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REPLY TO:
P.O. BOX 10095
TALLAHASSEE, FL 32302-2095

January 31, 1996

ORIGINAL
FILE COPY

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

960110-TX

Re: Application for Authority to Provide Alternative Local Exchange Service within the State of Florida for U S West !nterprise America, Inc.

Dear Ms. Bayo:

Enclosed please find an original and six copies of the above-referenced application and a check in the amount of $250.00 for the fee required for this filing.

Also encl sed you will find a copy of this letter. Please date-stamp this copy to indicate that the original was filed and return to me.

If you have any questions regarding this matter, please feel free to contact me.

Respectfully,

PENNINGTON, CULPEPPER, MOORE,
WILKINSON, DUNBAR & DUNLAP, P.A.

Robert S. Cohen

RSC/tmz
Enclosures

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
01157 JAN 31 96
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0866

APPLICATION FORM FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

Instructions

1. This form is used for an original application for a certificate and for approval of assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.

2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

3. Use a separate sheet for each answer which will not fit the allotted space.

4. If you have questions about completing the form, contact:

   Florida Public Service Commission
   Division of Communications
   Certification and Compliance Section
   2540 Shumard Oak Boulevard
   Tallahassee, Florida 32399-0866
   (904) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250 made ayable to the Florida Public Service Commission at the above address.

FORM PSC/CMU 8 (XX/95)
Required by Chapter 364.337, F.S.

DOCUMENT NUMBER-DATE
01157 JAN 31 96
FPSC-RECORDS/REPORTING

1. This is an application for (check one):

   (X) Original Authority (new company).

   ( ) Approval of transfer (to another certificated company).

   Example, a certificate company purchases an existing company and desires to retain the original certificate authority

   ( ) Approval of Assignment of existing certificate (to a noncertificated company).

   Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

   ( ) Approval for transfer of control (to another certificated company).

   Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

   U S WEST !nterprise America, Inc.

3. Name under which the applicant will do business:

   !NTERPRISE America, Inc.

4. If applicable, please provide proof of fictitious name registration. Fictitious name registration number: G95118900005 .

5. National and Florida mailing addresses including street name, number, post office box, city, state and zip code.

   1999 Broadway, Suite 700
   Denver, Colorado 80202

   Florida physical address including street name, number, post office box, city, state and zip code):

   4455 Bay Meadows Road
   Jacksonville, Florida 32217

6. Structure of organization:

( ) Individual
( ) Foreign Corporation
( ) General Partnership
(X) Corporation
( ) Foreign Partnership
( ) Limited Partnership
( ) Other,
Please explain__________

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

Not Applicable

8. State whether any of the officer, directors, or any of the ten largest stockholders have previously been adjudged, bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, pleas explain.

Not Applicable

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F95000002071 .

9. Please provide the name, title, address, telephone number, internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Ongoing Liaison:
Richard Boyer
Public Policy Administrator
1999 Broadway, Suite 740
Denver, Colorado 80202
(303) 293-6326
FAX (303) 293-9860
Internet: dboyer@acs.uswest.com

Liaison for Application:
Robert S. Cohen, Esq.
PENNINGTON CULPEPPER MOORE
WILKINSON DUNBAR & DUNLAP
215 South Monroe Street
2nd Floor
Tallahassee, Florida 32301
(904) 222-3533

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

None

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

Applicant has not been denied in any other state.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

Applicant has not had any penalties imposed on it in any other states.

14. Please indicate how a customer can file a service complaint with your company.

Customers may file a complaint with U S WEST !nterprise America, Inc. by calling the customer service number: 1-800-227-2218 or by mailing the complaint to:

Richard Boyer
U S WEST !nterprise America
1999 Broadway (Suite 700)
Denver, CO 80202

15. Please complete and file a price list in accordance with Commission Rule 25-24.825.

Applicant is providing only competitive data services which are not required to have a price list on file.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

A. Financial capability.

Applicant is a subsidiary of U S WEST, Inc. Copies of the 1994 U S WEST, Inc. 10k and Annual Report are attached as Exhibits 1 & 2.

B. Managerial capability.

Copies of the following U S WEST !nterprise America individuals, providing evidence of considerable managerial capability, are attached:

G. H. (Jerry) Parrick, President
Jeri Wait, Vice President, G.M.
Grant Graham, Director-Operations

C. Technical capability. (If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency services. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, describe in detail the differences.)

Applicant will be providing only private line data communications services (no local exchange services). U S WEST !nterprise America, Inc. is a subsidiary of one of the Regional Bell Operating Companies formed at the time of the divestiture of the Bell System on January 1, 1984. As such, it has that expertise at its disposal in providing reliable data telecommunications services.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the state of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, non and in the future, with all applicable Commission rules and orders. Further, I am aware that pursuant to Section 837.06, Florida Statutes, whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree.

Official: Signature: Jeu Wait   Date: 1/22/96

Title: Vice President, General Mgr   (206) 224-1135

Address: U S WEST !nterprise America
1400 Fifth Avenue, Suite 1600
Seattle, Washington 98101

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

April 28, 1995

INTERPRISE AMERICA, INC.
C/O TERRY K. STEPHENS
7800 EAST ORCHARD ROAD, SUITE 480
ENGLEWOOD, CO 80111

Subject: **INTERPRISE AMERICA, INC.**

REGISTRATION NUMBER: **G95118900005**

This will acknowledge the filing of the above fictitious name registration which was registered on April 28, 1995. This registration gives no rights to ownership of the name.

Each fictitious name registration must be renewed every five years between July 1 and December 31 of the expiration year to maintain registration. Three months prior to the expiration date a statement of renewal will be mailed.

IT IS THE RESPONSIBILITY OF THE BUSINESS TO NOTIFY THIS OFFICE IN WRITING IF THEIR MAILING ADDRESS CHANGES. Whenever corresponding please provide assigned Registration Number.

For information regarding fictitious names on file or to search the record call (904) 488-9000.

Should you have any questions regarding this matter you may contact our office at (904) 487-6058.

Stacy Prather
Fictitious Names Section

Letter No. 895A00020422

Division of Corporations - P.O. BOX 6327 -Tallahassee, Florida 32314

CR2E042

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

April 28, 1995

C T CORPORATION SYSTEM

Qualification documents for U S WEST INTERPRISE AMERICA, INC. were filed on April 28, 1995, and assigned document number F95000002071. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (904) 487-6091, the Foreign Qualification/Tax Lien Section.

Steven Harris
Corporate Specialist
Division of Corporations

Letter Number: 695A00020292

THE SECURITIES EXCHANGE ... to
for the transition period from

Commission File No. 1-8611

U S WEST, Inc.

A Colorado Corporation

I.R.S. Employer Identification No. 84-0926774

7800 East Orchard Road, Englewood, Colorado 80111
Telephone Number (303) 793-6500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange in which registered
Common Stock (without par value)	New York Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes, due 2011 (convertible to common stock under certain circumstances)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

At January 31, 1995, 468,435,778 shares of common stock were outstanding.

At January 31, 1995, the aggregate market value of the voting stock held by non-affiliates was approximately $18,250,730,316.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's 1994 Annual Report to Shareowners are incorporated by reference into Parts I, II and IV.

Portions of the Registrant's definitive Proxy Statement dated March 16, 1995, to be issued in connection with the 1995 Annual Meeting of Shareowners are incorporated by reference into Parts II and III.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

TABLE OF CONTENTS

PART I

ITEM 1. Business.

General

U S WEST, Inc. ("U S WEST") was incorporated under the laws of the State of Colorado and has its principal executive offices at 7800 East Orchard Road, Englewood, Colorado 80111, telephone number (303) 793-6500. U S WEST is a diversified global communications company engaged in the telecommunications, directory publishing, marketing and, most recently, entertainment services businesses. Telecommunications services are provided by U S WEST's principal subsidiary, U S WEST Communications, Inc., to more than 25 million residential and business customers in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming (collectively, the "U S WEST Region"). Directory publishing, marketing and entertainment services as well as cellular mobile communications services are provided by other U S WEST subsidiaries to customers both inside and outside the U S WEST Region. (Financial information concerning U S WEST's operations is set forth in the Consolidated Financial Statements and Notes thereto in the U S WEST 1994 Annual Report to Shareowners (the "1994 Annual Report"), which is incorporated herein by reference.) U S WEST and its subsidiaries had 61,505 employees at December 31, 1994.

Recent Developments

U S WEST Communications

Development of Multimedia Network. In 1993, U S WEST announced its intention to build a multimedia telecommunications network (the "Multimedia Network") capable of providing voice, data and video services to customers within the U S WEST Region. U S WEST expects that it will ultimately deliver a variety of integrated communications, entertainment and information services and other high speed digital services, including data applications, through the Multimedia Network in selected areas of the U S WEST Region. These integrated services, including video-on-demand, targeted advertising, home shopping, interactive games, high-definition broadcast television and two-way, video telephony are expected to become available over time as the Multimedia Network develops. U S WEST began limited testing of its Multimedia Network in Omaha, Nebraska in December, 1994. A market trial will begin in 1995 in an area that will cover up to 50,000 homes. U S WEST is seeking approval from the Federal Communications Commission (the "FCC") to install Multimedia N .work architecture in several other cities within the U S WEST Region. The results of the technical and market trials will be incorporated into the network configuration and future service offerings.

Re-engineering. U S WEST also announced in 1993 that U S WEST Communications would implement a plan (the "Re-engineering Plan") designed to provide faster, more responsive customer service and improved repair capabilities while reducing the costs of providing these services. Pursuant to the Re-engineering Plan, U S WEST Communications is developing new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so that customers can have their telecommunications needs resolved with one phone call. U S WEST Communications is also gradually reducing its work force by approximately 9,000 employees and consolidating the operations of its existing 560 customer centers into 26 customer centers in ten cities. Implementation of the Re-engineering Plan is expected to extend into 1997, rather than being completed in 1996 as originally scheduled. In the third quarter of 1993, U S WEST accrued a one-time, after-tax charge of $610 million for costs associated with the Re-engineering Plan, including employee training costs, severance benefits, employee relocations costs and building preparation and system installation costs. While U S WEST estimates that total employee and related costs will be reduced upon completion of the Re-engineering Plan, these savings are expected to be offset by the effects of inflation. (See "Restructuring Charges" under Management's Discussion and Analysis of Financial Condition and Results of Operations on p. 14 of the 1994 Annual Report, which is incorporated by reference herein.)

Discontinuance of SFAS 71 Accounting. In 1993, U S WEST incurred a $3.1 billion non-cash, extraordinary charge, net of an income tax benefit of $2.3 billion, against its earnings in conjunction with its decision to discontinue accounting for the operations of U S WEST Communications in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, notwithstanding competition, by charging its customers at prices established by a regulator. U S WEST's decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS 71 is based on the belief that the development of multimedia technology, competition and market conditions, more than prices established by regulators, will determine the future cost recovery by U S WEST Communications. As a result of this accounting change, the remaining asset lives of U S WEST Communications' telephone plant were shortened to more closely reflect the useful life of such plant. U S WEST Communications' financial reporting for regulatory purposes was not affected by the change. U S WEST Communications expects that it will continue to work with regulators to set appropriate prices that reflect changing market conditions, including shorter asset lives.

Cable Investments

On December 6, 1994, U S WEST purchased Wometco Cable Corp. and Georgia Cable Holdings (the "Atlanta Cable Properties") for $1.2 billion, consisting of $745 million in cash and $459 million in common stock. Together, the Atlanta Cable Properties serve about 65 percent of the cable customers in the metropolitan Atlanta area. U S WEST expects that it will eventually offer local exchange services as well as multimedia services in the Atlanta area as a result of this acquisition.

In 1993, U S WEST acquired 25.51% pro rata priority capital and residual equity interests in Tim Warner Entertainment Company, L.P. ("TWE") for an aggregate purchase price of approximately $2.55 bil lion, consisting of approximately $1.53 billion in cash and approximately $1.02 billion in the form of a four year promissory note bearing interest at a rate of 4.391% per annum (the "TWE Investment"). TWE own and operates substantially all of the filmed entertainment (including Warner Bros.), programming (includin HBO and Cinemax) and cable operations previously owned and operated by Time Warner Inc. TWE is th second-largest domestic multiple system cable operator, owning or operating 22 of the top 100 cable system in the United States.

U S WEST has an option to increase its equity interests in TWE from 25.51% to 31.84%. The option exercisable, in whole or in part, between January 1, 1999 and May 31, 2005 upon the attainment of certa earnings thresholds for an aggregate cash exercise price of $1.25 billion to $1.8 billion (depending on the ye of exercise). At the election of U S WEST or TWE, the exercise price will be payable by surrendering portion of the equity interests receivable upon exercise of such option. In connection with the TW Investment, U S WEST acquired 12.75% of the common stock of Time Warner Entertainment Japan Inc., joint venture company established to expand and develop the market for entertainment services in Japan.

Domestic Wireless Services

On July 25, 1994, AirTouch Communications ("AirTouch") and U S WEST announced an agreeme to combine their domestic wireless operations. AirTouch's initial equity ownership of the wireless joint ventu will be approximately 70 percent and U S WEST's will be 30 percent. This joint venture will provi U S WEST with an expanded wireless presence and economies of scale. The joint venture will have a presen in 9 of the top 20 cellular markets in the country. The transaction is expected to close in the second quarter 1995 upon obtaining certain federal and state regulatory approvals. Each company's cellular operatio initially will continue to operate as separate entities owned by the individual partners, but upon closing w report to a joint Wireless Management Company, which will provide support services.

A merger of the two companies' operations will take place upon the earlier of four years from July 1994, the lifting of certain MFJ restrictions, or at AirTouch's option. The agreement gives U S WE strategic flexibility, including the right to exchange its interest in the joint venture for up to 19.9 percent

AirTouch common stock, with any excess amounts to be received in the form of AirTouch non-voting preferred stock. A Partnership Committee, led by the president and chief operating officer of AirTouch and three other AirTouch representatives, three U S WEST representatives and one mutually agreed upon independent representative will oversee the companies' domestic cellular operations.

On December 5, 1994, a partnership formed by the AirTouch/U S WEST joint venture and the Bell Atlantic/NYNEX partnership began bidding on personal communications services ("PCS") licenses that are being auctioned by the FCC. The combined companies own cellular licenses in 15 of the top 20 cities and serve over five million customers. The partnership, known as PCS PrimeCo, is eligible to bid for PCS licenses in 26 markets, representing more than 100 million POPS. This entity will be governed by a board made up of three members from the Bell Atlantic/NYNEX partnership and three members from the AirTouch/U S WEST joint venture. A second partnership will develop a national branding and marketing strategy and a common "look and feel" for both cellular and PCS customers. The cellular properties of Bell Atlantic/NYNEX will not be merged with those of AirTouch/U S WEST.

Personal Communications Services

In 1993, Mercury One-2-One, a 50-50 joint venture between U S WEST and Cable & Wireless PLC, launched the world's first commercial PCS in the United Kingdom. Mercury One-2-One's PCS is a digital cellular communications service designed to offer consumers higher quality service, increased privacy and more features at lower prices than existing cellular communications systems. To meet growing customer demand, Mercury One-2-One has expanded its coverage to reach 30 percent of the U.K. population.

TeleWest Initial Public Offering

In 1994, TeleWest Communications PLC ("TeleWest"), a venture with Tele-Communications, Inc., completed an initial public offering of its common stock. U S WEST's interest in TeleWest was reduced from 50 percent to 37.8 percent as a result of the offering, but based on the offering price, its interest is valued at U.S. $1.1 billion. TeleWest is the largest provider of combined cable television and telephone service in the world. The combined services are provided over a multimedia network which has been designed to provide a wide range of interactive and integrated entertainment, telecommunication and information services as they become available in the future. TeleWest owns all or part of 23 franchises that encompass 3.6 million homes. Through TeleWest, U S WEST has gained experience in packaging video and telephone service that it utilizes in other parts of the world.

Discontinuance of Capital Assets Segment

In 1993, in connection with its decision to concentrate its resources and efforts on developing its telecommunications business, U S WEST determined to treat its capital assets business segment (the "Capital Assets segment") as a discontinued operation and announced its intention to dispose of the businesses comprising that segment. U S WEST's remaining business segment, "Communications and Related Services," comprises the continuing operations of U S WEST. U S WEST continues to make progress in disposing of its Capital Assets segment in accordance with its plan of disposition.

In May, 1994, U S WEST sold 7.5 million shares of Financial Security Assurance Holdings Ltd. ("FSA"), including 2 million shares to Fund American Enterprises Holdings, Inc. ("FFC"), in an initial public offering of FSA common stock. In June, 1994, an additional 600,000 shares were issued in connection with an over-allotment option. U S WEST received $154 million in net proceeds from the offering. In conjunction with the sale of FSA shares to FFC, U S WEST issued 50,000 shares of a class of newly created cumulative redeemable preferred stock. FFC's voting rights in FSA increased to 21.0 percent through a combination of direct share ownership of common and preferred FSA shares and a voting trust agreement with U S WEST. U S WEST's voting rights are 49.8 percent.

During 1994, U S WEST Real Estate, Inc. continued the liquidation of its real estate portfolio, selling 12 buildings, six parcels of land and other assets for approximately $327 million U S WEST expects that the liquidation of this portfolio will be substantially completed by 1998.

U S WEST's Continuing Operations

U S WEST Communications. U S WEST Communications was formed January 1, 1991, when Northwestern Bell Telephone Company ("Northwestern Bell") and Pacific Northwest Bell Telephone Company ("Pacific Northwest Bell") were merged into The Mountain States Telephone and Telegraph Company ("Mountain States"), which simultaneously changed its name to U S WEST Communications, Inc. U S WEST acquired ownership of Mountain Bell, Northwestern Bell and Pacific Northwest Bell on January 1, 1984, when American Telephone and Telegraph Company ("AT&T") transferred its ownership interests in these three wholly owned operating telephone companies to U S WEST. This divestiture was made pursuant to a court-approved consent decree entitled the "Modification of Final Judgment" ("MFJ") which arose out of an antitrust action brought by the United States Department of Justice against AT&T.

Operations of U S WEST Communications. U S WEST Communications serves approximately 80% of the population in the U S WEST Region and approximately 40% of the land area. At December 31, 1994, U S WEST Communications had approximately 14,336,000 telephone network access lines in service, a 3.6% increase over year end 1993.

Under the terms of the MFJ, the U S WEST Region was divided into 29 geographical areas called "Local Access and Transport Areas" ("LATAs") with each LATA generally centered on a metropolitan area or other identifiable community of interest. The principal types of telecommunications services offered by U S WEST Communications are (i) local service, (ii) exchange access service (which connects customers to the facilities of interLATA service providers), and (iii) intraLATA long distance network service. For the year ended December 31, 1994, local service, exchange access service and intraLATA long distance network service accounted for 37%, 27% and 12%, respectively, of the sales and other revenues of U S WEST's continuing operations. In 1994, revenues from a single customer, AT&T, accounted for approximately 10% of the sales and other revenues of U S WEST's continuing operations.

U S WEST Communications incurred capital expenditures of approximately $2.45 billion in 1994 and expects to incur approximately $2.1 billion in 1995. The 1994 capital expenditures of U S WEST Communications were substantially devoted to the continued modernization of telephone plant, including investments in fiber optic ble, in order to improve customer services and network productivity.

Central to U S WEST Communications' competitive strategy in 1994 were its efforts respecting the Multimedia Network and the Re-engineering Plan. See "Recent Developments — U S WEST Communications."

Regulation of U S WEST Communications. U S WEST Communications is subject to varying degrees of regulation by state commissions with respect to intrastate rates and service, and access charge tariffs. Under traditional rate of return regulation, intrastate rates are generally set on the basis of the amount of revenues needed to produce an authorized rate of return.

U S WEST Communications has sought alternative forms of regulations ("AFOR") plans which provide for competitive parity, enhanced pricing flexibility and improved capability in bringing to market new products and services. In a number of states where AFOR plans have been adopted, such actions have been accompanied by requirements to refund revenues, reduce existing rates or upgrade service, any of which could have adverse short-term effects on earnings. Similar agreements may have resulted under traditional rate of return regulation. (See "State Regulatory Issues" under Management's Discussion and Analysis of Financial Condition and Results of Operations on p. 22 of the 1994 Annual Report, which is incorporated by reference herein.)

U S WEST Communications is also subject to the jurisdiction of the FCC with respect to interstate access tariffs (that specify the charges for the origination and termination of interstate communications) and other matters. U S WEST's interstate services have been subject to price cap regulation since January 1991. Price caps are a form of incentive regulation and, ostensibly, limit prices rather than profits. However, the FCC's price cap plan includes sharing of earnings in excess of authorized levels. The Company believes that competition will ultimately be the determining factor in pricing telecommunications services. (See "Federal Regulatory Issues" under Management's Discussion and Analysis of Financial Condition and Results of Operations on p. 21 of the 1994 Annual Report, which is incorporated by reference herein.)

Congress failed to pass telecommunications reform legislation in 1994. It is expected that new telecommunications legislation will be introduced in 1995. However, there is uncertainty concerning the scope and the direction of that legislation. U S WEST believes that it is in the public interest to lift all competitive restrictions, placing all competitors under the same rules. Such action would lead to wider consumer choices, and ensure the industry's technological development and long-term financial health.

Competition. U S WEST believes that the convergence of the communications, entertainment and information services businesses will lead to increased competition for U S WEST from companies in industries with which U S WEST did not historically compete. U S WEST Communications' principal competitors are competitive access providers ("CAPs") and interexchange carriers. In recent years, potential competitors have expanded to include cable television companies, combined cable television/telecommunications companies and cellular companies. Cable television companies are expected to increase competition by offering telecommunications and other information services. Combined cable television and telecommunications companies are expected to increase competition for local telephone and alternative exchange access services as well as those services expected to be available through the Multimedia Network. AT&T's entrance into the cellular communications market through its acquisition of McCaw Cellular Communications, Inc. may create increased competition in local exchange as well as cellular services.

Currently, competition from long distance companies is eroding U S WEST Communications' market share of intraLATA long distance services such as Wide Area Telephone Service and "800." These revenues have steadily declined over the last several years as customers have migrated to interexchange carriers who have the ability to offer these services on both an intraLATA and interLATA basis. U S WEST and its affiliates are prohibited from providing interLATA long distance services.

The impact of increased competition on the operations of U S WEST Communications will be influenced by the future actions of regulators and legislators who increasingly are advocating competition. The loss of local exchange customers to competitors would affect multiple revenue streams of U S WEST and could have a material adverse effect on its operations.

Other U S WEST Subsidiaries and Investments. Other continuing operations include subsidiaries engaged in (i) publishing services, primarily "Yellow Pages" and other directories, (ii) designing, engineering and operating mobile telecommunications systems, (iii) cellular and land-line telecommunications, network infrastructure and cable television businesses in certain foreign countries, and (iv) entertainment services.

U S WEST Marketing Resources Group, Inc. ("Marketing Resources"), which accounted for about 9% of U S WEST's 1994 revenues from continuing operations, publishes about 300 white and yellow page directories in the U S WEST Region. Marketing Resources competes with local and national publishers of directories, as well as other advertising media such as newspapers, magazines, broadcast media and direct mail. Marketing Resources intends to focus on enhancing core products, developing and packaging new information products through new and existing databases.

U S WEST NewVector Group, Inc. ("NewVector"), which accounted for approximately 7% of U S WEST's 1994 revenues from continuing operations, provides communications and information products and services, including cellular services, over wireless networks in 31 Metropolitan Service Areas and 34 Rural Service Areas, primarily located in the U S WEST Region. Competition for full service cellular customers is currently limited to holders of the two cellular licenses granted in a given cellular market. Despite its rapid growth, the cellular industry is faced with many challenges including the introduction of new technologies, increased competition and an uncertain regulatory environment. In 1994, NewVector agreed to combine its domestic wireless services with those of AirTouch, and to be part of a partnership including AirTouch, Bell

Atlantic and NYNEX that would bid on PCS licenses that are being auctioned by the FCC. See "Recent Developments — Domestic Wireless Services."

U S WEST Multimedia Communications, Inc. ("Multimedia Communications") was formed to manage U S WEST's cable investments, and has primary responsibility for aiding U S WEST in achieving its strategic goal of becoming a leading provider of interactive, integrated communications, entertainment and information services outside the U S WEST Region.

Multimedia Communications is also responsible for identifying and pursuing alliances, acquisitions and/or investments that complement U S WEST's strategy. U S WEST is seeking to strengthen its national out-of-region presence by acquiring or forming alliances with other communications, entertainment and information services companies throughout the United States. The first major step toward that goal was the TWE Investment made in 1993. More recently, U S WEST acquired the Atlanta Cable Properties. See "Recent Developments — Cable Investments."

U S WEST will continue to employ strategic alliances and will also make direct investments in assets or businesses that are consistent with its business strategies. Financing for new investments will primarily come from a combination of new debt and equity. In the event of a new investment of substantial magnitude, the Company may also re-evaluate its use of internally generated cash, the feasibility of further acquisitions, the possibility of sales of assets and the capital structure.

During 1994, U S WEST continued expanding its international ventures, which include investments in cable television and telecommunications, wireless communications including PCS, directory publishing, and international networks. The Company completed its purchase of Thomson Directories, a publisher of 155 telephone directories that reach 80 percent of the households in Great Britain. The Company also purchased 49 percent of Listel, a Brazilian company that produces telephone directories, and acquired a minority interest in Binariang Sdn Bhd, a Malaysian telecommunications company that holds four licenses that enable it to become a second network operator in Malaysia.

U S WEST's net investment in international ventures approximated $988 million (inclusive of consolidated entities) at December 31, 1994, approximately 68% of which is in the United Kingdom. Of the total international investment, approximately 53% is invested in cable television joint ventures, mostly in the United Kingdom and Western Europe.

Because U S WEST's international investments are in new, developing businesses, they typically are in a high growth, investment phase for several years and do not show net income or positive cash flow until they become more mature. Consequently, start-up losses from these investments, in total, are expected to increase in 1995 and possibly beyond. The Company's future commitment to international ventures is currently planned at about $400 million in 1995, but could increase as new opportunities become available.

ITEM 2. Properties.

The properties of U S WEST do not lend themselves to description by character and location of principal units. At December 31, 1994, the majority of U S WEST property was utilized in providing telecommunications services by U S WEST Communications. Substantially all of U S WEST Communications' central office equipment is located in owned buildings situated on land owned in fee, while many garages and administrative and business offices are in leased quarters.

ITEM 3. Legal Proceedings.

U S WEST and its subsidiaries are subject to claims and proceedings arising in the ordinary course of business. While complete assurance cannot be given as to the outcome of any contingent liabilities, in the opinion of U S WEST, any financial impact to which U S WEST and its subsidiaries are subject is not expected to be material in amount to U S WEST's operating results or its financial position.

ITEM 4. **Submission of Matters to a Vote of Security Holders.**

Not applicable.

EXECUTIVE OFFICERS OF U S WEST

Pursuant to General Instructions G(3), the following information is included as an additional item in Part I:

	Position	Age	Date Assumed Present Position
A. Gary Ames(1)	President & Chief Executive Officer of U S WEST Communications	50	1990
James T. Anderson	Vice President & Treasurer	55	1984
Richard J. Callahan	Executive Vice President, U S WEST, & President, U S WEST International and Business Development Group	53	1988
Charles M. Lillis	Executive Vice President & President and Chief Executive Officer, U S WEST Diversified Group	53	1987
C. Scott McClellan(2)	Acting Executive Vice President	46	1994
Richard D. McCormick ...	Chairman of the Board, Chief Executive Officer & President	54	1986(3)
James M. Osterhoff(4)	Executive Vice President & Chief Financial Officer	58	1991
Lorne G. Rubis	Vice President	44	1992
Charles P. Russ, III	Executive Vice President, General Counsel & Secretary	50	1992
Judith A. Servoss.........	Vice President	49	1987
James H. Stever	Executive Vice President	51	1993

(1) Mr. Ames, while not an officer of U S WEST, performs significant policy making functions equivalent to those typically performed by an officer.

(2) Mr. McClellan was appointed Acting Executive Vice President effective October 10, 1994.

(3) Mr. McCormick was appointed Chief Executive Officer on January 1, 1991, and was elected Chairman of the Board effective May 1, 1992.

(4) Mr. Osterhoff has announced his retirement from U S WEST but will remain in his present position until a successor is named.

Executive Officers are not elected for a fixed term of office, but serve at the discretion of the Board of Directors.

Each of the above executive officers has held a managerial position with U S WEST or an affiliate of U S WEST since 1990, except for Messrs. Osterhoff, Rubis and Russ. Mr. Osterhoff was Vice President — Finance and Chief Financial Officer of Digital Equipment Corporation from 1985 to 1991. Mr. Rubis was Vice President — Quality for U S WEST International and Business Development Group, a division of U S WEST, from 1991 to 1992; Director — Quality and Service Improvement for U S WEST NewVector Group, Inc., a subsidiary of U S WEST, from 1990 to 1991. Prior to joining the U S WEST family, Mr. Rubis worked as an independent labor relations consultant and as co-founder and principal of Workplace One, Ltd., a Canadian-based consulting firm, from 1979 to 1988. In 1988, he merged his firm with Deltapoint Corp., a Seattle-based Quality Improvement consulting firm. Mr. Russ was Vice President, Secretary and General Counsel of NCR Corporation from February, 1984 to June, 1992.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information required by this item is included on page 54 of the 1994 Annual Report under the heading "Note 18: Quarterly Financial Data (Unaudited)" and is incorporated herein by reference. The U.S. markets for trading in U S WEST common stock are the New York Stock Exchange and the Pacific Stock Exchange. As of December 31, 1994, U S WEST common stock was held by approximately 816,099 shareholders of record.

ITEM 6. Selected Financial Data.

The information required by this item is included on page 1 of the 1994 Annual Report under the heading "Financial Highlights" and is incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by this item is included on pages 7 through 31 of the 1994 Annual Report and is incorporated herein by reference.

ITEM 8. Consolidated Financial Statements and Supplementary Data.

The information required by this item is included on pages 33 through 54 of the 1994 Annual Report and is incorporated herein by reference.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant.

The information required by this item with respect to executive officers is set forth in Part I, page 10, under the caption "Executive Officers of U S WEST."

The information required by this item with respect to Directors is included in the U S WEST definitive Proxy Statement dated March 16, 1995 ("Proxy Statement") under "Election of Directors" on pages 4 and 5 and is incorporated herein by reference.

ITEM 11. Executive Compensation.

The information required by this item is included in the Proxy Statement under "Executive Compensation" on pages 10 through 16 and "Compensation of Directors" on pages 2 and 3 and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is included in the Proxy Statement under "Securities Owned by Management" on page 3 and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions.

Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following independent accountants' report and consolidated financial statements are incorporated by reference in Part II of this report on Form 10-K:

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

(b) Reports on Form 8-K:

U S WEST filed the following reports on Form 8-K during the fourth quarter of 1994:

(i) report dated October 17, 1994 relating to a release of earnings for the period ended September 30, 1994;

(ii) report dated December 8, 1994 announcing its plan to buy back stock, and the completion of the Atlanta Cable properties acquisition.

(c) Exhibits:

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

Exhibit Number	
(3a)	— Articles of Incorporation of U S WEST, Inc. dated September 22, 1983 (Exhibit 3a to Registration Statement No. 2-87861).
(3a.1)	— Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated June 6, 1988 (Exhibit 3b to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(3a.2)	— Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated May 3, 1991 (Exhibit 3c to Form SE filed on March 5, 1992, File No. 1-8611).
3a.3	— Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated September 1, 1994.
(3b)	— Bylaws of the Registrant as amended August 5, 1994 (Exhibit 3-D to Form S-4 Registration Statement No. 33-55289 filed August 30, 1994).
4	— No instrument which defines the rights of holders of long and intermediate term debt of U S WEST, Inc. and all of its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
(10a)	— Reorganization and Divestiture Agreement dated as of November 1, 1983, between American Telephone and Telegraph Company and its affiliates, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10a to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10b)	— Shared Network Facilities Agreement dated as of January 1, 1984, between American Telephone and Telegraph Company, AT&T Communications of the Midwest, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10b to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10c)	— Agreement Concerning Termination of the Standard Supply Contract effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10d to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10d)	— Agreement Concerning Certain Centrally Developed Computer Systems effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10e to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10e)	— Agreement Concerning Patents, Technical Information and Copyrights effective December 31, 1983, between American Telephone and Telegraph Company and U S WEST, Inc. (Exhibit 10f to Form 10-K, date of report March 8, 1984, File No. 1-3501).

March 8, 1984, File No. 1-3501).

(10i) — U S WEST, Inc. Short-Term Incentive Plan (Exhibit 10i to Form 10-K filed March 19, 1993, File No. 1-8611).

(10j) — Financial Counseling Program for Officers of U S WEST (Exhibit 10-ee to Registration Statement No. 2-87861).

(10k) — U S WEST Deferred Compensation Plan for Non-Employee Directors (Exhibit 10-ff to Registration Statement No. 2-87861).

(10l) — Description of U S WEST Insurance Plan of Non-Employee Directors' Travel and Accident Insurance (Exhibit 10-gg to Registration Statement No. 2-87861).

(10m) — Extract from the U S WEST Management Pension Plan regarding limitations on and payments of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act (Exhibit 10-hh to Registration Statement No. 2-87861).

(10n) — U S WEST Executive Non-Qualified Pension Plan (Exhibit 10o to Form 10-K, date of report March 29, 1989, File No. 1-8611).

(10o) — U S WEST Deferred Compensation Plan (Exhibit 10o to Form SE filed March 5, 1992, File No. 1-8611).

(10p) — Description of U S WEST Directors' Retirement Benefit Plan (Exhibit 10p to Form SE filed March 5, 1992, File No. 1-8611).

10q — U S WEST, Inc. 1994 Stock Plan.

(10r) — Shareholders' Agreement dated as of January 1, 1988 among Ameritech Services, Inc., Bell Atlantic Management Services, Inc., BellSouth Services Incorporated, NYNEX Service Company, Pacific Bell, Southwestern Bell Telephone Company, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10r to Form SE filed March 5, 1992, File No. 1-8611).

(10s) — U S WEST Senior Management Long Term Disability and Survivor Protection Plan (Exhibit 10-dd to Registration Statement No. 2-87861).

(10t) — U S WEST Mid-Career Pension Plan (Exhibit 10u to Form 10-K, date of report March 29, 1989, File No. 1-8611)

10u — Form of U S WEST, Inc. Non-Qualified Stock Option Agreement.

10v — Form of U S WEST, Inc. Restricted Stock Agreement

Exhibit Number

10w — Employment letter from Richard D. McCormick to Charles P. Russ, III dated May 11, 1992.

(10y) — Assignment Agreement, dated July 13, 1993, between U S WEST Overseas Operations, Inc. and Richard J. Callahan (Exhibit (10a) to Form 10-Q filed November 5, 1993).

(10z) — Agreement for Services, dated July 13, 1993, between U S WEST, Inc. and Richard J. Callahan (Exhibit (10b) to Form 10-Q filed November 5, 1993).

(10aa) — Admission Agreement dated as of May 16, 1993 between Time Warner Entertainment Company, L.P. and U S WEST, Inc. (Exhibit 10 to Form 8-K filed May 24, 1993).

10ab — Form of Executive Change of Control Agreement.

10ac — Form of Change of Control Agreement for Chief Executive Officer.

10ad — U S WEST, Inc. Executive Long-Term Incentive Plan.

10ae — U S WEST, Inc. Executive Short-Term Incentive Plan.

11 — Statement Re Computation of Per Share Earnings.

12 — Computation of Ratio of Earnings to Fixed Charges of U S WEST, Inc. and U S WEST Financial Services, Inc.

13 — 1994 Annual Report to Shareowners.

21 — Subsidiaries of U S WEST, Inc.

23 — Consent of Independent Accountants.

24 — Powers of Attorney.

27 — Financial Data Schedule.

99a — Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for Salaried Employees for the year ended December 31, 1994, to be filed by amendment.

99b — Annual Report on Form 11-K for the U S WEST Savings and Security Plan/ESOP for the year ended December 31, 1994, to be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, State of Colorado, on March 7, 1995.

U S WEST, Inc.

By: /s/ JAMES M. OSTERHOFF
James M. Osterhoff
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer	
/s/ RICHARD D. MCCORMICK*	Chairman of the Board, President and Chief Executive Officer
Principal Financial Officer:	
/s/ JAMES M. OSTERHOFF*	Executive Vice President and Chief Financial Officer

Directors:

/s/ RICHARD B. CHENEY*

/s/ REMEDIOS DIAZ-OLIVER*

/s/ GRANT A. DOVE*

/s/ ALLAN D. GILMOUR*

/s/ PIERSON M. GRIEVE*

/s/ SHIRLEY M. HUFSTEDLER*

/s/ ALLEN F. JACOBSON*

/s/ RICHARD D. MCCORMICK*

/s/ MARILYN C. NELSON*

/s/ FRANK P. POPOFF*

/s/ GLEN L. RYLAND*

/s/ JERRY O. WILLIAMS*

/s/ DANIEL YANKELOVICH*

*By: /s/ JAMES M. OSTERHOFF
James M. Osterhoff
(for himself and as Attorney-in-Fact)

Dated March 7, 1995

INDEPENDENT ACCOUNTANTS' REPORT

Our report on the consolidated financial statements of U S WEST, Inc., which includes an explanatory paragraph regarding the discontinuance of accounting for the operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1993, and a change in the method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992, has been incorporated by reference in this Form 10-K from page 32 of the 1994 Annual Report to Shareowners of U S WEST, Inc. In connection with our audits or such consolidated financial statements, we have also audited the related consolidated financial statement schedules listed in the index on page 12 of this Form 10-K for the years ended December 31, 1994, 1993 and 1992.

In our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.
Denver, Colorado
January 18, 1995

U S WEST, Inc.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(Dollars in millions)

	Balance at beginning of period	Charged to expense	Charged to other accounts	Deductions	Balance at end of period
CONTINUING OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1994	$ 54	$ 91(a)	$ 3	$ 86(b)	$ 62
Year 1993	59	83(a)	1	89(b)	54
Year 1992	59	89(a)	11	100(b)	59
RESERVES RELATED TO 1993 BUSINESS RESTRUCTURING, INCLUDING FORCE AND FACILITY CONSOLIDATION					
Year 1993	$935	$ 0	$ 0	$229	$706
Year 1993	0	1,000	0	65	935
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING FORCE REDUCTIONS AND THE WRITE OFF OF CERTAIN INTANGIBLE ASSETS					
Year 1994	$ 95	$ 0	$ 0	$ 95	$ 0
Year 1993	215	0	0	120	95
Year 1992	314	0	0	99	215
DISCONTINUED OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1994	$ 64	$ 13	$ 0	$ 22(b)	$ 55
Year 1993	63	149	(52)(c)	96(b)	64
Year 1992	62	20	7	26(b)	63
LOSS RESERVE ON FINANCIAL GUARANTEES(d)					
Year 1994	$ 36	$ 40	$(36)(e)	$ 0	$ 40
Year 1993	72	103	0	139	36
Year 1992	12	68	0	8	72
OTHER(f)					
Year 1994	$ 0	$ 0	$ 0	$ 0	$ 0
Year 1993	86	0	3	89(c)	0
Year 1992	84	0	8	6	86
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING REAL ESTATE VALUATION ALLOWANCE AND 1993 PROVISION FOR LOSS ON DISPOSAL OF THE CAPITAL ASSETS SEGMENT					
Year 1994	$336	$ 0	$ 0	$217	$119
Year 1993	402	120(g)	0	186	336
Year 1992	500	0	0	98	402

NOTE: Certain reclassifications within the schedule have been made to conform to the current year presentation.

(a) Does not include amounts charged directly to expense. These amounts were $10, $10 and $9 for 1994, 1993 and 1992, respectively.

(b) Represents credit losses written off during the period, less collection of amounts previously written off.

(c) Primarily due to sale of U S WEST Financial Services finance receivables and assets.

(d) The company adopted SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" in 1993. SFAS No. 113 requires reinsurance receivables to be reflected as assets rather than netted against the loss reserve. Prior years have been restated for comparability.

(e) This amount relates to loss reserves of Financial Security Assurance at the beginning of 1994. Financial Security Assurance is now accounted for under the equity method.

(f) Primarily valuation allowance related to the 1990 purchase of a $294 face amount mobile home loan portfolio for $197.

(g) Provision for estimated loss on disposal of the Capital Assets segment of $100 and an additional provision of $20 to reflect the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

USWEST

Recycled Paper

U S WEST

Making the RIGHT Connections

ANNUAL REPORT
1994

CORPORATE PROFILE: U S WEST Inc. is in the connections business, helping customers share communications, entertainment and information services in local markets worldwide. U S WEST is headquartered in Englewood, Colo., a suburb of Denver.

The company's major subsidiary, U S WEST Communications, provides services to more than 25 million residential and business customers in 14 western and midwestern states. U S WEST Communications was created from three former Bell telephone companies: Mountain Bell, Northwestern Bell and Pacific Northwest Bell.

CORPORATE MISSION: U S WEST's mission is to be a leading provider of integrated communications, entertainment and information services over wired broadband and wireless networks in selected local markets worldwide.

CORPORATE VISION: By the year 2000, U S WEST will be the finest company in the world at connecting people with their world.

Financial Highlights

Dollars in millions (except per share amounts)

	1994	1993	1992	1991	1990
Financial Data					
Sales and other revenues	$ 10,953	$ 10,294	$ 9,823	$ 9,528	$ 9,369
Income from continuing operations (Note 1)	1,426	476	1,076	840	1,145
Net income (loss)	1,426	(2,806)	(614)	553	1,199
Total assets	$ 23,204	$ 20,680	$ 23,461	$ 23,375	$ 22,160
Total debt (Note 2)	7,938	7,199	5,430	5,969	5,147
Shareowners' equity	7,382	5,861	8,268	9,587	9,240
Earnings per common share (continuing operations) (Note 1)	$ 3.14	$ 1.13	$ 2.61	$ 2.09	$ 2.97
Earnings (loss) per common share	3.14	(6.69)	(1.49)	1.38	3.11
Dividends per common share	2.14	2.14	2.12	2.08	2.00
Book value per common share	15.73	13.29	19.95	23.39	23.48
Return on common shareowners' equity (Note 3)	21.6%	–	14.4%	5.7%	13.7%
Debt-to-capital ratio (Note 2)	51.8%	55.1%	39.6%	38.4%	35.8%
Capital expenditures (Note 2)	$ 2,820	$ 2,441	$ 2,554	$ 2,425	$ 2,217
Other Selected Data (Wholly Owned Domestic Operations)					
Telephone network access lines in service (thousands)	14,336	13,843	13,345	12,935	12,562
Billed access minutes of use (millions)	52,275	48,123	44,369	41,701	38,832
Cellular subscribers	968,000	601,000	415,000	300,000	219,000
Cable television basic subscribers served	486,000	–	–	–	–
Employees	61,505	60,778	63,707	65,829	65,469
Number of common shareowners	816,099	836,328	867,773	899,082	935,530
Weighted average common shares outstanding (thousands)	453,316	419,365	412,518	401,332	386,012

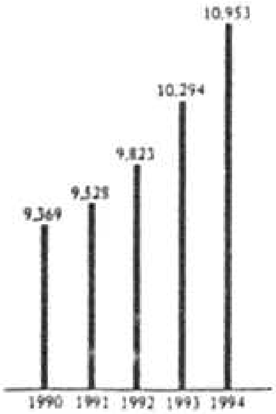
Note 1 - 1994 income from continuing operations includes a gain of $105 ($.23 per share) on the sale of 24.4 percent of U S WEST's joint venture interest in cable television/telephone operations in the United Kingdom (TeleWest Communications plc), a gain of $41 ($.09 per share) on the sale of the company's paging unit and a gain of $51 ($.11 per share) on the sale of certain rural telephone exchanges. 1993 income from continuing operations was reduced by a restructuring charge of $610 ($1.46 per share) and $54 ($.13 per share) for the cumulative effect on deferred taxes of the 1[illegible] federally mandated increase in income tax rates. 1991 income from continuing operations was reduced by a restructuring charge of $230 ($.57 per share).

Note 2 - Capital expenditures, debt and the debt-to-capital ratio exclude discontinued operations.

Note 3 - 1993 return on shareowners' equity is not presented. Return on shareowners' equity for fourth quarter 1993 was 19.9 percent based on income from continuing operations. 1992 return on shareowners' equity is based on income before the cumulative effect of change in accounting principles.

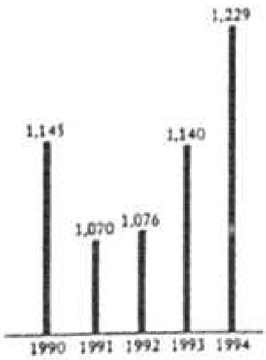
Revenues

(Dollars in Millions)



Normalized Income from Continuing Operations

(Dollars in Millions)



Excludes one-time items described in Note 1 above.

An exciting year of

MAKING THE *RIGHT* CONNECTIONS

Chairman and Chief Executive Officer Richard D. McCormick looks back on the highlights and challenges of 1994, and ahead to a larger, more exciting role for the company in "connecting people with their world."

When you think of peoples' need to talk to each other...to exchange business information...to shop...to choose entertainment...and to learn...*you're thinking about the exciting new world of telecommunications we're creating at U S WEST.*

It's a world as familiar as a telephone call; as novel as a video store inside your remote control. And U S WEST is "making the right connections" to bring that world to our customers.

1994 was a year of solid growth and earnings in our basic businesses: local telephone service and telephone directories. We also made great strides in revitalizing those businesses – *and building new businesses* – for the future.

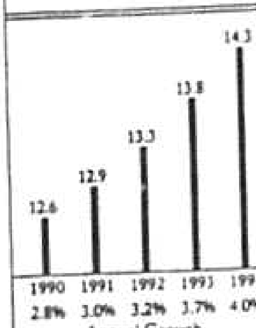
I'm especially excited about those new opportunities – such as customer-controlled video services and "personal" wireless phone service – that we'll bring to millions more customers than we serve today.

My only disappointments last year were in two areas.

First: Our stock performance. Rising interest rates and other concerns caused investors to focus more on short-term earnings than long-term opportunities. As a result, the price of U S WEST shares declined.

Second: Temporary delays in installing new phone lines. In a period of extraordinary growth, these delays caused customer dissatisfaction in some areas. To address the problems, we temporarily slowed the streamlining of our customer-service operations. (We've fixed most service problems and are back on track with our service-improvement program.)

U S WEST Communications Access Lines
(In millions)



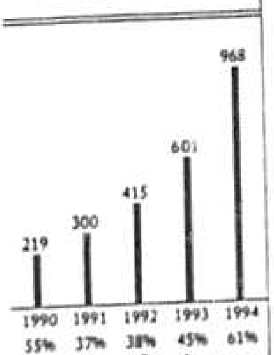
* Excludes the effects of 1994 rural exchange sales

Strong '94 results

Despite those concerns, I feel very good about 1994. We set out to increase sales, sustain healthy profits in our basic businesses and boost the earning-power of our new businesses. And we did:

- At U S WEST Communications, which provides local telephone services in 14 western and midwestern states, we were second among the regional Bell companies in growth – increasing lines by 4.0 percent over 1993. Minutes of use, reflecting the volume of traffic we carry for long-distance companies, were up 8.6 percent. Earnings grew 9.9 percent (excluding one-time items). Earnings before interest, taxes, depreciation and amortization (EBITDA) were up 7.4 percent (excluding one-time items).
- U S WEST Direct, which publishes 300 telephone directories, increased sales 6.5 percent, almost double the industry average. Earnings climbed 4.0 percent.
- U S WEST Cellular, which provides wireless telephone services in 50 markets, added an unprecedented 367,000 customers, a 61-percent increase.
- Our TeleWest partnership, the largest provider of combined cable-television and telephone service in the United Kingdom, reported growth rates of 42 percent and 94 percent in those businesses, respectively. Underscoring this company's value: In a recent stock offering, U S WEST's $300 million net investment in TeleWest was valued by the market at $1.1 billion.
- Our wireless communications businesses in Europe served more than 367,000 customers – nearly three times more than in the previous year. The leader was our Mercury One-2-One partnership in the U.K., which provided the new "personal communications service" to 205,000 customers. We reached this number in slightly more than a year by emphasizing convenience and low price per call, proving that wireless communication is indeed a mass-market service.

U S WEST Cellular Subscribers
(In thousands)

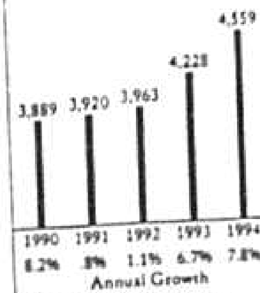


Revenues, earnings up

- Companywide, total revenues for the year were $10.95 billion, up 6.4 percent.
- We achieved a 7.8-percent increase in total-company EBITDA.
- 1994 net income was $1.229 billion, a 7.8-percent increase from 1993 (after both years were adjusted for one-time items). But earnings per share remained about the same as in 1993, because net income was spread over 34 million additional shares of stock we issued largely to fund major long-term investments.
- We continued to pay a healthy dividend: $2.14 per share.

EBITDA*

(Dollars in millions)



* Earnings before interest, taxes, depreciation and amortization. Excludes equity losses, other income and one-time items.

So, we have the *strength* to carry us into the future. We also have a *strategy* we believe will assure our success in this dramatically changing world of telecommunications.

In previous reports, I've told you that our business is being transformed by two technologies: digital communications (the language of computers and CD players), and high-capacity networks. They will change not only the ways we carry information, but – more important – *the services we can deliver to our customers.*

The world at your fingertips

Today, customers press a few digits to reach another person. Tomorrow, they'll still do that – but they may be pressing a remote control and seeing the other person on a TV screen. Or selecting the movie or TV show they want, whenever they want it. Or connecting with the store of their choice to see the item they want – and ordering it. Or calling the bank to look at their balance.

The possibilities are tremendous – both in the variety of services and their potential to save peop'· time, money and hassle. The key to success is making these new services as *easy to use* as our Voice Messaging and Caller ID.

To deliver these services, we'll need networks that are capable of two-way, or interactive, video, as well as voice and data communications. So will our competitors.

Cable-TV companies have networks that excel in carrying the same *one-way* video signals to everyone. Telephone companies are best at connecting specific locations for *two-way* messages.

Both industries face a dilemma: either they upgrade their networks and seize these opportunities, or sit back and become victims of change.

U S WEST has chosen to *benefit* from change – on two fronts. We're upgrading our network in our 14-state service territory. And we've invested in cable-TV networks outside our region.

The point: to increase volume – and value – by carrying more messages, more *kinds* of messages, to more customers, in more markets. And that's what we're doing.

Building tomorrow's networks today

U S WEST Communications was the first telephone company to announce plans to build and operate multimedia networks in its region. Begun in 1994, this mammoth project will continue past the year 2000.

The first of these networks, in Omaha, is almost finished, and we've begun technical trials. This year, we'll learn, firsthand, how customers prefer to use the services these networks make possible.

Looking ahead, we've announced plans for similar networks in Denver and Colorado Springs; Minneapolis-St. Paul; Salt Lake City; Boise, Idaho; Portland, Ore.; Albuquerque, N.M.; Des Moines and Cedar Rapids, Iowa.

And we're not stopping at the borders of our home territory. We're investing to reach new customers *outside* our region. In Atlanta – one of the top U. S. markets – we acquired two major cable-TV systems that serve nearly a half-million customers.

Meanwhile, our partner Time Warner has added to its cable holdings. Including those recently announced acquisitions, U S WEST and Time Warner will serve customers in 37 of the nation's top 50 markets.

"The point: to increase volume – and value – by carrying more messages, more kinds of messages, to more customers, in more markets. And that's what we're doing."

Combined, the in- and out-of-region networks will make U S WEST a leading provider of exciting new multimedia services. In an early demonstration to reporters in Orlando, Fla., the consensus reaction was most positive.

Doing it right

But will customers use these services? If they're easy to use, the answer is "yes." So we're working with partners and developing our own user-friendly menus and new on-screen services, such as our "GOtv" entertainment guide and our "U S Avenue" shopping service.

Br nd these "wired" network opportunities, U S WEST established two strategic alliances to capture a larger share of the nation's "wireless" markets. First, we reached an agreement to combine our domestic cellular telephone business with that of AirTouch Communications. Second, the two companies agreed to join with Bell Atlanticand NYNEX to seek licenses for, and operate, personal communications networks in several major U.S. markets.

Connecting the world

1994 was the foundation for our future. We're building on that foundation to make the most of the tremendous opportunities in meeting peoples' needs for communications, entertainment and information.

Our goal is simple: *making the right connections* for our customers, our employees and our shareowners. And that's what we're doing.

Sincerely,

Richard D McCormick

Richard D. McCormick
Chairman and Chief Executive Officer

Financial Index

Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except per share amounts)

RESULTS OF OPERATIONS - 1994 COMPARED WITH 1993

	1994 (1)	*1993 (2)*	*Incre[illegible]*
Income from continuing operations	$ 1,426	$ 476	$ 9[illegible]
Loss from discontinued operations	–	(82)	[illegible]
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	–	(3,123)	3,1[illegible]
Early extinguishment of debt, net of tax	–	(77)	[illegible]
Net income (loss)	$ 1,426	$(2,806)	$ 4,[illegible]
Earnings per common share from continuing operations	$ 3.14	$ 1.13	$ 2.0[illegible]
Loss per common share from discontinued operations	–	(.19)	.1[illegible]
Extraordinary items:			
Discontinuance of SFAS No. 71	–	(7.45)	7.4[illegible]
Early extinguishment of debt	–	(.18)	.1[illegible]
Income (loss) per common share	$ 3.14	$ (6.69)	$ 9.[illegible]

(1) 1994 income from continuing operations includes a gain of $105, or $.23 per share, from the sale of 24.4 percent of U S WEST's joint venture interest in cable television/telephone operations in the United Kingdom (TeleWest Communications plc), a gain of $41, or $.09 per share, on the sale of the company's paging operations and a gain of $51, or $.11 per share, on the sale of certain rural telephone exchanges.

(2) 1993 income from continuing operations was reduced by $610, or $1.46 per share, for a restructuring charge and $54, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

In 1994, U S WEST Inc. ("U S WEST" or "company") income from continuing operations and related earnings per common share ("earnings per share") were $1,426 and $3.14, respectively. Included in 1994 results are one-time, after-tax gains described in note (1) to the table above. Excluding these gains, income from continuing operations and related earnings per share were $1,229 and $2.71, respectively. In 1993, income from continuing operations was $476, or $1.13 per share, including the effects of one-time charges described in note (2) to the table above. Excluding the one-time effects, 1993 income from continuing operations and related earnings per share were $1,140 and $2.72, respectively. As normalized for one-time effects, 1994 income from continuing operations increased $89, or 7.8 percent, and related earnings per share decreased $.01 on an 8.1 percent increase in average shares outstanding. The increase in normalized income from continuing operations is primarily attributable to increased demand for telecommunications and domestic wireless services, partially offset by increased start-up losses associated with developing businesses.

In 1993, U S WEST discontinued the operations of its Capit[illegible] Assets segment. Also in 1993, the company incurred extraordin[illegible] charges for the discontinuance of Statement of Financial Accountin[illegible] Standards ("SFAS") No. 71, "Accounting for the Effects of Cert[illegible] Types of Regulation," and the early extinguishment of debt. Se[illegible] further discussion in *"Results of Operations - 1993 Compared [illegible] 1992,"* starting on page 26.

Revenue growth, partially offset by higher operating expense[illegible] provided a 7.8 percent increase in the company's earnings befo[illegible] interest, taxes, depreciation and amortization ("EBITDA"[illegible] EBITDA also excludes equity losses in unconsolidated venture[illegible] gains on sales of assets, restructuring charges and other income. Th[illegible] company considers EBITDA an important indicator of th[illegible] operational strength of its businesses.

Income from Continuing Operations – Base and Developing Businesses

	Percent Ownership	*1994 (1)*	*1993 (2)*	*Increase (Decrease)*
Base businesses:				
U S WEST Communications Inc.	100	$ 1,175	$ 435	$ 740
Publishing and other	100	232	180	52
Total base		1,407	615	792
Developing businesses:				
Consolidated:				
Domestic wireless	100	67	(46)	113
Domestic cable	100	(2)	-	(2)
Unconsolidated equity investments:				
Time Warner Entertainment L.P. (3)	25.5	(30)	(19)	(11)
TeleWest Communications plc	37.8	76	(21)	97
Mercury One-2-One	50.0	(58)	(22)	(36)
Other (4)		(34)	(31)	(3)
Total developing		19	(139)	158
Income from continuing operations		$ 1,426	$ 476	$ 950

(1) 1994 income from continuing operations includes a gain of $105 from the sale of 24.4 percent of U S WEST's joint venture interest in TeleWest Communications plc, a gain of $41 for the sale of the company's paging operations and a gain of $51 for the sale of certain rural telephone exchanges.

(2) 1993 income from continuing operations was reduced by $610 for a restructuring charge and $54 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

(3) Percent ownership represents pro-rata priority capital and residual equity interests.

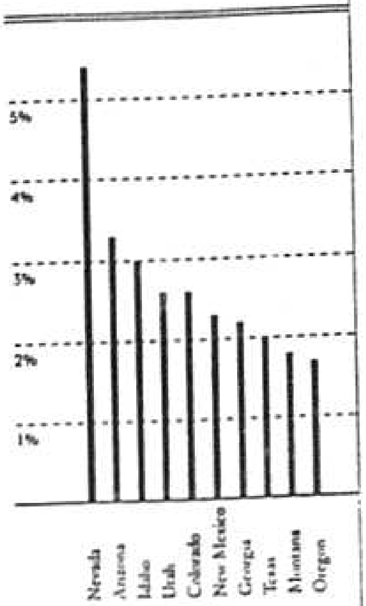
(4) Includes divisional expenses associated with developing businesses.

U S WEST's operations consist of "base" businesses that have moderate, though consistent, growth and generate substantial income and cash flows, and "developing" businesses. Most of the company's developing businesses are in a stage of rapid customer and network expansion, which will result in near-term earnings dilution.

Base Businesses The major component of U S WEST's base businesses is U S WEST Communications Inc. ("USWC"), which provides telecommunications services in 14 western and mid-western states, serving approximately 80 percent of the region's population and approximately 40 percent of its geographic area. USWC offers local, exchange access and long-distance network services. About 28 percent of the company's access lines are devoted to providing services to business customers. The access line growth rate for business customers, who tend to be heavier users of the telephone network, has consistently exceeded the growth rate for residential customers. During 1994, business access lines grew by 4.6 percent compared with 3.1 percent for consumer lines. Total access line growth in 1994 was 3.6 percent. Excluding the effects of the sale of certain rural telephone exchanges, total access lines grew by 4.0 percent in 1994.

USWC Serves Seven of the Ten Fastest-growing States

1994 Percentage Population Growth



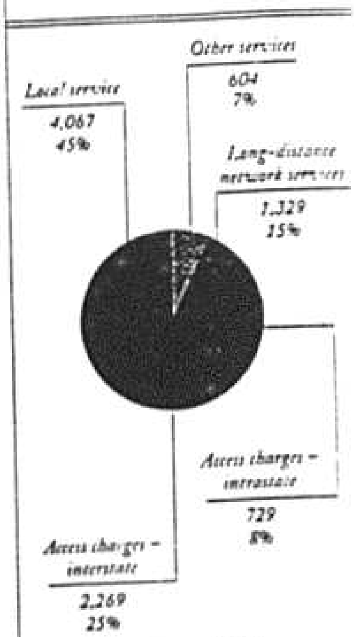
■ *in USWC Region*

Source: U. S. Census Bureau (12/31/94)

The majority of USWC's revenues are derived from traditional telephone services. USWC will incur future capital and operating expenditures for deployment of a broadband or "multimedia" network. The company expects this network to generate new revenues through a variety of new product and service offerings. However, the amount and timing of future revenues related to multimedia service offerings are difficult to predict. The company believes the multimedia network also will improve the quality of customer service and result in greater network efficiency and lower maintenance costs.

Summary of USWC 1994 Revenues

(Dollars in millions)



USWC 1994 Revenues: $8,998

Base businesses also include the publishing of approximately 3 White and Yellow Pages directories in the western United Sta and the provision of database marketing and interactive multime information services.

During 1994, income from the company's base operatic increased to $1,356, excluding the gain on the sale of certain ru telephone exchanges. This represents a 1994 increase of $119, or percent, also excluding the effects of the 1993 restructuring char and the cumulative effect in 1993 of higher income tax rates. normalized, the increase is attributable to higher demand telephone services, including the effects of strong growth in acc lines, and increased publishing revenue, partially offset by low telephone rates and higher costs for developing new products in publishing operations.

Funding of new products and other growth initiatives publishing and other marketing services operations offset growth core Yellow Pages operations. Income related to Yellow Pa operations continues to grow due to increased business volume a higher prices. The company anticipates that accelerated investme in new products and services in 1995 will more than offset expec income growth related to the Yellow Pages business.

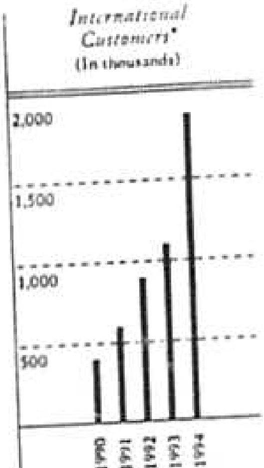
Developing Businesses Developing businesses include both domestic and international wholly owned subsidiaries and equity investments. Domestic businesses include cable television and wireless operations. International businesses include cable television/telephone, wireless communications (including personal communications services), international networks and directory publishing. Significant recent investments include the December 1994 purchase of Wometco Cable Corp. and subsidiaries and the assets of Georgia Cable Holdings (the "Atlanta Cable Properties") for $1.2 billion, and the September 1993 $2.5 billion investment in Time Warner Entertainment Company L.P. ("TWE"). While the company's Central European wireless ventures generate positive net income and cash flow, most of the company's international equity investments are in start-up phases and will not show positive net income or cash flow until they mature.

Developing Businesses - Consolidated Domestic wireless income increased by $30 over 1993, excluding the gain on the sale of the company's paging operations and a $42 restructuring charge in 1993. The increase is due to the addition of 367,000 subscribers in 1994, a 61 percent increase over 1993. Additionally, cellular service operating cash flow increased by $57, or 46.1 percent, over 1993. U S WEST anticipates continued growth in income and cash flows from domestic wireless operations as the customer base expands.

The December 1994 acquisition of the Atlanta Cable Properties did not have a material impact on 1994 income. The company anticipates that the acquisition will dilute 1995 earnings per share by approximately 5 to 6 percent.

Developing Businesses - Unconsolidated Equity Investments The majority of U S WEST's international equity investments relate to ventures in the United Kingdom ("U.K."). These include TeleWest Communications plc ("TeleWest"), a cable television/telephone business, and Mercury One-2-One, a personal communications service ("PCS") joint venture. These businesses are experiencing rapid growth, and will continue to incur near-term start-up losses related to expansion of the customer base at Mercury One-2-One and build out of the network at TeleWest.

Cable television subscribers of TeleWest and its affiliates increased 42 percent to 320,000 at year-end 1994, and telephone access lines increased 94 percent to 271,000. Subscribers to U S WEST's international wireless joint venture operations in the U.K., Hungary, the Czech Republic, Slovakia and Russia grew to 367,000 in 1994, nearly three times the customer base of the prior year. Subscribers to other European cable television ventures totaled 586,000 at December 31, 1994.



TWE partnership losses increased over the previous year primarily due to the full-year impact (including financing costs) of the company's investment, as compared with three months in 1993. The effects of lower prices for cable services also contributed to the higher loss in 1994.

In early 1995, Time Warner Inc. announced its intention to simplify its corporate structure by establishing a separate, self-financing enterprise to house its cable and telecommunications properties. Any change in the structure of TWE would require the approval of U S WEST and its TWE partners.

Sales and Other Revenues

	1994	1993	Increase (Decrease) $	%
Base businesses:				
USWC operations:				
Local service	$ 4,067	$ 3,829	$ 238	6.2
Access charges - interstate	2,269	2,147	122	5.7
Access charges - intrastate	729	682	47	6.9
Long-distance network service	1,329	1,442	(113)	(7.8)
Other services	604	556	48	8.6
Total USWC	8,998	8,656	342	4.0
Publishing and other	1,077	1,070	7	0.7
Total base	10,075	9,726	349	3.6
Developing businesses: (1)				
Domestic wireless	781	561	220	39.2
International directories	79	7	72	–
Domestic cable	18	–	18	–
Total developing	878	568	310	54.6
Total revenues	$ 10,953	$ 10,294	$ 659	6.4

(1) Includes consolidated subsidiaries. All other developing businesses are accounted for using the equity method.

Base Businesses USWC comprises approximately 89 percent of base businesses revenues and 82 percent of the total revenues of U S WEST. Approximately 58 percent of USWC's revenues are derived in the states of Arizona, Colorado, Minnesota and Washington. The primary factors that influence changes in revenues at USWC are customer demand for products and services (through access line gro[illegible] and new service offerings), and regulatory proceedings, including price changes and customer refunds. An analysis of the change in USWC's revenues follows:

Local Service

Price Changes	Refund Activity	Demand	Other	Increase $	%
($12)	$30	$216	$4	$238	6.2

Local service revenues include local telephone exchange, local private line and public telephone services. The increase in local service revenues was primarily attributable to access line growth, which exceeded 5 percent in the states of Arizona, Colorado, Idaho and Utah.

Access Charges Access charges are collected primarily from the interexchange carriers for their use of the local exchange network. For interstate access services, there is also a fee collected directly from telephone customers. Approximately 35 percent of USWC's access revenues and 13 percent of its total revenues are derived from providing access service to AT&T.

Interstate Access Charges

Price Changes	Refund Activity	Demand	Other	Increase $	%
($39)	$18	$148	($5)	$122	5.7

An increase of 7.8 percent in interstate billed access minutes of use more than offset the effects of price decreases. Interstate price reductions have been phased in by the Federal Communications Commission ("FCC") over a number of years. In response to competitive pressure and FCC orders, USWC reduced its annual interstate access prices by approximately $40 during 1994, in addition to $60, effective July 1, 1993. The company believes access prices will continue to decline, whether mandated by the FCC or as a result of an increasingly competitive market for access services.

Intrastate Access Charges

Price Changes	Refund Activity	Demand	Other	Increase $	%
($10)	($4)	$51	$10	$47	6.9

Intrastate access charges increased primarily as a result of higher demand. Intrastate minutes of use grew by 13 percent in 1994. Demand for private line services, for which revenues are generally not usage-sensitive, also increased.

Long-Distance Network Service

Price Changes	Refund Activity	Demand	Other	Decrease $	Decrease %
($8)	$1	($43)	($63)	($113)	(7.8)

Long-distance network service ("long-distance") revenues are derived from calls made within the service area boundaries of USWC, commonly referred to as "LATAs." Long-distance revenues decreased principally due to the effects of multiple toll carrier plans implemented in Oregon and Washington in May and July 1994, respectively. These regulatory arrangements allow independent telephone companies to act as toll carriers. The impact on USWC in 1994 was a loss of $68 in long-distance revenue, partially offset by a decrease of $48 in other operating expenses (i.e. access expense otherwise paid to independent companies) and an increase of $10 in intrastate access revenue. These regulatory arrangements decreased net income by approximately $6 in 1994 and will decrease 1995 income by $10 to $12.

Competition from interexchange carriers continues to erode USWC's market share of intraLATA long-distance services such as WATS and "800." These revenues have declined over the last several years as customers have migrated to interexchange carriers that have the ability to offer these services on both an intraLATA and interLATA basis. U S WEST and its affiliates are prohibited from providing interLATA long-distance services.

Other Services Other services revenues are derived from billing and collection services provided to interexchange carriers, and new services such as voice messaging. Other services revenues increased 8.6 percent in 1994 due to higher revenue from these billing and collection services and continued ma... penetration of new service offerings. Voice messaging, for example, is now four years old with an installed customer base of approximately 885,000, compared with 690,000 in 1993.

Publishing and Other

	1994	1993	Increase (Decrease) $	Increase (Decrease) %
Domestic publishing	$ 997	$ 949	$ 48	5.1
Other - net	80	121	(41)	(33.9)
Total	$ 1,077	$ 1,070	$ 7	0.7

Revenue from domestic publishing operations increased 7.4 percent in 1994, excluding the sales of certain publishing, and software development and marketing operations. The increase is attributable to both price and volume increases. Other revenues decreased principally due to the 1993 sale of telephone equipment distribution operations and completion of large telephone network installation contracts.

Developing Businesses – Consolidated

Domestic Wireless

	1994	1993	Increase $	Increase %
Domestic wireless	$781	$561	$220	39.2

Domestic wireless revenues increased as a result of the 61 percent growth in the cellular customer base, partially offset by the effects of the 1994 sale of the paging operations that reduced revenues by $26. The customer growth reflects increased penetration and a strengthening of the retail distribution network. The cellular customer base is expected to continue its rapid growth, though rates of growth will be affected by consumer demand, market positioning by the company and increased competition in coming years. Average cellular revenues declined by approximately 8 percent during 1994 to approximately $70 per subscriber, per month.

Other Developing Businesses

	1994	1993	Increase $	Increase %
International directories	$79	$ 7	$72	–
Domestic cable	18	–	18	–

The increase in international directories revenue is attributable to the company's May 1994 purchase of Thomson Directories in the U.K. Thomson Directories revenues are expected to approximate $100 in 1995. Domestic cable revenues reflect the December 1994 acquisition of the Atlanta Cable Properties. These revenues are expected to exceed $200 in 1995.

Costs and Expenses

	1994	1993	Increase (Decrease) $	%
Employee-related expenses	$ 3,779	$ 3,584	$ 195	5.4
Other operating expenses	2,203	2,065	138	6.7
Taxes other than income taxes	412	417	(5)	(1.2)
Depreciation and amortization	2,052	1,955	97	5.0
Restructuring charge	-	1,000	(1,000)	-
Interest expense	442	439	3	0.7
Equity losses in unconsolidated ventures	121	74	47	63.5
Other income (expense) - net	25	(15)	40	-

Employee-related expenses include basic salaries and wages, overtime, contract labor, benefits (including pension and health care) and payroll taxes. A reduction in the pension credit of approximately $80 contributed to the increase in employee-related expenses. Actuarial assumptions, which include decreases in the discount rate and the expected long-term rate of return on plan assets, contributed to the pension credit reduction. Approximately $150 for overtime payments, contract labor and basic salaries and wages, all related to the implementation of major customer service and streamlining initiatives at USWC, also contributed to the increase. Additionally, employee-related expenses at the company's publishing operations increased in connection with new product initiatives. Partially offsetting these increases were the effects of employees leaving the company under the restructuring program, lower health-care benefit costs, including a reduction in the accrual for postretirement benefits, and lower incentive compensation payments to employees.

During the summer of 1994, increased customer demand at USWC put additional stress on current processes and systems, and affected the quality of customer service in certain markets. The pace of USWC's restructuring program also contributed to quality of service issues. However, the issues pertaining to quality of service underscore the need to re-engineer the business. The company achieved target levels of service at year end by implementing customer service initiatives and slowing the pace of its restructuring program. To continue improving upon the level of service quality achieved by year-end 1994, the company will incur additional near-term costs for temporary employees, overtime and contract labor. The company also will stretch out its 1993 restructuring plan an additional year, to 1997. As a result of these actions, the annual benefits related to restructuring will not be fully realized until 1998. (See "*Restructuring Charges.*")

Other operating expenses include access charges (incurred by USWC for the routing of its long-distance traffic through the facilities of independent companies), network software expenses, wireless marketing and operating costs, and marketing and related costs associated with publishing activities. Selling and other operating costs related to growth in the cellular subscriber base increased approximately $166 in 1994. Partially offsetting this increase was the $48 decrease in access expense related to the effects of the new multiple toll carrier plan arrangements. (See "*Long-Distance Network Service.*")

The increase in depreciation and amortization expense was primarily a result of a higher depreciable asset base and increased rates of depreciation at USWC. The company's discontinuance of SFAS No. 71 in September 1993 has resulted in the use of shorter asset lives (for financial reporting purposes) to more closely reflect the economic lives of telephone plant. USWC continues to pursue improved capital recovery within the regulated environment.

Interest expense in 1994 was essentially unchanged from 1993. Incremental financing costs associated with the September 1993 TWE investment were offset by the effects of refinancing debt at lower rates in 1993 at USWC, and a reclassification of capitalized interest in 1994. Since the discontinuance of SFAS No. 71, interest capitalized as a component of telephone plant construction is recorded as an offset to interest expense, rather than to other income (expense). U S WEST's average borrowing cost decreased to 6.6 percent, from 6.7 percent in 1993.

Equity losses related to developing businesses increased over 1993, primarily due to the build out of the network and the expansion of the customer base at Mercury One-2-One.

Other income increased over 1993 primarily due to an increase in the management fee associated with the company's TWE investment and a gain on the sale of certain publishing operations, partially offset by the reclassification of capitalized interest to interest expense.

Provision for Income Taxes

	1994	1993	Increase $	Increase %
Provision for income taxes	$ 857	$ 269	$ 588	–
Effective tax rate	37.5%	36.1%	–	–

The increase in the effective tax rate resulted primarily from the effects of discontinuing SFAS No. 71, an increase in 1994 income before income taxes and the 1993 restructuring charge, partially offset by the cumulative effect on deferred income taxes of the 1993 federally mandated increase in income tax rates.

Restructuring Charges The company's 1993 results reflect a $1 billion restructuring charge (pretax). The related restructuring plan (the "Plan") is designed to provide faster, more responsive customer services while reducing the costs of providing these services. As part of the Plan, the company is developing new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so that customers can have their telecommunications needs resolved with one phone call. The company is consolidating its existing 560 customer service centers into 26 centers in 10 cities and reducing its total work force by approximately 9,000 employees (including the remaining employee reductions associated with the restructuring plan announced in 1991).

Implementation of the Plan is expected to extend into 1997, rather than being completed in 1996 as originally scheduled. Implementation schedules are driven by customer demand and related service issues, concerns with system stability as major customer impacting systems are integrated, and staffing agreements negotiated with the company's unions. These changes do not alter the company's plan to fundamentally re-engineer the way it conducts business in the emerging competitive environment. The total cash expenditures of $935 under the Plan remain unchanged.

Following is a schedule of the costs included in the Plan:

	Actual 1993	Actual 1994	Estimate 1995	Estimate 1996	Estimate 1997	Total
Cash expenditures:						
Employee separation	$ –	$ 19	$ 62	$ 75	$ 74	$ 230
Systems development	–	127	144	129	–	400
Real estate	–	50	80	–	–	130
Relocation	–	21	54	4	31	110
Retraining and other	–	16	19	10	20	65
Total cash expenditures	–	233	359	218	125	935
Asset write-down	65	–	–	–	–	65
Total Plan	65	233	359	218	125	1,000
Remaining 1991 plan employee costs	–	56	–	–	–	56
Total (1)	$ 65	$ 289	$ 359	$ 218	$ 125	$1,056

(1) The Plan also provides for capital expenditures of $490 over the life of the restructuring plan. In 1994, capital expenditures related to restructuring were $265.

Systems Development USWC's existing information management systems were largely developed to support analog technology in a monopoly environment. These systems are increasingly inadequate due to the effects of increased competition, new forms of regulation and changing technology that have driven consumer demand for new services that can be delivered quickly, reliably and economically. The sequential systems currently in place are slow, labor-intensive and costly to maintain, and often cannot be adapted to support new product and service offerings, including future multimedia services envisioned by U S WEST.

The systems re-engineering program in place involves development of new systems for the following core processes:

Service delivery - to support service on demand for all products and services, including repair. These systems will permit one customer service representative to handle all facets of a customer's requirements as contrasted to the numerous points of customer interface required today.

Service assurance - for performance monitoring from one location and remote testing in the new environment, including identification and resolution of faults prior to customer impact, and one-system dispatch environment.

Capacity provisioning - for integrated planning of future network capacity, including the installation of software controllable service components.

The direct, incremental and non-recurring systems development costs contained in the Plan follow:

	Estimate	Actual	Estimate		
	1994	1994	1995	1996	Total
Service delivery	$ 35	$ 21	$ 15	$ 37	$ 73
Service assurance	45	12	17	35	64
Capacity provisioning	17	57	92	30	179
All other	28	37	20	27	84
Total	$125	$127	$144	$129	$400

Original estimates of system expenditures in 1995 and 1996 were $150 and $125, respectively. Though current estimates in total are not materially different, the timing and amount of expenditures by category has changed.

The majority of systems development labor will be supplied through the use of temporary employees, contractors and new employees with special skills. While it is likely that a small number of the new employees will be retained after completion of the Plan due to their specialized skills, it is planned that any related increase in headcount will be offset through other employee reductions.

Systems expenses charged to current operations at USWC consist of all costs associated with the information management function, including planning, developing, testing and maintaining databases for general purpose computers, in addition to systems costs related to maintenance of telephone network applications. The key related administrative (i.e. general purpose) systems include customer service, order entry, billing and collection, accounts payable, payroll, human resources and property records. Ongoing systems costs comprised approximately six percent of total operating expenses at USWC in 1994, 1993 and 1992. USWC expects systems costs charged to current operations as a percent of total operating expenses to approximate the current level throughout the life of the Plan. However, systems costs could increase relative to other operating costs as the business becomes more technology dependent.

Progress under the Plan Following is a schedule of progress achieved under the Plan in 1994:

	Expenditures	
	Estimate	*Actual*
Employee separation	$ 96	$ 75
Systems development	125	127
Real estate	119	50
Relocation	70	21
Retraining and other	36	16
Total	$ 446	$ 289

The company anticipated Plan expenditures of approximately $446 in 1994. However, the company slowed the pace of its restructuring implementation to address issues pertaining to the quality of service.

The company's 1991 restructuring plan included a pretax charge of $364 due to planned work-force reductions and the write-off of certain intangible and other assets. The portion of the 1991 restructuring charge related to work-force reductions was $240, and covered approximately 6,000 employees. All expenditures and work-force reductions associated with the 1991 plan were completed by the end of 1994.

Competitive Environment Rapid technological and regulatory changes continue to bring about actual and projected competition in the company's markets including local, access and long-distance. Current and potential competitors include local telephone companies, interexchange companies, competitive access providers ("CAPs"), cable television companies and future providers of PCS, the next generation of wireless communications.

USWC's principal current competitors are CAPs. Competition from CAPs is largely limited to providing large business customers (with high traffic volume) private line access to the facilities of interexchange carriers. In coming years, CAPs also could become significant competitors for other local exchange services. Teleport Communications Group Inc., for example, has announced its intention to offer competitive local services. AT&T's entrance into the cellular communications market through its acquisition of McCaw Cellular Communications Inc. also has the potential to create increased competition in local exchange as well as wireless services. The company believes that competitors will target business customers in densely populated, urban areas in offering local exchange services. The loss of local exchange customers to competitors will affect multiple revenue streams of the company and could have a material, adverse effect on the company's operations.

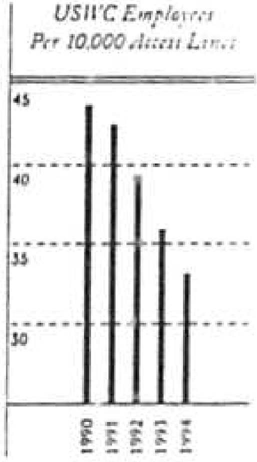
The actions of public policymakers play an important role in determining how increased competition affects U S WEST. The company is working with regulators and legislators to help ensure that public policies keep pace with the rapidly changing industry — and allow the company to bring new services to the marketplace.

U S WEST Competitive Strategy U S WEST's corporate mission is to be a leading provider of interactive communications, entertainment and information services over wired multimedia and wireless networks in selected local markets worldwide. U S WEST will deploy its own and others' wired and wireless communications, entertainment and information services in packages tailored to customer needs. The company will implement its competitive strategy both domestically and internationally by focusing on three key objectives, or "value drivers": 1) growth through the development of multimedia networks and a broadened wireless presence; 2) customer loyalty through continuous improvement in customer service; and 3) improved productivity through systems re-engineering and other cost controls.

U S WEST "Value Drivers"

Base Businesses In 1993, the company announced its intention to build a high speed, interactive multimedia network in major metropolitan markets in the U S WEST region. This network will position USWC to compete with other providers of communications, entertainment and information services. USWC began limited testing of its multimedia network in Omaha, Neb., in December 1994. A market trial will begin in 1995 in an area that will cover up to 50,000 homes. The market trial will offer consumers a variety of integrated services in addition to traditional cable television and telephone services. These include video-on-demand, video games, interactive shopping and other services. The results of the technical and market trials will be incorporated in the network configuration and future service offerings.

The 1993 re-engineering program supports U S WEST's objective to improve customer service, increase productivity and continue to narrow its cost of service disadvantage with current and potential competitors. Employee-related costs comprise approximately 45 percent of the total operating costs of U S WEST. The company will continue its efforts to control these costs, primarily through systems improvements and reductions in staffing. At USWC, the number of employees per 10,000 access lines decreased by 7.7 percent in 1994, to 33.1, and has dropped 24 percent since 1990.



Developing Businesses U S WEST continues to expand its customer base and strengthen its national out-of-region presence by acquiring or forming alliances with other communications, entertainment and information services companies.

Domestic Cable On December 6, 1994, U S WEST purchased the Atlanta Cable Properties that serve approximately 486,000 subscribers, including 275,000 premium service subscribers. The Atlanta Cable Properties serve about 65 percent of the cable customers in the metropolitan Atlanta area. U S WEST plans to eventually offer local exchange telecommunications in addition to multimedia services in Atlanta.

U S WEST and TWE have begun a five-year project to upgrade a substantial portion of TWE's cable systems to "Full Service Network" ("FSN") capacity. U S WEST and TWE are designating the systems to be upgraded and sharing management control over those systems. The partnership encountered initial delays on the market trial of the FSN in Orlando in order to make additional refinements to the underlying systems software and set-top terminals. In December 1994, TWE introduced the FSN trial in Orlando, Fla. TWE expects to link 4,000 homes by the end of 1995. U S WEST believes that each FSN, when completed, will provide consumers a wide variety of services, including video-on-demand, interactive games, distance learning, full-motion video, interactive shopping, alternative access and local telephone service. The FSN trial will allow TWE to refine the technology, and determine the level and nature of customer demand for services. This knowledge will assist in lowering the cost of the technology and the roll-out of interactive services across the country.

Domestic Wireless On July 25, 1994, AirTouch Communications ("AirTouch") and U S WEST announced an agreement to combine their domestic cellular operations. The joint venture will have a presence in nine of the top 20 cellular markets in the country. The initial equity ownership of the wireless joint venture will be approximately 70 percent AirTouch and 30 percent U S WEST. However, the companies will share governance responsibilities. This joint venture will provide U S WEST with an expanded wireless presence and economies of scale. The transaction is expected to close in second quarter 1995 after obtaining federal and state regulatory approvals. Each company's cellular operations initially will continue operating as separate entities owned by the individual partners, but will receive support services on a contract basis from a joint wireless management company.

The merger of the two companies' domestic cellular operations will take place upon the earlier of four years from July 25, 1994, the lifting of certain MFJ restrictions, or at AirTouch's option. The agreement gives U S WEST strategic flexibility, including the right to exchange its interest in the joint venture for up to 19.9 percent of AirTouch common stock, with any excess amounts to be received in the form of AirTouch non-voting preferred stock. A partnership committee, led by the president and chief operating officer of AirTouch and three other AirTouch representatives, three U S WEST representatives and one mutually agreed upon independent representative will oversee the companies' combined domestic cellular operations.

On December 5, 1994, a partnership formed by the AirTouch/U S WEST joint venture and the Bell Atlantic/NYNEX partnership began bidding on PCS licenses being auctioned by the FCC. The combined companies own cellular licenses in 15 of the 20 largest U.S. cities and serve over five million customers. The partnership, known as PCS PrimeCo, is eligible to bid for PCS licenses in 26 markets, representing more than 100 million potential customers. This entity will be governed by a board made up of three members from the Bell Atlantic/NYNEX partnership and three members from the AirTouch/U S WEST joint venture. A second partnership will develop a national branding and marketing strategy and a common "look and feel" – for both cellular and PCS customers. This entity will be governed by a board made up of three members from the Bell Atlantic/NYNEX partnership, three from the AirTouch/U S WEST joint venture and one independent board member. The cellular properties of Bell Atlantic/NYNEX will not be merged with those of AirTouch/U S WEST.

PCS will triple the spectrum available for wireless services, including new services such as two-way messaging from pocket pagers and wireless transfers of large computer files from laptop computers. The new spectrum also will help cellular operators create seamless networks.

International In the international arena, U S WEST is focusing on certain strategic businesses, primarily in wireless communications, and combined cable television and telephone networks. The company's net investment in international ventures is approximately $988 (inclusive of consolidated entities), 68 percent of which is invested in the U.K. The U.K. market is attractive because of high population density, the opportunity to provide multiple services over one network and a low rate of cable television penetration.

TeleWest, a venture with Tele-Communications Inc. in the U.K., is the largest provider of combined cable television and telephone service in the world. TeleWest owns all or part of 23 franchises, encompassing 3.6 million homes. The combined services are provided over a multimedia network that has been designed to provide a wide range of interactive and integrated communications, entertainment and information services as they become available. Through TeleWest, U S WEST has gained experience in packaging video and telephone services that it utilizes in other parts of the world. In November 1994, TeleWest sold a 24.4 percent interest to the public, which resulted in U S WEST's 37.8 percent ownership interest. Based on the offering price, U S WEST's share of TeleWest was valued at $1.1 billion, compared with U S WEST's net investment prior to the offering of approximately $300.

In the U.K., Mercury One-2-One, a 50-50 joint venture between U S WEST and Cable & Wireless plc, launched the world's first PCS in 1993. Mercury One-2-One's PCS is a digital cellular communications service designed to offer consumers higher quality service, increased privacy and more features at lower prices than existing, analog cellular communications systems. To meet growing customer demand, Mercury One-2-One has expanded its coverage to reach 30 percent of the U.K. population.

During 1994, the company expanded its international investments. The company purchased 100 percent of Thomson Directories for $94. Thomson Directories publishes 155 telephone directories that reach 80 percent of the households in Great Britain. The company acquired 49 percent of Listel, a Brazilian company that publishes telephone directories, and acquired a 20 percent interest in Binariang Sdn Bhd, a Malaysian telecommunications company that holds four licenses that enable it to become a second-network operator in Malaysia. The company also became a 25-percent partner in Mobiltel, a consortium awarded the 900 GSM license in Bulgaria. In early 1995, U S WEST, Time Warner Inc., TWE Japan, Itochu Corporation and Toshiba Corporation formed a venture to build cable systems in Japan. U S WEST will own 17 percent of the new venture.

The company's 1995 commitment to existing international ventures is approximately $400. The company will continue to pursue opportunities in attractive local markets around the world that fit its strategic objectives. U S WEST is concentrating on opportunities where it can attain at least a number-one or -two market share in each market the company targets.

Federal Regulatory Issues U S WEST supports regulatory reform at all levels. While certain federal courts have recently ruled as unconstitutional some laws governing local exchange carrier activities, the legal and regulatory framework under which the company operates limits both competition and consumer choice. The limitations include restrictions on equipment manufacturing, the provisioning of cable television programming content, and restrictions on the transport of communications, entertainment and information across LATA boundaries. U S WEST believes that national telecommunications regulatory reform may be the only effective way to resolve the related issues and satisfy competing interests.

Congress failed to pass telecommunications reform legislation in 1994. It is expected that new telecommunications legislation will be introduced in 1995. However, there is uncertainty concerning the scope and direction of that legislation. U S WEST believes it is in the public interest to lift all competitive restrictions, placing all competitors under the same rules. Such action would lead to wider consumer choices, and ensure the industry's technological development and long-term financial health.

During 1994 and early 1995, a number of federal regulatory issues were ruled on in the courts:

- In January 1995, the 9th U.S. Circuit Court of Appeals in San Francisco upheld the June 15, 1994, Seattle Federal District Court ruling that affirmed U S WEST's challenge to the constitutionality of the telephone company video programming restriction in the 1984 Cable Act. The act prevents telephone companies from providing video programming within their regions. U S WEST argued, and the courts agreed, that the restriction violates its First Amendment right to free speech. The decision would allow the company to provide video programming directly to its regional telephone subscribers. The Federal Government can appeal to the U.S. Supreme Court. The company is evaluating its options in light of this ruling. In January 1995, the FCC instituted a proceeding to modify and promulgate rules on the provision of video programming.
- In January 1995, the U.S. Circuit Court of Appeals for the District of Columbia overruled the FCC's "range-of-rates" decision. This FCC decision permitted non-dominant carriers to file ranges for rates, rather than specific price points. The Court of Appeals held that the Communications Act requires all carriers to specify prices on their tariffs. The effect of this decision will be to require non-dominant carriers (like MCI, or Time Warner's Full Service Network) to file tariffs with considerably more price detail.
- In October 1994, the 9th U.S. Circuit Court of Appeals overruled the FCC's Computer III non-structural separation decision for the provision of enhanced services on an integrated basis. The effect of the decision is to return to the provision of such service through a separate subsidiary, which could make it more difficult for local exchange carriers to offer enhanced services. In January 1995, the FCC granted a waiver allowing for the continued provision of enhanced services, pending further proceedings by the FCC.
- In August 1994, the U.S. Circuit Court of Appeals for the District of Columbia upheld an FCC ruling that neither telephone companies nor customer programmers need to obtain a franchise from local governments to provide Video Dial Tone ("VDT") service. The decision means that local telephone companies will avoid additional franchise fees related to the provisioning of VDT services.
- In June 1994, the U.S. Circuit Court of Appeals for the District of Columbia overturned the FCC's requirement that local telephone companies allow physical collocation by third parties (competitive access providers), within their central offices, for the installation and operation of equipment that connects to the local telephone network. The decision essentially affirms the private-property rights of corporations. The court also ordered the FCC to reconsider its requirement that allows competitors to interconnect equipment to the local network from a point outside a central office. In light of the rulings the company is evaluating how it can provide future interconnection services.

In September 1994, the Department of Justice ("DOJ") granted U S WEST's request for two MFJ waivers relating to TWE and the Atlanta Cable Properties. The waivers will allow U S WEST to provide video and information services across LATA boundaries in the Atlanta Cable Properties and TWE service areas. The waivers also will allow U S WEST to participate in limited manufacturing and to provide equipment through its partnership in TWE.

On June 20, 1994, the seven regional Bell operating companies ("RBOCs") asked the divestiture court for a waiver of the Court's restriction on the RBOCs' provision of wireless long-distance services. The consent decree restricts the RBOCs from providing long-distance services as well as manufacturing. The request for a waiver closely follows a recommendation by the DOJ that the RBOCs be allowed to provide wireless long-distance services.

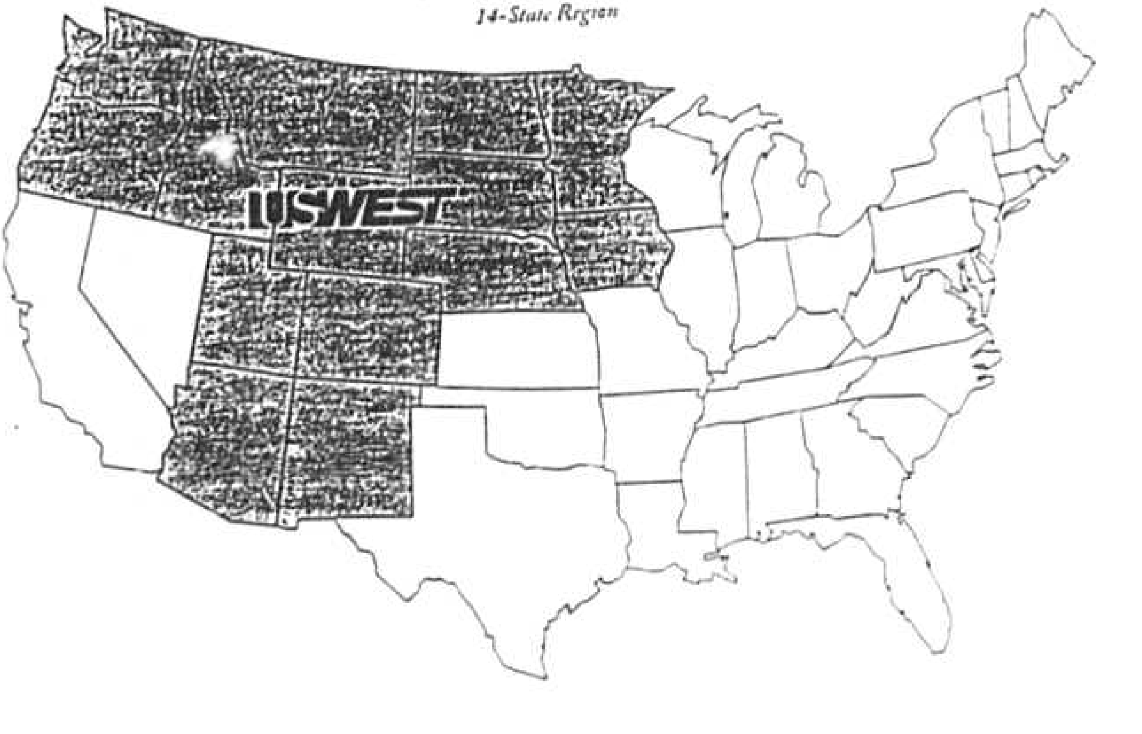
The FCC has adopted a regulatory structure known as "Open Network Architecture" ("ONA"), under which USWC is required to unbundle its telephone network services in a manner that will accommodate the service needs of the growing number of information service providers. Under ONA, the number of local exchange service competitors could increase significantly.

U S WEST's interstate services have been subject to price cap regulation since January 1991. Price caps are a form of incentive regulation designed to limit prices rather than profits. The price cap plan is currently under review by the FCC.

State Regulatory Issues USWC has sought alternative forms of regulation ("AFOR") plans that provide for competitive parity, enhanced pricing flexibility and improved capability in bringing to market new products and services. In a number of states where AFOR plans have been adopted, such actions have been accompanied by agreements to refund revenues, reduce existing rates or upgrade service, any of which could have adverse short-term effects on earnings. Similar results may have occurred under traditional rate-of-return regulation. In addition to the FCC price cap plan, USWC has AFOR plans in the states of Minnesota, Colorado, Oregon, Idaho, Nebraska, North Dakota and South Dakota.

At USWC, there are pending regulatory actions in local regulatory jurisdictions that call for price decreases, refunds or both. In one such instance, the Utah Supreme Court has remanded a Utah Public Service Commission ("PSC") order to the PSC for reconsideration, thereby establishing certain exceptions to the rule against retroactive ratemaking: 1) unforeseen and extraordinary events, and 2) misconduct. The PSC's initial order denied a refund request from an interexchange carrier and other parties that relates to the Tax Reform Act of 1986. This case is still in the discovery process. If a formal filing – made in accordance with the remand from the Supreme Court – alleges that the exceptions apply, the range of possible risk is $0 to $140.

U S WEST Communications
14-State Region



Discontinued Operations In 1994, U S WEST continued to make progress in disposing of its Capital Assets segment in accordance with its plan of disposition announced in June 1993. (Further details on the discontinued operations are provided in "*Results Of Operations - 1993 Compared with 1992*" and in Note 17 to the Consolidated Financial Statements.)

During 1994, U S WEST reduced its ownership interest in Financial Security Assurance ("FSA"), a member of the Capital Assets segment, to 60.9 percent, and its voting interest to 49.8 percent through a series of transactions. In May and June 1994, U S WEST sold 8.1 million shares of FSA, including 2.0 million shares sold to Fund American Enterprises ("FFC"), in an initial public offering of FSA common stock at $20 per share. U S WEST received $154 in net proceeds from the offering. On September 2, 1994, U S WEST issued to FFC 50,000 shares of cumulative redeemable preferred stock for a total of $50. FFC's voting interest in FSA is 21.0 percent, achieved through a combination of direct share ownership of common and preferred FSA shares, and a voting trust agreement with U S WEST.

FFC has a right of first offer and a call right to purchase from U S WEST up to 9.0 million shares, or approximately 57 percent, of outstanding FSA stock held by U S WEST. U S WEST anticipates its ownership will be further reduced by 1996.

During 1994, U S WEST Real Estate sold 12 buildings, six parcels of land and other assets for approximately $327. In January 1995, U S WEST Real Estate sold one property for approximately $37. The sales were in line with company estimates. U S WEST has completed all construction of existing buildings in the commercial real estate portfolio and expects to substantially complete the liquidation of its portfolio by 1998. The remaining balance of assets subject to sale is approximately $607, net of reserves.

The company believes its reserves related to discontinued operations are adequate.

Liquidity and Capital Resources

Operating Activities Cash provided by operating activities of approximately $3.2 billion was essentially unchanged as compared with 1993. Improvement in operations in 1994 was largely offset by cash payments for restructuring activities of $289, compared with $120 in 1993. Growth in cash from operations will be limited in the near term as the company continues to implement its restructuring plan. Cash from operations is the primary source by which U S WEST funds its capital expenditures and shareholder dividends. Further details of cash provided by operating activities are provided in the Consolidated Statements of Cash Flows.

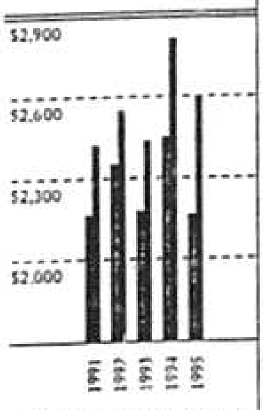
The company expects that cash from operations will fund a significant share of expected future requirements for existing businesses. U S WEST will continue to employ strategic alliances and also will make direct investments in assets or businesses that are consistent with the company's business strategies. Financing for new investments will primarily come from a combination of new debt and equity. In the event of a new investment of substantial magnitude, the company also may reevaluate its use of internally generated cash, the feasibility of further acquisitions, the possibility of sales of assets and the capital structure.

U S WEST consists of many different parts having different financial characteristics. For this and other reasons, U S WEST believes that its stock price has been undervalued. Consequently, the company is evaluating a range of actions it might take with regard to its capital structure to make the value of its assets more apparent.

Investing Activities Total capital expenditures were $2,820 in 1994 and $2,441 in 1993. Capital expenditures at USWC were $2,454 in 1994 and $2,182 in 1993. The 1994 capital expenditures of USWC were devoted substantially to the continued modernization of telephone plant, including investments in fiber optic cable, in order to improve customer service and network productivity. In 1995, capital expenditures are expected to approximate $2.6 billion, including $2.1 billion at USWC.

Capital Expenditures Actual and Projected

(Dollars in millions)



U S WEST's cash investment related to the December 1994 acquisition of the Atlanta Cable Properties was $745, obtained through short-term borrowing. U S WEST also invested approximately $444 in developing international businesses in 1994, including the acquisition of Thomson Directories. The company anticipates investments in international ventures to approximate $400 in 1995.

In 1994, U S WEST received cash proceeds of $143 from the sale of its paging operations and $93 from the sale of certain rural telephone exchanges. U S WEST did not receive cash from the partial sale of its joint venture interest in TeleWest. All proceeds from the sale will be used by TeleWest for general business purposes, including financing construction and operations costs, and repaying debt.

Financing Activities Debt increased by $739 compared to the prior year, primarily due to the acquisition of the Atlanta Cable Properties. U S WEST's year-end 1994 debt-to-capital ratio was 51.8 compared with 55.1 at December 31, 1993. Including debt related to discontinued operations, the debt-to-capital ratio was 55.5 and 59.7 at December 31, 1994 and 1993, respectively. The decrease in the debt-to-capital ratio is primarily attributable to higher net income and the effects of an increase in common shares outstanding.

In conjunction with the acquisition of the Atlanta Cable Properties, on December 6, 1994, 12,779,206 shares of U S WEST common stock valued at $459 were issued to, or in the name of, the holders of Wometco Cable Corp. Subsequent to the acquisition, the company announced its intention to purchase U S WEST common shares in the open market up to an amount equal to those issued in conjunction with the acquisition, subject to market conditions. In December 1994, the company purchased 550,400 shares of U S WEST common stock for approximately $20.

In March 1994, the company issued approximately 5.5 million shares of U S WEST common stock for proceeds of $210 in conjunction with the settlement of shareowner litigation. The company also contributed 4.6 million shares of U S WEST common stock to the company's postretirement benefit fund in 1994.

The company maintains short-term lines of credit aggregating approximately $1.9 billion, all of which were available at December 31, 1994. Under registration statements filed with the Securities and Exchange Commission, as of December 31, 1994, U S WEST companies are permitted to issue up to approximately $1.8 billion of new debt securities. U S WEST also maintains a commercial paper program to finance short-term cash flow requirements, as well as to maintain a presence in the short-term debt market.

Discontinued Operations Cash to discontinued operations primarily reflects the payment of debt, net of $154 in proceeds from the sale of 8.1 million shares of FSA stock. Debt related to discontinued operations decreased by approximately $200 in 1994. (See Note 17 to the Consolidated Financial Statements.) For financial reporting purposes this debt is netted against the related assets of discontinued operations.

Risk Management The company is exposed to market risks arising from changes in interest rates and foreign exchange rates. Derivative financial instruments are used by the company to manage these risks.

Interest Rate Risk Management The objective of the company's interest rate risk management program is to minimize the total cost of debt. To meet this objective the company uses risk-reducing and risk-adjusting strategies. Interest rate forward contracts were used in 1993 to reduce the debt issuance risks associated with interest rate fluctuations. Interest rate swaps are used to adjust the risks of the debt portfolio on a consolidated basis by varying the ratio of fixed- to floating-rate debt. The market value of the debt portfolio and its risk-adjusting derivative instruments are monitored and compared to predetermined benchmarks to evaluate the effectiveness of the risk management program.

In 1993, the company refinanced $2.7 billion of callable debt with new, lower-cost fixed-rate debt. The company achieved an annual interest expense reduction of approximately $35 as a result of this refinancing. In conjunction with the refinancing, the company executed forward contracts to sell U.S. Treasury securities to reduce debt issuance risks and to lock in the cost of $1.5 billion of the future debt issue. At December 31, 1994, deferred credits of $8 and deferred charges of $51 on closed interest rate forward contracts are included as part of the carrying value of the underlying debt. The deferred credits and charges are being recognized as a yield adjustment over the life of the debt, which matures at various dates through 2043. The net deferred charge is directly offset by the lower coupon rate achieved on the new debt.

Notional amounts on interest rate swaps outstanding at December 31, 1994, were $1.6 billion with various maturities that extend to 2004. The estimated effect of the company's interest rate derivative transactions was to adjust the level of fixed-rate debt from 73.1 percent to 81.5 percent of the total debt portfolio (including continuing and discontinued operations).

Foreign Exchange Risk Management The company has entered into forward and combination option contracts to manage the market risks associated with fluctuations in foreign exchange rates after considering offsetting foreign exposures among international operations. The use of forward and option contracts allows the company to fix or cap the cost of firm foreign investment commitments in countries with freely convertible currencies. The market values of the foreign exchange positions, including the hedging instruments, are continuously monitored and compared to predetermined levels of acceptable risk.

Notional amounts of forward and combination option contracts in British pounds outstanding at December 31, 1994, were $170, with maturities within one year. Cumulative deferred credits and charges associated with forward and option contracts of $7 and $25, respectively, are recorded in common shareowners' equity at December 31, 1994.

At December 31, 1994, the company also had a British pound-denominated receivable from a wholly owned subsidiary in the translated principal amount of $48 that is subject to foreign exchange risk. This position is hedged in 1995.

RESULTS OF OPERATIONS – 1993 COMPARED WITH 1992

	1993 (1)	1992	Increase (Decrease)
Income from continuing operations	$ 476	$ 1,076	$ (60[illegible]
Income (loss) from discontinued operations	(82)	103	(18[illegible]
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	(3,123)	–	(3,12[illegible]
Early extinguishment of debt, net of tax	(77)	–	(7[illegible]
Cumulative effect of change in accounting principles	–	(1,793)	1,79[illegible]
Net loss	$(2,806)	$ (614)	$(2,19[illegible]
Earnings per common share from continuing operations	$ 1.13	$ 2.61	$ (1.4[illegible]
Earnings (loss) per common share from discontinued operations	(.19)	.25	(.4[illegible]
Extraordinary items:			
Discontinuance of SFAS No. 71	(7.45)	–	(7.4[illegible]
Early extinguishment of debt	(.18)	–	(.1[illegible]
Cumulative effect of change in accounting principles	–	(4.35)	4.3[illegible]
Loss per common share	$ (6.69)	$ (1.49)	$ (5.20[illegible]

(1) 1993 income from continuing operations was reduced by $610, or $1.46 per share, for a restructuring charge, and $54, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

In 1993, income from continuing operations was $476, including the items in note (1) to the table above. Excluding these one-time effects, 1993 income from continuing operations and related earnings per share were $1,140 and $2.72, respectively. As normalized, 1993 income from continuing operations increased $64, or 6.0 percent, over 1992 and related earnings per share increased $.11, or 4.2 percent. The increase was primarily attributable to improvements in telephone, domestic cellular and publishing operations, and lower financing costs, partially offset by increased losses associated with developing businesses.

During 1993, the U S WEST board of directors approved a plan to dispose of the Capital Assets segment, which includes activities related to financial services, financial guarantee insurance operations and real estate. The Capital Assets segment has been accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30, which provides for the reporting of the operating results of discontinued operations separately from continuing operations. The company recorded a provision of $100 (after tax), or $.24 per share, for the estimated loss on disposal of the discontinued operations and an additional provision of $20 to reflect the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. Income from discontinued operations to June 1, 1993, was $38, net of $15 in income taxes. Income from discontinued operations subsequent to June 1, 1993, is being deferred and was included within the provision for loss on disposal of the Capital Assets segment.

Income from Continuing Operations – Base and Developing Businesses

	Percent Ownership	*1993 (1)*	*1992 (2)*	*Increase (Decrease)*
Base businesses:				
U S WEST Communications Inc.	100	$ 435	$ 950	$ (515)
Publishing and other	100	180	207	(27)
Total base		615	1,157	(542)
Developing businesses:				
Consolidated:				
Domestic wireless	100	(46)	(17)	(29)
Unconsolidated equity investments:				
Time Warner Entertainment L.P. (2)	25.5	(19)	-	(19)
TeleWest Communications plc	50.0	(21)	(13)	(8)
Mercury One-2-One	50.0	(22)	(9)	(13)
Other (3)		(31)	(42)	11
Total developing		(139)	(81)	(55)
Income from continuing operations		$ 476	$ 1,076	$ (600)

(1) 1993 income from continuing operations was reduced by $610 for a restructuring charge, and $54 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

(2) Percent ownership represents pro-rata priority capital and residual equity interests.

(3) Includes divisional expenses associated with developing businesses.

During 1993, income from the company's base operations increased to $1,237, excluding the effects of the 1993 restructuring charge and the cumulative effect in 1993 of the increase in income tax rates. This represents an increase of $80, or 6.9 percent, over 1992. The increase is attributable to higher demand for telephone services, including the effects of growth in access lines, and continued cost controls, partially offset by lower prices.

The loss from developing businesses increased as a result of the company's 1993 TWE investment and higher losses associated with international ventures.

Sales and Other Revenues

	1993	1992	Increase (Decrease) $	%
Base businesses:				
USWC operations:				
Local service	$ 3,829	$ 3,674	$ 155	4.2
Access charges - interstate	2,147	2,047	100	4.9
Access charges - intrastate	682	673	9	1.3
Long-distance network service	1,442	1,420	22	1.5
Other services	556	510	46	9.0
Total USWC	8,656	8,324	332	4.0
Publishing and other	1,070	1,092	(22)	(2.0)
Total base	9,726	9,416	310	3.3
Developing businesses: (1)				
Domestic wireless	561	407	154	37.8
International directories	7	–	7	–
Total developing	568	407	161	39.6
Total revenues	$ 10,294	$ 9,823	$ 471	4.8

(1) Includes consolidated subsidiaries. All other developing businesses are accounted for using the equity method.

An analysis of the change in USWC's revenues follows:

Local Service

Price Changes	Refund Activity	Demand	Other	Increase $	%
$(6)	$(11)	$176	$(4)	$155	4.2

The increase in local service revenues was primarily attributed to access line growth of 3.7 percent in 1993.

Interstate Access Charges

Price Changes	Refund Activity	Demand	Other	Increase $	%
$(71)	$6	$175	$(10)	$100	4.9

Increased demand for interstate services, as evidenced by an increase of 8.5 percent in interstate billed access minutes of use, more than offset the effects of price decreases. USWC reduced its annual interstate access prices by approximately $60, effective July 1, 1993, in addition to $90, effective July 1, 1992, primarily due to FCC-mandated changes that resulted in a cost shift to intrastate jurisdictions.

Intrastate Access Charges

Price Changes	Refund Activity	Demand	Other	Increase $	%
$(18)	$8	$19	-	$9	1.3

Intrastate access charges increased primarily as a result of increased demand and lower refunds, largely offset by the effects of price decreases.

Long-Distance Network Service

Price Changes	Refund Activity	Demand	Other	Increase $	Increase %
$(7)	$(1)	$31	$(1)	$22	1.5

The increase in long-distance network service revenues reflects business growth, partially offset by the impacts of competition, particularly in Wide Area Telephone Service and "800" services, and price decreases.

Other Services Other services revenues increased 9.0 percent in 1993 due to increased revenue from billing and collection services and continued market penetration in voice messaging services.

Publishing and Other

	1993	1992	Decrease $	Decrease %
Publishing	$ 949	$ 949	–	–
Other - net	121	143	$ (22)	(15.4)
Total	$ 1,070	$ 1,092	$ (22)	(2.0)

Revenue for the entire publishing and other group was reduced by approximately $86 in 1993 due to the sale of certain publishing and telephone equipment distribution operations. Revenues from ongoing operations increased $64, or 5.9 percent, primarily as a result of price increases related to publishing activities. Volume of Yellow Pages directory advertising was essentially flat in 1993.

Developing Businesses

	1993	1992	Increase $	Increase %
Domestic wireless	$ 561	$ 407	$ 154	37.8
International directories	7	–	7	–

Domestic wireless revenues increased as a result of an expanded cellular customer base, which grew by 45 percent during 1993. This growth reflects increased penetration and a migration to the retail distribution channel. Average cellular revenue declined by 5.6 percent to approximately $76 per customer, per month. Revenue from international directories reflects the 1993 start up of U S WEST Polska, a publisher of directories in Poland.

Costs and Expenses

	1993	1992	Increase (Decrease) $	Increase (Decrease) %
Employee-related expenses	$ 3,584	$ 3,487	$ 97	2.8
Other operating expenses	2,065	1,995	70	3.5
Taxes other than income taxes	417	378	39	10.3
Depreciation and amortization	1,955	1,881	74	3.9
Restructuring charge	1,000	-	1,000	-
Interest expense	439	453	(14)	(3.1)
Equity losses in unconsolidated ventures	74	43	31	72.1
Other income (expense) - net	(15)	(17)	(2)	(11.8)

Employee-related expenses at USWC increased by $41, or 1.4 percent, over 1992. This increase was attributable to basic wage increases, increased overtime costs (affected by flood damage in the midwestern states) and costs incurred for temporary employees in conjunction with customer service initiatives. These factors were partially offset by the effects of work-force reductions, primarily in conjunction with the company's 1991 restructuring plan. During 1993, USWC reduced its employee level by 2,755 employees. The work-force reductions and the company's emphasis on health-care cost containment through managed care and other programs, and earnings on the amounts funded for postretirement benefit costs, resulted in a decline in health-care costs of approximately $25 in 1993. Growth in the company's domestic wireless business also contributed to the increase in employee-related expenses.

Other operating expenses increased by $56, or 3.5 percent, at USWC as a result of higher network software costs and increased advertising expenses. Higher marketing costs related to an expanding domestic cellular subscriber base also contributed to the increase in other operating expenses, partially offset by lower expenses due to the sale of certain publishing and telephone equipment distribution operations.

Consolidated Statements of Operations

Dollars in millions (except per share amounts)

Year Ended December 31,	1994	1993	1992
Sales and other revenues	$ 10,953	$ 10,294	$ 9,522
Employee-related expenses	3,779	3,584	3,457
Other operating expenses	2,203	2,065	1,995
Taxes other than income taxes	412	417	378
Depreciation and amortization	2,052	1,955	1,551
Restructuring charge	–	1,000	–
Interest expense	442	439	453
Equity losses in unconsolidated ventures	121	74	43
Gains on sales of assets:			
Partial sale of joint venture interest	164	–	–
Rural telephone exchanges	82	–	–
Paging assets	68	–	–
Other income (expense) - net	25	(15)	(17)
Income from continuing operations before income taxes	2,283	745	1,569
Provision for income taxes	857	269	493
Income from continuing operations	1,426	476	1,076
Discontinued operations:			
Estimated loss from June 1, 1993 through disposal, net of tax	–	(100)	–
Income tax rate change	–	(20)	–
Income, net of tax (to June 1, 1993)	–	38	103
Income before extraordinary items and cumulative effect of change in accounting principles	1,426	394	1,179
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	–	(3,123)	–
Early extinguishment of debt, net of tax	–	(77)	–
Cumulative effect of change in accounting principles:			
Transition effect of change in accounting for postretirement benefits other than pensions and other postemployment benefits, net of tax	–	–	(1,793)
Net income (loss)	$ 1,426	$ (2,806)	$ (614)
Earnings (loss) per common share:			
Continuing operations	$ 3.14	$ 1.13	$ 2.61
Discontinued operations:			
Estimated loss from June 1, 1993 through disposal	–	(0.24)	–
Income tax rate change	–	(0.04)	–
Income (to June 1, 1993)	–	0.09	0.25
Extraordinary items:			
Discontinuance of SFAS No. 71	–	(7.45)	–
Early extinguishment of debt	–	(0.18)	–
Cumulative effect of change in accounting principles	–	–	(4.35)
Earnings (loss) per common share	$ 3.14	$ (6.69)	$ (1.49)
Average common shares outstanding (thousands)	453,316	419,365	412,518

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheets

Dollars in millions

December 31,	1994	1993
Assets		
Current assets:		
Cash and cash equivalents	$ 209	$ 128
Accounts and notes receivable, less allowance for credit losses of $62 and $54, respectively	1,693	1,570
Inventories and supplies	189	193
Deferred tax asset	352	336
Prepaid and other	323	273
Total current assets	2,766	2,500
Property, plant and equipment - net	13,997	13,232
Investment in Time Warner Entertainment	2,522	2,552
Intangible assets - net	1,858	514
Investment in international ventures	881	477
Net assets of discontinued operations	302	554
Other assets	878	851
Total assets	$ 23,204	$ 20,680
Liabilities and Shareowners' Equity		
Current liabilities:		
Short-term debt	$ 2,837	$ 1,776
Accounts payable	944	977
Employee compensation	367	386
Dividends payable	251	236
Current portion of restructuring charges	337	456
Other	1,278	1,150
Total current liabilities	6,014	4,981
Long-term debt	5,101	5,423
Postretirement and postemployment benefit obligations	2,502	2,699
Deferred income taxes	890	201
Unamortized investment tax credits	231	280
Deferred credits and other	1,033	1,235
Preferred stock subject to mandatory redemption	51	-
Common shareowners' equity:		
Common shares - no par, 2,000,000,000 authorized; 476,880,420 and 448,126,801 issued; 469,343,048 and 441,139,829 outstanding, respectively	8,056	6,996
Cumulative deficit	(458)	(857)
LESOP guarantee	(187)	(243)
Foreign currency translation adjustments	(29)	(35)
Total common shareowners' equity	7,382	5,861
Total liabilities and shareowners' equity	$ 23,204	$ 20,680

Contingencies (see Note 16 to the Consolidated Financial Statements)

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Shareowners' Equity

Dollars in millions

Year Ended December 31,	1994	1993	1992
Common Shares			
Beginning balance	$ 6,996	$ 5,770	$ 5,607
Issuance of common stock	694	1,224	144
Settlement of litigation	210	-	-
Benefit trust contribution (OPEB)	185	-	-
(Purchase) issuance of treasury stock	(20)	6	20
Other	(9)	(4)	(1)
Ending balance	8,056	6,996	5,770
(Cumulative Deficit) Retained Earnings			
Beginning balance	(857)	2,826	4,316
Net income (loss)	1,426	(2,806)	(614)
Dividends declared ($2.14, $2.14 and $2.12 per share, respectively)	(980)	(905)	(876)
Market value adjustment for securities	(64)	35	-
Other	17	(7)	-
Ending balance	(458)	(857)	2,826
LESOP Guarantee			
Beginning balance	(243)	(294)	(342)
Activity	56	51	48
Ending balance	(187)	(243)	(294)
Foreign Currency Translation Adjustments			
Beginning balance	(35)	(34)	7
Activity	6	(1)	(41)
Ending balance	(29)	(35)	(34)
Total Common Shareowners' Equity	$ 7,382	$ 5,861	$ 8,268
Common Shares Authorized at December 31 (Thousands)	2,000,000	2,000,000	2,000,000
Common Shares Outstanding (Thousands)			
Beginning balance	441,140	414,462	409,936
Issuance of common stock	18,647	26,516	3,948
Settlement of litigation	5,506	-	-
Benefit trust contribution (OPEB)	4,600	-	-
(Purchase) issuance of treasury stock	(550)	162	578
Ending balance	469,343	441,140	414,462

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 1994, 1993 and 1992 (Dollars in Millions, Except Per Share Amounts)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Consolidated Financial Statements include the accounts of U S WEST Inc. ("U S WEST" or "company") and its majority-owned subsidiaries, except for discontinued operations as discussed in Note 17 to the Consolidated Financial Statements. All significant intercompany amounts and transactions have been eliminated. Investments in less than majority-owned ventures are accounted for using the equity method.

In the third quarter of 1993, U S WEST discontinued accounting for its regulated telephone operations, hereafter referred to as U S WEST Communications ("USWC"), under Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." (See Note 5 to the Consolidated Financial Statements.)

U S WEST operates in one industry segment (Communications and Related Services) as defined in SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." The company's Capital Assets segment has been discontinued.

The largest volume of the company's services are provided to AT&T. During 1994, 1993 and 1992, revenues related to those services provided to AT&T were $1,130, $1,160 and $1,203, respectively. Related accounts receivable at December 31, 1994 and 1993 totaled $98 and $97, respectively.

Certain reclassifications within the Consolidated Financial Statements have been made to conform to the current year presentation.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates.

Inventories and Supplies: New and reusable materials of USWC are carried at average cost, except for significant individual items that are valued based on specific costs. Non-reusable material is carried at its estimated salvage value. Inventories of U S WEST's non-telephone operations are carried at the lower of cost or market on a first-in, first-out basis.

Property, Plant and Equipment: The investment in property, plant and equipment is carried at cost, less accumulated depreciation. Additions, replacements and substantial betterments are capitalized. Costs for normal repair and maintenance of property, plant and equipment are charged to expense as incurred.

USWC's provision for depreciation of property, plant and equipment is based on various straight-line group methods using remaining useful (economic) lives based on industrywide studies. Prior to discontinuing SFAS No. 71, depreciation was based on lives specified by regulators. (See Note 5 to the Consolidated Financial Statements.) When the depreciable property, plant and equipment of USWC is retired or sold, the original cost less the net salvage value is generally charged to accumulated depreciation.

The non-telephone operations of U S WEST provide for depreciation using the straight-line method. When such depreciable property, plant and equipment is retired or sold, the resulting gain or loss is recognized currently as an element of other income.

Depreciation expense was $2,029, $1,941 and $1,857 in 1994, 1993 and 1992, respectively.

Interest related to qualifying construction projects is capitalized and is reflected as a reduction of interest expense. At USWC, prior to discontinuing SFAS No. 71, capitalized interest was included as an element of other income. Amounts capitalized by U S WEST were $44, $20 and $29 in 1994, 1993 and 1992, respectively.

Intangible Assets: The costs of identified intangible assets and goodwill are amortized by the straight-line method over periods ranging from five to 40 years. These assets are evaluated, with other related assets, for impairment using a discounted cash flow methodology. Amortization expense was $23, $14 and $24 in 1994, 1993 and 1992, respectively.

Foreign Currency Translation: For international investments, assets and liabilities are translated at year-end exchange rates, and income statement items are translated at average exchange rates for the year. Resulting translation adjustments are recorded as a separate component of common shareowners' equity.

Revenue Recognition: Local telephone service, cellular access and cable television revenues are generally billed monthly, in advance, and revenues are recognized the following month when services are provided. Revenues derived from other telephone services, including exchange access, long-distance and cellular airtime usage, are billed and recorded monthly as services are provided.

Directory advertising revenues and related directory costs are generally deferred and recognized over the period during which directories are utilized, normally 12 months. The balance of deferred directory costs included in prepaid and other is $217 and $197 at December 31, 1994 and 1993, respectively.

Financial Instruments: Net interest income or expense on interest rate swaps is recognized over the life of the swaps as an adjustment to interest expense. Gains and losses on forward contracts, designated as hedges of interest rate exposure on debt refinancings, are deferred and recognized as an adjustment to interest expense over the life of the underlying debt. Gains and losses on foreign exchange forward, option, and combination option contracts, designated as hedges, are included in common shareowners' equity and recognized in income on sale of the investment.

Computer Software: The cost of computer software, whether purchased or developed internally, is charged to expense with two exceptions. Initial operating systems software is capitalized and amortized over the life of the related hardware, and initial network applications software is capitalized and amortized over three years. Subsequent upgrades to capitalized software are expensed. Capitalized computer software of $146 and $148 at December 31, 1994 and 1993, respectively, is recorded in property, plant and equipment. The company amortized capitalized computer software costs of $86, $51 and $24, in 1994, 1993 and 1992, respectively.

Income Taxes: The provision for income taxes consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods in accordance with SFAS No. 109. U S WEST implemented SFAS No. 109, "Accounting for Income Taxes," in 1993. Adoption of the new standard did not have a material effect on the financial position or results of operations, primarily because of the company's earlier adoption of SFAS No. 96.

For financial statement purposes, investment tax credits of USWC are being amortized over the economic lives of the related property, plant and equipment in accordance with the deferred method of accounting for such credits.

Earnings (Loss) Per Common Share: Earnings (loss) per common share are computed on the basis of the weighted average number of shares of common stock outstanding during each year.

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NOTE 2: ACQUISITION OF ATLANTA CABLE PROPERTIES

On December 6, 1994, U S WEST acquired the stock of Wometco Cable Corp. and subsidiaries, and the assets of Georgia Cable Holdings Limited Partnership and subsidiary partnerships (the "Atlanta Cable Properties"), for cash of $745 and 12,779,206 U S WEST common shares valued at $459, for a total purchase price of approximately $1.2 billion. The Atlanta Cable Properties' results of operations have been included in the consolidated results of operations since the date of acquisition.

The acquisition was accounted for using the purchase method. Accordingly, the purchase price was allocated to assets acquired (primarily identified intangibles) based on their estimated fair values.

The identified intangibles and goodwill are being amortized on a straight-line basis over 25 years.

Following are summarized, consolidated, unaudited, pro forma results of operations for U S WEST for the years ended December 31, 1994 and 1993, assuming the acquisition occurred as of the beginning of the respective periods:

Year Ended December 31,	*1994*	*1993*
Revenue	$11,148	$10,494
Net income (loss)	1,415	(2,817)
Earnings (loss) per common share	3.04	(6.52)

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NOTE 3: INVESTMENT IN TIME WARNER ENTERTAINMENT

On September 15, 1993, U S WEST acquired 25.51 percent pro-rata priority capital and residual equity interests ("equity interests") in Time Warner Entertainment Company L.P. ("TWE") for an aggregate purchase price of $2.553 billion, consisting of $1.532 billion in cash and $1.021 billion in the form of a four-year promissory note bearing interest at a rate of 4.391 percent per annum. TWE owns and operates substantially all of the entertainment assets previously owned by Time Warner Inc., consisting primarily of its filmed entertainment, programming-HBO and cable businesses. As a result of U S WEST's admission to the partnership, certain wholly owned subsidiaries of Time Warner Inc. ("General Partners") and subsidiaries of Toshiba Corporation and ITOCHU Corporation hold equity interests of 63.27, 5.61 and 5.61 percent, respectively. In connection with the TWE investment, the company acquired 12.75 percent of the common stock of Time Warner Entertainment Japan Inc., a joint venture company established to expand and develop the market for entertainment services in Japan.

The company has an option to increase its equity interests in TWE from 25.51 up to 31.84 percent depending on cable operating performance, as defined in the TWE Partnership Agreement. The option is exercisable, in whole or part, between January 1, 1999, and May 31, 2005, for an aggregate cash exercise price of $1.25 billion to $1.8 billion, depending on the year of exercise. Either TWE or U S WEST may elect that the exercise price for the option be paid with partnership interests rather than cash.

Pursuant to the TWE Partnership Agreement and U S WEST Admission Agreement, there are six levels of capital. From the most to least senior, the capital accounts are: senior preferred (held by the General Partners); A preferred (held pro rata by all partners); B, C and D preferreds (all held by the General Partners); and common (residual equity interests held pro rata by all partners). Of the $2.553 billion contributed by U S WEST, $1.658 billion represents A preferred capital and $895 represents common capital. The TWE Partnership Agreement provides for special allocations of income and distributions of partnership capital, which are based on the fair value of assets contributed to the partnership. Partnership income, to the extent earned, is allocated as follows: (1) to the partners so that the economic burden of the income tax consequences of partnership operations is borne as though the partnership was taxed as a corporation ("special tax income"); (2) to the partners' preferred capital accounts in order of priority shown above, at various rates of return ranging from 8 percent to 13.25 percent; and (3) to the partners' common capital according to their residual partnership interests. To the extent partnership income is insufficient to satisfy all special allocations in a particular accounting period, the unearned portion is carried over until satisfied out of future partnership income. Partnership losses generally will be allocated in reverse order: first to eliminate prior allocations of partnership income, except senior preferred and special tax income, next to reduce initial capital amounts, other than senior preferred, then to reduce the senior preferred account and finally, to eliminate special tax income. Also, the senior preferred is scheduled to be distributed in three annual installments beginning July 1, 1997. The value of the C and D preferreds will be determined at future dates and is dependent on achieving certain operating targets between 1992 and 2001.

Beginning July 1, 1994, the TWE Partnership Agreement generally permits cash distributions to the partners to pay applicable taxes on their allocable taxable income from TWE. In addition, beginning July 1, 1995, and subject to restricted payment limitations and availability under the applicable financial ratios contained in the TWE Credit Agreement, distributions other than tax-related distributions also are permitted. For other than distributions related to taxes or the senior preferred, the TWE Partnership Agreement requires certain cash distribution thresholds be met to the limited partners before the General Partners receive their full share of distributions. No cash distributions were made to U S WEST in 1994.

The company accounts for its investment in TWE under the equity method of accounting. The excess of fair market value over the book value of total partnership net assets implied by the company's investment is $5.7 billion. This excess is being amortized on a straight-line basis over 25 years. The company's recorded share of TWE operating results represents allocated TWE net income or loss adjusted for the amortization of the excess of fair market value over the book value of the partnership net assets. As a result of this amortization and the special income allocations described above, U S WEST's recorded pretax share of TWE's 1994 and 1993 operating results was ($18) and ($20), respectively.

As consideration for its expertise and participation in the cable operations of TWE, the company earns a management fee of $130 over five years, which is payable over a four-year period beginning in 1995. Management fees of $26 and $8 were recorded to other income in 1994 and 1993, respectively.

Summarized financial information for TWE is presented below:

Year Ended December 31, Summarized Operating Results	*1994*	*1993*
Revenue	$ 8,460	$ 7,946
Operating expenses (1)	7,612	7,063
Interest and other expense, net (2)	647	611
Income before income taxes and extraordinary item	201	272
Income before extraordinary item	161	208
Net income	$ 161	$ 198

(1) Includes depreciation and amortization of $943 and $902 in 1994 and 1993, respectively.
(2) Includes corporate services of $60 in 1994 and 1993.

December 31, Summarized Financial Position	*1994*	*1993*
Current assets	$ 3,573	$ 3,745
Non-current assets	15,089	14,218
Current liabilities	2,857	2,265
Non-current liabilities	7,909	8,162
Senior preferred capital	1,663	1,536
Partners' capital	6,233	6,000

In early 1995, Time Warner Inc. announced its intention to simplify its corporate structure by establishing a separate, self-financing enterprise to house its cable and telecommunications properties. Any change in the structure of TWE would require the approval of U S WEST and its TWE partners.

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NOTE 4: RESTRUCTURING CHARGES

The company's 1993 results reflect a $1 billion restructuring charge (pretax). The restructuring charge includes only the specific, incremental and direct costs that can be estimated with reasonable accuracy and are clearly identifiable with the related plan. The related restructuring plan (the "Plan") is designed to provide faster, more responsive customer services, while reducing the costs of providing these services. As part of the Plan, the company is developing new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so customers can have their telecommunications needs met with one phone call. The company is consolidating its existing 560 customer service centers centers into 26 centers in 10 cities and reducing its total work force by approximately 9,000 employees (including the remaining employee reductions associated with the restructuring plan announced in 1991). The Plan provides for the reduction of 2,450 management and 6,550 occupational employees.

Following is a schedule of the costs included in the 1993 restructuring charge:

Employee separation	$ 230
Systems development	400
Real estate	130
Relocation	110
Retraining and other	65
Asset write-down	65
Total	$ 1,000

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems development costs include the replacement of existing, single-purpose systems with new systems designed to provide integrated, end-to-end customer service. The work-force reductions would not be possible without the development and installation of the new systems, which will eliminate the current, labor-intensive interfaces between existing processes. Real estate costs include preparation costs for the new service centers. The relocation and retraining costs are related to moving employees to the new service centers and retraining employees on the methods and systems required in the new, restructured mode of operation.

During 1994, 497 management and 1,683 occupational employees left the company under the Plan. The following table shows amounts charged to the restructuring reserve:

	Amount
Employee separation (1)	$ 75
Systems development	127
Real estate	50
Relocation	21
Retraining and other	16
1994 restructuring reserve activity	$ 289

(1) Includes $56 associated with work-force reductions under the 1991 restructuring plan.

The company's 1991 restructuring plan included a pretax charge of $364 due to planned work-force reductions and the write-off of certain intangible and other assets. The portion of the 1991 restructuring charge related to work-force reductions was $240, and covered approximately 6,000 employees. The balance of the unused reserve associated with work-force reductions at December 31, 1993, was $56. All expenditures and work-force reductions under the 1991 plan were completed by the end of 1994.

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NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment follows:

December 31,	*1994*	*1993*
Land and buildings	$ 2,604	$ 2,521
Telephone network equipment and outside plant	23,519	22,479
General purpose computer and other	4,157	3,569
Construction in progress	734	592
	31,014	29,161
Less accumulated depreciation:		
Buildings	698	656
Telephone network equipment and outside plant	14,175	13,389
General purpose computer and other	2,144	1,884
	17,017	15,929
Property, plant and equipment - net	$13,997	$13,232

In 1994, USWC sold certain rural telephone exchanges with a cost basis of $122. The company received consideration for the sales of $93 in cash and $81 in replacement property. The company will receive an additional $30 of replacement property in 1995.

Discontinuance of SFAS No. 71 U S WEST incurred a non-cash, extraordinary charge of $3.1 billion, net of an income tax benefit of $2.3 billion, in conjunction with its decision to discontinue accounting for the operations of USWC in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," as of September 30, 1993. SFAS No. 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, notwithstanding competition, by charging its customers at prices established by its regulators. U S WEST's decision to discontinue application of SFAS No. 71 was based on the belief that competition, market conditions and the development of multimedia technology, more than prices established by regulators, will determine the future cost recovery by USWC. As a result of this change, the remaining asset lives of USWC's plant were shortened to more closely reflect the useful (economic) lives of such plant.

Following is a list of the major categories of telephone property, plant and equipment and the manner in which depreciable lives were affected by the discontinuance of SFAS No. 71:

	Average Life (years)	
Category	*Before Discontinuance*	*After Discontinuance*
Digital switch	17-18	10
Digital circuit	11-13	10
Aerial copper cable	18-28	15
Underground copper cable	25-30	15
Buried copper cable	25-28	20
Fiber cable	30	20
Buildings	27-49	27-49
General purpose computers	6	6

The company employed two methods to determine the amount of the extraordinary charge. The "economic life" method assumed that a portion of the plant-related effect is a regulatory asset that was created by the under-depreciation of plant under regulation. This method yielded the plant-related adjustment that was confirmed by the second method, a discounted cash flows analysis.

Following is a schedule of the nature and amounts of the after-tax charge recognized as a result of the company's discontinuance of SFAS No. 71:

Plant related	$ 3,124
Tax-related regulatory assets and liabilities	(208)
Other regulatory assets and liabilities	207
Total	$ 3,123

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NOTE 6: DEBT

Short-term Debt The components of short-term debt follow:

December 31,	1994	1993
Notes payable:		
Commercial paper	$ 2,305	$ 1,029
Current portion of long-term debt, including $500 and $450 payable to TWE, in 1994 and 1993, respectively	732	795
Allocated to discontinued operations - net	(200)	(48)
Total	$ 2,837	$ 1,776

The weighted average interest rate on commercial paper was 5.97 percent and 2.77 percent at December 31, 1994 and 1993, respectively.

U S WEST is permitted to borrow up to approximately $1.9 billion under short-term formal lines of credit, all of which was available at December 31, 1994.

Long-term Debt Interest rates and maturities of long-term debt at December 31 follow:

	Maturities					Total	Total
Interest rates	1996	1997	1998	1999	Thereafter	1994	1993
Up to 5%	$ 271	$ -	$ 35	$ -	$ 240	$ 546	$ 844
Above 5% to 6%	13	25	300	-	261	599	561
Above 6% to 7%	-	-	-	226	1,290	1,516	1,383
Above 7% to 8%	670	16	-	-	2,507	3,193	2,061
Above 8% to 9%	28	-	-	126	290	444	504
Above 9% to 10%	-	29	-	15	355	399	399
	$ 982	$ 70	$ 335	$ 367	$ 4,943	6,697	5,752
Capital lease obligations and other						153	139
Unamortized discount - net						(1,239)	(101)
Allocated to discontinued operations - net						(510)	(367)
Total						$ 5,101	$ 5,423

Long-term debt consists principally of debentures and medium-term notes, debt associated with the company's Leveraged Employee Stock Ownership Plans (LESOP), and zero coupon, subordinated notes convertible at any time into U S WEST common shares. The zero coupon notes have a yield to maturity of approximately 7.3 percent and are recorded at a discounted value of $498. Long-term debt also includes a note payable to TWE of $271 in 1994 and $555 in 1993.

During 1993, U S WEST refinanced debt issues aggregating $2.7 billion in principal amount. Expenses associated with the refinancing resulted in an extraordinary charge to income of $77, net of a tax benefit of $48. The refinancing allowed the company to take advantage of favorable interest rates.

Interest payments, net of amounts capitalized, were $534, $680 and $704 for 1994, 1993 and 1992, respectively, of which $103, $212 and $220, respectively, relate to discontinued operations.

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NOTE 7: LEASING ARRANGEMENTS

U S WEST has entered into operating leases for office facilities, equipment and real estate. Rent expense under operating leases was $288, $275 and $274 in 1994, 1993 and 1992, respectively.

Minimum future lease payments as of December 31, 1994, under non-cancellable operating leases, follow:

Year	
1995	$ 153
1996	140
1997	125
1998	123
1999	109
Thereafter	853
Total	$ 1.506

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NOTE 8: DERIVATIVE FINANCIAL INSTRUMENTS

The company is exposed to market risks arising from changes in interest rates and foreign exchange rates. Derivative financial instruments are used by the company to manage these risks.

Interest Rate Risk Management The company enters into interest rate swap agreements to manage its market exposure to fluctuations in interest rates. Swap agreements are primarily used to effectively convert existing commercial paper to fixed-rate debt. This allows the company to achieve interest savings over issuing fixed-rate debt directly. Additionally, the company has entered into interest rate swaps to effectively terminate existing swaps.

Under an interest rate swap, the company agrees with another party to exchange erest payments at specified intervals over a defined term. Interest payments are calculated by reference to the notional amount based on the fixed- and variable-rate terms of the swap agreements. The net interest received or paid as part of the interest rate swap is accounted for as an adjustment to interest expense.

The company also entered into a currency swap to convert Swiss franc-denominated debt to dollar-denominated debt. This allowed the company to achieve interest savings over issuing fixed-rate, dollar-denominated debt. Under the currency swap, the company agreed with another party to exchange dollars for francs within the terms of the loan, which include periodic interest payments and principal upon origination and maturity. The currency swap and foreign currency debt are combined and accounted for as if fixed-rate, dollar-denominated debt were issued directly.

The following table summarizes terms of swaps pertaining to continuing operations as of December 31, 1994. Variable rates are primarily indexed to the 30-day commercial paper rate.

			Weighted Average Rate	
Continuing operations	*Notional Amount*	*Maturities*	*Receive*	*Pay*
Variable to fixed	$ 785	1995 - 2004	6.14	6.47
Fixed to variable	5	1995	6.61	5.87
Currency	71	1999	-	6.53

The following table summarizes terms of swaps pertaining to discontinued operations as of December 31, 1994. Variable rates are indexed to three- and six-month LIBOR.

			Weighted Average Rate	
Discontinued operations	*Notional Amount*	*Maturities*	*Receive*	*Pay*
Variable to fixed (1)	$ 380	1996 - 1997	5.69	9.03
Fixed to variable (1)	380	1996 - 1997	7.29	5.80
Variable rate basis adjustment (2)	10	1997	5.89	7.04

(1) The fixed to variable swap has the same terms as the variable to fixed swap and was entered into to terminate the variable to fixed swap. The net interest cost on the swaps is a cost of discontinued operations and is included in the discontinued operations loss provision.

(2) Variable rate debt based on U. S. Treasury securities is swapped to a LIBOR-based interest rate.

In 1993, the company executed forward contracts to sell U. S. Treasury securities to reduce debt issuance risks by allowing the company to lock in the Treasury rate component of the future debt issue. At December 31, 1994, deferred credits of $8 and deferred charges of $51 on closed interest rate forward contracts are included as part of the carrying value of the underlying debt. The deferred credits and charges are being recognized as a yield adjustment over the life of the debt, which matures at various dates through 2043. The net deferred charge is directly offset by the lower coupon rate achieved on the debt issuance. At December 31, 1994, there were no open forward contracts on interest rates.

The counterparties to these derivative contracts are major financial institutions. The company is exposed to credit loss in the event of non-performance by these counterparties. The company manages this exposure by monitoring the credit standing of the counterparty and establishing dollar and term limitations that correspond to the respective credit rating of each counterparty. The company does not have significant exposure to an individual counterparty and does not anticipate non-performance by any counterparty.

Foreign Exchange Risk Management The company enters into forward and option contracts to manage the market risks associated with fluctuations in foreign exchange rates after considering offsetting foreign exposures among international operations.

The company enters into forward contracts to exchange foreign currencies at agreed rates on specified future dates. This allows the company to fix the cost of firm foreign commitments. The commitments and the forward contracts are for periods up to one year. The gain or loss on forward contracts designated as hedges of firm foreign investment commitments are included in common shareowners' equity and are recognized in income on sale of the investment.

The company also enters into foreign exchange combination option contracts to protect against adverse changes in foreign exchange rates. These option contracts combine purchased options to cap the foreign exchange rate and written options to finance the premium of the purchased options. The commitments and combination option contracts are for periods up to one year. Gains or losses on the contracts, designated as hedges of firm investment commitments, are included in common shareowners' equity and are recognized in income on sale of the investment.

The counterparties to these contracts are major financial institutions. The company is exposed to credit loss in the event of non-performance by these counterparties. The company does not have significant exposure to an individual counterparty and does not anticipate non-performance by any counterparty.

At December 31, 1994, the company has outstanding forward and combination option contracts to purchase British pounds in the notional amounts of $135 and $35, respectively. All contracts mature within one year.

Cumulative deferred credits on foreign exchange contracts of $7 and deferred charges of $25, and deferred taxes (benefits) of $3 and ($10), respectively, are included in common shareowners' equity at December 31, 1994.

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NOTE 9: FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of cash equivalents, other current amounts receivable and payable, and short-term debt, including discontinued operations, approximate carrying values due to their short-term nature.

The fair values of mandatorily redeemable preferred stock, foreign exchange forward and combination option contracts approximate the carrying values.

The fair values of interest rate swaps are based on estimated amounts the company would receive or pay to terminate such agreements, taking into account current interest rates and creditworthiness of the counterparties.

The fair value of long-term debt, including discontinued operations, is based on quoted market prices where available or, if not available, is based on discounting future cash flows using current interest rates.

December 31,	*1994*		*1993*	
Continuing and discontinued operations	*Carrying Value*	*Fair Value*	*Carrying Value*	*Fair Value*
Debt (includes short-term portion)	$ 9,221	$ 8,700	$ 8,695	$ 8,940
Interest rate swap agreements - assets	–	(15)	–	(29)
Interest rate swap agreements - liabilities	–	20	–	89
Debt-net	$ 9,221	$ 8,705	$ 8,695	$ 9,000

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NOTE 10: PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

U S WEST has 50,000,000 authorized shares of preferred stock. On September 2, 1994, U S WEST issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of a class of newly created 7 percent Series B Cumulative Redeemable Preferred Stock for a total of $50. (See Note 17 to the Consolidated Financial Statements.) The preferred stock was recorded at fair market value of $51.

U S WEST has the right, commencing five years from September 2, 1994, to redeem the shares for one thousand dollars per share plus unpaid dividends and a redemption premium. The shares are mandatorily redeemable in year 10 at face value plus unpaid dividends. At the option of FFC, the preferred stock also can be redeemed for common shares of Financial Security Assurance, a member of the Capital Assets segment.

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NOTE 11: SHAREOWNERS' EQUITY

Common Stock At December 31, 1994, the company held 7,537,372 treasury shares with a cost basis of $163, or $21.63 per share.

On December 6, 1994, 12,779,206 shares of U S WEST common stock were issued to, or in the name of, the holders of Wometco Cable Corp. in accordance with a merger agreement. (See Note 2 to the Consolidated Financial Statements.)

In connection with the settlement of shareowner litigation ("Rosenbaum v. U S WEST Inc. et al."), the company issued approximately 5.5 million shares of U S WEST common stock in March 1994 to class members connected with this litigation. U S WEST issued, to certified class members, non-transferable rights to purchase shares of common stock directly from U S WEST, on a commission-free basis, at a 3 percent discount from the average of the high and low trading prices of such stock on the New York Stock Exchange on February 23, 1994, the pricing date designated in accordance with the settlement. U S WEST received net proceeds of $210 from the offering.

During fourth quarter 1993, the company issued 22 million additional shares of U S WEST common stock for net cash proceeds of $1,020. The company used the net proceeds to reduce short-term indebtedness, including indebtedness incurred from the TWE investment, and for general corporate purposes.

Leveraged Employee Stock Ownership Plans (LESOP) U S WEST maintains employee savings plans for management and occupational employees under which the company matches a certain percentage of eligible contributions made by the employees with shares of company stock. The company established two LESOPs in 1989 to provide the company stock used for matching contributions to the savings plans.

The long-term debt of the LESOP trusts, which is unconditionally guaranteed by the company, is included in the accompanying consolidated balance sheets and corresponding amounts have been recorded as reductions to common shareowners' equity. The trusts will repay the debt with company contributions and certain dividends received on shares of the company's common stock held by the LESOP. Total company contributions to the trusts (excluding dividends) were $80, $75 and $78 in 1994, 1993 and 1992, respectively, of which $19, $24 and $28, respectively, have been classified as interest expense. The company recognizes expense based on the cash payments method. Dividends on unallocated shares held by the LESOP were $11, $14 and $17 in 1994, 1993 and 1992, respectively.

Shareholder Rights Plan The board of directors of the company has adopted a shareholder rights plan which, in the event of a takeover attempt, would entitle existing shareowners to certain preferential rights. The rights expire on April 6, 1999, and are redeemable by the company at any time prior to the date they would become effective.

Share Repurchase Subsequent to the acquisition of the Atlanta Cable Properties (See Note 2 to the Consolidated Financial Statements), the company announced its intention to purchase U S WEST common shares in the open market up to an amount equal to those issued in conjunction with the acquisition, subject to market conditions. In December 1994, the company purchased 550,400 shares of U S WEST common stock at an average price per share of $36.30.

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NOTE 14: EMPLOYEE BENEFITS

Pension Plan Effective January 1, 1993, U S WEST merged its two defined benefit pension plans, covering substantially all management and occupational employees, in a single plan. Management benefits are based on a final pay formula, while occupational benefits are based on a flat benefit formula. U S WEST uses the projected unit credit method for the determination of pension cost for financial reporting purposes and the aggregate cost method for funding purposes. No funding was required in 1994, 1993 or 1992.

The composition of the net pension credit and the actuarial assumptions of the plan follow:

Year Ended December 31,	*1994*	*1993*	*1992*
Details of pension credit:			
Service cost – benefits earned during the period	$ 197	$ 148	$ 141
Interest cost on projected benefit obligation	561	514	480
Actual return on plan assets	188	(1,320)	(411)
Net amortization and deferral	(946)	578	(318)
Net pension credit	$ 0	$ (80)	$ (108)

The expected long-term rate of return on plan assets used in determining net pension cost was 8.50 percent for 1994, 9.00 percent for 1993 and 9.25 percent for 1992.

The funded status of the plan follows:

December 31,	*1994*	*1993*
Accumulated benefit obligation, including vested benefits of $5,044 and $5,286, respectively	$ 5,616	$ 5,860
Plan assets at fair value, primarily stocks and bonds	$ 8,388	$ 8,987
Less: Projected benefit obligation	7,149	7,432
Plan assets in excess of projected benefit obligation	1,239	1,555
Unrecognized net (gain) loss	161	(70)
Prior service cost not yet recognized in net periodic pension cost	(67)	(72)
Balance of unrecognized net asset at January 1, 1987	(785)	(865)
Prepaid pension asset	$ 548	$ 548

The actuarial assumptions used to calculate the projected benefit obligation follow:

December 31,	*1994*	*1993*
Discount rate	8.00	7.25
Average rate of increase in future compensation levels	5.50	5.50

Anticipated future benefit changes have been reflected in the above calculations.

Postretirement Benefits other than Pensions U S WEST and most of its subsidiaries provide certain health care and life insurance benefits to retired employees. Effective January 1, 1992, U S WEST adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," which mandates that employers reflect in their current expenses the cost of providing retirement medical and life insurance benefits to current and future retirees. Prior to 1992, U S WEST recognized these costs as they were paid. Adoption of SFAS No. 106 resulted in a one-time, non-cash charge against 1992 earnings of $1,741 net of a deferred income tax benefit of $1,038, for the prior service of active and retired employees. The effect on 1992 income from continuing operations of adopting SFAS No. 106 was approximately $47, or $.11 per share.

In conjunction with the adoption of SFAS No. 106, for financial reporting purposes, the company elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees, net of the fair value of plan assets. However, the Federal Communications Commission and certain state jurisdictions permit amortization of the transition obligation over the average remaining service period of active employees for regulatory accounting purposes.

U S WEST uses the projected unit credit method for the determination of postretirement medical costs for financial reporting purposes. The composition of net postretirement benefit costs and actuarial assumptions underlying plan benefits follow:

Year Ended December 31,	*1994*			*1993*			*1992*		
	Medical	*Life*	*Total*	*Medical*	*Life*	*Total*	*Medical*	*Life*	*Total*
Service cost – benefits earned during the period	$ 62	$ 13	$ 75	$ 60	$ 11	$ 71	$ 57	$ 10	$ 67
Interest on accumulated benefit obligation	221	39	260	235	36	271	223	33	256
Actual return on plan assets	3	1	4	(73)	(52)	(125)	(19)	(29)	(48)
Net amortization and deferral	(68)	(31)	(99)	27	22	49	-	-	-
Net postretirement benefit costs	$218	$ 22	$240	$249	$ 17	$266	$261	$ 14	$275

The expected long-term rate of return on plan assets used in determining net postretirement benefit costs was 8.50 percent for 1994 and 9.00 percent in 1993 and 1992.

The funded status of the plan follows:

December 31,	*1994*			*1993*		
	Medical	*Life*	*Total*	*Medical*	*Life*	*Total*
Accumulated postretirement benefit obligation attributable to:						
Retirees	$1,733	$ 248	$1,981	$1,795	$ 311	$2,106
Fully eligible plan participants	264	38	302	274	48	322
Other active plan participants	940	135	1,075	983	170	1,153
Total accumulated postretirement benefit obligation	2,937	421	3,358	3,052	529	3,581
Unrecognized net gain (loss)	243	90	333	65	(25)	40
Fair value of plan assets, primarily stocks, bonds and life insurance (1)	(894)	(374)	(1,268)	(613)	(388)	(1,001)
Accrued postretirement benefit obligation	$2,286	$ 137	$2,423	$2,504	$ 116	$2,620

(1) Medical plan assets include U S WEST common stock of $164 in 1994.

The actuarial assumptions used to calculate the accumulated postretirement benefit obligation follow:

December 31,	*1994*	*1993*
Discount rate	8.00	7.25
Medical trend*	9.70	10.30

*Medical cost trend rate gradually declines to an ultimate rate of 6 percent in 2006.

A 1-percent increase in the assumed health care cost trend rate for each future year would have increased the aggregate of the service and interest cost components of 1994 net postretirement benefit cost by approximately $50 and increased the 1994 accumulated postretirement benefit obligation by approximately $450.

For USWC, the annual amount funded will generally follow the amount of expense allowed in regulatory jurisdictions.

Anticipated future benefit changes have been reflected in these postretirement benefit calculations.

Other Postemployment Benefits U S WEST adopted, effective January 1, 1992, SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue for the estimated costs of benefits, such as workers' compensation and disability, provided to former or inactive employees who are not eligible for retirement. Adoption of SFAS No. 112 resulted in a one-time, non-cash charge against 1992 earnings of $53, net of a deferred income tax benefit of $32.

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NOTE 15: INCOME TAXES

The components of the provision for income taxes follow:

Year Ended December 31,	*1994*	*1993*	*1992*
Federal:			
Current	$ 418	$ 422	$ 427
Deferred	351	(145)	46
Investment tax credits - net	(47)	(56)	(63)
	722	221	410
State and local:			
Current	52	71	62
Deferred	83	(23)	21
	135	48	83
Provision for income taxes	$ 857	$ 269	$ 493

Amounts paid for income taxes were $313, $391 and $459 in 1994, 1993 and 1992, respectively, inclusive of discontinued operations.

The effective tax rate differs from the statutory tax rate as follows:

Year Ended December 31, In percent	*1994*	*1993*	*1992*
Federal statutory tax rate	35.0	35.0	34.0
Investment tax credit amortization	(1.3)	(3.0)	(4.2)
State income taxes - net of federal effect	3.9	4.0	3.5
Rate differential on reversing temporary differences	-	(2.2)	(3.1)
Depreciation on capitalized overheads - net	-	1.4	2.1
Tax law change - catch-up adjustment	-	3.1	-
Restructuring charge	-	(1.5)	-
Other	(0.1)	(0.7)	(0.9)
Effective tax rate	37.5	36.1	31.4

The components of the net deferred tax liability follow:

December 31,	*1994*	*1993*
Property, plant and equipment	$ 1,504	$ 1,340
Leases	690	663
State deferred taxes - net of federal effect	395	277
Intangible assets	164	-
Investment in partnerships	142	46
Other	84	94
Deferred tax liabilities	2,979	2,420
Postemployment benefits, including pension	718	736
Restructuring, discontinued operations and other	417	620
Unamortized investment tax credit	79	94
State deferred taxes - net of federal effect	232	220
Other	317	260
Deferred tax assets	1,763	1,930
Net deferred tax liability	$ 1,216	$ 490

The current portion of the deferred tax asset was $352 and $336 at December 31, 1994 and 1993, respectively, resulting primarily from restructuring charges and compensation-related items.

On August 10, 1993, federal legislation was enacted that increased the corporate tax rate from 34 percent to 35 percent retroactive to January 1, 1993. The cumulative effect on deferred taxes of the 1993 increase in income tax rates was $74, including $20 for discontinued operations.

The net deferred tax liability includes $678 in 1994 and $607 in 1993 related to discontinued operations.

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NOTE 16: COMMITMENTS AND CONTINGENCIES

At USWC, there are pending regulatory actions in local regulatory jurisdictions that call for price decreases, refunds or both. In one such instance, the Utah Supreme Court has remanded a Utah Public Service Commission ("PSC") order to the PSC for reconsideration, thereby establishing two exceptions to the rule against retroactive ratemaking: 1) unforeseen and extraordinary events, and 2) misconduct. The PSC's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform Act of 1986. This case is still in the discovery process. If a formal filing - made in accordance with the remand from the Supreme Court - alleges that the exceptions apply, the range of possible risk to USWC is $0 to $140.

U S WEST has issued letters of credit, which expire in July 1995, in conjunction with its investment in Binariang Sdn Bhd, a Malaysian telecommunications company, totaling $110.

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NOTE 17: DISCONTINUED OPERATIONS

During second quarter 1993, the U S WEST board of directors approved a plan to dispose of the Capital Assets segment through the sale of segment assets and businesses. Accordingly, the company recorded an after-tax charge of $100, or $.24 per share, for the estimated loss on disposition. An additional provision of $20, or $.04 per share, is related to the effect of the 1993 increase in federal income tax rates. The Capital Assets segment includes activities related to financial services and financial guarantee insurance operations. Also included in the segment is U S WEST Real Estate Inc., for which disposition was announced in 1991 and a $500 valuation allowance was established to cover both carrying costs and losses on disposal of related properties. The entire Capital Assets segment has been accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30.

During 1994, U S WEST reduced its ownership interest in Financial Security Assurance ("FSA"), a member of the Capital Assets segment, to 60.9 percent, and its voting interest to 49.8 percent through a series of transactions. In May and June 1994, U S WEST sold 8.1 million shares of FSA, including 2.0 million shares to Fund American Enterprises Holdings Inc. ("FFC"), in an initial public offering of FSA common stock at $20 per share. U S WEST received $154 in net proceeds from the offering. On September 2, 1994, U S WEST issued to FFC 50,000 shares of cumulative redeemable preferred stock for a total of $50. (See Note 10 to the Consolidated Financial Statements.) FFC's voting interest in FSA is 21.0 percent, achieved through a combination of direct share ownership of common and preferred FSA shares, and a voting trust agreement with U S WEST. The company retained certain risks in asset-backed obligations related to the commercial real estate portfolio.

FFC has a right of first offer and a call right to purchase from U S WEST up to 9.0 million shares, or approximately 57 percent, of outstanding FSA stock held by U S WEST. U S WEST anticipates its ownership will be further reduced by 1996.

During 1994, U S WEST Real Estate sold 12 buildings, six parcels of land and other assets for approximately $327. An additional property was sold in January 1995 for approximately $37. During 1993, five properties were sold for approximately $66. The sales were in line with company estimates. Proceeds from building sales were primarily used to pay related debt. U S WEST has completed all construction of existing buildings in the commercial real estate portfolio and expects to substantially complete the liquidation of its portfolio by 1998. The remaining balance of assets subject to sale is approximately $607, net of reserves.

In December 1993, the company sold $2.0 billion of finance receivables and the business of U S WEST Financial Services to NationsBank Corporation. Sales proceeds of $2.1 billion were used primarily to repay related debt. The pretax gain on the sale of approximately $100, net of selling expenses, was in line with management's estimate and was included in the company's estimate of provision for loss on disposal. The management team that previously operated the entire Capital Assets segment transferred to NationsBank.

Building sales and operating revenues of discontinued operations were $553 in 1994, $710 in 1993 and $672 in 1992. Income from discontinued operations for 1993 (to June 1) and 1992 totaled $38 and $103, respectively. Income (loss) from discontinued operations subsequent to June 1, 1993 is being deferred and was included within the provision for loss on disposal.

Net Assets of Discontinued Operations

December 31,	*1994*	*1993*
Assets		
Cash and cash equivalents	$ 7	$ 24
Finance receivables - net	1,073	1,131
Investment in real estate - net of valuation allowance	465	711
Investments in securities at market value	155	895
Investment in FSA	329	–
Other assets	362	600
Total assets	$ 2,391	$ 3,361
Liabilities		
Debt	$ 1,283	$ 1,496
Deferred income taxes	693	681
Accounts payable, accrued liabilities and other	103	244
Unearned premiums	–	346
Minority interests	10	40
Total liabilities	2,089	2,807
Net assets of discontinued operations	$ 302	$ 554

The assets and liabilities of the Capital Assets segment have been separately classified on the consolidated balance sheets as net assets of discontinued operations.

Finance receivables primarily consist of contractual obligations under long-term leases that the company intends to run off. These long-term leases primarily consist of investments in leveraged leases related to aircraft and power plants. For leveraged leases, the cost of the assets leased is financed primarily through non-recourse debt that is netted against the related lease receivable.

The components of finance receivables follow:

December 31,	*1994*	*1993*
Receivables	$ 1,095	$ 1,208
Unguaranteed estimated residual values	467	477
	1,562	1,685
Less: Unearned income	459	490
Credit loss and other allowances	30	64
Finance receivables - net	$ 1,073	$ 1,131

Investments in securities, which are designated as available for sale, are carried at market value. Any resulting unrealized gains or losses, net of applicable deferred income taxes, are reflected as a component of common shareowners' equity. The 1994 net unrealized loss of $64 (net of a deferred tax benefit of $34) and the 1993 net unrealized gain of $35 (net of deferred taxes of $19), are included in common shareowners' equity.

The amortized cost and estimated market value of investments in securities follow:

	December 31, 1994				*December 31, 1993*			
Marketable Securities	*Carrying Amount*	*Gross Unrealized Gains*	*Gross Unrealized Losses (1)*	*Fair Value*	*Carrying Amount*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
Municipal	$113	-	$ 13	$100	$742	$ 51	$ 1	$792
Other	65	-	10	55	99	4	-	103
Total	$178	-	$ 23	$155	$841	$ 55	$ 1	$895

(1) Common shareowners' equity at December 31, 1994, also includes a net unrealized loss on marketable securities of $49 (net of a deferred tax benefit of $26), associated with the company's equity investment in FSA.

Debt Interest rates and maturities of debt associated with discontinued operations at December 31 follow:

Interest rates	Maturities 1995	1996	1997	1998	1999	Thereafter	Total 1994	Total 1993
Up to 5%	$ 50	$ -	$ -	$ -	$ -	$ 5	$ 55	$ 49[illegible]
Above 5% to 6%	5	-	10	-	-	-	15	[illegible]
Above 6% to 7%	100	-	54	-	-	-	154	5[illegible]
Above 7% to 8%	7	5	5	-	-	-	17	26
Above 8% to 9%	-	35	-	-	150	4	189	264
Above 9% to 10%	61	-	48	5	-	-	114	177
Above 10%	-	-	-	29	-	-	29	29
Commercial paper rates	-	-	-	-	-	-	-	30
	$ 223	$ 40	$ 117	$ 34	$ 150	$ 9	573	1,081
Allocated from continuing operations - net							710	413
Total							$1,283	$1,49[illegible]

Debt of $119 and $124 at December 31, 1994 and 1993, respectively, was collateralized by first deeds of trust on associated real estate, assignment of rents from leases, and operating and management agreements.

Financial Instruments with Off-Balance Sheet Credit Risk - Financial Guarantees The company retained certain risks in asset-backed obligations related to the commercial real estate portfolio. The principal amounts insured on the asset-backed and municipal obligations follow. The 1994 amounts do not include the financial guarantees for FSA, which is now accounted for under the equity method.

Term to Maturity	Asset-Backed (1) December 31, 1994	1993	Municipal (2) December 31, 1994	1993
0 to 5 Years	$ 540	$ 5,955	-	$ 1,888
5 to 10 Years	537	2,050	-	2,771
10 to 15 Years	391	1,286	-	2,176
15 to 20 Years	-	593	-	2,346
20 and Above	-	2,501	-	4,606
Total	$ 1,468	$ 12,385	-	$ 13,787

(1) Excludes amounts ceded to other insurers of $6,210 in 1993 and includes $25 of assumed obligations in 1993.

(2) Excludes amounts ceded to other insurers of $5,576 in 1993 and includes $1,218 of assumed obligations in 1993.

The principal amount of insured obligations in the municipal portfolio, net of amounts ceded, include the following types of issues:

December 31, Type of Issue	1994	1993
General obligation	$ -	$ 3,487
Tax-backed revenue	-	2,919
Housing revenue	-	1,879
Municipal utility revenue	-	1,783
Health care revenue	-	1,399
Transportation revenue	-	710
Other	-	1,610
Total	$ -	$ 13,787

Concentrations of collateral associated with insured asset-backed obligations, net of amounts ceded, follow:

December 31, Type of Collateral	1994	1993
Residential mortgages	$ -	$ 3,874
Consumer receivable	-	1,443
Securities:		
Government debt	-	2,039
Non-government securities	-	1,709
Commercial mortgages:		
Commercial real estate	530	809
Corporate secured	888	1,018
Investor-owned utility first mortgage bonds	-	772
Other asset-backed	50	721
Total	$ 1,468	$ 12,385

Additional Financial Information Information for U S WEST Financial Services Inc., a member of the discontinued segment, follows:

Year Ended December 31, Summarized Operating Results	1994	1993	1992
Revenues	$ 54	$ 410	$ 302
Income before parent support and income taxes	*	*	83
Income before parent support	*	*	55
Net income	*	*	55

* Results of Financial Services are included in discontinued operations

December 31, Summarized Financial Position	1994	1993
Net finance receivables	$ 981	$ 1,020
Total assets	1,331	1,797
Total debt	533	957
Total liabilities	1,282	1,748
Shareowners' equity	49	49

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NOTE 18: QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, and per share market and dividend data, follows:

Quarterly Financial Data	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*
1994				
Sales and other revenues	$2,641	$2,708	$2,765	$2,839
Income from continuing operations before income taxes	522	609	514	638
Income from continuing operations and net income	324	375	318	409
Earnings per common share	0.73	0.83	0.70	0.89
1993				
Sales and other revenues	$2,510	$2,541	$2,577	$2,666
Income (loss) from continuing operations before income taxes	449	436	(534)	394
Income (loss) from continuing operations	296	291	(375)	264
Net income (loss)	316	159	(3,545)	264
Earnings (loss) per common share from continuing operations	0.71	0.70	(0.90)	0.62
Earnings(loss) per common share	0.76	0.38	(8.50)	0.62

1994 first-quarter income from continuing operations includes $15 ($.03 per share) for a gain on the sale of certain rural telephone exchanges. 1994 second-quarter net income includes gains of $16 ($.04 per share) and $41 ($.09 per share) for the sales of certain rural telephone exchanges and paging operations, respectively. 1994 fourth-quarter net income includes gains of $105 ($.23 per share) for the partial sale of a joint venture interest and $20 ($.04 per share) for the sale of certain rural telephone exchanges.

1993 second-quarter net income was reduced by $100 ($.24 per share) for a charge related to discontinued operations and $50 ($.12 per share) for the early extinguishment of debt. 1993 third-quarter net loss includes a restructuring charge of $610 ($1.46 per share) and $74 ($.18 per share), including $20 ($.05 per share) related to discontinued operations, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1993 third-quarter net loss also includes extraordinary charges of $3,123 ($7.49 per share) for the discontinuance of SFAS No. 71, and $27 ($.06 per share) for the early extinguishment of debt.

1993 net income (loss) related to discontinued operations was $20 ($.05 per share) and ($82) ($.20 per share) for the first and second quarters, respectively. Income (loss) subsequent to June 1, 1993, is being deferred and was included within the provision for loss on disposal of the Capital Assets segment.

Per share Market and Dividend Data (Whole dollars)	*Market Price*			
	High	*Low*	*Close*	*Dividends*
1994				
First	$46.250	$38.500	$40.750	$ 0.535
Second	43.750	38.250	41.875	0.535
Third	43.125	38.250	38.750	0.535
Fourth	38.875	34.625	35.625	0.535
1993				
First	$43.875	$37.750	$43.625	$ 0.535
Second	46.000	40.625	45.875	0.535
Third	49.375	44.500	49.250	0.535
Fourth	50.750	45.750	45.875	0.535

U S WEST Board of Directors

Dick Cheney (54)

A former secretary of Defense in the Bush administration, he is a senior fellow with the American Enterprise Institute in Washington, D.C. The former five-term congressman from Wyoming also served as chief of staff for President Ford. Mr. Cheney joined the U S WEST board in 1993.

Remedios Diaz-Oliver (56)

The chief executive officer and president of All American Container Inc., which sells and distributes glass, plastic and metal containers for a variety of products worldwide. Ms. Diaz-Oliver joined the U S WEST board in 1988.

Grant A. Dove (66)

The managing partner of Technology Strategies and Alliances, a strategic planning and investment banking firm. Mr. Dove spent nearly 30 years in a number of executive positions with Texas Instruments. He joined the U S WEST board in 1988 and chairs the Human Resources Committee.

Allan D. Gilmour (60)

The former vice chairman of the Ford Motor Company, Mr. Gilmour held several executive assignments since joining Ford in 1960. He served as the company's chief financial officer before taking over leadership of its international automotive operations and, later, the Ford Automotive Group. He joined the U S WEST board in 1992.

Pierson M. Grieve (67)

The chairman and chief executive officer of Ecolab Inc., a leading worldwide developer and marketer of premium cleaning, sanitizing and maintenance products and services for the hospitality, institutional and residential markets. He joined the U S WEST board in 1990, and chairs the Board Affairs Committee.

Shirley M. Hufstedler (69)

A partner in the law firm of Hufstedler, Kaus & Ettinger. She served as secretary of Education during the Carter administration and, for 11 years, as a judge for the 9th U.S. Circuit Court of Appeals. Ms. Hufstedler joined the U S WEST board in 1983, and chairs the Public Policy Committee.

Allen F. Jacobson (68)

The former chairman and chief executive officer of 3M. Mr. Jacobson has been a member of the U S WEST board since 1983, and chairs the Corporate Development and Finance Committee.

Richard D. McCormick (54)

Named president and chief executive officer of U S WEST January 1, 1991, and chairman of the board May 1, 1992. Mr. McCormick was president of Northwestern Bell Telephone Company before joining U S WEST as executive vice president in 1985. He became a member of the company's board in 1986.

Marilyn Carlson Nelson (55)

The vice chair of Carlson Holdings Inc., a group of companies involved in marketing services, travel and hospitality services. Ms. Nelson is also chair of Citizens State Bank of Waterville, Minn., and Montgomery, Minn. She joined the U S WEST board in 1993.

Frank Popoff (59)

The chairman and chief executive officer of The Dow Chemical Company. Since joining Dow Chemical in 1959, he also served as the company's president and chief operating officer and executive vice president for international operations. Mr. Popoff joined the U S WEST board in 1993.

Glen L. Ryland (70)

The president of AYCO Inc. He is former chairman, president and chief executive officer of Frontier Holdings Inc., and its principal subsidiary, Frontier Airlines. He joined the U S WEST board in 1983, and chairs the Audit Committee.

Jerry O. Williams (56)

The president and chief executive officer of Grand Eagle Enterprises Inc., a private investment group. Mr. Williams is former president and chief operating officer of AM International Inc., a manufacturer and seller of design, display, reproduction and finishing products and supplies in the graphics industry. He joined the U S WEST board in 1988.

Daniel Yankelovich (70)

The founder and chairman of DYG Inc., a leading market research firm. He also founded Yankelovich, Skelly and White, one of the nation's largest opinion research organizations. Mr. Yankelovich joined the U S WEST board in 1983, and chairs the Trust Investment Committee.

In Memoriam

U S WEST lost two valued members of its family – Mary M. Gates and Jack D. Sparks – since the 1994 annual meeting.

Ms. Gates, a member of the U S WEST board since 1992, passed away June 9, 1994. She also served as a director of the U S WEST NewVector Group from 1990 to 1991, and of Pacific Northwest Bell from 1979 to 1988.

Mr. Sparks, who retired from the U S WEST board in 1993, passed away Dec. 22, 1994. The former chairman, chief executive officer and president of the Whirlpool Corporation, he was elected to the U S WEST board in 1985.

Their experience and insights were invaluable, and they will be missed.

Executive and Subsidiary Officers

*Richard D. McCormick**
Chairman, President and
Chief Executive Officer

*A. Gary Ames**
President and Chief Executive Officer
U S WEST Communications Group

*Richard J. Callahan**
Executive Vice President, U S WEST;
President, U S WEST International and
Business Development Group

*Charles M. Lillis**
Executive Vice President, U S WEST;
President and Chief Executive Officer,
U S WEST Diversified Group

*James M. Osterhoff**
Executive Vice President and
Chief Financial Officer

*Charles P. Russ III**
Executive Vice President,
General Counsel and Secretary

*C. Scott McClellan**
Acting Executive Vice President
Public Policy

*James H. Stever**
Executive Vice President and
Acting Chief Human Resources Officer

*James T. Anderson**
Vice President and Treasurer

*Lorne G. Rubis**
Vice President
Quality

*Judith A. Servoss**
Vice President
Public Relations

H. Laird Walker
Vice President
Federal Relations

Thomas E. Pardun
President and Chief Executive Officer
U S WEST Multimedia Group

Jan Peters
Chief Operating Officer
U S WEST NewVector Group

Solomon D. Trujillo
President and Chief Executive Officer
U S WEST Marketing Resources Group

Pearce Williams
President
Corporate Development Division

* Executive officer

The U S WEST Foundation

During 1994 the U S WEST Foundation invested more than $25 million in education, economic development, arts and community-betterment projects in the 14 states served by U S WEST Communications.

The Foundation also moved in a new direction: encouraging innovative programs to meet community needs through information technologies.

For more information on the foundation, please call (800) 543-5383

Shareowner Information

U S WEST Shareowner Services
If you have questions about your U S WEST account or need to make changes, please write:

For general information, transfers, the U S WEST Investor's Handbook or the company's current Form 10-K Report:
U S WEST
P.O. Box 8935
Boston, MA 02266-8935

For dividend reinvestment:
U S WEST
P.O. Box 8936
Boston, MA 02266-8936

Shareowner Toll-Free Numbers:
For information or inquiries, call 1-800-537-0222. For recorded messages about the company's activities, call 1-800-449-0000.

Shareowners calling from Alaska, Hawaii or outside the United States, please call collect: 0-505-989-2004.

Shareowner Investment Plan
Shareowners can reinvest their dividends and/or make optional payments for a fee of $1.00 per account, per quarter. Contact U S WEST Shareowner Services for enrollment information.

Expected Dividend Record Dates
April 19, 1995
July 20, 1995
October 20, 1995
January 19, 1996

Expected Dividend Payment Dates
May 1, 1995
August 1, 1995
November 1, 1995
February 1, 1996

Annual Meeting
The annual meeting of shareowners will be held at 10 a.m. Friday, May 5, 1995, at the Boise Centre, 850 West Front Street, Boise, Idaho 83702.
A signer will be at the meeting to assist the hearing impaired.

Stock Exchange Listings
U S WEST common stock is listed on the New York, Pacific, London, Zurich, Basel, Geneva, Amsterdam and Tokyo stock exchanges. U S WEST's ticker symbol is "USW," and the company is listed in newspaper stock tables under U S WEST.

Corporate Headquarters
U S WEST Inc.
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USWEST

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ENGLEWOOD, CO 80155-6508

G. H. (Jerry) Parrick

8 Red Tail Drive, Highlands Ranch, Colorado 80126

Home: 303 791-1459 Work 303 965-9260

1995 to Present	<u>President - *!NTERPRISE* Networking Services, *USWEST*</u> Full P&L responsibility for 500 person network integration business.
1994 to 1995	<u>Vice President, Chief Marketing Officer - *!NTERPRISE* Networking Services;</u> ***USWEST***, Additional responsibility of supervision of Time Warner and other Joint Ventures in national *!NTERPRISE* Networking Services business to be launched in 1995. 1994 sales of $153.4 million in 14 state *USWEST* territory.
1991 to 1994	<u>Vice President, Customer Solutions - Advanced Communications Services (ACS);</u> ***USWEST***, Responsible for Market Strategy, Product Development, and Sales of data applications in new business unit. Introduced LAN Integration Application, three fast packet transport products and joint marketed products from fifteen companies including Cisco, Novell, Synoptics, 3Com, Motorola, Netframe and Computervision in 14 state region in 1992. Awarded *USWEST* Chairman's Award for Marketing Excellence in 1992. Internally acknowledged as most successful start up since divestiture, externally as most successful RBOC entering Network Integration business. Created $8 million in total bookings in 1992 and $63 million in 1993, the first full calendar year of sales.
1989 to 1991	<u>General Manager, Data Communications Group</u>; **Pacific Bell** Initiation of and full P&L responsibility for strategic business unit selling data transport and LAN products to business markets; $340M existing transport revenue stream targeted for 30% increase over five years.
1987 to 1989	<u>Assistant Vice President, Market Assessment & Planning</u>; **Pacific Bell** Direction of market strategy, research and competitive assessment. Directed preparation of 1987, 1988, 1989 Market Plans; Supervised 135 Managers, budget of $19M.
1985 to 1987	<u>Assistant Vice President, New Business Development</u>; **Pacific Bell** Direction of product management, development, and strategic alliances. Supervised 180 management employees responsible for a business market revenue stream of $2 Billion.
4/85 to 12/85	<u>Marketing Manager, Bay Area General Business</u>; **Pacific Bell** Directed 190 person sales force responsible for $167M revenue stream from 6,000 business accounts; increased revenues 3% for the year, reversing 2 year decline.
1984 to 1985	<u>Stanford Sloan Fellow (see education)</u>
2/84 to 7/84	<u>Division Staff Manager, Organizational Studies</u>; **Pacific Bell** Directed task force study of Company organizational structure and produced first Pacific Bell annual business plan while serving on President's staff.
1982 to 1984	<u>Division Staff Manager, Marketing Operations</u>; **Pacific Telephone** Directed and implemented divestiture for the 14,000 person Marketing organization; Provided large scale project management to accomplish 1400 separate tasks.
1981 to 1982	<u>Division Staff Manager, Business Service Centers</u>; **Pacific Telephone** Directed inside service support. Implemented order systems credited with NPV of $106M over 7 years. Increased ComKey sales from 1,700 in 1981 to 26,000 systems in 1982.
1980 to 1981	<u>District Manager, San Francisco Financial Business Installation</u>, **Pacific Telephone** Supervised 300 business system installers serving 75 Fortune 500 headquartered accounts.
1977 to 1980	<u>District Staff Manager, Business Service Centers</u>; **Pacific Telephone** Planning, methods and practices for 4,000 person inside sales & service force.
1974 to 1977	<u>Sales Manager, Major Accounts</u>, **Pacific Telephone**
1969 to 1974	<u>Account Executive, Major Accounts</u>, **Pacific Telephone**
1968 to 1969	<u>President</u>, Veneer, Inc.
1966 to 1968	<u>President</u>, Campaign Associates, Inc.
Education:	Alfred P. Sloan Fellow: Stanford University, 1984-1985 Masters in Management Science, Stanford University 1985 California State University Northridge, 1967-1969 Associate of Arts, Los Angeles Valley College, 1966

JERI WAIT
Vice President - General Manager National Expansion
U S WEST *!NTERPRISE* America, Inc.

Professional Experience

U S WEST !NTERPRISE America, Inc.

Vice President-General Manager **1995-Present**

Lead the effort to expand !NTERPRISE's presence outside of the 14-state U S WEST region. Responsible for: identifying and negotiating business relationships in markets identified for expansion, business case development, and general management for these new !NTERPRISE markets.

U S WEST Communications, Inc.

Vice President Sales - Major Sector **1993-1995**
Business & Government Services

Direct sales channel responsible for $470 million dollar revenue stream for large business customers. These customers are primarily located throughout the 14 western and mid-western states territory.

Director Sales and Service **1993-1992**
Business & Government Services

Responsibilities included directing a sales and engineering team to sell voice, data and image services communications products to business customers. Accountable for profit and loss, service quality and revenue production for Oregon and Southwest Washington.

Director Market/Product Support **1990-1991**
Government and Education Market Unit

Responsibili:. . included directing product management and market planning activities for Government and Education Services. This included developing and implementing market and product strategies. The position directed market research, assessed market opportunities, developed and delivered new product applications as well as life cycle product management. Responsibilities also included managing advertising, public relations, special events, vendor relationships, public policy and service assurance. It supported a $300 million revenue stream across 14 western states.

Director Sales **1989-1990**
Government and Education Accounts

Directed a sales team to sell communications services to large government and education accounts in Oregon and Washington. Total revenue for 1989 exceeded $60M.

Director Market Planning **1988-1989**
Government and Education Market Unit

Responsibilities included acquisition and alliance planning and implementation, strategic market development, market management, directing market research, and developing service quality strategies and standards. Supports a $300 million sales organization that operates across 14 western states.

Director Product Marketing **1985-1988**
Business and Residence Projects

The scope of the job included life cycle management as well as new product development. Annual revenues for these products exceeded $100 million. Staff was located in five different states.

PACIFIC NORTHWEST BELL

Director Network and Technologies **1984-1985**

Directed a line operations organization that included 450 employees. This group provided maintenance and installation for telecommunications central offices, minicomputers, and radio sites. Excelled at motivating large occupational team, providing outstanding service to customers.

Director Network Switching Systems **1983-1984**

Lead a team which designed complex services for telecommunications customers utilizing legacy systems including TIRKS, CRIS and LMOS. Provided leadership in the development and implementation of these systems working with AT&T Bell Labs and other Bell System companies.

Director Budget and Personnel **1981-1983**

Managed a $140 million expense budget and provided human resource support for a large operations department. Du. ng this assignment, I was a member of the management bargaining team negotiating a three-year labor agreement with the Communications Workers of America.

Manager for Several Line and Staff Organizations **1974-1981**

Responsibilities included supervising small and large teams of occupational employees.

EDUCATION

University of Washington
Executive Masters of Business Administration, 1989

Portland State University
B.S. Speech Communications, 1974

Grant Graham
Dierctor Operations Integration/Program Manager

PROFESSIONAL EXPERIENCE

Director Operations Integration/Program Manager - INTERPRISE Networking Servi
Division of U S WEST Communications, Minneapolis, MN (January 1994 - Present)
Responsible for all aspects of operational development and implementation for multiple market expansion initiatives for INTERPRISE Networking Services. Duties include; managing the development of service delivery and management strategies for products services, working with INTERPRISE partners to integrate operations, and developing an implementing billing capabilities to support business initiatives. Additional responsibilitie include directing field operations for 40+ planned markets.

Manager Customer Service Center - INTERPRISE Networking Services
Division of U S WEST Communications, Minneapolis, MN (August 1993 - January 1994
Managed a team of 30 individuals responsible for the service delivery of INTERPRISE products and services over a 14-state territory. Responsibilities of team included service order provisioning, coordinating service activation, activating billing, and handling custon inquiries. Coordinated the disposition of a $7M backlog of sales orders which contribute entities ability to achieve financial objectives.

Finance Manager- INTERPRISE Networking Services
Division of U S WEST Communications, Minneapolis, MN (November 1991 - July 1993)
Served as financial counsel for $70M corporate program. Responsibilities included anal of financial information to assess, interpret and predict business performance. Specific analysis consisted of distribution channel analysis, sales compensation development, developing internal controls, and supporting new capital investment initiatives including business case development and evaluation.

Manager - Financial Analysis
U S WEST Communications, Minneapolis, MN (August 1991- October 1991)
Provided financial analysis support to $130M subsidiary. Evaluated financial and operational results and made recommendations for improving business performance.

Manager - Business Case Analysis
U S WEST Communications, Minneapolis, MN (March 1991 - July 1991)
Performed financial analysis of $1B+ program portfolio in support of strategy and development organization within U S WEST Communications. Provided financial recommendations for resource allocation process to optimize corporate investment.

Financial Analyst
U S WEST Communications, Minneapolis, MN (June 1988 - February 1991)
Assisted in the management of the long range financial planning process for U S WEST Communications. Duties included the collection and control of planning assumptions and subject matter expert forecasts; coordination and integration of entity forecasts; financial analysis including risk, sensitivity and shareholder value analysis; production and presentation materials for upper management, U S West Inc.; and other special projects.

EDUCATION

Master of Business Administration
University of Minnesota, Minneapolis, MN Major: Finance & Marketing, 1992

Bachelor of Science in Business
University of Minnesota, Minneapolis, MN Emphasis: Finance, 1988