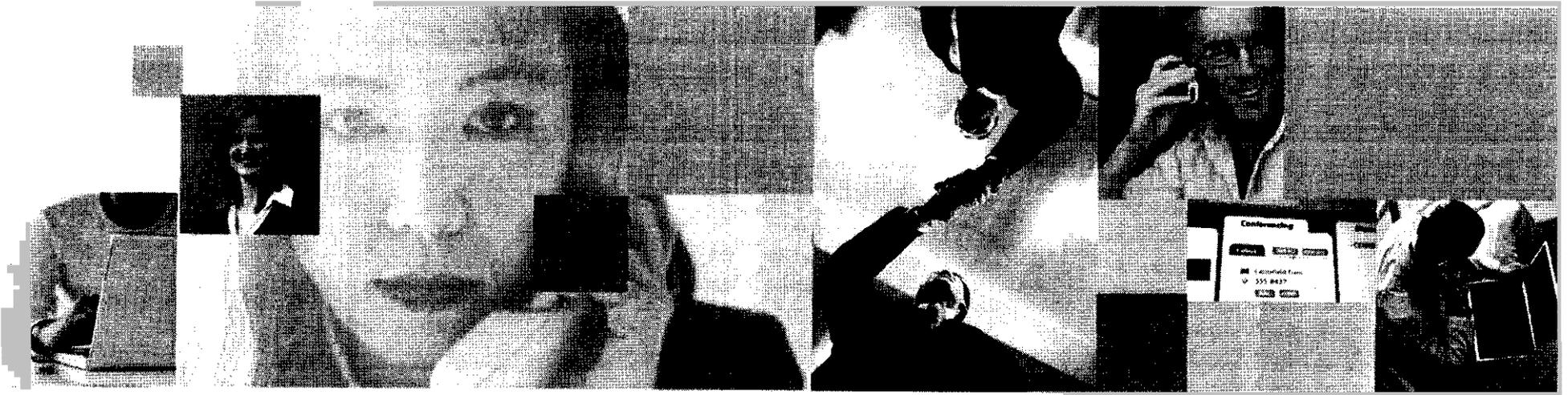


TRANSFORMING COMMUNICATIONS THROUGH BROADBAND INNOVATION



Covad Communications Group Inc.
Investor Presentation
Ticker: DVW



Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:

This presentation discusses the Company's future business outlook. In this presentation we will make projections and other forward-looking statements regarding future events or the future operational and/or financial performance of the Company, including without limitation statements regarding future revenue, including VoIP, T1 and wireless revenue, A-EBITDA projections, our plans for new services, such as ADSL 2+, bonded T-1, metro Ethernet, G.SHDSL, IPTV, video, WiMAX service and wireless broadband, and the stability of the regulatory and legislative environment. The Company disclaims any obligation to update any projections, estimates or other forward-looking statements. We caution you that such statements are only projections and actual events or results may differ materially as a result of risks facing the Company or actual results differing from the assumptions underlying such statements. Such risks and assumptions include, but are not limited to, the Company's ability to continue to enhance and expand sales of its services, deploy new services, increase automation in its processes, respond to increasing competition from other companies that provide voice and data services, manage the Company's growth, maintain suitable interconnection agreements with the phone companies, all in a timely manner, at reasonable costs and on satisfactory terms and conditions, as well as new regulatory, legislative, and judicial developments. All forward-looking statements are expressly **qualified in** their entirety by the above "Risk Factors" and other risk factors and cautionary statements included in the Company's Forms 10-K and 10-Q filed with the SEC.

Please refer to our Q3 2006 Earnings Release and attached tables at <http://www.covad.com/companyinfo/investorrelations/> for reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures.



Covad is a national, facilities-based provider of voice, wireline and wireless broadband services

- **Founded in 1996, recently celebrated 10th anniversary, ~1,000 employees**

- **As the leading next-generation communications service provider, we are transforming communications through broadband innovation**

Largest ADSL 2+ network with capabilities to deliver next generation broadband and voice services to over 14 million homes and businesses

Largest market share of Hosted VoIP with a complete product portfolio addressing the SMB market'

Leading fixed wireless provider, uniquely positioned to capitalize on the emergence of WiMAX

- **National Network and Scalable Infrastructure**

- 2,050 central offices across 235 MSAs

Next-generation network capability in 11 Tier 1 markets

- LPVA, Bonded T1, ADSL 2+, MetroEthernet, Video, G.SHDSL

100 wireless base stations passing 500,000 businesses

- **Making an excellent customer experience our #1 priority**

- 532,000 Access Lines
- 2,500 VoIP sites (47,000 users)
- 3,100 Wireless customers

Covad has continued its transition from a wholesale broadband-only company to a differentiated Next-Generation Communications Service Provider.

- Actively transitioning from legacy, data-only products to bundled voice and data solutions sold direct
 - Q3 06 Direct subscription revenue mix: \$40M, 37% of total subscription revenue
- Unique growth products continue to gain scale
 - \$44M in subscription revenue in Q3 06, +51% from Q3 05
 - Fueled primarily by T1, VoIP and Wireless
- Next-generation network build-out completed in 11 top markets
 - 758 central offices in Covad's largest markets, capable of offering service to over 14M homes and businesses
- Expanded wireless broadband services, presence in four key markets- **SFO/Bay Area, Los Angeles, Chicago, Las Vegas**
- New partners continue to seek Covad for its national scale and unique product capabilities





ovad

Covad's focus is driving growth from bundled voice and data products through its Direct channel, targeted at the SMB market

	Consumer	SOHO (1-5)	VSB (5-20)	SMB (21-100)	Distributed Enterprise	Medium (100-1,000)	Enterprise (1,000+)
Covad Direct			xDSL, T1, VoIP, VOA, Wireless				
Covad Wholesale	LPVA, ADSL				VOA, xDSL, T1, Frame Access		

	Direct	Wholesale
Q3 06 Subscription Revenue, Mix	\$39.6M, 37%	\$68.5M, 63%
Annual Revenue Growth (43 05 to 43 06)	24%	(0.5%)
Key Growth Products	Business ADSL, T1/Bonded T1, VoIP, Wireless	Business ADSL, T1/Bonded T1, VOA, LPVA, ADSL 2+
# of Sales Reps	150+	20
# of Selling Partners	1,400 + Agents/Dealers	300+

▪ **Accelerated revenue growth from differentiated products**

- Fully launched LPVA in all 11 markets as of the end of 2006, sales volume has increased substantially
- Strong growth expected to continue from TI, VoIP and Wireless
- Leveraging the next-generation network capability for new products
 - LPVA: launched in Q4 06, ADSL 2+ and Bonded T1: 1H 07

▪ **Unique set of assets will continue to attract strategic partners**

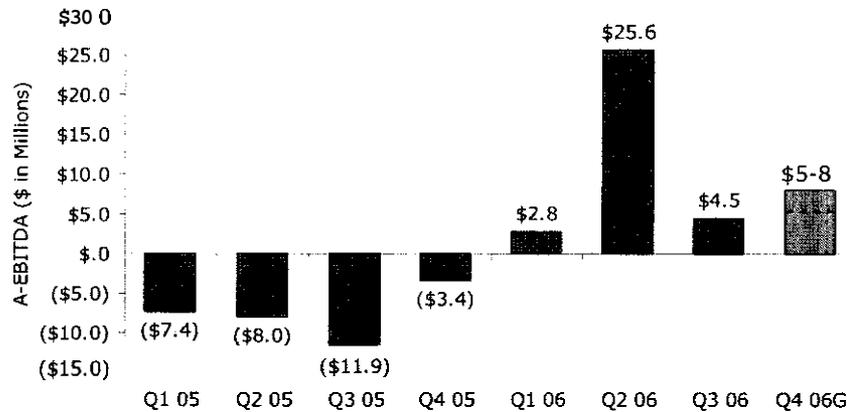


▪ **Recent AT&T merger concessions provide stable regulatory environment**

- UNE and Special Access rate freeze until 2010
- No forbearance petitions with the FCC during this time

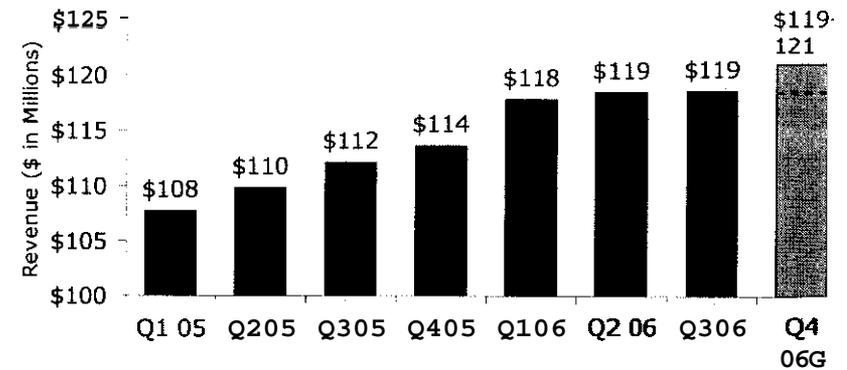


A-EBITDA



- \$16.4M in A-EBITDA growth
- 21% reduction in Q3'06 SG&A spend
- Cash flow positive in Q3'06, excluding \$14.6M in next-generation network project expenses

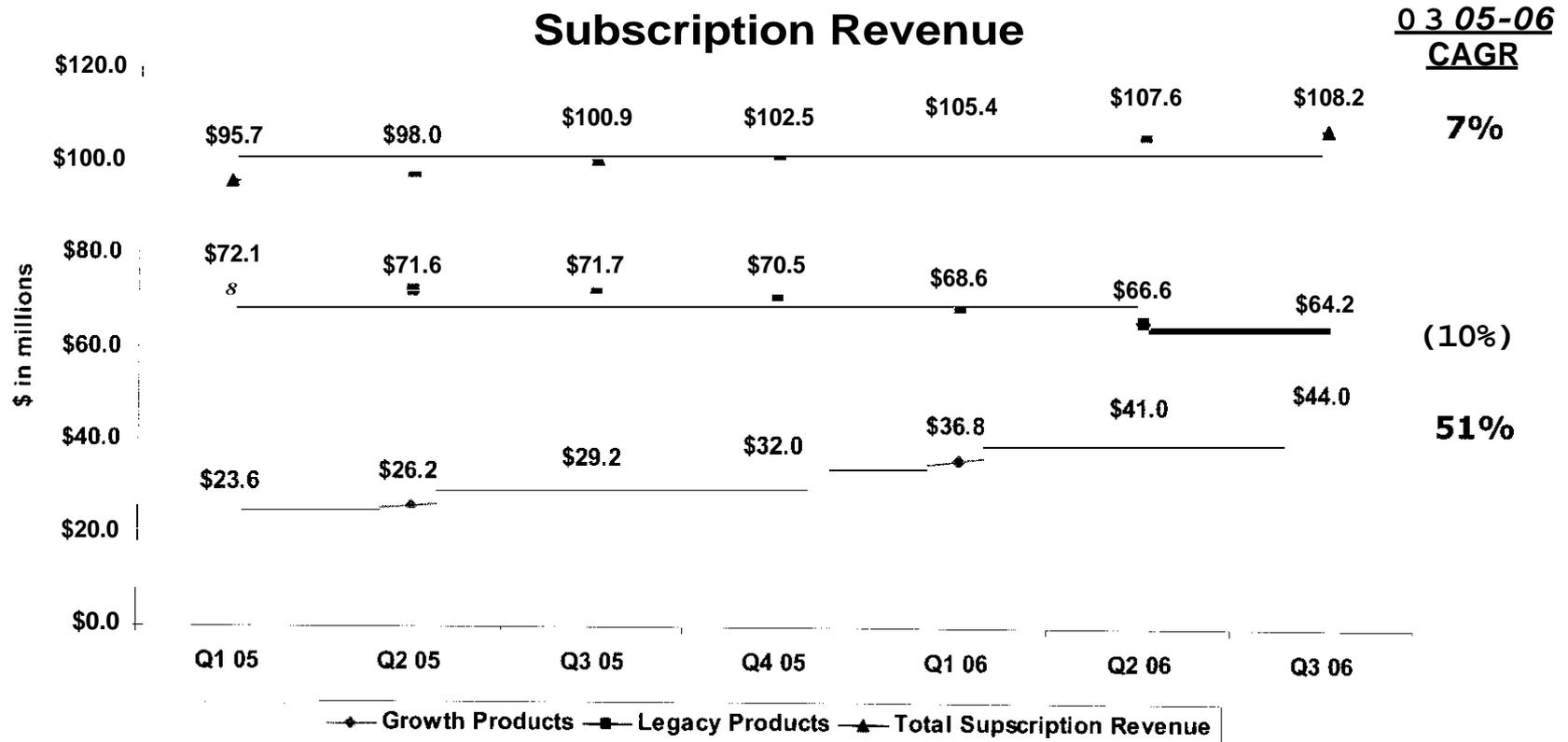
Total Revenue



- 25% Annual growth from Direct Business
- \$7M in VoIP subscription revenue in Q3'06, 84% annual growth
- \$22.8M in T1 subscription revenue in Q3'06, 43% annual growth
- 51% Annual growth from Growth Products

Notes:

- All annual growth and comparative metrics are measured from Q3'05 to Q3'06
- Q2'06 A-EBITDA includes the benefit of a transaction tax adjustment of \$19.5M and a \$2.1M employment related tax adjustment. Excluding these one-time items, A-EBITDA was \$4M
- Q1'06 includes \$1.7M benefit from ACCA; without ACCA, A-EBITDA in Q1'06 was \$1.0M



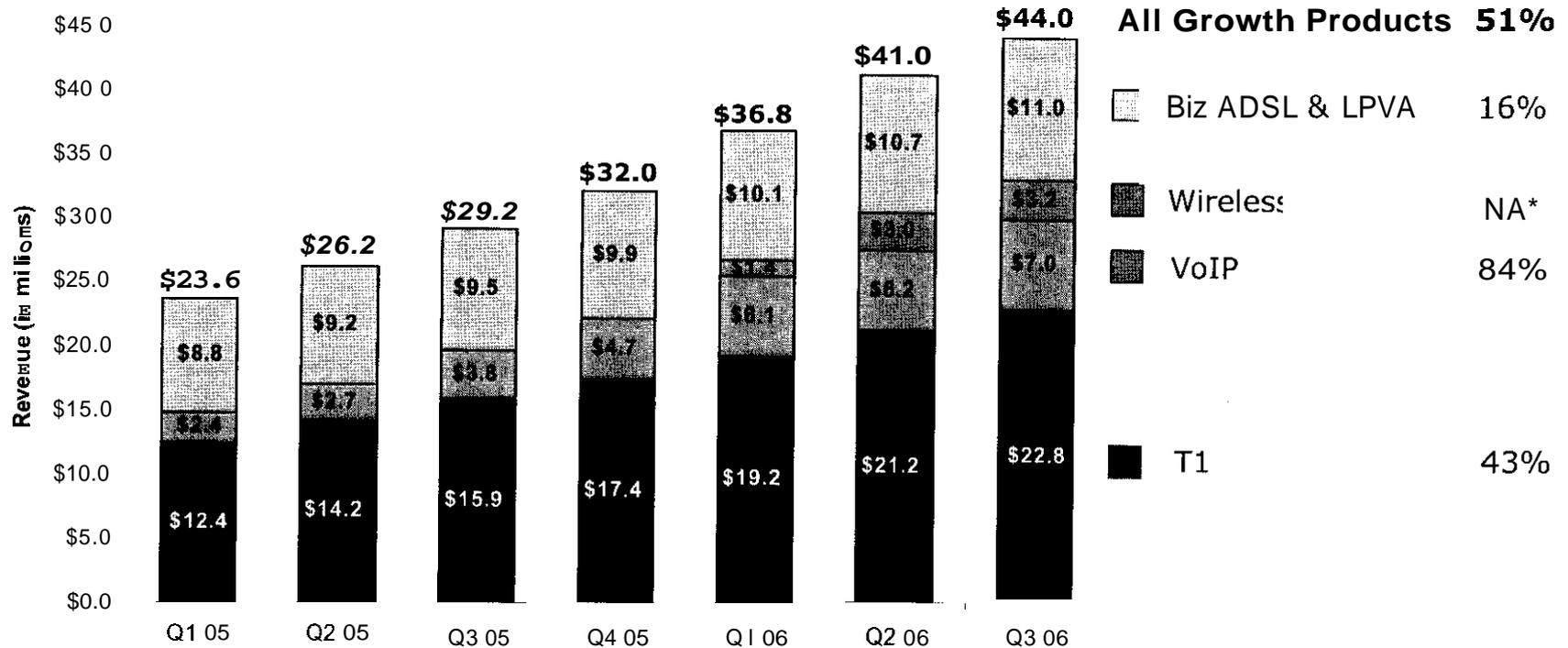
<u>Legacy Products</u>	<u>ARPU</u>	<u>Q3 Mix</u>	<u>Growth Products</u>	<u>ARPU</u>	<u>Q3 Mix</u>
> Business SDSL	\$90-100	34%	> T1	\$300-400	21%
> Consumer ADSL	\$20-25	20%	> Business ADSL	\$50-75	10%
> Partner Circuits	N/A	4%	> VoIP	\$1,500-2,000	6%
> Frame Access	\$70-80	1%	> Wireless*	\$300-350	3%
			> LPVA	\$30-40	~1%
			> Bonded T1**	N/A	0%

Note: ARPU's are blended across wholesale and direct segments *hi-cap wireless ARPU: \$3,000-5,000 **bonded T1 available in 1H 07

Covad growth products, currently comprising 41% of total subscription revenue, are expected to accelerate in 2007 with the launch of LPVA and Bonded T1 services

Growth Products Subscription Revenue

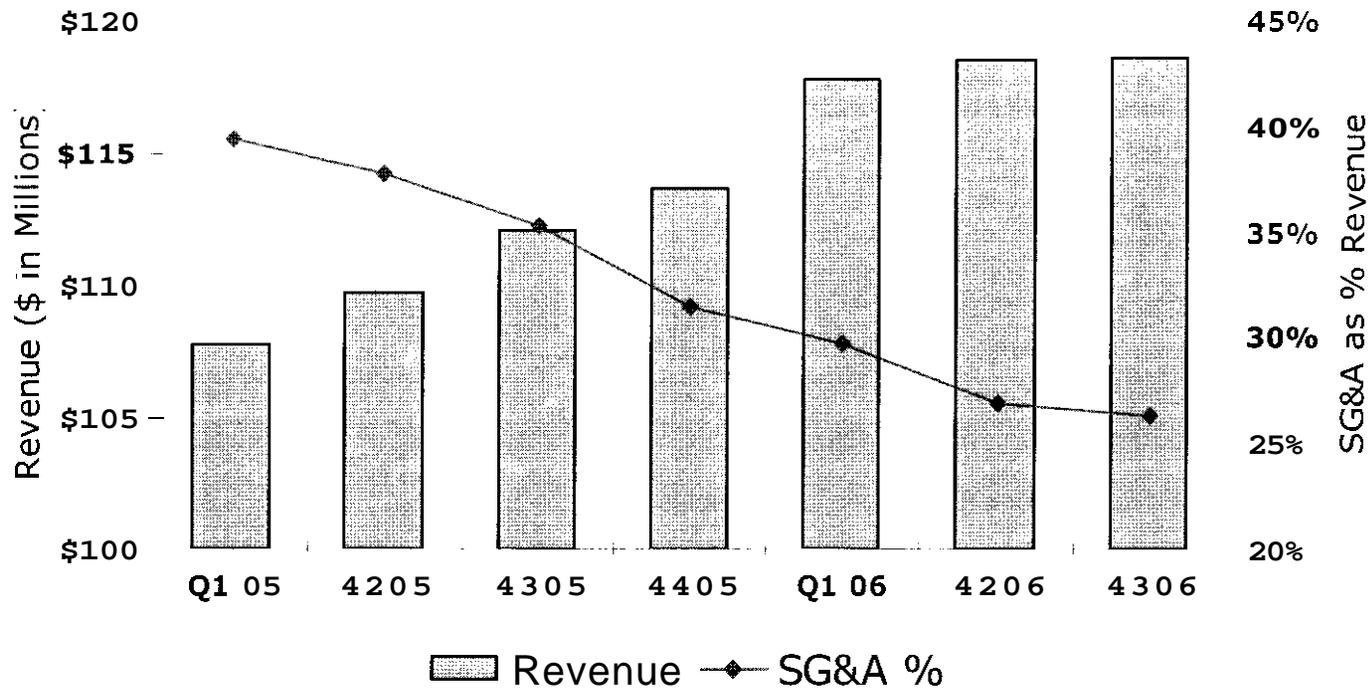
**03 05/06
CAGR**



*Closed NextWeb transaction in Q1 2006



Investments in back-office automation and operational scaling have enabled Covad to reduce SG&A expense while growing revenue



- Covad has a unique set of assets with next generation product capability in the top **11** markets
 - 758 central offices, 14M+ homes and businesses

- These assets enable Covad to offer differentiated product solutions to our customers and partners. Recent examples include:
 - EarthLink - Offering a bundle of 8 Mbps DSL+ Local & Long Distance using Covad's Line Powered Voice solution
 - United Online - Agreement to offer consumer ADSL on a national scale
 - FiberTower & NextLink - Covad provides licensed Wireless Hi-Capacity service to companies like Disney, Marriott and Intel

- Growth products expected to accelerate in 2007 with the launch of LPVA and Bonded T I services
 - Revenue from Growth products should surpass the Legacy products by mid-to-late 2007

- Improving financial profile provides increased flexibility
 - Continued focus on operational efficiency
 - Strong capital structure to pursue compelling growth investments



Covad Communications Group Inc.
Fourth Quarter 2006 Earnings Supplement

Safe Harbor Statement

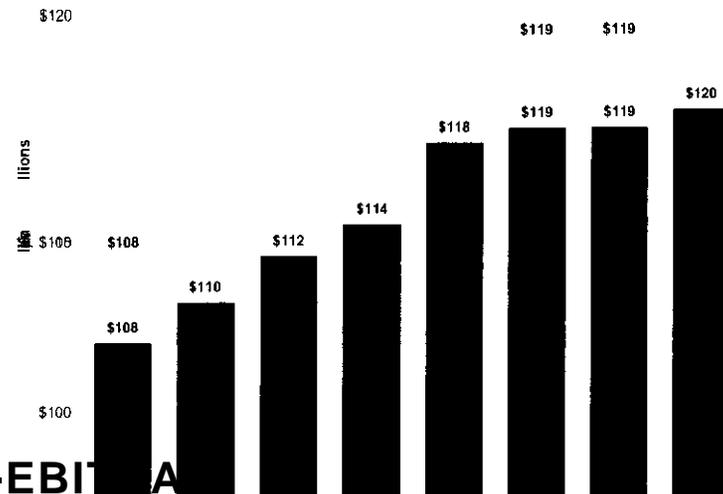
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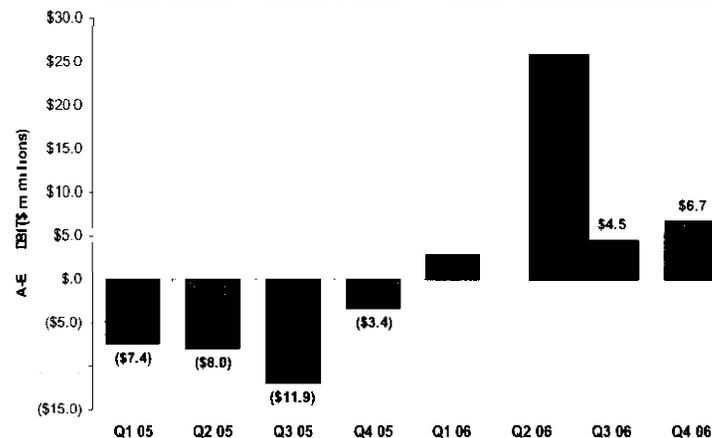
Please refer to our Q4 2006 Earnings Release and attached tables at <http://www.covad.com/companyinfo/investorrelations/> for reconciliations of non-GAAP financial measures to the most comparable GAAP financial measures.

Financial Summary

Revenue



A-EBITDA



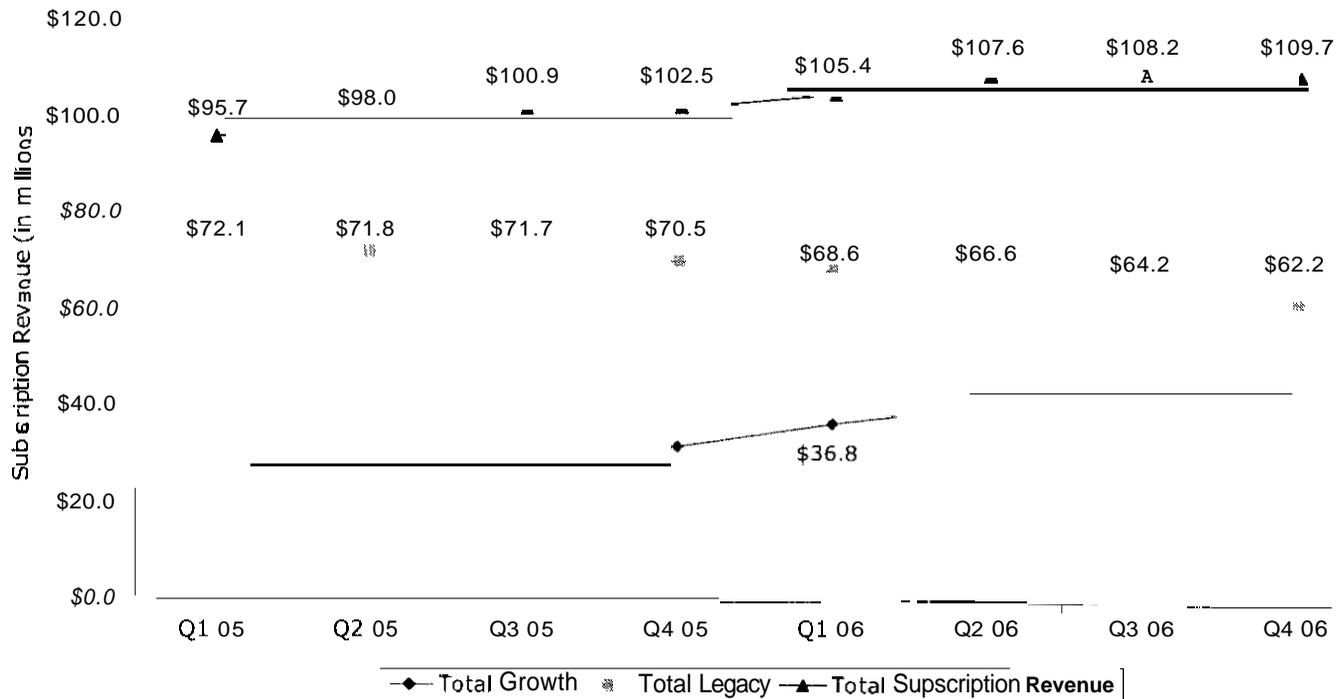
Notes:

- All growth increases are measured from Q4'05 to Q4'06
- Q2'06 A-EBITDA includes the benefit of a transaction tax adjustment of \$19.5M and a \$2.1M employment related tax adjustment. Excluding these one-time items, A-EBITDA was \$4M
- Q1'06 includes \$1.7M benefit from ACCA; without ACCA, A-EBITDA in Q1'06 was \$1.0M

- 2006 Revenue: \$474M
- 44 06 Subscription Revenue: \$110M, +7% vs 44 05
 - *Growth Products: \$48M, +48%
- VoIP: \$28.5M, +3+79%
- Wireless: \$3.4M
- -8,000 LPVA Net Adds in 44 06
- 2006 A-EBITDA: \$39.6M
- 44 06 A-EBITDA: \$6.7M, +\$10M from 44 05
- 44 06 SG&A: 25% of Revenue, 31% in 44 05

Revenue Growth and Transition

Subscription Revenue



04 05-06

CAGR

7%

(12%)

48%

Legacy Products	ARPU	Q4 Mix	Growth Products	ARPU	Q4 Mix
* Business SDSL	\$90-100	33%	* T1	\$300-400	22%
* Consumer ADSL	\$20-25	18%	* Business ADSL	\$50-75	9%
* Partner Circuits	N/A	4%	* VoIP	\$1,500-2,000	8%
* Frame Access	\$70-80	1%	* Wireless*	\$300-350	3%
			* LPVA	\$30-40	~1%
			* Bonded T1**	N/A	0%

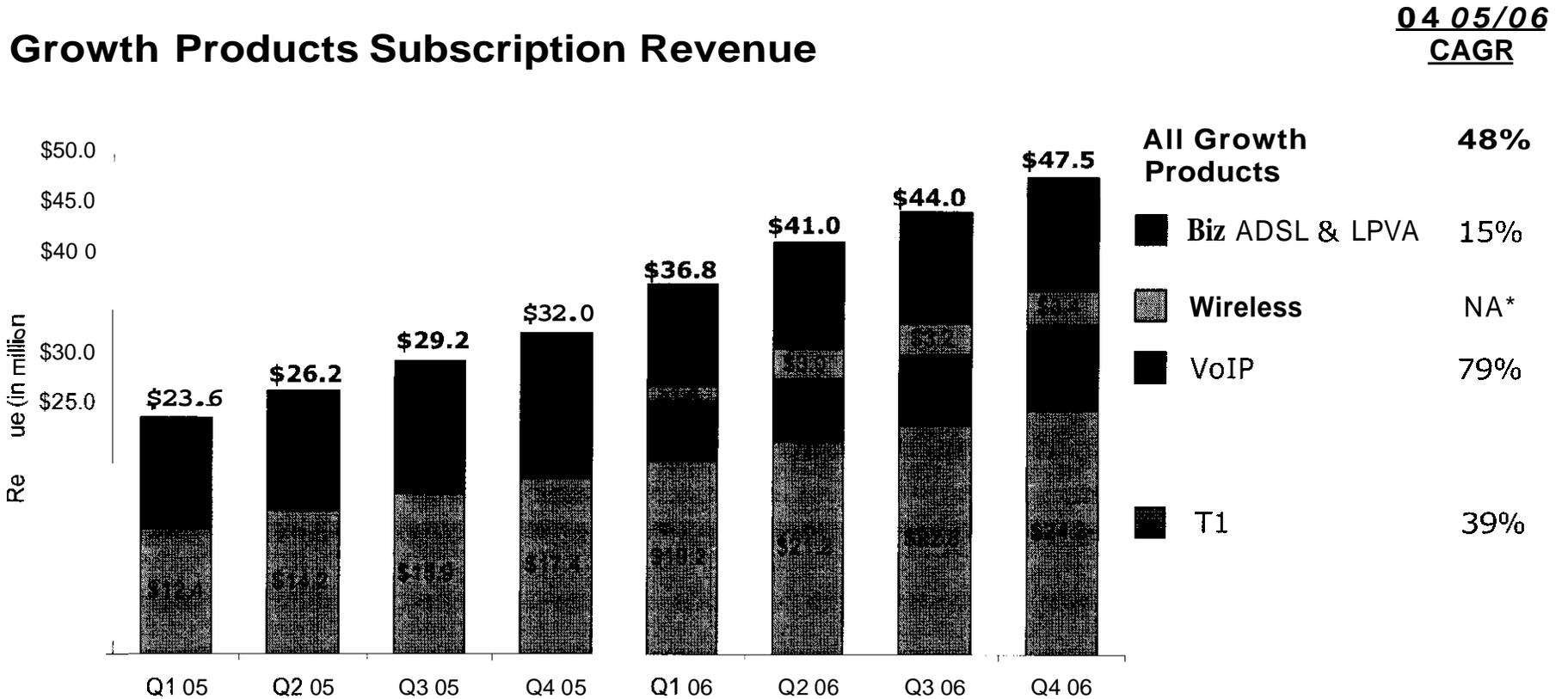
Note: ARPU's are blended across wholesale and direct segments

*hi-cap wireless ARPU: \$3,000-5,000

**bonded T1 available in 1H 07

Growth Product Revenue

Covad growth products, now comprising 43% of total subscription revenue, are expected to accelerate in 2007 with the expansion of LPVA and launch of Bonded T1 services



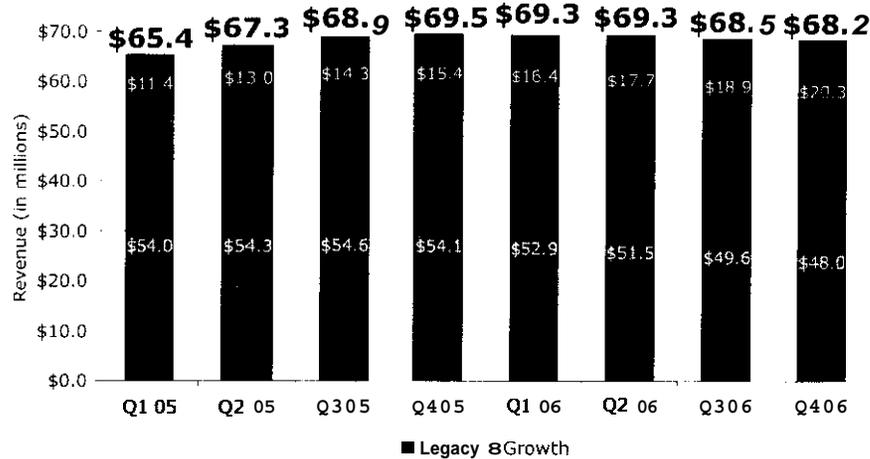
Notes:

* Slight differences in some product revenue stream totals due to rounding

*Closed NextWeb transaction in Q1 2006

Wholesale Subscription Revenue

Wholesale Subscription Revenue



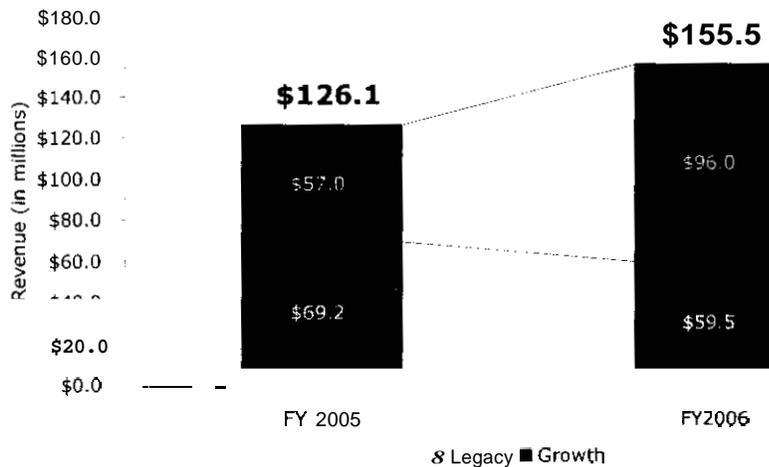
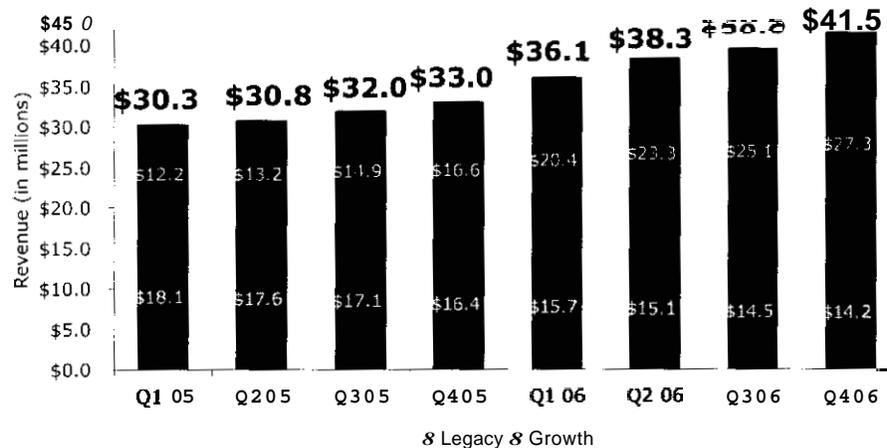
- 2006 Subscription Revenue: \$275M
- 44 06 Subscription Revenue: \$68M, -2% from 44 05
 - Business: \$49M
 - Growth Products: \$20M, +32%
 - Wholesale T1: \$14M, +33%
- Signed United Online, a new residential distribution partner
- Completed the next-generation network
 - -8,000 LPVA net adds in Q4
 - New services will likely fuel wholesale growth in 2007
- Significant profit generator for Covad

Notes:

* Slight differences in some product revenue stream totals due to rounding

Direct Subscription Revenue

Direct Subscription Revenue



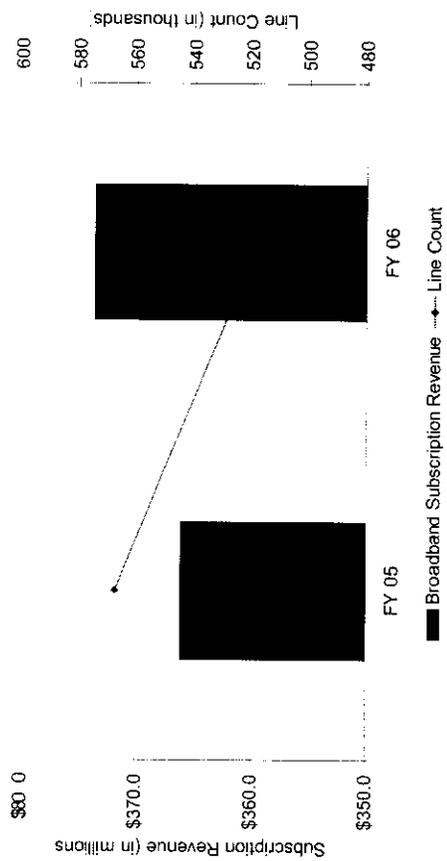
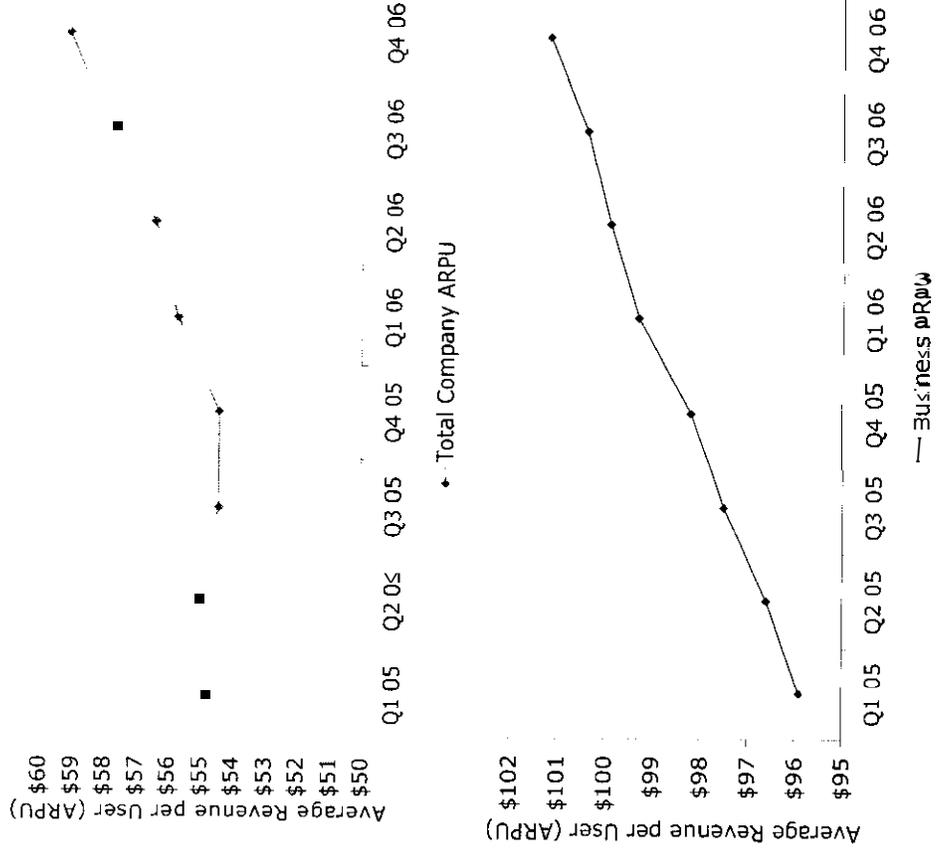
- 2006 Subscription Revenue: \$156M
- 4Q 06 Subscription Revenue: \$41.5M, +26% from 4Q 05
 - Growth Products: \$27M, +64%
 - Direct T1: \$10M, +50%
 - VoIP: \$8.5M, +79%
 - Wireless: \$3.4M
- \$130 Broadband ARPU, up from \$119 in Q4 05
- Expanded wireless to Chicago via Dataflo acquisition
- ClearEdge Integrated Access & Office now 30-40% of all new VoIP sales

Notes:

* Slight differences in some product revenue stream totals due to rounding

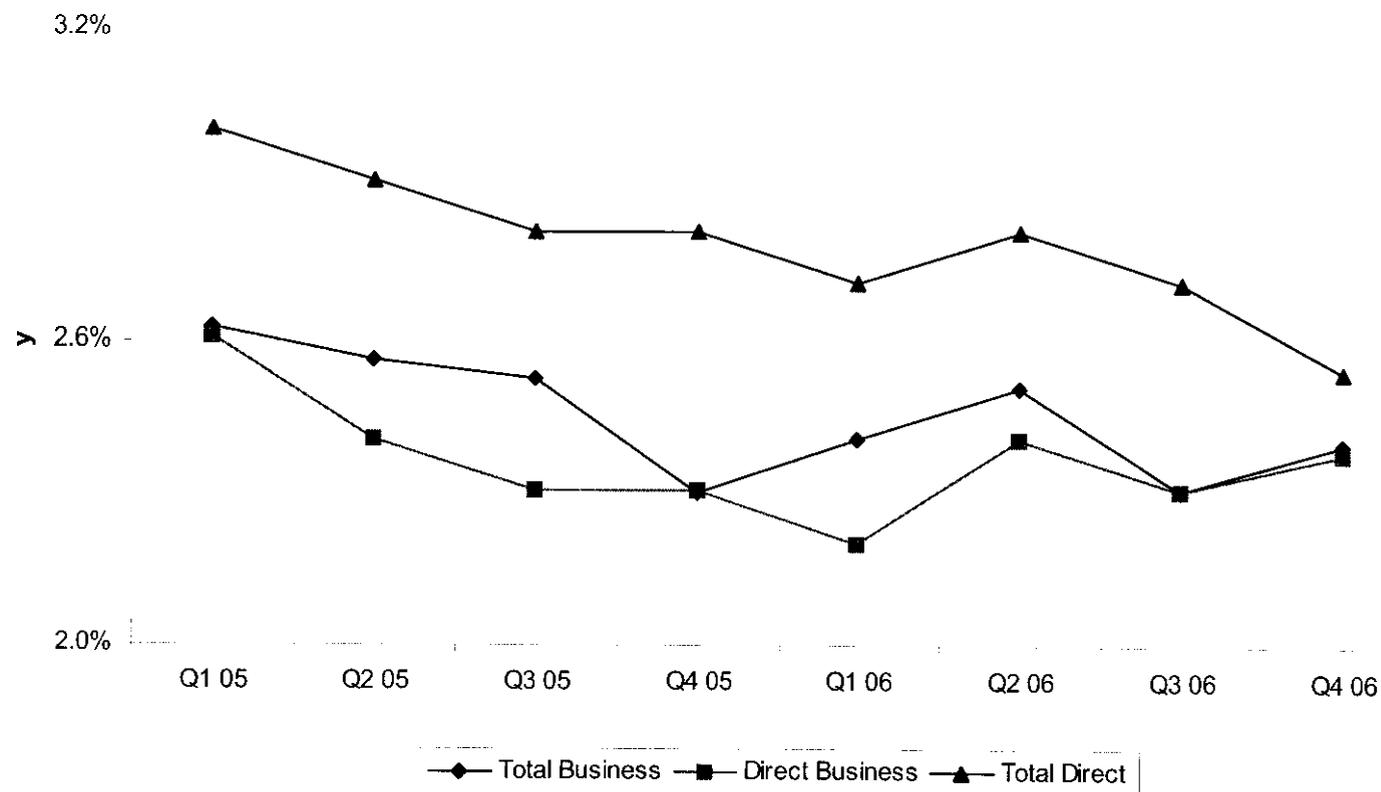
Average Revenue Per User (Broadband ARPU)

Higher ARPU/margin business customers are fueling revenue growth, despite a decrease in line count associated with Consumer ADSL lines



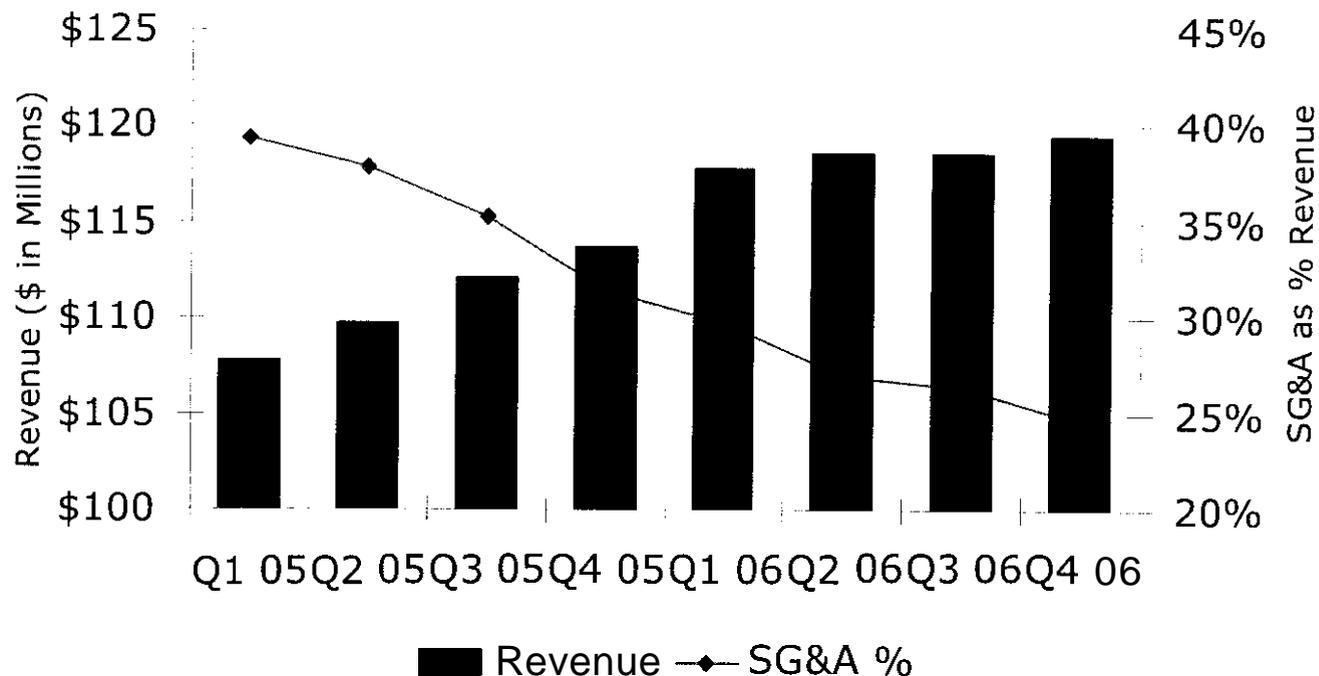
Business & Direct Broadband Churn

Churn rates with business customers and in our overall Direct business have decreased over the last 8 quarters due to increased penetration of T1 and higher bandwidth products



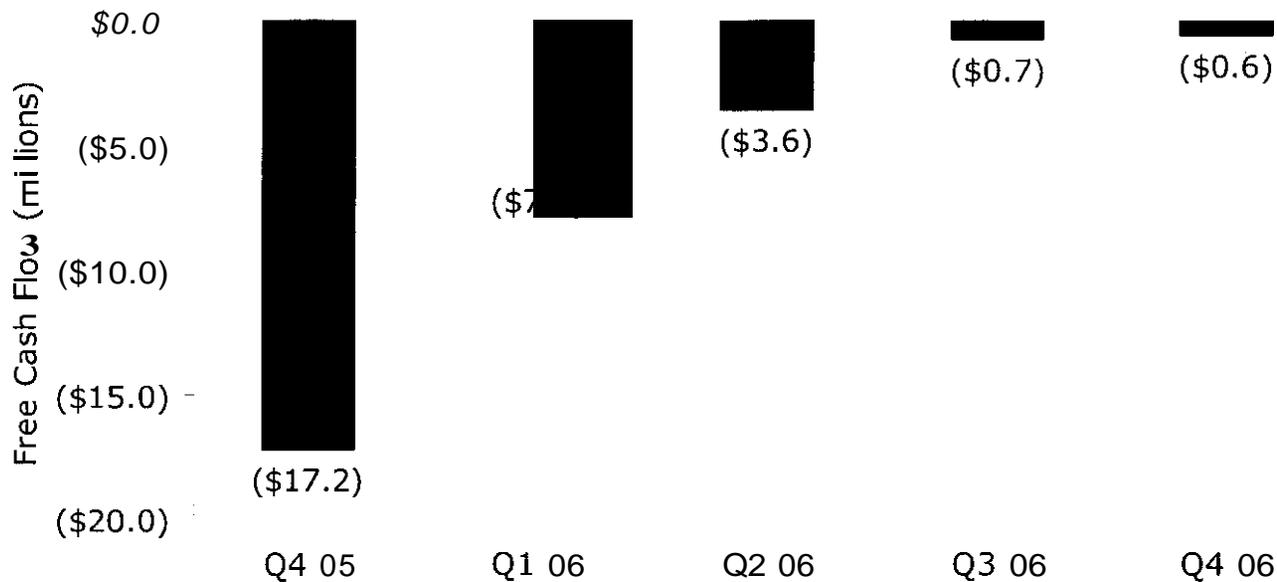
Operational Efficiency

Investments in back-office automation and operational scaling have enabled Covad to reduce SG&A expense while growing revenue



Adjusted Free Cash Flow

Covad's revenue growth and cost management efforts have translated to much improved adjusted free cash flow performance over the last four quarters



Notes:

- * Covad defines Free Cash Flow as Cash Flow from Operations less Capital Expenditures
- * Q2 06 Adjusted Free Cash Flow excludes a \$33.5M payment to redeem an AT&T pre-paid liability
- * Q2-Q4 06 Adjusted Free Cash Flow excludes EarthLink LPVA CapEx associated with the build-out of Covad's Next-generation network, funded from \$50M investment proceeds
- * Adjusted Free Cash Flow *is* a non-GAAP financial measure. For a reconciliation of Adjusted Free Cash Flow and Free Cash Flow to Cash Flow from Operations, a GAAP financial measure, please see the appendix

Capitalization Structure and 2006 CapEx

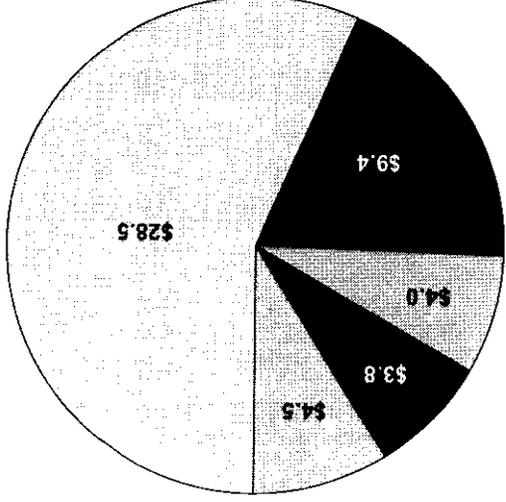
Capitalization Structure

(\$ in 000's)
As of 12/31/06

Total Cash	\$81,650
Restricted Cash ¹	\$19,578
Debt ²	\$167,240
Stockholders equity	\$2,354
Weighted Average Shares Outstanding—diluted	295,683

2006 CapEx (in millions)

\$50M



□ Partner Funded ■ Regular Growth □ VoIP ■ Other □ Wireless

* EarthLink provided \$50M investment for the build-out of LPVA in 758 Central offices. EarthLink-funded CapEx was \$28.5M in 2006, expenditures that are applied against the restricted cash balance

1 Restricted Cash Balance consists primarily of unused ELNK LPVA project expenditures

2 Supplemental information on Covid debt:
 * DVW convertible note: \$125M, 3% cash interest, \$3.17 convertible price, due in 2009
 * ELNK convertible note: \$40M, 12% PIK, \$1.86 convertible price, due in 2011

* \$50m Silicon Valley Bank credit facility, which retains significant borrowing capacity
 * Details of the calculation for fully diluted vs. basic shares outstanding are included in the Company's 10-Q

COVAD[®]

Appendix