

**ASTRALTECH INC., TECHNICAL SERVICES UNIT OF
ASTRAL COMMUNICATIONS, MERGES WITH GROUPE COVITEC
TO CREATE CANADA'S LARGEST FILM AND
TELEVISION TECHNICAL SERVICES COMPANY**

MONTRÉAL, February 8, 1999 – Astral Communications Inc. and Groupe Covitec inc. today announced the merger of Astral's AstralTech technical services unit with Groupe Covitec to create the largest Canadian film and television technical services company. The deal, which is effective immediately, was announced today by Ian Greenberg, President and Chief Executive Officer of Astral Communications Inc. and Claude Gagnon, President and Chief Executive Officer of Groupe Covitec inc., who said the merged company will operate under the Covitec name. The AstralTech Video Duplication Centre is not included in the merger.

Astral Communications has received a controlling 63.3 per cent interest, on a fully diluted basis, or 42,595,003 shares, in Groupe Covitec in return for merging its technical services – Motion Picture Laboratory, Sound and Dubbing facility, Video Post-Production Centre and 2D Animation Centre – into the “new” Covitec. The current shareholders of Groupe Covitec will hold the remaining 37 per cent interest in the company. The majority shareholders of Groupe Covitec have approved the transaction.

Claude Gagnon will continue as President and Chief Executive Officer of Covitec. Astral President Ian Greenberg will be Chairman of the Board of Covitec. The company's board will be restructured to reflect the new ownership position.

AstralTech's operations are concentrated in two locations on Ste. Catherine St. West in downtown Montréal, while Covitec has several locations in Montréal, Québec and Ottawa. Covitec's operations include post-production services, a film laboratory, shooting studios, equipment rentals, turnkey television productions and video duplication.

Astral President Ian Greenberg said the merger reflects the consolidation that is taking place throughout the communications business and “will prove to be beneficial for both Covitec and Astral. While the services of both companies are basically complementary, there is some duplication and the streamlining of their operations will bring significant savings that will be reflected in the bottom line of the merged company. Covitec is now an important part of Astral and we expect it will make a positive contribution to Astral's earnings in Fiscal 2000,” Mr. Greenberg added.

Mr. Gagnon said creation of the “new” Covitec would “greatly strengthen the technical services business in Québec and Canada. There are very talented and creative craftspeople at both companies and the synergies of both teams of employees will ensure an even higher level of service for our existing customers on both the production and distribution levels.

"In addition," stated Mr. Gagnon, "the 'new' Covitec will have the critical mass necessary to justify investments in the most up-to-date equipment. Thus, by combining the expertise and creativity of our employees with state-of-the-art equipment, we will be superbly placed to seek new business in the rest of Canada and the United States, while guaranteeing the Québec production community the highest level of service. More than ever, we will be a one-stop technical services facility for North American producers."

It is estimated that the merged company will generate revenues of approximately \$70 million dollars in its first full year of operation, the fiscal year ending August 31, 2000. In Fiscal 98, AstralTech had sales of \$44 million, while Covitec reported sales of \$19.2 million. EBITDA for AstralTech was \$7.3 million the past fiscal year and \$3.1 million for Covitec. AstralTech assets stood at \$33 million as of the end of Fiscal 98, while Covitec's assets were \$18.2 million.

André Bureau, Chairman of the Board of Astral, said that, "the transaction is in line with our strategic plan to maximize the value and profitability of each one of Astral's units. We have been looking for ways to rationalize the technical services business in Québec for some time now, and this move will provide a positive future for the operations of both companies. The rationalization that is contemplated by both parties will be finalized over the coming weeks. Our priority will be to minimize the impact of this change on the employees."

Astral Communications has been involved in providing technical services for over 30 years and, in this role, has made major contributions to the building of a strong Canadian film and television production and distribution industry. Astral entered the business in 1968 when it purchased Associated Screen Industries, which had been set up by Canadian Pacific Railways in 1920 and which opened a processing laboratory in 1927 and Canada's first sound stage in 1934. Astral changed the name of the business to Bellevue Pathé Québec and operated it in the original premises on Northcliffe in Montréal. In the mid-90s, the business was renamed AstralTech and moved to its present location in downtown Montréal. Today, while it is still Canada's oldest and largest continuously operating motion picture laboratory, it has expanded and now provides a wide array of services for the film and television industry.

AstralTech has one of the most modern motion picture laboratories in North America and is the dominant Canadian player in original processing of film. It is also a major player in release printing of movies from the major Hollywood studios and Canadian distributors for exhibition in Canada and is expanding into the U.S. market. As well, it dubs many of the Hollywood movies into French for the Canadian market. AstralTech's sound division now houses the first fully digital sound mixing facility in Canada.

Covitec has become a very significant force in technical services in a relatively few short years. Starting as a small technical services facility in 1986, it went public in 1993. Covitec has been carrying out an aggressive program of acquisitions over the past two years. Amongst these acquisitions were the assets of Télé-Metropole's technical services businesses, Centre de Montage Électronique (CME) and Sonolab, as well as those of the Supersuite division of CFCF Inc. and the optical services activities of the National Film Board.

Today, Covitec offers producers a virtual one-stop array of services for the production of television programs or movies. These range from a studio with three sound stages to rental of equipment to shoot the films or television programs to the final film and video post-production, including visual and optical effect production. It also offers such specialized services as closed captioning for the hearing impaired, television production of commercials and video duplication.

Astral, Groupe Covitec, Claude Gagnon, 3090-2811 Québec Inc. (a company controlled by Claude Gagnon), AstralTech and certain institutional investors are party to a shareholders' agreement which includes, among other things, a right of first refusal, a preemptive clause and a piggyback clause. Pursuant to this agreement, the institutional investors, namely Capital Communications CDPQ Inc., Capital CDPQ Inc, subsidiaries of the Caisse de dépôt et placement du Québec, as well as Société d'investissements Capimont Enr., are entitled to two seats on the board of directors of Groupe Covitec. AstralTech has granted options to the institutional investors which will permit them to acquire 1,569,380 additional shares in the share capital of Groupe Covitec at a price of \$0.75 per share, namely 683,779 shares for Capital CDPQ Inc., 403,801 shares for Capital Communications CDPQ Inc. and 481,800 shares for Société d'investissements Capimont Enr. If these options were exercised, Capital CDPQ Inc. would hold 2,742,198 shares or 4.32 percent of the share capital of Groupe Covitec on a non-diluted basis, Capital Communications CDPQ Inc. would hold 1,689,515 shares or 2.66 percent and Société d'investissements Capimont Enr. would hold 2,297,362 shares or 3.62 percent. La Caisse and its subsidiaries are holding a total of 7.12 percent of the share capital of Groupe Covitec on a non-diluted basis and 11.36 percent on a partly-diluted basis. The agreement also provides for options in favour of the institutional investors by which they may sell a total of 7,445,805 common shares of Covitec to Astral. Such options may be exercised between the third and fifth anniversaries following the date of the agreement. The agreement terminates on March 10, 2004. This agreement is subject to the approval of the Montreal Exchange.

Astral Communications Inc. is one of Canada's major communications companies, playing a leading role in broadcasting, video manufacturing and marketing and technical services. The Astral Broadcasting Group is the largest provider of English and French pay, specialty and pay-per-view television services in the country, involved, on its own or with partners, in 14 network licences. The Astral Video Group is a leading manufacturer and marketer of videos, music and related products, while the Astral Technical Services Group provides a wide range of services for producers and distributors of motion picture, television and animation programming. Astral has a majority interest in Artech Digital Entertainments, which develops new media games and software, and holds a 25 per cent interest in Radiomutuel Inc., a leading Québec communications company. The common shares of Astral Communications Inc. trade on the Toronto Stock Exchange and the Montréal Exchange. Ticker symbols: ACM.A/ACM.B.

Groupe Covitec, a public company whose shares are listed on the Montreal Exchange under the symbol CTK, provides integrated services for motion picture and television production. It operates Sonolab, Covimage inc., Supersuite, Covitec Inc. and Les Studios LaSalle inc. in Montréal; Karma in Québec and Covitec in Ottawa.

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