Revenue) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).
9) The change in the accounting treatment of cash flow hedging and interest rate derivatives is in compliance with IAS 39. The fair value of cash flow hedging derivatives is included in the balance sheet and the changes in the fair values in the cash flow hedge reserve in equity.
10) Defined benefit plans in various KONE Group companies. The disability element of the Finnish pension scheme (TEL) is calculated as a defined benefit plan in Finnish Group companies. All cumulative actuarial gains and losses are recognized in the balance sheet on the IFRS transition date.
11) Revaluations on land and buildings in accordance with FAS have been cancelled.
12) The main item in other IFRS adjustments consists of the share repurchase commitment of the associated company Consolis Oy Ab. This commitment has been transferred from contingent liabilities to the balance sheet.
13) Minority shares are included in equity.

Other additional information

Research and development cost and development cost on information technology are expensed as incurred. Extraordinary items in accordance with FAS are presented in the IFRS statement of income above operating income.

Reconciliation of Consolidated Statement of Income

MEUR	FAS 2003	IFRS restatements	IFRS 2003
Sales	5,344.4	66.0	5,410.4
Costs, expenses and depreciation	-4,845.0	-153.3	-4,998.3
Depreciation without goodwill amortization	-80.9	80.9	0.0
Goodwill amortization	-89.1	89.1	0.0
Gain on divested operations	0.0	24.9	24.9
Operating Income	329.4	107.6	437.0
Share of associated companies' net income	4.9	1.8	6.7
Financing income and expenses	-27.3	-0.5	-27.8
Income before Taxes (and Extraordinary Items)	307.0	108.9	415.9
Extraordinary items	21.6	-21.6	0.0
Income before Taxes	328.6	87.3	415.9
Taxes	-109.2	-4.0	-113.2
Minority share	-2.5	2.5	0.0
Net Income	216.9	85.8	302.7
Net Income Attributable to:			
Shareholders of the parent company	216.9	83.3	300.2
Minory interests	0.0	2.5	2.5
Total	216.9	85.8	302.7
Earnings per Share for Profit Attributable to the Shareholders of the Parent Company			
Basic earnings per share, EUR	3.12	1.67	4.79
Diluted earnings per share, EUR	3.10	1.67	4.77

Reconciliation of Net Income

MEUR		1-12/2003
Net income according to FAS		216.9
Effects of adopting IFRS:		
Goodwill amortization	(4)	80.9
Long-term contracts according to the percentage of completion method	(5)	3.5
Deferred taxes	(6)	-4.1
Finance leases	(7)	-0.1
Customer finance arrangements	(8)	-0.9
Cash flow hedge	(9)	0.7
Employee benefits	(10)	-1.1
Other IFRS adjustments	(12)	4.4
Total IFRS restatement		83.3
Net income according to IFRS		300.2

The numbers in parentheses refer to the Principal IFRS adjustments mentioned above.

Reconciliation of Consolidated Balance Sheet

Assets MEUR	FAS 31 Dec, 2002	IFRS restatements	IFRS 1 Jan, 2003	FAS 31 Dec, 2003	IFRS restatements	IFRS 31 Dec, 2003
Non-Current Assets						
Goodwill	1,063.1	-35.7	1,027.4	912.0	43.1	955.1
Other intangible assets	57.1	27.6	84.7	35.0	28.7	63.7
Property, plant and equipment	648.7	67.8	716.5	401.4	43.4	444.8
Investments in associated companies	0.0	72.9	72.9	0.0	69.8	69.8
Shares	0.0	141.8	141.8	0.0	150.6	150.6
Available-for-sale investments	0.0	15.8	15.8	0.0	8.2	8.2
Shares and Participating Interest	207.7	-207.7	0.0	182.7	-182.7	0.0
Own shares	26.3	-26.3	0.0	26.3	-26.3	0.0
Non-current financial receivables	0.0	309.5	309.5	0.0	67.8	67.8
Deferred tax assets	0.0	147.4	147.4	0.0	131.2	131.2
Other non-current assets	0.0	0.0	0.0	0.0	5.3	5.3
Total Non-Current Assets	2,002.9	513.1	2,516.0	1,557.4	339.1	1,896.5
Current Assets						
Inventories	936.5	-54.0	882.5	874.1	-86.3	787.8
Advance payments received	-406.1	60.2	-345.9	-416.1	105.0	-311.1
Accounts receivable	842.9	-9.9	833.0	764.6	-8.8	755.8
Deferred assets	295.9	-199.9	96.0	340.6	-130.3	210.3
Loans receivable	60.8	-60.8	0.0	65.7	-65.7	0.0
Income tax receivables	0.0	51.0	51.0	0.0	70.9	70.9
Current financial receivables	7.6	-7.6	0.0	13.5	-11.9	1.6
Financial assets	293.8	-250.0	43.8	313.6	-4.9	308.7
Cash and bank	125.9	0.0	125.9	103.5	0.0	103.5
Total Current Assets	2,157.3	-471.0	1,686.3	2,059.5	-132.0	1,927.5
Total Assets	4,160.2	42.1	4,202.3	3,616.9	207.1	3,824.0

Equity and Liabilities MEUR	FAS 31 Dec, 2002	IFRS restatements	IFRS 1 Jan, 2003	FAS 31 Dec, 2003	IFRS restatements	IFRS 31 Dec, 2003
Capital and Reserves Attributable to the Shareholders of the Parent Company						
Share capital	63.5	0.0	63.5	63.5	0.0	63.5
Share premium account	219.6	0.0	219.6	219.6	0.0	219.6
Reserve for own shares	26.3	-26.3	0.0	26.3	-26.3	0.0
Fair value and other reserves	0.0	13.2	13.2	0.0	15.4	15.4
Translation differences	20.9	-20.9	0.0	-19.2	-18.5	-37.7
Retained earnings	519.8	103.6	623.4	583.1	246.8	829.9
Net income	157.1	-157.1	0.0	216.9	-216.9	0.0
Capital loans	102.1	-102.1	0.0	0.0	0.0	0.0
Total Shareholders' Equity	1,109.3	-189.6	919.7	1,090.2	0.5	1,090.7
Minority interests	20.1	0.0	20.1	24.1	0.0	24.1
Total Equity	1,129.4	-189.6	939.8	1,114.3	0.5	1,114.8
Non-Current Liabilities						
Loans	975.8	175.8	1,151.6	683.9	39.6	723.5
Deferred tax liabilities	49.6	-2.5	47.1	24.5	1.0	25.5
Employee benefits and other liabilities	0.0	177.3	177.3	0.0	185.8	185.8
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	1,025.4	350.6	1,376.0	708.4	226.4	934.8
Provisions	247.0	-76.7	170.3	195.5	-43.6	151.9
Current Liabilities						
Current portion of long-term loans	0.0	119.9	119.9	0.0	159.7	159.7
Loans	596.2	-101.4	494.8	353.5	-353.5	0.0
Other liabilities	57.9	7.0	64.9	107.3	237.8	345.1
Accounts payable	385.7	-11.4	374.3	380.0	-3.2	376.8
Accruals	718.6	-117.1	601.5	757.9	-127.5	630.4
Income tax payables	0.0	60.8	60.8	0.0	110.5	110.5
Total Current Liabilities	1,758.4	-42.2	1,716.2	1,598.7	23.8	1,622.5
Total Equity and Liabilities	4,160.2	42.1	4,202.3	3,616.9	207.1	3,824.0

Reconciliation of Equity

MEUR	Share capital	Share premium account	Reserve for own share	Fair value and other reserves	Translation differences	Retained earnings	Net Income	Capital loans	Minority interests	Total Equity
Equity according to FAS as of 31 December, 2002	63.5	219.6	26.3	0.0	20.9	519.8	157.1	102.1	0.0	1,109.3
Transfer of Net Income to Retained earnings						157.1	-157.1			0.0
Effects of adopting IFRS:										
Transfer of Translation difference to Retained earnings (1)					-20.9	20.9				0.0
Capital loans (2)								-102.1		-102.1
Reserve for own share (3)			-26.3							-26.3
Long-term contracts according to the percentage of completion method (5)						-1.2				-1.2
Deferred taxes (6)						36.4				36.4
Finance leases (7)						-1.5				-1.5
Customer finance arrangements (8)						-9.2				-9.2
Cash flow hedge (9)				13.2		-5.1				8.1
Employee benefits (10)						-74.4				-74.4
Cancellation of revaluations (11)						-13.9				-13.9
Other IFRS adjustments (12)						-5.5				-5.5
Total IFRS restatements	0.0	0.0	-26.3	13.2	-20.9	-53.5	0.0	-102.1	0.0	-189.6
Transfer of Minority interests to Total equity (13)									20.1	20.1
Total equity according to IFRS as of 1 January, 2003	63.5	219.6	0.0	13.2	0.0	623.4	0.0	0.0	20.1	939.8

MEUR	Share capital	Share premium account	Reserve for own share	Fair value and other reserves	Translation differences	Retained earnings	Net Income	Capital loans	Minority interests	Total Equity
Equity according to FAS as of 31 December, 2003	63.5	219.6	26.3	0.0	-19.2	583.1	216.9	0.0	0.0	1,090.2
Transfer of Net Income to Retained earnings						216.9	-216.9			0.0
Effects of adopting IFRS:										
Transfer of Translation difference to Retained earnings (1)					-20.9	20.9				0.0
Reserve for own share (3)			-26.3							-26.3
Goodwill amortization (4)						80.9				80.9
Long-term contracts according to the percentage of completion method (5)						2.4				2.4
Deferred taxes (6)						31.8				31.8
Finance leases (7)						-1.4				-1.4
Customer finance arrangements (8)						-8.8				-8.8
Cash flow hedge (9)				15.4		-3.3				12.1
Employee benefits (10)						-71.5				-71.5
Cancellation of revaluations (11)						-13.9				-13.9
Other IFRS adjustments (12)					2.4	-7.2				-4.8
Total IFRS restatements	0.0	0.0	-26.3	15.4	-18.5	29.9	0.0	0.0	0.0	0.5
Transfer of Minority interests to Total equity (13)									24.1	24.1
Total equity according to IFRS as of 1 January, 2004	63.5	219.6	0.0	15.4	-37.7	829.9	0.0	0.0	24.1	1,114.8

The numbers in parentheses refer to the Principal IFRS adjustments mentioned above.

Calculation of Key Figures

Average Number of Employees	=		the average number of employees at the end of each calendar month during the accounting period
Return on Equity (%)	=	100 x	$\dfrac{\text{net income}}{\text{total equity (average of the figures for the accounting period)}}$
Return on Capital Employed (%)	=	100 x	$\dfrac{\text{income after financing items + interest + other financing costs}}{\text{total assets - non-interest-bearing-debt (average of the figures for the accounting period)}}$
Total Equity/Total Assets (%)	=	100 x	$\dfrac{\text{total equity}}{\text{total assets}}$
Gearing (%)	=	100 x	$\dfrac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{total equity}}$
Basic Earnings/Share	=		$\dfrac{\text{net income attributable to the shareholders of the parent company}}{\text{issue and conversion adjusted weighted average number of shares - repurchased own shares}}$
Equity/Share	=		$\dfrac{\text{total shareholders' equity}}{\text{number of shares (issue adjusted) - repurchased own shares}}$
Dividend/Share	=		$\dfrac{\text{payable dividend for the accounting period}}{\text{issue and conversion adjusted weighted average number of shares - repurchased own shares}}$
Dividend/Earnings (%)	=	100 x	$\dfrac{\text{dividend/share}}{\text{earnings/share}}$
Effective Dividend Yield (%)	=	100 x	$\dfrac{\text{dividend/share}}{\text{price of class B shares at the end of the accounting period}}$
Price/Earnings	=		$\dfrac{\text{price of class B shares at the end of the accounting period}}{\text{earnings/share}}$
Average Price	=		$\dfrac{\text{total EUR value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$
Market Value of All Outstanding Shares	=		the number of shares (A + B) at the end of the accounting period times the price of class B shares at the end of the accounting period
Shares Traded	=		number of class B shares traded during the accounting period
Shares Traded (%)	=	100 x	$\dfrac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$

Summary in Figures 2000–3/2005

Consolidated Statement of Income	IFRS 1 Jan, 2004–31 Mar, 2005	IFRS 2003	FAS 2003	FAS 2002	FAS 2001	FAS 2000
Sales, MEUR	5,562	5,410	5,344	4,342	2,816	2,602
- sales outside Finland, MEUR	5,374	4,898	4,823	3,959	2,725	2,509
Operating income, MEUR	530	437	329	275	218	186
- as percentage of sales, %	9.5	8.1	6.2	6.3	7.7	7.2
Income before taxes, MEUR	520	416	329	256	219	183
- as percentage of sales, %	9.4	7.7	6.2	5.9	7.8	7.0
Net income, MEUR	308	303	217	157	141	106

Consolidated Balance Sheet	IFRS 31 Mar, 2005	IFRS 2003	FAS 2003	FAS 2002	FAS 2001	FAS 2000
Non-current assets, MEUR	1,889	1,897	1,557	2,003	721	699
Inventories, MEUR	482	477	458	530	112	154
Receivables, cash and cash equivalents, MEUR	1,297	1,451	1,602	1,627	1,274	976
Total equity, MEUR	1,342	1,115	1,114	1,129	807	677
Non-current liabilities, MEUR	448	935	709	1,026	376	87
Provisions, MEUR	246	152	196	247	221	195
Current liabilities, MEUR	1,632	1,623	1,599	1,758	703	870
Total assets, MEUR	3,667	3,824	3,617	4,160	2,107	1,829
Interest bearing net debt	335	747	662	1,252	-47	100
Assets employed[1], MEUR	1,677	1,862	1,750	2,252	703	746

Other data	IFRS 1 Jan, 2004–31 Mar, 2005	IFRS 2003	FAS 2003	FAS 2002	FAS 2001	FAS 2000
Orders received, MEUR	5,129	4,558	4,558	3,261	2,100	1,854
Order book, MEUR	3,335	2,196	2,254	2,240	1,881	1,656
Capital expenditure, MEUR	417[2]	162[2]	82	93	46	46
- as percentage of sales, %	7.5	3.0	1.5	2.1	1.6	1.8
Expenditure for research and development, MEUR	84	88	88	63	41	37
- as percentage of sales, %	1.5	1.6	1.7	1.5	1.4	1.4
Average number of employees	30,976	34,489	34,489	29,407	22,964	22,804
Number of employees at the end of period	33,021	33,305	33,305	35,864	22,949	22,978

Key Ratios	IFRS 1 Jan, 2004–31 Mar, 2005	IFRS 2003	FAS 2003	FAS 2002	FAS 2001	FAS 2000
Return on equity[3], %	15.2	28.3	18.9	18.4	20.4	17.2
Return on capital employed[3], %	13.1	16.8	15.2	16.4	23.4	23.5
Total equity/total assets, %	36.6	29.2	30.3	24.2	36.6	35.9
Gearing, %	25	67	61	125	neg.	15

Key Figures per Share	IFRS 1 Jan, 2004–31 Mar, 2005	IFRS 2003	FAS 2003	FAS 2002	FAS 2001	FAS 2000
Earnings per share, EUR			3.10	2.54	2.42	1.77
Basic earnings per share, from continuing operations, EUR	3.75	3.98				
Diluted earnings per share, from continuing operations, EUR	3.72	3.96				
Basic earnings per share, from divested operations, EUR	1.20	0.81				
Diluted earnings per share, from divested operations, EUR	1.20	0.81				
Equity per share, EUR	20.62	17.80	16.99	15.66	12.91	10.91
Dividend per class B share, EUR	2.00[4]	2.00	2.00	1.50	0.73	0.50
Dividend per class A share, EUR	1.98[4]	1.98	1.98	1.48	0.71	0.48
Dividend per earnings, class B share, %	53.3	50.3	64.5	59.0	30.4	28.2
Dividend per earnings, class A share, %	52.8	49.7	63.9	58.2	29.5	27.1
Effective dividend yield, class B share, %	3.3	4.4	4.4	5.2	2.7	2.0
Price per earnings, class B share	16	9	15	11	11	14
Market value of class B share, average, EUR	52	37	37	31	25	21
- high, EUR	66	47	47	37	31	26
- low, EUR	45	27	27	24	22	16
- at the end of period, EUR	60	46	46	29	28	25
Market capitalization at the end of period, MEUR	3,819	2,850	2,850	1,792	1,604	1,466
Number of class B shares traded[5], '000	44,288	34,986	34,986	33,785	12,840	11,991
Class B share traded [5], %	84.4	64.9	64.9	65.4	26.4	24.0
Weighted average number of class A shares, '000	9,526	9,526	9,526	10,442	10,455	10,455
Number of class A shares at the end of period '000	9,526	9,526	9,526	9,526	10,455	10,455
Weighted average number of class B shares, '000	52,487	53,104	53,938	51,665	50,009	50,009
Number of class B shares at the end of period, '000	54,150	53,938	53,938	53,938	50,009	50,009
Weighted average number of shares [6], '000	62,443	62,987	62,987	61,809	58,406	60,464

[1] Including tax receivables and liabilities, accrued interest and derivative items
[2] Including acquisitions
[3] Annualized and excluding the gain on divested operations
[4] Board's proposal
[5] Annualized
[6] Adjusted for share issue and option dillution, and reduced by the number of own shares held by the company.

Board of Directors' Dividend Proposal

KONE's distributable equity as of 31 March, 2005 is EUR 983.3 million. The parent company's distributable equity on 31 March, 2005 is 2,026,443,814.22 EUR of which net profit from the accounting period under review is EUR 1,269,100,444.29.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.98 be paid on the 9,526,089 class A shares and EUR 2.00 on outstanding 54,150,366 class B shares. In addition the Board of Directors proposes that shares, total number of 78,300 class B shares, which were subscribed during 1 April–27 April, 2005 by option rights, are entitled to dividend from the accounting period of 1 April, 2004–31 March, 2005. The total amount of proposed dividends will be EUR 127,318,988.22. The Board of Directors further proposes that the rest, EUR 1,899,124,826.00, be retained and carried forward.

The Board proposes that the dividends be payable from 30 May, 2005.

Helsinki, 2 May, 2005

Antti Herlin	Gerhard Wendt
Iiro Viinanen	Jean-Pierre Chauvarie
Masayuki Shimono	Sirkka Hämäläinen-Lindfors

Matti Alahuhta
President

Auditors' Report

To the shareholders of KONE Corporation

We have audited the accounting records, the financial statements and the administration of KONE Corporation for the period 1 January, 2004–31 March, 2005. The financial statements prepared by the Board of Directors and the President include the report of the Board of Directors, the consolidated financial statements of KONE Group prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company's financial statements prepared in accordance with prevailing rules and regulations in Finland. Based on our audit we express an opinion on these financial statements and on the parent company's administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration has been to examine that the members of the Board of Directors and the President of the parent company have legally complied with the rules of the Finnish Companies' Act.

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards give a true and fair view of the consolidated result of operations, as well as of the financial position of KONE Group. The consolidated financial statements have been prepared in accordance with prevailing rules and regulations in Finland and can be adopted.

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The parent company's financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations and of the financial position. The parent company's financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable profits is in compliance with the Finnish Companies' Act.

Helsinki, 2 May, 2005

PricewaterhouseCoopers Oy
Authorized Public Accountants

Jouko Malinen	Jukka Ala-Mello
Authorized Public Accountant	Authorized Public Accountant

Appendix 5: Kone Corporation, Parent Company's Financial Statement Information for the Accounting Period January 1, 2004-March 31, 2005

STATEMENT OF INCOME (EUR)		01.01.2004 - 31.03.2005	1.1.2003 - 31.12.2003
Sales	Note 1	402 374 344,02	374 792 087,97
Change of work in progress		10 798 465,99	-8 234 436,40
Other business income	Note 2	642 318 546,47	7 302 909,11
Materials and supplies		-235 937 158,97	-175 584 120,38
Personnel expenses	Note 3	-72 100 290,29	-79 742 050,75
Depreciation	Note 4	-4 712 913,63	-2 949 781,05
Other business expenses		-130 673 912,45	-72 735 284,85
Operating income		612 067 081,14	42 849 323,65
Financing income and expenses	Note 5	439 129 063,04	190 405 016,36
Income after Financial Items		1 051 196 144,18	233 254 340,01
Extraordinary items	Note 6	319 498 722,27	-87 006 174,57
Income before Taxes and Allocations		1 370 694 866,45	146 248 165,44
Depreciation difference	Note 7	2 474 713,15	208 874,54
Taxes for the period		-104 049 005,86	-42 605 569,98
Deferred taxes		-20 129,45	3 942 922,51
Net Income		1 269 100 444,29	107 794 392,51

Figures are presented according to Finnish Accounting Standards (FAS)

Parent Company: Balance Sheet

Assets		31/03/2005	31/12/2003
Fixed Assets and Other			
Long-term Investments			
Intangible assets			
Intangible assets	Note 8	863 533,27	-
Other long-term expenditures	Note 9	390 833,00	843 162,00
		1 254 366,27	843 162,00
Tangible assets			
Land	Note 10	367 242,82	1 300 835,43
Buildings	Note 11	3 957 597,38	17 917 660,42
Machinery and equipment	Note 12	2 688 690,14	6 615 029,24
Advances paid		0,00	3 077,25
		7 013 530,34	25 836 602,34
Investments			
Shares in subsidiaries	Note 13,23	2 008 189 280,94	416 045 957,36
Other stocks and shares	Note 14,23	72 252 878,16	4 714 610,64
Own shares		-	26 306 945,55
Advances paid		18 188 724,53	-
		2 098 630 883,63	447 067 513,55
Total Fixed Assets and Other			
Long-term Investments		2 106 898 780,24	473 747 277,89
Current Assets			
Inventories			
Raw materials and supplies		-	19 518 514,59
Work in progress		-	12 055 339,07
		-	31 573 853,66
Receivables	Note 15		
Deferred tax assets		1 691 812,49	3 942 922,51
Accounts receivable		21 883 819,65	60 383 281,26
Loans receivable		2 176 203 920,25	2 162 757 064,25
Deferred assets		74 851 057,02	151 933 146,81
		2 274 630 609,41	2 379 016 414,83
Current Investments	Note 16	16 905 601,00	254 296 451,89
Cash and bank		2 436 965,09	8 092 360,37
		19 342 566,09	262 388 812,26
Total Current Assets		2 293 973 175,50	2 672 979 080,75
Total Assets		4 400 871 955,74	3 146 726 358,64

Figures are presented according to Finnish Accounting Standards (FAS)

Shareholders' Equity and Liabilities		31/03/2005	31/12/2003
Shareholders' Equity			
Share capital		63 676 455,00	63 463 620,00
Share premium account		249 535 098,67	219 584 711,04
Reserve for own shares		0,00	26 306 945,55
Retained earnings		757 343 369,93	760 837 829,10
Net income		1 269 100 444,29	107 794 392,51
Total Shareholders' Equity	Note 17	2 339 655 367,89	1 177 987 498,20
Untaxed Reserves	Note 18	-	1 560 222,93
Provision for Liabilities and Charges	Note 19	303 909,51	9 961 984,57
Liabilities	Note 20		
Long-term debt	Note 21	-	
Loans from financial institutions		144 174 077,85	420 338 238,51
Current liabilities			
Loans from financial institutions		114 574 336,49	153 577 893,71
Advances received		0,00	19 926 598,25
Accounts payable		7 757 433,69	32 878 729,01
Other current liabilities		1 643 751 169,14	1 185 477 912,14
Accruals		150 655 661,17	145 017 281,32
		1 916 738 600,49	1 536 878 414,43
Total Debt		2 060 912 678,34	1 957 216 652,94
Total shareholders' Equity and Liabilities		4 400 871 955,74	3 146 726 358,64

Figures are presented according to Finnish Accounting Standards (FAS)

Cash Flow Statement, Parent company

	1.1.2004 – 31.3.2005	1.1. – 31.12.2003
Cash receipt from customers	406 400 581,03	361 117 241,68
Cash paid to suppliers and employees	399 100 505,34	323 217 705,44
Financial income and expenses	896 593 909,30	198 750 687,43
Income taxes paid and other items	52 989 258,56	-57 185 887,67
Cash Flow from Operating Activities	956 883 243,55	179 464 336,00
Capital expenditure	-84 997 001,89	-3 843 304,41
Proceeds from sales of fixed assets	8 314 315,36	1 482 066,54
Acquisitions of subsidiary shares	-1 178 446 205,15	-72 477,18
Sales of subsidiary shares	54 342 820,82	1 920 956,67
Cash Flow from Investing Activities	-1 200 786 070,86	-512 758,38
Cash Flow after Investing Activities	-243 902 827,31	178 951 577,62
Purchases of own shares	-90 131 204,66	0,00
Sales of own shares	141 350 733,39	0,00
Share issue	5 250 639,45	0,00
Change in short-term creditors, net	442 558 681,98	122 952 265,84
Change in long-term creditors, net	-276 164 160,66	54 066 902,87
Dividends paid	-125 069 760,22	-93 754 689,72
Group contributions, paid and received	240 042 825,43	-54 577 127,30
Other financing activities	-63 382 174,80	-202 155 490,62
Cash Flow from Financing Activities	274 455 579,91	-173 468 138,93
Business Incorporation	-36 208 147,88	0,00
Change in Net Cash	-5 655 395,28	5 483 438,69
Cash and bank 31.3.2005	2 436 965,09	8 092 360,37
Cash and bank 1.1.2003	8 092 360,37	2 608 921,68
Change in Net Cash	-5 655 395,28	5 483 438,69

Reconciliation of Net Income to Cash Flow from Operating Activities

		1.1.2004 – 31.3.2005	1.1. – 31.12.2003
Net Income		1 269 100 444,29	107 794 392,51
	Depreciation	4 712 913,63	2 949 781,05
	Other adjustments	-459 077 571,59	86 079 900,99
Income before Change in Working Capital		814 735 786,33	196 824 074,55
Change in receivables		35 939 060,91	-20 290 321,15
Change in payables		127 430 697,34	-3 693 084,38
Change in inventories		-21 222 301,03	6 623 666,98
Cash Flow from Operating Activities		956 883 243,55	179 464 336,00

Accounting Principles of the Financial Statement of Parent Company

Financial statement of KONE Oyj has been prepared in accordance with prevailing rules and regulations in Finland.

Comparability of the previous accounting period
The Elevator business was transferred to two new companies, KONE Elevators Oy and KONE Industrial Oy, which were established in 01.10.2004. This is to be noted, when comparing information from accounting period 2003 to 01.01.2004 – 31.03.2005. KONE Finance Oy, KONE Lift Oy and Tracfin Holding Oy are merged with KONE Oyj during the accounting period 01.01.2004 – 31.03.2005. All head office services remained in the parent company.

Foreign currency items
Foreign exchange items and derivatives made to cover foreign exchange and interest rate risks have been valued at the closing rate on the balance sheet date.

Revenue recognition principle
The sale of products is recognized at the time they have handed over the customer and the sale of services, when they have been carried out. Revenues of long-term projects have been recognized on the final delivery.

Research and development costs
Research and development costs are charged to income during the year in which they are incurred.

Pension settlements and costs
Pensions are generally handled by outside pension insurance companies.

Leasing
Leasing charges are entered as rental costs in the Statement of Income. Remaining leasing contract charges are entered in Notes on the Financial Statement under Contingent Liabilities and Pledged Assets. Leasing contract conditions do not differ from normal conditions.

Extraordinary items
Group contributions have been booked under extraordinary items.

Taxes
The provision for income taxes includes current income taxes payable according to local tax regulations as well as changes in deferred taxes using current tax rates.

All potential deferred tax liabilities are reported, but as a prudent measure only those deferred tax assets, which seem certain to be realized are stated. Taxes also include dividend-related taxes and taxes previous years.

Valuation and depreciation of fixed assets
Fixed assets are stated at cost. All land and building revaluations have been reversed during financial period. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

-Buildings	5-40 years
-Machinery and equipment	4-10 years
-Other long term expenses	4-5 years

Inventories
Inventories are valued at no more than the likely sales price according to FIFO principles. Raw materials and supplies, however, are valued at standard costs. Semi-finished goods have been valued at variable production

costs. Working progress includes direct labour and material costs as of 31.03.2005, as well as a proportion of indirect costs related to production and installation of orders included in work in progress.

Provision for liabilities and charges
Future expenses to which companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same concerns those future losses, which seem certain to be realized.

Financial assets
Financial assets, which are listed on the stock exchange, are measured at costs or at market value, if lower.

Notes on the Parent Company Financial Statement

Statement of Income (MEUR)

1. Sales
Sales to subsidiaries totaled EUR 309,0 million (2003: EUR 234,5 million) corresponding to a share of about 77% (2003: 63%) of net sales.

2. Other Business Income

	1.1.2004-31.3.2005	1.1.-31.12.2003
Merger profits	546,1	-
Sales profits of fixed assets	53,3	0,7
Subventions	2,4	1,4
Other	40,5	5,2
Total	**642,3**	**7,3**

3. Costs and Expenses

	1.1.2004-31.3.2005	1.1.-31.12.2003
Salaries of boards of directors and managing director	1,2	0,6
Wages and other salaries	46,6	52,5
Pension expenses	9,7	10,2
Other personnel expenses including vacation pay	14,6	16,4
Total	**72,1**	**79,7**

The average number of employees was 1 039 (1 475).

4. Depreciation

	1.1.2004-31.3.2005	1.1.-31.12.2003
Intangible assets	2,1	-
Other long-term expenditures	0,4	0,4
Buildings	0,5	0,5
Machinery and equipment	1,7	2,1
Total	**4,7**	**3,0**

5. Financing Income and Expenses

	1.1.2004-31.3.2005	1.1.-31.12.2003
Dividends received from subsidiaries	839,5	147,1
Other dividends received	1,2	0,5
Interest received from subsidiaries	75,5	76,5
Other interest received	39,3	17,9
Interest paid to subsidiaries	-44,6	-19,4
Other interest paid	-21,0	-38,8
Other financing income and expenses	9,5	6,6
Impairment/revaluation of shares	-460,3	-
Total	**439,1**	**190,4**

6. Extraordinary Items

	1.1.2004-31.3.2005	1.1.-31.12.2003
Group contributions received	342,9	23,4
Group contributions granted	-23,4	-110,4
Total	**319,5**	**-87,0**

7. Depreciation Difference

	1.1.2004-31.3.2005	1.1.-31.12.2003
Intangible assets	0,9	-
Other long-term expenditures	0,2	0,1
Buildings	1,1	0,3
Machinery and equipment	0,3	-0,2
Total	**2,5**	**0,2**

Balance Sheet (MEUR)

8. Intangible assets

	31.3.2005	31.12.2003
Acquisition cost as of 1 January	-	-
Increase	4,6	-
Decrease	-1,6	-
Accumulated depreciation	-2,1	-
Net book value at the end of period	**0,9**	**-**

9. Other Long-term Expenditures

	31.3.2005	31.12.2003
Acquisition cost as of 1 January	3,1	2,7
Increase	0,3	0,4
Decrease	-0,4	0,0
Accumulated depreciation	-2,6	-2,3
Net book value at the end of period	**0,4**	**0,8**

10. Land

	31.3.2005	31.12.2003
Acquisition cost as of 1 January	0,5	0,6
Decrease	-0,1	-0,1
Accumulated revaluation	-	0,8
Net book value at the end of period	**0,4**	**1,3**

11. Buildings

	31.3.2005	31.12.2003
Acquisition cost as of 1 January	14,5	14,5
Accumulated revaluation	-	11,7
Increase	0,7	0,7
Decrease	-2,5	-0,5
Accumulated depreciation	-8,8	-8,5
Net book value at the end of period	**3,9**	**17,9**

12. Machinery and Equipment

	31.3.2005	31.12.2003
Acquisition cost as of 1 January	36,7	35,2
Increase	1,7	2,0
Decrease	-3,9	-0,5
Accumulated depreciation	-31,8	-30,1
Net book value at the end of period	**2,7**	**6,6**

13. Shares in Subsidiaries

	31.3.2005	31.12.2003
Total as of 1 January	416,1	417,9
Increase	2434,1	0,1
Advance payments	18,2	-
Decrease	-381,7	-1,9
Accumulated depreciation	-460,3	-
Net book value at the end of period	**2026,4**	**416,1**

14. Other stocks and Shares

	31.3.2005	31.12.2003
Total as of 1 January	4,7	4,5
Increase	69,5	0,3
Decrease	-2,0	-0,1
Net book value at the end of period	**72,2**	**4,7**

15. Receivables

Receivables falling due after one year:	31.3.2005	31.12.2003
Loans receivable	**59,8**	**5,2**

Receivables from group companies:	31.3.2005	31.12.2003
Accounts receivable	21,5	44,4
Loans receivable	2122,4	2156,6
Deferred assets	50,7	38,7
Total	**2194,6**	**2239,7**

Receivables from associated companies:	31.3.2005	31.12.2003
Accounts receivable	0,0	2,7
Loans receivable	0,7	1,5
Total	**0,7**	**4,2**

Deferred assets:	31.3.2005	31.12.2003
Interest receivable	0,4	15,7
Receivables from subsidiaries	50,7	38,7
Exchange rate gains	13,4	64,5
Income taxes	0,0	27,9
Other deferred assets	10,4	5,2
Total	**74,9**	**152,0**

16. Current Investments

	31.3.2005	31.12.2003
Deposits	-	254,3
Other securities	16,9	-
Total	**16,9**	**254,3**

17. Shareholders' Equity and Its Changes

	Share-capital	Share premium account	Reserve for own Shares	Retained earnings	Net income for the Year	Total equity
As of 1 January	63,5	219,6	26,3	868,6		1178,0
Dividend				-125,1		-125,1
Reversion of revaluation				-12,5		-12,5
Option program	0,2	5,0				5,2
Purchase of own shares			90,1			90,1
Sale of own shares		24,9	-116,4	26,3		-65,2
Net income for the year					1269,1	1 269,1
31 March, 2005	**63,7**	**249,5**	**0,0**	**757,3**	**1269,1**	**2339,6**

18. Untaxed Reserves

Cumulative depreciation differences:	31.3.2005	31.12.2003
Other long-term expenditures	0,0	0,2
Buildings	0,0	1,1
Machinery and equipment	0,0	0,3
Total	**0,0**	**1,6**

19. Provision for Liabilities and Charges

	31.3.2005	31.12.2003
Provision for guarantees	-	1,6
Other provisions	0,3	8,3
Total	**0,3**	**9,9**

20. Liabilities Owed to Group and Associated Companies

Liabilities owed to group companies:	31.3.2005	31.12.2003
Other debt	1464,2	977,0
Advances received	-	3,4
Accounts payable	5,2	13,5
Accruals	75,4	113,5
Total	**1544,8**	**1107,4**

Liabilities owed to associated companies:	31.3.2005	31.12.2003
Advances received	-	0,3
Accounts payable	0,0	1,1
Accruals	1,9	-
Total	**1,9**	**1,4**

Accruals:	31.3.2005	31.12.2003
Accrued salaries, wages and other employment costs	4,5	14,2
Accruals to subsidiaries	75,4	113,5
Income taxes	52,9	-
Other accruals	17,9	17,3
Total	**150,7**	**145,0**

21. Long-term debt

Long-term debt falling due after five years:	31.3.2005	31.12.2003
Loans from financial institutions	**43,0**	**61,4**

22. Commitments

	31.3.2005	31.12.2003
Mortgages		
Group and parent company	0,7	16,7
Pledged assets		
Subsidiaries	0,1	-
Guarantees		
Subsidiaries	1224,6	1216,4
Associated companies	5,3	10,1
Others	7,5	2,7
Operating leases		
Less than 1 year	0,6	3,0
Over 1 year	0,8	2,8
Total	**1239,6**	**1251,7**

Notes on the parent company financial statement 1.1.2004 - 31.3.2005

FISCAL YEAR 1.1.2004 - 31.3.2005 SALARIES		
Board of directors and CEO		1 194 020,00
Wages		11 809 859,21
Other salaries		34 781 472,84
Total		**47 785 352,05**
Fringe benefit total		**3 169 439,65**
CHANGES IN SHAREHOLDERS' EQUITY		
Share Capital 1.1.2004	63 463 620,00	
Option program	212 835,00	
Share Capital 31.3.2005		63 676 455,00
Share premium account 1.1.2004	219 584 711,04	
Option program	5 037 804,45	
Sales profit of own shares ./ tax on sales profit	24 912 583,18	
Share premium account 31.03.2005		249 535 098,67
Reserve for own shares 1.1.2004	26 306 945,55	
Owns shares bought	90 131 204,66	
Owns shares sold	-116 438 150,21	
Reserve for own shares 31.3.2005		0,00
Retained earnings 1.1.2004	868 632 221,61	
Dividends paid year 2003	-125 069 760,22	
Cancellation of reserves for own shares	26 306 945,55	
Cancellation of revaluations	-12 526 037,01	
Retained earnings 31.3.2005		757 343 369,93
Net income		1 269 100 444,29
Total Equity		**2 339 655 367,89**
MORTGAGES		
Parent company		**700 000,00**
PLEDGED ASSETS		
Subsidiary companies		**77 136,69**
GUARANTEES		
Subsidiary companies		1 224 640 437,40
Associated companies		5 294 257,95
Others		7 510 641,25
		1 237 445 336,60
OPERATING LEASES		
Year 2005		567 382,02
Year 2006 or after		806 336,15
		1 373 718,17

Appendix 6: Auditors' Statement on Financial Information Included in Listing Prospectus

AUDITORS' STATEMENT

For the Listing Prospectus of Cargotec Corporation

On the basis of the Finnish Securities Markets Act, Chapter 2, Section 3, Paragraph 5, and the Ministry of Finance's Decree on Listing Particulars (19.6.2002/539), Section 5, we state the following:

We have audited the financial statements, accounting and corporate governance of Kone Corporation for the financial year January 1, 2004 – March 31, 2005. The auditors' report submitted for this financial year is annexed to this Prospectus.

Kone Corporation's financial statement information for the financial year January 1, 2004 – March 31, 2005 as presented in this Prospectus in Appendices 4 and 5 is in accordance with the financial statements adopted by the Annual General Meeting.

Helsinki, 23 May 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen	Jukka Ala-Mello
Authorised Public Accountant	Authorised Public Accountant

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Appendix 7: Articles of Association of Cargotec

(English Translation)

1 § Business Name and Domicile

The business name of the company is Cargotec Oyj and in English, Cargotec Corporation. Its domicile is Helsinki.

2 § Line of Activity

The company's line of activity is the metal industry, primarily the mechanical engineering and electrical engineering industries, trade in the products of the metal industry, and industrial and business activities related to these. In addition, the company can engage in the practice of buying, selling, owning and administration of property and securities.

3 § Share Capital and Number of Shares

The minimum capital of the company is sixty million (60,000,000) euros, and its maximum capital two hundred and sixty million (260,000,000) euros, within which limits the share capital may be increased or decreased without amendment of the Articles of Association.

The company has a minimum of one (1) and a maximum of (260,000,000) shares. The shares have no nominal value.

4 § Classes of Shares

The shares of the company are divided into class A and class B shares, of which there are in total at maximum 260,000,000. The number of class A shares is at maximum 260,000,000 and the number of class B shares at maximum 260,000,000.

Increase of the Share Capital

In a new issue, either shares of both classes or only B-series shares may be issued in accordance with a decision of a General Meeting of Shareholders.

In a new issue in which shares of both classes of shares are issued, as well as in a bonus issue, the increase of the share capital is divided in the previous proportion between the two classes of shares, in which case the class A shares entitle to subscribe only to class A shares and the class B shares only to class B shares.

Dividend on Class B Shares

In a distribution of dividends, the dividend paid on the class B shares is higher than that on the class A shares. The difference between the dividends paid on the different classes of shares is at minimum one (1) percent and at maximum two and one half (2.5) percent, calculated from the accounting par value of the share.

Right to Vote pertaining to Shares

In a General Meeting of Shareholders, each class A share shall entitle its holder to one vote and each full ten class B shares shall entitle their holder to one vote, but each shareholder shall have at minimum one vote.

Conversion of an Class A Share to a Class B Share

Upon an offer by the Board of Directors, the holder of a class A share shall have the right to present a claim that the class A share owned by him be converted to a class B share at a ratio of 1:1. The offer by the Board of Directors is to be communicated to the holders of class A shares by letter to their addresses registered in the company's Register of Shareholders. Any claim regarding conversion shall be presented in writing to the company's Board of Directors. Those shares, the conversion of which is desired, shall be specified in the claim. After the period of the offer has expired, the Board of Directors shall forthwith carry out the conversions based on the claims presented. Thereafter, a notification of the conversion shall forthwith be made to the Trade Register for registration. The conversion has been put into effect when the registration has been made.

5 § Paperless Book-Entry Securities System

The shares of the company are in the paperless book-entry securities system.

The right to receive funds distributed from the company and the right to subscribe when the share capital is being increased shall he held only by:

- one who, on the matching day, has been entered as a shareholder into the Register of Shareholders;

- one whose right to receive a remittance has, on the matching day, been entered into the securities account of a shareholder entered into the Register of Shareholders, and has been entered into the Register of Shareholders; or

- if a share has been nominee registered, the one onto whose securities account the share has been entered on the matching day and the manager of whose shares has, on the matching day, been entered as manager of the shares into the Register of Shareholders.

6 § Board of Directors

The Board of Directors of the company shall include at minimum five (5) and at maximum eight (8) other regular members, as well as at maximum three (3) alternate members.

The Board of Directors shall jointly choose the Chairman of the Board and the Deputy Chairman.

The term of office of the Board of Directors shall expire at the end of the first Annual General Meeting of Shareholders following the election.

The Board of Directors is deemed to have a quorum present when more than a half of its members are present.

7 § Managing Director

The Board of Directors of the company shall appoint a Managing Director.

8 § Signing of the Business Name

The business name of the company is signed by the Chairman of the Board of Directors and by the President, either one of them alone, and by the members and alternate members of the Board of Directors, any two of them jointly.

9 § Powers of Procuration

The Board of Directors shall decide on the granting of powers of procuration.

10 § Audit

The company shall have at least one (1) and a maximum of three (3) Auditors. The Auditors shall be authorized public accountants.

The assignment of the Auditors shall expire at the end of the first Annual General Meeting of Shareholders following the election.

11 § Summons to a General Meeting

A Summons to a General Meeting of Shareholders shall be published in at least two daily newspapers, decided upon by the Board of Directors and appearing in the Helsinki region, no earlier than two months before the last date according to § 12 for the declaration of the intention to attend, and no later than one week before the fixed date referred to in Chapter 3 a, Section 11, paragraph 1, of the Companies Act.

12 § Declaration of Intention to Attend a General Meeting

In order to be permitted to participate in a General Meeting of Shareholders, a shareholder shall, no later than the date designated by the Board of Directors and mentioned in the summons to the Meeting, which date may be no earlier than ten (10) days before the Meeting, declare to the company her/his intention to attend.

13 § General Meeting of Shareholders

The Annual General Meeting of Shareholders shall be held annually within three months after the closing of the accounting period, on a day designated by the Board of Directors.

At the Meeting shall be:

presented

- the financial statements, which shall comprise the Income Statement, the Balance Sheet, and the Annual Report, as well as the consolidated financial statements comprising the Consolidated Income Statement and the Consolidated Balance Sheet;
- the Auditors' Report, as well as the Auditors' Report concerning the whole group of companies;

decided

- the approval of the Income Statement and the Balance Sheet, as well as the Consolidated Income Statement and the Consolidated Balance Sheet;
- any measures occasioned by the profit or loss according to the approved Consolidated Balance Sheet;
- granting release from liability to the members of the Board of Directors and to the President;
- the number of members and, if needed, deputy members of the Board of Directors, and their remunerations;
- the number of Auditors, and their remunerations; and

elected

- the Board of Directors' regular members and, if needed, deputy members;
- one or several Auditors.

14 § Financial Period

The financial period of the company is the calendar year.

15 § Arbitration

Any disputes between the company on the one hand and the Board of Directors, any member of the Board of Directors, the President, any Auditor, or any shareholder on the other hand, regarding the application of the Companies Act or the present Articles of Association, shall be settled by arbitration procedure, as prescribed in the Companies Act and in the Act regarding Arbitration.

Appendix 8: The Terms and Conditions of the Option Program of Cargotec

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") and Cargotec Corporation ("Cargotec" or "Company"). 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 as allowed under the Companies Act.

The Cargotec 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 Cargotec Option Rights shall be issued. The Option Rights entitle to subscribe for a maximum number of 800,340 class B shares in Cargotec.

2 Classification of Option Rights

The Cargotec 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 Cargotec, or to another Cargotec group company to be assigned to its key employees.

The Option Rights have been given free of charge.

The Option Rights entitling to subscription of Cargotec 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 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 Cargotec Option Right entitles to subscribe for three (3) class B shares in Cargotec.

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 Cargotec Option Right shall give its holder the right to subscribe for three (3) class B shares in Cargotec 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 Cargotec 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 Cargotec 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 corresponding 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, corresponding 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 Cargotec 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 Cargotec Option Program.

Appendix 9: Cargotec Subsidiaries and Associated Companies as of May 3, 2005

Subsidiaries

Country	Company	Shareholding %
Australia	Kalmar Equipment (Australia) Pty Ltd	100
Austria	Interhydraulik GmbH	100
	Kalmar Hebefahrzeuge Handelges.m.b.H.	100
Belgium	Hiab SA/NV	100
	Kalmar Belgium NV S.A.	100
Brazil	Kalmar Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	100
	MacGREGOR (BRA) Ltda	100
Canada	MacGREGOR CAN Inc	100
Chile	Hiab Chile S.A.	75
China/Hong Kong	Hiab Load Handling (Shanghai) Co., Ltd	100
	Kalmar Asia Pacific Ltd	77
	Kalmar Industries (Shanghai) Co. Ltd	100
	Kalmar Port Machinery Shanghai Ltd	100
	Kalmar Port Machinery (Shenzhen) Ltd	77
	MacGREGOR (CHN) Ltd	100
	MacGREGOR (HKG) Ltd	100
	MacGREGOR Shanghai Equipment Maintenance & Repair Co., Ltd.	100
	MacGREGOR Shanghai Trading Co., Ltd.	100
Croatia	MacGREGOR (HRV) d.o.o.	100
Cyprus	MacGREGOR (CYPRUS) Ltd.	100
Denmark	Hiab Denmark A/S	100
	MacGREGOR (DNK) A/S	100
	Zepro Danmark A/S	100
Finland	Forastar Oy Ab	100 dormant
	Hiab Oy	100
	Kalmar Industries Oy Ab	100
	Kone Cargotec Oy	100
	Loglift Jonsered Oy Ab	100
	MacGREGOR Oy	100
	MacGREGOR (FIN) Oy	100
	Multilift Oy	100
	Oy Sisu Ab	100
France	Hiab S.A.S.	100
	Kalmar France S.A.	100
	KONE Cargotec Holding S.a.r.l.	100
	MacGREGOR S.A.S	100
	MacGREGOR (FRA) S.A.S.	100
	Societe Immobiliere Mavivray S.a.r.l.	100
	Zepro France S.a.r.l.	100
Germany	Bromma GmbH	100
	Conver Ingenieurtechnik GmbH	100
	Conver Ingenieurtechnik GmbH & Co KG	100
	Hiab GmbH	100
	Kalmar Flurförderzeuge Vertriebs GmbH	100
	Kalmar Vermögensverwaltungsgesellschaft mbH	100

	Kooi GmbH	100
	Loglift Jonsered GmbH	100
	MacGREGOR-Conver GmbH	100
	MacGREGOR (DEU) GmbH	100
	Zepro Hebebühnen GmbH	100
Greece	MacGREGOR (GRC) EPE	100
Ireland	Bransdale Limited	100
	Moffett Engineering Ltd	100
	Moffett Research & Development Ltd	100
	Partek Cargotec Holding (Ireland) Ltd	100
Italy	Hiab S.r.l.	100
	Kalmar Industries S.r.l	100
	MacGREGOR (ITA) S.r.l.	100
Japan	Hiab K.K.	100
	MacGREGOR (JPN) KK	100
	MacGREGOR-KAYBA Ltd.	75
Malaysia	Bromma (Malaysia) Sdn. Bhd.	100
	Hiab Sdn Bhd	100
Mexico	Hiab S.A. de C.V.	64
	Servicios Hiab S.A. de C.V.	64
Netherlands	Hiab B.V.	100
	Hiab Manufacturing B.V.	100
	International MacGREGOR-Navire Holding B.V.	100
	Kalmar Holding B.V.	100
	Kalmar Industries B.V.	100
	Kalmar Nederland B.V.	100
	Kalmar Nederland C.V.	100
	Kalmar Rental B.V.	100
	LeeBur-Multilift B.V.	100
	MacGREGOR (NLD) B.V.	100
	Moffett-Kooi B.V.	100
	Moffett-Kooi Holding B.V.	100
	Partek Cargotec Holding Netherlands B.V.	100
	Staal Satellite II-1 N.V., in liquidation	100
Norway	Hiab AS	100
	Kalmar Norge AS	100
	MacGREGOR (NOR) AS	100
Poland	Bromma Polska Sp. z o.o.	100
	Hiab Sp. z o.o.	100
	MacGREGOR (POL) Sp. z o.o	100
Portugal	MacGREGOR (PRT) Lda	99.5
Russia	MacGREGOR (RUS) OOO	100
	OOO Kalmar Pogruchiki I Crani	100
Singapore	Bromma Far East Pte. Ltd.	50
	Hiab Pte Ltd	100
	Kalmar LMV East Asia Pte Ltd	100
	Kalmar South East Asia Pte. Ltd	77
	MacGREGOR (SGP) Pte Ltd	100
South Korea	Hiab Hana Ltd.	92.1
	MacGREGOR (KOR) Ltd	100
Spain	Hiab S.A.	100
	Hiab Cranes S.A.	100
	MacGREGOR (ESP) SA	100
Sweden	AB Forshaga Mekaniska Verkstad	100 dormant
	AB Grundstenen 96117	100 dormant

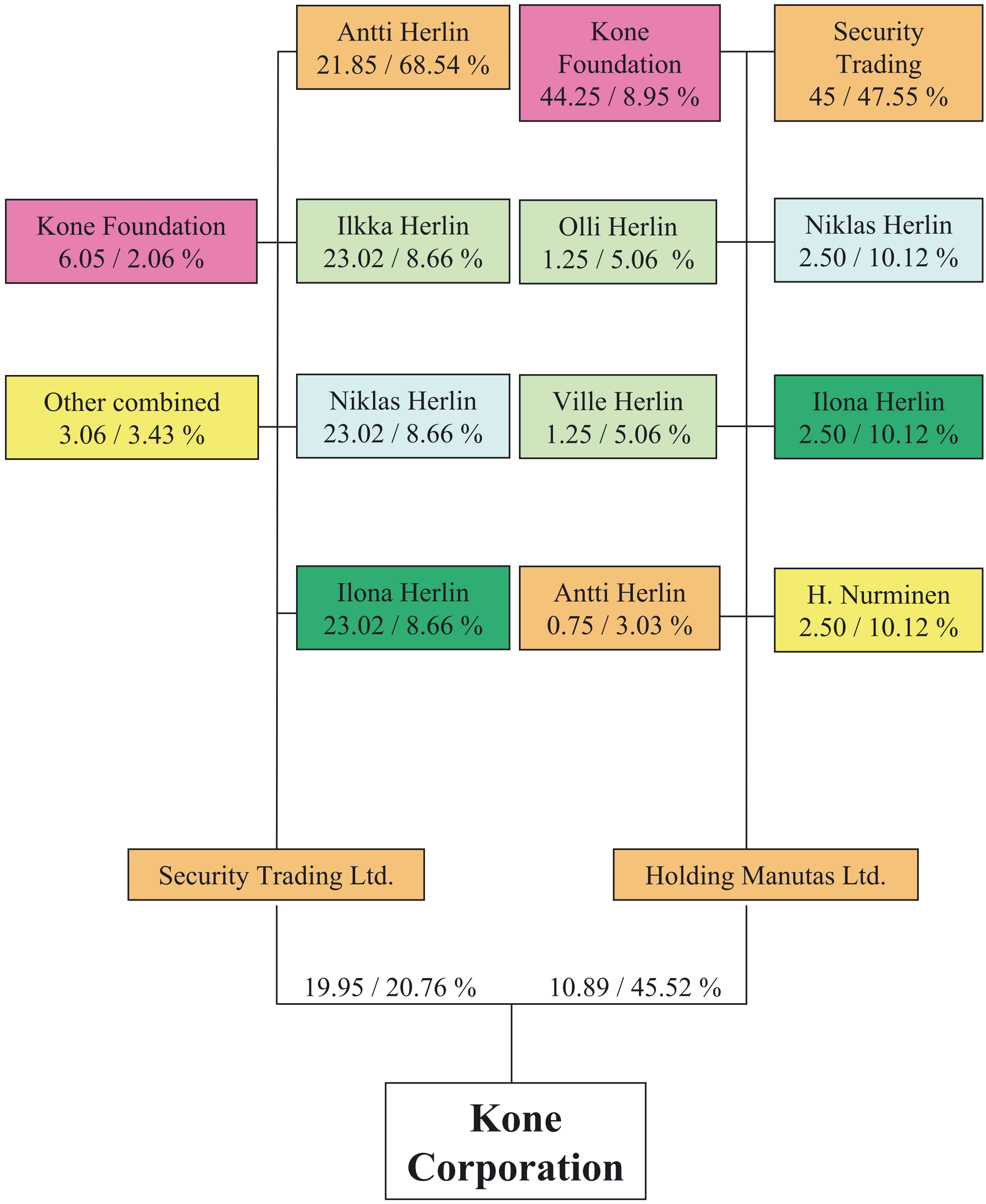
	AB Tico	100 dormant
	Bromma Conquip AB	100
	Bromma Patenter AB	100
	Hiab AB	100
	Hiab Cranes AB	100
	Hiab Sverige AB	100
	Kalmar Forwarding AB	100
	Kalmar Industries AB	100
	Kalmar UK Holding AB	100
	KONE Cargotec Patenter HB	100
	KONE Holding Sverige AB	100
	Loglift Jonsered AB	100
	MacGREGOR AB	100
	MacGREGOR (SWE) AB	100
	MacGREGOR Cranes AB	100
	MacGREGOR Group AB	100
	MacGREGOR Holding AB	100
	MacGREGOR International AB	100
	MacGREGOR Marine AB	100
	MacGREGOR Port Equipment AB	100
	Multilift AB	100
	Norent AB	100
	Partek Cargotec AB	100
	Zeteco AB	100
	Z-Lyften Produktion AB	100
Switzerland	MacGREGOR International S.A.	99.99
Ukraine	MacGREGOR (UKR) A/O	99.3
United Arab Emirates	Bromma Middle East FZCO	100
	MacGREGOR (ARE) LLC	49
	MacGREGOR (ARE) GULF LLC	49
United Kingdom	Hiab Ltd	100
	Hiab (2004) Ltd	100 dormant
	International Port Equipment Ltd	100 dormant
	Kalmar Ltd.	100
	Kalmar Handling Systems Ltd.	100
	MACCOR Marine Services International Ltd	100
	MacGREGOR (Centrex) Ltd	100
	MacGREGOR (GBR) Ltd	100
	MacGREGOR Land & Sea Services Ltd	100
	Moffet Limited	100
	Multilift Ltd	100
	Partek Cargotec (1999) Ltd	100 dormant
	Sisu Terminal Systems (UK) Ltd.	100 dormant
USA	Atlas Metal Fabricators, Inc.	100
	Cargotec Inc	100
	Cargotec Holding, Inc.	100
	Conquip International Inc.	100 dormant
	Kalmar Industries USA LLC	100
	Kalmar RT Center Llc	100
	MacGREGOR (USA) Inc	100
	Partek Forest LLc	100 dormant
	Princeton Delivery Systems Inc	100
	Waltco Truck Equipment Co. Inc.	100

Associated companies

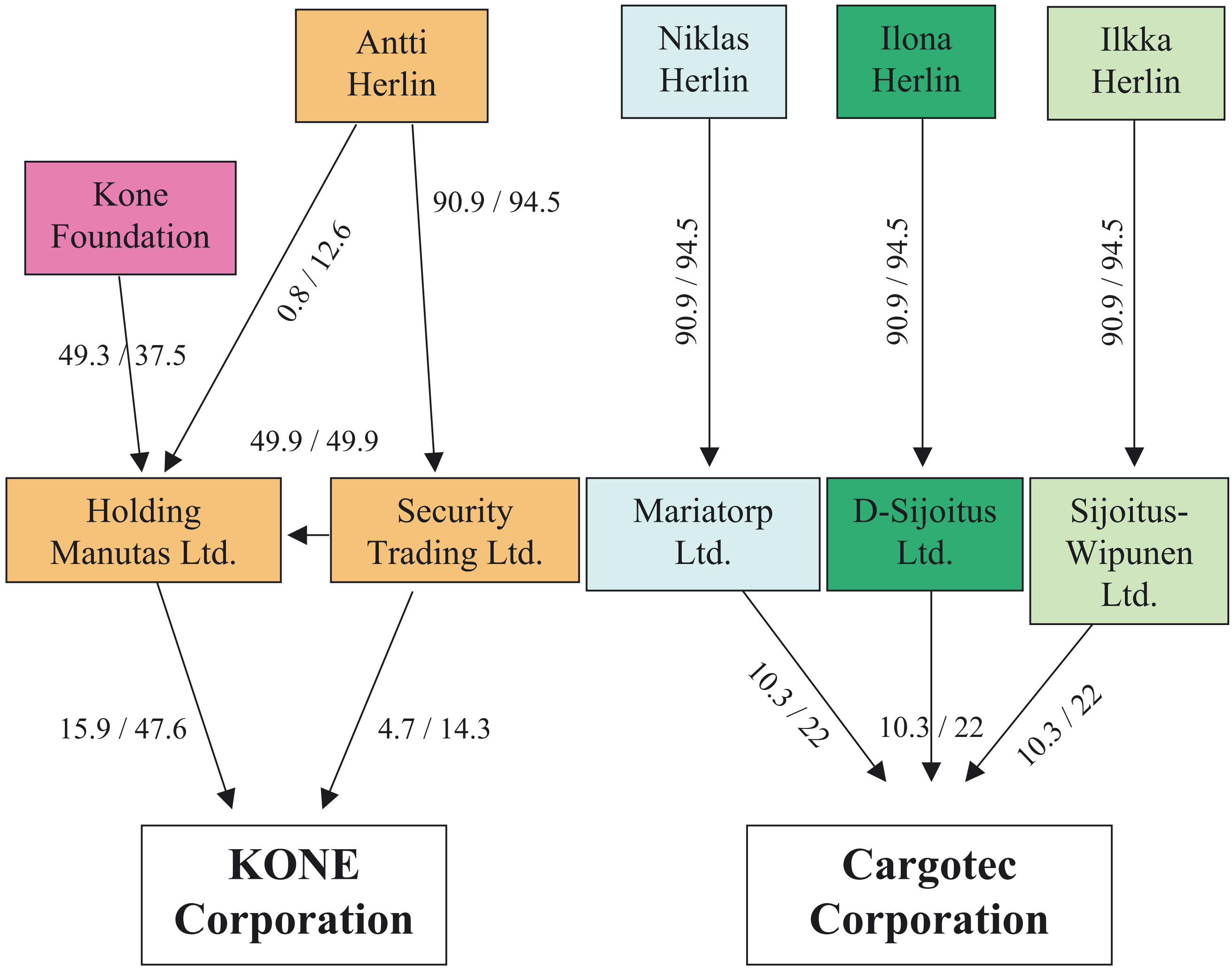
Country	Company	Shareholding % Nominal
China	Haida-MacGREGOR Jiangyin Sealing Co., Ltd	25
Finland	Consolis Oy Ab (incl. subsidiaries)	41.7
France	Hymetal S.A.	40
	Promat S.A.	40
Malaysia	Kalmar (Malaysia) Sdn. Bhd.	38.5
Norway	Transportindustri A/S	20

Appendix 10: Ownership Reorganization

PRESENT SITUATION, 4 April, 2005
(% of shares / % of votes)



CONCLUSION OF THE REORGANIZATION, JULY 2005
(% of shares / % of votes)



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Demerging Company

Kone Corporation
P.O. Box 8, Kartanontie 1
00330 Helsinki
Finland

New Company to be Listed

Cargotec Corporation
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00501 Helsinki
Finland

Manager of the Listing and Financial Advisor

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WTC, Keskuskatu 5 B
00100 Helsinki
Finland

Financial Advisor

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
UK

Legal Advisor to Kone Corporation and Cargotec

Castrén & Snellman Attorneys Ltd.
Erottajankatu 5 A
00130 Helsinki
Finland

Auditors

Jukka Ala-Mello, Authorized Public Accountant
PricewaterhouseCoopers Oy, Authorized Public Accountants

Deputy Auditors:
Niina Raninen, Authorized Public Accountant
Barbro Löfqvist, Authorized Public Accountant

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