

TELESTE CORPORATION

THE PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 5, 2005 TO AUTHORIZE THE BOARD TO INCREASE THE SHARE CAPITAL

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on April 5, 2005 that the Annual General Meeting of Shareholders resolves to authorize the Board of Directors to decide to increase the share capital by one or more new issues in such a manner that the new issue entitles to subscription of a maximum of 3,400,000 new shares, with a nominal value of EUR 0.40. Under the authorization, the share capital can be increased by up to EUR 1,360,000.

The authorization includes the right to disapply the shareholders' pre-emptive subscription rights, provided that from the company's perspective important financial grounds exist such as strengthening the company's financial position, financing acquisitions or carrying out cooperative arrangements. When the share capital is increased by a new issue, the Board is entitled to decide that shares can be subscribed for against property in kind or otherwise, on specified conditions.

The Board of Directors has, within the limits allowed by the Companies Act, the right to decide on the subscription prices, those entitled to subscription and the terms of subscription.

The Board can use the granted authorizations to convey the company's own shares and increase the share capital by a new issue, in such manner, that the total number of the shares and votes conveyed and issued can represent in total a maximum of one-fifth of the company's registered share capital and total votes.

The authorization is valid for one year from the decision of the Annual General Meeting of Shareholders.