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Covad Named Hosted VoIP Market Leader in Business Segment by In-Stat

Retains number one ranking for fourth consecutive year

San Jose, Calif. (Jan. 4, 2007) – Covad Communications Group, Inc. (AMEX: DVW), a leading national provider of integrated voice and data communications, has been named the market leader among hosted VoIP providers for business by In-Stat, an independent research group, in a recently-released report. Covad retained its top ranking as the market leader for the fourth consecutive year despite increased competition from existing voice providers and new entrants targeting business customers.

“Covad has remained the hosted VoIP market leader by providing businesses with the right value proposition,” said David Lemelin, In-Stat senior analyst and the author of the report. “Covad has adapted well to the changing dynamics of the business marketplace. The introduction of their Clear Edge Office product is designed to meet the needs of smaller businesses where we expect to see increasing adoption of hosted solutions. This gives Covad a complete portfolio of hosted VoIP services, designed to meet the needs of businesses of all sizes.”

In-Stat predicts that the market for hosted VoIP services will continue to grow, with domestic revenues exceeding \$2 billion by 2010. This represents an 80 percent compound annual growth rate over 2005.

In his report, Lemelin recognizes Covad for its effective use of existing broadband distribution channels to market its voice solutions. He also identifies Covad’s Voice Optimized Access, which enables voice traffic to be prioritized over data traffic, as a competitive differentiator.

Lemelin concludes that VoIP is now in an accelerated adoption stage as businesses are beginning to better understand the multiple IP voice alternatives available to them and accordingly seek out business-class solutions. Covad offers these small and medium-sized businesses (SMBs) an alternative to more expensive or complex solutions that were designed for much larger businesses, as well as a long-term solution for outsourcing communications needs to a trusted partner.



"In-Stat's ranking confirms our commitment to providing small and medium-sized businesses with larger enterprise class features combined with the simplicity and low total cost of ownership they demand," said Eric Weiss, Covad's chief marketing officer. "By choosing a hosted voice solution from Covad, our customers eliminate the costly, time-consuming and complex management of their phone systems and can instead focus on what really matters – their business and customers. The business grade service and support has enabled Covad to provide these benefits to a variety of vertical industries, including areas such as real estate and retail, which In-Stat highlights as major hosted VoIP opportunities."

Covad offers a complete portfolio of business class voice solutions for single and multi-location SMBs including:

- Covad ClearEdge Pro - a fully hosted VoIP offering ideal for businesses of up to 250 employees that want the security and reliability of a feature-rich, managed solution
- Covad ClearEdge Office – a hosted VoIP solution built specifically for businesses with under 20 employees
- Covad ClearEdge Integrated Access - combines separate voice and data access services into a single solution over a dedicated, secure voice optimized broadband line, and is well-suited for customers who wish to maintain their investment in a premises phone system

To learn more about Covad's services, please log onto <http://www.covad.com> or call 1-888-GO-COVAD.

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About Covad

Covad is a leading nationwide provider of integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Web hosting, managed security, IP and dial-up, wireless broadband, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. Covad broadband services are currently available across the nation in 44 states and 235 Metropolitan Statistical Areas (MSAs) and can be purchased by more than 57 million homes and businesses, which represent over 50 percent of all US homes and businesses. Corporate headquarters is located at 110 Rio Robles San Jose, CA 95134. Telephone: 1-888-GO-COVAD. Web Site: www.covad.com.

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The foregoing contains "forward-looking statements," which are based on management's current information and beliefs as well as on a number of assumptions concerning future events made by management. Examples of forward-looking statements include expectations regarding increasing adoption of hosted VoIP services and growth in the market for VoIP services. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside Covad's control that could cause actual results to differ materially from such statements. These risk factors include operational challenges



that may arise as we deploy new services, difficulties as we rapidly expand, deploy and improve our services, the impact of increasing competition, pricing pressures, consolidation in the telecommunications industry, uncertainty in telecommunications regulations and changes in technologies, among other risks. For a more detailed description of the risk factors that could cause such a difference, please see Covad's Forms 10-K, 10-Q, 8-K and other filings with the Securities and Exchange Commission. Covad disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results of Covad.