FORM DEF 14A

Definitive proxy statements

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US WEST INC

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7800 EAST ORCHARD ROAD	*7800 E ORCHARD RD*
SUITE 480	*SUITE 480*
ENGLEWOOD CO 80111	*ENGLEWOOD CO 80111*
	3037936629

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /X/
Filed by a Party other than the Registrant / /

Check the appropriate box:
/ / Preliminary Proxy Statement
/ / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

U S WEST, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/X/ $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
/ / $500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
1) Title of each class of securities to which transaction applies:
2) Aggregate number of securities to which transaction applies:
3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
4) Proposed maximum aggregate value of transaction:
5) Total fee paid:

/ / Fee paid previously with preliminary materials.
/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:
3) Filing Party:
4) Date Filed:

[LOGO]

7800 East Orchard Road
Englewood, Colorado 80111

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders of U S WEST, Inc. ("U S WEST" or the "Company") will be held at Iowa State University's Benton Auditorium in Ames, Iowa, on Friday, June 7, 1996, at 10:00 a.m., for the following purposes:

1. To elect one Director in Class I and three Directors in Class II (see page 4);

2. To ratify the appointment of auditors (see page 6);

3. To approve the U S WEST Communications Group Long-Term Incentive Plan (see page 6); and

4. To act upon such other matters as may properly come before the Annual Meeting, including a shareholder proposal (see page 7).

Shareholders of record at the close of business on April 8, 1996 will be entitled to vote at the Annual Meeting or any postponements or adjournments thereof.

By Order of the Board of Directors

[SIGCUT]

CHARLES P. RUSS, III
Executive Vice President -- Law and Human Resources, General Counsel and Secretary

April 8, 1996

EACH SHAREHOLDER'S VOTE IS IMPORTANT.
PLEASE DATE, SIGN, AND RETURN PROMPTLY THE ACCOMPANYING PROXY CARD.

U S WEST

Executive Offices
7800 East Orchard Road
Englewood, Colorado 80111

PROXY STATEMENT

This Proxy Statement and the accompanying proxy/voting instruction card ("proxy card") are first being mailed on April 8, 1996 to holders of U S WEST Communications Group common stock ("Communications Stock") and U S WEST Media Group common stock ("Media Stock") in connection with the solicitation of proxies by the Board of Directors of U S WEST (the "Board"). Shares can be voted at the Annual Meeting only if the shareholder is represented by proxy or is present in person.

EACH SHAREHOLDER'S VOTE IS IMPORTANT. ACCORDINGLY, SHAREHOLDERS ARE URGED TO SIGN AND RETURN THE ACCOMPANYING PROXY CARD REGARDLESS OF WHETHER THEY PLAN TO ATTEND THE ANNUAL MEETING. If a shareholder attends and votes by ballot at the Annual Meeting, that vote will cancel any previously given proxy vote. Additionally, a shareholder giving a proxy may revoke it at any time before it is voted at the Annual Meeting by giving a valid proxy bearing a later date.

When proxy cards are properly signed and returned, the shares represented will be voted in accordance with the shareholder's directions. Votes will be tallied by Boston EquiServe Limited Partnership, U S WEST's transfer agent. If a proxy card is signed and returned without specifying choices, the shares will be voted as recommended by the Board. No shareholder's vote will be disclosed except to the extent necessary to meet legal requirements.

For participants in the U S WEST Shareowner Investment Plan, the proxy card will cover the number of full shares in the plan account, as well as shares registered in the participant's name. For participants in the U S WEST Payroll Stock Ownership Plan ("PAYSOP") or the U S WEST Savings Plan/ESOP ("SP/E"), the proxy card will serve also as a voting instruction card for the trustees of those plans with respect to the shares held in the participants' accounts. Shares held in the PAYSOP or the SP/E for which proxy cards are not returned (as well as shares held in the suspense account of the SP/E) will be voted by the respective trustees of the PAYSOP and the SP/E in accordance with their own proxy voting guidelines.

On December 31, 1995, approximately 775,125 record holders held 473,635,025 outstanding shares of Communications Stock, and approximately 770,346 record holders held 472,314,379 outstanding shares of Media Stock. Each share of Communications Stock is entitled to one vote, and each share of Media Stock is entitled to 0.640 vote, on all matters properly brought before the Annual Meeting. The relative voting power of Communications Stock and Media Stock is determined by a formula set forth in U S WEST's Certificate of Incorporation. The formula provides that each share of Communications Stock has one vote, and each share of Media Stock has a variable number of votes equal to the ratio of the time-weighted average market value of one share of Media Stock to the time-weighted average market value of one share of Communications Stock, calculated over a period of 20 days of trading on a national securities exchange. The 20-day trading period ends ten trading days prior to the record date for a meeting of shareholders. For this Annual Meeting, the 20-day period began February 26, 1996 and ended March 22, 1996.

Shareholders representing a majority of the combined voting power of the Communications Stock and the Media Stock must be present or represented by proxy to constitute a quorum to conduct business at the Annual Meeting. Each class of common stock will vote together as a single class on all matters presented for consideration at the Annual Meeting. If a quorum is present, the four nominees for Directors receiving the highest number of votes will be elected. For all other matters to be considered by shareholders at the Annual Meeting, the affirmative vote of a majority of the votes of the shares entitled to vote and present in person or by proxy is necessary for approval. Shares represented by proxies that are marked "Abstain" on the proxy card with regard to such other matters, and proxies that are marked to deny discretionary authority on other

matters, will not be included in the vote total and will have no effect on the outcome of the vote. Shares held of record by brokers who are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions (commonly described as "broker non-votes") likewise will not be included in the vote total and will have no effect on the outcome of the vote.

Shareholders of record who do not have admission tickets will be admitted upon verification of ownership at the shareholders' admission counter. Beneficial owners can obtain tickets at the shareholders' admission counter by presenting evidence of holdings such as a bank or brokerage firm account statement.

A shareholder receiving more than one copy of U S WEST's Annual Report to Shareholders may stop mailing of the duplicate copies by marking the designated box on the proxy card for selected accounts. This helps reduce the expense of printing and mailing duplicate materials but will not affect the mailing of dividend checks, special notices, proxy materials and dividend reinvestment statements.

BOARD OF DIRECTORS
MEETINGS

Regular meetings of the Board take place six times during the year and special meetings are scheduled as necessary. The Board held 12 meetings in 1995. No incumbent Director attended fewer than 75 percent of the aggregate of the total number of meetings of the Board and all Committees of the Board on which such Director served. Directors meet their responsibilities not only by attending Board and Committee meetings but also through participation in informational sessions, informal consultations, and communication with members of management on matters affecting U S WEST.

COMMITTEES

The Board has established the following standing Committees:

AUDIT COMMITTEE

The Audit Committee held three meetings in 1995. The Committee members are Mr. Gilmour (Chair), Mr. Grieve, Mr. Williams, and Ms. Diaz-Oliver. The Audit Committee's purpose is to oversee U S WEST's accounting and financial reporting policies and practices and to assist the Board in fulfilling its fiduciary and corporate accountability responsibilities. U S WEST's internal auditors and independent certified public accountants periodically meet with the Audit Committee and always have unrestricted direct access to the Audit Committee members.

BOARD AFFAIRS COMMITTEE

The Board Affairs Committee held three meetings in 1995. The Committee members are Mr. Grieve (Chair), Mr. Jacobson, Ms. Diaz-Oliver, Ms. Hufstedler, and Ms. Nelson. The Board Affairs Committee serves as a nominating committee for the Board. The Committee also makes recommendations regarding Director compensation and Board Committee structure and composition. At least twice annually the Committee Chair determines the agenda and chairs executive sessions of outside Directors to evaluate the performance and effectiveness of the Board, its Chairman, and its individual members, and to discuss corporate governance issues and other topics as determined by outside Directors from time to time. The Committee reviews and approves of service on outside boards of directors by the Company's top Executive Officers. This Committee will consider candidates for the Board recommended by shareholders if the names and qualifications of such candidates are submitted in writing to the Secretary of U S WEST, 7800 East Orchard Road, Suite 200, Englewood, Colorado 80111.

CORPORATE DEVELOPMENT AND FINANCE COMMITTEE

The Corporate Development and Finance Committee held three meetings in 1995. The Committee members are Mr. Jacobson (Chair), Mr. Gilmour, Mr. Grieve, Mr. Williams, and Ms. Hufstedler. The Committee is responsible for evaluating Company growth strategies and financing for the Company's operations.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee held seven meetings in 1995. The Committee members are Mr. Dove (Chair), Mr. Popoff, Ms. Diaz-Oliver, and Ms. Nelson. The Human Resources Committee is responsible to assure the appropriateness of the compensation and benefits of the Executive Officers of U S WEST and its subsidiaries and to provide for the orderly succession of management.

PUBLIC POLICY COMMITTEE

The Public Policy Committee held two meetings in 1995. The Committee members are Ms. Hufstedler (Chair), Ms. Nelson, Mr. Dove, Mr. Jacobson, and Mr. Popoff. The Committee is responsible for reviewing public policy issues generally.

TRUST INVESTMENT COMMITTEE

The Trust Investment Committee held two meetings in 1995. The Committee members are Mr. Popoff (Chair), Mr. Dove, Mr. Gilmour, and Mr. Williams. The Trust Investment Committee is responsible for overseeing the administration of the Company's trust funds for the benefit of the fund beneficiaries.

COMPENSATION OF DIRECTORS

To attract and retain exceptionally qualified Directors, the Company offers a competitive Director compensation package, with a strategic mix of elements weighted toward equity ownership to align the interests of Directors with the long-term interests of shareholders. The Company considers equity ownership a powerful influence to put decision-making in close contact with shareholder interests and focus attention on directing the Company as owners. The remaining compensation components consist of cash and non-cash benefits, described below. During 1995, the Board completed a thorough review of the Report of the National Association of Corporate Directors Blue Ribbon Commission on Director Compensation and the recommended Best Practices. The Board determined that the Company's policies agree with the spirit of that Report.

Non-employee Directors receive an annual retainer of $30,000 and a fee of $1,200 for attendance at each Board or Committee meeting. For multi-day meetings, non-employee Directors receive a fee of $1,200 per day. For additional service as Committee chairs, the chairpersons of the Audit, Human Resources and Corporate Development & Finance Committees receive an annual retainer of $4,500 and the chairpersons of the Public Policy, Trust Investment and Board Affairs Committees receive an annual retainer of $3,500.

Directors may elect to defer receipt of all or part of their retainers and Committee fees in stock or in cash. Deferred amounts that otherwise would be payable in common stock are credited, in evenly divided proportions of Communications Stock and Media Stock, in an account as "phantom" stock units, the value of which rises and falls with the price of Communications Stock and Media Stock. Additional stock units are credited to the account when a dividend is declared on the Company's common stock. Cash payments so deferred earn interest, compounded quarterly, at a rate equal to the average interest rate for ten-year United States Treasury notes for the previous quarter.

From time to time, on appropriate occasions, Directors are asked to participate in informational sessions or informal consultations regarding Company developments or otherwise to assist the Company with special projects or other business matters with which they have expertise. For such sessions or consultations of significant duration, Directors are compensated with a cash payment of $1,200. Directors routinely participate in informational sessions and consultations of shorter duration without receiving any separate compensation.

Under the terms of the amended 1994 Stock Plan approved by shareholders, Directors receive 400 shares of Communications Stock and 400 shares of Media Stock in each of their first five years of service. They also receive annual grants of 3,000 stock options for each class of common stock. These options have value for Directors only if the price of the Company's stock appreciates from the date of the option grant.

Non-employee Directors who retire after serving a minimum of five credited years on the Board are paid a sum equal to their final-year retainer multiplied by the lesser of ten or their number of years of service on the Board. At the Director's discretion, this amount is paid in ten equal annual installments or a single installment equal to its discounted present value.

Any Director who is an employee of U S WEST or one of its subsidiaries receives no compensation for serving as a Director.

SECURITIES OWNED BY MANAGEMENT

The following table sets forth beneficial ownership of shares of Communications Stock and Media Stock by each Director, each named Executive Officer, and all Directors and Executive Officers as a group as of December 31, 1995. These shares represent less than one percent of either class of outstanding common stock.

<TABLE>
<CAPTION>

	BENEFICIAL OWNERSHIP	
	COMMUNICATIONS STOCK	MEDIA STOCK

	TOTAL NUMBER OF SHARES	SHARES SUBJECT TO OPTIONS* (INCLUDED IN TOTAL)	TOTAL NUMBER OF SHARES	SHARES SUBJECT TO OPTIONS* (INCLUDED IN TOTAL)
<S>	<C>	<C>	<C>	<C>
Remedios Diaz-Oliver..............	5,200	1,200	5,200	1,200
Grant A. Dove......................	3,800	1,200	3,800	1,200
Allan D. Gilmour...................	4,573	1,200	4,573	1,200
Pierson M. Grieve..................	3,200	1,200	3,200	1,200
Shirley M. Hufstedler..............	6,493	1,200	7,575	1,200
Allen R. Jacobson..................	6,662(1)	1,200	6,662(1)	1,200
Charles M. Lillis..................	40,268	0	105,868	60,000
Richard D. McCormick...............	389,510(2)	221,959	454,217(3)	221,959
Marilyn Carlson Nelson.............	2,600	1,200	2,600	1,200
Frank Popoff.......................	3,100	1,200	3,100	1,200
Charles P. Russ III................	46,412	29,966	50,300	35,000
James H. Stever....................	98,660	56,783	98,453	56,783
Solomon D. Trujillo................	48,117	21,558	56,229	31,558
Jerry O. Williams..................	3,400	1,200	3,400	1,200
All Directors and Executive Officers (as a group)............	699,600	355,345	847,207	430,379

</TABLE>

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* Shares subject to acquisition through exercise of stock options within 60 days.

(1) Includes 3,462 shares subject to shared voting and investment power.

(2) Includes 95,282 shares subject to shared voting and investment power.

(3) Includes 95,264 shares subject to shared voting and investment power.

ELECTION OF DIRECTORS (ITEM A ON PROXY CARD)

Pursuant to the Certificate of Incorporation of U S WEST, the Board consists of three classes of Directors. Each class of Directors is subject to election by shareholders every three years. Any Director appointed by the Board between annual meetings is subject to election by shareholders at the following annual meeting. The Board has adopted a policy that requires Directors to retire at the annual meeting following the Director's 70th birthday.

Unless otherwise instructed, proxies will be voted for the election of the four nominees listed below. If a shareholder returning a proxy does not wish shares to be voted for particular nominees, the shareholder must so indicate in the space provided on the proxy card.

If one or more of the nominees becomes unavailable or unable to serve at the time of the Annual Meeting, the shares to be voted for such nominee or nominees that are represented by proxies will be voted

for any substitute nominee or nominees designated by the Board or, if none, the size of the Board will be reduced. The Board knows of no reason why any of the nominees would be unavailable or unable to serve at the time of the Annual Meeting.

Shirley M. Hufstedler will retire from the Board at the conclusion of the Annual Meeting.

A brief listing of the principal occupations, other major affiliations and ages of the four nominees for election as Directors, and the Directors whose terms of office do not expire at this Annual Meeting, follows.

NOMINEE FOR ELECTION AS DIRECTOR IN CLASS I
(THE TERM OF THIS CLASS OF DIRECTORS EXPIRES AT THE 1998 ANNUAL MEETING OF SHAREHOLDERS)

ALLEN F. JACOBSON, retired. Chairman and Chief Executive Officer of Minnesota Mining & Manufacturing Company from 1986 to 1991. Director of Abbott Laboratories, Deluxe Corporation, Minnesota Mining & Manufacturing Corporation, Mobil Corporation, Northern States Power Company, Potlatch Corporation, The Prudential Insurance Company of America, Sara Lee Corporation, Silicon Graphics, Inc., and Valmont Industries, Inc. Director of U S WEST since 1983. Age 69.

DIRECTORS IN CLASS I
(THE TERM OF THIS CLASS OF DIRECTORS EXPIRES AT THE 1998 ANNUAL MEETING OF SHAREHOLDERS)

REMEDIOS DIAZ-OLIVER, President and Chief Executive Officer of All American Containers, Inc. since November 1991. Chief Executive Officer and President of American International Containers, Inc., from 1990 to October 1991; Chief Executive Officer and Executive Vice President from 1977 to 1990. Director of Avon Products, Inc., Barnett Banks, Inc., American Cancer Society, Greater Miami Chamber of Commerce, Hamilton Foundation, Infants in Need, Jackson Memorial Foundation, National Hispanic Leadership Agenda, and University of Miami School of Medicine. Director of U S WEST since 1988. Age 57.

GRANT A. DOVE, Managing Partner of Technology Strategies and Alliances since 1992. Executive Vice President of Texas Instruments from 1982 to 1987. Director of Control Data Systems Incorporated, Cooper Cameron Corporation, Forefront Group, Inc., InterVoice, Inc., and Microelectronics and Computer Technology Corporation. Director and Chairman of Optek Technology, Inc. Director of U S WEST since 1988. Age 67.

NOMINEES FOR ELECTION AS DIRECTORS IN CLASS II
(THE TERM OF THIS CLASS OF DIRECTORS EXPIRES AT THE 1999 ANNUAL MEETING OF SHAREHOLDERS)

PIERSON M. GRIEVE, retired. Chairman of the Board and Chief Executive Officer of Ecolab, Inc. from 1983 through 1995. Director of Danka Business Systems PLC, Ecolab, Inc., Meredith Corporation, Norwest Corporation, St. Paul Companies and Waldorf Corporation. Director of U S WEST since 1990. Age 68.

RICHARD D. MCCORMICK, Chairman of the Board since May 1992; President and Chief Executive Officer since 1991; President and Chief Operating Officer from 1986 to 1991. Director of Financial Security Assurance Holdings Ltd., Norwest Corporation and UAL, Inc. Director of U S WEST since 1986. Age 55.

MARILYN CARLSON NELSON, Vice Chair of Carlson Holdings, Inc. since 1991; Senior Vice President, 1988 to 1991. Director of Exxon Corporation, the First Bank System, Inc. and Carlson Holdings, Inc. Director of U S WEST since 1993. Age 56.

DIRECTORS IN CLASS III
(THE TERM OF THIS CLASS OF DIRECTORS EXPIRES AT THE 1997 ANNUAL MEETING OF SHAREHOLDERS)

ALLAN D. GILMOUR, retired. Vice Chairman of Ford Motor Co. from 1993 to 1995; Executive Vice President of Ford Motor Co. and President, Ford Automotive Group, from 1990 to 1993; Executive Vice President, Corporate Staffs, from 1989 to 1990; Executive Vice President, International Automotive Operations, from 1987 to 1989. Director of The Dow Chemical Company, DTE Energy Company, The Prudential Insurance Company of America and Whirlpool Corporation. Director of U S WEST since 1992. Age 61.

FRANK POPOFF, Chairman of The Dow Chemical Company since 1992 and Chief Executive Officer from 1987 to 1995. Director of American Express Company and Chemical Financial Corporation. Director of U S WEST since 1993. Age 60.

JERRY O. WILLIAMS, President and Chief Executive Officer of Grand Eagle Companies, Inc., since May, 1992. Chairman of the Board of The Monotype Corporation Plc. from December, 1990 to May, 1992; Managing Director from January, 1990 to May, 1992. Director of ECRM Inc. and Monotype Typography, Inc. Director of U S WEST since 1988. Age 57.

RATIFICATION OF APPOINTMENT OF AUDITORS (ITEM B ON PROXY CARD)

The Board, upon recommendation of the Audit Committee, has appointed the firm of Arthur Andersen LLP, Certified Public Accountants, as independent auditors to make an examination of the accounts of U S WEST for calendar year 1996. THE BOARD RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" RATIFICATION OF THIS APPOINTMENT.

Coopers & Lybrand L.L.P. has served as the Company's independent auditor, and Arthur Andersen LLP has served as the primary auditing firm for major subsidiaries of U S WEST Media Group, since 1984. In view of the Company's new targeted stock structure, the Company determined, following a recommendation of the Audit Committee, that it will be more efficient and effective for the Company to have a single firm perform the auditing function for the entire business.

During the Company's two most recent fiscal years ended December 31, 1995 and December 31, 1994, the reports of Coopers & Lybrand L.L.P. on the Company's financial statements contained no adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In addition, during such fiscal years and the interim periods thereafter: (1) no disagreements with Coopers & Lybrand L.L.P. have occurred on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Coopers & Lybrand L.L.P., would have caused it to make reference to the subject matter of the disagreement in connection with its report on the Company's financial statements; (2) no reportable events involving Coopers & Lybrand L.L.P. have occurred that must be disclosed under applicable securities laws; and (3) the Company has not consulted with Arthur Andersen LLP on items that concerned the application of accounting principles to a specific transaction, either completed or proposed, or on the type of audit opinion that might be rendered on the Company's financial statements.

Representatives of Arthur Andersen LLP and Coopers & Lybrand L.L.P. are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire, and will be available to respond to questions.

PROPOSAL TO APPROVE THE U S WEST COMMUNICATIONS GROUP
LONG-TERM INCENTIVE PLAN (ITEM C ON PROXY CARD)

The U S WEST Communications Group Long-Term Incentive Plan (the "Plan") is intended to provide key executives of U S WEST Communications Group and of the Company with incentive compensation based upon the sum of regular cash dividends, if any, paid on Communications Stock, and the achievement of pre-established, objective performance goals. Eligibility under the Plan will be limited to executives and key employees of the Communications Group and the Company selected by the Human Resources Committee of the Board.

The Plan includes a two-year performance period that concludes on December 31, 1997, and three performance periods of three years that conclude, respectively, on December 31 of 1998, 1999 and 2000. The Human Resources Committee will assign Dividend Equivalent Units ("DEUs") to Plan participants at the beginning of each performance period and on such other occasions as it may determine. The Human Resources Committee will determine the number of DEUs to be assigned to any participant, based on the Company's compensation strategy and philosophy described in the report on executive compensation that begins on p. 13. At the conclusion of each performance period, participants will be entitled to receive a percentage of the product of their respective DEUs multiplied by the aggregate value of dividends paid during the performance period on one share of Communications Stock. The percentage, which may not exceed 100%, will be determined pursuant to a performance formula established by the Human Resources

Committee within 90 days of the commencement of a performance period. The performance formula will be based on one or more of the Communications Group's financial results, revenue, productivity and efficiency measures, customer service, and employee and management satisfaction measures.

Payments, if any, following a performance period will be in the form of Communications Stock, and shall occur as soon as practicable following the conclusion of the performance period. The number of shares issued for a performance period will be determined by dividing the amount payable to a participant for a performance period by the closing price of Communications Stock, averaged over a 20-trading day period commencing ten trading days prior to the end of the performance period. Shares so paid may be restricted or unrestricted, at the discretion of the Human Resources Committee. A pool of 1,300,000 shares of Communications Stock will be available for issuance over the life of the Plan, and the number of DEUs issued to any participant over the life of the Plan shall not exceed 200,000.

THE FOREGOING SUMMARY OF THE PLAN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN AS SET FORTH IN APPENDIX A.

THE BOARD RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THIS PLAN.

SHAREHOLDER PROPOSAL

A shareholder proponent has notified the Company of the intent to present the following proposal and supporting statement at the Annual Meeting. The adoption of the proposal would not, in itself, cause the implementation of the action or policy called for by the proposal, but simply would constitute a recommendation to the Board.

SHAREHOLDER PROPOSAL (ITEM 1 ON THE PROXY CARD)

Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Avenue, N.W., Suite 215, Washington, D.C. 20037, owning of record 120 shares of Communications Stock and 120 shares of Media Stock, has given notice that she intends to present at the Annual Meeting the following resolution:

> "RESOLVED: That the shareholders of U S WEST recommend that the Board of Directors take the necessary steps to institute the election of directors ANNUALLY, instead of the stagger system as is now provided."
>
> "REASONS: The great majority of New York Stock Exchange listed corporations elect all their directors each year."

"This insures that ALL directors will be more accountable to ALL shareholders each year and to a certain extent prevents the self-perpetuation of the Board."

"Last year the owners of 108,763,030 shares, representing approximately 30.4% of shares voting, voted FOR this proposal."

"If you AGREE, please mark your proxy FOR this resolution."

THIS PROPOSAL HAS BEEN SUBMITTED AT EACH OF THE PAST SEVEN ANNUAL MEETINGS AND EACH TIME HAS BEEN SOUNDLY DEFEATED. THE BOARD AGAIN HAS CONSIDERED THE PROPOSAL AND AGAIN RECOMMENDS THAT SHAREHOLDERS VOTE "AGAINST" IT.

The Board believes that the election of Directors by classes enhances the likelihood of continuity and stability in the Board and its policies. When Directors are elected by classes, a change in the composition of a majority of the Board normally requires at least two shareholder meetings, instead of one. Board classification also encourages any person seeking to acquire control of U S WEST to initiate such an action through arm's length negotiations with management and the Board, who are in a position to negotiate a transaction that is fair to all shareholders of U S WEST. With a classified Board, it is more likely that a majority of the Directors of U S WEST will have prior U S WEST Board experience, thereby facilitating planning for the business of U S WEST.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE
<TABLE>
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		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
					RESTRICTED STOCK AWARD(S)	SECURITIES UNDERLYING OPTIONS/SARS		LTIP PAYOUTS
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)	($)	CLASS *	(#)	($)(2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
RICHARD D. MCCORMICK	1995	$ 760,000	$ 450,000	$ 22,865		U	140,000	$2,083,292
President, CEO and	1994	$ 700,000	$ 560,000	$ 27,527	$ --	U	100,000	$ --
Chairman of the Board	1993	$ 700,000	$ 575,000	$ 8,439	$ --	U	45,000	$1,038,904
CHARLES M. LILLIS	1995	$ 490,000	$ 375,000	$ 632	$ 100,800(1)	U	100,000	$1,488,098
Executive Vice President,	1994	$ 453,333	$ 295,000	$ 14,380	$ --	U	55,000	$ --
U S WEST & President	1993	$ 408,750	$ 275,000	$ 8,212	$ --	U	30,000	$ 742,081
and CEO, U S WEST								
Media Group								
SOLOMON D. TRUJILLO	1995	$ 342,500	$ 300,000	$ 10,468		U	130,000	$ 976,441
Executive Vice President,						C	8,049	
U S WEST & President	1994	$ 289,583	$ 170,000	$ 4,796	$ 428,750(1)	U	25,000	$ --
and CEO, U S WEST	1993	$ 266,667	$ 135,000	$ 8,560		U	10,000	$ 227,581
Communications Group								
CHARLES P. RUSS, III	1995	$ 370,000	$ 180,000	$ 15,050		U	40,000	$ 892,847
Executive Vice President								
--						C	4,160	
Law and Human Resources,	1994	$ 361,667	$ 170,000	$ 2,578	$ --	U	25,000	$ --
General Counsel and	1993	$ 350,000	$ 155,000	$ 1,185	$ 21,625(1)	U	15,000	$ 445,257
Secretary								
JAMES H. STEVER	1995	$ 350,000	$ 160,000	$ 4,219		U	30,000	$ 892,847
Executive Vice President								
--	1994	$ 340,000	$ 160,000	$ 6,831		U	25,000	$ --
Public Policy	1993	$ 328,849	$ 155,000	$ 0		U	15,000	$ 445,257

<CAPTION>

NAME AND PRINCIPAL POSITION	ALL OTHER COMPENSATION ($)(3)
<S>	<C>
RICHARD D. MCCORMICK	$ 68,182
President, CEO and	$ 35,612
Chairman of the Board	$ 65,092
CHARLES M. LILLIS	$ 31,156
Executive Vice President,	$ 27,067
U S WEST & President	$ 33,026
and CEO, U S WEST	
Media Group	
SOLOMON D. TRUJILLO	$ 29,461
Executive Vice President,	
U S WEST & President	$ 30,538
and CEO, U S WEST	$ 24,606
Communications Group	

CHARLES P. RUSS, III	$ 26,241
Executive Vice President --	
Law and Human Resources,	$ 29,381
General Counsel and Secretary	$ 19,867
JAMES H. STEVER	$ 34,133
Executive Vice President --	$ 43,192
Public Policy	$ 39,189

</TABLE>

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* U = U S WEST, Inc. Common Stock
C = Communications Stock
M = Media Stock

NOTE: On October 31, 1995, the shareholders of U S WEST approved reincorporation from Colorado to Delaware and creation of two classes of common stock, Communications Stock and Media Stock, which are intended to reflect separately the performance of the Company's communications and multimedia businesses. Options granted on or after the effective date, November 1, 1995, are options in either Communications Stock or Media Stock. Options outstanding prior to November 1, 1995, were reclassified as one option each of Communications Stock and Media Stock. The exercise price of these reclassified options is based on the weighted closing price Communications Stock and Media Stock as of November 1, 1995, which on a combined basis equals the full exercise price of the original option.

(1) Mr. Lillis received 5,600 shares of Media Stock in November, 1995, subject to a two-year restriction on sale or transferability. Mr. Trujillo received 10,000 shares of U S WEST common stock in February, 1994, subject to restrictions on sale or transferability that lapse on one quarter of such shares on the first through the fourth anniversaries of the grant date of such shares. Mr. Russ received 500 shares of U S WEST common stock in June, 1993, subject to a one-year restriction on sale or transferability. All of these shares are entitled to dividends, if any, paid during the restriction period.

(2) Shares issued for the 1993 performance period were paid to participants pursuant to a performance-based program implemented by the Human Resources Committee in 1991 in connection with the restricted stock feature of the then effective Stock Incentive Plan. In May, 1994, shareholders approved the Executive Long-Term Incentive Plan. Yearly payouts of restricted shares, if any, under the Executive Long-Term Incentive Plan are determined by the total shareholder return achieved by the Company over a six-year performance period that began in 1991. For 1993, Messrs. McCormick, Lillis, Trujillo, Russ and Stever, respectively, received 24,231, 17,308, 5,308, 10,385 and 10,385 shares of U S WEST common stock. As a result of the Company's negative total shareholder return in 1994, no additional shares of restricted stock were paid to participants. In 1995, total shareholder return was sufficiently positive to offset the negative total shareholder return of 1994 and still permit a payout of additional shares to participants. Messrs. McCormick, Lillis, Trujillo, Russ and Stever, respectively, received 36,710, 26,222, 17,206, 15,733 and 15,733 shares each of Communications Stock and Media Stock as a result of the total shareholder return in 1995. All of the shares paid for 1993 and 1995 are subject to a two-year restriction period on sale or transferability, measured from the date of issuance, and all such shares shall be entitled to dividends, if any, paid during such restriction period. At December 31, 1995, Messrs. McCormick, Lillis, Trujillo, Russ and Stever, respectively, held 24,231, 17,308, 12,808, 10,385 and 10,385 restricted shares of Communications Stock, and 24,231, 22,908, 12,808, 10,385 and 10,385 restricted shares of Media Stock. At December 31, 1995, the aggregate value of all shares of restricted stock held by Messrs. McCormick, Lillis, Trujillo, Russ and Stever, respectively, was $1,323,618, $1,051,849, $699,637, $567,281 and $567,281.

(3) The amounts in this column are attributable to (1) the Company matching contribution under the Deferred Compensation Plan, (2) the Company matching contribution under the SP/E, (3) the current dollar value of the remainder of the premium paid under a split-dollar insurance arrangement, and (4) the amount paid for the term insurance portion of the foregoing split-dollar arrangement. The separate components of these amounts are set forth below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995			
NAME	DEFERRED COMPENSATION COMPANY MATCH	SAVINGS PLAN COMPANY MATCH	SPLIT-DOLLAR PREMIUM VALUE	TERM PORTION PREMIUM
<S>	<C>	<C>	<C>	<C>
McCormick......................	$ 30,441	$ 7,500	$ 28,826	$ 1,415
Lillis.........................	$ 0	$ 7,500	$ 22,831	$ 825

Trujillo........................	$ 8,885	$ 7,500	$ 12,886	$ 220
Russ............................	$ 11,000	$ 7,500	$ 7,199	$ 542
Stever..........................	$ 9,697	$ 7,500	$ 16,415	$ 521

<CAPTION>

NAME	YEAR ENDED DECEMBER 31, 1994 DEFERRED COMPENSATION COMPANY MATCH	SAVINGS PLAN COMPANY MATCH	SPLIT-DOLLAR PREMIUM VALUE	TERM PORTION PREMIUM
<S>	<C>	<C>	<C>	<C>
McCormick.......................	$ 26,826	$ 7,500	$ 0	$ 1,286
Lillis..........................	$ 15,195	$ 7,188	$ 4,051	$ 633
Trujillo........................	$ 11,022	$ 7,324	$ 12,000	$ 192
Russ............................	$ 10,583	$ 7,500	$ 10,814	$ 484
Stever..........................	$ 16,126	$ 7,500	$ 19,131	$ 435

<CAPTION>

NAME	YEAR ENDED DECEMBER 31, 1993 DEFERRED COMPENSATION COMPANY MATCH	SAVINGS PLAN COMPANY MATCH	SPLIT-DOLLAR PREMIUM VALUE	TERM PORTION PREMIUM
<S>	<C>	<C>	<C>	<C>
McCormick.......................	$ 27,139	$ 7,861	$ 29,014	$ 1,078
Lillis..........................	$ 8,646	$ 11,792	$ 12,073	$ 515
Trujillo........................	$ 2,998	$ 9,537	$ 11,908	$ 163
Russ............................	$ 0	$ 8,750	$ 10,667	$ 450
Stever..........................	$ 5,931	$ 9,827	$ 22,062	$ 1,369

</TABLE>

OPTION/SAR GRANTS IN LAST FISCAL YEAR

The following table provides information on stock options granted to the named Executive Officers during 1995. The Company employed the Black-Scholes option pricing model to develop the theoretical values set forth under the "Grant Date Present Value" column. These stock options comprise a portion of the named Executive Officers' total long-term compensation potential. As such, the issued amounts are consistent with the Company's compensation philosophy as outlined in the Report of the Human Resources Committee on Executive Compensation, beginning on p. 13.

<TABLE>
<CAPTION>

NAME	INDIVIDUAL GRANTS NUMBER OF SECURITIES UNDERLYING OPTIONS/ SARS GRANTED(1)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	GRANT DATE PRESENT VALUE ($)
<S>	<C>	<C>	<C>	<C>	<C>
Richard D. McCormick............................	140,000	4.37%	$ 43.750	9/1/05	$ 852,600(4)
Charles M. Lillis...............................	100,000	3.12%	$ 43.750	9/1/05	$ 609,000(4)
Solomon D. Trujillo.............................	30,000(3)	0.94%	$ 41.250	7/3/05	$ 182,700(4)
	100,000	3.12%	$ 43.750	9/1/05	$ 609,000(4)
	4,003(2)	0.12%	$ 33.125	11/7/01	$ 14,371(5)
	4,046(2)	0.13%	$ 33.125	6/1/02	$ 14,768(5)
Charles P. Russ, III............................	40,000	1.25%	$ 43.750	9/1/05	$ 243,600(4)
	4,160(2)	0.13%	$ 33.750	1/4/03	$ 14,934(5)
James H. Stever.................................	30,000	0.94%	$ 43.750	9/1/05	$ 182,700(4)

</TABLE>

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(1) Except as otherwise noted, these stock options (i) were issued prior to November 1, 1995 on shares of common stock of U S WEST, Inc., (ii) become exercisable in one-third increments on the first, second and third anniversaries of the date of grant, and (iii) include a reload feature. The reload feature gives the optionee the right to receive a further option, at the then current market price, for a number of shares equal to the number of shares of stock surrendered by the optionee in payment of the exercise price of the original option. Stock options issued prior to November 1, 1995, the effective date of the creation of Communications Stock and Media Stock, were reclassified as one option each of Communications Stock and Media Stock. The exercise price of reclassified options is based on the weighted closing price of Communications Stock and Media Stock as of November 1, 1995, which on a combined basis equals the full exercise price of the original option.

(2)
These stock options become fully exercisable one year from the date of grant and do not include a reload feature.

(3)
These stock options become fully exercisable on the third anniversary of the date of grant.

(4)
This value reflects the standard application of the Black-Scholes option pricing model to options issued on common stock of U S WEST, using the following assumptions: volatility, 15.6%; dividend yield, 5.3% (based on a weighted average dividend yield for the last five years), and a risk-free rate of return of 6.5% based on the options being outstanding for the ten-year option term.

(5)
This value reflects the standard application of the Black-Scholes option pricing model to options issued on Communications Stock, using the following assumptions: volatility, 19.6%; dividend yield, 6.4%; and a risk-free rate of return of 5.4% to 5.6% based on the options being outstanding for a term ranging from 71 months to 84 months.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION/SAR VALUES

FOR COMMUNICATIONS STOCK OPTIONS

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE	UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS EXERCISABLE	UNEXERCISABLE
Richard D. McCormick	--	$ --	221,959	285,000	$ 3,041,579	$ 3,036,231
Charles M. Lillis	--	$ 633,831	--	185,000	$ --	$ 1,921,760
Solomon D. Trujillo	1,951	$ 119,724	21,558	173,049	$ 282,827	$ 1,719,585
Charles P. Russ, III	874	$ 54,589	29,966	84,160	$ 413,968	$ 838,045
James H. Stever	--	$ --	56,783	70,000	$ 759,322	$ 735,138

FOR MEDIA STOCK OPTIONS

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF UNEXERCISED OPTIONS/SARS AT FY-END (#) EXERCISABLE	UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS EXERCISABLE	UNEXERCISABLE
Richard D. McCormick	--	$ --	221,959	285,000	$ 931,301	$ 644,896
Charles M. Lillis	--	$ --	60,000	185,000	$ 251,922	$ 386,074
Solomon D. Trujillo	--	$ --	31,558	165,000	$ 129,103	$ 321,076
Charles P. Russ, III	--	$ --	35,000	80,000	$ 145,758	$ 168,046
James H. Stever	--	$ --	56,783	70,000	$ 226,099	$ 153,862

U S WEST PENSION PLANS

The following table illustrates the maximum estimated annual benefits payable to the named Executive Officers upon retirement pursuant to the U S WEST Pension Plans, based upon the pension plan formula for specified final average annual compensation and specified years of service:

PENSION PLAN TABLE

FINAL AVERAGE ANNUAL COMPENSATION	YEARS OF SERVICE 15	20	25	30	35	40	45
$ 500,000	$ 112,500	$ 160,000	$ 187,500	$ 225,000	$ 262,500	$ 293,750	$ 325,000
600,000	135,000	180,000	225,000	270,000	315,000	352,500	390,000
700,000	157,500	210,000	262,500	315,000	367,500	411,250	455,000

800,000	180,000	240,000	300,000	360,000	420,000	470,000	520,000
900,000	202,500	270,000	337,500	405,000	472,500	528,750	585,000
1,000,000	225,000	300,000	375,000	450,000	525,000	587,500	650,000
1,100,000	247,500	330,000	412,500	495,000	577,500	646,250	715,000
1,200,000	270,000	360,000	450,000	540,000	630,000	705,000	780,000
1,300,000	292,500	390,000	487,500	585,000	682,500	763,750	845,000
1,400,000	315,000	420,000	525,000	630,000	735,000	822,500	910,000

</TABLE>

The calculation of "final average annual compensation," is the highest average compensation for 60 consecutive months of the 120 consecutive month period preceding retirement and includes compensation that would appear under the "Salary" and "Bonus" columns of the Summary Compensation Table. As of December 31, 1995, Messrs. McCormick, Lillis, Trujillo, Russ and Stever had 34, 10, 21, 3, and 29 actual years of service, respectively. Mr. Lillis is eligible to receive a variable percentage of his final average annual compensation based upon his age at the termination of his employment. (The applicable percentage is 26% at age 54 (his present age), which increases by varying increments from year to year -- i.e., 9% through age 55, 5% per year through age 58, and 1% per year thereafter.) Mr. Russ is entitled to a supplemental annual pension benefit of $14,000 for each of his first seven years of service at U S WEST. This benefit becomes payable on the earlier of his separation from service or his retirement and is payable in a lump sum equal to the present value of the benefit at the time of payment.

Benefits set forth in the preceding table are computed as a straight-life annuity and are subject to deduction for Social Security.

EXECUTIVE AGREEMENTS

U S WEST has entered into change of control agreements with certain of its officers, including the named Executive Officers. The change of control agreements provide compensation and/or termination benefits to Executive Officers under circumstances following a change of control of U S WEST. The purpose of these agreements is to encourage the Executive Officers to continue to carry out their duties in the event of a possible change of control. A "Change of Control" is defined in these agreements as: (i) a change of control that would have to be reported under Item 6(e) of Schedule 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regardless of whether the Company is subject to that reporting

requirement; (ii) the acquisition by a party or certain related parties, directly or indirectly, of twenty percent or more of the Company's voting securities, unless pursuant to a transaction approved by the Board; (iii) any period of two consecutive calendar years during which there shall cease to be a majority of the Board comprised of individuals who at the beginning of such period constitute the Board and any new Director(s) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved; (iv) the Company becomes a party to a transaction in which it will not be the surviving corporation or in which it will be the surviving corporation but shares of its outstanding common stock will be converted into shares of another company or other securities, cash or property (other than a reincorporation or the establishment of a holding company involving no change of ownership of the Company), (v) shareholders of the Company approve a merger, plan of reorganization, consolidation or share exchange, and immediately afterwards the holders of the Company's voting securities prior thereto hold securities representing fifty percent or less of the voting securities of the Company or other surviving entity and, also immediately afterwards, members of the Company's Board prior to such transaction constitute less than half of the Company's or other surviving entity's Board; (vi) the Company redeems all shares of either class of common stock in exchange for shares of a subsidiary that holds the assets attributed to that class; distributes to all shareholders of either class of common stock the shares of a subsidiary that holds the assets attributable to that class; converts all shares of either class of common stock into the other class of common stock; or distributes to shareholders, at a time when only one class of common stock exists, shares of a subsidiary that holds all or substantially all of the assets of the Company; or (vii) any other event that a majority of the Board, in its sole discretion, deems to be a change of control. The agreements are effective and are renewed automatically for three-year periods, and are subject to cancellation by the Board upon not less than 90 days' notice prior to a three-year renewal. These agreements provide that, in particular circumstances, the officers will receive certain benefits upon termination of their employment or if their job duties or compensation and benefits are substantially reduced or otherwise substantially adversely modified following a Change of Control. In the case of the Chief Executive Officer, these benefits will be paid in certain circumstances if he voluntarily terminates employment following a Change of Control.

Termination benefits, when payable under the agreements, are to be paid immediately upon termination following a change of control and are to consist of a sum equal to (i) three times the officer's annual base salary prior to termination, (ii) three times the officer's annual bonus amount under the Executive Short-Term Incentive Plan (such bonus amount to be calculated on the basis of the extent to which the performance factors targeted by the Human Resources Committee have been achieved, which shall be deemed to be 100% unless the percentage actually achieved is greater than 100%, in which case the higher percentage shall apply), and (iii) gross-ups of income sufficient to compensate the officer for any excise taxes incurred in connection with the benefits paid upon termination. The change of control agreements also provide for continued health care benefits on terms substantially similar to those on which the Company provides such benefits to retiring employees who are service pension-eligible at the time of the Change of Control. Finally, upon termination, the change of control agreements will modify the officer's pension benefits to vest immediately if not already vested, and three years will be added to both the officer's age and years of service.

U S WEST has entered into executive severance agreements with certain of its officers, including each named Executive Officer other than the Chief Executive Officer. These agreements set forth the severance benefits that would be payable in certain circumstances other than a change of control, such as a termination not for cause, termination in connection with a downsizing, or resignation of an officer who elects not to accept reassignment to a comparable position. The severance benefits payable in such circumstances, following the delivery of a waiver and release by the Executive Officer, include: (i) an amount equal to two times base salary; (ii) the amounts that would be otherwise due under the Executive Short-Term Incentive Plan and the Executive Long-Term Incentive Plan, in each case pro-rated to the date of termination and calculated on the basis of full achievement of targeted performance levels; and (iii) financial counseling services, or the cash value thereof, through the year following the year of termination. The agreements also provide for the lapse of any restrictions on certain grants of common stock issued to the officer, and the accelerated vesting of a portion of the stock options issued to the officer. Finally, the agreements include

provisions for medical, dental and vision benefits following termination, and provisions to protect confidentiality of Company information and to arbitrate employment disputes. In the event of a change of control, the terms of the executive severance agreements will be superseded by any applicable change of control agreement.

In the event that Mr. Russ voluntarily resigns before December 31, 1996, other than in circumstances involving a Change of Control or a diminution of his status or compensation, he would be required to return to U S WEST a pro-rata portion of $1,449,000 of the lump sum amount paid to him in 1992 upon employment with U S WEST for amounts that would have otherwise been due to him from his former employer. The pro rata portion would be based upon the time remaining between his resignation and December 31, 1996.

REPORT OF HUMAN RESOURCES COMMITTEE ON EXECUTIVE COMPENSATION

HUMAN RESOURCES COMMITTEE. The Human Resources Committee of the Board (the "Committee") is composed entirely of independent outside Directors who meet regularly to oversee compensation levels and benefits plans to ensure that such levels and plans are appropriately competitive with the marketplace and aligned with shareholder interests. The Committee submits reports to the full Board concerning its activities and decisions. None of these non-employee Directors has interlocking or other relationships with other boards or the Company that would call into question his/her independence as Committee members.

COMPENSATION PHILOSOPHY. The Committee has approved a compensation plan designed to attract, motivate, and retain the high-caliber executives necessary to achieve the Company's business strategies. The plan rewards those executives for building long-term value for Company shareholders. The Company takes an integrated and managed approach in developing its executive compensation strategy and plans. This approach balances the overall needs of the Company, including the unique business strategies and human resources initiatives of U S WEST, the Communications Group and the Media Group.

Each compensation element supports the Company's mission, values, and culture. The compensation principles that link the individual elements into an integrated compensation strategy are as follows: (i) a compensation structure that directly aligns the executives with the interests and concerns of shareholders; (ii) competitive compensation within industry and peer companies; (iii) customized business unit plans that reflect the unique characteristics of the Company's diversified operations; (iv) individual compensation highly correlated with personal performance and shareholder value creation; (v) programs that foster executive movement across the organization; and (vi) executive development and succession planning programs to provide long-term organizational strength and flexibility.

The key elements of the Company's executive compensation program are base salary, annual incentives, and long-term incentive compensation consisting primarily of stock options and performance-based stock plans. In developing an executive's total compensation package, the Committee considers each of these key compensation elements as well as retirement benefits, insurance, and perquisites.

Overall, the Committee believes that the Company's competitive market for executive talent is broader than the industry peer groups established to compare shareholder returns, which are set forth on the accompanying Performance Graphs. Accordingly, the population of companies surveyed for compensation data extends beyond the companies included in the peer group indices in the Performance Graphs.

Total compensation is targeted near industry median benchmarks of surveyed companies for each component of compensation. Superior performance will result in above-market compensation delivered through variable-pay components. Likewise, less than satisfactory performance will result in below-market compensation.

BASE SALARY. U S WEST has in place a market-based three-band salary structure for its executive employees. Assignment to one of the three salary bands is based on level of responsibility, scope and impact of decision-making, and internal and external comparability. For purposes of comparability and competitive market pricing, the Company utilizes annual executive compensation salary surveys prepared by nationally

recognized independent compensation consulting firms. These surveys encompass both the telecommunications and media industries, as well as surveys of companies of similar size in other industries. On average, the Company seeks to target executive base salary levels at the median range of surveyed companies. To facilitate executive movement among U S WEST, Inc., Communications Group, and Media Group, the Company has established comparable base salary opportunities across company lines.

Executive salary reviews generally are conducted within a twelve to twenty-four month cycle. Base salary adjustments may occur at the time of such reviews and depend upon individual performance results, a change in job responsibilities, competitive forces, and/or the overall financial condition of the Company. Mr. McCormick's most recent salary treatment occurred in January 1995. At that time his base salary was increased to $760,000. The Board considered Mr. McCormick's performance over the 1993 and 1994 performance period and salary survey results. This salary increase represents a 4.2% annualized increase from January 1993. Mr. McCormick's current base salary places him within the median range of surveyed companies.

SHORT-TERM INCENTIVE COMPENSATION. The U S WEST Executive Short-Term Incentive Plan (ESTIP) approved by shareholders in May, 1994 provides each named Executive Officer the potential to earn annual cash awards based on the achievement of pre-established performance goals. Participants include the Chief Executive Officer and any individual employed by the Company at the end of any calendar year who appears in the Summary Compensation Table of the Annual Proxy Statement to Shareholders. The cash bonus pool from which the Company pays the bonuses for the CEO and the other named Executive Officers is limited to 0.25% of "Cash Provided by Operating Activities" for the annual performance period. The Committee has discretion to pay any portion of this pool based on factors including the Company's performance relative to pre-set financial, strategic, and customer goals, as well as individual performance goals. Any amount of the cash bonus pool not so paid may be added, at the Committee's sole discretion, to the cash bonus pool that is available for any subsequent year or years. The Committee has elected not to add unpaid portions of 1995's cash bonus pool to the bonus pool for 1996 and subsequent years.

The pre-set performance goals for 1995 included U S WEST's consolidated net income (20% weighting) and a weighted average roll-up of Communications Group and Media Group business units goals (80% weighting). The business unit goals for 1995 included net cash flow, operating income, strategic accomplishments, and qualitative measures.

Mr. McCormick's target short term award opportunity is 80% of base salary. This variable component of cash compensation maintains his "at risk" compensation within the median target range of surveyed companies.

In determining the amount to be paid to Mr. McCormick for 1995 performance, the Committee considered the above-mentioned pre-set performance goals for U S WEST, Inc., Communications Group and Media Group. Mr. McCormick received ESTIP compensation of $450,000, or 59.2% of his 1995 base salary.

LONG-TERM INCENTIVE COMPENSATION. For 1995, the Company's long-term incentive compensation included performance-based restricted stock issued under the U S WEST Executive Long-Term Incentive Plan (ELTIP) and stock options issued under the amended U S WEST 1994 Stock Plan. Shareholders have approved both plans.

During the past year, this combination of stock options and performance-based restricted stock grants provided a strategic mix of equity-based incentives that (i) continues to focus performance on the attainment of long-term strategic objectives, (ii) provides incentive to the executives for increasing total shareholder return, and (iii) provides continuity throughout the officer body by rewarding long-term commitment to the Company. The long-term compensation elements used for 1995 were:

PERFORMANCE-BASED RESTRICTED STOCK. For the six-year performance period beginning January 1, 1991, a target number of restricted performance shares of U S WEST stock was set for potential earn out by each Executive Officer, including the named Executive Officers. A portion of such shares may be

earned annually based upon total shareholder return. Recipients of restricted stock grants have the rights and privileges of a shareholder with respect to the shares, including the right to vote such shares and receive dividends.

The original target number of performance shares granted was determined by a market survey of the long-term incentive plans of 35 companies (telecommunications industry or similar size). The performance grants were converted to an annual full market value as a percent of salary and multiplied by six (years of duration of the performance period) to establish the target award for executives.

For purposes of this plan, shareholder return over the six-year performance period is calculated annually as share price appreciation, plus dividends, divided by the share price at the beginning of the six-year performance period. Share price appreciation is derived using the average beginning and end-of-year closing prices of U S WEST stock for a 20-business-day period commencing 10 business days prior to the end of each year. Because of the multi-year orientation of this plan, if total shareholder return is negative during a plan year, no payout would occur for that year, and the negative total shareholder return would need to be offset in the following year(s) before further payouts could occur.

Under this formula, U S WEST's consolidated total shareholder return for 1995 was a positive 53.9%. A reduction was made to the return of minus 18.9% (a required makeup of 1994's negative return), which resulted in the total net payout from the performance share pool of 35.0%. The shares paid to participants for 1995 performance carry a two-year restriction on sale or transferability. For 1995, Mr. McCormick received 36,710 restricted shares each of Communications Stock and Media Stock worth $2,083,292.

STOCK OPTIONS. The Committee generally has elected to grant stock options annually. The Company's stock option grants are designed to deliver, together with all other long-term incentives, the potential for the executive to earn a market-based percentage of salary dependent on future stock performance. The Committee may take prior years' grants and circumstances into consideration when setting current year grants. Stock options granted during 1995 have an exercise price equal to the market price of the Company's stock on the date of grant, vest in one-third increments commencing one year from the grant date, and carry a ten-year term.

Mr. McCormick received a stock option grant for 140,000 U S WEST, Inc. shares. The Committee believes that the number of option shares granted to Mr. McCormick in 1995 is consistent with the Committee's total compensation philosophy to link a substantial portion of the CEO's compensation directly with the value created for shareholders. This option grant is consistent with the average grants made to peer company CEOs as determined by market survey data.

Coincident with the November 1, 1995, implementation of targeted stock, all U S WEST, Inc. stock options, including those held by Mr. McCormick, were reclassified as one option each of Communications Stock and Media Stock. The grant price of these reclassified options is based on the weighted closing price of Communications Stock and Media Stock as of November 1, 1995, which on a combined basis equals the value of the original grant.

SIGNIFICANT EVENTS AFFECTING FUTURE LONG-TERM COMPENSATION. In conjunction with the implementation of targeted stock, the Board has approved new long-term compensation programs for Communications Group, Media Group, and U S WEST executives. These programs are designed to maintain direct alignment with shareholders' interests by focusing executives' efforts on the strategic imperatives that drive long-term value creation for the Communications Group and Media Group shareholders.

Communications Group executives' long-term opportunity will comprised of a combination of Communication Group stock options and performance-based dividend equivalent units (DEUs) issued under the U S WEST Communications Group Long-Term Incentive Plan, which is being presented for shareholder vote at this Annual Meeting (see page 6). The full text of the plan is set forth in Appendix "A." A DEU represents the sum of regular cash dividends per share of Communications Stock, if any, paid during a performance period under the plan. DEUs provide the executive the opportunity to earn incentive compensation based on the achievement of pre-established strategic and/or financial goals. These goals are structured to focus the executive's medium-term performance on the strategic imperatives that drive long-term value creation for the Company's shareholders. The initial DEU performance measurement period began in January 1996 and any awards earned under this plan will pay out in shares of Communications Stock in 1998 and/or 1999.

Media Group executives' long-term incentive opportunity will be comprised entirely of Media Group stock options. The shares available for grant were established under the amended 1994 Stock Plan.

Certain named Executive Officers' long-term incentive compensation will be based on the combined long-term results of Communications Group and Media Group. For the first measurement period, Mr. McCormick's long-term incentive opportunity will be weighted equally between the performance of Communications Group and Media Group. These weightings will be reviewed annually by the Committee and may be adjusted consistent with the needs of the business.

DEDUCTIBILITY OF COMPENSATION. The Committee has carefully considered Section 162 (m) of the Internal Revenue Code and believes the Company's pay-for-performance practices ensure that executive compensation is strongly tied to performance. The Committee believes it is in the best interests of the Company and its shareholders to comply with the new tax law while still preserving the flexibility to reward executives consistent with the Company's pay philosophy for each compensation element. Shareholders approved the ESTIP and ELTIP on May 6, 1994 and the amended 1994 Stock Plan on October 31, 1995.

STOCK OWNERSHIP GUIDELINES. To encourage further growth in shareholder value, the Board has approved stock ownership targets for the Executive Officers of the Company. The Board established these targets because it believes that a significant level of stock ownership provides a powerful incentive to manage the Company as owners. The Committee reviews Executive Officers' stock ownership annually and, at its discretion, may consider such ownership in the granting of restricted shares and stock options. The target ownership level for the Chairman and CEO equals 5 times base salary. At the end of 1995, Mr. McCormick held Company stock valued at 12 times his 1995 salary.

CONCLUSION. It is the opinion of the Committee that U S WEST's integrated executive compensation strategy aligns the Company's executive compensation practices with corporate performance and the best interests of shareholders by ensuring the continuity and ongoing development of a strong leadership team fully aligned with our shareholders. We trust this letter and the accompanying tables and graphs help you understand further the Company's compensation philosophy, programs, and actions.

U S WEST, Inc. Board of Directors Human Resources Committee:

<TABLE>

<S>	<C>
Remedios Diaz-Oliver	Grant A. Dove (Chairman)
Marilyn Carlson Nelson	Frank P. Popoff

</TABLE>

SHAREHOLDER RETURN PERFORMANCE GRAPHS

CONSOLIDATED U S WEST PERFORMANCE

The following graph and chart compare the yearly change in cumulative total shareholder return on the consolidated Company's common stocks, including the reinvestment of dividends, with the return on the Standard & Poor's 500 Stock Index and the "Regional Holding Company Group." On November 1, 1995, the Company recapitalized its former single class of stock into Communications Stock and Media Stock. The Performance Graph sets forth the return on $100 invested in U S WEST common stock on December 31, 1990 over a 5-year period, and reflects a composite return for the Communications Stock and Media Stock distributed on November 1, 1995.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN(A)
AMONG U S WEST CONSOLIDATED(B),
S&P 500 INDEX, AND REGIONAL HOLDING COMPANY GROUP(C)

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>

<CAPTION>

<S>	US WEST - CONSOLIDATED	S&P 500	REGIONAL HOLDING COMPANY GROUP - WEIGHTED
Dec-90	100	100	100
Dec-91	103	130	105
Dec-92	110	140	118
Dec-93	138	154	138
Dec-94	113	156	136
Dec-95	183	215	205

Value of $100.00 Invested
12/31/90
</TABLE>

<TABLE>

<S>	1990	1991	1992	1993	1994	1995
US WEST - Consolidated	100	103	110	138	113	183
S&P 500	100	130	140	154	156	215
RHCs - Weighted	100	105	118	138	136	205

</TABLE>

Assumes $100 invested on December 31, 1990 in the common stock of U S WEST, the S&P 500 Index, and the Regional Holding Company Group.

Notes:

(a) Total return assumes the reinvestment of dividends.

(b) Combined returns from Communications Stock and U S WEST Media Stock.

(c) Consists of the regional holding companies, excluding U S WEST, that were created upon the divestiture of American Telephone and Telegraph Company of its local telephone operating companies. Includes the returns weighted by market capitalization of Ameritech, Bell Atlantic, BellSouth, NYNEX, Pacific Telesis, and SBC Communications.

SEPARATE COMMON STOCK GRAPHS

In addition to the required Performance Graph comparing the Company's consolidated total return to shareholders, the Company has included two additional performance graphs in order to define the peer groups against which the performance of the Communications Group and the Media Group will be compared. Each graph shows how the respective peer group performed against the S&P 500 for the last

4 years and 10 months and then charts the performance of the Company stock relative to the Standard & Poor's 500 Stock Index and the customized peer group index for the two-month period since the recapitalization. This presentation allows the investors to compare the historical performance of the peer groups relative to the S&P 500 in addition to the very short trading period that includes Communications Stock and Media Stock.

For comparison of cumulative total shareholder return on Communications Stock, the Company has established a customized peer group that includes companies that offer communications services, including local telephone services to business and residential customers in domestic geographic markets. The graph below compares the "Communications Peer Group" to the Standard & Poor's 500 Stock Index over the last five years, including the period from December 31, 1990 to October 31, 1995, prior to the date that the Communications Stock began trading as a separate class of stock. Beginning November 1, 1995, the graph has been reindexed to assume $100 was invested in each of the Communications Stock, the Standard & Poor's 500 Stock Index and the Communications Peer Group in order to provide the returns on the Communications Stock relative to the indices since the recapitalization. For the companies in the Communications Peer Group, the returns of each such company have been weighted to reflect the relative stock market capitalization as of the beginning of each period for which a return is indicated.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN(A) AMONG
U S WEST COMMUNICATIONS GROUP (SHOWN FOR NOVEMBER-DECEMBER 1995),
S&P 500 INDEX, AND COMMUNICATIONS PEER GROUP(B)
EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>
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<S>	S&P 500 - THROUGH OCT 95	COMMUNICATIONS PEER GROUP - WEIGHTED
Dec-90	100	100
Dec-91	130	109
Dec-92	140	122
Dec-93	154	140
Dec-94	156	136
Oct-95	202	188

Value of $100.00 Invested
12/31/90

	US WEST - Communications Group	S&P 500 - Oct 95 to Dec 95
Oct-95	100	100
Dec-95	121	107

<CAPTION>

<S> <C>
Dec-90
Dec-91
Dec-92
Dec-93
Dec-94
Oct-95
Value of $100.00 Invested
12/31/90

	Communications Peer Group - Weighted
Oct-95	100
Dec-95	109

</TABLE>

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<S> <C> <C> <C> <C> <C> <C>

	DEC-90	DEC-91	DEC-92	DEC-93	DEC-94	OCT-95
US WEST Communications Group						
S&P 500	100	130	140	154	156	202
Communications Peer Group - Weighted	100	109	122	140	136	188

</TABLE>

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	OCT-95(C)	DEC-95
US WEST Communications Group	100	121
S&P 500	100	107
Communications Peer Group - Weighted	100	109

</TABLE>

Assumes $100 invested on December 31, 1990 in the common stock of U S WEST, the S&P 500 Index, and the Communications Peer Group -- Weighted.

Notes:

(a) Total return assumes the reinvestment of dividends.

(b) Includes the returns weighted by market capitalization of Alltel, Ameritech, Bell Atlantic, BellSouth, Cincinnati Bell, Frontier Corp, GTE, NYNEX, Pacific Telesis Group, SBC Communications, and Southern New England Telecom.

(c) The returns of U S WEST Communications Group are calculated beginning November 1, 1995, the Communications Stock's first day of regular trading.

For comparison of cumulative total shareholder return on Media Stock, the Company has established a customized peer group that includes companies whose mix of businesses is consistent with the Media Group's portfolio of domestic and international businesses, including wireless communications networks, cable, and multimedia content and services businesses. The graph below compares the "Media Peer Group" to the Standard & Poor's 500 Stock Index over the last five years, including the period from December 31, 1990 to October 31, 1995, prior to the date that the Media Stock began trading as a separate class of stock. Beginning November 1, 1995, the graph has been reindexed to assume $100 was invested in each of the Media Stock, the Standard & Poor's 500 Stock Index and the Media Peer Group in order to provide the returns on the Media Stock relative to the indices since the recapitalization. For the companies in the Media Peer Group, the returns of each such company have been weighted to reflect the relative stock market capitalization as of the beginning of each period for which a return is indicated.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN(A) AMONG
U S WEST MEDIA GROUP (SHOWN ONLY FOR NOVEMBER - DECEMBER 1995),
S&P 500 INDEX, AND MEDIA PEER GROUP(B)

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>
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		S&P 500 - THROUGH OCT 95	MEDIA PEER GROUP - WEIGHTED
Dec-90		100	100
Dec-91		130	125
Dec-92		140	145
Dec-93		154	199
Dec-94		156	168

	US West - Media Group	S&P 500 - Oct 95 to Dec 95	Media Peer Group - Weighted
Dec-95		202	175
Value of $100.00 Invested 12/31/90			
Oct-95	100	100	100
33572	101	107	106

</TABLE>

<TABLE>
<S> <C> <C> <C> <C> <C> <C>

	DEC-90	DEC-91	DEC-92	DEC-93	DEC-94	OCT-95
US WEST Media Group						
S&P 500	100	130	140	154	156	202
Media Peer Group - Weighted	100	125	145	199	168	175

</TABLE>

<TABLE>
<S> <C> <C>

	OCT-95(C)	DEC-95
US WEST Media Group	100	101
S&P 500	100	107
Media Peer Group - Weighted	100	106

</TABLE>

Assumes $100 invested on December 31, 1990 in the common stock of U S WEST, the S&P 500 Index, and the Media Peer Group -- Weighted.

Notes:

(a) Total return assumes the reinvestment of dividends.

(b) Includes for the period from December 31, 1990 to October 31, 1995, the returns weighted by market capitalization of Cablevision Systems, Comcast Corp, Dow Jones & Co, Gannett Co., Jones Intercable, TCA Cable TV. Tele-Comm -- TCI Group, Times Mirror, Tribune Co, US Cellular Corp, and Vanguard Cellular System. Commencing November 1, 1995, also includes the returns weighted by market capitalization of AirTouch Communications, Cellular Communications, Cox Communications, International Family Entertainment, and United International Holdings.

(c) The returns of U S WEST Media Group are calculated beginning November 1, 1995, the Media Stock's first day of regular trading.

OTHER BUSINESS

Neither the Board nor management intends to bring before the meeting any business other than the matters referred to in the Notice of Annual Meeting and this Proxy Statement. The Board is aware that a holder of 47 shares of Communications Stock, purchased on or about February 20, 1996, may present at the Annual Meeting a proposal that the Board renegotiate previously-executed Change of Control Agreements with key executives of the Company to eliminate payments to executives who leave the employment of the Company following the occurrence of one of the constructive termination events set forth in those Agreements (which the proponent characterizes as payments to executives who "voluntarily quit" after a change of control) unless and until such a policy is approved by shareholder vote. If such a proposal is properly brought before the meeting, or any adjournment thereof, the persons named in the proxy intend to use their discretionary authority to vote against it. The Company also is aware that this same shareholder has filed preliminary proxy material with the SEC regarding its proposal. Should the shareholder distribute its proxy material, the Company may send additional proxy material to shareholders. If any other business should properly come before the Annual Meeting, the persons named in the proxy will vote on such matters according to their best judgment.

SOLICITATION OF PROXIES

The cost of soliciting proxies in the accompanying form will be borne by U S WEST. U S WEST has retained Beacon Hill Associates, Inc. to aid in the solicitation of proxies at a fee of approximately $17,500 plus out-of-pocket expenses. Proxies may be solicited also in person or by telephone or telegram by the Directors, Executive Officers, and employees of U S WEST, who will not receive additional compensation for such activities.

Brokers, nominees and other similar record holders will be requested to forward proxy solicitation material to beneficial owners and, upon request, will be reimbursed by U S WEST for their out-of-pocket expenses.

SUBMISSION OF SHAREHOLDER PROPOSALS

Proposals intended for inclusion in next year's Proxy Statement should be sent to the Secretary of U S WEST at 7800 East Orchard Road, Suite 200, Englewood, Colorado 80111, and must be received by December 9, 1996.

FINANCIAL STATEMENTS AVAILABLE

CONSOLIDATED FINANCIAL STATEMENTS FOR U S WEST AND ITS SUBSIDIARIES, AS WELL AS FINANCIAL STATEMENTS FOR THE COMMUNICATIONS GROUP AND THE MEDIA GROUP, ARE INCLUDED AS APPENDICES B, C AND D TO THIS PROXY STATEMENT. ADDITIONAL COPIES OF THESE STATEMENTS AND THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1995 (EXCLUDING EXHIBITS, UNLESS SUCH EXHIBITS HAVE BEEN SPECIFICALLY INCORPORATED BY REFERENCE THEREIN), MAY BE OBTAINED WITHOUT CHARGE FROM THE TREASURER OF U S WEST, 7800 EAST ORCHARD ROAD, SUITE 200, ENGLEWOOD, COLORADO 80111. THE ANNUAL REPORT ON FORM 10-K IS ALSO ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D.C. 20549, AND THE NEW YORK STOCK EXCHANGE.

Dated: April 8, 1996

APPENDIX A

U S WEST COMMUNICATIONS GROUP LONG-TERM INCENTIVE PLAN

SECTION I PURPOSE

The purpose of the U S WEST Communications Group Long-Term Incentive Plan (the "Plan") is to offer key executives of the U S WEST Communications Group ("Communications Group") and U S WEST, Inc. (the "Company") the opportunity to earn incentive compensation based on the accomplishment of strategic goals. These goals are designed to deliver sustained long-term returns to stockholders of the Company. Payouts under the Plan shall be determined based on the achievement of these pre-established and objective goals. Specifically, the Plan grants incentive compensation based upon a percentage (ranging from 0% to 100%) of the sum of regular cash dividends, if any, paid on Communications Group common stock ("Communications Stock") over a multiple-year performance period. The Plan is effective from January 1, 1996 to December 31, 2000, contingent on the approval of stockholders of the Company. Distributions under the Plan are intended to qualify as "performance based compensation" under section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder.

SECTION II DEFINITIONS

2.1 "Change of Control" shall mean any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes a beneficial owner of (or otherwise has the authority to vote), directly or indirectly, securities representing twenty percent (20%) or more of the total voting power of all of the Company's then outstanding voting securities, unless through a transaction arranged by, or consummated with the prior approval of the Company's Board of Directors; or

(ii) any period of two (2) consecutive calendar years during which there shall cease to be a majority of the Company's Board of Directors comprised as follows: individuals who at the beginning of such period constitute the Company's Board of Directors and any new director(s) whose election by the Company's Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(iii) the Company becomes a party to a merger, consolidation or share exchange in which either (1) the Company will not be the surviving corporation or (2) the Company will be the surviving corporation and any outstanding shares of common stock of the Company will be converted into shares of any other company (other than a reincorporation or the establishment of a holding company involving no change of ownership of the Company) or other securities or cash or other property (excluding payments made solely for fractional shares); or

(iv) for a Participant who has executed a Change of Control Agreement with the Company, any event that constitutes a "Change of Control" as set forth in such Change of Control Agreement, or any other event that a majority of the Company's Board of Directors, in its sole discretion, shall determine constitutes a Change of Control.

2.2 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.3 "Company" shall mean U S WEST, Inc. and any successor thereof.

2.4 "Committee" shall mean the Human Resources Committee of the Company's Board of Directors, or its delegate.

2.5 "Communications Group" shall mean the U S WEST Communications Group of the Company.

2.6 "Communications Stock" shall mean the common stock, $.01 par value, issued by the Company that tracks the performance of the Communications Group.

2.7 "Disability" shall mean long-term disability as determined under the provisions of any Company or Communications Group disability plan maintained for the benefit of eligible employees of the Company or the Communications Group.

2.8 "Dividend Equivalent Unit" or "DEU" shall mean a unit representing the sum of regular cash dividends on a share of Communications Stock paid during a Performance Period.

2.9 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.10 "Participant" shall mean an executive or key employee of the Company or the Communications Group whom the Committee has determined shall participate in the Plan pursuant to Section III below.

2.11 "Performance Period" shall mean the period of time during which the performance of the Company and/or the Communications Group is measured for purposes of determining a Participant's payout under the Plan, as set forth in Section IV below.

2.12 "Plan" shall mean the U S WEST Communications Group Long-Term Incentive Plan.

2.13 "Restricted Stock" shall mean shares of Communications Stock that are subject to a vesting period and to any other terms and conditions determined by the Committee for any Participant, as set forth in the Participant's Restricted Stock Agreement.

2.14 "Retirement" or "Retires" shall mean for any Participant, that such Participant has retired from the Company or the Communications Group and currently is eligible to receive a service pension benefit under the U S WEST Pension Plan or a pension benefit under any individually negotiated, custom written agreement or arrangement executed by a duly authorized representative of the Company, the Communications Group or any subsidiary of the Company and the Participant.

SECTION III
ELIGIBILITY

Participation in the Plan shall be limited to executives and key employees of the Company and the Communications Group, as determined by the Committee. The Committee members all qualify as "outside directors" within the meaning of Code section 162(m).

SECTION IV
PERFORMANCE PERIODS

The Plan shall be effective for four (4) Performance Periods. The first Performance Period shall have a duration of two calendar years, commencing on January 1, 1996, and terminating on December 31, 1997. Each of the other remaining Performance Periods shall have a duration of three calendar years, as follows: the second Performance Period shall commence on January 1, 1996, and shall terminate on December 31, 1998; the third Performance Period shall commence on January 1, 1997, and shall terminate on December 31, 1999; and the fourth Performance Period shall commence on January 1, 1998, and shall terminate on December 31, 2000.

SECTION V
DIVIDEND EQUIVALENT UNITS

At the beginning of each Performance Period, upon selection for participation in the Plan, and upon such other occasions as the Committee shall determine, the Committee shall assign to a Participant Dividend Equivalent Units ("DEUs"), each of which shall represent the sum of regular cash dividends, if any, on a share of Communications Stock paid during a Performance Period.

SECTION VI
PAYMENT OF SHARES

6.1 CALCULATION OF ACTUAL PAYOUT VALUE. At the conclusion of each Performance Period, the total number of DEUs granted to a Participant shall be multiplied by the total dividend payout per share of Communications Stock during the Performance Period. The resulting product shall be equal to the Participant's maximum payout value for such Performance Period. The

Participant's actual payout value shall be determined by applying a percentage, not to exceed one hundred percent (100%), to the Participant's maximum payout value. Such percentage shall be determined by comparing the performance of the Company and/or the Communications Group to the payout formula established by the Committee, as provided in Section VII below.

6.2 FORM AND MANNER OF PAYOUT. The DEU award payment to each Participant shall be made in shares of Communications Stock and shall be determined by dividing the actual payout value by the average closing price of Communications Stock over a twenty (20) trading day period. Such period shall commence ten (10) trading days prior to the end of the Performance Period. Any shares of Communications Stock payable to a Participant shall be paid as soon as practicable following the Performance Period. At the discretion of the Committee, such Communications Stock may be Restricted Stock. The Participant shall be entitled to certificates representing shares of such Restricted Stock only if the Participant abides by all terms and conditions of the underlying Restricted Stock Agreement, to the extent those conditions are not waived by the Committee in its sole discretion. At the discretion of the Committee, dividends, if any, paid on shares of Restricted Stock during the vesting period shall be paid to the Participant. Such dividends shall be payable in cash, shares of Communications Stock or Restricted Stock as determined by the Committee in its sole discretion.

6.3 TAXATION. Any shares of Communications Stock paid pursuant to this Plan are taxable at the time they are paid unless they are paid in the form of Restricted Stock. Restricted Stock is taxable upon vesting.

6.4 MAXIMUM PAYOUT; SHARES AVAILABLE. Subject to the adjustments set forth in Section IX, no Participant shall be entitled to receive more than 200,000 DEUs for any Performance Period, and the maximum aggregate number of shares of Communications Stock that may be paid over the life of this Plan is 1,300,000.

SECTION VII
PERFORMANCE GOALS

Within 90 days of the commencement of each Performance Period, the Committee shall establish specific, objective, performance goals and a payout formula in connection with such performance goals. The performance goals shall be based on one or more of the following performance measures and/or the Company or the Communications Group: financial results; revenue; productivity and efficiency; service and customer care; and employees' and/or management's satisfaction.

(a) Financial results shall be measured in terms of one or more of the following: free cash flow; operating cash flow; cash operating income (Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")); net income; earnings per share; total stockholder return; and relative stockholder return.

(b) Revenue shall be measured in terms of one or more of the following: revenue expressed in dollars or percent growth; revenue per access line; new product revenue expressed in dollars; percent of revenue or percent growth; and market share.

(c) Productivity and efficiency shall be measured in terms of one or more of the following: revenue per employee; labor dollars as a percent of revenue; cash outlay per access line; and general and administrative expense as a percent of revenue.

(d) Service and customer care shall be measured in terms of one or more of the following: customer access; customer commitments met; held orders; and overall customer satisfaction, as measured by survey.

(e) Employees' and management's satisfaction shall be measured by survey.

SECTION VIII
SPECIAL DISTRIBUTION RULES

8.1 CHANGE OF CONTROL. In the event of a Change of Control, the following shall occur:

(a) For any DEUs issued in any calendar year(s) prior to the date of the Change of Control, the total dividend payout shall be determined as if the Change of Control occurred on the date on which the pre-set Performance Period is scheduled to end, as set forth in Section IV. For any DEUs issued in the calendar year of the Change of Control, the total dividend payout shall be determined as if the Change of Control occurred on the date on which the pre-set Performance Period is scheduled to end, calculated on a pro rata basis for the amount of time elapsed in that calendar year;

(b) The value of dividends yet to be paid in any current Performance Period shall be valued at the amount of the most recent dividend paid prior to the Change of Control, and assuming that dividends would continue to be paid for the full duration of such Performance Period with the same frequency as prior to the Change of Control;

(c) The performance goals of the Company for the Performance Period shall be deemed to have been met in full;

(d) The Participant shall be paid immediately the number of shares of Communications Stock, or its equivalent value, that results in his or her case from the foregoing provisions. Any such shares of Communications Stock shall not be Restricted Stock; and

(e) Any vesting period applicable to Restricted Stock previously issued under the Plan shall lapse immediately.

8.2 DEATH OR DISABILITY. If a Participant dies or becomes Disabled during any Performance Period, then solely for purposes of the Plan, the Participant shall be deemed to have died or become Disabled as of the last day of the calendar quarter during which the Participant died or became Disabled, and the benefit, if any, payable under the Plan to the Participant or his or her estate shall be paid in the same manner set forth in Subsection 8.1, substituting in each instance, as applicable, the term "death" or "Disability" for the term "Change of Control."

8.3 RETIREMENT. If a Participant Retires during any Performance Period (i) any Restricted Stock issued under the Plan shall continue to vest in accordance with the vesting schedule established at the time such Restricted Stock was issued and shall continue to be subject to all other terms and conditions of the underlying Restricted Stock Agreement, (ii) the DEUs held by such Participant shall be valued as if the last day of any current Performance Period is the last day of the calendar quarter during which the Participant Retires, and (iii) any shares of Communications Stock payable to the Participant shall be calculated at the end of the Performance Period and paid to the Participant pursuant to the provisions of Section VI; provided, however, that the continuation of vesting and of participation in the Plan shall be contingent upon such Participant's execution and delivery to the Company, on or prior to the effective date of the Participant's Retirement, of the Company's standard "Waiver & Release" form, available from the Human Resources Department of the Company. If, however, the Committee in its sole discretion determines that, prior to the end of the Performance Period, the Participant directly or indirectly receives payment for services rendered to, or is otherwise employed by, any person, firm or corporation that is in competition with the Company and/or the Communication Group or engaged in providing any goods or services that are substantially the same as goods or services provided or under development by the Company and/or the Communications Group, unless the Committee in its sole discretion determines otherwise, or unless the Participant is in full compliance with the Company's Policy on Service on Outside Boards of Directors, as

interpreted solely by the Company's Senior Management Compliance Committee, the Participant immediately shall forfeit all DEUs and Restricted Stock granted under the Plan, and no payments of Communications Stock shall thereafter be made. The foregoing provisions apply unless otherwise determined by the Committee in its sole discretion.

8.4 OTHER TERMINATION. Unless the Committee in its sole discretion determines otherwise, if a Participant's employment terminates for any other reason, the Participant immediately shall forfeit all DEUs and Restricted Stock granted under the Plan, and no payments of Communications Stock shall thereafter be made.

SECTION IX
ADJUSTMENT OF DEUS OR SHARES OF COMMUNICATIONS STOCK

In the event of any change in the common stock of the Company by reason of any consolidation, combination, liquidation, reorganization, recapitalization, stock dividend, stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or other like change in capital structure of the Company, the number of DEUs and the maximum number of shares of Communications Stock remaining for issue under the Plan shall be adjusted appropriately by the Committee at or about the time of such event, provided that each Participant's position with respect to DEUs or shares of Communications Stock or other interests payable under this Plan shall not, as a result of such adjustment, be worse than it had been immediately prior to such event. Any fractional DEUs, shares or other interests resulting from such adjustment shall be rounded up to the next whole DEU, share or other interest, as the case may be. To the extent that any event set forth in this Section IX constitutes a Change of Control for any participant, the provisions of this Section IX shall apply prior to any calculation made pursuant to Subsection 8.1.

SECTION X
ARBITRATION

10.1 SCOPE OF ARBITRATION. Any claim, controversy or dispute between a Participant and the Company or its subsidiaries or affiliated companies, whether sounding in contract, statute, tort, fraud, misrepresentation, discrimination or any other legal theory, including, but not limited to, disputes relating to the interpretation of this Plan; claims under Title VII of the Civil Rights Act of 1964, as amended; claims under the Civil Rights Act of 1991; claims under the Age Discrimination in Employment Act of 1967, as amended; claims under 42 U.S.C. Section 1981, Section 1981a, Section 1983, Section 1985, or Section 1988; claims under the Family and Medical Leave Act of 1993; claims under the Americans with Disabilities Act of 1990, as amended; claims under the Fair Labor Standards Act of 1938, as amended; the Employee Retirement Income Security Act of 1974, as amended, claims under the Colorado Anti-Discrimination Act; or claims under any other similar federal, state or local law or regulation, whenever brought, shall be resolved by arbitration. The only legal claims between a Participant and the Company or the Communications Group that are not included for arbitration are claims by the Participant for workers' compensation or unemployment compensation benefits and/or claims for benefits under a benefit plan maintained by the Company or the Communications Group, if the plan does not provide for arbitration of such disputes. IN CONSIDERATION OF ANY DEU, COMMUNICATIONS STOCK OR ANY RESTRICTED STOCK GRANTED TO A PARTICIPANT UNDER THE TERMS OF THE PLAN, SUCH PARTICIPANT SHALL VOLUNTARILY, KNOWINGLY AND INTELLIGENTLY WAIVE ANY RIGHT SUCH PARTICIPANT MAY OTHERWISE HAVE TO SEEK REMEDIES IN COURT OR OTHER FORUMS, INCLUDING THE RIGHT TO A JURY TRIAL AND THE RIGHT TO RECOVER PUNITIVE DAMAGES ON ANY COMMON LAW AND/OR CONTRACT CLAIMS. The Federal Arbitration Act, 9 U.S.C. SectionSection 1-16 ("FAA") shall govern the arbitrability of all claims, provided that they are enforceable under the FAA, as it may be amended from time to time. In the event the FAA does not govern, the Colorado Uniform Arbitration Act shall apply. Additionally, the substantive law of Colorado, to the extent it is consistent with the terms stated in this Plan for arbitration, shall apply to any common law claims.

10.2 ARBITRATION PROCEEDINGS. A single arbitrator engaged in the practice of law shall conduct the arbitration under the applicable rules and procedures of the American Arbitration Association ("AAA"). Any dispute that relates to the Participant's employment with the Company or the Communications Group

or to the termination of the Participant's employment shall be conducted under the AAA Employment Dispute Resolution Rules, effective November 1993. The arbitrator shall be chosen from a state other than the Participant's state of residence and other than Colorado. Other than as set forth in this Plan, the arbitrator shall have no authority to add to, detract from, change, amend, or modify existing law. All arbitration proceedings, including without limitation, settlements and awards, under this Plan shall be confidential. The parties shall share equally the hourly fees of the arbitrator. The Company or the Communications Group, as appropriate, shall pay the expenses (such as travel and lodging) of the arbitrator. The prevailing party in any arbitration may be entitled to receive reasonable attorneys' fees. The arbitrator's decision and award shall be final and binding, as to all claims that were, or could have been, raised in the arbitration, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. If any party hereto files a judicial or administrative action asserting claims subject to this arbitration provision, and another party successfully stays such action and/or compels arbitration of such claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, including reasonable attorneys' fees.

SECTION XI
MISCELLANEOUS PROVISIONS

11.1 ASSIGNMENT OR TRANSFER. No DEUs or other interest or rights under the Plan shall be subject in any manner to anticipation, hypothecation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's beneficiary.

11.2 COSTS AND EXPENSES. The costs and expenses of administering the Plan shall be borne by the Company and shall not be charged against any Participant.

11.3 TAXATION. The Company shall have the right to deduct from any Plan distribution any federal, state or local income and employment taxes that it is required by law to withhold.

11.4 OTHER INCENTIVE PLANS. The adoption of this Plan does not preclude the adoption by appropriate means of any other incentive plan for employees of the Company or the Communications Group.

11.5 EFFECT ON EMPLOYMENT. Nothing contained in this Plan or any related agreement or any agreement referred to herein shall affect, or be construed as affecting, the terms of employment of any Participant except to the extent specifically provided. Nothing contained in this Plan or any related agreement or any agreement referred to herein shall impose, or be construed as imposing, any obligation on (i) the Company or the Communications Group to continue the employment of any Participant or (ii) any Participant to remain in the employ of the Company.

11.6 AMENDMENT OF PLAN. The Committee shall have the right to amend, modify, suspend or terminate this Plan at any time, provided that, in the case of Participants who are subject to Section 16(a) of the Exchange Act, no amendment shall be made that (i) materially increases the benefits accruing to such Participants, (ii) materially increases the number of shares of common stock that may be issued under this Plan, or (iii) materially modifies the requirements of eligibility for such Participants, unless such amendment is made by or with the approval of stockholders. The Committee or its designee shall be authorized to make any other amendments to the Plan.

11.7 FEDERAL SECURITIES LAW. With respect to grants of Communications Stock to individuals subject to Section 16 of the Exchange Act, the Company intends that the provisions of this Plan and all transactions effected in accordance with the Plan shall comply with Rule 16b-3 under the Exchange Act. Accordingly, the Committee shall administer and interpret the Plan to the extent practicable consistently with such rule.

11.8 SECURITIES LAW COMPLIANCE. No shares of common stock shall be issued under this Plan until all applicable securities law and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of stop-orders and restrictive legends on certificates for common stock as it deems appropriate.

11.9 ADMINISTRATION. The Plan shall be administered by the Committee, which may adopt such rules, regulations and guidelines as it determines necessary for the administration of the Plan. The Committee may delegate to one or more of its members, or to one or more agents, such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice on any responsibility that the Committee or such person may have under the Plan. The Committee may employ such legal or other counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion or computation received from any such counsel, consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company. The Company shall indemnify members of the Committee and any agent of the Committee who is an employee of the Company against any and all liabilities or expenses to which they may be subject by reason of any act or failure to act with respect to their duties on behalf of the Plan, except in circumstances involving such person's gross negligence or willful misconduct.

11.10 GOVERNING LAW. This Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Colorado.

SECTION XII
ADOPTION OF THE PLAN

This Plan shall become effective on the date it is approved by stockholders of the Company. All awards granted under this Plan shall be contingent on such approval by stockholders.

SECTION XIII
TERMINATION OF THE PLAN

The Plan shall terminate on December 31, 2000, except that any outstanding DEUs granted prior to the termination of the Plan shall remain subject to all terms and conditions of the Plan as if the Plan were not terminated. Any Restricted Stock granted under the Plan shall continue to vest in accordance with the vesting schedule established at the time such Restricted Stock was issued and shall continue to be subject to all other terms and conditions of the underlying Restricted Stock Agreement, unless the Committee determines otherwise in its sole discretion.

APPENDIX B

U S WEST, INC.
FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1995	1994	1993	1992	1991
	DOLLARS IN MILLIONS (EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
Sales and other revenues	$ 11,746	$ 10,953	$ 10,294	$ 9,823	$ 9,528
Income from continuing operations (1)	1,329	1,426	476	1076	840
Net income (loss) (2)	1,317	1,426	(2,806)	(614)	553
Total assets	25,071	23,204	20,680	23,461	23,375
Total debt (3)	8,855	7,938	7,199	5,430	5,969
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company-guaranteed debentures	600	--	--	--	--

Preferred stock subject to mandatory redemption	51	51	--	--	--
Shareowners' equity	7,948	7,382	5,861	8,268	9,587
Earnings per common share (continuing operations) (1,4)	--	3.14	1.13	2.61	2.09
Earnings (loss) per common share (1,4)	--	3.14	(6.69)	(1.49)	1.38
Weighted average common shares outstanding (thousands) (4)	--	453,316	419,365	412,518	401,332
Dividends per common share (4)	--	$ 2.14	$ 2.14	$ 2.12	$ 2.08
Number of common shareowners (4)	--	816,099	836,328	867,773	899,092
Return on common shareowners' equity (5)	17.2%	21.6%	--	14.4%	5.7%
Percentage of debt to total capital (3)	50.7%	51.6%	55.1%	39.6%	38.4%
Capital expenditures (3)	$ 3,140	$ 2,820	$ 2,441	$ 2,554	$ 2,425
Employees	61,047	61,505	60,778	63,707	65,829
PRO FORMA INFORMATION -- COMMUNICATIONS GROUP: (4)					
Earnings per common share	$ 2.50				
Dividends per common share	2.14				
Average common shares outstanding (thousands)	470,716				
Number of common shareowners	775,125*				
PRO FORMA INFORMATION -- MEDIA GROUP: (4)					
Earnings per common share	$ 0.29				
Average common shares outstanding (thousands)	470,549				
Number of common shareowners	770,346*				

</TABLE>

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* Actual

(1)
1995 income from continuing operations includes a gain of $95 ($0.20 per Media share) from the merger of U S WEST's joint venture interest in TeleWest plc with SBC CableComms (UK), a gain of $85 ($0.18 per Communications share) on the sales of certain rural telephone exchanges and $17 ($0.01 per Communications share and $0.02 per Media share) for expenses associated with the November 1, 1995 recapitalization. 1994 income from continuing operations includes a gain of $105 ($0.23 per share) on the partial sale of U S WEST's joint venture interest in TeleWest plc, a gain of $41 ($0.09 per share) on the sale of the Company's paging operations and a gain of $51 ($0.11 per share) on the sales of certain rural telephone exchanges. 1993 income from continuing operations was reduced by a restructuring charge of $610 ($1.46 per share) and a charge of $54 ($0.13 per share) for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1991 income from continuing operations was reduced by a restructuring charge of $230 ($0.57 per share).

(2)
1995 net income was reduced by extraordinary items of $12 ($0.02 per Communications share and $0.01 per Media share) for the early extinguishment of debt. 1993 net income was reduced by extraordinary charges of $3,123 ($7.45 per share) for the discontinuance of Statement of Financial Accounting Standards ("SFAS") No. 71 and $77 ($0.18 per share) for the early extinguishment of debt. 1993 net income also includes a charge of $120 ($0.28 per share) for U S WEST's decision to discontinue the operations of its

capital assets segment. 1992 net income includes a charge of $1,793 ($4.35 per share) for the cumulative effect of change in accounting principles. Discontinued operations provided net income (loss) of $38 ($0.09 per share), $103 ($0.25 per share) and $(287) ($0.71 per share) in 1993, 1992 and 1991, respectively.

(3)
Capital expenditures, debt and the percentage of debt to total capital excludes the capital assets segment, which has been discontinued and is held for sale.

(4)
Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of U S WEST Communications Group common stock and U S WEST Media Group common stock. Earnings per common share have been presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1995. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

(5)
1995 return on shareowners' equity is based on income before extraordinary items. 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.

THE RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado"), voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors to reincorporate in Delaware and create two classes of common stock. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or the "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock") and the other class which is authorized as U S WEST Media Group Common Stock ("Media Stock").

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

THE COMMUNICATIONS GROUP

The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers in the Communications Group Region (the "Region"). The Region includes the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. Services offered by the Communications Group include local telephone services, exchange access services (which connect customers to the facilities of carriers, including long-distance providers and wireless operators), and long-distance services within Local Access and Transport Areas ("LATAs") in the Region. The Communications Group provides other products and services, including custom calling features, voice messaging, caller identification, high-speed data applications, customer premises equipment and certain communications services to business customers and governmental agencies both inside and outside the Region. The Telecommunications Act of 1996, enacted into law on February 8, 1996, will dramatically alter the competitive landscape of the telecommunications industry and will further change the nature of services the Communications Group will offer. These future service offerings include interLATA long-distance service, wireless services, cable television and interconnection services provided to competing providers of local services.

THE MEDIA GROUP

The Media Group is comprised of: (i) cable and telecommunications network businesses outside of the Communications Group Region and internationally, (ii) domestic and international wireless communications network businesses and (iii) domestic and international directory and information services businesses.

The Media Group's cable and telecommunications businesses include U S WEST's investment in Time Warner Entertainment Company L.P. ("TWE" or "Time Warner Entertainment"), the second largest provider of cable television services in the United States, its cable systems in the Atlanta, Georgia metropolitan area ("the Atlanta Systems"), and international cable and telecommunications investments, including TeleWest plc ("TeleWest"). In 1995, TeleWest Communications plc merged its cable television and telephony interests with SBC CableComms (UK) to form TeleWest, the largest provider of combined cable and telecommunications services in the United Kingdom. The Media Group also owns interests in cable and/or telecommunications properties in the Netherlands, Sweden, Norway, Hungary, Czech Republic, Malaysia and Indonesia.

The Media Group provides domestic wireless communications services, including cellular services, in 13 western and midwestern states to a rapidly growing customer base. The Media Group also provides

wireless communications services internationally through its Mercury One 2 One ("One 2 One") joint venture, the world's first personal communications service located in the United Kingdom. The Media Group also owns interests in wireless properties in Hungary, the Czech and Slovak Republics, Russia, Malaysia, India and Poland.

The Media Group's directory and information services businesses develop and package content and information services, including telephone directories, database marketing and other interactive services in domestic and international markets. The Media Group publishes more than 300 White and Yellow Pages directories in 14 western and midwestern states and nearly 200 directories in the United Kingdom and Poland. The Media Group also has a 50 percent interest in Listel, Brazil's largest telephone directory publisher.

AIRTOUCH MERGER

During 1994, U S WEST signed a definitive agreement with AirTouch Communications to combine their domestic cellular assets. The initial equity ownership of this cellular joint venture will be approximately 70 percent AirTouch and approximately 30 percent U S WEST. The combination will take place in two phases. During Phase I, which U S WEST entered effective November 1, 1995, the two companies are operating their cellular properties separately. A Wireless Management Company (the "WMC") has been formed and is providing centralized services to both companies on a contract basis. In Phase II, AirTouch and U S WEST will contribute their domestic cellular assets to the WMC. In this phase, the Company will reflect its share of the combined operating results of the WMC using the equity method of accounting. The recent passage of the Telecommunications Act of 1996 has removed significant regulatory barriers to completion of Phase II of the business combination. U S WEST expects that Phase II closing could take place by the end of 1996 or early 1997.

PERSONAL COMMUNICATIONS SERVICES

U S WEST partnered with AirTouch Communications, Bell Atlantic and NYNEX to form a strategic national wireless alliance and formed a venture to provide personal communications services ("PCS"). This venture, PCS PrimeCo, purchased 11 licenses in the Federal Communication Commission's (the "FCC") PCS auction, covering 57 million people in Chicago, Dallas, Honolulu, Houston, Jacksonville, Miami, Milwaukee, New Orleans, Richmond, San Antonio and Tampa.

SUBSEQUENT EVENT

On February 27, 1996, the Company announced a definitive agreement to merge with Continental Cablevision, Inc. ("Continental"). Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

Continental's 4.2 million domestic customers are highly clustered in five large markets -- New England, California, Chicago, Michigan, Ohio and Florida. Upon closing, U S WEST will own or share management of cable systems in 60 of the top 100 American markets and serve nearly one of every three cable households. In addition, Continental has interests in cable properties in Australia, Argentina and Singapore; a 10 percent interest in PRIMESTAR (a direct broadcast satellite service); telephone access businesses in Florida and Virginia; and interests in programming that include Turner Broadcasting System, E! Entertainment Television, the Golf Channel, and the Food Channel.

RESULTS OF OPERATIONS -- 1995 COMPARED WITH 1994

Comparative details of income from continuing operations for 1995 and 1994 follow:

<TABLE>
<CAPTION>

	PERCENT OWNERSHIP	1995	1994	INCREASE (DECREASE) $	INCREASE (DECREASE) %
<S>	<C>	<C>	<C>	<C>	<C>
Communications Group: (1)					
U S WEST Communications, Inc.	100	$ 1,219	$ 1,175	$ 44	3.7
Other operations	100	(35)	(25)	(10)	(40.0)
Total Communications Group		1,184	1,150	34	3.0
Media Group: (2)					
Consolidated:					
Directory and information services	100	240	247	(7)	(2.8)
Wireless communications	100	62	67	(5)	(7.5)

Cable and telecommunications	100	(7)	(2)	(5)	--
Unconsolidated equity investments:					
Time Warner Entertainment (3)	25.5	(32)	(30)	(2)	(6.7)
TeleWest	26.8	53	76	(23)	(30.3)
One 2 One	50.0	(81)	(58)	(23)	(40.0)
Other (4)		(90)	(24)	(66)	--
Total Media Group		145	276	(131)	(47.5)
Income from continuing operations		$ 1,329	$ 1,426	$ (97)	(6.8)
Pro forma earnings per common share from continuing operations: (5)					
Communications Stock		$ 2.52	--		
Media Stock		0.30	--		
Earnings per common U S WEST share (5)		--	$ 3.14		

</TABLE>

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(1)
1995 Communications Group income from continuing operations includes a gain of $85 ($0.18 per Communications share) on the sales of certain rural telephone exchanges and $8 ($0.01 per Communications share) for costs associated with the Recapitalization Plan. 1994 Communications Group income from continuing operations includes a gain of $51 ($0.11 per U S WEST share) on the sales of certain rural telephone exchanges.

(2)
1995 Media Group income from continuing operations includes a gain of $95 ($0.20 per Media share) from the merger of TeleWest with SBC CableComms (UK) and $9 ($0.02 per Media share) for costs associated with the Recapitalization Plan. 1994 Media Group income from continuing operations includes a gain of $105 ($0.23 per U S WEST share) from the partial sale of the Company's joint venture interest in TeleWest and a gain of $41 ($0.09 per U S WEST share) from the sale of the Company's paging operations.

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

(4)
Primarily includes interest expense and divisional expenses associated with equity investments.

(5)
Earnings per common share from continuing operations have been presented on a pro forma basis as if the Communications Stock and Media Stock had been outstanding since January 1, 1995. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

COMMUNICATIONS GROUP

The Communications Group's 1995 income from continuing operations, excluding the effects of one-time items described in Note 1 to the table above, was $1,107, an increase of $8, or 0.7 percent, compared with $1,099 in 1994, also excluding the effects of one-time items. Total revenue growth of 3.4 percent was largely offset by significantly higher costs incurred to improve customer service and meet greater than

expected business growth. Net income growth will also be limited in 1996 while the Communications Group continues to commit significant resources to meet customer service objectives and broaden its range of product and service offerings.

Excluding the effects of one-time items described in Note 1 to the table above, pro forma earnings per Communications Group common share from continuing operations were $2.35 in 1995.

During 1995, the Communications Group refinanced $145 of long-term debt. Expenses associated with the refinancings resulted in extraordinary charges of $8, net of tax benefits of $5.

MEDIA GROUP

During 1995, income from continuing operations declined 55 percent, to $59, excluding the effects of the one-time items described in Note 2 to the table above. The decline is due primarily to higher equity losses related to international growth initiatives and increased amortization and interest expense. Interest expense increases relate to debt issued in connection with the Atlanta Systems acquisition and expansion of international investments. The declines were partially offset by improvement in the domestic cellular and Yellow Pages operations.

Excluding the effects of one-time items described in Note 2 to the table above, pro forma earnings per Media Group common share from continuing operations were $0.12 in 1995.

During 1995, the Media Group incurred an extraordinary loss of $4, net of a tax benefit of $2, related to the early retirement of debt by TWE.

SALES AND OTHER REVENUES

An analysis of the change in U S WEST's consolidated sales and other revenues follows:

	1995	1994	INCREASE $	INCREASE %
Communications Group	$ 9,484	$ 9,176	$ 308	3.4
Media Group	2,374	1,908	466	24.4
Intergroup eliminations	(112)	(131)	19	14.5
Total	$ 11,746	$ 10,953	$ 793	7.2

COMMUNICATIONS GROUP OPERATING REVENUES

An analysis of changes in Communications Group operating revenues follows:

	1995	1994	PRICE CHANGES	LOWER (HIGHER) REFUNDS	DEMAND	OTHER	INCREASE (DECREASE) $
Local service	$ 4,344	$ 4,067	$ 35	$ (10)	$ 273	$ (21)	$ 277
Interstate access	2,378	2,269	(66)	(2)	191	(14)	109
Intrastate access	747	729	(31)	8	36	5	18
Long-distance network	1,189	1,329	(23)	(1)	(54)	(62)	(140)
Other services	826	782	--	--	--	44	44
Total Communications Group	$ 9,484	$ 9,176	$ (85)	$ (5)	$ 446	$ (48)	$ 308

	%
Local service	6.8
Interstate access	4.8
Intrastate access	2.5
Long-distance network	(10.5)
Other services	5.6
Total Communications Group	3.4

Approximately 97 percent of the revenues of the Communications Group are attributable to the operations of U S WEST Communications, Inc. ("U S WEST Communications"), of which approximately 59 percent are derived from the states of Arizona, Colorado, Minnesota and Washington. Approximately 29 percent of the access lines in service are devoted to providing services to business customers. The access

line growth rate for business customers, who tend to be heavier users of the network, has consistently exceeded the growth rate of residential customers. During 1995, business access lines grew 5.4 percent while residential access lines increased 2.8 percent.

The primary factors that influence changes in revenues are customer demand for products and services, price changes (including those related to regulatory proceedings) and refunds. During 1995, revenues from new product and service offerings were $534, an increase of 58 percent compared with 1994. These revenues primarily consist of caller identification, voice messaging, call waiting and high-speed data network transmission services.

Local service revenues include local telephone exchange, local private line and public telephone services. In 1995, local service revenues increased principally as a result of higher demand for new and existing services, and demand for second lines. Local service revenues from new services increased $92, or 78 percent, compared with 1994. Reported total access lines increased 511,000, or 3.6 percent, of which 161,000 were second lines. Second line installations increased 25.5 percent compared with 1994. Access line growth was 4.2 percent adjusted for the sale of approximately 95,000 rural telephone access lines during the last 12 months.

Access charges are collected primarily from 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 33 percent of access revenues and 11 percent of total revenues are derived from providing access services to AT&T.

Higher revenues from interstate access services were driven by an increase of 9.2 percent in interstate billed access minutes of use. The increased business volume more than offset the effects of price reductions and refunds. The Communications Group reduced prices for interstate access services in both 1995 and 1994 as a result of Federal Communications Commission ("FCC") orders and competitive pressures. Intrastate access revenues increased primarily due to the impact of increased business volume and multiple toll carrier plans, partially offset by the impact of rate changes.

Long-distance revenues are derived from calls made within the LATA boundaries of the Region. During 1995 and 1994, long-distance revenues were impacted by the implementation of multiple toll carrier plans ("MTCPs") in Oregon and Washington in May and July 1994, respectively. The MTCPs essentially allow independent telephone companies to act as toll carriers. The 1995 impact of the MTCPs was long-distance revenue losses of $62, partially offset by increases in intrastate access revenues of $12 and decreases in other operating expenses (i.e. access expense) of $42 compared with 1994. These regulatory arrangements have decreased annual net income by approximately $10. Similar changes in other states could occur, though the impact on 1996 net income would not be material.

Excluding the effects of the MTCPs, long-distance revenues decreased by 5.9 percent in 1995, primarily due to the effects of competition and rate reductions. Long-distance 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. A portion of revenues lost to competition, however, is recovered through access charges paid by the interexchange carriers. Erosion in long-distance revenue will continue due to the loss of 1+ dialing in Minnesota, effective in February 1996, and in Arizona, effective in April 1996. Annual long-distance revenue losses could approximate $30 as a result of these changes. The Communications Group is partially mitigating competitive losses through competitive pricing of intraLATA long-distance services.

Revenues from other services primarily consist of billing and collection services provided to interexchange carriers, voice messaging services, high-speed data transmission services, sales of service agreements related to inside wiring and the provision of customer premises equipment.

During 1995, revenues from other services increased $44, primarily as a result of continued market penetration in voice messaging services and sales of high-speed data transmission services. Revenue growth from other services is also attributable to maintenance contracts for inside wire services and a large contract related to a wire installation project. These increases were partially offset by a decrease of $20 in revenues from billing and collection services. The decline in billing and collection revenues is primarily related to lower contract prices and a decrease in the volume of services provided to AT&T.

MEDIA GROUP SALES AND OTHER REVENUES

An analysis of the Media Group's sales and other revenues follows:

<TABLE>
<CAPTION>

	1995	1994	INCREASE (DECREASE) $	%
<S>	<C>	<C>	<C>	<C>
Directory and information services:				
Domestic	$ 1,058	$ 997	$ 61	6.1
International	122	78	44	56.4
	1,180	1,075	105	9.8
Wireless communications:				
Cellular service	845	633	212	33.5
Cellular equipment	96	120	(24)	(20.0)
Paging sales and service (1)	--	28	(28)	--
	941	781	160	20.5
Cable and telecommunications	215	18	197	--
Other	38	34	4	11.8
Total Media Group	$ 2,374	$ 1,908	$ 466	24.4

</TABLE>

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(1) The Company's paging business was sold in June 1994. Results reflect operations for the six months ending June 30, 1994.

Media Group sales and other revenues increased 15 percent, to $2,374 in 1995, excluding the effects of the 1994 Atlanta Systems acquisition and paging sale. The increase was primarily due to strong growth in cellular service revenue.

DIRECTORY AND INFORMATION SERVICES Revenues related to Yellow Pages directory advertising increased 6.4 percent to $1,026 in 1995, due to price increases of 4.5 percent, higher revenue per advertiser and an increase in Yellow Pages advertising volume.

International directory publishing revenues increased $44 in 1995, primarily due to U S WEST's May 1994 purchase of Thomson Directories in the United Kingdom. The remaining increase is due to an increase in advertisers and revenue per advertiser.

WIRELESS COMMUNICATIONS Cellular service revenues increased 34 percent, to $845 in 1995, due to a 51 percent increase in subscribers during the last twelve months (with 20 percent of the additions occurring in December), partially offset by a 13 percent drop in average revenue per subscriber to $60.00 per month. The increase in subscribers relates to continued growth in demand for wireless services. The Media Group anticipates continued growth in its subscriber base, although at slightly decreased rates.

New distribution programs are being developed which increase availability of cellular products and simplify the cellular service activation process. These programs have contributed to the shift in the customer base from businesses to consumers. This shift, combined with competitive pressures on pricing, will cause the average revenue per subscriber to continue to decline.

Cellular equipment revenues decreased 20 percent, to $96 in 1995, as a result of lower cellular equipment costs. These lower equipment costs are being passed on to retailers and to new customers. The Media Group expects this trend to continue in 1996 as the cost of equipment continues to decline and as penetration into the consumer market increases.

Revenues related to the paging sales and service operations, which were sold in 1994, approximated $28 in 1994.

CABLE AND TELECOMMUNICATIONS Domestic cable and telecommunications revenues increased $197 in 1995, due to the December 1994 acquisition of the Atlanta Systems.

COSTS AND EXPENSES

<TABLE>
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	1995	1994	INCREASE (DECREASE) $	%

<S>	<C>	<C>	<C>	<C>
Employee-related expenses	$ 4,071	$ 3,779	$ 292	7.7
Other operating expenses	2,323	2,203	120	5.4
Taxes other than income taxes	416	412	4	1.0
Depreciation and amortization	2,291	2,052	239	11.6
Interest expense	527	442	85	19.2
Equity losses in unconsolidated ventures	207	121	86	71.1
Other income (expense) -- net	(36)	25	(61)	--

</TABLE>

EMPLOYEE-RELATED EXPENSES

Employee-related expenses include basic salaries and wages, overtime, benefits (including pension and health care), payroll taxes and contract labor. During 1995, improving customer service was the Communications Group's first priority. Overtime payments and contract labor expense associated with customer service initiatives at the Communications Group increased employee-related costs by approximately $168 compared with 1994. Expenses related to the addition of approximately 1,700 employees in 1995 and 1,000 employees in 1994 at the Communications Group also increased employee-related costs. These expenses were incurred to handle the higher than anticipated volume of business and to meet new business opportunities. Partially offsetting these increases was a $34 reduction in the accrual for postretirement benefits, a $22 decrease in travel expense and reduced expenses related to employee separations under reengineering and streamlining initiatives. The Communications Group will continue to add employees to address customer service issues and growth in the core business. Costs related to these work-force additions will partially offset the benefits of employee separations achieved through restructuring. (See "Restructuring Charge.")

Employee-related expenses also increased due to the 1994 purchases of the Atlanta Systems and Thomson Directories, and growth initiatives in the directory and information services segment.

OTHER OPERATING EXPENSES

Other operating expenses include access charges (incurred for the routing of 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. The increase in other operating expenses is primarily attributed to the Media Group's 1994 purchases of the Atlanta Systems and Thomson Directories and expansion of the cellular customer base.

During 1995, other operating expenses decreased at the Communications Group primarily due to the effects of the multiple toll carrier plans and a reduction in expenses related to project funding at Bell Communications Research, Inc. ("Bellcore"), of which U S WEST Communications has a one-seventh ownership interest. These decreases in other operating expenses were partially offset by increases in costs associated with increased sales of products and services, including bad debt expense.

TAXES OTHER THAN INCOME TAXES

Taxes other than income taxes, which consist primarily of property taxes, were relatively flat compared with 1994. Increased taxes associated with the domestic cellular operations were offset by lower taxes at the Communications Group. Lower taxes at the Communications Group were primarily due to favorable property tax valuations and mill levies as compared with 1994. As a result of these valuations and mill levies, 1995 fourth-quarter accruals at the Communications Group decreased by $20 compared with fourth-quarter 1994.

DEPRECIATION AND AMORTIZATION

Increased depreciation and amortization expense was attributable to the effects of a higher depreciable asset base at the Communications Group, expansion of the Media Group's domestic cellular network and the purchase of the Atlanta Systems. These increases were partially offset by the effects of the sales of certain rural telephone exchanges at U S WEST Communications.

INTEREST EXPENSE AND OTHER

Interest expense increased primarily as a result of increased debt financing at the Communications Group, the December 1994 acquisition of the Atlanta Systems, new domestic and international investments and a reclassification of debt from net investment in assets held for sale. The average borrowing cost was 6.7 percent in 1995, compared with 6.6 percent in 1994. (See "Liquidity and Capital Resources.")

Equity losses increased $86 in 1995, primarily due to costs related to the expansion of the network and additional financing costs at TeleWest and additional costs associated with the significant increase in customers at One 2 One. Start-up and other costs associated with new international cable and telecommunications investments primarily located in the Czech Republic and Malaysia contributed to the increase. These increased losses were partially offset by earnings in the European wireless operations. Losses related to domestic investments in TWE and PCS PrimeCo also increased. The Media Group expects the PCS partnership to experience several years of operating losses associated with the start-up phase of the PCS business.

The decrease in other income is largely attributable to $17 of costs associated with the Recapitalization Plan in 1995, increased minority interest expense associated with domestic cellular operations and a 1994 gain on sale of nonstrategic operations.

PROVISION FOR INCOME TAXES

<TABLE>
<CAPTION>

			(DECREASE)	
	1995	1994	$	%
<S>	<C>	<C>	<C>	<C>
Provision for income taxes..	$ 825	$ 857	$ (32)	(3.7)
Effective tax rate..	38.3	37.5	--	--

</TABLE>

The increase in the effective tax rate reflects the impacts of goodwill amortization related to the acquisition of the Atlanta Systems, higher state and foreign income taxes, and expenses associated with the Recapitalization Plan. Additionally, a tax benefit was recorded in 1994, related to the sale of paging assets, which contributed to the increase in the effective tax rate. These impacts were partially offset by lower pretax income and the effects of a research and experimentation credit, and adjustments for prior periods.

RESTRUCTURING CHARGE

U S WEST's 1993 results reflected a $1 billion restructuring charge (pretax). The related restructuring plan (the "Restructuring Plan") is designed to provide faster, more responsive customer services while reducing the costs of providing these services. As part of the Restructuring Plan, the Company is developing new systems and enhanced system functionality that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, rapidly design and engineer products and

services for customers, and centralize its service centers. The Company has consolidated its 560 customer service centers at U S WEST Communications into 26 centers in 10 cities and plans on reducing its work force by approximately 10,000 employees. All service centers are operational and supported by new systems and enhanced system functionality.

The Restructuring Plan is expected to be substantially complete by the end of 1997. Implementation of the Restructuring Plan has been impacted by growth in the business and related service issues, new business opportunities, revisions to system delivery schedules and productivity issues caused by the major rearrangement of resources due to restructuring. These issues will continue to affect the timing of employee separations.

The Company estimates that full implementation of the 1993 Restructuring Plan will reduce employee-related expenses by approximately $400 per year. The savings related to work-force reductions will be offset by the effects of inflation and a variety of other factors. These factors include costs related to the achievement of customer service objectives and increased demand for existing services. (See "Employee-Related Expenses.")

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

<TABLE>
<CAPTION>

	1993 ACTUAL	1994 ACTUAL	1995 ACTUAL	1996 ESTIMATE	1997 ESTIMATE
<S>	<C>	<C>	<C>	<C>	<C>
Cash expenditures:					
Employee separation (1)................................	$ --	$ 19	$ 76	$ 36	$ 129
Systems development....................................	--	127	145	128	--
Real estate..	--	50	66	14	--
Relocation...	--	21	24	20	15
Retraining and other...................................	--	16	23	22	4

Total cash expenditures	--	233	334	220	148
Asset write-down	65	--	--	--	--
Total 1993 Restructuring Plan	65	233	334	220	148
Remaining 1991 plan employee costs (1)	--	56	--	--	--
Total	$ 65	$ 289	$ 334	$ 220	$ 148

<CAPTION>

<S> <C>

	TOTAL
Cash expenditures:	
Employee separation (1)	$ 260
Systems development	400
Real estate	130
Relocation	80
Retraining and other	65
Total cash expenditures	935
Asset write-down	65
Total 1993 Restructuring Plan	1,000
Remaining 1991 plan employee costs (1)	56
Total	$ 1,056

</TABLE>

----

(1) Employee separation costs, including the balance of a 1991 restructuring reserve at December 31, 1993, aggregate $316.

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems development costs include new systems and the application of enhanced system functionality to existing, single-purpose systems to provide integrated, end-to-end customer service. 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.

EMPLOYEE SEPARATION Under the Restructuring Plan, the Company anticipates the separation of 10,000 employees. Approximately 1,000 employees that were originally expected to relocate have chosen separation or other job assignments and have been replaced. This increased the number of employee separations to 10,000 from 9,000, and increased the estimated total cost for employee separations to $316 from $286, as compared with the original estimate. The $30 cost associated with these additional employee separations was reclassified from relocation to the reserve for employee separations during 1995.

Annual employee separations and employee-separation amounts under the Restructuring Plan follow:

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C> <C> <C> <C>

	1994		1995		1996	1997	
	ESTIMATE	ACTUAL(1)	ESTIMATE	ACTUAL	ESTIMATE(2)	ESTIMATE(2)	TOTAL
Employee separations:							
Managerial	1,061	497	612	682	202	1,357	2,738
Occupational	1,887	1,683	1,638	1,643	798	3,138	7,262
Total	2,948	2,180	2,250	2,325	1,000	4,495	10,000

<CAPTION>

1994		1995		1996	1997	
ESTIMATE	ACTUAL(1)	ESTIMATE	ACTUAL	ESTIMATE(2)	ESTIMATE(2)	TOTAL

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Employee separation amounts:							
Managerial	$ 25	$ 5	$ 22	$ 30	$ 12	$ 56	$ 103
Occupational	15	14	54	46	24	73	157
Total	40	19	76	76	36	129	260
Remaining 1991 reserve	56	56	--	--	--	--	56
Total	$ 96	$ 75	$ 76	$ 76	$ 36	$ 129	$ 316

</TABLE>

----

(1) Includes the remaining employees and the separation amounts associated with the balance of a 1991 restructuring reserve at December 31, 1993.

(2) A significant number of the employee reductions originally scheduled for 1996 will be delayed while the Company focuses on overtime and contract-labor expenses. The Restructuring Plan is expected to be substantially complete by the end of 1997.

Compared with the original estimates, employee reduction and separation amounts shown above have been reduced by 1,600 employees and $51 in 1996, and increased by 4,495 employees and $129 in 1997.

SYSTEMS DEVELOPMENT The existing information management systems were largely developed to support a monopoly environment. These systems were inadequate due to the effects of increased competition, new forms of regulation and changing technology that have driven consumer demand for products and services that can be delivered quickly, reliably and economically. The Company believes that improved customer service, delivered at lower cost, can be achieved by a combination of new systems and introducing new functionality to existing systems. This is a change from the initial strategy which placed more emphasis on the development of new systems.

The systems development program involves new systems and enhanced system functionality for systems that support the following core processes:

SERVICE DELIVERY -- to support service on demand for all products and services. These new systems and enhanced system functionality will permit customer calls to be directed to those service representatives who can meet their requirements. This process will provide enhanced information to the service representatives regarding the customer requests and the ability of the Communications Group to fulfill them.

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.

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

Certain of the new systems and enhanced system functionality have been implemented in the service centers and have simplified the labor-intensive interfaces between systems processes in existence prior to the Restructuring Plan. Enhanced system functionality introduced under the Restructuring Plan since its inception includes the following:

- The ability to determine facilities' availability while the customer is placing an order;

- Automated engineering of central office facilities and automated updating of central office facilities' records;

- The ability to track the status of complex network design jobs from the customer's perspective; and

- Systems that accurately diagnose network problems and prepare repair packages to correct the problems identified.

The direct, incremental and nonrecurring costs of providing new systems and enhanced system functionality follow:

<TABLE>
<CAPTION>

	1994 ESTIMATE	1994 ACTUAL	1995 ESTIMATE	1995 ACTUAL	1996 ESTIMATE
Service delivery	$ 35	$ 21	$ 21	$ 19	$ 44
Service assurance	45	12	24	22	26
Capacity provisioning	17	57	92	85	42
All other	28	37	24	19	16
Total	$ 125	$ 127	$ 161	$ 145	$ 128

<CAPTION>

	TOTAL
Service delivery	$ 84
Service assurance	60
Capacity provisioning	184
All other	72
Total	$ 400

</TABLE>

Systems expenses charged to current operations consist of 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. Other systems expenses are for administrative (i.e. general purpose) systems which include customer service, order entry, billing and collection, accounts payable, payroll, human resources and property records. Ongoing systems costs at U S WEST Communications comprised approximately six percent of total operating expenses in 1995, 1994 and 1993. The Company expects systems costs charged to current operations as a percent of total operating expenses to approximate the current level throughout 1996. Systems costs could increase relative to other operating costs as the business becomes more technology dependent.

PROGRESS UNDER THE RESTRUCTURING PLAN

Following is a reconciliation of restructuring reserve activity since December 1993:

<TABLE>
<CAPTION>

	RESERVE BALANCE 12/31/93	1994 ACTIVITY	RESERVE BALANCE 12/31/94	1995 ACTIVITY	CHANGE IN ESTIMATE
Employee separation:					
Managerial	$ 80	$ 5	$ 75	$ 30	$ 23
Occupational	150	14	136	46	7
Total employee separation	230	19	211	76	30
Systems development:					
Service delivery	73	21	52	19	11
Service assurance	64	12	52	22	(4)
Capacity provisioning	179	57	122	85	5
All other	84	37	47	19	(12)
Total systems development	400	127	273	145	--
Real estate	130	50	80	66	--
Relocation	110	21	89	24	(30)
Retraining and other	65	16	49	23	--
Total 1993 Restructuring Plan	935	233	702	334	--
Remaining 1991 plan expenditures	56	56	--	--	--
Total	$ 991	$ 289	$ 702	$ 334	$ --

<CAPTION>

RESERVE
BALANCE

	12/31/95
Employee separation:	
Managerial	$ 68
Occupational	97
Total employee separation	165
Systems development:	
Service delivery	44
Service assurance	26
Capacity provisioning	42
All other	16
Total systems development	128
Real estate	14
Relocation	35
Retraining and other	26
Total 1993 Restructuring Plan	368
Remaining 1991 plan expenditures	--
Total	$ 368

	1994 SEPARATIONS	1995 SEPARATIONS	CUMULATIVE SEPARATIONS AT DECEMBER 31, 1995
Employee separations:			
Managerial	497	682	1,179
Occupational	1,683	1,643	3,326
Total	2,180	2,325	4,505

RESULTS OF OPERATIONS -- 1994 COMPARED WITH 1993

Comparative details of income from continuing operations for 1994 and 1993 follow:

	PERCENT OWNERSHIP	1994	1993	INCREASE (DECREASE) $
Communications Group: (1)				
U S WEST Communications, Inc.	100	$ 1,175	$ 435	$ 740
Other operations	100	(25)	(44)	19
Total Communications Group		1,150	391	759
Media Group: (2)				
Consolidated:				
Directory and information services	100	247	220	27
Wireless communications	100	67	(43)	110
Cable and telecommunications	100	(2)	--	(2)
Unconsolidated equity investments:				
Time Warner Entertainment (3)	25.5	(30)	(19)	(11)
TeleWest	37.8	76	(21)	97
One 2 One	50.0	(58)	(22)	(36)
Other (4)		(24)	(30)	6
Total Media Group		276	85	191
Income from continuing operations		$ 1,426	$ 476	$ 950
Earnings per common U S WEST share from continuing operations		$ 3.14	$ 1.13	$ 2.01

----

(1)
1994 income from continuing operations includes a gain of $51 ($0.11 per share) on the sales of certain rural telephone exchanges. 1993 income from continuing operations was reduced by $534 ($1.28 per share) for a restructuring charge and $54 ($0.13 per share) for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

(2)
1994 income from continuing operations includes a gain of $105 ($0.23 per share) on the partial sale of U S WEST's joint venture interest in TeleWest, and a gain of $41 ($0.09 per share) for the sale of the Company's paging operations. 1993 income from continuing operations was reduced by $76 ($0.18 per share) for a restructuring charge.

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

(4)
Primarily includes interest expense and divisional expenses associated with equity investments.

COMMUNICATIONS GROUP

The Communications Group's 1994 income from continuing operations was $1,099, an increase of $120, or 12.3 percent, over 1993, excluding the one-time effects described in Note 1 to the table above. The increase was primarily attributable to increased demand for telecommunications services.

In 1993, U S WEST Communications incurred extraordinary charges for the discontinuance of Statement of Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation," and the early extinguishment of debt. An extraordinary, noncash charge of $3.1 billion (after tax) was incurred in conjunction with the decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS No. 71. SFAS No. 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, competition notwithstanding, by charging its customers at prices established by its regulators. This decision to discontinue the application of SFAS No. 71 was based on the belief that competition, market conditions and technological advances, more than prices established by regulators, will determine the future cost recovery by U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST

Communications' telephone plant were shortened to more closely reflect the useful (economic) lives of such plant. U S WEST Communications' accounting and reporting for regulatory purposes were not affected by the change.

During 1993, U S WEST Communications refinanced long-term debt issues aggregating $2.7 billion in principal amount. These refinancings allowed U S WEST Communications to take advantage of favorable interest rates. Extraordinary costs associated with the redemptions reduced 1993 income by $77 (after tax).

MEDIA GROUP

During 1994, income from continuing operations decreased 19 percent, to $130, excluding the effects of the one-time items described in Note 2 to the table above. The decline in income is primarily a result of increased start-up losses associated with international businesses, partially offset by income growth in domestic wireless operations attributable to rapid growth in customer demand.

During 1993, the Board approved a plan to dispose of the capital assets segment, which includes activities related to financial services, financial guarantee insurance operations and real estate. Until January 1, 1995, the capital assets segment was 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) 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 prior 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.

SALES AND OTHER REVENUES

An analysis of the change in U S WEST's consolidated sales and other revenues follows:

<TABLE>
<CAPTION>

	1994	1993	INCREASE (DECREASE) $	INCREASE (DECREASE) %
<S>	<C>	<C>	<C>	<C>
Communications Group...	$ 9,176	$ 8,870	$ 306	3.4
Media Group..	1,908	1,549	359	23.2
Intergroup eliminations..	(131)	(125)	(6)	(4.8)
Total..	$ 10,953	$ 10,294	$ 659	6.4

</TABLE>

COMMUNICATIONS GROUP OPERATING REVENUES

An analysis of changes in the Communications Group's revenues follows:

<TABLE>
<CAPTION>

	1994	1993	PRICE CHANGES	LOWER (HIGHER) REFUNDS	DEMAND	OTHER	INCREASE (DECREASE) $
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Local service..............................	$ 4,067	$ 3,829	$ (12)	$ 30	$ 216	$ 4	$ 238
Interstate access..........................	2,269	2,147	(15)	(6)	148	(5)	122
Intrastate access..........................	729	682	(10)	(4)	51	10	47
Long-distance network......................	1,329	1,442	(8)	1	(43)	(63)	(113)
Other services.............................	782	770	--	--	--	12	12
Total Communications Group.................	$ 9,176	$ 8,870	$ (45)	$ 21	$ 372	$ (42)	$ 306

<CAPTION>

	%
<S>	<C>
Local service..............................	6.2
Interstate access..........................	5.7
Intrastate access..........................	6.9
Long-distance network......................	(7.8)
Other services.............................	1.6
Total Communications Group.................	3.4

</TABLE>

In 1994, local service revenues increased principally as a result of higher demand for services. Reported access lines increased by 3.6 percent. Excluding the sale of approximately 60,000 rural telephone access lines during 1994, access line growth was 4.0 percent.

Higher revenues from interstate access services were primarily attributable to an increase of 7.8 percent in interstate billed access minutes of use, which more than offset the effects of price decreases. Intrastate access charges increased primarily as a result of higher demand, including demand for private line services.

Long-distance revenues decreased principally due to the effects of the MTCPs implemented in Oregon and Washington. The 1994 impact was a loss of $68 in long-distance revenues, partially offset by a decrease of $48 in other operating expenses and an increase of $10 in intrastate access revenue. These regulatory arrangements decreased net income by approximately $6 in 1994.

During 1994, revenues from other services increased due to higher revenue from billing and collection services and increased market penetration of new service offerings. Partially offsetting the increase in other services revenues was the 1993 sale of telephone equipment distribution operations, completion of large telephone network installation contracts and lower revenue from customer premises equipment installations.

MEDIA GROUP SALES AND OTHER REVENUES

An analysis of the Media Group's sales and other revenues follows:

	1994	1993	INCREASE (DECREASE) $	INCREASE (DECREASE) %
Directory and information services:				
Domestic	$ 997	$ 949	$ 48	5.1
International	78	7	71	--
	1,075	956	119	12.4
Wireless communications:				
Cellular service	633	443	190	42.9
Cellular equipment	120	63	57	90.5
Paging sales and service (1)	28	55	(27)	(49.1)
	781	561	220	39.2
Cable and telecommunications	18	--	18	--
Other	34	32	2	6.2
Total Media Group	$ 1,908	$ 1,549	$ 359	23.2

----

(1) The Company's paging business was sold in June 1994. Results reflect operations for the six months ending June 30, 1994.

During 1994, Media Group sales and other revenues increased 25 percent to $1,862, excluding the effect of the 1994 Atlanta Systems acquisition and paging sale. The increase was primarily due to strong growth in cellular service revenue.

DIRECTORY AND INFORMATION SERVICES Revenues related to Yellow Pages directory advertising increased approximately $59, or 6.5 percent, due primarily to pricing. Product enhancements and the effect of improved marketing programs on business volume also contributed to the increase in revenues. Non-Yellow Pages revenues increased $11, including $7 related to new products. Partially offsetting these increases was the absence of revenues related to certain publishing, software development and marketing operations that were sold, which reduced revenues by $22.

The increase in international directory publishing revenue is attributable to U S WEST's May 1994 purchase of Thomson Directories.

WIRELESS COMMUNICATIONS Cellular service revenues increased 43 percent, to $633 in 1994, due to a 61 percent increase in subscribers (with 24 percent of the additions occurring in December), partially offset by an 8 percent drop in average revenue per subscriber to $70.00 per month.

Cellular equipment revenues increased 90 percent, to $120 in 1994, primarily due to an 83 percent increase in gross customer additions, with a higher percentage of those customers purchasing equipment than in 1993. This increase was partially offset by a 13 percent decline in the average selling price of wireless phones.

CABLE AND TELECOMMUNICATIONS Domestic cable and telecommunications revenues reflect the December 1994 acquisition of the Atlanta Systems.

COSTS AND EXPENSES

	1994	1993	INCREASE (DECREASE) $	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	--

</TABLE>

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 the Restructuring Plan at U S WEST Communications, 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 Plan, lower health-care benefit costs, including a reduction in the accrual for postretirement benefits, and lower incentive compensation payments to employees.

Selling and other operating costs related to growth in the cellular subscriber base increased other operating expenses by approximately $166 in 1994. Partially offsetting this increase was a $48 decrease in access expense related to the effects of the multiple toll carrier plan arrangements.

The increase in depreciation and amortization expense was primarily a result of a higher depreciable asset base and increased rates of depreciation at U S WEST Communications.

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 U S WEST Communications, 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 against interest expense rather than to other income (expense). U S WEST's average borrowing cost decreased to 6.6 percent in 1994, from 6.7 percent in 1993.

Equity losses in unconsolidated ventures increased over 1993, primarily due to start-up costs related to the build out of TeleWest's network and costs related to the expansion of the customer base at 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

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>	INCREASE <C>
Provision for income taxes..	$ 857	$ 269	$ 588
Effective tax rate..	37.5%	36.1%	--

</TABLE>

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.

LIQUIDITY AND CAPITAL RESOURCES -- THREE YEARS ENDED DECEMBER 31, 1995

OPERATING ACTIVITIES

Cash provided by operations increased $173 in 1995. Business growth in the Communications Group and the cellular business, and the acquisition of the Atlanta Systems contributed to the increase in cash provided by operations. This increase was partially offset by increases in Restructuring Plan expenditures and higher income tax and interest payments, including approximately $60 related to the partial sale of the Company's joint venture interest in TeleWest.

Cash from operations in 1994 remained relatively flat compared with 1993. Business growth and a decrease in the cash funding for postretirement benefits was offset by increased Restructuring Plan payments.

INVESTING ACTIVITIES

Total capital expenditures were $3,140 in 1995, $2,820 in 1994 and $2,441 in 1993. The 1995 capital expenditures exceeded the 1994 and 1993 levels due to the Communications Group's efforts to improve customer service (including reductions in held orders) and to accommodate additional line capability in several states, and the enhancement and expansion of the cellular network. In 1996, capital expenditures are expected to approximate $3.1 billion. Included in the 1996 capital expenditures estimate are costs to enter new markets as allowed under the Telecommunications Act of 1996, upgrade the Atlanta Systems and expand the cellular network.

The Company received cash proceeds of $214 and $93 in 1995 and 1994, respectively, for the sales of certain rural telephone exchanges. Since implementing its rural telephone exchange sales program, the Company has sold approximately 155,000 access lines. Planned sales of rural exchanges for 1996 and beyond aggregate approximately 180,000 lines.

Investing activities of the Company also include equity investments in international ventures. In 1995, the Company invested $681 in international ventures, primarily investments in Malaysia, the Netherlands, the Czech Republic and the United Kingdom. The Company invested approximately $444 in developing international businesses in 1994, including the acquisition of Thomson Directories. The Company anticipates that investments in international ventures will approximate $400 in 1996. This includes investments for recently awarded licenses to provide cellular service using digital technology in India and Poland. At December 31, 1995, U S WEST guaranteed debt in the principal amount of approximately $140 related to international ventures.

In March 1995, PCS PrimeCo was awarded PCS licenses in 11 markets. The Company's share of the cost of the licenses was approximately $268, all of which was funded in 1995. Under the PCS PrimeCo partnership

agreement, U S WEST is required to fund approximately 24 percent of PCS PrimeCo's operating and capital costs, including licensing costs. U S WEST anticipates that its total funding obligations to PCS PrimeCo during the next three years will be approximately $400.

In 1994, the Company received cash proceeds of $143 from the sale of its paging operations. In 1993, cash proceeds of $30 were received from the sale of certain nonstrategic lines of business. The Company did not receive cash from the 1994 partial sale of its joint venture interest in TeleWest or from the 1995 merger. All proceeds from the 1994 sale have been used by TeleWest for general business purposes, including financing both construction and operations, and repaying debt.

On February 27, 1996, U S West announced a definitive agreement to merge with Continental. Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

FINANCING ACTIVITIES

During 1995, debt increased $917 primarily due to the increase in capital expenditures, new investments in international ventures, cash funding of the PCS licenses and a reclassification of debt from net investment in assets held for sale.

During fourth-quarter 1995, U S WEST issued $130 of exchangeable notes, or Debt Exchangeable for Common Stock ("DECS"), due December 15, 1998. Upon maturity, each DECS will be mandatorily exchanged by U S WEST for shares of Enhance Financial Services Group, Inc. ("Enhance") or, at U S WEST's option, redeemed at the cash equivalent. The capital assets segment currently holds approximately 31.5 percent of the outstanding Enhance common stock.

These increases in debt were partially offset by reductions of debt related to the investment in TWE and a refinancing of commercial paper by issuing Company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely Company-guaranteed debentures ("Preferred Securities"). U S WEST issued $600 of Preferred Securities in 1995. The payment of interest and redemption amounts to holders of the securities are fully and unconditionally guaranteed by U S WEST.

During 1995, U S WEST refinanced $2.6 billion of commercial paper to take advantage of favorable long-term interest rates. In addition to the commercial paper, U S WEST Communications refinanced $145 of long-term debt. In 1993, U S WEST Communications refinanced $2.7 billion of long-term debt. Expenses associated with the refinancing of long-term debt resulted in extraordinary after-tax charges to income of $8 and $77, net of tax benefits of $5 and $48 in 1995 and 1993, respectively.

Debt increased $739 in 1994, primarily due to the December 1994 acquisition of the Atlanta Systems, partially offset by reductions in debt related to the investment in TWE. The cash investment related to the acquisition of the Atlanta Systems was $745, obtained through short-term borrowing.

Excluding debt associated with the capital assets segment, the Company's percentage of debt to total capital at December 31, 1995, was 50.7 percent compared with 51.6 percent at December 31, 1994 and 55.1 percent at December 31, 1993. Including debt associated with the capital assets segment, Preferred Securities and other preferred stock, the Company's percentage of debt to total capital was 56.4 percent at

December 31, 1995, 55.7 percent at December 31, 1994 and 59.7 percent at December 31, 1993. The decrease in the 1994 percentage of debt to total capital is primarily attributable to higher net income and the effects of an increase in common shares outstanding.

U S WEST 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. In addition, U S WEST maintains lines of credit aggregating approximately $1.9 billion, all of which was available at December 31, 1995. Under registration statements filed with the SEC, as of December 31, 1995, U S WEST is permitted to issue up to approximately $1.5 billion of new debt securities.

Debt related to discontinued operations decreased $487 in 1995 and $213 in 1994. Cash to the capital assets segment of $101 in 1994 primarily reflects the payment of debt, net of $154 in proceeds from the sale of 8.1 million shares of Financial Security Assurance Holdings, Ltd. ("FSA"), an investment of the capital assets segment. For financial reporting purposes debt of the capital assets segment is netted against the related assets. See Consolidated Financial Statements -- Note 20: Net Investment in Assets Held for Sale.

In connection with U S WEST's February 27, 1996 announcement of a planned merger with Continental, U S WEST, Inc.'s credit rating is being reviewed by credit rating agencies, which may result in a downgrading. The credit rating of U S WEST Communications was not placed under review by Moody's, has been reaffirmed by Duff and Phelps, and is under review by Fitch and Standard & Poors.

Subsequent to the acquisition of the Atlanta Systems (See Note 4 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 first-quarter 1995, the Company purchased 1,704,700 shares of U S WEST common stock at an average price per share of $37.02. In December 1994, the Company purchased 550,400 shares of U S WEST common stock at an average price per share of $36.30.

RISK MANAGEMENT

The Company is exposed to market risks arising from changes in interest rates and foreign exchange rates. Derivative financial instruments are used to manage these risks. U S WEST does not use derivative financial instruments for trading purposes.

INTEREST RATE RISK MANAGEMENT

The objective of the interest rate risk management program is to minimize the total cost of debt. Interest rate swaps are used to adjust the ratio of fixed- to variable-rate debt. The market value of the debt portfolio, including the interest rate swaps, is monitored and compared with predetermined benchmarks to evaluate the effectiveness of the risk management program.

Notional amounts of interest rate swaps outstanding were $1.6 billion at December 31, 1995 and 1994, with various maturities extending to 2004. The estimated effect of interest rate derivative transactions was to adjust the level of fixed-rate debt from 88 percent to 94 percent of the total debt portfolio at December 31, 1995, and from 73 percent to 82 percent of the total debt portfolio at December 31, 1994 (including debt associated with the capital assets segment).

In conjunction with the 1993 debt refinancing, the Company executed forward contracts to sell U.S. Treasury bonds to lock in the U. S. Treasury rate component of $1.5 billion of the future debt issue. At December 31, 1995, deferred credits of $8 and deferred charges of $51 on closed 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.

FOREIGN EXCHANGE RISK MANAGEMENT

U S WEST has entered into forward and option contracts to manage the market risks associated with fluctuations in foreign exchange rates after consideration of offsetting foreign exposures among international operations. The use of forward and option contracts allow U S WEST 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 with predetermined levels of acceptable risk.

Notional amounts of foreign exchange forward and option contracts outstanding were $456 and $170 as of December 31, 1995 and 1994, respectively, with maturities of one year or less. These contracts were primarily for the purchase of Dutch guilders and British pounds in 1995 and British pounds in 1994.

The Company had foreign exchange risks associated with a Dutch guilder-denominated payable in the translated principal amount of $216 at December 31, 1995, and British pound-denominated receivables in the translated principal amounts of $139 and $48 at December 31, 1995 and 1994, respectively, of which $63 and $48 of these respective balances are with a wholly owned subsidiary. These positions were hedged in 1995.

DISPOSITION OF THE CAPITAL ASSETS SEGMENT

U S WEST announced a plan of disposition of the capital assets segment in June 1993. See the Consolidated Financial Statements -- Note 20: Net Investment in Assets Held for Sale. In December 1993, U S WEST sold $2.0 billion of finance receivables and the business of U S WEST Financial Services, Inc. to NationsBank Corporation. Proceeds from the sale of $2.1 billion were used to repay related debt.

During 1994, U S WEST reduced its ownership interest in 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 common stock and received $154 in net proceeds from the public offering. In December 1995, FSA merged with Capital Guaranty Corporation for shares of FSA and cash of $51. The transaction was valued at approximately $203 and reduced U S WEST's ownership interest in FSA to 50.3 percent and its voting interest to 41.7 percent. U S WEST expects to monetize and ultimately reduce its ownership in FSA through the issuance of Debt Exchangeable for Common Stock ("DECS") in 1996. At maturity, each DECS will be mandatorily exchanged by U S WEST for FSA common stock held by U S WEST or, at U S WEST's option, redeemed at the cash equivalent.

On September 2, 1994, U S WEST issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of cumulative redeemable preferred stock for a total of $50. The shares are mandatorily redeemable in year ten and, at the option of FFC, the preferred stock also can be redeemed for common shares of FSA.

U S WEST Real Estate, Inc. has sold various properties totaling $120, $327 and $66 in 1995, 1994 and 1993, respectively. The sales proceeds were in line with estimates. Proceeds from building sales were primarily used to repay related debt. U S WEST has completed construction of existing buildings in the commercial real estate portfolio and expects to substantially complete liquidation of this portfolio by 1998. The remaining balance of assets subject to sale is approximately $490, net of reserves, as of December 31, 1995.

COMPETITIVE AND REGULATORY ENVIRONMENT

THE TELECOMMUNICATIONS ACT OF 1996

On February 1, 1996, the House and Senate approved the Telecommunications Act of 1996 (the "1996 Act") which is intended to promote competition between local telephone companies, long-distance carriers and cable television operators. The 1996 Act was signed into law on February 8, 1996, and replaces the antitrust consent decree that broke up the "Bell System" in 1984. A major provision of the legislation includes the preemption of state regulations that govern competition by allowing local telephone companies,

long-distance carriers and cable television companies to enter each other's lines of business. Consequently, the Regional Bell Operating Companies ("RBOCs") are immediately permitted to offer wireline interLATA toll services out of their regions. However, to participate in the interLATA long-distance market within their regions, the RBOCs must first open their local networks to facilities-based competition by satisfying a detailed checklist of requirements, including requirements related to interconnection and number portability.

Other key provisions of the 1996 Act: (1) eliminate most of the regulation of cable television rates within three years and eliminate the ban on cross-ownership between cable television and telephone companies in small communities; (2) permit the RBOCs to develop new, competitive cable systems within their regions and to acquire or build wireless cable systems; (3) provide partial relief from the ban against manufacturing telecommunications equipment by the RBOCs; and (4) permit wireless operators to provide interLATA toll service in and out of region without a separate subsidiary and to jointly market or resell cellular service.

The FCC and state regulators have been given latitude in interpreting and overseeing the implementation of this legislation, including developing universal service funding policy. The extent and timing of future competition, including the Communications Group's ability to offer in-region interLATA long-distance services, will depend in part on the implementation guidelines determined by the FCC and state regulators, and how quickly the Communications Group can satisfy requirements of the checklist. The Communications Group estimates that fulfillment of the checklist requirements could occur in the majority of its states within 12 to 18 months.

THE COMMUNICATIONS GROUP

Markets served by the Communications Group, including markets for local, access and long-distance services, are being impacted by the rapid technological and regulatory changes occurring within the telecommunications industry. Current and potential competitors include local telephone companies, interexchange carriers, competitive access providers ("CAPs"), cable television companies and providers of personal communications services ("PCS").

The Communications Group believes that competitors will initially target high-volume business customers in densely populated urban areas. The resulting loss of local service customers will affect multiple revenue streams and could have a material, adverse effect on the Communications Group's operations. The resulting revenue losses, however, could be at least partially offset by the Communications Group's ability to bundle local, long-distance and wireless services, and provide interconnection services.

The Communications Group's strategy is to offer integrated communications, entertainment, information and transaction services over both wired and wireless networks to its customers primarily within its Region. The key initiatives to support this strategy include five key elements:

- Providing superior customer service

- Building customer loyalty

- Enhancing network capability and capacity

- Expanding the product and service portfolio

- Ensuring a fair competitive environment

Strategic initiatives to attract and retain customers include: (1) enhancing existing services with products such as caller identification, call waiting and voice messaging; (2) aggressive expansion of data services; (3) pursuing opportunities to offer paging, wireless and cable television services; and (4) rapid entry into the interLATA long-distance market.

A market trial for a broadband network capable of providing voice, data and video services to customers commenced in the Omaha area in August 1995. The Communications Group does not intend to expand this service offering beyond the Omaha area because of service cost and pricing issues. The Communications Group does plan to continue to provide the system that delivers basic, premium and pay-per-view video services in the Omaha area. The Communications Group is evaluating the relative costs of alternative video technologies, as well as the near-term feasibility of interactive services. To satisfy anticipated demand for combined video and telephony services on a cost-effective basis, the Communications Group's strategy may include selective investments in wireless cable technologies.

The Communications Group is subject to varying degrees of federal and state regulation. The Communications Group's regulatory strategy includes working to:

- Achieve accelerated capital recovery;

- Reprice local services to cover costs and ensure these services are subsidy free, while lowering toll and access rates to meet competition; and

- Ensure that the new rules associated with the Telecommunications Act of 1996 concerning the unbundling of interconnection, resale of services and universal service do not advantage one competitor over another.

The Communications Group is currently working with state regulators to gain approval of these initiatives.

THE MEDIA GROUP

The Media Group's strategy is based on the belief that communication and commerce are migrating from other mediums to electronic networks. Over time, this global phenomenon will result in networks replacing traditional distribution channels. To meet the needs of this growing market, the Media Group provides local connections and then integrates market-based service offerings to meet the needs of end users. The Media Group executes this strategy through three lines of business -- cable and telecommunications, wireless and directory and information services -- in selected high-growth markets worldwide.

CABLE AND TELECOMMUNICATIONS The 1996 Act will enable the Media Group to provide "one-stop shopping" for voice, video and data services, a key objective of the Media Group. The Media Group is currently in the process of negotiating reasonable and nondiscriminatory local interconnection rates, terms and conditions with BellSouth and is planning on entering the local exchange market, through the Atlanta Systems, on a competitive basis by the end of 1996.

The Atlanta Systems generally compete for viewer attention with programming from a variety of sources, including the direct reception of broadcast television signals by the viewer's own antenna, satellite master antenna service and direct broadcast satellite services. Cable television systems are also in competition for both viewers and advertising in varying degrees with other communications and entertainment media. Such competition may increase with the development and growth of new technologies.

The 1996 Act has amended certain aspects of the Cable Television Consumer Protection and Competition Act of 1992 ("the 1992 Cable Act"). Under the 1996 Act, cable rates are deregulated effective March 31, 1999, or earlier if competition exists. In addition, the provisions of the 1996 Act simplify the process of filing rate complaints, relax uniform rate requirements and subscriber notice provisions, expand the definition of effective competition and eliminate certain restrictions on the sale of cable systems. Current program access restrictions applying to cable operators are extended to common carriers by the 1996 Act. The 1996 Act also eliminates certain cross-ownership restrictions between cable operators, broadcasters and multichannel, multipoint distribution system operators.

Cable television systems are also subject to local regulation, typically imposed through the franchising process. Local officials may be involved in the initial franchise selection, system design and construction, safety, rate regulation, customer service standards, billing practices, community-related programming and services, franchise renewal and imposition of franchise fees.

In 1995, the Georgia legislature removed the legal prohibition on local telephone competition by authorizing competition in local telephone exchange service. The Media Group has received certification from the Georgia Public Service Commission to provide local switched and nonswitched telephone service in Georgia and, with the passage of the 1996 Act, certain long-distance services.

WIRELESS COMMUNICATIONS There are two competitive cellular licenses in each market. Competition is based on the price of cellular service, the quality of the service and the size of the geographic area served. The development of PCS services will increase the number of competitors and the level of competition. The Media Group is unable to estimate the impact of the availability of PCS services on its cellular operations, though it could be significant.

The wireless operations are subject to regulation by federal and some state and local authorities. The construction and transfer of cellular systems in the United States are regulated by the FCC pursuant to the Communications Act of 1934. The FCC regulates construction and operation of cellular systems and licensing and technical standards for the provision of cellular telephone service. Pursuant to Congress' 1993 Omnibus Budget Reconciliation Act, the FCC adopted rules preempting state and local governments from regulating wireless entry and most rates.

The passage of the 1996 Act eliminates long-distance restrictions imposed by the Modified Final Judgment ("MFJ"). As a result, the Media Group, including its wireless partners, are now able to offer integrated local and long-distance services to its wireless customers. The 1996 Act also permits the Media Group to enter into activities related to the manufacture of telecommunications equipment.

DIRECTORY AND INFORMATION SERVICES The Media Group may face emerging competition in the provision of interactive services from cable and entertainment companies, on-line services and other information providers. Directory listings are beginning to be offered via electronic databases through telephone company and third party networks. As such offerings expand and are enhanced through interactivity and other features, the Media Group may experience heightened competition in its directory publishing businesses. With the passage of the 1996 Act, the Media Group will be able to provide certain information services across LATA boundaries. The Media Group will continue to expand its core products and develop and package new information products to meet its customers' needs.

OTHER ISSUES

The Communications Group's interstate services have been subject to price cap regulation since January 1991. Price caps are an alternative form of regulation designed to limit prices rather than profits. However, the FCC's price cap plan includes sharing of earnings in excess of authorized levels. In March 1995, the FCC issued an interim order on price cap regulation. The price cap index for most services is annually adjusted for inflation, productivity level and exogenous costs, and has resulted in reduced access prices paid by interexchange carriers to local telephone companies. The interim order also provides for three productivity options, including a no-sharing option, and for increased flexibility for adjusting prices downward in response to competition. In 1995, the Communications Group selected the lowest productivity option, while prior to this interim order, the Communications Group used an optional higher productivity factor in determining its prices. Consequently, the Communications Group expects the order to have no significant near-term impact.

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 action 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 $150.

On September 22, 1995, U S WEST filed a lawsuit in Delaware Chancery Court to enjoin the proposed merger of Time Warner and Turner Broadcasting. U S WEST has alleged breaches of contract and fiduciary duties by Time Warner in connection with this proposed merger. Time Warner filed a countersuit against U S WEST on October 11, 1995, alleging misrepresentation, breach of contract and other misconduct on the part of U S WEST. Time Warner's countersuit seeks a reformation of the Time Warner Entertainment partnership agreement, an order that enjoins U S WEST from breaching the partnership agreement, and unspecified compensatory damages. U S WEST has denied each of the claims in Time Warner's countersuit. The trial for this action concluded on March 22, 1996. A ruling by the Delaware Chancery Court is expected in June 1996.

On October 2, 1995, union members approved a new three-year contract with U S WEST. The contract provides for salary increases of 10.6 percent over three years effective January 1 of each year. The contract also provides employees with a lump sum payment of $1,500 in lieu of wage increases becoming effective in August of each year. This lump sum payment is being recognized over the life of the contract. The agreement covers approximately 30,000 Communications Workers of America ("CWA") members who work for the Communications Group.

On October 15, 1995, U S WEST Direct and the CWA reached a tentative agreement on their contract, subject to ratification by the CWA membership. This contract would provide for salary increases of 10.5 percent over three years and provides employees with a lump sum payment of $850.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareowners of U S WEST, Inc.:

We have audited the Consolidated Balance Sheets of U S WEST, Inc. as of December 31, 1995 and 1994, and the related Consolidated Statements of Operations and Cash Flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U S WEST, Inc. as of December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 8 to the Consolidated Financial Statements, the Company discontinued accounting for the operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1993.

COOPERS & LYBRAND L.L.P.

Denver, Colorado
February 12, 1996, except for Note 4, paragraph 3, as to which
the date is February 27, 1996

REPORT OF MANAGEMENT

The Consolidated Financial Statements of U S WEST have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. The integrity and objectivity of information in these financial statements, including estimates and judgments, are the responsibility of management, as is all other financial information included in this report.

U S WEST maintains a system of internal accounting controls designed to provide a reasonable assurance as to the integrity and reliability of financial statements, the safeguarding of assets and the prevention and detection of material errors or fraudulent financial reporting. Monitoring of such systems includes an internal audit program designed to assess objectively the effectiveness of internal controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls based on the recognition that the cost of the system should not exceed the benefits derived. U S WEST believes that the Company's system provides reasonable assurance that transactions are executed in accordance with management's general or specific authorizations and is adequate to accomplish the stated objectives.

The independent certified public accountants, whose report is included herein, are engaged to express an opinion on our Consolidated Financial Statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

In an attempt to assure objectivity, the financial information contained in this report is subject to review by the Audit Committee of the board of directors. The Audit Committee is composed of outside directors who meet regularly with management, internal auditors and independent auditors to review financial reporting matters, the scope of audit activities and the resolution of audit findings.

Richard D. McCormick
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

James T. Anderson

ACTING EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

February 12, 1996

U S WEST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	DOLLARS IN MILLIONS		
<S>	<C>	<C>	<C>
Sales and other revenues	$ 11,746	$ 10,953	$ 10,294
Operating expenses:			
Employee-related expenses	4,071	3,779	3,584
Other operating expenses	2,323	2,203	2,065
Taxes other than income taxes	416	412	417
Depreciation and amortization	2,291	2,052	1,955
Restructuring charge	--	--	1,000
Total operating expenses	9,101	8,446	9,021
Income from operations	2,645	2,507	1,273
Interest expense	527	442	439
Equity losses in unconsolidated ventures	207	121	74
Gains on asset sales:			
Merger and partial sale of joint venture interest	157	164	--
Rural telephone exchanges	136	82	--
Paging assets	--	68	--
Guaranteed minority interest expense	14	--	--
Other income (expense) -- net	(36)	25	(15)
Income from continuing operations before income taxes and extraordinary items	2,154	2,283	745
Provision for income taxes	825	857	269
Income from continuing operations before extraordinary items	1,329	1,426	476
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
Income before extraordinary items	1,329	1,426	394
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	--	--	(3,123)
Early extinguishment of debt, net of tax	(12)	--	(77)
NET INCOME (LOSS)	$ 1,317	$ 1,426	$ (2,806)
Dividends on preferred stock	3	--	--
EARNINGS (LOSS) AVAILABLE FOR COMMON STOCK	$ 1,314	$ 1,426	$ (2,806)

</TABLE>

U S WEST, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	IN THOUSANDS (EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
PRO FORMA COMMUNICATIONS GROUP EARNINGS PER COMMON SHARE:			
Income before extraordinary item	$ 2.52		
Extraordinary item -- early extinguishment of debt	(0.02)		
PRO FORMA COMMUNICATIONS GROUP EARNINGS PER COMMON SHARE	$ 2.50		

PRO FORMA COMMUNICATIONS GROUP AVERAGE COMMON SHARES OUTSTANDING	470,716		
PRO FORMA MEDIA GROUP EARNINGS PER COMMON SHARE:			
Income before extraordinary item	$ 0.30		
Extraordinary item -- early extinguishment of debt	(0.01)		
PRO FORMA MEDIA GROUP EARNINGS PER COMMON SHARE	$ 0.29		
PRO FORMA MEDIA GROUP AVERAGE COMMON SHARES OUTSTANDING	470,549		
U S WEST, INC. EARNINGS (LOSS) PER COMMON SHARE:			
Continuing operations available for common stock	--	$ 3.14	$ 1.13
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
Extraordinary items:			
Discontinuance of SFAS No. 71	--	--	(7.45)
Early extinguishment of debt	--	--	(0.18)
U S WEST, INC. EARNINGS (LOSS) PER COMMON SHARE	--	$ 3.14	$ (6.69)
U S WEST, INC. AVERAGE COMMON SHARES OUTSTANDING	--	453,316	419,365

</TABLE>

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

U S WEST, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
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	DECEMBER 31, 1995	DECEMBER 31, 1994
<S>	DOLLARS IN MILLIONS <C>	<C>
Current assets:		
Cash and cash equivalents	$ 192	$ 209
Accounts and notes receivable, less allowance for credit losses of $88 and $62, respectively	1,886	1,693
Inventories and supplies	227	189
Deferred tax asset	282	352
Prepaid and other	322	323
Total current assets	2,909	2,766
Property, plant and equipment -- net	14,677	13,997
Investment in Time Warner Entertainment	2,483	2,522
Intangible assets -- net	1,798	1,858
Investments in international ventures	1,511	881
Net investment in assets held for sale	429	302
Other assets	1,264	878
Total assets	$ 25,071	$ 23,204

LIABILITIES AND SHAREOWNERS' EQUITY

	1995	1994
Current liabilities:		
Short-term debt	$ 1,901	$ 2,837
Accounts payable	975	944
Employee compensation	385	367
Dividends payable	254	251
Current portion of restructuring charge	282	337
Other	1,255	1,278
Total current liabilities	5,052	6,014
Long-term debt	6,954	5,101
Postretirement and other postemployment benefit obligations	2,433	2,502
Deferred income taxes	1,071	890

Unamortized investment tax credits	199	231
Deferred credits and other	763	1,033
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company-guaranteed debentures	600	--
Preferred stock subject to mandatory redemption	51	51
Common shareowners' equity:		
Common shares -- At 12/31/95-Communications Stock- $0.01 per share par value, 2,000,000,000 authorized, 482,877,097 issued and 473,635,025 outstanding. Media Stock -- $0.01 per share par value, 2,000,000,000 authorized, 481,556,451 issued and 472,314,379 outstanding. At 12/31/94-U S WEST, Inc. no par, 2,000,000,000 authorized, 476,880,420 issued and 469,343,048 outstanding	8,228	8,056
Cumulative deficit	(115)	(458)
LESOP guarantee	(127)	(187)
Foreign currency translation adjustments	(38)	(29)
Total common shareowners' equity	7,948	7,382
Total liabilities and shareowners' equity	$ 25,071	$ 23,204

Contigencies (See Note 19 to the Consolidated Financial Statements)
</TABLE>

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

U S WEST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	DOLLARS IN MILLIONS		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income (loss)	$ 1,317	$ 1,426	$ (2,806)
Adjustments to net income (loss):			
Discontinuance of SFAS No. 71	--	--	3,123
Restructuring charge	--	--	1,000
Depreciation and amortization	2,291	2,052	1,955
Gains on asset sales:			
Merger and partial sale of joint venture interest	(157)	(164)	--
Rural telephone exchanges	(136)	(82)	--
Paging assets	--	(68)	--
Equity losses in unconsolidated ventures	207	121	74
Discontinued operations	--	--	82
Deferred income taxes and amortization of investment tax credits	274	373	(225)
Changes in operating assets and liabilities:			
Restructuring payments	(334)	(289)	(120)
Postretirement medical and life costs, net of cash fundings	(24)	(5)	(122)
Accounts and notes receivable	(169)	(104)	(90)
Inventories, supplies and other	(79)	(81)	(56)
Accounts payable and accrued liabilities	45	(4)	216
Other -- net	185	72	169
Cash provided by operating activities	3,420	3,247	3,200
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(2,825)	(2,603)	(2,427)
Investment in Time Warner Entertainment	--	--	(1,557)
Investment in Atlanta Systems	--	(745)	--
Investments in international ventures	(681)	(350)	(230)
Proceeds from disposals of property, plant and equipment	201	96	45
Proceeds from sale of paging assets	--	143	--
Other -- net	(201)	(119)	(10)
Cash (used for) investing activities	(3,506)	(3,578)	(4,179)
FINANCING ACTIVITIES			
Net (repayments of) proceeds from issuance of short-term debt	(1,281)	1,280	687
Proceeds from issuance of long-term debt	2,732	251	2,282
Repayments of long-term debt	(1,058)	(526)	(2,969)
Proceeds from issuance of trust originated preferred securities -- net	581	--	--
Dividends paid on common stock	(929)	(886)	(812)
Proceeds from issuance of common stock	87	364	1,150
Proceeds from issuance of preferred stock	--	50	--
Purchases of treasury stock	(63)	(20)	--
Cash provided by financing activities	69	513	338

Cash (used for) provided by continuing operations	(17)	182	(641)
Cash (to) from discontinued operations	--	(101)	610
CASH AND CASH EQUIVALENTS			
Increase (decrease)	(17)	81	(31)
Beginning balance	209	128	159
Ending balance	$ 192	$ 209	$ 128

</TABLE>

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

U S WEST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

NOTE 1: RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado"), voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors of U S WEST, Inc. (the "Board") to reincorporate in Delaware and create two classes of common stock that are intended to reflect separately the performance of the communications and multimedia businesses. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock"), and the other class which is authorized as U S WEST Media Group Common Stock ("Media Stock"). Effective November 1, 1995, each share of common stock of U S WEST Colorado was converted into one share each of Communications Stock and Media Stock.

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

The Communications Group is comprised of U S WEST Communications, Inc. ("U S WEST Communications"), U S WEST Communications Services, Inc., U S WEST Federal Services, Inc., U S WEST Advanced Technologies, Inc. and U S WEST Business Resources, Inc. The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers within a 14 state region.

The Media Group is comprised of U S WEST Marketing Resources Group, Inc., which publishes White and Yellow Pages telephone directories, and provides directory and information services, U S WEST NewVector Group, Inc., which provides communications and information products and services over wireless networks, U S WEST Multimedia Communications, Inc., which owns domestic cable television operations and investments, and U S WEST International Holdings, Inc., which primarily owns investments in international cable and telecommunications, wireless communications and directory publishing operations.

Dividends to be paid on Communications Stock are initially $0.535 per share per quarter. Dividends on the Communications Stock will be paid at the discretion of the Board, based primarily on the financial condition, results of operations and business requirements of the Communications Group and the Company as a whole. With regard to the Media Stock, the Board currently intends to retain future earnings, if any, for the development of the Media Group's businesses and does not anticipate paying dividends on the Media Stock in the foreseeable future.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION The Consolidated Financial Statements include the accounts of U S WEST and its majority-owned subsidiaries, except for the capital assets segment, which is held for sale. All significant intercompany amounts and transactions have been eliminated. Investments in less than majority-owned ventures are accounted for using the equity method.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In third-quarter 1993, U S WEST discontinued accounting for its regulated telephone operations, U S WEST Communications, under Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." (See Note 8 to the Consolidated Financial Statements.)

INDUSTRY SEGMENTS U S WEST consists of two Groups -- the Communications Group and the Media Group. The Communications Group operates in one industry segment (communications and related services) and the Media Group operates in four industry segments (directory and information services, wireless communications, cable and telecommunications, and the capital assets segment, which is held for sale) as defined in SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise."

Prior to January 1, 1995, the capital assets segment was accounted for as discontinued operations. Effective January 1, 1995, the capital assets segment has been accounted for as a net investment in assets held for sale, as discussed in Note 20 to the Consolidated Financial Statements.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 U S WEST Communications are carried at average cost, except for significant individual items that are valued based on specific costs. Nonreusable material is carried at its estimated salvage value. Inventories of all other U S WEST subsidiaries 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 expensed as incurred.

U S WEST Communications' provision for depreciation of property, plant and equipment is based on various straight-line group methods using remaining useful (economic) lives based on industry-wide studies. Prior to discontinuing SFAS No. 71, depreciation was based on lives specified by regulators. When the depreciable property, plant and equipment of U S WEST Communications is retired or sold, the original cost less the net salvage value is generally charged to accumulated depreciation.

The other subsidiaries 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 included in income.

Depreciation expense was $2,215, $2,029 and $1,941 in 1995, 1994 and 1993, respectively.

Interest related to qualifying construction projects, including construction projects of equity method investees, is capitalized and reflected as a reduction of interest expense. At U S WEST Communications, prior to discontinuing SFAS No. 71, capitalized interest was included as an element of other income. Amounts capitalized by U S WEST were $72, $44 and $20 in 1995, 1994 and 1993, respectively.

INTANGIBLE ASSETS Intangible assets are recorded when the cost of acquired companies exceeds the fair value of their tangible assets. The costs of identified intangible assets and goodwill are amortized by the

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

straight-line method over periods ranging from five to forty years. These assets are evaluated, with other related assets, for impairment using a discounted cash flow methodology. Amortization expense was $76, $23 and $14 in 1995, 1994 and 1993, respectively.

FOREIGN CURRENCY TRANSLATION Assets and liabilities of international investments 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 equity. Gains and losses resulting from foreign currency transactions are included in income.

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 of selling, composition, printing and distribution are generally deferred and recognized over the period during which directories are used, normally 12 months. For international operations, directory advertising revenues and related directory costs are deferred and recognized upon publication. The balance of deferred directory costs included in prepaid and other is $247 and $234 at December 31, 1995 and 1994, respectively.

FINANCIAL INSTRUMENTS Net interest received or paid on interest rate swaps is recognized over the life of the swaps as an adjustment to interest expense. Foreign exchange contracts designated as hedges of firm equity investment commitments are carried at market value, with gains and losses recorded in equity until sale of the investment. Forward contracts designated as hedges of foreign denominated loans are recorded at market value, with gains and losses recorded in income.

INVESTMENTS IN DEBT SECURITIES Debt securities are classified as available for sale and are carried at fair market value with unrealized gains and losses included in equity.

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 $190 and $146 at December 31, 1995 and 1994, respectively, is recorded in property, plant and equipment. The Company amortized capitalized computer software costs of $70, $62 and $37 in 1995, 1994 and 1993, 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 U S WEST Communications 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 For 1995, earnings per common share for Communications Stock and Media Stock are presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1995. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST. For 1994 and 1993, earnings (loss) per common share are computed on the basis of the weighted average number of shares of U S WEST common stock outstanding during each year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS In 1996, U S WEST will adopt SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires that long-lived assets and associated intangibles be written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. SFAS No. 121 also requires that a company no longer record depreciation expense on assets held for sale. U S WEST expects that the adoption of SFAS No. 121 will not have a material effect on its financial position or results of operations.

In 1996, U S WEST will adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method for accounting for stock-based compensation plans either through recognition or disclosure. U S WEST will adopt this standard through compliance with the disclosure requirements set forth in SFAS No. 123. Adoption of the standard will have no impact on the financial position or results of operations of U S WEST.

NOTE 3: INDUSTRY SEGMENTS

Industry segment data is presented for the consolidated operations of U S WEST. The Company's equity method investments and the capital assets segment, which is held for sale, are included in "Corporate and other."

The businesses comprising the Communications Group operate in a single industry segment -- communications and related services. The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers in the Communications Group region (the "Region"). The Region includes the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. Services offered by the Communications Group include local telephone services, exchange access services (which connect customers to the facilities of carriers, including long-distance providers and wireless operators), and long-distance services within Local Access and Transport Areas ("LATAs") in the Region. The Communications Group provides other products and services, including custom calling, voice messaging, caller identification, high-speed data applications, customer premises equipment and certain communications services to business customers and governmental agencies both inside and outside the Region.

Approximately 97 percent of the revenues of the Communications Group are attributable to the operations of U S WEST Communications, of which approximately 59 percent are derived from the states of Arizona, Colorado, Minnesota and Washington.

The Media Group operates in four industry segments, including the capital assets segment, which is held for sale. The directory and information services segment consists of the publishing of White and Yellow Pages telephone directories, database marketing services and interactive services in domestic and international markets. The wireless communications segment provides information products and services over wireless networks in 13 western and midwestern states. The cable and telecommunications segment was created with the December 6, 1994 acquisition of cable television systems in the Atlanta Metropolitan area. (See Note 4 to the Consolidated Financial Statements.)

NOTE 3: INDUSTRY SEGMENTS (CONTINUED)

Industry segment financial information follows:

<TABLE>
<CAPTION>

	COMMUNI- CATIONS AND RELATED SERVICES	DIRECTORY AND INFORMATION SERVICES(1)	WIRELESS COMMUNI- CATIONS	CABLE AND TELECOMMUNI- CATIONS(2)	CORPORATE AND OTHER(3)	INTERSEGMENT ELIMINATIONS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1995						
Sales and other revenues.............	$ 9,484	$ 1,180	$ 941	$ 215	$ 38	$ (112)
Operating income (loss)..............	2,178	398	147	23	(101)	--
Identifiable assets..................	16,585	583	1,439	1,466	5,127	(129)
Depreciation and amortization.........	2,042	36	121	77	15	--
Capital expenditures.................	2,739	37	277	64	23	--
1994						
Sales and other revenues.............	9,176	1,075	781	18	34	(131)
Operating income (loss) from continuing operations................	2,118	396	88	--	(95)	--
Identifiable assets..................	15,944	613	1,286	1,459	4,036	(134)
Depreciation and amortization.........	1,908	30	102	6	6	--
Capital expenditures.................	2,477	42	274	2	25	--
1993						
Sales and other revenues.............	8,870	956	561	--	32	(125)
Operating income (loss) from continuing operations (4)...........	1,035	356	(29)	--	(89)	--
Identifiable assets..................	15,423	450	1,175	--	3,821	(189)
Depreciation and amortization.........	1,828	16	104	--	7	--
Capital expenditures.................	2,226	32	175	--	8	--

<CAPTION>

	CONSOLIDATED
<S>	<C>
1995	
Sales and other revenues.............	$ 11,746
Operating income (loss)..............	2,645
Identifiable assets..................	25,071
Depreciation and amortization.........	2,291
Capital expenditures.................	3,140
1994	
Sales and other revenues.............	10,953
Operating income (loss) from continuing operations................	2,507
Identifiable assets..................	23,204

Depreciation and amortization.........	2,052
Capital expenditures..................	2,820
1993	
Sales and other revenues.............	10,294
Operating income (loss) from continuing operations (4)...........	1,273
Identifiable assets...................	20,680
Depreciation and amortization.........	1,955
Capital expenditures..................	2,441

</TABLE>

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(1) Includes revenue from directory publishing activities in Europe of $122, $78 and $7, and identifiable assets of $133, $124 and $4 for 1995, 1994 and 1993, respectively.

(2) Results of operations have been included since the date of acquisition of the Atlanta Systems.

(3) Includes U S WEST's equity method investments and the capital assets segment, which has been discontinued and is held for sale.

(4) Includes pretax restructuring charges of $880, $50 and $70 for the communications and related services, directory and information services and wireless communications segments, respectively.

Operating income represents sales and other revenues less operating expenses, and excludes interest expense, equity losses in unconsolidated ventures, other income (expense) and income taxes. Identifiable assets are those assets used in each segment's operations. Corporate and other assets consist primarily of cash, debt securities, investments in international ventures, the investment in Time Warner Entertainment, the net investment in assets held for sale and other assets. Corporate and other operating losses include general corporate expenses and administrative costs primarily associated with the Media Group equity investments.

SIGNIFICANT CONCENTRATIONS The largest volume of the Communications Group's services are provided to AT&T. During 1995, 1994 and 1993, revenues related to those services provided to AT&T were $1,085, $1,130 and $1,159, respectively. Related accounts receivable at December 31, 1995 and 1994, totaled $91 and $98, respectively. As of December 31, 1995, the Communications Group is not aware of any other significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact operations.

To ensure consistency and quality of service, the wireless segment uses Motorola as its primary vendor for infrastructure equipment and cellular mobile telephone equipment and accessories. In addition, Motorola provides ongoing technological support for the infrastructure equipment. The infrastructure of approximately 75 percent of the Media Group's major cellular markets is comprised of Motorola equipment.

WIRELESS COMMUNICATIONS SEGMENT During 1994, U S WEST signed a definitive agreement with AirTouch Communications to combine their domestic cellular assets. The initial equity ownership of this cellular joint venture will be approximately 70 percent AirTouch and approximately 30 percent U S WEST.

NOTE 3: INDUSTRY SEGMENTS (CONTINUED)

The combination will take place in two phases. During Phase I, which U S WEST entered effective November 1, 1995, the two companies are operating their cellular properties separately. A Wireless Management Company (the "WMC") has been formed and is providing centralized services to both companies on a contract basis. In Phase II, AirTouch and U S WEST will contribute their domestic cellular assets to the WMC. In this phase, the Company will reflect its share of the combined operating results of the WMC using the equity method of accounting. The recent passage of the Telecommunications Act of 1996 has removed significant regulatory barriers to completion of Phase II of the business combination. U S WEST expects that Phase II closing could take place by the end of 1996 or early 1997.

NOTE 4: ACQUISITION OF CABLE SYSTEMS

ATLANTA SYSTEMS On December 6, 1994, U S WEST acquired the stock of Wometco Cable Corp. and subsidiaries, and the assets of Georgia Cable Partners and Atlanta Cable Partners L.P. (the "Atlanta Systems"), 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 Systems' results of operations have been included in the consolidated results of operations of the Company since the date of acquisition. Had the acquisition occurred as of January 1, 1994, the Company's revenue, net income and earnings per common share for 1994 would have been $11,143, $1,415 and $3.04, respectively.

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.

CONTINENTAL CABLEVISION, INC. (SUBSEQUENT EVENT) On February 27, 1996, the Company announced a definitive agreement to merge with Continental Cablevision, Inc. ("Continental"). Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

NOTE 5: 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" or "Time Warner Entertainment") for an aggregate purchase price of $2.553 billion. TWE owns and operates substantially all of the entertainment assets previously owned by Time Warner Inc. ("Time Warner"), consisting primarily of its filmed entertainment, programming-HBO and cable businesses.

Upon U S WEST's admission to the partnership, certain wholly owned subsidiaries of Time Warner ("General Partners") and subsidiaries of Toshiba Corporation and ITOCHU Corporation held pro-rata priority capital and residual equity interests of 63.27, 5.61 and 5.61 percent, respectively. In 1995, Time Warner acquired the limited partnership interests previously held by subsidiaries of each of ITOCHU Corporation and Toshiba Corporation.

U S WEST has an option to increase its pro-rata priority capital and residual equity interests in TWE from 25.51 percent up to 31.84 percent depending upon cable operating performance. The option is

NOTE 5: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)

exercisable, in whole or part, between January 1, 1999, and May 31, 2005, for an aggregate cash exercise price ranging from $1.25 billion to $1.8 billion, depending upon 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, there are four levels of capital. From the most to least senior, the capital accounts are: senior preferred (held by the General Partners); pro-rata priority capital (A preferred -- held pro rata by the general and limited partners); junior priority capital (B preferred -- held by the General Partners); and common (residual equity interests held pro rata by the general and limited 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. 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 allocations"); (2) to the partners' preferred capital accounts in order of priority described 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 are 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 allocations.

A summary of the contributed capital and priority capital rates of return follows:

PRIORITY OF CONTRIBUTED CAPITAL	CONTRIBUTED CAPITAL(A)	PRIORITY CAPITAL RATES OF RETURN(B) (% PER ANNUM COMPOUNDED QUARTERLY)	TIME WARNER GENERAL PARTNERS	LIMITED PARTNERS TIME WARNER	LIMITED PARTNERS U S WEST
				(OWNERSHIP %)	
Senior preferred....................................	$ 1,400(c)	8.00%	100.00%	--	--
Pro-rata priority capital...........................	5,600	13.00%(d)	63.27%	11.22%	25.51%
Junior priority capital.............................	2,900(e)	13.25%(f)	100.00%	--	--
Residual equity capital.............................	3,300	--	63.27%	11.22%	25.51%

(a) Estimated fair value of net assets contributed excluding partnership income or loss allocated thereto.

(b) Income allocations related to priority capital rates of return are based on partnership income after any special tax allocations.

(c) The senior preferred is scheduled to be distributed in three annual installments beginning July 1, 1997.

(d) 11.00 percent to the extent concurrently distributed.

(e) Includes $300 for the September 1995 reacquisition of assets previously excluded from the partnership (the Time Warner service partnership assets) for regulatory reasons.

(f) 11.25 percent to the extent concurrently distributed.

Cash distributions are required to be made to the partners to permit them to pay income taxes at statutory rates based on their allocable taxable income from TWE ("Tax Distributions"). The aggregate amount of such Tax Distributions is computed generally by reference to the taxes that TWE would have been required to pay if it were a corporation. Tax Distributions were previously subject to restrictions until July 1995, and are now paid to the partners on a current basis. For distributions other than those 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 have been made to U S WEST.

NOTE 5: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)

U S WEST 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 U S WEST's initial investment was $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, the Company's recorded pretax share of TWE operating results before extraordinary item was $(31), $(18) and $(20) in 1995, 1994 and 1993, respectively. In addition, TWE recorded an extraordinary loss for the early extinguishment of debt in 1995. The Company's share of this extraordinary loss was $4, net of an income tax benefit of $2.

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, $26 and $8 were recorded to other income in 1995, 1994 and 1993, respectively. Included in the U S WEST Consolidated Balance Sheet is a note payable to TWE of $169 and $771 and management fee receivables of $50 and $34 at December 31, 1995 and 1994, respectively.

Summarized financial information for TWE is presented below:

SUMMARIZED OPERATING RESULTS	YEAR ENDED DECEMBER 31, 1995	1994	1993
Revenues	$ 9,517	$ 8,460	$ 7,946
Operating expenses (1)	8,557	7,612	7,063
Interest and other expense, net (2)	777	647	611
Income before income taxes and extraordinary item	$ 183	$ 201	$ 272
Income before extraordinary item	97	161	208
Net income	$ 73	$ 161	$ 198

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(1) Includes depreciation and amortization of $1,039, $943 and $902 in 1995, 1994 and 1993, respectively.

(2) Includes corporate services of $64, $60 and $60 in 1995, 1994 and 1993, respectively.

SUMMARIZED FINANCIAL POSITION	YEAR ENDED DECEMBER 31, 1995	1994
Current assets (3)	$ 2,909	$ 3,573
Noncurrent assets (4)	15,996	15,089
Current liabilities	3,214	2,857
Noncurrent liabilities, including minority interest	7,787	7,909
Senior preferred capital	1,426	1,663
Partners' capital (5,6)	6,478	6,233

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(3) Includes cash of $209 and $1,071 at December 31, 1995 and 1994, respectively.

(4) Includes a loan receivable from Time Warner of $400 at December 31, 1995 and 1994.

(5) Net of a note receivable from U S WEST of $169 and $771 at December 31, 1995 and 1994, respectively.

(6) Contributed capital is based on the estimated fair value of the net assets that each partner contributed to the partnership. The aggregate of such amounts is significantly higher than TWE's partner's capital as reflected in the Summarized Financial Position, which is based on the historical cost of the contributed net assets.

NOTE 5: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)

In early 1995, Time Warner announced its intention to simplify its corporate structure by establishing an enterprise that will be responsible for the overall management and financing of the cable and telecommunications properties. Any change in the structure of TWE would require U S WEST's approval in addition to certain creditors' and regulatory approvals. (See Note 19 to the Consolidated Financial Statements for disclosure related to litigation with Time Warner.)

NOTE 6: RESTRUCTURING CHARGE

The Company's 1993 results reflect a $1 billion restructuring charge (pretax). The related restructuring plan (the "Restructuring Plan") is designed to provide faster, more responsive customer services, while reducing the costs of providing these services. As part of the Restructuring Plan, the Company is developing new systems and enhanced system functionality that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, rapidly design and engineer new services for customers and centralize its service centers. The Company has consolidated its 560 customer service centers into 26 centers in 10 cities and reducing its total work force by approximately 10,000 employees. This increased the number of employee separations to 10,000 from 9,000, and increased the estimated total cost for employee separations to $316, compared with $286 in the original estimate. Approximately 1,000 employees that were originally expected to relocate have chosen separation or other job assignments and have been replaced. The $30 cost associated with these additional employee separations was reclassified from relocation to the reserve for employee separations during 1995.

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

<TABLE>
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	1993 RESTRUCTURING CHARGE	CHANGE IN ESTIMATE	DECEMBER 31, 1995 ESTIMATE
<S>	<C>	<C>	<C>
Employee separation(1)	$ 230	$ 30	$ 260
Systems development	400	--	400
Real estate	130	--	130
Relocation	110	(30)	80
Retraining and other	65	--	65
Asset write-down	65	--	65
Total	$ 1,000	$ --	$ 1,000

</TABLE>

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(1)Employee-separation costs, including the balance of a 1991 restructuring reserve at December 31, 1993, aggregate $316.

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. System development costs include new systems and the application of enhanced system functionality to existing single-purpose systems to provide integrated end-to-end customer service. 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.

NOTE 6: RESTRUCTURING CHARGE (CONTINUED)

The following table shows amounts charged to the restructuring reserve:

<TABLE>
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	1993 RESTRUCTURING RESERVE	1994 ACTIVITY	1995 ACTIVITY	CHANGE IN ESTIMATE	DECEMBER 31, 1995 BALANCE
<S>	<C>	<C>	<C>	<C>	<C>
Employee separation (1)	$ 286	$ 75	$ 76	$ 30	$ 165
Systems development	400	127	145	--	128
Real estate	130	50	66	--	14
Relocation	110	21	24	(30)	35
Retraining and other	65	16	23	--	26
Total	$ 991	$ 289	$ 334	$ --	$ 368

</TABLE>

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

Employee separations under the Restructuring Plan in 1995 and 1994 were as follows:

<TABLE>
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	1994	1995	CUMULATIVE SEPARATIONS AT DECEMBER 31,

	SEPARATIONS	SEPARATIONS	1995
Employee separations:			
Managerial	497	682	1,179
Occupational	1,683	1,643	3,326
Total	2,180	2,325	4,505

The Restructuring Plan is expected to be substantially completed by the end of 1997. Implementation of the Restructuring Plan has been impacted by growth in the business and related service issues, new business opportunities, revisions to system delivery schedules and productivity issues caused by the major rearrangement of resources due to restructuring. These issues will continue to affect the timing of employee separations.

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES

The significant investments in international ventures follows:

VENTURE	LOCATION	LINE OF BUSINESS	OWNERSHIP PERCENTAGE	NET INVESTMENT AT DECEMBER 31, 1995	1994
TeleWest	United Kingdom	C&T	26.8	$ 540	$ 456
Binariang Sdn Bhd	Malaysia	C&T	20	224	50
A2000 (KTA)	Netherlands	C&T	50	218	--
One 2 One	United Kingdom	W	50	73	123
All other				456	252
Total				$ 1,511	$ 881

(C&T) Cable and Telecommunications

(W)Wireless

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES (CONTINUED)

The following table shows summarized combined financial information for the Company's significant equity method investments in international ventures:

COMBINED OPERATIONS	YEAR ENDED DECEMBER 31, 1995	1994	1993
Revenue	$ 1,163	$ 580	$ 296
Operating expenses	1,264	684	354
Depreciation and amortization	272	140	60
Operating loss	(373)	(244)	(118)
Interest and other, net	(141)	(75)	(40)
Loss before extraordinary item	(514)	(319)	(158)
Extraordinary gain -- interest rate swaps	--	11	--
Net loss	$ (514)	$ (308)	$ (158)

COMBINED FINANCIAL POSITION	YEAR ENDED DECEMBER 31, 1995	1994

<S> <C> <C>

Current assets	$ 1,469	$ 714
Property, plant and equipment -- net	3,545	1,462
Other assets	1,644	343
Total assets	$ 6,658	$ 2,519
Current liabilities	$ 1,260	$ 344
Long-term debt	2,065	463
Other liabilities	58	71
Owners' equity	3,275	1,641
Total liabilities and equity	$ 6,658	$ 2,519

</TABLE>

In November 1994, TeleWest plc ("TeleWest") made an initial public offering of its ordinary shares. Following the offering, in which U S WEST sold part of its 50 percent joint venture interest, U S WEST owned approximately 37.8 percent of TeleWest. Net proceeds of approximately $650 were used by TeleWest to finance construction and operating costs, invest in affiliated companies and repay debt. It is U S WEST's policy to recognize as income any gains or losses related to the sale of stock to the public. The Company recognized a gain of $105 in 1994, net of $59 in deferred taxes, for the partial sale of its joint venture interest in TeleWest.

On October 2, 1995, TeleWest and SBC CableComms (UK) completed a merger of their UK cable television and telecommunications interests, creating the largest provider of combined cable and telecommunications services in the United Kingdom. Following completion of the merger, U S WEST and Tele-Communications, Inc., the major shareholders, each own 26.8 percent of the combined company. The Company recognized a gain of $95 in 1995, net of $62 in deferred income taxes, in conjunction with the merger.

TeleWest, which is the only equity method investment for which a quoted market price is available, had a market value of $914 at December 31, 1995, and $1,004 at December 31, 1994.

FOREIGN CURRENCY TRANSACTIONS U S WEST enters into forward and zero-cost combination option contracts to manage foreign currency risk. Under a forward contract, U S WEST agrees with another party to exchange a foreign currency and U.S. dollars at a specified price at a future date. Under combination

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES (CONTINUED)

options, U S WEST combines purchased options to cap the foreign exchange rate to be paid at a future date with written options to finance the premium of the purchased options. The commitments, forward contracts and combination options are for periods up to one year.

Forward exchange contracts are carried at market value. Gains or losses on the portion of the contracts designated as hedges of firm equity investment commitments are deferred as a component of equity and are recognized in income upon sale of the investment. Gains or losses on the portion of the contracts designated to offset translation of investee net income are recorded in income.

Forward contracts are also used to hedge foreign denominated loans. These contracts are carried at market value with gains or losses recorded in income.

Foreign exchange contracts outstanding follow:

<TABLE>
<CAPTION>

	TYPE	$U.S. EQUIVALENT DECEMBER 31, 1995	1994
<S>	<C>	<C>	<C>
Forwards:			
Dutch Guilders	Buy	$ 225	$ --
British pounds	Buy	130	135
British pounds	Sell	37	--
Japanese yen	Buy	25	--
French francs	Buy	19	--
Combination options:			
British pounds	--	$ --	$ 35
French francs	--	20	--

</TABLE>

Cumulative deferred gains on foreign exchange contracts of $9 and deferred losses of $25, including deferred taxes (benefits) of $4 and ($10), respectively, are included in equity at December 31, 1995. Cumulative deferred gains on foreign exchange contracts of $7 and deferred losses of $25, including deferred taxes (benefits) of $3 and ($10), respectively, are included in equity at December 31, 1994.

The counterparties to these contracts are major financial institutions. U S WEST is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not have significant exposure to an individual counterparty and does not anticipate nonperformance by any counterparty.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment follows:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Land and buildings	$ 2,627	$ 2,604
Telephone network equipment	12,019	11,622
Telephone outside plant	12,353	11,897
Cellular systems	733	585
Cable distribution systems	167	148
General purpose computers and other	4,051	3,425
Construction in progress	934	733
	32,884	31,014
Less accumulated depreciation	18,207	17,017
Property, plant and equipment -- net	$ 14,677	$ 13,997

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 1995, U S WEST Communications sold certain rural telephone exchanges with a cost basis of $258. U S WEST Communications received consideration for the sales of $388, including $214 in cash. In 1994, U S WEST Communications sold certain rural telephone exchanges with a cost basis of $122 and received consideration of $204, including $93 in cash.

The Media Group businesses depreciate buildings between 15 to 35 years, cellular and cable distribution systems between 5 to 15 years, and general purpose computers and other between 3 to 20 years. See "Discontinuance of SFAS No. 71" for depreciation rates used by the Communications Group.

DISCONTINUANCE OF SFAS NO. 71

U S WEST Communications incurred a noncash, 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 U S WEST Communications 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 Communications' decision to discontinue application of SFAS No. 71 was based on the belief that competition, market conditions and technological advances, more than prices established by regulators, will determine the future cost recovery by U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' 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:

CATEGORY	AVERAGE LIFE (YEARS) BEFORE DISCONTINUANCE	AVERAGE LIFE (YEARS) 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

</TABLE>

U S WEST Communications 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 U S WEST Communications' discontinuance of SFAS No. 71:

<TABLE>

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

</TABLE>

NOTE 9: INTANGIBLE ASSETS

The composition of intangible assets follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Identified intangibles, primarily franchise value	$ 1,183	$ 1,166
Goodwill	743	762
Total	1,926	1,928
Less accumulated amortization	128	70
Total intangible assets -- net	$ 1,798	$ 1,858

</TABLE>

NOTE 10: DEBT

SHORT-TERM DEBT

The components of short-term debt follow:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Notes payable:		
Commercial paper	$ 807	$ 2,305
Bank loan	216	--
Current portion of long-term debt	1,029	732
Allocated to the capital assets segment -- net	(151)	(200)
Total	$ 1,901	$ 2,837

</TABLE>

The weighted average interest rate on commercial paper was 5.79 percent and 5.97 percent at December 31, 1995 and 1994, respectively.

The bank loan, in the translated principal amount of $216, is denominated in Dutch guilders. The loan was entered into in connection with U S WEST's investment in a cable television venture in the Netherlands and was repaid in February 1996.

U S WEST 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. U S WEST is permitted to borrow up to approximately $1.9 billion under lines of credit, all of which was available at December 31, 1995.

NOTE 10: DEBT (CONTINUED)
LONG-TERM DEBT

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

<TABLE>
<CAPTION>

	MATURITIES						
INTEREST RATES	1997	1998	1999	2000	THEREAFTER	TOTAL 1995	TOTAL 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Up to 5%..............................	$ --	$ 35	$ --	$ 90	$ 150	$ 275	$ 546
Above 5% to 6%........................	--	430	--	--	261	691	574
Above 6% to 7%........................	--	--	126	363	2,773	3,262	1,361
Above 7% to 8%........................	16	--	--	--	3,214	3,230	3,193
Above 8% to 9%........................	--	--	107	--	290	397	444
Above 9% to 10%.......................	29	--	15	200	10	254	399
Above 10%.............................	1	1	--	--	--	2	--
Variable rate debt (indexed to two- and ten-year constant maturity Treasury rates)...............................	25	--	155	--	--	180	180
	$ 71	$ 466	$ 403	$ 653	$ 6,698	8,291	6,697
Capital lease obligations and other....						197	153
Unamortized discount -- net...........						(1,178)	(1,239)
Allocated to the capital assets segment -- net.......................						(356)	(510)
Total.................................						$ 6,954	$ 5,101

</TABLE>

Long-term debt consists principally of debentures, 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 equal shares of Communications Stock and Media Stock. The zero coupon notes have a yield to maturity of approximately 7.3 percent. The zero coupon notes are recorded at a discounted value of $521 and $498 at December 31, 1995 and 1994, respectively.

In 1995, U S WEST issued $130 of Debt Exchangeable for Common Stock ("DECS"), due December 15, 1998, in the principal amount of $24.00 per note. The notes bear interest at 7.625 percent, of which 1.775 percent has been included in the assets held for sale reserve. Upon maturity, each DECS will be mandatorily redeemed by U S WEST for shares of Enhance Financial Services Group, Inc. ("Enhance") held by U S WEST or the cash equivalent, at U S WEST's option. The number of shares to be delivered at maturity varies based on the per share market price of Enhance. If the market price is $24.00 per share or less, one share of Enhance will be delivered for each note; if the market price is between $24.00 and $28.32 per share, a fractional share equal to $24.00 is delivered; if the market value is greater than $28.32 per share, .8475 shares are delivered. The capital assets segment currently owns approximately 31.5 percent of the outstanding Enhance common stock.

During 1995, U S WEST refinanced $2.6 billion of commercial paper to take advantage of favorable long-term interest rates. In addition to the commercial paper, U S WEST refinanced $145 of long-term debt. Expenses associated with the refinancing of long-term debt resulted in extraordinary charges to income of $8, net of an income tax benefit of $5.

During 1993, U S WEST refinanced long-term 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.

At December 31, 1995, U S WEST guaranteed debt in the principal amount of approximately $140, primarily related to international ventures.

NOTE 10: DEBT (CONTINUED)

Interest payments, net of amounts capitalized, were $518, $523 and $670 in 1995, 1994 and 1993, respectively, of which $87, $134 and $272, respectively, relate to the capital assets segment.

INTEREST RATE RISK MANAGEMENT

Interest rate swap agreements are primarily used to effectively convert existing commercial paper to fixed-rate debt. This allows U S WEST to achieve interest savings over issuing fixed-rate debt directly.

Under an interest rate swap, U S WEST agrees with another party to exchange interest 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.

During 1995 and 1994, U S WEST Communications entered into currency swaps to convert Swiss franc-denominated debt to dollar-denominated debt. This allowed U S WEST Communications to achieve interest savings over issuing fixed-rate, dollar-denominated debt. 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. Variable rates are indexed to two- and ten-year constant maturity Treasury and 30-day commercial paper rates.

<TABLE>
<CAPTION>

	DECEMBER 31,							
	1995				1994			
			WEIGHTED AVERAGE RATE				WEIGHTED AVERAGE RATE	
	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Variable to fixed..............	$ 635	1996-2004	5.72	6.80	$ 785	1995-2004	6.14	6.47
Fixed to variable..............	--	--	--	--	5	1995	6.61	5.87
Currency........................	204	1999-2001	--	6.55	71	1999	--	6.53

</TABLE>

In 1993, U S WEST Communications executed forward contracts to sell U.S. Treasury bonds to lock in the U.S. Treasury rate component of the future debt issue. At December 31, 1995, deferred credits of $8 and deferred charges of $51 on closed 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, 1995, there were no open forward contracts.

The counterparties to these interest rate contracts are major financial institutions. U S WEST is exposed to credit loss in the event of nonperformance by these counterparties. U S WEST manages this exposure by monitoring the credit standing of the counterparty and establishing dollar and term limitations which correspond to the respective credit rating of each counterparty. U S WEST does not have significant exposure to an individual counterparty and does not anticipate nonperformance by any counterparty.

NOTE 11: FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair values of mandatorily redeemable preferred stock and long-term receivables, based on discounting future cash flows, approximate the carrying values. The fair value of foreign exchange contracts, based on estimated amounts U S WEST would receive or pay to terminate such agreements, approximate the carrying values. It is not practicable to estimate the fair value of financial guarantees associated with international operations because there are no quoted market prices for similar transactions.

NOTE 11: FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of interest rate swaps, including swaps associated with the capital assets segment, are based on estimated amounts U S WEST would receive or pay to terminate such agreements taking into account current interest rates and creditworthiness of the counterparties.

The fair values of long-term debt, including debt associated with the capital assets segment, are based on quoted market prices where available or, if not available, are based on discounting future cash flows using current interest rates.

	DECEMBER 31, 1995 CARRYING VALUE	1995 FAIR VALUE	1994 CARRYING VALUE	1994 FAIR VALUE
Debt (includes short-term portion)	$ 9,651	$ 10,050	$ 9,221	$ 8,700
Interest rate swap agreements -- assets	--	(32)	--	(15)
Interest rate swap agreements -- liabilities	--	51	--	20
Debt -- net	$ 9,651	$ 10,069	$ 9,221	$ 8,705
Preferred Securities	$ 600	$ 636	$ --	$ --
Preferred stock	51	55	51	51

Investments in debt securities are classified as available for sale and are carried at market value. These securities have various maturity dates through the year 2001. The market value of these securities is based on quoted market prices where available or, if not available, is based on discounting future cash flows using current interest rates.

The amortized cost and estimated market value of debt securities follow:

DEBT SECURITIES	DECEMBER 31, 1995 COST	1995 GROSS UNREALIZED GAINS	1995 GROSS UNREALIZED LOSSES	1995 FAIR VALUE	1994 COST	1994 GROSS UNREALIZED GAINS	1994 GROSS UNREALIZED LOSSES
Corporate debt	$ 20	$ --	$ --	$ 20	$ 19	$ --	$ --
Securitized loan	55	--	(5)	50	--	--	--
Total	$ 75	$ --	$ (5)	$ 70	$ 19	$ --	$ --

DEBT SECURITIES	FAIR VALUE
Corporate debt	$ 19
Securitized loan	--
Total	$ 19

The 1995 net unrealized losses of $3 (net of a deferred tax benefit of $2) are included in equity.

NOTE 12: LEASING ARRANGEMENTS

U S WEST has entered into operating leases for office facilities, equipment and real estate. Rent expense under operating leases was $263, $288 and $275 in 1995, 1994 and 1993, respectively. Minimum future lease payments as of December 31, 1994, under noncancelable operating leases, follow:

<CAPTION>

YEAR	
1996	$ 159
1997	152
1998	145
1999	127
2000	117
Thereafter	777
Total	$ 1,477

</TABLE>

NOTE 13: PREFERRED STOCK

U S WEST has 200,000,000 authorized shares of preferred stock, 10,000,000 shares of which are designated as Series A Junior Participating Cumulative Preferred Stock, par value $1.00 per share, 10,000,000 shares of which are designated as Series B Junior Participating Cumulative Preferred Stock, par value $1.00 per share, and 50,000 shares of which are designated as Series C Preferred Stock, par value $1.00 per share.

PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

On September 2, 1994, the Company issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of 7 percent Series C Cumulative Redeemable Preferred Stock for a total of $50. (See Note 20 to the Consolidated Financial Statements.) Upon issuance, 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 ten 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, an investment held by the capital assets segment. The market value of the option was $20 and $22 (based on the Black-Scholes Model) at December 31, 1995 and 1994, with no carrying value.

NOTE 14: COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY COMPANY-GUARANTEED DEBENTURES

On September 11, 1995, U S WEST Financing I, a wholly owned subsidiary of U S WEST ("Financing I"), issued $600 million of 7.96 percent Trust Originated Preferred Securities (the "Preferred Securities") and $19 of common securities. U S WEST holds all of the outstanding common securities of Financing I. Financing I used the proceeds from such issuance to purchase from U S WEST Capital Funding, Inc., a wholly owned subsidiary of U S WEST ("Capital Funding"), $619 principal amount of Capital Funding's 7.96 percent Subordinated Deferrable Interest Notes due 2025 (the "Subordinated Debt Securities"), the obligations under which are fully and unconditionally guaranteed by U S WEST (the "Debt Guarantee"). The sole assets of Financing I are and will be the Subordinated Debt Securities and the Debt Guarantee.

In addition, U S WEST has guaranteed the payment of interest and redemption amounts to holders of Preferred Securities when Financing I has funds available for such payments (the "Payment Guarantee") as well as Capital Funding's undertaking to pay all of Financing I's costs, expenses and other obligations (the "Expense Undertaking"). The Payment Guarantee and the Expense Undertaking, including U S WEST's guarantee with respect thereto, considered together with Capital Funding's obligations under the indenture and Subordinated Debt Securities and U S WEST's obligations under the indenture, declaration and Debt Guarantee, constitute a full and unconditional guarantee by U S WEST of Financing I's obligations under the Preferred Securities. The interest and other payment dates on the Subordinated Debt Securities correspond to the distribution and other payment dates on the Preferred Securities. Under certain circumstances, the Subordinated Debt Securities may be distributed to the holders of Preferred Securities and common securities in liquidation of Financing I. The Subordinated Debt Securities are redeemable in whole or in part by Capital Funding at any time on or after September 11, 2000, at a redemption price of $25.00 per Subordinated Debt Security plus accrued and unpaid interest. If Capital Funding redeems the Subordinated Debt Securities, Financing I is required to redeem the Preferred Securities concurrently at $25.00 per share plus accrued and unpaid distributions. As of December 31, 1995, 24,000,000 Preferred Securities were outstanding.

NOTE 15: SHAREOWNERS' EQUITY

<TABLE>
<CAPTION>

	COMMUNICATIONS STOCK	MEDIA STOCK	U S WEST STOCK		CUMULATIVE DEFICIT	FOREIGN CURRENCY TRANSLATION
	SHARES	SHARES	SHARES	AMOUNT		
Balance December 31, 1992................			414,462	$ 5,770	$ 2,826	$ (34)
Issuance of common stock...............			26,516	1,224		
Issuance of treasury stock.............			162	6		
Net income.............................					(2,806)	
Common dividends declared ($2.12 per share)................................					(905)	
Market value adjustment for debt securities............................					35	
Foreign currency translation...........						(1)
Other..................................				(4)	(7)	
Balance December 31, 1993................			441,140	6,996	(857)	(35)
Issuance of common stock...............			18,647	694		
Settlement of litigation...............			5,506	210		
Benefit trust contribution (OPEB).......			4,600	185		
Purchase of treasury stock.............			(550)	(20)		
Net income.............................					1,426	
Common dividends declared ($2.14 per share)................................					(980)	
Market value adjustment for debt securities............................					(64)	
Foreign currency translation...........						6
Other..................................				(9)	17	
Balance December 31, 1994................			469,343	8,056	(458)	(29)
Issuance of common stock...............			2,791	117		
Benefit trust contribution (OPEB).......			1,500	61		
Purchase of treasury stock.............			(1,705)	(63)		
Other..................................				3		
November 1, 1995 Recapitalization Plan....	471,929	471,922	(471,929)			
Recapitalization Plan dissenters (1)....	(6)					
Issuance of common stock...............	1,712	392		59		
Net income.............................					1,317	
Common dividends declared ($2.14 per share)................................					(1,010)	
Preferred dividends....................					(3)	
Market value adjustment for debt securities............................					36	
Foreign currency translation...........						(9)
Other..................................				(5)	3	
Balance December 31, 1995................	473,635	472,314	--	$ 8,228	$ (115)	$ (38)

<CAPTION>

	LESOP GUARANTEE
Balance December 31, 1992................	$ (294)
Issuance of common stock...............	
Issuance of treasury stock.............	
Net income.............................	
Common dividends declared ($2.12 per share)................................	
Market value adjustment for debt securities............................	
Foreign currency translation...........	
Other..................................	51
Balance December 31, 1993................	(243)
Issuance of common stock...............	
Settlement of litigation...............	
Benefit trust contribution (OPEB).......	
Purchase of treasury stock.............	
Net income.............................	
Common dividends declared ($2.14 per share)................................	
Market value adjustment for debt securities............................	
Foreign currency translation...........	
Other..................................	56
Balance December 31, 1994................	(187)

Issuance of common stock................	
Benefit trust contribution (OPEB).......	
Purchase of treasury stock.............	
Other..................................	
November 1, 1995 Recapitalization Plan....	
Recapitalization Plan dissenters (1)....	
Issuance of common stock................	
Net income.............................	
Common dividends declared ($2.14 per share)................................	
Preferred dividends.....................	
Market value adjustment for debt securities............................	
Foreign currency translation............	
Other..................................	60
Balance December 31, 1995................	$ (127)

</TABLE>

----

(1) Under the Recapitalization Plan, Media Stock was not issued to shareowners who elected to receive cash rather than Communications Stock and Media Stock. Dissenting shareowners were paid $47.9375 per U S WEST share on December 15, 1995.

COMMON STOCK 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 4 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, nontransferable 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.

NOTE 15: SHAREOWNERS' EQUITY (CONTINUED)

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 PLAN ("LESOP") U S WEST maintains a defined contribution savings plan for substantially all management and occupational employees of the Company. The Company matches a certain percentage of eligible employee contributions with shares of Communications Stock and/ or Media Stock in accordance with participant elections. Participants may also elect to reallocate past Company contributions between Communications Stock and Media Stock. In 1989, U S WEST established two LESOPs to provide Company stock for matching contributions to the savings plan. At December 31, 1995, 10,145,485 shares each of Communications Stock and Media Stock has been allocated from the LESOP, while 2,839,435 shares each of Communications Stock and Media Stock remained unallocated.

The borrowings associated with the LESOP, which are unconditionally guaranteed by U S WEST, are included in the accompanying Consolidated Balance Sheets and corresponding amounts have been recorded as reductions to common shareowners' equity. Contributions from the Company as well as dividends on unallocated shares held by the LESOP ($8, $11 and $14 in 1995, 1994 and 1993, respectively) are used for debt service. Beginning with the dividend paid in fourth-quarter 1995, dividends on allocated shares are being paid annually to participants. Previously, dividends on allocated shares were used for debt service with participants receiving additional shares from the LESOP.

U S WEST recognizes expense based on the cash payments method. Total Company contributions to the plan (excluding dividends) were $86, $80 and $75 in 1995, 1994 and 1993, respectively, of which $15, $19 and $24, respectively, have been classified as interest expense.

SHAREHOLDER RIGHTS PLAN The Board 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 Systems (See Note 4 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 first-quarter 1995, the Company purchased 1,704,700 shares of U S WEST common stock at an average price per share of $37.02. In December 1994, the Company purchased 550,400 shares of U S WEST common stock at an average price per share of $36.30.

NOTE 16: STOCK INCENTIVE PLANS

U S WEST maintains stock incentive plans for executives and key employees, and nonemployees. The Amended 1994 Stock Plan (the "Plan") was approved by shareowners on October 31, 1995 in connection with the Recapitalization Plan. The Plan is a successor plan to the U S WEST, Inc. Stock Incentive Plan and the U S WEST 1991 Stock Incentive Plan (the "Predecessor Plans"). No further grants of options or restricted stock may be made under the Predecessor Plans. The Plan is administered by the Human Resources Committee of the board of directors with respect to officers, executive officers and outside directors and by a special committee with respect to all other eligible employees and eligible nonemployees.

During calendar year 1995, up to 2,200,000 shares of Communications Stock and 1,485,000 shares of Media Stock were available for grant. The maximum aggregate number of shares of Communications Stock and Media Stock that may be granted in any other calendar year for all purposes under the Plan is nine-tenths of one percent (0.90 percent) and three-quarters of one percent (0.75 percent), respectively, of the shares of such class outstanding (excluding shares held in the Company's treasury) on the first day of such calendar year. In the event that fewer than the full aggregate number of shares of either class available for

NOTE 16: STOCK INCENTIVE PLANS (CONTINUED)

issuance in any calendar year are issued in any such year, the shares not issued shall be added to the shares of such class available for issuance in any subsequent year or years. Options may be exercised no later than 10 years after the date on which the option was granted.

Data for outstanding options under the Plan is summarized as follows:

<TABLE>
<CAPTION>

	COMMUNICATIONS GROUP		MEDIA GROUP		U S WEST, INC.	
	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES*	AVERAGE OPTION PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding January 1, 1993					4,450,150	$ 35.81
Granted					1,486,106	48.83
Exercised					(412,444)	31.73
Canceled or expired					(222,273)	36.87
Outstanding December 31, 1993					5,301,539	$ 39.76
Granted					2,438,409	36.15
Exercised					(139,762)	33.72
Canceled or expired					(214,149)	40.71
Outstanding December 31, 1994					7,386,037	$ 38.66
Granted					3,062,920	43.63
Exercised					(430,631)	34.03
Canceled or expired					(175,147)	39.76
Outstanding October 31, 1995					9,843,179	$ 40.39
Recapitalization Plan	9,843,179	$ 24.11	9,843,179	$ 16.28	(9,843,179)	$ (40.39)
Granted	138,309	32.16	71,580	18.51		
Exercised	(543,037)	21.23	(191,243)	14.71		
Canceled or expired	(15,350)	24.91	(15,350)	16.82		
Outstanding December 31, 1995	9,423,101	$ 24.39	9,708,166	$ 16.33	--	--

</TABLE>

----

* Includes options granted in tandem with SARs.

Options to purchase 2,672,666 shares of Communications Stock and 3,021,166 shares of Media Stock were exercisable at December 31, 1995. Options to purchase 2,374,394 shares of U S WEST stock were exercisable at December 31, 1994. A total of 2,050,466 shares of Communications Stock and 1,419,795 shares of Media Stock were available for grant under the plans in effect at December 31, 1995. A total of 914,816 shares of U S WEST common stock were available for grant under the plans in effect at December 31, 1994. A total of 11,484,792 shares of Communications Stock and 11,121,186 shares of Media Stock were reserved for issuance under the Plan at December 31, 1995.

NOTE 17: EMPLOYEE BENEFITS

PENSION PLAN

U S WEST sponsers a defined benefit pension plan covering substantially all management and occupational employees of the Company. 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. The Company's policy is to fund amounts required under the Employee Retirement Security Act of 1974 ("ERISA") and no funding was required in 1995, 1994 or 1993.

NOTE 17: EMPLOYEE BENEFITS (CONTINUED)

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Details of pension cost:			
Service cost -- benefits earned during the period	$ 173	$ 197	$ 148
Interest cost on projected benefit obligation	558	561	514
Actual return on plan assets	(1,918)	188	(1,320)
Net amortization and deferral	1,185	(946)	578
Net pension cost	$ (2)	$ 0	$ (80)

</TABLE>

The expected long-term rate of return on plan assets used in determining net pension cost was 8.50 percent for 1995, 8.50 percent for 1994 and 9.00 percent for 1993.

The funded status of the plan follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
Accumulated benefit obligation, including vested benefits of $5,839 and $5,044, respectively	$ 6,617	$ 5,616
Plan assets at fair value, primarily stocks and bonds	$ 9,874	$ 8,388
Less: Projected benefit obligation	8,450	7,149
Plan assets in excess of projected benefit obligation	1,424	1,239
Unrecognized net (gain) loss	(101)	161
Prior service cost not yet recognized in net periodic pension cost	(62)	(67)
Balance of unrecognized net asset at January 1, 1987	(705)	(785)
Prepaid pension cost	$ 556	$ 548

</TABLE>

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

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
Discount rate	7.00%	8.00%
Weighted average rate of compensation increase	5.50%	5.50%

</TABLE>

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. In conjunction with the Company's 1992 adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," U S WEST elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees. 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 with most jurisdictions requiring funding as a stipulation for rate recovery.

NOTE 17: EMPLOYEE BENEFITS (CONTINUED)

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

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	1995 MEDICAL	1995 LIFE	1995 TOTAL	1994 MEDICAL	1994 LIFE	1994 TOTAL	1993 MEDICAL	1993 LIFE	1993 TOTAL
Service cost -- benefits earned during the period	$ 59	$ 6	$ 65	$ 62	$ 13	$ 75	$ 60	$ 11	$ 71
Interest on accumulated benefit obligation	235	32	267	221	39	260	235	36	271
Actual return on plan assets	(319)	(96)	(415)	3	1	4	(73)	(52)	(125)
Net amortization and deferral	228	58	286	(68)	(31)	(99)	27	22	49
Net postretirement benefit costs	$ 203	$ 0	$ 203	$ 218	$ 22	$ 240	$ 249	$ 17	$ 266

</TABLE>

The expected long-term rate of return on plan assets used in determining postretirement benefit costs was 8.50 percent for 1995, 8.50 percent in 1994 and 9.00 percent in 1993.

The funded status of the plans follows:

<TABLE>
<CAPTION>

DECEMBER 31,

	1995			1994		
	MEDICAL	LIFE	TOTAL	MEDICAL	LIFE	TOTAL
Accumulated postretirement benefit obligation attributable to:						
Retirees	$ 1,866	$ 271	$ 2,137	$ 1,733	$ 248	$ 1,981
Fully eligible plan participants	293	34	327	264	38	302
Other active plan participants	1,059	165	1,224	940	135	1,075
Total accumulated postretirement benefit obligation	3,218	470	3,688	2,937	421	3,358
Unrecognized net gain	378	161	539	243	90	333
Unamortized prior service cost	--	(34)	(34)	--	--	--
Fair value of plan assets, primarily stocks, bonds and life insurance (1)	(1,385)	(460)	(1,845)	(894)	(374)	(1,268)
Accrued postretirement benefit obligation	$ 2,211	$ 137	$ 2,348	$ 2,286	$ 137	$ 2,423

</TABLE>

----
(1)
Medical plan assets include Communications Stock of $210 and Media Stock of $112 in 1995, and U S WEST common stock of $164 in 1994.

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

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
Discount rate	7.00%	8.00%
Medical trend*	9.00%	9.70%

</TABLE>

----
* Medical cost trend rate gradually declines to an ultimate rate of 5 percent in 2011.

NOTE 17: EMPLOYEE BENEFITS (CONTINUED)

A one-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 1995 net postretirement benefit cost by approximately $40 and increased the 1995 accumulated postretirement benefit obligation by approximately $350.

For U S WEST, the annual funding amount is based on its cash requirements, with the funding at U S WEST Communications based on regulatory accounting requirements.

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

NOTE 18: INCOME TAXES

The components of the provision for income taxes follow:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Federal:			
Current	$ 481	$ 418	$ 422
Deferred	225	337	(147)
Investment tax credits -- net	(38)	(47)	(56)
	668	708	219
State and local:			
Current	64	52	71
Deferred	54	83	(23)
	118	135	48

Foreign:			
Current	6	--	--
Deferred	33	14	2
	39	14	2
Provision for income taxes	$ 825	$ 857	$ 269

</TABLE>

The unamortized balance of investment tax credits at December 31, 1995 and 1994, was $199 and $231, respectively.

Amounts paid for income taxes were $566, $313 and $391 in 1995, 1994 and 1993, respectively, inclusive of the capital assets segment.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
		IN PERCENT	
Federal statutory tax rate	35.0	35.0	35.0
Investment tax credit amortization	(1.2)	(1.3)	(3.0)
State income taxes -- net of federal effect	3.5	3.9	4.0
Foreign taxes -- net of federal effect	1.2	0.4	--
Rate differential on reversing temporary differences	--	--	(2.2)
Depreciation on capitalized overheads -- net	--	--	1.4
Tax law change -- catch-up adjustment	--	--	3.1
Restructuring charge	--	--	(1.5)
Other	(0.2)	(0.5)	(0.7)
Effective tax rate	38.3	37.5	36.1

</TABLE>

NOTE 18: INCOME TAXES (CONTINUED)

The components of the net deferred tax liability follow:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
Property, plant and equipment	$ 1,540	$ 1,504
Leases	668	690
State deferred taxes -- net of federal effect	358	395
Intangible assets	112	164
Investments in partnerships	213	142
Other	74	84
Deferred tax liabilities	2,965	2,979
Postemployment benefits, including pension	697	718
Restructuring, assets held for sale and other	329	417
Unamortized investment tax credit	70	79
State deferred taxes -- net of federal effect	166	232
Other	229	317
Deferred tax assets	1,491	1,763
Net deferred tax liability	$ 1,474	$ 1,216

</TABLE>

The current portion of the deferred tax asset was $282 and $352 at December 31, 1995 and 1994, respectively, resulting primarily from restructuring charges and compensation-related items.

On August 10, 1993, federal legislation was enacted which 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 the capital assets segment.

The net deferred tax liability includes $686 in 1995 and $678 in 1994 related to the capital assets segment.

NOTE 19: CONTINGENCIES

At U S WEST Communications 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 action 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 U S WEST Communications is $0 to $150.

On September 22, 1995, U S WEST filed a lawsuit in Delaware Chancery Court to enjoin the proposed merger of Time Warner and Turner Broadcasting. U S WEST has alleged breaches of contract and fiduciary duties by Time Warner in connection with this proposed merger. Time Warner filed a countersuit against U S WEST on October 11, 1995, alleging misrepresentation, breach of contract and other misconduct on the part of U S WEST. Time Warner's countersuit seeks a reformation of the Time Warner Entertainment partnership agreement, an order that enjoins U S WEST from breaching the partnership agreement, and unspecified compensatory damages. U S WEST has denied each of the claims in Time Warner's countersuit. The trial for this action concluded on March 22, 1996. A ruling by the Delaware Chancery Court is expected in June 1996.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE

The Consolidated Financial Statements include the discontinued operations of the capital assets segment. During the second quarter of 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 for the estimated loss on disposition. An additional provision of $20 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.

Effective January 1, 1995, the capital assets segment has been accounted for in accordance with Staff Accounting Bulletin No. 93, issued by the Securities Exchange Commission, which requires discontinued operations not disposed of within one year of the measurement date to be accounted for prospectively in continuing operations as a "net investment in assets held for sale." The net realizable value of the assets is reevaluated on an ongoing basis with adjustments to the existing reserve, if any, charged to continuing operations. No such adjustment was required in 1995. Prior to January 1, 1995, the entire capital assets segment was 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 Holdings, Ltd. ("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 million shares sold to Fund American Enterprises Holdings Inc. ("FFC"), in an initial public offering of FSA common stock. U S WEST received $154 in net proceeds from the offering. The Media Group retained certain risks in asset-backed obligations related to the commercial real estate portfolio. 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 13 to the Consolidated Financial Statements.) In December 1995, FSA merged with Capital Guaranty Corporation for shares of FSA and cash of $51. The transaction was valued at approximately $203 and reduced U S WEST's ownership interest in FSA to 50.3 percent and its voting interest to 41.7 percent. U S WEST expects to monetize and ultimately reduce its ownership in FSA through the issuance of Debt Exchangeable for Common Stock ("DECS") in 1996. At maturity, each DECS will be mandatorily exchanged by U S WEST for shares of FSA common stock held by U S WEST or, at U S WEST's option, redeemed at the cash equivalent.

U S WEST entered into a transaction to reduce its investment in Enhance Financial Services Group, Inc. ("Enhance") during fourth-quarter 1995. U S WEST issued DECS due December 15, 1998. Upon maturity, each DECS will be mandatorily exchanged by U S WEST for shares of Enhance common stock or, at U S WEST's option, redeemed at the cash equivalent. The capital assets segment currently owns approximately 31.5 percent of the outstanding Enhance common stock. (See

Note 10 to the Consolidated Financial Statements.)

U S WEST Real Estate, Inc. has sold various properties totaling $120, $327 and $66 in each of the three years ended December 31, 1995, respectively. The sales proceeds were in line with estimates. Proceeds from building sales were primarily used to repay related debt. U S WEST has completed construction of existing buildings in the commercial real estate portfolio and expects to substantially complete the liquidation of this portfolio by 1998. The remaining balance of assets subject to sale is approximately $490, net of reserves, as of December 31, 1995.

In December 1993, U S WEST sold $2.0 billion of finance receivables and the business of U S WEST Financial Services, Inc. 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

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)
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 the capital assets segment were $237, $553 and $710 in 1995, 1994 and 1993, respectively. Income from discontinued operations for 1993 (to June 1) totaled $38. Income (loss) from the capital assets segment subsequent to June 1, 1993 is being deferred and is included within the reserve for assets held for sale.

The assets and liabilities of the capital assets segment have been separately classified on the Consolidated Balance Sheets as net investment in assets held for sale.

The components of net investment in assets held for sale follow:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
	DOLLARS IN MILLIONS	
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 38	$ 7
Finance receivables -- net	953	1,073
Investment in real estate -- net of valuation allowance	368	465
Bonds, at market value	149	155
Investment in FSA	384	329
Other assets	177	347
Total assets	$ 2,069	$ 2,376
LIABILITIES		
Debt	$ 796	$ 1,283
Deferred income taxes	686	678
Accounts payable, accrued liabilities and other	148	103
Minority interests	10	10
Total liabilities	1,640	2,074
Net investment in assets held for sale	$ 429	$ 302

</TABLE>

Finance receivables primarily consist of contractual obligations under long-term leases that U S WEST intends to run off. These long-term leases consist mostly of leveraged leases related to aircraft and power plants. For leveraged leases, the cost of the assets leased is financed primarily through nonrecourse debt which is netted against the related lease receivable.

The components of finance receivables follow:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>

Receivables	$ 921	$ 1,095
Unguaranteed estimated residual values	447	467
	1,368	1,562
Less: Unearned income	390	459
Credit loss and other allowances	25	30
Finance receivables -- net	$ 953	$ 1,073

</TABLE>

Investments in debt securities are classified as available for sale and are carried at market value. Any resulting unrealized holding gains or losses, net of applicable deferred income taxes, are reflected as a component of equity.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)

The amortized cost and estimated market value of investments in debt securities are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,					
	1995				1994	
DEBT SECURITIES	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	COST	GROSS UNREALIZED GAINS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Municipal	$ 91	$ 1	$ 1	$ 91	$ 113	$ --
Other	58	--	--	58	65	--
Total	$ 149	$ 1	$ 1	$ 149	$ 178	$ --

<CAPTION>

DEBT SECURITIES	GROSS UNREALIZED LOSSES	FAIR VALUE
<S>	<C>	<C>
Municipal	$ 13	$ 100
Other	10	55
Total	$ 23	$ 155

</TABLE>

Note: Also included in equity are unrealized gains and losses on debt securities associated with U S WEST's equity investment in FSA. 1995 includes unrealized gains of $24, net of deferred taxes of $13, and 1994 includes unrealized losses of $49, net of deferred tax benefits of $26.

The 1995 net unrealized gains of $39 (net of deferred taxes of $21) and the 1994 net unrealized losses of $64 (net of deferred tax benefits of $34), are included in equity.

DEBT

Interest rates and maturities of debt associated with the capital assets segment at December 31 follow:

<TABLE>
<CAPTION>

	MATURITIES					
INTEREST RATES	1997	1998	1999	2000	TOTAL 1995	TOTAL 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Up to 5%	$ --	$ --	$ --	$ --	$ --	$ 55
Above 5% to 6%	10	--	--	--	10	15
Above 6% to 7%	54	--	--	--	54	154
Above 7% to 8%	5	--	--	--	5	17
Above 8% to 9%	--	--	134	4	138	189
Above 9% to 10%	48	5	--	--	53	114
Above 10% to 11%	--	29	--	--	29	29

	$ 117	$ 34	$ 134	$ 4	289	573
Allocated to the capital assets segment -- net					507	710
Total					$ 796	$ 1,283

</TABLE>

Debt of $71 and $119 at December 31, 1995 and 1994, respectively, was collateralized by first deeds of trust on associated real estate and assignment of rents from leases.

The following table summarizes terms of swaps associated with the capital assets segment. Variable rates are indexed to three- and six-month LIBOR.

<TABLE>
<CAPTION>

	DECEMBER 31, 1995 AND 1994					
			WEIGHTED AVERAGE RECEIVE RATE		WEIGHTED AVERAGE PAY RATE	
	NOTIONAL AMOUNT	MATURITIES	1995	1994	1995	1994
Variable to fixed (1)	$ 380	1996-1997	5.96	5.69	9.03	9.03
Fixed to variable (1)	380	1996-1997	7.29	7.29	5.87	5.80
Variable rate basis adjustment (2)	10	1997	5.92	5.89	5.85	7.04

</TABLE>

----

(1) The fixed to variable swaps have the same terms as the variable to fixed swaps and were entered into to terminate the variable to fixed swaps. The net loss on the swaps is deferred and amortized over the remaining life of the swaps and is included in the reserve for assets held for sale.

(2) Variable rate debt based on Treasuries is swapped to a LIBOR-based interest rate.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)
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 obligations follow:

<TABLE>
<CAPTION>

	DECEMBER 31,	
TERMS TO MATURITY	1995	1994
0 to 5 Years	$ 639	$ 540
5 to 10 Years	450	537
10 to 15 Years	10	391
Total	$ 1,099	$ 1,468

</TABLE>

Concentrations of collateral associated with insured asset-backed obligations follow:

<TABLE>
<CAPTION>

	DECEMBER 31,	
TYPE OF COLLATERAL	1995	1994
Commercial mortgages:		
Commercial real estate	$ 442	$ 530
Corporate secured	657	888

Other asset-backed	--	50
Total	$ 1,099	$ 1,468

</TABLE>

ADDITIONAL FINANCIAL INFORMATION

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

<TABLE>
<CAPTION>

SUMMARIZED FINANCIAL INFORMATION	YEAR ENDED DECEMBER 31, 1995	1994	1993
Revenue	$ 44	$ 54	$ 410
Net finance receivables	931	981	1,020
Total assets	1,085	1,331	1,797
Total debt	274	533	957
Total liabilities	1,024	1,282	1,748
Equity	61	49	49

</TABLE>

NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	QUARTERLY FINANCIAL DATA			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1995				
Sales and other revenues	$ 2,828	$ 2,894	$ 2,964	$ 3,060
Income before income taxes and extraordinary items	538	514	538	564
Income before extraordinary items	330	318	325	356
Net income	330	318	316	353
Pro forma earnings per common share:				
Communications Group earnings per common share before extraordinary item	0.67	0.62	0.62	0.60
Communications Group earnings per common share	0.67	0.62	0.61	0.59
Media Group earnings per common share before extraordinary item	0.03	0.05	0.07	0.15
Media Group earnings per common share	0.03	0.05	0.06	0.15
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

</TABLE>

Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of Communications Stock and Media Stock. Earnings per common share for 1995 have been presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1995. For periods prior to the recapitalization, the average common shares outstanding for the two classes of stock are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

1995 first-quarter net income includes $39 ($0.08 per Communications share) from a gain on the sales of certain rural telephone exchanges. 1995 second-quarter net income includes $10 ($0.02 per Communications share) from a gain on the sales of certain rural telephone exchanges. 1995 third-quarter net income includes $21 ($0.04 per Communications share) from a gain on the sales of certain rural telephone exchanges and $10 ($0.01 per Communications share and $0.01 per Media share) for expenses associated with the Recapitalization Plan. 1995 third-quarter net income also includes charges of $9 ($0.01 per Communications share and $0.01 per Media share) for the early extinguishment of debt. 1995 fourth-quarter net income includes $15 ($0.03 per Communications share) from a gain on the sales of certain rural telephone exchanges and $95 ($0.20 per Media share) from the merger of U S WEST's joint venture interest in TeleWest. 1995 fourth-quarter net income also includes other charges of $10 ($0.01 per Communications share and $0.01 per Media share), including $7 for expenses associated with the Recapitalization Plan and an extraordinary charge of $3 for the early extinguishment of debt.

1994 first-quarter net income includes $15 ($.03 per share) from a gain on the sales of certain rural telephone exchanges. 1994 second-quarter net income includes gains of $16 ($.04 per share) and $41 ($.09 per share) on 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 in TeleWest and $20 ($.04 per share) on the sales of certain rural telephone exchanges.

NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

PER SHARE MARKET AND DIVIDEND DATA	MARKET PRICE HIGH	LOW	CLOSE	DIVIDENDS
	(WHOLE DOLLARS)			
1995				
U S WEST Stock				
First	$ 41.375	$ 35.125	$ 40.125	$ 0.535
Second	42.875	39.125	41.625	0.535
Third	48.375	40.875	47.125	0.535
Fourth (through October 31, 1995)	48.375	45.625	47.875	--
Communications Stock				
Fourth (November 1, 1995 through December 31, 1995)	$ 36.375	$ 28.375	$ 35.625	$ 0.535
Media Stock				
Fourth (November 1, 1995 through December 31, 1995)	$ 20.000	$ 17.375	$ 19.000	$ --
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

APPENDIX C

U S WEST COMMUNICATIONS GROUP
FINANCIAL HIGHLIGHTS

	1995	1994	1993	1992	1991
	YEAR ENDED DECEMBER 31, DOLLARS IN MILLIONS (EXCEPT PER SHARE AMOUNTS)				
Operating revenues	$ 9,484	$ 9,176	$ 8,870	$ 8,530	$ 8,345
Net income (loss) 1	1,176	1,150	(2,809)	(815)	771
Pro forma earnings per common share 2	2.50	2.53	--	--	--
Pro forma dividends per common share 2	2.14	2.14	--	--	--
EBITDA 3	4,220	4,026	3,743	3,553	3,547
EBITDA margin 3	44.5%	43.9%	42.2%	41.7%	42.5%
Total assets	$ 16,585	$ 15,944	$ 15,423	$ 20,655	$ 20,244
Total debt	6,754	6,124	5,673	5,181	5,287
Communications Group equity 4	3,476	3,179	2,722	6,003	7,530
Return on Communications Group equity 4, 5	35.6%	39.0%	22.5%	13.7%	12.8%
Percentage of debt to total capital 4	66.0%	65.8%	67.6%	46.3%	41.3%
Capital expenditures	$ 2,739	$ 2,477	$ 2,226	$ 2,385	$ 2,194
Telephone network access lines in service (thousands)	14,847	14,336	13,843	13,345	12,935
Billed access minutes of use -- interstate (millions)	47,801	43,768	40,594	37,413	35,144
Billed access minutes of use -- intrastate (millions)	9,504	8,507	7,529	6,956	6,557
Communications Group employees	50,825	51,402	52,598	55,352	57,725
Telephone company employees	47,934	47,493	49,668	52,423	54,923
Telephone company employees per ten thousand access lines	32.3	33.1	35.9	39.3	42.5
Pro forma average common shares outstanding (thousands) 2	470,716	453,316			
Pro forma common shares outstanding (thousands) 2	473,635*	469,343			

----

* Actual

(1)
1995 net income includes a gain of $85 ($0.18 per share) on the sales of

certain rural telephone exchanges and other charges of $16 ($0.03 per share), including an extraordinary charge of $8 for the early extinguishment of debt and $8 for costs associated with the November 1, 1995 recapitalization. 1994 net income includes a gain of $51 ($0.11 per share) on the sales of certain rural telephone exchanges. 1993 net income was reduced by a $534 restructuring charge and $54 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1993 net income was also reduced by extraordinary charges of $3,123 for the discontinuance of Statement of Financial Accounting Standards ("SFAS") No. 71 and $77 for the early extinguishment of debt. 1992 net income was reduced by $1,745 for the cumulative effect of change in accounting principles. 1991 net income was reduced by a $173 restructuring charge.

(2) Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of U S WEST Communications Group common stock and U S WEST Media Group common stock. Earnings per common share have been presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

(3) Earnings before interest, taxes, depreciation, amortization and other ("EBITDA"). EBITDA also excludes the gain on sales of rural telephone exchanges and restructuring charges. The Communications Group considers EBITDA an important indicator of the operational strength and performance of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Communications Group's businesses or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles.

(4) The increases in the percentage of debt to total capital and return on Communications Group equity, and the decrease in Communications Group equity since 1992, are primarily due to the effects of discontinuing SFAS No. 71 in 1993 and the cumulative effect of change in accounting principles in 1992.

(5) 1995 return on Communications Group equity is based on income before extraordinary items. For 1994, there are no adjustments to net income for this calculation. 1993 return on Communications Group equity is based on income excluding extraordinary items, a restructuring charge and the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1992 return on Communications Group equity is based on income before cumulative effect of change in accounting principles. 1991 return on Communications Group equity is based on income excluding the effects of a restructuring charge.

U S WEST COMMUNICATIONS GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

THE RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado"), voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors to reincorporate in Delaware and create two classes of common stock. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or the "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock") and the other class which is authorized as U S WEST Media Group Common Stock ("Media Stock").

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

THE COMMUNICATIONS GROUP

The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers in the Communications Group Region (the "Region"). The Region includes the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. Services offered by the Communications Group include local telephone services, exchange access services (which connect customers to the facilities of carriers, including long-distance providers and wireless operators), and long-distance services within Local Access and Transport Areas ("LATAs") in the Region. The Communications Group provides other products and services, including custom calling features, voice messaging, caller identification, high-speed data applications, customer premises equipment and certain communications services to business customers and governmental agencies both inside and outside the Region. The Telecommunications Act of 1996, enacted into law on February 8, 1996, will dramatically alter the competitive landscape of the telecommunications industry and will further change the nature of services the Communications Group will offer. These future service offerings include interLATA long-distance service, wireless services, cable TV and interconnection services provided to competing providers of local services.

The Combined Financial Statements of the Communications Group include: (i) the combined historical balance sheets, results of operations and cash flows of the businesses that comprise the Communications Group; (ii) corporate assets and liabilities and related transactions of U S WEST identified with the Communications Group; and (iii) an allocated portion of the corporate expenses of U S WEST. All significant intra-group financial transactions have been eliminated. Transactions between the Communications Group and the Media Group have not been eliminated. For a more complete discussion of U S WEST's corporate allocation policies, see the U S WEST Communications Group Combined Financial Statements -- Note 2: Summary of Significant Accounting Policies.

The following discussion is based on the U S WEST Communications Group Combined Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP"). The discussion should be read in conjunction with the U S WEST, Inc. Consolidated Financial Statements.

RESULTS OF OPERATIONS -- 1995 COMPARED WITH 1994

Comparative details of income before extraordinary items for 1995 and 1994 follow:

<TABLE>
<CAPTION>

	1995[1]	1994[2]	INCREASE (DECREASE) $	INCREASE (DECREASE) %
U S WEST Communications, Inc.	$ 1,219	$ 1,175	$ 44	3.7
Other operations	(35)	(25)	(10)	(40.0)
Income before extraordinary items	$ 1,184	$ 1,150	$ 34	3.0
Pro forma earnings per common share before extraordinary items [3]	$ 2.52	$ 2.53	$ (0.01)	(0.4)

</TABLE>

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1 1995 income before extraordinary items includes a gain of $85 ($0.18 per share) on the sales of certain rural telephone exchanges and $8 ($0.01 per share) for costs associated with the Recapitalization Plan.

2 1994 income before extraordinary items includes a gain of $51 ($0.11 per share) on the sales of certain rural telephone exchanges.

3 Earnings per common share have been presented on a pro forma basis as if the Communications Stock had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST.

The Communications Group's 1995 income before extraordinary items, excluding the effects of one-time items described in Note 1 to the table above, was $1,107, an increase of $8, or 0.7 percent, compared with $1,099 in 1994, also excluding the effects of one-time items. Total revenue growth of 3.4 percent was largely offset by significantly higher costs incurred to improve customer service and meet greater than expected business growth. Net income growth will also be limited in 1996 while the Communications Group continues to commit significant resources to meet customer service objectives and broaden its range of product and service offerings.

Excluding the effects of one-time items described in Note 1 to the table above, pro forma earnings per common share before extraordinary items ("earnings per share") were $2.35 in 1995, a decrease of $0.07, or 2.9 percent, compared with $2.42 in 1994, similarly adjusted. Earnings per share in 1995 reflect approximately 17 million additional average common shares outstanding, of which 12.8 million were issued in December 1994.

During 1995, the Communications Group refinanced $145 of long-term debt. Expenses associated with the refinancings resulted in extraordinary charges of $8, net of tax benefits of $5.

Increased demand for services resulted in growth in earnings before interest, taxes, depreciation, amortization and other ("EBITDA") of 4.8 percent in 1995. The Communications Group believes EBITDA is an important indicator of the operational strength of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of performance or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles ("GAAP").

OPERATING REVENUES

An analysis of changes in operating revenues follows:

<TABLE>
<CAPTION>

	1995	1994	PRICE CHANGES	LOWER (HIGHER) REFUNDS	DEMAND	OTHER	INCREASE (DECREASE) $
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Local service..............................	$ 4,344	$ 4,067	$ 35	$ (10)	$ 273	$ (21)	$ 277
Interstate access...........................	2,378	2,269	(66)	(2)	191	(14)	109
Intrastate access...........................	747	729	(31)	8	36	5	18
Long-distance network.......................	1,189	1,329	(23)	(1)	(54)	(62)	(140)
Other services..............................	826	782	--	--	--	44	44
Total.......................................	$ 9,484	$ 9,176	$ (85)	$ (5)	$ 446	$ (48)	$ 308

<CAPTION>

	%
<S>	<C>
Local service..............................	6.8
Interstate access...........................	4.8
Intrastate access...........................	2.5
Long-distance network.......................	(10.5)
Other services..............................	5.6
Total.......................................	3.4

</TABLE>

Approximately 97 percent of the revenues of the Communications Group are attributable to the operations of U S WEST Communications, Inc. ("U S WEST Communications"), of which approximately 59 percent are derived from the states of Arizona, Colorado, Minnesota and Washington. Approximately 29 percent of the access lines in service are devoted to providing services to business customers. The access line growth rate for business customers, who tend to be heavier users of the network, has consistently exceeded the growth rate of residential customers. During 1995, business access lines grew 5.4 percent while residential access lines increased 2.8 percent.

The primary factors that influence changes in revenues are customer demand for products and services, price changes (including those related to regulatory proceedings) and refunds. During 1995, revenues from new product and service offerings were $534, an increase of 58 percent compared with 1994. These revenues primarily consist of caller identification, voice messaging, call waiting and high-speed data network transmission services.

Local service revenues include local telephone exchange, local private line and public telephone services. In 1995, local service revenues increased principally as a result of higher demand for new and existing services, and demand for second lines. Local service revenues from new services increased $92, or 78 percent, compared with 1994. Reported total access lines increased 511,000, or 3.6 percent, of which 161,000 were second lines. Second line installations increased 25.5 percent compared with 1994. Access line growth was 4.2 percent adjusted for the sale of approximately 95,000 rural telephone access lines during the last 12 months.

Access charges are collected primarily from 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 33 percent of access revenues and 11 percent of total revenues are derived from providing access services to AT&T.

Higher revenues from interstate access services were driven by an increase of 9.2 percent in interstate billed access minutes of use. The increased business volume more than offset the effects of price reductions and refunds. The Communications Group reduced prices for interstate access services in both 1995 and 1994 as a result of Federal Communications Commission ("FCC") orders and competitive pressures. Intrastate access revenues increased primarily due to the impact of increased business volume and multiple toll carrier plans, partially offset by the impact of rate changes.

Long-distance revenues are derived from calls made within the LATA boundaries of the Region. During 1995 and 1994, long-distance revenues were impacted by the implementation of multiple toll carrier plans ("MTCPs") in Oregon and Washington in May and July 1994, respectively. The MTCPs essentially allow independent telephone companies to act as toll carriers. The 1995 impact of the MTCPs was long-distance revenue losses of $62, partially offset by increases in intrastate access revenues of $12 and decreases in other

operating expenses (i.e. access expense) of $42 compared with 1994. These regulatory arrangements have decreased annual net income by approximately $10. Similar changes in other states could occur, though the impact on 1996 net income would not be material.

Excluding the effects of the MTCPs, long-distance revenues decreased by 5.9 percent in 1995, primarily due to the effects of competition and rate reductions. Long-distance 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. A portion of revenues lost to competition, however, is recovered through access charges paid by the interexchange carriers. Erosion in long-distance revenue will continue due to the loss of 1+ dialing in Minnesota, effective in February 1996, and in Arizona, effective in April 1996. Annual long-distance revenue losses could approximate $30 as a result of these changes. The Communications Group is partially mitigating competitive losses through competitive pricing of intraLATA long-distance services.

Revenues from other services primarily consist of billing and collection services provided to interexchange carriers, voice messaging services, high-speed data transmission services, sales of service agreements related to inside wiring and the provision of customer premises equipment. Revenues from other services also include directory listings, customer lists, billing and collection and other services provided to the Media Group. These services are sold at market price. However, the Communications Group's accounting and reporting for regulatory purposes is in accordance with regulatory requirements. Revenues for services provided to Media Group were $20 in 1995 and $29 in 1994.

During 1995, revenues from other services increased $44, primarily as a result of continued market penetration in voice messaging services and sales of high-speed data transmission services. Revenue growth from other services is also attributable to maintenance contracts for inside wire services and a large contract related to a wire installation project. These increases were partially offset by a decrease of $20 in revenues from billing and collection services. The decline in billing and collection revenues is primarily related to lower contract prices and a decrease in the volume of services provided to AT&T.

COSTS AND EXPENSES

<TABLE>
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			INCREASE (DECREASE)	
	1995	1994	$	%
<S>	<C>	<C>	<C>	<C>
Employee-related expenses	$ 3,341	$ 3,215	$ 126	3.9
Other operating expenses	1,543	1,547	(4)	(0.3)
Taxes other than income taxes	380	388	(8)	(2.1)
Depreciation and amortization	2,042	1,908	134	7.0
Interest expense	427	376	51	13.6
Other expense -- net	41	21	20	95.2

</TABLE>

Employee-related expenses include basic salaries and wages, overtime, benefits (including pension and health care), payroll taxes and contract labor. During 1995, improving customer service was the Communications Group's first priority. Overtime payments and contract labor expense associated with customer service initiatives increased employee-related costs by approximately $168 compared with 1994. Expenses related to the addition of approximately 1,700 employees in 1995 and 1,000 employees in 1994 also increased employee-related costs. These expenses were incurred to handle the higher than anticipated volume of business and to meet new business opportunities. Partially offsetting these increases was a $34 reduction in the accrual for postretirement benefits, a $22 decrease in travel expense and reduced expenses related to employee separations under reengineering and streamlining initiatives. The Communications Group will continue to add employees to address customer service issues and growth in the core business. Costs related to these work-force additions will partially offset the benefits of employee separations achieved through restructuring. (See "Restructuring Charge.")

Other operating expenses include access charges (incurred for the routing of long-distance traffic through the facilities of independent companies), network software expenses and other general and administrative costs, including allocated costs from U S WEST. During 1995, other operating expenses decreased primarily due to the effects of the multiple toll carrier plans and a reduction in expenses related to project funding at Bell Communications Research, Inc. ("Bellcore"), of which U S WEST Communications has a one-seventh ownership interest. These decreases in other operating expenses were partially offset by increases in costs associated with increased sales, including bad debt expense. Allocated costs from U S WEST were $116 and $110 in 1995 and 1994, respectively.

Taxes other than income taxes, which consist primarily of property taxes, decreased 2.1 percent in 1995, primarily due to favorable property tax valuations and mill levies as compared with 1994. As a result of these valuations and mill levies, 1995 fourth-quarter accruals decreased by $20 compared with fourth-quarter 1994.

Increased depreciation and amortization expense was attributable to the effects of a higher depreciable asset base, partially offset by the effects of the sales of certain rural telephone exchanges.

Interest expense increased primarily as a result of an increased use of debt financing. The average borrowing cost was 6.9 percent in 1995, compared with 6.8 percent in 1994. (See "Liquidity and Capital Resources.") The increase in other expense is largely attributable to $8 of costs associated with the Recapitalization Plan in 1995.

PROVISION FOR INCOME TAXES

	1995	1994	INCREASE $	INCREASE %
Provision for income taxes	$ 662	$ 653	$ 9	1.4
Effective tax rate	35.9%	36.2%	--	--

The decrease in the effective tax rate resulted primarily from the effects of a research and experimentation credit and adjustments for prior periods.

RESTRUCTURING CHARGE

The Communications Group's 1993 results reflected an $880 restructuring charge (pretax). The related restructuring plan (the "Restructuring Plan") is designed to provide faster, more responsive customer services while reducing the costs of providing these services. As part of the Restructuring Plan, the Communications Group is developing new systems and enhanced system functionality that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, rapidly design and engineer products and services for customers, and centralize its service centers. The Communications Group has consolidated its 560 customer service centers into 26 centers in 10 cities and plans on reducing its work force by approximately 10,000 employees. All service centers are operational and supported by new systems and enhanced system functionality.

The Restructuring Plan is expected to be substantially complete by the end of 1997. Implementation of the Restructuring Plan has been impacted by growth in the business and related service issues, new business opportunities, revisions to system delivery schedules and productivity issues caused by the major rearrangement of resources due to restructuring. These issues will continue to affect the timing of employee separations.

The Communications Group estimates that full implementation of the 1993 Restructuring Plan will reduce employee-related expenses by approximately $400 per year. The savings related to work-force reductions will be offset by the effects of inflation and a variety of other factors. These factors include costs related to the achievement of customer service objectives and increased demand for existing services. (See "Costs and Expenses.")

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

<TABLE>
<CAPTION>

	1994 ACTUAL	1995 ACTUAL	1996 ESTIMATE	1997 ESTIMATE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Employee separation [1]	$ 19	$ 76	$ 33	$ 127	$ 255
Systems development	118	129	113	--	360
Real estate	50	66	14	--	130
Relocation	21	21	20	13	75
Retraining and other	8	23	22	7	60
Total 1993 Restructuring Plan	216	315	202	147	880
Remaining 1991 plan employee costs [1]	56	--	--	--	56
Total	$ 272	$ 315	$ 202	$ 147	$ 936

</TABLE>

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1 Employee separation costs, including the balance of a 1991 restructuring reserve at December 31, 1993, aggregate $311.

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems development costs include new systems and the application of enhanced system functionality to existing, single-purpose systems to provide integrated, end-to-end customer service. 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.

EMPLOYEE SEPARATION. Under the Restructuring Plan, the Communications Group anticipates the separation of 10,000 employees. Approximately 1,000 employees that were originally expected to relocate have chosen separation or other job assignments and have been replaced. This increased the number of employee separations to 10,000 from 9,000, and increased the estimated total cost for employee separations to $311 from $281, as compared with the original estimate. The $30 cost associated with these additional employee separations was reclassified from relocation to the reserve for employee separations during 1995.

Annual employee separations and employee-separation amounts under the Restructuring Plan follow:
<TABLE>
<CAPTION>

	1994[1]		1995		1996	1997	
	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE[2]	ESTIMATE[2]	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Employee separation:							
Managerial	1,061	497	612	682	202	1,357	2,738
Occupational	1,887	1,683	1,638	1,643	798	3,138	7,262
Total	2,948	2,180	2,250	2,325	1,000	4,495	10,000

<CAPTION>

	1994[1]		1995		1996	1997	
	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE[2]	ESTIMATE[2]	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Employee-separation amounts:							

Managerial	$ 22	$ 5	$ 21	$ 30	$ 9	$ 54	$ 98
Occupational	15	14	54	46	24	73	157
Total	37	19	75	76	33	127	255
Remaining 1991 reserve	56	56	--	--	--	--	56
Total	$ 93	$ 75	$ 75	$ 76	$ 33	$ 127	$ 311

</TABLE>

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(1)
Includes the remaining employees and the separation amounts associated with the balance of a 1991 restructuring reserve at December 31, 1993.

(2)
A significant number of the employee reductions originally scheduled for 1996 will be delayed while the Communications Group focuses on overtime and contract-labor expenses. The Restructuring Plan is expected to be substantially complete by the end of 1997.

Compared with the original estimates, employee reductions and separation amounts shown above have been reduced by 1,600 employees and $53, respectively, in 1996, and increased by 4,495 employees and $127, respectively, in 1997.

SYSTEMS DEVELOPMENT. The existing information management systems were largely developed to support a monopoly environment. These systems were inadequate due to the effects of increased competition, new forms of regulation and changing technology that have driven consumer demand for products and services that can be delivered quickly, reliably and economically. The Communications Group believes that improved customer service, delivered at lower cost, can be achieved by a combination of new systems and introducing new functionality to existing systems. This is a change from the initial strategy which placed more emphasis on the development of new systems.

The systems development program involves new systems and enhanced system functionality for systems that support the following core processes:

SERVICE DELIVERY -- to support service on demand for all products and services. These new systems and enhanced system functionality will permit customer calls to be directed to those service representatives who can meet their requirements. This process will provide enhanced information to the service representatives regarding the customer requests and the ability of the Communications Group to fulfill them.

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.

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

Certain of the new systems and enhanced system functionality have been implemented in the service centers and have simplified the labor-intensive interfaces between systems processes in existence prior to the Restructuring Plan. Enhanced system functionality introduced under the Restructuring Plan since its inception includes the following:

- The ability to determine facilities' availability while the customer is placing an order;

- Automated engineering of central office facilities and automated updating of central office facilities' records;

- The ability to track the status of complex network design jobs from the customer's perspective; and

- Systems that accurately diagnose network problems and prepare repair packages to correct the problems identified.

The direct, incremental and nonrecurring costs of providing new systems and enhanced system functionality follow:

<TABLE>
<CAPTION>

	1994		1995		1996
	ESTIMATE	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE

Service delivery	$ 35	$ 21	$ 21	$ 19	$ 44
Service assurance	45	12	24	22	26
Capacity provisioning	17	57	92	85	42
All other	8	28	8	3	1
Total	$ 105	$ 118	$ 145	$ 129	$ 113

	TOTAL
Service delivery	$ 84
Service assurance	60
Capacity provisioning	184
All other	32
Total	$ 360

Systems expenses charged to current operations consist of 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. Other systems expenses are for administrative (i.e. general purpose) systems which 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 in 1995, 1994 and 1993. The Communications Group expects systems costs charged to current operations as a percent of total operating expenses to approximate the current level throughout 1996. Systems costs could increase relative to other operating costs as the business becomes more technology dependent.

PROGRESS UNDER THE RESTRUCTURING PLAN

Following is a reconciliation of restructuring reserve activity since December 1993:

	RESERVE BALANCE 12/31/93	1994 ACTIVITY	RESERVE BALANCE 12/31/94	1995 ACTIVITY	CHANGE IN ESTIMATE	RESERVE BALANCE 12/31/95
Employee separation:						
Managerial	$ 75	$ 5	$ 70	$ 30	$ 23	$ 63
Occupational	150	14	136	46	7	97
Total employee separation	225	19	206	76	30	160
Systems development:						
Service delivery	73	21	52	19	11	44
Service assurance	64	12	52	22	(4)	26
Capacity provisioning	179	57	122	85	5	42
All other	44	28	16	3	(12)	1
Total systems development	360	118	242	129	--	113
Real estate	130	50	80	66	--	14
Relocation	105	21	84	21	(30)	33
Retraining and other	60	8	52	23	--	29
Total 1993 Restructuring Plan	880	216	664	315	--	349
Remaining 1991 plan expenditures	56	56	--	--	--	--
Total	$ 936	$ 272	$ 664	$ 315	$ --	$ 349

CUMULATIVE

<S>	1994 SEPARATIONS <C>	1995 SEPARATIONS <C>	SEPARATIONS AT DECEMBER 31, 1995 <C>
Employee separations:			
Managerial	497	682	1,179
Occupational	1,683	1,643	3,326
Total	2,180	2,325	4,505

</TABLE>

RESULTS OF OPERATIONS -- 1994 COMPARED WITH 1993

Comparative details of income before extraordinary items for 1994 and 1993 follow:

<TABLE>
<CAPTION>

<S>	1994[1] <C>	1993[2] <C>	INCREASE <C>
U S WEST Communications, Inc.	$ 1,175	$ 435	$ 740
Other operations	(25)	(44)	19
Income before extraordinary items	$ 1,150	$ 391	$ 759

</TABLE>

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(1) 1994 income before extraordinary items includes a gain of $51 on the sales of certain rural telephone exchanges.

(2) 1993 income before extraordinary items was reduced by $534 for a restructuring charge and $54 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

The Communications Group's 1994 income before extraordinary items was $1,099, an increase of $120, or 12.3 percent, over 1993, excluding the one-time effects described in Notes 1 and 2 to the table above. The increase was primarily attributable to increased demand for telecommunications services.

In 1993, U S WEST Communications incurred extraordinary charges for the discontinuance of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation," and the early extinguishment of debt. An extraordinary, noncash charge of $3.1 billion (after tax) was incurred in conjunction with the decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS No. 71. SFAS No. 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, competition notwithstanding, by charging its customers at prices established by its regulators. This decision to discontinue the application of SFAS No. 71 was based on the belief that competition, market conditions and technological advances, more than prices established by regulators, will determine the future cost recovery by U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' telephone plant were shortened to more closely reflect the useful (economic) lives of such plant. U S WEST Communications' accounting and reporting for regulatory purposes were not affected by the change.

During 1993, U S WEST Communications refinanced long-term debt issues aggregating $2.7 billion in principal amount. These refinancings allowed U S WEST Communications to take advantage of favorable interest rates. Extraordinary costs associated with the redemptions reduced 1993 income by $77 (after tax).

Revenue growth, partially offset by higher operating expenses, provided a 7.6 percent increase in EBITDA.

OPERATING REVENUES

An analysis of changes in operating revenues follows:

<TABLE>
<CAPTION>

	PRICE	LOWER (HIGHER)	INCREASE (DECREASE)

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1994	1993	CHANGES	REFUNDS	DEMAND	OTHER	$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Local service..............................	$ 4,067	$ 3,829	$ (12)	$ 30	$ 216	$ 4	$ 238
Interstate access...........................	2,269	2,147	(15)	(6)	148	(5)	122
Intrastate access...........................	729	682	(10)	(4)	51	10	47
Long-distance network.......................	1,329	1,442	(8)	1	(43)	(63)	(113)
Other services..............................	782	770	--	--	--	12	12
Total.......................................	$ 9,176	$ 8,870	$ (45)	$ 21	$ 372	$ (42)	$ 306

<CAPTION>

	%
<S>	<C>
Local service..............................	6.2
Interstate access...........................	5.7
Intrastate access...........................	6.9
Long-distance network.......................	(7.8)
Other services..............................	1.6
Total.......................................	3.4

</TABLE>

In 1994, local service revenues increased principally as a result of higher demand for services. Reported access lines increased by 3.6 percent. Excluding the sale of approximately 60,000 rural telephone access lines during 1994, access line growth was 4.0 percent.

Higher revenues from interstate access services were primarily attributable to an increase of 7.8 percent in interstate billed access minutes of use, which more than offset the effects of price decreases. Intrastate access charges increased primarily as a result of higher demand, including demand for private line services.

Long-distance revenues decreased principally due to the effects of the MTCPs implemented in Oregon and Washington. The 1994 impact was a loss of $68 in long-distance revenues, partially offset by a decrease of $48 in other operating expenses and an increase of $10 in intrastate access revenue. These regulatory arrangements decreased net income by approximately $6 in 1994.

During 1994, revenues from other services increased due to higher revenue from billing and collection services and increased market penetration of new service offerings. Partially offsetting the increase in other services revenues was the 1993 sale of telephone equipment distribution operations, completion of large telephone network installation contracts and lower revenue from customer premises equipment installations. Revenues for services provided to the Media Group were $29 in 1994 and $26 in 1993.

COSTS AND EXPENSES

<TABLE>
<CAPTION>

			INCREASE (DECREASE)	
	1994	1993	$	%
<S>	<C>	<C>	<C>	<C>
Employee-related expenses...	$ 3,215	$ 3,068	$ 147	4.8
Other operating expenses..	1,547	1,671	(124)	(7.4)
Taxes other than income taxes.....................................	388	388	--	--
Depreciation and amortization.....................................	1,908	1,828	80	4.4
Restructuring charge..	--	880	(880)	--
Interest expense..	376	412	(36)	(8.7)
Other expense -- net..	21	24	(3)	(12.5)

</TABLE>

In 1994, overtime payments, contract labor and basic salaries and wages, all related to the implementation of major customer service and streamlining initiatives, increased by $150. A $71 reduction in the amount of pension credit allocated to the Communications Group also 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. Partially offsetting these increases were the effects of employees leaving under the Restructuring Plan, lower health-care benefit costs, including a reduction in the accrual for postretirement benefits, and lower incentive compensation payments to employees.

Other operating expenses decreased primarily due to the effect of the MTCPs. Lower customer premises equipment installations and lower expenses at Bellcore also contributed to the decrease. Allocated costs assigned from U S WEST to the Communications Group totaled $110 and $117 in 1994 and 1993, respectively. The increase in depreciation and amortization expense was primarily the result of a higher depreciable asset base and increased rates of depreciation.

Interest expense decreased due to the effects of refinancing debt at lower rates in 1993 at U S WEST Communications, 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 against interest expense rather than to other expense. The Communications Group's average borrowing cost was 6.8 percent in 1994 compared with 6.9 percent in 1993.

PROVISION FOR INCOME TAXES

	1994	1993	INCREASE
Provision for income taxes..	$ 653	$ 208	$ 445
Effective tax rate..	36.2%	34.7%	--

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.

LIQUIDITY AND CAPITAL RESOURCES -- THREE YEARS ENDED DECEMBER 31, 1995

OPERATING ACTIVITIES

Cash from operations increased $210 in 1995 primarily due to the increase in EBITDA and a decrease in the cash funding for postretirement benefits, partially offset by higher payments for restructuring charges. Cash provided by operating activities decreased by $168 in 1994 compared with 1993, largely due to cash payments for restructuring activities of $279 in 1994, compared with $120 in 1993. Further details of cash provided by operating activities are provided in the Combined Statements of Cash Flows.

The future cash needs of the Communications Group may increase as a result of new business opportunities, including wireless services, and requirements related to the recently enacted Telecommunications Act of 1996.

INVESTING ACTIVITIES

Total capital expenditures were $2,739 in 1995, $2,477 in 1994 and $2,226 in 1993. The 1995 capital expenditures exceeded the 1994 and 1993 levels due to the Communications Group's efforts to improve customer service (including reductions in held orders) and to accommodate additional line capability in several states. Capital expenditures related to the Restructuring Plan were approximately $190 in 1995 as compared to $265 in 1994. In 1996, capital expenditures are expected to approximate $2.5 billion. Included in the 1996 capital expenditures estimate are costs to enter new markets as allowed under the Telecommunications Act of 1996.

The Communications Group received cash proceeds of $214 and $93 in 1995 and 1994, respectively, for the sales of certain rural telephone exchanges. Since implementing its rural telephone exchange sales program, the Communications Group has sold approximately 155,000 access lines. Planned sales of rural exchanges for 1996 and beyond aggregate approximately 180,000 lines.

FINANCING ACTIVITIES

Debt increased by $630 in 1995, primarily due to the increase in capital expenditures. The percentage of debt to total capital at year-end 1995 was 66.0. During 1994, debt increased $451, though the percentage of debt to total capital declined to 65.8 at year-end 1994 from 67.6 at year-end 1993. The decrease in the percentage of debt to total capital in 1994 was primarily attributable to higher net income and issuances of equity.

During 1995, U S WEST Communications refinanced $1.5 billion of commercial paper to take advantage of favorable long-term interest rates. In addition to the commercial paper, U S WEST Communications refinanced $145 of long-term debt. In 1993, U S WEST Communications refinanced $2.7 billion of long-term debt. Expenses associated with the refinancing of long-term debt resulted in extraordinary after-tax charges to income of $8 and $77, net of tax benefits of $5 and $48, in 1995 and 1993, respectively.

U S WEST and U S WEST Communications maintain commercial paper programs to finance short-term cash flow requirements, as well as to maintain a presence in the short-term debt market. In addition, U S WEST Communications is permitted to borrow up to $600 under short-term lines of credit, all of which was available at December 31, 1995. Additional lines of credit aggregating approximately $1.3 billion are available to both the Media Group and the nonregulated subsidiaries in the Communications Group in accordance with their borrowing needs. Under registration statements filed with the Securities and Exchange Commission ("SEC"), as of December 31, 1995, U S WEST Communications is permitted to issue up to $320 of new debt securities. An additional $1.2 billion in securities is permitted to be issued under registration statements filed with the SEC to support the requirements of the Media Group and the nonregulated subsidiaries in the Communications Group.

In connection with U S WEST's February 27, 1996 announcement of a planned merger with Continental Cablevision, U S WEST, Inc.'s credit rating is being reviewed by credit rating agencies, which may result in a downgrading. The credit rating of U S WEST Communications was not placed under review by Moody's, has been reaffirmed by Duff and Phelps and is under review by Fitch and Standard & Poors.

Financing activities for the nonregulated Communications Group businesses and the Media Group, including the issuance, repayment and repurchase of short-term and long-term debt, and the issuance and repurchase of preferred securities, are managed by U S WEST on a centralized basis. Notwithstanding such centralized management, financing activities for U S WEST Communications are separately identified and accounted for in U S WEST's records and U S WEST Communications continues to conduct its own

borrowing activities. Debt incurred and investments made by U S WEST and its subsidiaries on behalf of the nonregulated Communications Group businesses and all debt incurred and investments made by U S WEST Communications are specifically allocated and reflected on the financial statements of the Communications Group. All other debt incurred and investments made by U S WEST and its subsidiaries on behalf of the Media Group are specifically allocated to and reflected on the financial statements of the Media Group. Debt incurred by U S WEST or a subsidiary on behalf of a Group is charged to such Group at the borrowing rate of U S WEST or such subsidiary.

INTEREST RATE RISK MANAGEMENT

The Communications Group is exposed to market risks arising from changes in interest rates. Derivative financial instruments are used to manage this risk. The Communications Group does not use derivative financial instruments for trading purposes.

The objective of the interest rate risk management program is to minimize the total cost of debt. Interest rate swaps are used to adjust the ratio of fixed-to variable-rate debt. The market value of the debt portfolio including the interest rate swaps is monitored and compared with predetermined benchmarks to evaluate the effectiveness of the risk management program.

Notional amounts of interest rate swaps outstanding were $784 and $781 at December 31, 1995 and 1994, respectively, with various maturities extending to 2001. The estimated effect of U S WEST Communications' interest rate derivative transactions was to adjust the level of fixed-rate debt from 88 percent to 97 percent of the total debt portfolio at December 31, 1995, and from 76 percent to 86 percent of the total debt portfolio at December 31, 1994.

In conjunction with the 1993 debt refinancing, the Communications Group executed forward contracts to sell U.S. Treasury bonds to lock in the U.S. Treasury rate component of $1.5 billion of the future debt issue. At December 31, 1995, deferred credits of $8 and deferred charges of $51 on closed 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.

COMPETITIVE AND REGULATORY ENVIRONMENT

Markets served by the Communications Group, including markets for local, access and long-distance services, are being impacted by the rapid technological and regulatory changes occurring within the telecommunications industry. Current and potential competitors include local telephone companies, interexchange carriers, competitive access providers ("CAPs"), cable television companies and providers of personal communications services ("PCS").

On February 1, 1996, the House and Senate approved the Telecommunications Act of 1996 (the "1996 Act") which is intended to promote competition between local telephone companies, long-distance carriers and cable television operators. The 1996 Act was signed into law on February 8, 1996, and replaces the antitrust consent decree that broke up the "Bell System" in 1984. A major provision of the legislation includes the preemption of state regulations that govern competition by allowing local telephone companies, long-distance carriers and cable television companies to enter each other's lines of business. Consequently, the Regional Bell Operating Companies ("RBOCs") are immediately permitted to offer wireline interLATA toll services out of their regions. However, to participate in the interLATA long-distance market within their regions, the RBOCs must first open their local networks to facilities-based competition by satisfying a detailed checklist of requirements, including requirements related to interconnection and number portability.

Other key provisions of the 1996 Act: (1) eliminate most of the regulation of cable television rates within three years and eliminate the ban on cross-ownership between cable television and telephone

companies in small communities; (2) permit the RBOCs to develop new, competitive cable systems within their regions and to acquire or build wireless cable systems; (3) provide partial relief from the ban against manufacturing telecommunications equipment by the RBOCs; and (4) permit wireless operators to provide interLATA toll service in and out of region without a separate subsidiary and to jointly market or resell cellular service.

The FCC and state regulators have been given latitude in interpreting and overseeing the implementation of this legislation, including developing universal service funding policy. The extent and timing of future competition, including the Communications Group's ability to offer in-region interLATA long-distance services, will depend in part on the implementation guidelines determined by the FCC and state regulators, and how quickly the Communications Group can satisfy requirements of the checklist. The Communications Group estimates that fulfillment of the checklist requirements could occur in the majority of its states within 12 to 18 months.

The Communications Group believes that competitors will initially target high-volume business customers in densely populated urban areas. The resulting loss of local service customers will affect multiple revenue streams and could have a material, adverse effect on the Communications Group's operations. The resulting revenue losses, however, could be at least partially offset by the Communications Group's ability to bundle local, long-distance and wireless services, and provide interconnection services.

The Communications Group's strategy is to offer integrated communications, entertainment, information and transaction services over both wired and wireless networks to its customers primarily within its Region. The key initiatives to support this strategy include five key elements:

- Providing superior customer service

- Building customer loyalty

- Enhancing network capability and capacity

- Expanding the product and service portfolio

- Ensuring a fair competitive environment

Strategic initiatives to attract and retain customers include: (1) enhancing existing services with products such as caller identification, call waiting and voice messaging; (2) aggressive expansion of data services; (3) pursuing opportunities to offer paging, wireless and cable television services; and (4) rapid entry into the interLATA long-distance market.

A market trial for a broadband network capable of providing voice, data and video services to customers commenced in the Omaha area in August 1995. The Communications Group does not intend to expand this service offering beyond the Omaha area because of service cost and pricing issues. The Communications Group does plan to continue to provide the system that delivers basic, premium and pay-per-view video services in the Omaha area. The Communications Group is evaluating the relative costs of alternative video technologies, as well as the near-term feasibility of interactive services. To satisfy anticipated demand for combined video and telephony services on a cost-effective basis, the Communications Group's strategy may include selective investments in wireless cable technologies.

The Communications Group is subject to varying degrees of federal and state regulation. The Communications Group's regulatory strategy includes working to:

- Achieve accelerated capital recovery;

- Reprice local services to cover costs and ensure these services are subsidy free, while lowering toll and access rates to meet competition; and

- Ensure that the new rules associated with the Telecommunications Act of 1996 concerning the unbundling of interconnection, resale of services and universal service do not advantage one competitor over another.

The Communications Group is currently working with state regulators to gain approval of these initiatives.

OTHER REGULATORY ISSUES

The Communications Group's interstate services have been subject to price cap regulation since January 1991. Price caps are an alternative form of regulation designed to limit prices rather than profits. However, the FCC's price cap plan includes sharing of earnings in excess of authorized levels. In March 1995, the FCC issued an interim order on price cap regulation. The price cap index for most services is annually adjusted for inflation, productivity level and exogenous costs, and has resulted in reduced access prices paid by interexchange carriers to local telephone companies. The interim order also provides for three productivity options, including a no-sharing option, and for increased flexibility for adjusting prices downward in response to competition. In 1995, the Communications Group selected the lowest productivity option while, prior to this interim order, the Communications Group used an optional higher productivity factor in determining its prices. Consequently, the Communications Group expects the order to have no significant near-term impact.

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 action 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 $150.

UNION CONTRACT

On October 2, 1995, union members approved a new three-year contract with U S WEST. The contract provides for salary increases of 10.6 percent over three years effective January 1 of each year. The contract also provides employees with a lump sum payment of $1,500 in lieu of wage increases becoming effective in August of each year. This lump sum payment is being recognized over the life of the contract. The agreement covers approximately 30,000 Communications Workers of America members who work for the Communications Group.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareowners of U S WEST, Inc.:

We have audited the Combined Balance Sheets of U S WEST Communications Group (as described in Note 2 to the Combined Financial Statements) as of December 31, 1995 and 1994, and the related Combined Statements of Operations and Cash Flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of U S WEST Communications Group as of December 31, 1995 and 1994, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As more fully discussed in Note 2, the Combined Financial Statements of U S WEST Communications Group should be read in connection with the audited Consolidated Financial Statements of U S WEST, Inc.

As discussed in Note 5 to the Combined Financial Statements, U S WEST Communications Group discontinued accounting for the operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1993.

COOPERS & LYBRAND L.L.P.

Denver, Colorado
February 12, 1996

U S WEST COMMUNICATIONS GROUP
COMBINED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	DOLLARS IN MILLIONS (EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
Operating revenues:			
Local service	$ 4,344	$ 4,067	$ 3,829
Interstate access service	2,378	2,269	2,147
Intrastate access service	747	729	682
Long-distance network services	1,189	1,329	1,442
Other services	826	782	770
Total operating revenues	9,484	9,176	8,870
Operating expenses:			
Employee-related expenses	3,341	3,215	3,068
Other operating expenses	1,543	1,547	1,671
Taxes other than income taxes	380	388	388
Depreciation and amortization	2,042	1,908	1,828
Restructuring charge	--	--	880
Total operating expenses	7,306	7,058	7,835
Income from operations	2,178	2,118	1,035
Interest expense	427	376	412
Gains on sales of rural telephone exchanges	136	82	--
Other expense -- net	41	21	24
Income before income taxes and extraordinary items	1,846	1,803	599
Provision for income taxes	662	653	208
Income before extraordinary items	1,184	1,150	391
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	--	--	(3,123)
Early extinguishment of debt, net of tax	(8)	--	(77)
NET INCOME (LOSS)	$ 1,176	$ 1,150	$ (2,809)
Pro forma earnings per common share:			
Income before extraordinary items	$ 2.52	$ 2.53	
Extraordinary items -- early extinguishment of debt	(0.02)	--	
PRO FORMA EARNINGS PER COMMON SHARE	$ 2.50	$ 2.53	
PRO FORMA AVERAGE COMMON SHARES OUTSTANDING (thousands)	470,716	453,316	

</TABLE>

The accompanying notes are an integral part of the Combined Financial

Statements.

U S WEST COMMUNICATIONS GROUP
COMBINED BALANCE SHEETS
ASSETS

	DECEMBER 31, 1995	DECEMBER 31, 1994
	DOLLARS IN MILLIONS	
Current assets:		
Cash and cash equivalents	$ 172	$ 116
Accounts and notes receivable, less allowance for credit losses of $30 and $29, respectively	1,617	1,500
Inventories and supplies	193	166
Deferred tax asset	259	300
Prepaid and other	51	56
Total current assets	2,292	2,138
Property, plant and equipment -- net	13,529	13,041
Other assets	764	765
Total assets	$ 16,585	$ 15,944

LIABILITIES AND EQUITY

	DECEMBER 31, 1995	DECEMBER 31, 1994
Current liabilities:		
Short-term debt	$ 1,065	$ 1,608
Accounts payable	851	888
Employee compensation	316	313
Dividends payable	254	250
Current portion of restructuring charge	270	318
Advanced billing and customer deposits	223	211
Other	628	620
Total current liabilities	3,607	4,208
Long-term debt	5,689	4,516
Postretirement and other postemployment benefit obligations	2,351	2,427
Deferred income taxes	689	547
Unamortized investment tax credits	199	231
Deferred credits and other	574	836
Communications Group equity	3,476	3,179
Total liabilities and equity	$ 16,585	$ 15,944

Contingencies (see Note 13 to the Combined Financial Statements)

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

U S WEST COMMUNICATIONS GROUP
COMBINED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1995	1994	1993
	DOLLARS IN MILLIONS		
OPERATING ACTIVITIES			
Net income (loss)	$ 1,176	$ 1,150	$ (2,809)
Adjustments to net income (loss):			
Discontinuance of SFAS No. 71.	--	--	3,123
Restructuring charge	--	--	880
Depreciation and amortization	2,042	1,908	1,828
Gains on sales of rural telephone exchanges	(136)	(82)	--
Deferred income taxes and amortization of investment tax credits	172	226	(191)
Changes in operating assets and liabilities:			
Restructuring payments	(315)	(279)	(120)
Postretirement medical and life costs, net of cash fundings	(90)	(197)	(135)

Accounts receivable	(117)	(64)	(78)
Inventories, supplies and other	(51)	(29)	(23)
Accounts payable and accrued liabilities	7	(147)	153
Other -- net	31	23	49
Cash provided by operating activities	2,719	2,509	2,677
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(2,462)	(2,254)	(2,234)
Proceeds from (payments on) disposals of property, plant and equipment	(18)	3	42
Proceeds from sales of rural telephone exchanges	214	93	--
Other -- net	(2)	2	--
Cash (used for) investing activities	(2,268)	(2,156)	(2,192)
FINANCING ACTIVITIES			
Net (repayments of) proceeds from issuance of short-term debt	(832)	344	687
Proceeds from issuance of long-term debt	1,647	326	2,408
Repayments of long-term debt	(334)	(285)	(2,952)
Dividends paid on common stock	(926)	(886)	(812)
Proceeds from issuance of equity	50	208	356
Advance from/(repayment to) Media Group	--	--	(153)
Cash (used for) financing activities	(395)	(293)	(466)
CASH AND CASH EQUIVALENTS			
Increase	56	60	19
Beginning balance	116	56	37
Ending balance	$ 172	$ 116	$ 56

</TABLE>

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

U S WEST COMMUNICATIONS GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

NOTE 1: RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado"), voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors of U S WEST, Inc. (the "Board") to reincorporate in Delaware and create two classes of common stock that are intended to reflect separately the performance of the communications and multimedia businesses. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock"), and the other class which is authorized as U S WEST Media Group Common Stock ("Media Stock"). Effective November 1, 1995, each share of common stock of U S WEST Colorado was converted into one share each of Communications Stock and Media Stock.

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

The Communications Group is comprised of U S WEST Communications, Inc. ("U S WEST Communications"), U S WEST Communications Services, Inc., U S WEST Federal Services, Inc., U S WEST Advanced Technologies, Inc. and U S WEST Business Resources, Inc. The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers within a 14 state region.

The Media Group is comprised of U S WEST Marketing Resources Group, Inc., which publishes White and Yellow Pages telephone directories, and provides directory and information services, U S WEST NewVector Group, Inc., which provides communications and information products and services over wireless networks, U S WEST Multimedia Communications, Inc., which owns domestic cable television operations and investments, and U S WEST International Holdings, Inc., which primarily owns investments in international cable and telecommunications, wireless communications and directory publishing operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION The Combined Financial Statements of the Groups comprise all of the accounts included in the corresponding Consolidated Financial Statements of U S WEST. Investments in less than majority-owned ventures are generally accounted for using the equity method. The separate Group Combined Financial Statements have been prepared on a basis that management believes to be reasonable and appropriate and include: (i) the combined historical balance sheets, results of operations and cash flows of the businesses that comprise each of the Groups, with all significant intra-group amounts and transactions eliminated; (ii) in the case of the Communications Group Combined Financial Statements, certain corporate assets and liabilities of U S WEST and related transactions identified with the Communications Group; (iii) in the case of the Media Group Combined Financial Statements, all other corporate assets and liabilities and related transactions of U S WEST; and (iv) an allocated portion of the corporate expense of U S WEST. Transactions between the Communications Group and the Media Group have not been eliminated.

Notwithstanding the allocation of assets and liabilities (including contingent liabilities) and stockholders' equity between the Communications Group and the Media Group for the purpose of preparing the respective financial statements of such Group, holders of Communications Stock and Media Stock are subject to risks associated with an investment in a single company and all of U S WEST's businesses, assets and liabilities. Such allocation of assets and liabilities and change in the equity structure of U S WEST does

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

not result in a distribution or spin-off to shareholders of any assets or liabilities of U S WEST or any of its subsidiaries or otherwise affect responsibility for the liabilities of U S WEST or such subsidiaries. As a result, the rights of the holders of U S WEST or any of its subsidiaries' debt are not affected. Financial effects arising from either Group that affect U S WEST's results of operations or financial condition could, if significant, affect the results of operations or financial position of the other Group or the market price of the class of common stock relating to the other Group. Any net losses of the Communications Group or the Media Group, and dividends or distributions on, or repurchases of Communications Stock, Media Stock or preferred stock, will reduce the funds of U S WEST legally available for payment of dividends on both the Communications Stock and Media Stock. Accordingly, the Communications Group Combined Financial Statements should be read in conjunction with U S WEST's Consolidated Financial Statements and the Media Group Combined Financial Statements.

The accounting policies described herein applicable to the preparation of the Combined Financial Statements of the Communications Group may be modified or rescinded at the sole discretion of the Board without approval of the stockholders, although there is no present intention to do so. The Board may also adopt additional policies depending on the circumstances. Any determination of the Board to modify or rescind such policies, or to add additional policies, including any decision that would have disparate impacts upon holders of Communications Stock and Media Stock, would be made by the Board in good faith and in the honest belief that such decision is in the best interests of all U S WEST stockholders, including the holders of Communications Stock and the holders of Media Stock. In making such determination, the Board may also consider regulatory requirements imposed on U S WEST Communications by the public utility commissions of various states and the Federal Communications Commission. In addition, generally accepted accounting principles require that any change in accounting policy be preferable (in accordance with such principles) to the policy previously established.

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

ALLOCATION OF SHARED SERVICES Certain costs relating to U S WEST's general and administrative services (including certain executive management, legal, tax, accounting and auditing, treasury, strategic planning and public policy services) are directly assigned by U S WEST to each Group based on actual utilization or are allocated based on each Group's operating expenses, number of employees, external revenues, average capital and/or average equity. U S WEST charges each Group for such services at fully distributed cost. These direct and indirect allocations were $116, $110 and $117 in 1995, 1994 and 1993, respectively. In 1995, the direct allocations comprised approximately 37 percent of the total shared corporate services allocated to the Communications Group. It is not practicable to provide a detailed estimate of the expenses which would be recognized if the Communications Group was a separate legal entity. However, U S WEST believes that under the Recapitalization Plan, each Group benefits from synergies with the other, including having lower operating costs than might be incurred if each Group was a separate legal entity.

ALLOCATION OF INCOME TAXES Federal, state and local income taxes, which are determined on a consolidated or combined basis, are allocated to each Group in accordance with tax sharing agreements between U S WEST and the entities within the Groups. The allocations will generally reflect each Group's contribution (positive or negative) to consolidated taxable income and consolidated tax credits. A Group will be compensated only at such time as, and to the extent that, its tax attributes are utilized by U S WEST in a combined or consolidated income tax filing. Federal and state tax refunds and carryforwards or carrybacks of tax attributes will generally be allocated to the group to which such tax attributes relate.

GROUP FINANCING Financing activities for the nonregulated Communications Group businesses and the Media Group, including the issuance, repayment and repurchase of short-term and long-term debt, and the issuance and repurchase of preferred securities are managed by U S WEST on a centralized basis. Financing

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities for U S WEST Communications are separately identified and accounted for in U S WEST's records and U S WEST Communications conducts its own borrowing activities. Debt incurred and investments made by U S WEST and its subsidiaries on behalf of the nonregulated Communications Group businesses and all debt incurred and investments made by U S WEST Communications are specifically allocated to and reflected on the financial statements of the Communications Group. All debt incurred and investments made by U S WEST and its subsidiaries on behalf of the Media Group are specifically allocated to and reflected on the financial statements of the Media Group. Debt incurred by U S WEST or a subsidiary on behalf of a Group is charged to such Group at the borrowing rate of U S WEST or such subsidiary.

As of November 1, 1995, the effective date of the Recapitalization Plan, U S WEST does not intend to transfer funds between the Groups, except for certain short-term, ordinary course advances of funds at market rates associated with U S WEST's centralized cash management program for the nonregulated businesses. Such short-term transfers of funds will be accounted for as short-term loans between the Groups bearing interest at the market rate at which management determines the borrowing Group could obtain funds on a short-term basis. If the Board, in its sole discretion, determines that a transfer of funds between the Groups should be accounted for as a long-term loan, the Board would establish the terms on which such loan would be made, including the interest rate, amortization schedule, maturity and redemption terms. Such terms would generally reflect the then prevailing terms upon which management determines such Group could borrow funds on a similar basis. The financial statements of the lending Group will be credited, and the financial statements of the borrowing Group will be charged, with the amount of any such loan, as well as with periodic interest accruing thereon. The Board may determine that a transfer of funds from the Communications Group to the Media Group should be accounted for as an equity contribution, in which case an inter-group interest (determined by the Board based on the then current market value of shares of Media Stock) will either be created or increased, as applicable. Similarly, if an inter-group interest exists, the Board may determine that a transfer of funds from the Media Group to the Communications Group should be accounted for as a reduction in the inter-group interest.

DIVIDENDS Dividends on the Communications Stock will be paid at the discretion of the Board based primarily upon the financial condition, results of operations and business requirements of the Communications Group and U S WEST as a whole. Dividends will be payable out of the lesser of: 1) the funds of U S WEST legally available for the payment of dividends; and 2) the Communications Group Available Dividend Amount.

The Communications Group Available Dividend Amount on any date, shall mean the excess, if any, of: 1) the amount equal to the fair market value of the total assets attributed to the Communications Group less the total amount of the liabilities attributed to the Communications Group (provided that preferred stock shall not be treated as a liability), in each case as of such date and determined on a basis consistent with that applied in determining the Communications Group net earnings (loss) over; 2) the aggregate par value of, or any greater amount determined to be capital in respect of, all outstanding shares of Communications Stock and each class or series of preferred stock attributed to the Communications Group.

EARNINGS PER COMMON SHARE Earnings per common share for 1995 and 1994 have been presented on a pro forma basis to reflect the Communications Stock as if it had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST.

INDUSTRY SEGMENT The businesses comprising the Communications Group operate in a single industry segment as defined in Statement of Financial Accounting Standards ("SFAS") No. 14, "Financial Reporting for Segments of a Business Enterprise." The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers in the Communications Group region (the "Region"). The Region includes the states of Arizona, Colorado, Idaho, Iowa, Minnesota,

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. Services offered by the Communications Group include local telephone services, exchange access services (which connect customers to the facilities of carriers, including long-distance providers and wireless operators), and long-distance services within Local Access and Transport Areas ("LATAs") in the Region. The Communications Group provides other products and services, including custom calling, voice messaging, caller identification, high-speed data applications, customer premises equipment and certain communications services to business customers and governmental agencies both inside and outside the Region.

Approximately 97 percent of the revenues of the Communications Group are attributable to the operations of U S WEST Communications, of which approximately 59 percent are derived from the states of Arizona, Colorado, Minnesota and Washington.

SIGNIFICANT CONCENTRATIONS The largest volume of the Communications Group's services are provided to AT&T. During 1995, 1994 and 1993, revenues related to those services provided to AT&T were $1,085, $1,130 and $1,159, respectively. Related accounts receivable at December 31, 1995 and 1994, totaled $91 and $98, respectively. As of December 31, 1995, the Communications Group is not aware of any other significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact operations.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 U S WEST Communications are carried at average cost, except for significant individual items that are valued based on specific costs. Nonreusable material is carried at its estimated salvage value. Inventories of the Communications Group's nontelephone 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 expensed as incurred.

U S WEST Communications' provision for depreciation of property, plant and equipment is based on various straight-line group methods using remaining useful (economic) lives based on industry-wide studies. In third quarter 1993, U S WEST Communications discontinued accounting for its regulated telephone operations under SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." (See Note 5 to the Combined Financial Statements.) Prior to discontinuing SFAS No. 71, depreciation was based on lives specified by regulators.

When the depreciable property, plant and equipment of U S WEST Communications is retired or sold, the original cost less the net salvage value is generally charged to accumulated depreciation. The nontelephone operations of the Communications Group 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 included in income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest related to qualifying construction projects is capitalized and reflected as a reduction of interest expense. At U S WEST Communications, prior to discontinuing SFAS No. 71, capitalized interest was included as an element of other income. Amounts capitalized by the Communications Group were $39, $36 and $15 in 1995, 1994 and 1993, respectively.

REVENUE RECOGNITION Local telephone service revenues are generally billed monthly, in advance, and revenues are recognized the following month when services are provided. Revenues derived from exchange access and long-distance services are billed and recorded monthly as services are provided.

FINANCIAL INSTRUMENTS Net interest received or paid on interest rate swaps is recognized over the life of the swaps as an adjustment to interest expense. Gains and losses on forward contracts are deferred and recognized as an adjustment to interest expense over the life of the underlying debt. Currency swaps entered into to convert foreign debt to dollar-denominated debt are combined with the foreign currency debt and accounted for as if fixed-rate, dollar-denominated debt were issued directly.

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 $183 and $146 at December 31, 1995 and 1994, respectively, is recorded in property, plant and equipment. Amortization of capitalized computer software costs totaled $69, $61 and $37 in 1995, 1994 and 1993, 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. The Communications Group 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 U S WEST's earlier adoption of SFAS No. 96.

For financial statement purposes, investment tax credits of U S WEST Communications 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.

NEW ACCOUNTING STANDARDS In 1996, U S WEST will adopt SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires that long-lived assets and associated intangibles be written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. SFAS No. 121 also requires that a company no longer record depreciation expense on assets held for sale. U S WEST expects that the adoption of SFAS No. 121 will not have a material effect on its financial position or results of operations.

In 1996, U S WEST will adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method for accounting for stock-based compensation plans either through recognition or disclosure. U S WEST will adopt this standard through compliance with the disclosure requirements set forth in SFAS No. 123. Adoption of the standard will have no impact on the financial position or results of operations of U S WEST.

NOTE 3: RELATED PARTY TRANSACTIONS

CUSTOMER LISTS, BILLING AND COLLECTION SERVICES, AND OTHER SERVICES U S WEST Communications sells customer lists, billing and collection services, and other services to the domestic publishing operations of the Media Group. These data and services are sold at market price. However, the accounting and reporting for regulatory purposes is in accordance with regulatory requirements. U S WEST Communications charged $20, $29 and $26 for these services in 1995, 1994 and 1993, respectively.

TELECOMMUNICATIONS SERVICES U S WEST Communications sells telecommunications network access and usage to the domestic cellular operations of the Media Group. U S WEST Communications charged $40, $30 and $24 in 1995, 1994 and 1993, respectively, for these services.

BELL COMMUNICATIONS RESEARCH, INC. ("BELLCORE") Charges relating to research, development and maintenance of existing technologies performed by Bellcore, of which U S WEST Communications has a one-seventh ownership interest, were $84, $111 and $113 in 1995, 1994 and 1993, respectively.

NOTE 4: RESTRUCTURING CHARGE

The Communications Group's 1993 results reflected an $880 restructuring charge (pretax). The related restructuring plan (the "Restructuring Plan") is designed to provide faster, more responsive customer services while reducing the costs of providing these services. As part of the Restructuring Plan, the Communications Group is developing new systems and enhanced system functionality that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, rapidly design and engineer new products and services for customers, and centralize its service centers. The Communications Group has consolidated its 560 customer service centers into 26 centers in 10 cities and plans on reducing its work force by approximately 10,000 employees. Approximately 1,000 employees that were originally expected to relocate have chosen separation or other job assignments and have been replaced. This increased the number of employee separations to 10,000 from 9,000, and increased the estimated total cost for employee separations to $311, compared with $281 in the original estimate. The $30 cost associated with these additional employee separations was reclassified from relocation to the reserve for employee separations during 1995.

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

	1993 RESTRUCTURING CHARGE	CHANGE IN ESTIMATE	DECEMBER 31, 1995 ESTIMATE
Employee separation 1	$ 225	$ 30	$ 255
Systems development	360	--	360
Real estate	130	--	130
Relocation	105	(30)	75
Retraining and other	60	--	60
Total	$ 880	--	$ 880

----

1 Employee-separation costs, including the balance of a 1991 restructuring reserve at December 31, 1993, aggregate $311.

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems development costs include new systems and the application of enhanced system functionality to existing single purpose systems to provide integrated end-to-end customer service. 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.

NOTE 4: RESTRUCTURING CHARGE (CONTINUED)

The following table shows amounts charged to the restructuring reserve:

	1993 RESTRUCTURING RESERVE	1994 ACTIVITY	1995 ACTIVITY	CHANGE IN ESTIMATE	DECEMBER 31, 1995 BALANCE
Employee separation (1)	$ 281	$ 75	$ 76	$ 30	$ 160
Systems development	360	118	129	--	113
Real estate	130	50	66	--	14
Relocation	105	21	21	(30)	33
Retraining and other	60	8	23	--	29
Total	$ 936	$ 272	$ 315	$ --	$ 349

----

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

Employee separations under the Restructuring Plan in 1995 and 1994 were as follows:

	1994 SEPARATIONS	1995 SEPARATIONS	CUMULATIVE SEPARATIONS AT DECEMBER 31, 1995
Employee separations:			

Managerial	497	682	1,179
Occupational	1,683	1,643	3,326
Total	2,180	2,325	4,505

</TABLE>

The Restructuring Plan is expected to be substantially completed by the end of 1997. Implementation of the Restructuring Plan has been impacted by growth in the business and related service issues, new business opportunities, revisions to system delivery schedules and productivity issues caused by the major rearrangement of resources due to restructuring. These issues will continue to affect the timing of employee separations.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment follows:

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 1995 <C>	DECEMBER 31, 1994 <C>
Land and buildings	$ 2,459	$ 2,453
Telephone network equipment	12,019	11,622
Telephone outside plant	12,353	11,897
General purpose computers and other	3,580	3,013
Construction in progress	767	593
	31,178	29,578
Less accumulated depreciation		
Buildings	686	657
Telephone network equipment	7,221	6,733
Telephone outside plant	7,851	7,442
General purpose computers and other	1,891	1,705
	17,649	16,537
Property, plant and equipment -- net	$ 13,529	$ 13,041

</TABLE>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 1995, U S WEST Communications sold certain rural telephone exchanges with a cost basis of $258. U S WEST Communications received consideration for the sales of $388, including $214 in cash. In 1994, U S WEST Communications sold certain rural telephone exchanges with a cost basis of $122 and received consideration of $204, including $93 in cash.

DISCONTINUANCE OF SFAS NO. 71

U S WEST Communications incurred a noncash, 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 U S WEST Communications 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 Communications' decision to discontinue application of SFAS No. 71 was based on the belief that competition, market conditions and technological advances, more than prices established by regulators, will determine the future cost recovery by U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' 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:

<TABLE>
<CAPTION>

CATEGORY	AVERAGE LIFE (YEARS) BEFORE DISCONTINUANCE	AVERAGE LIFE (YEARS) 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

U S WEST Communications 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 U S WEST Communications' 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

NOTE 6: DEBT

SHORT-TERM DEBT

The components of short-term debt follow:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Notes payable:		
Commercial paper	$ 542	$ 1,321
Other	62	116
Current portion of long-term debt	461	171
Total	$ 1,065	$ 1,608

The weighted average interest rate on commercial paper was 5.79 percent and 5.92 percent at December 31, 1995 and 1994, respectively.

U S WEST and U S WEST Communications maintain commercial paper programs to finance short-term cash flow requirements, as well as to maintain a presence in the short-term debt market. In addition, U S WEST Communications, which conducts its own borrowing activities, is permitted to borrow up to $600 under short-term lines of credit, all of which was available at December 31, 1995. Additional lines of credit aggregating approximately $1.3 billion are available to both the Media Group and the nonregulated subsidiaries of the Communications Group in accordance with their borrowing needs.

LONG-TERM DEBT

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

INTEREST RATES	MATURITIES 1997	1998	1999	2000	THEREAFTER	TOTAL 1995
Up to 5%	$ --	$ 35	$ --	$ 90	$ 150	$ 275

Above 5% to 6%..	--	300	--	--	261	561
Above 6% to 7%..	--	--	71	257	1,916	2,244
Above 7% to 8%..	16	--	--	--	2,477	2,493
Above 8% to 9%..	--	--	--	--	250	250
Above 9% to 10%.......................................	--	--	--	175	--	175
Variable rate debt indexed to two- and ten-year constant maturity Treasury rates................................	25	--	155	--	--	180
	$ 41	$ 335	$ 226	$ 522	$ 5,054	6,178
Capital lease obligations and other......................						195
Unamortized discount -- net..............................						(684)
Total..						$ 5,689

<CAPTION>

INTEREST RATES	TOTAL 1994
<S>	<C>
Up to 5%..	$ 275
Above 5% to 6%..	561
Above 6% to 7%..	1,361
Above 7% to 8%..	2,136
Above 8% to 9%..	250
Above 9% to 10%.......................................	320
Variable rate debt indexed to two- and ten-year constant maturity Treasury rates................................	180
	5,083
Capital lease obligations and other......................	148
Unamortized discount -- net..............................	(715)
Total..	$ 4,516

</TABLE>

Long-term debt consists principally of debentures, medium-term notes and zero coupon subordinated notes convertible at any time into equal shares of Communications Stock and Media Stock. The zero coupon notes have a yield to maturity of approximately 7.3 percent. The zero coupon notes are recorded at a discounted value of $276 and $264 at December 31, 1995 and 1994, respectively.

During 1995, U S WEST Communications refinanced $1.5 billion of commercial paper to take advantage of favorable long-term interest rates. In addition to the commercial paper, U S WEST Communications refinanced $145 of long-term debt. Expenses associated with the refinancing of long-term debt resulted in extraordinary charges to income of $8, net of tax benefits of $5.

During 1993, U S WEST Communications refinanced long-term 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.

NOTE 6: DEBT (CONTINUED)

Interest payments by the Communications Group, net of amounts capitalized, were $378, $356 and $398 in 1995, 1994 and 1993, respectively.

INTEREST RATE RISK MANAGEMENT

U S WEST Communications enters into interest rate swap agreements to effectively convert existing commercial paper to fixed-rate debt. This allows U S WEST Communications to achieve interest savings over issuing fixed-rate debt directly.

Under an interest rate swap, U S WEST Communications agrees with another party to exchange interest 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.

During 1995 and 1994, U S WEST Communications entered into currency swaps to convert Swiss franc-denominated debt to dollar-denominated debt. This allowed U

S WEST Communications to achieve interest savings over issuing fixed-rate, dollar-denominated debt. 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 U S WEST Communications as of December 31, 1995 and 1994. Variable rates are indexed to two- and ten-year constant maturity Treasury and 30-day commercial paper rates.

<TABLE>
<CAPTION>

	DECEMBER 31, 1995				DECEMBER 31, 1994			
			WEIGHTED AVERAGE RATE				WEIGHTED AVERAGE RATE	
	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Variable to fixed...................	$ 580	1996-1999	5.70	6.56	$ 710	1995-1999	6.14	6.19
Currency............................	204	1999-2001	--	6.55	71	1999	--	6.53

</TABLE>

In 1993, U S WEST Communications executed forward contracts to sell U.S. Treasury bonds to lock in the U.S. Treasury rate component of the future debt issue. At December 31, 1995, deferred credits of $8 and deferred charges of $51 on closed 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, 1995, there were no open forward contracts.

The counterparties to these interest rate contracts are major financial institutions. U S WEST Communications is exposed to credit loss in the event of nonperformance by these counterparties. U S WEST manages this exposure by monitoring the credit standing of the counterparty and establishing dollar and term limitations which correspond to the respective credit rating of each counterparty. U S WEST Communications does not have significant exposure to an individual counterparty and does not anticipate nonperformance by any counterparty.

NOTE 7: FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

NOTE 7: FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of long-term debt are based on quoted market prices where available or, if not available, are based on discounting future cash flows using current interest rates.

<TABLE>
<CAPTION>

	DECEMBER 31,			
	1995		1994	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Debt (includes short-term portion).....................................	$ 6,754	$ 7,050	$ 6,124	$ 5,600
Interest rate swap agreements -- assets................................	--	(19)	--	(15)
Interest rate swap agreements -- liabilities...........................	--	17	--	--
Debt -- net..	$ 6,754	$ 7,048	$ 6,124	$ 5,585

</TABLE>

NOTE 8: LEASING ARRANGEMENTS

Certain subsidiaries within the Communications Group have entered into operating leases for office facilities, equipment and real estate. Rent expense under operating leases was $210, $235 and $228 in 1995, 1994 and 1993, respectively. Minimum future lease payments as of December 31, 1995, under noncancelable operating leases, follow:

<TABLE>
<CAPTION>

YEAR	
1996	$ 113
1997	112
1998	110
1999	102
2000	101
Thereafter	728
Total	$ 1,266

</TABLE>

NOTE 9: COMMUNICATIONS GROUP EQUITY

Following are changes in the Communications Group equity for the periods presented:

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1995	1994	1993
Balance at beginning of period	$ 3,179	$ 2,722	$ 6,003
Net income (loss)	1,176	1,150	(2,809)
Dividends	(1,010)	(980)	(905)
Equity issuances prior to Recapitalization Plan	79	287	433
Communications Stock issuances	52	--	--
Balance at end of period	$ 3,476	$ 3,179	$ 2,722

</TABLE>

U S WEST has issued 1.7 million shares of Communications Stock since the November 1, 1995 recapitalization and has 473,635,025 shares outstanding at December 31, 1995.

LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN ("LESOP") The Communications Group and the Media Group participate in the defined contribution savings plan sponsored by U S WEST. Substantially all employees of the Communications Group are covered by the plan. U S WEST matches a percentage of eligible employee contributions with shares of Communications Stock and/or Media Stock in accordance with participant elections. Participants may also elect to reallocate past Company contributions between Communications Stock and Media Stock. In 1989, U S WEST established two LESOPS to provide Company stock for matching contributions to the savings plan. Shares in the LESOP are released as principal and

NOTE 9: COMMUNICATIONS GROUP EQUITY (CONTINUED)

interest are paid on the debt. At December 31, 1995, 10,145,485 shares each of Communications Stock and Media Stock had been allocated from the LESOP, while 2,839,435 shares each of Communications Stock and Media Stock remained unallocated.

The borrowings associated with the LESOP, which are unconditionally guaranteed by U S WEST, are reflected in the Media Group Combined Financial Statements. Contributions from the Communications Group and the Media Group, as well as dividends on unallocated shares held by the LESOP ($8, $11 and $14 in 1995, 1994 and 1993, respectively), are used for debt service. Beginning with the dividend paid in fourth-quarter 1995, dividends on allocated shares are being paid annually to participants. Previously, dividends on allocated shares were used for debt service with participants receiving additional shares from the LESOP. Tax benefits related to dividend payments on eligible shares in the savings plan have been allocated to the Communications Group, which paid the dividends.

U S WEST recognizes expense based on the cash payments method. Contributions to the plan related to the Communications Group, excluding dividends, were $70, $68 and $68 in 1995, 1994 and 1993, respectively, of which $12, $16 and $20, respectively, have been classified as interest expense.

NOTE 10: STOCK INCENTIVE PLANS

U S WEST maintains stock incentive plans for executives and key employees, and nonemployees. The Amended 1994 Stock Plan (the "Plan") was approved by shareowners on October 31, 1995 in connection with the Recapitalization Plan. The Plan is a successor plan to the U S WEST, Inc. Stock Incentive Plan and the U S WEST 1991 Stock Incentive Plan (the "Predecessor Plans"). No further grants of options or restricted stock may be made under the Predecessor Plans. The Plan is administered by the Human Resources Committee of the board of directors with respect to officers, executive officers and outside directors and by a special committee with respect to all other eligible employees and eligible nonemployees.

During calendar year 1995, up to 2,200,000 shares of Communications Stock were available for grant. The maximum aggregate number of shares of Communications Stock that may be granted in any other calendar year for all purposes under the Plan is nine-tenths of one percent (0.90 percent) of the shares of such class outstanding (excluding shares held in the Company's treasury) on the first day of such calendar year. In the event that fewer than the full aggregate number of shares of either class available for issuance in any calendar year are issued in any such year, the shares not issued shall be added to the shares of such class available for issuance in any subsequent year or years. Options may be exercised no later than 10 years after the date on which the option was granted.

NOTE 10: STOCK INCENTIVE PLANS (CONTINUED)

Data for outstanding options under the Plan is summarized as follows:

<TABLE>
<CAPTION>

	COMMUNICATIONS GROUP		U S WEST, INC.	
	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES*	AVERAGE OPTION PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding January 1, 1993			4,450,150	$ 35.81
Granted			1,486,106	48.83
Exercised			(412,444)	31.73
Canceled or expired			(222,273)	36.87
Outstanding December 31, 1993			5,301,539	$ 39.76
Granted			2,438,409	36.15
Exercised			(139,762)	33.72
Canceled or expired			(214,149)	40.71
Outstanding December 31, 1994			7,386,037	$ 38.66
Granted			3,062,920	43.63
Exercised			(430,631)	34.03
Canceled or expired			(175,147)	39.76
Outstanding October 31, 1995			9,843,179	$ 40.39
Recapitalization Plan	9,843,179	$ 24.11	(9,843,179)	$ (40.39)
Granted	138,309	32.16		
Exercised	(543,037)	21.23		
Canceled or expired	(15,350)	24.91		
Outstanding December 31, 1995	9,423,101	$ 24.39	--	--

</TABLE>

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* Includes options granted in tandem with SARs.

Options to purchase 2,672,666 shares of Communications Stock were exercisable at December 31, 1995. Options to purchase 2,374,394 shares of U S WEST stock were exercisable at December 31, 1994. A total of 2,050,466 shares of Communications Stock were available for grant under the plans in effect at December 31, 1995. A total of 914,816 shares of U S WEST common stock were available for grant under the plans in effect at December 31, 1994. A total of 11,484,792 shares of Communications Stock were reserved for issuance at December 31, 1995.

NOTE 11: EMPLOYEE BENEFITS

PENSION PLAN

The Communications Group and the Media Group participate in the defined benefit pension plan sponsored by U S WEST. Substantially all management and occupational employees of the Communications Group are covered by the plan. Since plan assets are not segregated into separate accounts or restricted to providing benefits to employees of the Communications Group, assets of the plan may be used to provide benefits to employees of both the Communications Group and the Media Group. In the event the single employer pension plan sponsored by U S WEST would be separated into two or more plans, guidelines in the Internal Revenue Code dictate how assets of the plan must be allocated to the new plans. U S WEST currently has no intention to split the plan. Because of these factors, U S WEST believes there is no reasonable basis to attribute plan assets to the Communications Group as if they had funded separately their actuarially determined obligation.

NOTE 11: EMPLOYEE BENEFITS (CONTINUED)

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. U S WEST's policy is to fund amounts required under the Employee Retirement Income Security Act of 1974 ("ERISA") and no funding was required in 1995, 1994 or 1993. Should funding be required in the future, funding amounts would be allocated to the Communications Group based upon the ratio of service cost of the Communications Group to total service cost of plan participants.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Details of pension cost:			
Service cost -- benefits earned during the period	$ 173	$ 197	$ 148
Interest cost on projected benefit obligation	558	561	514
Actual return on plan assets	(1,918)	188	(1,320)
Net amortization and deferral	1,185	(946)	578
Net pension cost	$ (2)	$ 0	$ (80)

</TABLE>

The expected long-term rate of return on plan assets used in determining net pension cost was 8.50 percent for 1995, 8.50 percent for 1994 and 9.00 percent for 1993.

The funded status of the U S WEST plan follows:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Accumulated benefit obligation, including vested benefits of $5,839 and $5,044, respectively	$ 6,617	$ 5,616
Plan assets at fair value, primarily stocks and bonds	$ 9,874	$ 8,388
Less: Projected benefit obligation	8,450	7,149
Plan assets in excess of projected benefit obligation	1,424	1,239
Unrecognized net (gain) loss	(101)	161
Prior service cost not yet recognized in net periodic pension cost	(62)	(67)

Balance of unrecognized net asset at January 1, 1987	(705)	(785)
Prepaid pension cost	$ 556	$ 548

</TABLE>

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

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
Discount rate	7.00%	8.00%
Weighted average rate of compensation increase	5.50%	5.50%

</TABLE>

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

ALLOCATION OF PENSION COSTS U S WEST's allocation policy is to: 1) offset the Company-wide service cost, interest cost and amortization by the return on plan assets; and 2) allocate the remaining net pension cost to the Communications Group based on the ratio of actuarially determined service cost of the Communications Group to total service cost of plan participants. U S WEST believes allocating net pension cost based on service cost is reasonable since service cost is a primary factor in determining pension cost. Net

NOTE 11: EMPLOYEE BENEFITS (CONTINUED)

pension costs allocated to the Communications Group were $(2), $0 and $(71) in 1995, 1994 and 1993, respectively. The service and interest costs for 1995 and the projected benefit obligation at December 31, 1995 attributed to the Communications Group were $149, $529 and $8,021, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Communications Group and the Media Group participate in plans sponsored by U S WEST which provide certain health care and life insurance benefits to retired employees. In conjunction with the Company's 1992 adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," U S WEST elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees. 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 with most jurisdictions requiring funding as a stipulation for rate recovery.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,						
	1995			1994			1993
	MEDICAL	LIFE	TOTAL	MEDICAL	LIFE	TOTAL	MEDICAL
Service cost -- benefits earned during the period	$ 59	$ 6	$ 65	$ 62	$ 13	$ 75	$ 60
Interest on accumulated benefit obligation	235	32	267	221	39	260	235
Actual return on plan assets	(319)	(96)	(415)	3	1	4	(73)
Net amortization and deferral	228	58	286	(68)	(31)	(99)	27
Net postretirement benefit costs	$ 203	$ 0	$ 203	$ 218	$ 22	$ 240	$ 249

<CAPTION>

	LIFE	TOTAL
<S>	<C>	<C>

Service cost -- benefits earned during the period	$ 11	$ 71
Interest on accumulated benefit obligation	36	271
Actual return on plan assets	(52)	(125)
Net amortization and deferral	22	49
Net postretirement benefit costs	$ 17	$ 266

</TABLE>

The expected long-term rate of return on plan assets used in determining postretirement benefit costs was 8.50 percent for 1995, 8.50 percent in 1994 and 9.00 percent in 1993.

The funded status of the plans follows:

<TABLE>
<CAPTION>

	DECEMBER 31,					
	1995			1994		
	MEDICAL	LIFE	TOTAL	MEDICAL	LIFE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Accumulated postretirement benefit obligation attributable to:						
Retirees	$ 1,866	$ 271	$ 2,137	$ 1,733	$ 248	$ 1,981
Fully eligible plan participants	293	34	327	264	38	302
Other active plan participants	1,059	165	1,224	940	135	1,075
Total accumulated postretirement benefit obligation	3,218	470	3,688	2,937	421	3,358
Unrecognized net gain	378	161	539	243	90	333
Unamortized prior service cost	--	(34)	(34)			
Fair value of plan assets, primarily stocks, bonds and life insurance (1)	(1,385)	(460)	(1,845)	(894)	(374)	(1,268)
Accrued postretirement benefit obligation	$ 2,211	$ 137	$ 2,348	$ 2,286	$ 137	$ 2,423

</TABLE>

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(1) Medical plan assets include Communications Stock of $210 and Media Stock of $112 in 1995, and U S WEST common stock of $164 in 1994.

NOTE 11: EMPLOYEE BENEFITS (CONTINUED)

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

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Discount rate	7.00%	8.00%
Medical trend*	9.00%	9.70%

</TABLE>

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* Medical cost trend rate gradually declines to an ultimate rate of 5 percent in 2011.

A one-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 1995 net postretirement benefit cost by approximately $40 and increased the 1995 accumulated postretirement benefit obligation by approximately $350.

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

PLAN ASSETS Assets of the postretirement medical and life plans may be used to provide benefits to employees of both the Communications Group and the Media Group since plan assets are not legally restricted to providing benefits to either Group. In the event that either plan sponsored by U S WEST would be separated into two or more plans, there are no guidelines in the Internal Revenue Code for allocating assets of the plan. U S WEST allocates the assets based on historical contributions for postretirement medical costs, and on the ratio of salaries for life plan participants. U S WEST currently has no intention to split the plans.

POSTRETIREMENT MEDICAL COSTS The service and interest components of net postretirement medical benefit costs are calculated for the Communications Group based on the population characteristics of the Group. Since funding of postretirement medical costs is voluntary, return on assets is attributed to the Communications Group based on historical funding. The Communications Group's annual funding amount is based on its cash requirements with the funding at U S WEST Communications based on regulatory accounting requirements.

Net postretirement medical benefit costs recognized by the Communications Group for 1995, 1994 and 1993 were $189, $207 and $238, respectively. The percentage of postretirement medical assets attributed to the Communications Group at December 31, 1995 and 1994, based on historical voluntary contributions, was 96 and 95 percent, respectively. The accumulated postretirement medical benefit obligation attributed to the Communications Group was $3,057 at December 31, 1995.

ALLOCATION OF POSTRETIREMENT LIFE COSTS Net postretirement life costs, and funding requirements, if any, are allocated to the Communications Group in the same manner as pensions. U S WEST will generally fund the amount allowed for tax purposes and no funding of postretirement life insurance occurred in 1995, 1994 and 1993. U S WEST believes its method of allocating postretirement life costs is reasonable.

Net postretirement life benefit costs allocated to the Communications Group for 1995, 1994 and 1993 were $0, $19 and $14, respectively. The service and interest costs for 1995 and the accumulated postretirement life benefit obligation at December 31, 1995 attributed to the Communications Group were $5, $29, $425, respectively.

NOTE 12: INCOME TAXES

The components of the provision for income taxes follow:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Federal:			
Current	$ 434	$ 368	$ 350
Deferred	177	233	(115)
Investment tax credits -- net	(38)	(47)	(56)
	573	554	179
State and local:			
Current	56	58	48
Deferred	33	41	(19)
	89	99	29
Provision for income taxes	$ 662	$ 653	$ 208

</TABLE>

The unamortized balance of investment tax credits at December 31, 1995 and 1994, was $199 and $231, respectively.

Amounts for income taxes paid by the Communications Group were $511, $491 and $297 in 1995, 1994 and 1993, respectively.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
		IN PERCENT	
<S>	<C>	<C>	<C>
Federal statutory tax rate	35.0	35.0	35.0

Investment tax credit amortization	(1.3)	(1.7)	(3.5)
State income taxes -- net of federal effect	3.1	3.6	3.5
Rate differential on reversing temporary differences	--	--	(2.6)
Depreciation on capitalized overheads -- net	--	--	1.6
Tax law change -- catch-up adjustment	--	--	3.7
Restructuring charge	--	--	(2.4)
Other	(0.9)	(0.7)	(0.6)
Effective tax rate	35.9	36.2	34.7

</TABLE>

NOTE 12: INCOME TAXES (CONTINUED)

The components of the net deferred tax liability follow:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
Property, plant and equipment	$ 1,433	$ 1,428
State deferred taxes -- net of federal effect	180	221
Other	68	77
Deferred tax liabilities	1,681	1,726
Postemployment benefits, including pension	675	689
Restructuring and other	231	287
Unamortized investment tax credit	70	79
State deferred taxes -- net of federal effect	133	194
Other	142	231
Deferred tax assets	1,251	1,480
Net deferred tax liability	$ 430	$ 246

</TABLE>

The current portion of the deferred tax asset was $259 and $300 at December 31, 1995 and 1994, respectively, resulting primarily from restructuring charges and compensation related items.

On August 10, 1993, federal legislation was enacted which 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 $54.

NOTE 13: CONTINGENCIES

At U S WEST Communications 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 action 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 U S WEST Communications is $0 to $150.

NOTE 14: QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	QUARTERLY FINANCIAL DATA FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1995				

Operating revenues	$ 2,318	$ 2,338	$ 2,389	$ 2,439
Income before income taxes and extraordinary item	500	460	454	432
Income before extraordinary item	315	293	292	284
Net income	315	293	287	281
Pro forma earnings per common share before extraordinary item	0.67	0.62	0.62	0.60
Pro forma earnings per common share	0.67	0.62	0.61	0.59
1994				
Operating revenues	$ 2,253	$ 2,281	$ 2,316	$ 2,326
Income before income taxes	467	456	422	458
Net income	295	289	267	299
Pro forma earnings per common share	0.66	0.64	0.59	0.65

</TABLE>

Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of Communications Stock and Media Stock. Earnings per common share have been presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

1995 first-quarter net income includes $39 ($0.08 per share) from a gain on the sales of certain rural telephone exchanges. 1995 second-quarter net income includes $10 ($0.02 per share) from a gain on the sales of certain rural telephone exchanges. 1995 third-quarter net income includes $21 ($0.04 per share) from a gain on the sales of certain rural telephone exchanges and $5 ($0.01 per share) for expenses associated with the Recapitalization Plan. 1995 third-quarter net income also includes a charge of $5 ($0.01 per share) for the early extinguishment of debt. 1995 fourth-quarter net income includes $15 ($0.03 per share) from a gain on the sales of certain rural telephone exchanges and other charges of $6 ($0.01 per share), including an extraordinary charge of $3 for the early extinguishment of debt and $3 for expenses associated with the Recapitalization Plan.

1994 net income includes gains on the sales of rural telephone exchanges of $15 ($0.03 per share), $16 ($0.04 per share) and $20 ($0.04 per share) for first quarter, second quarter and fourth quarter, respectively.

<TABLE>
<CAPTION>

1995 PER SHARE MARKET AND DIVIDEND DATA	MARKET PRICE HIGH	LOW	CLOSE	DIVIDENDS
	(WHOLE DOLLARS)			
<S>	<C>	<C>	<C>	<C>
November 1, 1995 through December 31, 1995	$ 36.375	$ 28.375	$ 35.625	$ 0.535

</TABLE>

APPENDIX D

U S WEST MEDIA GROUP
FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995	1994	1993	1992	1991
	DOLLARS IN MILLIONS (EXCEPT PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
Sales and other revenues:					
Directory and information services	$ 1,180	$ 1,075	$ 956	$ 949	$ 891
Wireless communications	941	781	561	407	325
Cable and telecommunications	215	18	--	--	--
Other	38	34	32	28	45
Total sales and other revenues	$ 2,374	$ 1,908	$ 1,549	$ 1,384	$ 1,261
EBITDA (1)	$ 716	$ 533	$ 485	$ 410	$ 373
Income from continuing operations before extraordinary item (2)	145	276	85	146	69
Earnings available for common stock	138	276	85	146	69
Total assets	8,615	7,394	5,446	3,130	3,235
Total debt (3)	2,101	1,814	1,526	249	682
Preferred securities (4)	651	51	--	--	--
Media Group equity	4,472	4,203	3,139	2,265	2,057
Capital expenditures	401	343	215	169	231
Pro forma earnings per common share (5)	$ 0.29	$ 0.61			

Pro forma average common shares outstanding (thousands) (5)	470,549	453,316

PROPORTIONATE DATA(6)

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	DOLLARS IN MILLIONS		
Sales and other revenues	$ 5,115	$ 4,213	$ 2,157
Operating income	476	401	195
Income from continuing operations before extraordinary item(2)	145	276	85
EBITDA(1) (excludes 1993 restructuring charge)	1,149	902	527
Subscribers/advertisers (thousands)	5,959	4,234	3,086

----

(1) Earnings before interest, taxes, depreciation, amortization, and other ("EBITDA"). EBITDA also excludes gains on asset sales, equity losses and guaranteed minority interest expense.

(2) 1995 income from continuing operations before extraordinary item includes a gain of $95 from the merger of U S WEST's joint venture interest in TeleWest plc with SBC CableComms (UK) and costs of $9 associated with the November 1, 1995 recapitalization. 1994 income from continuing operations before extraordinary item includes a gain of $105 on the partial sale of U S WEST's joint venture interest in TeleWest and a gain of $41 on the sale of U S WEST's paging operation. 1993 and 1991 income from continuing operations before extraordinary item was reduced by restructuring charges of $76 and $57, respectively.

(3) Excludes debt associated with the capital assets segment, which has been discontinued and is held for sale.

(4) Includes Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company-guaranteed debentures of $600 in 1995 and preferred stock subject to mandatory redemption of $51 in 1995 and 1994.

(5) Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of U S WEST Communications Group common stock and U S WEST Media Group common stock. Earnings per common share have been presented on a pro forma basis to reflect the Media stock as if it had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

(6) Selected proportionate data is not required by generally accepted accounting principles or intended to replace the Combined Financial Statements prepared in accordance with GAAP. It is presented supplementally because the Company believes that proportionate data facilitates the understanding and assessment of its Combined Financial Statements. Proportionate accounting reflects the Media Group's relative ownership interests in operating revenues and expenses for both its consolidated and equity method investments. The table does not reflect financial data of the capital assets segment.

U S WEST MEDIA GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(DOLLARS IN MILLIONS)

THE RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado"), voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors to reincorporate in Delaware and create two classes of common stock. Under the Recapitalization Plan, shareholders approved an agreement and plan of merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or the "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock") and the other class which is authorized as U S WEST

Media Group Common Stock ("Media Stock").

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

THE MEDIA GROUP

The Media Group is comprised of: (i) cable and telecommunications network businesses outside of the Communications Group Region and internationally, (ii) domestic and international wireless communications network businesses and (iii) domestic and international directory and information services businesses.

On February 27, 1996, U S WEST announced a definitive agreement to merge with Continental Cablevision, Inc. ("Continental"). Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

Continental's 4.2 million domestic customers are highly clustered in five large markets -- New England, California, Chicago, Michigan, Ohio and Florida. Upon closing, U S WEST will own or share management of cable systems in 60 of the top 100 American markets and serve nearly one of every three cable households. In addition, Continental has interests in cable properties in Australia, Argentina and Singapore; a 10 percent interest in PRIMESTAR (a direct broadcast satellite service); telephone access businesses in Florida and Virginia; and interests in programming that include Turner Broadcasting System, E! Entertainment Television, the Golf Channel, and the Food Channel.

The Media Group's cable and telecommunications businesses include U S WEST's investment in Time Warner Entertainment Company L.P. ("TWE" or "Time Warner Entertainment"), the second largest provider of cable television services in the United States, its cable systems in the Atlanta, Georgia metropolitan area ("the Atlanta Systems"), and international cable and telecommunications investments, including TeleWest plc ("TeleWest"). In 1995, TeleWest Communications plc merged its cable television and telephony interests with SBC CableComms (UK) to form TeleWest, the largest provider of combined cable and telecommunications services in the United Kingdom. The Media Group also owns interests in cable and/or telecommunications properties in the Netherlands, Sweden, Norway, Hungary, Czech Republic, Malaysia and Indonesia.

The Media Group provides domestic wireless communications services, including cellular services, in 13 western and midwestern states to a rapidly growing customer base. During 1994, U S WEST signed a definitive agreement with AirTouch Communications to combine their domestic cellular assets. The initial equity ownership of this cellular joint venture will be approximately 70 percent AirTouch and approximately 30 percent Media Group. The combination will take place in two phases. During Phase I, which U S WEST entered effective November 1, 1995, the two companies are operating their cellular properties separately. A Wireless Management Company (the "WMC") has been formed and is providing centralized services to both companies on a contract basis. In Phase II, AirTouch and U S WEST will contribute their domestic cellular assets to the WMC. In this phase, the Media Group will reflect its share of the combined operating results of the WMC using the equity method of accounting. The recent passage of the Telecommunications Act of 1996 has removed significant regulatory barriers to completion of Phase II of the business combination. U S WEST expects that Phase II closing could take place by the end of 1996 or early 1997.

U S WEST partnered with AirTouch Communications, Bell Atlantic and NYNEX to form a strategic national wireless alliance and formed a venture to provide personal communications services ("PCS"). This venture, PCS PrimeCo, purchased 11 licenses in the Federal Communication Commission's (the "FCC") PCS auction, covering 57 million people in Chicago, Dallas, Honolulu, Houston, Jacksonville, Miami, Milwaukee, New Orleans, Richmond, San Antonio and Tampa. The Media Group also provides wireless communications services internationally through its Mercury One 2 One ("One 2 One") joint venture, the world's first PCS service located in the United Kingdom. The Media Group also owns interests in wireless properties in Hungary, the Czech and Slovak Republics, Russia, Malaysia, India and Poland.

The Media Group's directory and information services businesses develop and package content and information services, including telephone directories, database marketing and other interactive services in domestic and international markets. The Media Group publishes more than 300 White and Yellow Pages directories in 14 western and mid-western states and nearly 200 directories in the United Kingdom and Poland. The Media Group also has a 50 percent interest in Listel, Brazil's largest telephone directory publisher.

The Combined Financial Statements of the Media Group include the (i) combined historical balance sheets, results of operations and cash flows of the businesses that comprise the Media Group; and (ii) corporate assets and liabilities of U S WEST and related transactions not identified with the Communications Group; and (iii) an allocated portion of the corporate expense of U S WEST. All significant intra-group financial transactions have been eliminated. Transactions between the Media Group and the Communications Group have not been eliminated. For a more complete discussion of U S WEST's corporate allocation policies, see the U S WEST Media Group Combined Financial Statements -- Note 2: Summary of Significant Accounting Policies.

The following discussion is based on the U S WEST Media Group Combined Financial Statements prepared in accordance with GAAP. The discussion should be read in conjunction with the U S WEST, Inc. Consolidated Financial Statements. A discussion of the Media Group's operations on a proportionate basis follows the GAAP presentation in "Selected Proportionate Financial Data."

RESULTS OF OPERATIONS -- 1995 COMPARED WITH 1994

Comparative details of income from continuing operations before extraordinary item by industry segment and for significant unconsolidated equity investments follow:

<TABLE>
<CAPTION>

<S>	PERCENT OWNERSHIP <C>	1995(1) <C>	1994(2) <C>	(DECREASE) <C>
Consolidated:				
Directory and information services	100	$ 240	$ 247	$ (7)
Wireless communications	100	62	67	(5)
Cable and telecommunications	100	(7)	(2)	(5)
Unconsolidated equity investments:				
Time Warner Entertainment (3)	25.5	(32)	(30)	(2)
TeleWest	26.8	53	76	(23)
One 2 One	50.0	(81)	(58)	(23)
Other (4)		(90)	(24)	(66)
Income from continuing operations before extraordinary item		$ 145	$ 276	$ (131)
Pro forma earnings per common share before extraordinary item (5)		$ 0.30	$ 0.61	($ 0.31)

</TABLE>

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(1) 1995 income from continuing operations before extraordinary item includes a gain of $95 from the merger of TeleWest with SBC CableComms (UK) and $9 for costs associated with the Recapitalization Plan.

(2) 1994 income from continuing operations before extraordinary item includes a gain of $105 from the partial sale of U S WEST's joint venture interest in TeleWest and a gain of $41 from the sale of U S WEST's paging operations.

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

(4) Primarily includes interest expense and divisional expenses associated with equity investments.

(5) Earnings per common share have been presented on a pro forma basis as if the

Media Stock had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

During 1995, income from continuing operations before extraordinary item declined 55 percent, to $59, excluding the effects of the one-time items described in Notes 1 and 2 to the table above. The decline is due primarily to higher equity losses related to international growth initiatives and increased amortization and interest expense. Interest expense increases relate to debt issued in connection with the Atlanta Systems acquisition and expansion of international investments. The declines were partially offset by improvement in the domestic cellular and Yellow Pages operations.

During 1995, the Media Group incurred an extraordinary loss of $4, net of a tax benefit of $2, related to the early retirement of debt by TWE.

DIRECTORY AND INFORMATION SERVICES Income related to Yellow Pages directory advertising increased 10 percent in 1995, to $307, due to pricing, product enhancements and the effect of improved marketing programs on business volume. Yellow Pages income was partially offset by net operating losses of $60 related to new products and other growth initiatives, including development of interactive services. The Media Group views new service offerings as an important part of its strategy and expects investments in new products and services in 1996 will continue to partially offset expected income related to the Yellow Pages business.

Income related to directory and information services in 1995 includes $7 in losses related to expansion of international directory publishing operations. The international publishing operations were not significant to the 1994 results of operations.

WIRELESS COMMUNICATIONS Income related to wireless communications more than doubled, to $62 in 1995, excluding the 1994 gain on sale of paging assets of $41. The increase in wireless communications income is attributable to continued strong growth in cellular subscribers. The cellular subscriber base reached 1,463,000 at December 31, 1995, a 51 percent increase compared with 1994.

CABLE AND TELECOMMUNICATIONS The 1995 loss of $7 in cable and telecommunications operations is primarily the result of amortization of intangible assets related to the December 1994 acquisition of the Atlanta Systems. The subscriber base of the Atlanta Systems increased 6.7 percent during the last twelve months, to 527,000 at December 31, 1995.

OPERATING RESULTS OF UNCONSOLIDATED EQUITY INVESTMENTS The net loss related to the Media Group's interests in TWE increased in 1995, due primarily to higher TWE financing costs and depreciation charges, partially offset by increased income related to cable and programming operations. Cable subscribers served by TWE increased almost 6 percent compared with last year, excluding the impact of recent cable transactions.

On September 22, 1995, U S WEST filed a lawsuit in Delaware Chancery Court to enjoin the proposed merger of Time Warner and Turner Broadcasting. U S WEST has alleged breaches of contract and fiduciary duties by Time Warner in connection with this proposed merger. Time Warner filed a countersuit against U S WEST on October 11, 1995, alleging misrepresentation, breach of contract and other misconduct on the part of U S WEST. Time Warner's countersuit seeks a reformation of the Time Warner Entertainment partnership agreement, an order that enjoins U S WEST from breaching the partnership agreement, and unspecified compensatory damages. U S WEST has denied each of the claims in Time Warner's countersuit. The trial for this action concluded on March 22, 1996. A ruling by the Delaware Chancery Court is expected in June 1996.

International businesses are experiencing rapid growth associated with their early development phases. New investments in 1995 include the acquisition of a 50 percent interest in cable television systems in the Netherlands, the acquisition of a 29 percent interest in cable television systems in the Czech Republic and additional capital provided to a 20 percent owned joint venture in Malaysia to provide local wireline and wireless communications. The Czech Republic venture incurred significant start-up losses in 1995, of which the Media Group's share was $13. The structure of this venture is being renegotiated.

U S WEST ventures have recently been awarded licenses to provide cellular services using digital technology in India and Poland. The Media Group expects losses related to international ventures will be significant in 1996.

In October 1995, TeleWest completed its merger with SBC CableComms (UK). The Media Group recognized an after-tax gain related to the merger of $95, and has a 26.8 percent interest in the combined company.

Cable television subscribers of TeleWest and its affiliates, based on TeleWest's equity interest in affiliated operations, increased to 457,000 at December 31, 1995, an increase of 44 percent compared with 1994, and telephone access lines increased 93 percent during the last twelve months, to 527,000. Both growth rates exclude the one-time impact of the merger.

Subscribers to U S WEST's international wireless joint venture operations in the United Kingdom, Hungary, the Czech and Slovak Republics, Russia and Malaysia grew to 682,000 at December 31, 1995, which is almost twice the customer base at December 31, 1994. One 2 One served 375,000 customers at December 31, 1995, an 83 percent increase compared with 1994.

Effective January 1, 1995, the capital assets segment is being accounted for in accordance with Staff Accounting Bulletin No. 93, issued by the Securities and Exchange Commission ("SEC"), which requires discontinued operations not disposed of within one year of the measurement date to be accounted for

prospectively in continuing operations as a net investment in assets held for sale. The net realizable value of the assets are reevaluated on an ongoing basis with adjustments to the existing reserve, if any, being charged to continuing operations. No adjustment was required in 1995.

SALES AND OTHER REVENUES

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	INCREASE (DECREASE) <C>
Directory and information services:			
Domestic	$ 1,058	$ 997	$ 61
International	122	78	44
	1,180	1,075	105
Wireless communications:			
Cellular service	845	633	212
Cellular equipment	96	120	(24)
Paging sales and service (1)	--	28	(28)
	941	781	160
Cable and telecommunications	215	18	197
Other	38	34	4
Sales and other revenues	$ 2,374	$ 1,908	$ 466

</TABLE>

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(1) The paging business was sold in June 1994. Results reflect operations for the six months ending June 30, 1994.

Media Group sales and other revenues increased 15 percent, to $2,374 in 1995, excluding the effects of the 1994 Atlanta Systems acquisition and paging sale. The increase was primarily due to strong growth in cellular service revenue.

DIRECTORY AND INFORMATION SERVICES Revenues related to Yellow Pages directory advertising increased 6.4 percent, to $1,026 in 1995, due to price increases of 4.5 percent, higher revenue per advertiser and an increase in Yellow Pages advertising volume.

International directory publishing revenues increased $44 in 1995, primarily due to U S WEST's May 1994 purchase of Thomson Directories. The remaining increase is due to an increase in advertisers and revenue per advertiser.

WIRELESS COMMUNICATIONS Cellular service revenues increased 34 percent, to $845 in 1995, due to a 51 percent increase in subscribers during the last twelve months (with 20 percent of the additions occurring in December), partially offset by a 13 percent drop in average revenue per subscriber to $60.00 per month. The increase in subscribers relates to continued growth in demand for wireless services. The Media Group anticipates continued growth in its subscriber base, although at slightly decreased rates.

New distribution programs are being developed which increase availability of cellular products and simplify the cellular service activation process. These programs have contributed to the shift in the customer base from businesses to consumers. This shift, combined with competitive pressures on pricing, will cause the average revenue per subscriber to continue to decline.

Cellular equipment revenues decreased 20 percent, to $96 in 1995, as a result of lower cellular equipment costs. These lower equipment costs are being passed on to retailers and to new customers. The Media Group expects this trend to continue in 1996 as the cost of equipment continues to decline and as penetration into the consumer market increases.

Revenues related to the paging sales and service operations, which were sold in 1994, approximated $28 in 1994.

CABLE AND TELECOMMUNICATIONS Domestic cable and telecommunications revenues increased $197 in 1995, due to the December 1994 acquisition of the Atlanta Systems.

OPERATING INCOME

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	INCREASE (DECREASE) <C>
Directory and information services:			
Domestic	$ 399	$ 397	$ 2
International	(1)	(1)	--
	398	396	2
Wireless communications:			
Cellular	147	82	65
Paging sales and service (1)	--	6	(6)
	147	88	59
Cable and telecommunications	23	--	23
Other (2)	(101)	(95)	(6)
Operating income	$ 467	$ 389	$ 78

</TABLE>

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(1) The paging business was sold in June 1994. Results reflect operations for six months ending June 30, 1994.

(2) Primarily includes divisional expenses associated with equity investments.

During 1995, Media Group operating income increased 13 percent, to $467, excluding the effects of the 1994 Atlanta Systems acquisition and paging sale. EBITDA increased approximately 16 percent, to $716, on a comparable basis. The Media Group considers EBITDA an important indicator of the operational strength and performance of its businesses. The increases were primarily due to strong growth in wireless communications operations.

DIRECTORY AND INFORMATION SERVICES During 1995, operating income related to domestic Yellow Pages directory advertising increased $40. Revenue increases of $61 and general cost savings of $15, including $8 associated with assuming the management of certain data base services from the Communications Group contributed to the increase. The revenue gains and cost savings were partially offset by operating cost increases of $36, primarily due to an 11 percent increase in paper, printing, delivery and distribution costs. New product development activities reduced domestic directory and information services operating income by $38 in 1995. The decrease is a result of higher costs associated with the development of new database marketing and interactive services, including a one-time charge of $8 to exit certain product lines.

On October 15, 1995, U S WEST Direct and the Communications Workers of America ("CWA") reached a tentative agreement on their contract, subject to ratification by the CWA membership. This contract would provide for salary increases of 10.5 percent over three years and provides employees with a lump sum payment of $850.

EBITDA related to domestic Yellow Pages directory advertising services increased 9 percent, to $519 in 1995. Expansion of the business combined with cost savings led to an EBITDA margin related to the Yellow Pages operations of 50.6 percent in 1995 compared with 49.4 percent in 1994.

Operating income for international directory publishing operations was unchanged from 1994. The 1995 revenue gains of $44 were offset by increased operating expenses, primarily associated with the May 1994 acquisition of Thomson Directories and increased costs associated with business volume.

WIRELESS COMMUNICATIONS Cellular operating income increased 79 percent, to $147 in 1995. The increase in operating income is a result of revenue increases associated with the rapidly expanding subscriber

base combined with efficiency gains. The 1995 decline in revenue per subscriber of 13 percent has been more than offset by decreases in the cost incurred to acquire a customer ("acquisition costs") and the cost to maintain a customer ("support costs"). Support costs include charges for access and usage of land-line telecommunications networks, subscriber billing, customer service and general support costs, as well as costs associated with roaming, intralata toll calls and fraud. Support costs per subscriber have declined 20 percent in 1995. The decline is generally a result of the efficiencies gained from an expanding customer base without corresponding increases in headcount and infrastructure. The acquisition cost per subscriber added decreased 6 percent in 1995, as a result of the expanding customer base and shifts in the distribution channel resulting in generally less costly subscriber additions.

Cellular EBITDA increased 49 percent during 1995, to $268. The business is realizing operating scale efficiencies that have resulted in lower costs on a per subscriber basis. The efficiencies have resulted in an increase in 1995 cellular service EBITDA margin to 31.7 percent from 28.4 percent in 1994.

CABLE AND TELECOMMUNICATIONS Cable and telecommunications operating income reflects the December 1994 acquisition of the Atlanta Systems. The Atlanta Systems contributed operating income of $23 and EBITDA of $100 in 1995.

OTHER Other operating income decreased primarily due to costs associated with growth in international operations.

INTEREST EXPENSE AND OTHER

<TABLE>
<CAPTION>

	1995	1994	INCREASE (DECREASE)
<S>	<C>	<C>	<C>
Interest expense..	$ 100	$ 66	$ 34
Equity losses in unconsolidated ventures...	207	121	86
Other income...	5	46	(41)

</TABLE>

Interest expense increased $34, or 52 percent, primarily as a result of financing costs associated with the December 1994 acquisition of the Atlanta Systems, new domestic and international investments and a reclassification of debt from net investment in assets held for sale.

Equity losses increased $86 in 1995, primarily due to costs related to the expansion of the network and additional financing costs at TeleWest and additional costs associated with the significant increase in customers at One 2 One. Start-up and other costs associated with new international cable and telecommunications investments primarily located in the Czech Republic and Malaysia contributed to the increase. These increased losses were partially offset by earnings in the European wireless operations. Losses related to domestic investments in TWE and PCS PrimeCo also increased. The Media Group expects the PCS partnership to experience several years of operating losses associated with the start-up phase of the PCS business.

Other income decreased $41, or 89 percent, primarily as a result of increased minority interest expense associated with the domestic cellular operations, costs associated with the Recapitalization Plan and a 1994 gain on sale of nonstrategic operations.

PROVISION FOR INCOME TAXES

<TABLE>
<CAPTION>

	1995	1994	(DECREASE)
<S>	<C>	<C>	<C>
Provision for income taxes..	$ 163	$ 204	($ 41)
Effective tax rate..	52.9%	42.5%	--

</TABLE>

The increase in the effective tax rate primarily reflects the impact of lower pretax income, the effects of goodwill amortization related to the acquisition of the Atlanta Systems, higher state and foreign income taxes, and expenses associated with the Recapitalization Plan. Additionally, a tax benefit was recorded in 1994 related to the sale of paging assets that contributed to the increase in the effective tax rate.

RESULTS OF OPERATIONS -- 1994 COMPARED WITH 1993

Income from continuing operations by industry segment and for significant unconsolidated equity investments follows:

<TABLE>
<CAPTION>

	PERCENT OWNERSHIP	1994(1)	1993(2)	INCREASE (DECREASE)
Consolidated:				
Directory and information services	100	$ 247	$ 220	$ 27
Wireless communications	100	67	(43)	110
Cable and telecommunications	100	(2)	--	(2)
Unconsolidated equity investments:				
Time Warner Entertainment (3)	25.5	(30)	(19)	(11)
TeleWest	37.8	76	(21)	97
One 2 One	50.0	(58)	(22)	(36)
Other (4)		(24)	(30)	6
Income from continuing operations		$ 276	$ 85	$ 191

</TABLE>

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(1) 1994 income from continuing operations includes a gain of $105 from the partial sale of U S WEST's joint venture interest in TeleWest, and a gain of $41 from the sale of U S WEST's paging operations.

(2) 1993 income from continuing operations was reduced by $76 for restructuring charges; $31 pertaining to the directory and information services segment and $45 pertaining to the wireless segment.

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

(4) Primarily includes interest expense and divisional expenses associated with equity investments.

During 1994, income from continuing operations decreased 19 percent, to $130, excluding the effects of the one-time items described in Notes 1 and 2 to the table above. The decline in income is primarily a result of increased start-up losses associated with international businesses, partially offset by income growth in domestic wireless operations attributable to rapid growth in customer demand.

During 1993, the Board approved a plan to dispose of the capital assets segment, which includes activities related to financial services, financial guarantee insurance operations and real estate. Until January 1, 1995, the capital assets segment was 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 Media Group recorded a provision of $100 (after tax) 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 prior 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.

DIRECTORY AND INFORMATION SERVICES Excluding the effect of the 1993 restructuring charge of $31, income from directory and information services operations decreased 1.6 percent in 1994, to $247. Costs related to the development and launching of new products in directory and information services offset income growth from the Yellow Pages publishing operations.

WIRELESS COMMUNICATIONS Excluding the effects of the $41 gain on the sale of paging operations in 1994 and a $45 restructuring charge in 1993, cellular income increased $24 to $26 in 1994. The increase is due to the addition of 367,000 subscribers in 1994, a 61 percent increase compared with 1993.

CABLE AND TELECOMMUNICATIONS On December 6, 1994, the Media Group purchased the Atlanta Systems for $1.2 billion. The results of operations of the Atlanta Systems have been included in the Media Group's results of operations since the date of acquisition which did not have a material impact on 1994 net income.

OPERATING RESULTS OF UNCONSOLIDATED EQUITY INVESTMENTS TWE partnership losses increased in 1994 primarily due to the full year impact (including financing costs) of the TWE investment compared with three months in 1993. The effects of lower prices for cable services also contributed to the higher loss in 1994.

In 1994, losses related to international equity investments increased as a result of expansion of the customer base at One 2 One and build out of the network at TeleWest.

SALES AND OTHER REVENUES

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>	INCREASE (DECREASE) <C>
Directory and information services:			
Domestic	$ 997	$ 949	$ 48
International	78	7	71
	1,075	956	119
Wireless communications:			
Cellular service	633	443	190
Cellular equipment	120	63	57
Paging sales and service (1)	28	55	(27)
	781	561	220
Cable and telecommunications	18	--	18
Other	34	32	2
Sales and other revenues	$ 1,908	$ 1,549	$ 359

</TABLE>

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(1) The paging business was sold in June 1994. Results reflect operations for the six months ending June 30, 1994.

During 1994, Media Group sales and other revenues increased 25 percent to $1,862, excluding the effect of the 1994 Atlanta Systems acquisition and paging sale. The increase was primarily due to strong growth in cellular service revenue.

DIRECTORY AND INFORMATION SERVICES Revenues related to Yellow Pages directory advertising increased approximately $59, or 6.5 percent, due primarily to pricing. Product enhancements and the effect of improved marketing programs on business volume also contributed to the increase in revenues. Non-Yellow Pages revenues increased $11, including $7 related to new products. Partially offsetting these increases was the absence of revenues related to certain publishing, software development and marketing operations that were sold, which reduced revenues by $22.

The increase in international directory publishing revenues is attributable to U S WEST's May 1994 purchase of Thomson Directories.

WIRELESS COMMUNICATIONS Cellular service revenues increased 43 percent, to $633 in 1994, due to a 61 percent increase in subscribers (with 24 percent of the additions occurring in December), partially offset by an 8 percent drop in average revenue per subscriber to $70.00 per month.

Cellular equipment revenues increased 90 percent, to $120 in 1994, primarily due to an 83 percent increase in gross customer additions, with a higher percentage of those customers purchasing equipment than in 1993. This increase was partially offset by a 13 percent decline in the average selling price of wireless phones.

CABLE AND TELECOMMUNICATIONS Domestic cable and telecommunications revenues reflect the December 1994 acquisition of the Atlanta Systems.

OPERATING INCOME

<TABLE>
<CAPTION>

<S>	1994 <C>	1993(1) <C>	INCREASE (DECREASE) <C>
Directory and information services:			
Domestic	$ 397	$ 359	$ 38
International	(1)	(3)	2
	396	356	40
Wireless communications:			
Cellular	82	(29)	111
Paging sales and service (2)	6	--	6
	88	(29)	117
Cable and telecommunications	--	--	--
Other (3)	(95)	(89)	(6)
Operating income	$ 389	$ 238	$ 151

</TABLE>

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(1)
Includes pretax restructuring charges of $50 and $70 for the domestic directory and information services and wireless segments, respectively.

(2)
The paging business was sold in June 1994. Results reflect operations for the six months ending June 30, 1994.

(3)
Primarily includes divisional expenses associated with equity investments.

Media Group operating income increased 7 percent, to $383 in 1994, excluding the effects of the one-time items described in Notes 1 and 2 to the table above. Revenue growth, partially offset by higher operating expenses, provided an 10.5 percent increase in 1994 EBITDA, on a comparable basis.

DIRECTORY AND INFORMATION SERVICES Excluding the effect of the 1993 restructuring charge of $50, operating income from domestic directory and information services operations decreased $12, or 3 percent, in 1994. Operating income related to the domestic Yellow Pages directory business increased $20. The increase was driven by strong revenue growth. Non-Yellow Pages operating income decreased $32, primarily a result of increased costs related to development of new database marketing and interactive services.

The increase in international directory publishing operating income is attributable to U S WEST's May 1994 purchase of Thomson Directories.

WIRELESS COMMUNICATIONS Excluding the effect of the 1993 restructuring charge of $70, cellular operating income doubled in 1994 to $41. This is a result of revenue increases associated with the rapidly expanding subscriber base and decreases in the costs incurred to acquire and maintain a customer. Cellular EBITDA increased $55, or 44 percent in 1994. Cellular service EBITDA margin was 28.4 percent, essentially unchanged compared with 1993.

OTHER Other operating income decreased primarily due to growth in international operations and the inclusion of administrative costs related to the TWE investment for the full year in 1994, compared with three months in 1993.

INTEREST EXPENSE AND OTHER

	1994	1993	INCREASE
Interest expense	$ 66	$ 27	$ 39
Equity losses in unconsolidated ventures	121	74	47
Other income	46	9	37

Interest expense increased $39, primarily as a result of incremental financing costs associated with the September 1993 TWE investment.

Equity losses in unconsolidated ventures increased $47, primarily due to start-up costs related to the build out of TeleWest's network and costs related to the expansion of the customer base at One 2 One.

Other income increased $37, primarily due to an $18 increase in the TWE management fee. This increase resulted from owning the investment for a full year in 1994, compared with three months in 1993. Other income also includes a $10 gain on the sale of certain software development and marketing operations in 1994.

PROVISION FOR INCOME TAXES

	1994	1993	INCREASE
Provision for income taxes	$ 204	$ 61	$ 143
Effective tax rate	42.5%	41.8%	--

The effective tax rate is significantly impacted by state and foreign taxes on the Media Group Combined Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES --THREE YEARS ENDED DECEMBER 31, 1995

OPERATING ACTIVITIES

Cash provided by operating activities increased $89 in 1995, to $640. During 1995, an income tax payment related to the 1994 partial sale of the Media Group's joint venture interest in TeleWest reduced cash provided by operations by $60. Adjusted for this one-time income tax payment, operating cash flow of the Media Group increased $149. Growth in operations from the cellular business and acquisition of the Atlanta Systems contributed to the increase. Growth in operating cash flow from directory and information services operations has been reduced by investments related to its growth initiatives. Operating cash flow from Media Group businesses was partially offset by a significant increase in income taxes paid in 1995, primarily due to lower tax benefits generated from the investment in TWE.

Cash provided by operating activities of the Media Group increased $28 in 1994 compared with 1993 primarily due to expansion of the cellular business.

The Media Group expects that cash from operations will not be adequate to fund expected cash requirements. Additional financing will come primarily from new debt.

INVESTING ACTIVITIES

Total capital expenditures of the Media Group were $363, $349 and $193 in 1995, 1994 and 1993, respectively, the majority was devoted to enhancement and expansion of the cellular network. In 1996, capital expenditures are expected to exceed $600, of which approximately 50 percent relates to expansion of the cellular network to increase coverage and capacity, and nearly 40 percent relates to enhancement of the Atlanta Systems. The Media Group is in the process of upgrading its Atlanta Systems to 750 megahertz capacity, which will provide more reliability, better signal quality and additional capacity. The upgrade will enable the provision of enhanced cable, data and telecommunications services to its Atlanta customers.

Investing activities of the Media Group also include equity investments in international ventures. In 1995, the Media Group invested $681 in international ventures, primarily investments in Malaysia, the

Netherlands, the Czech Republic and the United Kingdom. The Media Group invested approximately $444 in developing international businesses in 1994, including the acquisition of Thomson Directories. The Media Group anticipates that investments in international ventures will approximate $400 in 1996. This includes investments for recently awarded licenses to provide cellular service using digital technology in India and Poland. At December 31, 1995, U S WEST guaranteed debt in the principal amount of approximately $140 related to international ventures.

In March 1995, PCS PrimeCo was awarded PCS licenses in 11 markets. The Media Group's share of the cost of the licenses was approximately $268, all of which was funded in 1995. Under the PCS PrimeCo partnership agreement, U S WEST is required to fund approximately 24 percent of PCS PrimeCo's operating and capital costs, including licensing costs. U S WEST anticipates that its total funding obligations to PCS PrimeCo during the next three years will be approximately $400.

In 1994, the Media Group received cash proceeds of $143 from the sale of its paging operations. In 1993, cash proceeds of $30 were received from the sale of certain nonstrategic lines of business. The Media Group did not receive cash from the 1994 partial sale of its joint venture interest in TeleWest or from the 1995 merger. All proceeds from the 1994 sale have been used by TeleWest for general business purposes, including financing both construction and operations, and repaying debt.

On February 27, 1996, U S WEST announced a definitive agreement to merge with Continental. Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

FINANCING ACTIVITIES

During 1995, debt increased $287 primarily due to new investments in international ventures, cash funding of the PCS licenses and a reclassification of debt from net investment in assets held for sale. During fourth-quarter 1995, U S WEST issued $130 of exchangeable notes, or Debt Exchangeable for Common Stock ("DECS"), due December 15, 1998. Upon maturity, each DECS will be mandatorily exchanged by U S WEST for shares of Enhance Financial Services Group, Inc. ("Enhance") or, at U S WEST's option, redeemed at the cash equivalent. The capital assets segment currently holds approximately 31.5 percent of the outstanding Enhance common stock.

These increases in debt were partially offset by reductions of debt related to the investment in TWE and a refinancing of commercial paper by issuing Company-obligated mandatorily redeemable preferred securities of a subsidiary trust holding solely Company-guaranteed debentures ("Preferred Securities"). U S WEST issued $600 of Preferred Securities in 1995. The payment of interest and redemption amounts to holders of the securities are fully and unconditionally guaranteed by U S WEST.

Excluding debt associated with the capital assets segment, the Media Group's percentage of debt to total capital at December 31, 1995, was 29.1 percent compared with 29.9 percent at December 31, 1994. Including debt associated with the capital assets segment, Preferred Securities and other preferred stock, the Media Group's percentage of debt to total capital was 44.2 percent at December 31, 1995, and 42.8 percent at December 31, 1994.

Debt increased $288 in 1994, primarily due to the December 1994 acquisition of the Atlanta Systems, partially offset by reductions in debt related to the investment in TWE. The cash investment related to the acquisition of the Atlanta Systems was $745, obtained through short-term borrowing.

U S WEST 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. U S WEST maintains lines of credit aggregating approximately $1.3 billion, which is available to both the Media Group and the nonregulated subsidiaries of the Communications Group in accordance with their borrowing needs. Under registration statements filed with the SEC, as of December 31, 1995, U S WEST is permitted to issue up to approximately $1.2 billion of new debt securities, available to both the Media Group and the nonregulated subsidiaries of the Communications Group.

Debt related to discontinued operations decreased $487 in 1995 and $213 in

1994. Cash to the capital assets segment of $101 in 1994 primarily reflects the payment of debt, net of $154 in proceeds from the sale of 8.1 million shares of Financial Security Assurance Holdings, Ltd. ("FSA"), an investment of the capital assets segment. For financial reporting purposes debt of the capital assets segment is netted against the related assets. See Media Group Combined Financial Statements -- Note 20: Net Investment in Assets Held for Sale.

The Media Group reinvests earnings, if any, for future growth and does not expect to pay dividends on the Media Stock in the foreseeable future.

In connection with U S WEST's announcement on February 27, 1996 of a planned merger with Continental, U S WEST, Inc.'s credit rating is being reviewed by credit rating agencies, which may result in a downgrading.

Financing activities for the nonregulated Communications Group businesses and the Media Group, including the issuance, repayment and repurchase of short-term and long-term debt, and the issuance and repurchase of Preferred Securities, is managed by U S WEST on a centralized basis. Financing activities for U S WEST Communications is separately identified and accounted for in U S WEST's records and U S WEST Communications continues to conduct its own borrowing activities. Debt incurred and investments made by U S WEST and its subsidiaries is specifically allocated to and reflected on the financial statements of the Media Group except that debt incurred and investments made by U S WEST and its subsidiaries on behalf of the nonregulated Communications Group businesses and all debt incurred and investments made by U S WEST Communications is specifically allocated to and reflected on the financial statements of the Communications Group. Debt incurred by U S WEST or a subsidiary on behalf of a Group is charged to such Group at the borrowing rate of U S WEST or such subsidiary.

RISK MANAGEMENT

The Media Group is exposed to market risks arising from changes in interest rates and foreign exchange rates. Derivative financial instruments are used to manage these risks. U S WEST does not use derivative financial instruments for trading purposes.

INTEREST RATE RISK MANAGEMENT

The objective of the interest rate risk management program is to minimize the total cost of debt. Interest rate swaps are used to adjust the ratio of fixed- to variable-rate debt. The market value of the debt portfolio, including the interest rate swaps, is monitored and compared with predetermined benchmarks to evaluate the effectiveness of the risk management program.

Notional amounts of interest rate swaps outstanding were $825 and $850 as of December 31, 1995 and 1994, respectively, with various maturities that extend to 2004. The estimated effect of U S WEST's interest

rate derivative transactions was to adjust the level of fixed-rate debt of the Media Group from 86 percent to 87 percent at December 31, 1995, and from 68 percent to 71 percent of the total debt portfolio at December 31, 1994 (including debt associated with the capital assets segment).

FOREIGN EXCHANGE RISK MANAGEMENT

U S WEST has entered into forward and option contracts to manage the market risks associated with fluctuations in foreign exchange rates after consideration of offsetting foreign exposures among international operations. The use of forward and option contracts allow U S WEST 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 with predetermined levels of acceptable risk.

Notional amounts of foreign exchange forward and option contracts outstanding were $456 and $170 as of December 31, 1995 and 1994, respectively, with maturities of one year or less. These contracts were primarily for the purchase of Dutch guilders and British pounds in 1995 and British pounds in 1994.

The Media Group had foreign exchange risks associated with a Dutch guilder-denominated payable in the translated principal amount of $216 at December 31, 1995, and British pound-denominated receivables in the translated principal amounts of $139 and $48 at December 31, 1995 and 1994, respectively, of which $63 and $48 of these respective balances are with a wholly owned subsidiary. These positions were hedged in 1995.

DISPOSITION OF THE CAPITAL ASSETS SEGMENT

U S WEST announced a plan of disposition of the capital assets segment in June 1993. See the Media Group Combined Financial Statements -- Note 20: Net Investment in Assets Held for Sale. In December 1993, U S WEST sold $2.0 billion of finance receivables and the business of U S WEST Financial Services, Inc. to NationsBank Corporation. Proceeds from the sale of $2.1 billion were used to repay related debt.

During 1994, U S WEST reduced its ownership interest in 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 common stock and received $154 in net proceeds from the public offering. In December 1995, FSA merged with Capital Guaranty Corporation for shares of FSA and cash of $51. The transaction was valued at approximately $203 and reduced U S WEST's ownership interest in FSA to 50.3 percent and its voting interest to 41.7 percent. U S WEST expects to monetize and ultimately reduce its ownership in FSA through the issuance of Debt Exchangeable for Common Stock ("DECS") in 1996. At maturity, each DECS will be mandatorily exchanged by U S WEST for FSA common stock held by U S WEST or, at U S WEST's option, redeemed at the cash equivalent.

On September 2, 1994, U S WEST issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of cumulative redeemable preferred stock for a total of $50. The shares are mandatorily redeemable in year ten and, at the option of FFC, the preferred stock also can be redeemed for common shares of FSA.

U S WEST Real Estate, Inc. has sold various properties totaling $120, $327 and $66 in 1995, 1994 and 1993, respectively. The sales proceeds were in line with estimates. Proceeds from building sales were primarily used to repay related debt. U S WEST has completed construction of existing buildings in the commercial real estate portfolio and expects to substantially complete liquidation of this portfolio by 1998. The remaining balance of assets subject to sale is approximately $490, net of reserves, as of December 31, 1995.

COMPETITIVE STRATEGY

The Media Group's strategy is based on the belief that communication and commerce are migrating from other mediums to electronic networks. Over time, this global phenomenon will result in networks

replacing traditional distribution channels. To meet the needs of this growing market, the Media Group provides local connections and then integrates market-based service offerings to meet the needs of end users. The Media Group executes this strategy through three lines of business -- cable and telecommunications, wireless and directory and information services -- in selected high-growth markets worldwide.

COMPETITIVE AND REGULATORY ENVIRONMENT

CABLE AND TELECOMMUNICATIONS The Telecommunications Act of 1996 (the "1996 Act") opens competition by permitting local telephone companies, long-distance carriers and cable television companies to enter each other's businesses. This legislation will enable the Media Group to provide "one-stop shopping" for voice, video and data services, a key objective of the Media Group. The Media Group is currently in the process of negotiating reasonable and non-discriminatory local interconnection rates, terms and conditions with BellSouth and is planning on entering the local exchange market, through the Atlanta Systems, on a competitive basis by the end of 1996.

The Atlanta Systems generally compete for viewer attention with programming from a variety of sources, including the direct reception of broadcast television signals by the viewer's own antenna, satellite master antenna service and direct broadcast satellite services. Cable television systems are also in competition for both viewers and advertising in varying degrees with other communications and entertainment media. Such competition may increase with the development and growth of new technologies.

The 1996 Act has amended certain aspects of the Cable Television Consumer Protection and Competition Act of 1992 ("the 1992 Cable Act"). Under the 1996 Act, cable rates are deregulated effective March 31, 1999, or earlier if competition exists. In addition, the provisions of the 1996 Act simplify the process of filing rate complaints, relax uniform rate requirements and subscriber notice provisions, expand the definition of effective competition and eliminate certain restrictions on the sale of cable systems. Current program access restrictions applying to cable operators are extended to common carriers by the 1996 Act. The 1996 Act also eliminates certain cross-ownership restrictions between cable operators, broadcasters and multichannel, multipoint distribution system operators.

Cable television systems are also subject to local regulation, typically imposed through the franchising process. Local officials may be involved in the initial franchise selection, system design and construction, safety, rate regulation, customer service standards, billing practices, community-related programming and services, franchise renewal and imposition of franchise fees.

In 1995, the Georgia legislature removed the legal prohibition on local telephone competition by authorizing competition in local telephone exchange service. The Media Group has received certification from the Georgia Public Service Commission to provide local switched and nonswitched telephone service in Georgia and, with the passage of the 1996 Act, certain long-distance services.

WIRELESS COMMUNICATIONS There are two competitive cellular licenses in each market. Competition is based on the price of cellular service, the quality of the service and the size of the geographic area served. The development of PCS services will increase the number of competitors and the level of competition. The Media Group is unable to estimate the impact of the availability of PCS services on its cellular operations, though it could be significant.

The wireless operations are subject to regulation by federal and some state and local authorities. The construction and transfer of cellular systems in the United States are regulated by the FCC pursuant to the Communications Act of 1934. The FCC regulates construction and operation of cellular systems and licensing and technical standards for the provision of cellular telephone service. Pursuant to Congress' 1993 Omnibus Budget Reconciliation Act, the FCC adopted rules preempting state and local governments from regulating wireless entry and most rates.

The passage of the 1996 Act eliminates long-distance restrictions imposed by the Modified Final Judgment ("MFJ"). As a result, the Media Group, including its wireless partners, are now able to offer integrated local and long-distance services. The 1996 Act also permits the Media Group to enter into activities related to the manufacture of telecommunications equipment.

DIRECTORY AND INFORMATION SERVICES The Media Group may face emerging competition in the provision of interactive services from cable and entertainment companies, on-line services and other information providers. Directory listings are beginning to be offered via electronic databases through telephone company and third party networks. As such offerings expand and are enhanced through interactivity and other features, the Media Group may experience heightened competition in its directory publishing businesses. With the passage of the 1996 Act, the Media Group will be able to provide certain information services across LATA boundaries. The Media Group will continue to expand its core products and develop and package new information products to meet its customers' needs.

SELECTED PROPORTIONATE FINANCIAL DATA

The following table shows the entities included in the Media Group Combined Financial Statements and the percent ownership by industry segment. The proportionate financial and operating data for these entities are summarized in the proportionate data table that follows:

<TABLE>
<CAPTION>

	CABLE AND TELECOMMUNICATIONS		WIRELESS COMMUNICATIONS		DIRECTORY AND INFORMATION SERVICES	
	DOMESTIC	INTERNATIONAL	DOMESTIC	INTERNATIONAL	DOMESTIC	INTERNATIONAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED	Atlanta Systems 100%		U S WEST NewVector 92% (1)		U S WEST Marketing Resources Group 100%	Thomson Directories (UK) 100% U S WEST Polska (Poland) 100%
		TeleWest				

EQUITY	TWE 25.51%	(UK) 26.8% TeleWest Europe (Norway, Sweden, Hungary) Varies A2000 (KTA) (Netherlands) 50% Kabel Plus (Czech Republic) 29% Binariang Communications Sdn Bhd (Malaysia) 20% ARIAWEST (Indonesia) 35%	Mercury One 2 One (UK) 50% Westel Radiotelefon (Hungary) 49% Westel 900 (Hungary) 47% EuroTel (Czech & Slovak Republics) 24.5% Russian Telecommunications Development Corp. (Russia) 67%	Listel (Brazil) 50%

<FN>

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(1) Proportionate information reflects an approximate 8 percent minority interest in NewVector's underlying operations.

</TABLE>

SELECTED PROPORTIONATE FINANCIAL DATA (CONTINUED)

The following table and discussion is not required by GAAP or intended to replace the Combined Financial Statements prepared in accordance with GAAP. It is presented supplementally because the Media Group believes that proportionate financial and operating data facilitate the understanding and assessment of its Combined Financial Statements. Proportionate accounting reflects the Media Group's relative ownership interests in operating revenues and expenses for both its consolidated and equity method investments. The financial information included below departs materially from GAAP because it aggregates the revenues and operating income of entities not controlled by the Media Group with those of the consolidated operations of the Media Group. The following table includes allocations of Media Group corporate activity. The table does not reflect financial data of the capital assets segment, which had net assets of $429, $302 and $554 at December 31, 1995, 1994 and 1993, respectively. Previously reported amounts have been reclassified to conform with current year presentation.

<TABLE>
<CAPTION>

	CABLE AND TELECOMMUNICATIONS		WIRELESS COMMUNICATIONS		DIRECTORY AND INFORMATION SERVICES		
	DOMESTIC(1)	INTERN'L	DOMESTIC	INTERN'L	DOMESTIC	INTERN'L	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL DATA:							
YEAR ENDED 1995							
Revenue	$ 2,661	$ 128	$ 824	$ 295	$ 1,065	$ 142	$ 5,115
EBITDA (2)	589	(55)	226	(40)	426	3	1,149
Operating income (loss)	181	(117)	116	(92)	398	(10)	476
Income (loss) before extraordinary item	(68)	18	50	(80)	238	(13)	145
Debt							4,417
YEAR ENDED 1994							
Revenue	$ 2,196	$ 85	$ 662	$ 186	$ 1,005	$ 79	$ 4,213
EBITDA (2)	436	(42)	161	(68)	413	2	902
Operating income (loss)	120	(73)	76	(103)	389	(8)	401
Income (loss) from continuing operations	(42)	65	74	(68)	251	(4)	276
Debt							3,865
YEAR ENDED 1993							
Revenue	$ 568	$ 59	$ 487	$ 78	$ 958	$ 7	$ 2,157
EBITDA (2)	81	(42)	121	(48)	418	(3)	527
Operating income (loss)	(7)	(64)	(25)	(53)	347	(3)	195
Income (loss) from continuing operations	(31)	(49)	(31)	(22)	221	(3)	85
Debt							3,492

</TABLE>

SELECTED PROPORTIONATE FINANCIAL DATA (CONTINUED)

	CABLE AND TELECOMMUNICATIONS		WIRELESS COMMUNICATIONS		DIRECTORY AND INFORMATION SERVICES		
	DOMESTIC(1)	INTERN'L	DOMESTIC	INTERN'L	DOMESTIC	INTERN'L	TOTAL
OPERATING DATA (THOUSANDS):							
YEAR ENDED 1995							
Subscribers/advertisers	2,945	617	1,339	308	479	271	5,959
Homes passed	4,551	1,172	--	--	--	--	5,723
POPs (3)	--	--	33,800	44,300	--	--	78,100
Telephone lines	--	141	--	--	--	--	141
YEAR ENDED 1994							
Subscribers/advertisers	2,407	226	817	169	468	147	4,234
Homes passed	3,952	576	--	--	--	--	4,528
POPs (3)	--	--	18,900	38,300	--	--	57,200
Telephone lines	--	69	--	--	--	--	69
YEAR ENDED 1993							
Subscribers/advertisers	1,837	215	509	41	459	25	3,086
Homes passed	3,061	524	--	--	--	--	3,585
POPs (3)	--	--	18,200	38,300	--	--	56,500
Telephone lines	--	44	--	--	--	--	44

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(1) The proportionate results include the Media Group's 25.51 percent pro-rata priority and residual equity interests in reported TWE results. The reported TWE results are prepared in accordance with GAAP and have not been adjusted to report TWE investments accounted for under the equity method on a proportionate basis.

(2) Proportionate EBITDA represents the Media Group's equity interest in the entities multiplied by the entities' EBITDA. 1993 EBITDA excludes restructuring charges of $59 and $50 related to the domestic wireless and directory and information services segments, respectively.

(3) POPs are the estimated market population multiplied by U S WEST's ownership interest in the market.

PROPORTIONATE RESULTS OF OPERATIONS -- 1995 COMPARED WITH 1994

In 1995, proportionate Media Group revenue increased 17 percent, to $5.12 billion, and EBITDA increased 17 percent, to $1.15 billion, excluding the one-time impacts of the 1994 Atlanta Systems acquisition and the sale of paging operations. Strong growth in both domestic cable and telecommunications and wireless communications contributed to the increases.

CABLE AND TELECOMMUNICATIONS During 1995, proportionate revenue for the Media Group domestic cable and telecommunications operations increased 12 percent, to $2,661, and proportionate EBITDA increased 11 percent, to $589, excluding the one-time impact of the 1994 acquisition of the Atlanta systems. Proportionate revenue and EBITDA growth is primarily due to the TWE cable, programming and filmed entertainment operations. Cable growth is attributed to subscriber growth of nearly six percent, excluding the impact of 1995 TWE cable transactions, as well as increases in advertising and pay per view revenues.

During 1995, international cable and telecommunications proportionate revenue increased $43, to $128, and proportionate EBITDA decreased $13 to ($55). Results for new ventures in the Czech Republic, Netherlands and Malaysia, have been included in the proportionate results beginning with the fourth quarter of 1995. The new ventures contributed revenue of $10 and EBITDA of ($14), which reflect the start-up nature of the operations.

WIRELESS COMMUNICATIONS During 1995, proportionate revenue for the Media Group domestic wireless operations increased 30 percent, to $824, and proportionate EBITDA increased 52 percent, to $226,

U S WEST MEDIA GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

SELECTED PROPORTIONATE FINANCIAL DATA (CONTINUED)

excluding the effect of the paging business, which was sold in 1994. Proportionate cellular service revenue increased 39 percent, to $736 in 1995. This increase is due to a 64 percent increase in proportionate subscribers partially offset by a decrease in average revenue per subscriber.

During 1995, international wireless communications proportionate revenue increased $109, to $295, and proportionate EBITDA increased $28, to ($40). Venture results for Indonesia and Russia have been included in the proportionate results beginning with the fourth quarter of 1995. These ventures contributed revenue of $9 and EBITDA of ($4), which reflect the start-up nature of the operations.

DIRECTORY AND INFORMATION SERVICES Proportionate revenue for domestic directory and information services increased 6 percent, to $1,065 in 1995, and proportionate EBITDA increased 3 percent, to $426. The proportionate revenue increase is due to price and volume increases. Revenue increases were partially offset by reinvestments in the business, resulting in the 3 percent increase in EBITDA.

Proportionate revenue for international directories businesses increased $63, to $142 in 1995, and proportionate EBITDA increased $1, to $3. Results for Listel, a Brazilian directories operation, have been included in the Media Group proportionate results beginning with the fourth quarter 1995. Listel contributed proportionate revenue of $18 and EBITDA of $2.

PROPORTIONATE DEBT

Proportionate debt increased $552 in 1995. The increase is primarily related to the Media Group's international investments. Both TeleWest and One 2 One raised cash through the issuance of debt in 1995, primarily to fund the continued expansion of their businesses.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareowners of U S WEST, Inc.:

We have audited the Combined Balance Sheets of U S WEST Media Group (as described in Note 2 to the Combined Financial Statements) as of December 31, 1995 and 1994, and the related Combined Statements of Operations and Cash Flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of U S WEST Media Group as of December 31, 1995 and 1994, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As more fully discussed in Note 2, the Combined Financial Statements of U S WEST Media Group should be read in connection with the audited Consolidated Financial Statements of U S WEST, Inc.

We have also audited the Supplementary Selected Proportionate Results of Operations for the three years in the period ended December 31, 1995, presented on page D-55. The Supplementary Selected Proportionate Results of Operations have been prepared by management to present relevant financial information that is not provided by the Consolidated Financial Statements and is not intended to be a presentation in accordance with generally accepted accounting principles. In our opinion, the Supplementary Selected Proportionate Results of Operations referred to above presents fairly, in all material respects, the information set forth therein on the basis of accounting described on page D-55.

COOPERS & LYBRAND L.L.P.

Denver, Colorado
February 12, 1996, except for note 5, paragraph 3,
as to which the date is February 27, 1996

U S WEST MEDIA GROUP
COMBINED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995	1994	1993
	DOLLARS IN MILLIONS (EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
Sales and other revenues:			
Directory and information services	$ 1,180	$ 1,075	$ 956
Wireless communications	941	781	561
Cable and telecommunications	215	18	--
Other	38	34	32
Total sales and other revenues	2,374	1,908	1,549
Operating expenses:			
Cost of sales and other revenues	772	612	457
Selling, general and administrative expenses	886	763	607
Depreciation and amortization	249	144	127
Restructuring charge	--	--	120
Total operating expenses	1,907	1,519	1,311
Income from operations	467	389	238
Interest expense	100	66	27
Equity losses in unconsolidated ventures	207	121	74
Gains on merger and partial sale of joint venture interest	157	164	--
Gain on sale of paging assets	--	68	--
Guaranteed minority interest expense	14	--	--
Other income -- net	5	46	9
Income from continuing operations before income taxes and extraordinary item	308	480	146
Provision for income taxes	163	204	61
Income from continuing operations before extraordinary item	145	276	85
Discontinued operations	--	--	(82)
Income before extraordinary item	145	276	3
Extraordinary item -- early extinguishment of debt, net of tax	(4)	--	--
NET INCOME	$ 141	$ 276	$ 3
Dividends on preferred stock	3	--	--
EARNINGS AVAILABLE FOR COMMON STOCK	$ 138	$ 276	$ 3
Pro forma earnings per common share:			
Income before extraordinary item	$ 0.30	$ 0.61	
Extraordinary item -- early extinguishment of debt, net of tax	(.01)	--	
PRO FORMA EARNINGS PER COMMON SHARE	$ 0.29	$ 0.61	
PRO FORMA AVERAGE COMMON SHARES OUTSTANDING (thousands)	470,549	453,316	

</TABLE>

The accompanying notes are an integral part of the Combined Financial Statements

U S WEST MEDIA GROUP
COMBINED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	1994
	DOLLARS IN MILLIONS	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 20	$ 93
Accounts and notes receivable, less allowance for		

credit losses of $58 and $33, respectively	287	212
Deferred directory costs	247	234
Receivable from Communications Group	106	109
Deferred tax asset	24	52
Other	57	56
Total current assets	741	756
Property, plant and equipment -- net	1,148	956
Investment in Time Warner Entertainment	2,483	2,522
Intangible assets -- net	1,798	1,858
Investments in international ventures	1,511	881
Net investment in assets held for sale	429	302
Other assets	505	119
Total assets	$ 8,615	$ 7,394
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 836	$ 1,229
Accounts payable	235	170
Deferred revenue and customer deposits	87	76
Other	411	458
Total current liabilities	1,569	1,933
Long-term debt	1,265	585
Deferred income taxes	382	344
Deferred credits and other	276	278
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely Company-guaranteed debentures	600	--
Preferred stock subject to mandatory redemption	51	51
Media Group equity	4,599	4,390
Company LESOP guarantee	(127)	(187)
Total equity	4,472	4,203
Total liabilities and equity	$ 8,615	$ 7,394

Contingencies (see Note 6 to the Combined Financial Statements)
</TABLE>

The accompanying notes are an integral part of the Combined Financial Statements

U S WEST MEDIA GROUP
COMBINED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	DOLLARS IN MILLIONS		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	$ 141	$ 276	$ 3
Adjustments to net income:			
Restructuring charge	--	--	120
Depreciation and amortization	249	144	127
Equity losses in unconsolidated ventures	207	121	74
Gains on merger and partial sale of joint venture interest	(157)	(164)	--
Gain on sale of paging assets	--	(68)	--
Deferred income taxes and amortization of investment tax credits	102	147	(34)
Provision for uncollectibles	55	36	27
Discontinued operations	--	--	82
Changes in operating assets and liabilities:			
Restructuring payments	(19)	(10)	--
Accounts and notes receivable	(103)	(76)	(39)
Deferred directory costs, prepaid and other	(28)	(52)	(33)
Accounts payable and accrued liabilities	36	143	63
Other -- net	157	54	133
Cash provided by operating activities	640	551	523
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(363)	(349)	(193)
Investment in Time Warner Entertainment	--	--	(1,557)
Investments in international ventures	(681)	(350)	(230)
Investment in PCS licenses	(286)	--	--

Investment in Atlanta Systems	--	(745)	--
Proceeds from sale of paging assets	--	143	--
Other -- net	92	(121)	(7)
Cash (used for) investing activities	(1,238)	(1,422)	(1,987)
FINANCING ACTIVITIES			
Net (repayments of) proceeds from short-term debt	(449)	936	--
Repayments of long-term debt	(724)	(316)	(143)
Proceeds from issuance of long-term debt	1,085	--	--
Proceeds from issuance of trust originated preferred securities -- net	581	--	--
Proceeds from issuance of common stock	57	323	794
Proceeds from issuance of preferred stock	--	50	--
Repayment of advance from Communications Group	--	--	153
Other -- net	(25)	--	--
Cash provided by financing activities	525	993	804
Cash (used for) provided by continuing operations	(73)	122	(660)
Cash (to) from discontinued operations	--	(101)	610
CASH AND CASH EQUIVALENTS			
Increase (decrease)	(73)	21	(50)
Beginning balance	93	72	122
Ending balance	$ 20	$ 93	$ 72

</TABLE>

The accompanying notes are an integral part of the Combined Financial Statements

U S WEST MEDIA GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993
(DOLLARS IN MILLIONS)

NOTE 1: RECAPITALIZATION PLAN

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado") voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors of U S WEST, Inc. (the "Board") to reincorporate in Delaware and create two classes of common stock that are intended to reflect separately the performance of the communications and multimedia businesses. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST" or "Company"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock"), and the other class which is authorized as U S WEST Media Group Common Stock ("Media Stock"). Effective November 1, 1995, each share of common stock of U S WEST Colorado was converted into one share each of Communications Stock and Media Stock.

The Communications Stock and Media Stock provide shareholders with two distinct securities that are intended to reflect separately the communications businesses of U S WEST (the "Communications Group") and the multimedia businesses of U S WEST (the "Media Group" and, together with the Communications Group, the "Groups").

The Communications Group is comprised of U S WEST Communications, Inc. ("U S WEST Communications"), U S WEST Communications Services, Inc., U S WEST Federal Services, Inc., U S WEST Advanced Technologies, Inc. and U S WEST Business Resources, Inc. The Communications Group primarily provides regulated communications services to more than 25 million residential and business customers within a 14 state region.

The Media Group is comprised of U S WEST Marketing Resources Group, Inc., which publishes White and Yellow Pages telephone directories, and provides directory and information services, U S WEST NewVector Group, Inc., which provides communications and information products and services over wireless networks, U S WEST Multimedia Communications, Inc., which owns domestic cable television operations and investments, and U S WEST International Holdings, Inc., which primarily owns investments in international cable and telecommunications, wireless communications and directory publishing operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION The Combined Financial Statements of the Groups comprise all of the accounts included in the corresponding Consolidated Financial Statements of U S WEST. Investments in less than majority-owned ventures are generally accounted for using the equity method. The separate Group

Combined Financial Statements have been prepared on a basis that management believes to be reasonable and appropriate and include: (i) the combined historical balance sheets, results of operations and cash flows of the businesses that comprise each of the Groups, with all significant intra-group amounts and transactions eliminated; (ii) in the case of the Communications Group Combined Financial Statements, certain corporate assets and liabilities of U S WEST and related transactions identified with the Communications Group; (iii) in the case of the Media Group Combined Financial Statements, all other corporate assets and liabilities and related transactions of U S WEST; and (iv) an allocated portion of the corporate expense of U S WEST. Transactions between the Communications Group and the Media Group have not been eliminated.

Notwithstanding the allocation of assets and liabilities (including contingent liabilities) and stockholders' equity between the Communications Group and the Media Group for the purpose of preparing the respective financial statements of such Group, holders of Communications Stock and Media Stock are subject to risks associated with an investment in a single company and all of U S WEST's businesses, assets and liabilities. Such allocation of assets and liabilities and change in the equity structure of U S WEST does

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

not result in a distribution or spin-off to shareholders of any assets or liabilities of U S WEST or any of its subsidiaries or otherwise affect responsibility for the liabilities of U S WEST or such subsidiaries. As a result, the rights of the holders of U S WEST's or any of its subsidiaries' debt are not affected. Financial effects arising from either Group that affect U S WEST's results of operations or financial condition could, if significant, affect the results of operations or financial position of the other Group or the market price of the class of common stock relating to the other Group. Any net losses of the Communications Group or the Media Group, and dividends or distributions on, or repurchases of Communications Stock, Media Stock or preferred stock, will reduce the funds of U S WEST legally available for payment of dividends on both the Communications Stock and Media Stock. Accordingly, the Media Group Combined Financial Statements should be read in conjunction with U S WEST's Consolidated Financial Statements and the Communications Group Combined Financial Statements.

The accounting policies described herein applicable to the preparation of the Combined Financial Statements of the Media Group may be modified or rescinded at the sole discretion of the Board without approval of the stockholders, although there is no present intention to do so. The Board may also adopt additional policies depending on the circumstances. Any determination of the Board to modify or rescind such policies, or to add additional policies, including any decision that would have disparate impacts upon holders of Communications Stock and Media Stock, would be made by the Board in good faith and in the honest belief that such decision is in the best interests of all U S WEST stockholders, including the holders of Communications Stock and the holders of Media Stock. In making such determination, the Board may also consider regulatory requirements imposed on U S WEST Communications by the public utility commissions of various states and the Federal Communications Commission. In addition, generally accepted accounting principles require that any change in accounting policy be preferable (in accordance with such principles) to the policy previously established.

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

ALLOCATION OF SHARED SERVICES Certain costs relating to U S WEST's general and administrative services (including certain executive management, legal, accounting and auditing, tax, treasury, strategic planning and public policy services) are directly assigned by U S WEST to each Group, and segment within the Group, based on actual utilization or are allocated based on each Group's operating expenses, number of employees, external revenues, average capital and/or average equity. Beginning in 1996, certain shared services will no longer be allocated to each segment of the Media Group but will be retained at Media Group headquarters. U S WEST charges each Group for such services at fully distributed cost. These direct and indirect allocations were $55, $38 and $43 in 1995, 1994 and 1993, respectively. In 1995, the direct allocations comprised approximately 40 percent of the total shared corporate services allocated to the Media Group. It is not practicable to provide a detailed estimate of the expenses which would be recognized if the Media Group were a separate legal entity. However, U S WEST believes that under the Recapitalization Plan each Group would benefit from synergy's with the other, including lower operating costs than might be incurred if each Group was a separate legal entity.

ALLOCATION OF INCOME TAXES Federal, state and local income taxes, which are determined on a consolidated or combined basis, are allocated to each Group in accordance with tax sharing agreements between U S WEST and the entities within the Groups. The allocations will generally reflect each Group's contribution (positive or negative) to consolidated taxable income and consolidated tax credits. A Group will be compensated only at such time as, and to the extent that, its tax attributes are utilized by U S WEST in a combined or consolidated income tax filing. Federal and state tax refunds and carryforwards or carrybacks of tax attributes will generally be allocated to the Group to which such tax attributes relate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Media Group includes members which operate in states where U S WEST does not file consolidated or combined state income tax returns. Separate state income tax returns are filed by these members in accordance with the respective states' laws and regulations. The members record a tax provision on a separate company basis in accordance with the requirements of Statement of Financial Accounting Standard ("SFAS") No. 109.

GROUP FINANCING Financing activities for the Media Group and the nonregulated Communications Group businesses, including the issuance, repayment and repurchase of short-term and long-term debt, and the issuance and repurchase of preferred securities, are managed by U S WEST on a centralized basis. Financing activities for U S WEST Communications are separately identified and accounted for in U S WEST's records and U S WEST Communications conducts its own borrowing activities. Debt incurred and investments made by U S WEST and its subsidiaries on behalf of the Media Group are specifically allocated to and reflected on the financial statements of the Media Group. Debt incurred and investments made by U S WEST and its subsidiaries on behalf of the nonregulated businesses of the Communications Group and all debt incurred and investments made by U S WEST Communications are specifically allocated to and reflected on the financial statements of the Communications Group. Debt incurred by U S WEST or a subsidiary on behalf of a Group is charged to such Group at the borrowing rate of U S WEST or such subsidiary.

As of November 1, 1995, the effective date of the Recapitalization Plan, U S WEST does not intend to transfer funds between the Groups, except for certain short-term, ordinary course advances of funds at market rates associated with U S WEST's centralized cash management. Such short-term transfers of funds will be accounted for as short-term loans between the Groups bearing interest at the market rate at which management determines the borrowing Group could obtain funds on a short-term basis. If the Board, in its sole discretion, determines that a transfer of funds between the Groups should be accounted for as a long-term loan, the Board would establish the terms on which such loan would be made, including the interest rate, amortization schedule, maturity and redemption terms. Such terms would generally reflect the then prevailing terms upon which management determines such Group could borrow funds on a similar basis. The financial statements of the lending Group will be credited, and the financial statements of the borrowing Group will be charged, with the amount of any such loan, as well as with periodic interest accruing thereon. The Board may determine that a transfer of funds from the Communications Group to the Media Group should be accounted for as an equity contribution, in which case an inter-group interest (determined by the Board based on the then current market value of shares of Media Stock) will either be created or increased, as applicable. Similarly, if an inter-group interest exists, the Board may determine that a transfer of funds from the Media Group to the Communications Group should be accounted for as a reduction in the inter-group interest.

DIVIDENDS Under the Recapitalization Plan, U S WEST intends to retain future earnings of the Media Group, if any, for the development of the Media Group's businesses and does not anticipate paying dividends to the Media Group shareholders in the foreseeable future.

EARNINGS PER COMMON SHARE Earnings per common share for 1995 and 1994 have been presented on a pro forma basis to reflect the Media Group's Stock as if it had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST.

INDUSTRY SEGMENTS The businesses comprising the Media Group operate in four industry segments, as defined in SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," consisting of directory and information services, wireless communications, cable and telecommunications and the capital assets segment, which is held for sale.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to January 1, 1995, the capital assets segment was accounted for as discontinued operations. Effective January 1, 1995, the capital assets segment has been accounted for as a net investment in assets held for sale, as discussed in Note 20 to the Media Group Combined Financial Statements.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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.

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. All other repairs and maintenance costs are expensed as incurred.

Interest related to qualifying construction projects, including construction projects of equity method investees, is capitalized and reflected as a reduction of interest expense. Amounts capitalized by the Media Group were $33, $8 and $5 in 1995, 1994 and 1993, respectively.

Depreciation is calculated using the straight-line method. When such depreciable property, plant and equipment is retired or sold, the resulting gain or loss is included in income.

INTANGIBLE ASSETS Intangible assets are recorded when the cost of acquired companies exceeds the fair value of their tangible assets. The costs of identified intangible assets and goodwill are amortized by the straight-line method over periods ranging from five to forty years. These assets are evaluated, with other related assets, for impairment using a discounted cash flow methodology.

FOREIGN CURRENCY TRANSLATION Assets and liabilities of international investments are translated at year-end exchange rates, and income statement items are translated at average exchanges rates for the year. Resulting translation adjustments are recorded as a separate component of equity. Gains and losses resulting from foreign currency transactions are included in income.

FINANCIAL INSTRUMENTS Net interest received or paid on interest rate swaps is recognized over the life of the swaps as an adjustment to interest expense. Foreign exchange contracts designated as hedges of firm equity investment commitments are carried at market value, with gains and losses recorded in equity until sale of the investment. Forward contracts designated as hedges of foreign denominated loans are recorded at market value, with gains and losses recorded in income.

INVESTMENTS IN DEBT SECURITIES Debt securities are classified as available for sale and are carried at fair market value with unrealized gains and losses included in equity.

REVENUE RECOGNITION AND DEFERRED DIRECTORY COSTS 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 wireless airtime usage are billed and recorded monthly as services are provided.

Directory advertising revenues and related directory costs of selling, composition, printing and distribution are generally deferred and recognized over the period during which directories are used, normally 12 months. For international operations, directory advertising revenues and related directory costs are deferred and recognized upon publication.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 U S WEST's earlier adoption of SFAS No. 96.

NEW ACCOUNTING STANDARDS In 1996, U S WEST will adopt SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 121 requires that long-lived assets and associated intangibles be written down to fair value whenever an impairment review indicates that the carrying value cannot be recovered on an undiscounted cash flow basis. SFAS No. 121 also requires that a company no longer record depreciation expense on assets held for sale. U S WEST expects that the adoption of SFAS No. 121 will not have a material effect on its financial position or results of operations.

In 1996, U S WEST will adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method for accounting for stock-based compensation plans either through recognition or disclosure. U S WEST will adopt this standard through compliance with the disclosure requirements set forth in SFAS No. 123. Adoption of the standard will have no impact on the financial position or results of operations of U S WEST.

NOTE 3: RELATED PARTY TRANSACTIONS

CUSTOMER LISTS, BILLING AND COLLECTION, AND OTHER SERVICES The domestic publishing operations purchase customer lists, billing and collection and other services from the Communications Group. The data and services are purchased at market price. The charges for these services were $20, $29 and $26 in 1995, 1994 and 1993, respectively.

TELECOMMUNICATIONS SERVICES The domestic wireless operations purchase telecommunications network access and usage from the Communications Group. The charges for these services were $40, $30 and $24 in 1995, 1994 and 1993, respectively.

NOTE 4: INDUSTRY SEGMENTS

Industry segment data is presented for the combined operations of the Media Group. U S WEST's equity method investments and the capital assets segment, which is held for sale, are included in "Corporate and other." Supplemental Media Group information on a proportionate basis is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The directory and information services segment consists of the publishing of White and Yellow Pages telephone directories, database marketing services and interactive services in domestic and international markets. The wireless communications segment provides information products and services over wireless networks in 13 western and midwestern states. The cable and telecommunications segment was created with the December 6, 1994 acquisition of cable television systems in the Atlanta metropolitan area. (See Note 5 to the Media Group Combined Financial Statements.)

NOTE 4: INDUSTRY SEGMENTS (CONTINUED)

Industry segment financial information follows:

<TABLE>
<CAPTION>

	DIRECTORY AND INFORMATION SERVICES(1)	WIRELESS COMMUNICATIONS	CABLE AND TELECOMMUNICATIONS(2)	CORPORATE AND OTHER(3)	COMBINED
<S>	<C>	<C>	<C>	<C>	<C>
1995					
Sales and other revenues............	$ 1,180	$ 941	$ 215	$ 38	$ 2,374
Operating income (loss).............	398	147	23	(101)	467
Identifiable assets.................	583	1,439	1,466	5,127	8,615
Depreciation and amortization........	36	121	77	15	249
Capital expenditures................	37	277	64	23	401
1994					
Sales and other revenues............	1,075	781	18	34	1,908
Operating income (loss) from continuing operations..............	396	88	--	(95)	389
Identifiable assets.................	613	1,286	1,459	4,036	7,394
Depreciation and amortization........	30	102	6	6	144
Capital expenditures................	42	274	2	25	343
1993					
Sales and other revenues............	956	561	--	32	1,549
Operating income (loss) from continuing operations (4)..........	356	(29)	--	(89)	238
Identifiable assets.................	450	1,175	--	3,821	5,446
Depreciation and amortization........	16	104	--	7	127
Capital expenditures................	32	175	--	8	215

</TABLE>

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(1) Includes revenue from directory publishing activities in Europe of $122, $78 and $7, operating losses of $(1), $(1) and $(3), and identifiable assets of $133, $124 and $4 for 1995, 1994 and 1993, respectively.

(2) Results of operations have been included since the date of acquisition of the Atlanta Systems

(3) Includes U S WEST's equity method investments and the capital assets segment,

which has been discontinued and is held for sale.

(4)
Includes pretax restructuring charges of $50 and $70 for the directory and information services and wireless communications segments, respectively.

Operating income represents sales and other revenues less operating expenses, and excludes interest expense, equity losses in unconsolidated ventures, other income and income taxes. Identifiable assets are those assets used in each segment's operations. Corporate and other assets consist primarily of cash, debt securities, investments in international ventures, the investment in Time Warner Entertainment, the net investment in assets held for sale and other assets. Corporate and other operating losses include general corporate expenses and administrative costs primarily associated with the Media Group equity investments.

To ensure consistency and quality of service, the wireless segment uses Motorola as its primary vendor for infrastructure equipment and cellular mobile telephone equipment and accessories. In addition, Motorola provides ongoing technological support for the infrastructure equipment. The infrastructure of approximately 75 percent of the Media Group's major cellular markets is comprised of Motorola equipment.

During 1994, U S WEST signed a definitive agreement with AirTouch Communications to combine their domestic cellular assets. The initial equity ownership of this cellular joint venture will be approximately 70 percent AirTouch and approximately 30 percent Media Group. The combination will take place in two phases. During Phase I, which U S WEST entered effective November 1, 1995, the two companies are operating their cellular properties separately. A Wireless Management Company (the "WMC") has been formed and is providing centralized services to both companies on a contract basis. In Phase II, AirTouch

NOTE 4: INDUSTRY SEGMENTS (CONTINUED)

and U S WEST will contribute their domestic cellular assets to the WMC. In this phase, the Media Group will reflect its share of the combined operating results of the WMC using the equity method of accounting. The recent passage of the Telecommunications Act of 1996 has removed significant regulatory barriers to completion of Phase II of the business combination. U S WEST expects that Phase II closing could take place by the end of 1996 or early 1997.

NOTE 5: ACQUISITION OF CABLE SYSTEMS

ATLANTA SYSTEMS On December 6, 1994, U S WEST acquired the stock of Wometco Cable Corp. and subsidiaries, and the assets of Georgia Cable Partners and Atlanta Cable Partners L.P. (the "Atlanta Systems"), 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 Systems' results of operations have been included in the combined results of operations of the Media Group since the date of acquisition. Had the acquisition occurred as of January 1, 1994, the Media Group revenue and net income for 1994 would have been $2,098 and $265, respectively.

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.

CONTINENTAL CABLEVISION, INC. (SUBSEQUENT EVENT) On February 27, 1996, U S WEST announced a definitive agreement to merge with Continental Cablevision, Inc. ("Continental"). Continental, the nation's third-largest cable operator, serves 4.2 million domestic customers, passes more than seven million domestic homes and holds significant other domestic and international properties. U S WEST will purchase all of Continental's stock for approximately $5.3 billion and will assume Continental's debt and other obligations, which amount to approximately $5.5 billion. Consideration for the $5.3 billion in equity will consist of approximately $1 billion in U S WEST preferred stock, convertible to Media Stock; and, at U S WEST's option, between $1 billion and $1.5 billion in cash, and $2.8 billion to $3.3 billion in shares of Media Stock. The transaction, which is expected to close in the fourth quarter of 1996, is subject to a number of conditions and approvals, including approvals from Continental shareholders and local franchising and government authorities.

NOTE 6: 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" or "Time Warner Entertainment") for an aggregate purchase price of $2.553 billion. TWE owns and operates substantially all of the entertainment assets previously owned by Time Warner Inc. ("Time Warner"), consisting primarily of its filmed entertainment, programming-HBO and cable businesses.

Upon U S WEST's admission to the partnership, certain wholly-owned subsidiaries of Time Warner ("General Partners") and subsidiaries of Toshiba Corporation and ITOCHU Corporation held pro-rata priority capital and residual equity interests of 63.27, 5.61 and 5.61 percent, respectively. In 1995, Time Warner acquired the limited partnership interests previously held by subsidiaries of each of ITOCHU Corporation and Toshiba Corporation.

U S WEST has an option to increase its pro-rata priority capital and residual equity interests in TWE from 25.51 percent up to 31.84 percent depending upon cable operating performance. The option is exercisable, in whole or part, between January 1, 1999, and May 31, 2005, for an aggregate cash exercise price ranging from $1.25 billion to $1.8 billion, depending upon 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, there are four levels of capital. From the most to least senior, the capital accounts are: senior preferred (held by the General Partners); pro-rata priority capital (A

NOTE 6: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)
preferred - held pro-rata by the general and limited partners); junior priority capital (B preferred - held by the General Partners); and common (residual equity interests held pro-rata by the general and limited 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. 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 allocations"); (2) to the partners' preferred capital accounts in order of priority described 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 are 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 allocations.

A summary of the contributed capital and priority capital rates of return follows:

<TABLE>
<CAPTION>

PRIORITY OF CONTRIBUTED CAPITAL	CONTRIBUTED CAPITAL(A)	PRIORITY CAPITAL RATES OF RETURN(B) (% PER ANNUM COMPOUNDED QUARTERLY)	TIME WARNER GENERAL PARTNERS	LIMITED PARTNERS TIME WARNER	LIMITED PARTNERS U S WEST
			(OWNERSHIP %)		
<S>	<C>	<C>	<C>	<C>	<C>
Senior preferred.........................	$ 1,400(c)	8.00%	100.00%	--	--
Pro-rata priority capital................	5,600	13.00%(d)	63.27%	11.22%	25.51%
Junior priority capital..................	2,900(e)	13.25%(f)	100.00%	--	--
Residual equity capital..................	3,300	--	63.27%	11.22%	25.51%

</TABLE>

(a)
Estimated fair value of net assets contributed excluding partnership income or loss allocated thereto.

(b)
Income allocations related to priority capital rates of return are based on partnership income after any special tax allocations.

(c)
The senior preferred is scheduled to be distributed in three annual installments beginning July 1, 1997.

(d)
11.00 percent to the extent concurrently distributed.

(e)
Includes $300 for the September 1995 reacquisition of assets previously excluded from the partnership (the Time Warner service partnership assets) for regulatory reasons.

(f)
11.25 percent to the extent concurrently distributed.

Cash distributions are required to be made to the partners to permit them to pay income taxes at statutory rates based on their allocable taxable income from TWE ("Tax Distributions"). The aggregate amount of such Tax Distributions is computed generally by reference to the taxes that TWE would have been required to pay if it were a corporation. Tax Distributions were previously subject to restrictions until July 1995, and are now paid to the partners on a current basis. For distributions other than those 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 have been made to U S WEST.

NOTE 6: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)

U S WEST 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 U S WEST's initial investment was $5.7 billion. This excess is being amortized on a straight-line basis over 25 years. The Media Group'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, the Media Group's recorded pretax share of TWE operating results before extraordinary item was $(31), $(18) and $(20) in 1995, 1994 and 1993, respectively. In addition, TWE recorded an extraordinary loss for the early extinguishment of debt in 1995. The Media Group's share of this extraordinary loss was $4, net of an income tax benefit of $2.

As consideration for its expertise and participation in the cable operations of TWE, the Media Group earns a management fee of $130 over five years, which is payable over a four-year period beginning in 1995. Management fees of $26, $26 and $8 were recorded to other income in 1995, 1994 and 1993, respectively. The Media Group Combined Balance Sheet includes a note payable to TWE of $169 and $771 and management fee receivables of $50 and $34 at December 31, 1995 and 1994, respectively.

Summarized financial information for TWE is presented below:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
SUMMARIZED OPERATING RESULTS	1995	1994	1993
<S>	<C>	<C>	<C>
Revenues	$ 9,517	$ 8,460	$ 7,946
Operating expenses (1)	8,557	7,612	7,063
Interest and other expense, net (2)	777	647	611
Income before income taxes and extraordinary item	$ 183	$ 201	$ 272
Income before extraordinary item	97	161	208
Net income	$ 73	$ 161	$ 198

</TABLE>

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(1)
Includes depreciation and amortization of $1,039, $943 and $902 in 1995, 1994 and 1993, respectively.

(2)
Includes corporate services of $64, $60 and $60 in 1995, 1994 and 1993, respectively.

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,

SUMMARIZED FINANCIAL POSITION	1995	1994
Current assets (3)	$ 2,909	$ 3,573
Noncurrent assets (4)	15,996	15,089
Current liabilities	3,214	2,857
Noncurrent liabilities, including minority interest	7,787	7,909
Senior preferred capital	1,426	1,663
Partners' capital (5,6)	6,478	6,233

(3) Includes cash of $209 and $1,071 at December 31, 1995 and 1994, respectively.

(4) Includes a loan receivable from Time Warner of $400 at December 31, 1995 and 1994.

(5) Net of a note receivable from U S WEST of $169 and $771 at December 31, 1995 and 1994, respectively.

(6) Contributed capital is based on the estimated fair value of the net assets that each partner contributed to the partnership. The aggregate of such amounts is significantly higher than TWE's partner's capital as reflected in the Summarized Financial Position, which is based on the historical cost of the contributed net assets.

NOTE 6: INVESTMENT IN TIME WARNER ENTERTAINMENT (CONTINUED)

In early 1995, Time Warner announced its intention to simplify its corporate structure by establishing an enterprise that will be responsible for the overall management and financing of the cable and telecommunications properties. Any change in the structure of TWE would require U S WEST's approval in addition to certain creditors' and regulatory approvals.

CONTINGENCIES

On September 22, 1995, U S WEST filed a lawsuit in Delaware Chancery Court to enjoin the proposed merger of Time Warner and Turner Broadcasting. U S WEST has alleged breaches of contract and fiduciary duties by Time Warner in connection with this proposed merger. Time Warner filed a countersuit against U S WEST on October 11, 1995, alleging misrepresentation, breach of contract and other misconduct on the part of U S WEST. Time Warner's countersuit seeks a reformation of the Time Warner Entertainment partnership agreement, an order that enjoins U S WEST from breaching the partnership agreement, and unspecified compensatory damages. U S WEST has denied each of the claims in Time Warner's countersuit. The trial for this action concluded on March 22, 1996. A ruling by the Delaware Chancery Court is expected in June 1996.

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES

The significant investments in international ventures follows:

VENTURE	LOCATION	LINE OF BUSINESS	OWNERSHIP PERCENTAGE	NET INVESTMENT AT DECEMBER 31, 1995	1994
TeleWest	United Kingdom	C&T	26.8	$ 540	$ 456
Binariang Sdn Bhd	Malaysia	C&T	20	224	50
A2000 (KTA)	Netherlands	C&T	50	218	--
One 2 One	United Kingdom	W	50	73	123
All other				456	252
Total				$ 1,511	$ 881

(C&T) Cable and Telecommunications

(W) Wireless

The following table shows summarized combined financial information for the Media Group's significant equity method investments in international ventures:

COMBINED OPERATIONS	YEAR ENDED DECEMBER 31, 1995	1994	1993
Revenue	$ 1,163	$ 580	$ 296
Operating expenses	1,264	684	354
Depreciation and amortization	272	140	60
Operating loss	(373)	(244)	(118)
Interest and other, net	(141)	(75)	(40)
Loss before extraordinary item	(514)	(319)	(158)
Extraordinary gain -- interest rate swaps	--	11	--
Net loss	$ (514)	$ (308)	$ (158)

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES (CONTINUED)

COMBINED FINANCIAL POSITION	YEAR ENDED DECEMBER 31, 1995	1994
Current assets	$ 1,469	$ 714
Property, plant and equipment -- net	3,545	1,462
Other assets	1,644	343
Total assets	$ 6,658	$ 2,519
Current liabilities	$ 1,260	$ 344
Long-term debt	2,065	463
Other liabilities	58	71
Owners' equity	3,275	1,641
Total liabilities and equity	$ 6,658	$ 2,519

In November 1994, TeleWest plc ("TeleWest") made an initial public offering of its ordinary shares. Following the offering, in which U S WEST sold part of its 50 percent joint venture interest, U S WEST owned approximately 37.8 percent of TeleWest. Net proceeds of approximately $650 were used by TeleWest to finance construction and operating costs, invest in affiliated companies and repay debt. It is U S WEST's policy to recognize as income any gains or losses related to the sale of stock to the public. The Media Group recognized a gain of $105 in 1994, net of $59 in deferred taxes, for the partial sale of its joint venture interest in TeleWest.

On October 2, 1995, TeleWest and SBC CableComms (UK) completed a merger of their UK cable television and telecommunications interests, creating the largest provider of combined cable and telecommunications services in the United Kingdom. Following completion of the merger, U S WEST and Tele-Communications, Inc., the major shareholders, each own 26.8 percent of the combined company. The Media Group recognized a gain of $95 in 1995, net of $62 in deferred income taxes, in conjunction with the merger.

TeleWest, which is the only equity method investment for which a quoted market price is available, had a market value of $914 at December 31, 1995, and $1,004 at December 31, 1994.

FOREIGN CURRENCY TRANSACTIONS U S WEST enters into forward and zero-cost combination option contracts to manage foreign currency risk. Under a forward contract, U S WEST agrees with another party to exchange a foreign currency and U.S. dollars at a specified price at a future date. Under combination options, U S WEST combines purchased options to cap the foreign exchange rate to be paid at a future date with written options to finance the premium of the purchased options. The commitments, forward contracts and combination options are for periods up to one year.

Forward exchange contracts are carried at market value. Gains or losses on the portion of the contracts designated as hedges of firm equity investment commitments are deferred as a component of Media Group equity and are recognized in income upon sale of the investment. Gains or losses on the portion of the contracts designated to offset translation of investee net income are recorded in income.

Forward contracts are also used to hedge foreign denominated loans. These contracts are carried at market value with gains or losses recorded in income.

NOTE 7: INVESTMENTS IN INTERNATIONAL VENTURES (CONTINUED)

Foreign exchange contracts outstanding follow:

	TYPE	$U.S. EQUIVALENT DECEMBER 31, 1995	1994
Forwards:			
Dutch Guilders	Buy	$ 225	$ --
British pounds	Buy	130	135
British pounds	Sell	37	--
Japanese yen	Buy	25	--
French francs	Buy	19	--
Combination options:			
British pounds	--	$ --	$ 35
French francs	--	20	--

Cumulative deferred gains on foreign exchange contracts of $9 and deferred losses of $25, including deferred taxes (benefits) of $4 and ($10), respectively, are included in Media Group equity at December 31, 1995. Cumulative deferred gains on foreign exchange contracts of $7 and deferred losses of $25, including deferred taxes (benefits) of $3 and ($10), respectively, are included in Media Group equity at December 31, 1994.

The counterparties to these contracts are major financial institutions. U S WEST is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not have significant exposure to an individual counterparty and does not anticipate nonperformance by any counterparty.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment follows:

	DECEMBER 31, 1995	1994
Land and buildings	$ 168	$ 151
Cellular systems	733	585
Cable distribution systems	167	148
General purpose computers and other	471	412
Construction in progress	167	140
	1,706	1,436
Less accumulated depreciation	558	480
Property, plant and equipment -- net	$ 1,148	$ 956

The Media Group depreciates buildings between 15 to 35 years, cellular and cable distribution systems between 5 to 15 years, and general purpose computer and other between 3 to 20 years.

Depreciation expense was $173, $121, and $113 in 1995, 1994 and 1993, respectively.

NOTE 9: INTANGIBLE ASSETS

The composition of intangible assets follows:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Identified intangibles, primarily franchise value	$ 1,183	$ 1,166
Goodwill	743	762
	1,926	1,928
Less accumulated amortization	128	70
Total intangible assets -- net	$ 1,798	$ 1,858

Amortization expense was $76, $23 and $14 in 1995, 1994 and 1993, respectively.

NOTE 10: RESTRUCTURING CHARGE

The Media Group's 1993 results reflected a $120 restructuring charge (pretax) of which $50 related to the directory and information services segment and $70 related to the wireless segment. The restructuring charge includes only specific, incremental and direct costs which can be estimated with reasonable accuracy and are clearly identifiable with the restructuring plan.

Following is a schedule of the costs included in the 1993 restructuring charge and amounts remaining at December 31, 1995 and 1994:

	RESTRUCTURING CHARGE	BALANCE AT DECEMBER 31, 1995	BALANCE AT DECEMBER 31, 1994
Asset write-down and other	$ 70	$ --	$ --
System development	40	15	30
Employee separation costs and other	10	6	10
Total	$ 120	$ 21	$ 40

During 1993, the Media Group's wireless subsidiary replaced substantially all of its cellular network equipment, consisting primarily of cell site electronics and switching equipment, in certain of its major market areas.

System development costs includes the replacement of existing, single-purpose systems used in the publishing businesses with new systems designed to provide integrated, end-to-end customer service. Other costs consist primarily of employee separation costs including severance payments, health care coverage and postemployment education benefits and relocation costs. The Media Group expects the restructuring to be substantially completed by the end of 1996. Management does not anticipate any material revisions in total estimated expenditures. However, should expenditures exceed the remaining reserve, additional amounts would be expensed as incurred.

NOTE 11: DEBT

SHORT-TERM DEBT

The components of short-term debt follow:

	DECEMBER 31, 1995	DECEMBER 31, 1994

	1995	1994
Notes payable:		
Commercial paper	$ 203	$ 868
Bank loan	216	--
Current portion of long-term debt	568	561
Allocated to the capital assets segment -- net	(151)	(200)
Total	$ 836	$ 1,229

The weighted average interest rate on commercial paper was 5.79 percent and 6.04 at December 31, 1995 and 1994, respectively.

The bank loan, in the translated principal amount of $216, is denominated in Dutch guilders. The loan was entered into in connection with U S WEST's investment in a cable television venture in the Netherlands and was repaid in February 1996.

U S WEST 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. Additional lines of credit aggregating approximately $1.3 billion are available to the Media Group as well as the nonregulated subsidiaries of the Communications Group in accordance with their borrowing needs. The Media Group expects that cash from operations will not be adequate to fund expected cash requirements. Additional financing will come primarily from new debt.

LONG-TERM DEBT

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

	MATURITIES						
INTEREST RATES	1997	1998	1999	2000	THEREAFTER	TOTAL 1995	TOTAL 1994
Up to 5%	$ --	$ --	$ --	$ --	$ --	$ --	$ 271
Above 5% to 6%	--	130	--	--	--	130	13
Above 6% to 7%	--	--	55	106	857	1,018	--
Above 7% to 8%	--	--	--	--	737	737	1,057
Above 8% to 9%	--	--	107	--	40	147	194
Above 9% to 10%	29	--	15	25	10	79	79
Above 10%	1	1	--	--	--	2	--
	$ 30	$ 131	$ 177	$ 131	$ 1,644	2,113	1,614
Capital lease obligations and other						2	5
Unamortized discount -- net						(494)	(524)
Allocated to the capital assets segment -- net						(356)	(510)
Total						$ 1,265	$ 585

Long-term debt consists principally of debentures, medium-term notes, debt associated with U S WEST's Leveraged Employee Stock Ownership Plans ("LESOP"), and zero coupon subordinated notes convertible at any time into equal shares of Communications Stock and Media Stock. The zero coupon notes have a yield to maturity of approximately 7.3 percent and are recorded at a discounted value of $245 and $234 at December 31, 1995 and 1994, respectively.

NOTE 11: DEBT (CONTINUED)

In 1995, U S WEST issued $130 of Debt Exchangeable for Common Stock ("DECS"), due December 15, 1998 in the principal amount of $24.00 per note. The notes bear interest at 7.625 percent, of which 1.775 percent has been included in the assets held for sale reserve. Upon maturity, each DECS will be mandatorily redeemed by U S WEST for shares of Enhance Financial Services Group, Inc. ("Enhance") held by U S WEST or the cash equivalent at U S WEST's option. The number of shares to be delivered at maturity varies based on the per share market price of Enhance. If the market price is $24.00 per share or less, one share of Enhance will be delivered for each note; if the market price is between $24.00 and $28.32 per share, a fractional share equal to $24.00 is delivered; if the market value is greater than $28.32 per share, .8475 shares are delivered. The capital assets segment currently owns approximately 31.5 percent of the outstanding Enhance common stock.

At December 31, 1995, U S WEST guaranteed debt in the principal amount of approximately $140, primarily related to international ventures.

Interest payments, net of amounts capitalized, were $140, $167 and $272 for 1995, 1994 and 1993, respectively, of which $87, $134 and $272, respectively, relate to the capital assets segment.

INTEREST RATE RISK MANAGEMENT

Interest rate swap agreements are used to effectively convert existing commercial paper to fixed-rate debt. This allows U S WEST to achieve interest savings over issuing fixed-rate debt directly.

Under an interest rate swap, U S WEST agrees with another party to exchange interest 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 following table summarizes terms of swaps. Variable rates are indexed to the 30-day commercial paper rate.

<TABLE>
<CAPTION>

	DECEMBER 31,							
	1995				1994			
			WEIGHTED AVERAGE RATE				WEIGHTED AVERAGE RATE	
	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY	NOTIONAL AMOUNT	MATURITIES	RECEIVE	PAY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Variable to fixed.......	$ 55	1997-2004	5.85	9.30	$ 75	1995-2004	6.06	9.17
Fixed to variable.......	--	--	--	--	5	1995	6.61	5.87

</TABLE>

The counterparties to these interest rate contracts are major financial institutions. The Media Group is exposed to credit loss in the event of nonperformance by these counterparties. U S WEST manages this exposure by monitoring the credit standing of the counterparty and establishing dollar and term limitations which correspond to the respective credit rating of each counterparty. U S WEST does not have significant exposure to an individual counterparty and does not anticipate nonperformance by any counterparty.

NOTE 12: FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair values of mandatorily redeemable preferred stock and long-term receivables, based on discounting future cash flows, approximate the carrying values. The fair value of foreign exchange contracts, based on estimated amounts U S WEST would receive or pay to terminate such agreements, approximate the carrying values. It is not practicable to estimate the fair value of financial guarantees associated with international operations because there are no quoted market prices for similar transactions.

NOTE 12: FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of interest rate swaps, including swaps associated with the capital assets segment, are based on estimated amounts U S WEST would receive or pay to terminate such agreements taking into account current interest rates and creditworthiness of the counterparties.

The fair values of long-term debt, including debt associated with the capital assets segment, preferred securities and preferred stock, are based on quoted market prices where available or, if not available, are based on discounting future cash flows using current interest rates.

<TABLE>
<CAPTION>

	DECEMBER 31,			
	1995		1994	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE

<TABLE>

Debt (includes short-term portion)	$ 2,897	$ 3,000	$ 3,097	$ 3,100
Interest rate swap agreements -- assets	--	(13)	--	--
Interest rate swap agreements -- liabilities	--	34	--	20
Debt -- net	$ 2,897	$ 3,021	$ 3,097	$ 3,120
Preferred Securities	$ 600	$ 636	$ --	$ --
Preferred stock	51	55	51	51

</TABLE>

Investments in debt securities are classified as available for sale and are carried at market value. These securities have various maturity dates through the year 2001. The market value of these securities is based on quoted market prices where available or, if not available, is based on discounting future cash flows using current interest rates.

The amortized cost and estimated market value of debt securities follow:

<TABLE>
<CAPTION>

DEBT SECURITIES	DECEMBER 31, 1995 COST	1995 GROSS UNREALIZED GAINS	1995 GROSS UNREALIZED LOSSES	1995 FAIR VALUE	1994 COST	1994 GROSS UNREALIZED GAINS	1994 GROSS UNREALIZED LOSSES	1994 FAIR VALUE
Corporate debt	$ 20	$ --	$ --	$ 20	$ 19	$ --	$ --	$ 19
Securitized loan	55	--	(5)	50	--	--	--	--
Total	$ 75	$ --	$ (5)	$ 70	$ 19	$ --	$ --	$ 19

</TABLE>

The 1995 net unrealized losses of $3 (net of a deferred tax benefit of $2) are included in Media Group equity.

NOTE 13: LEASING ARRANGEMENTS

U S WEST has entered into operating leases for office facilities, equipment and real estate. Rent expense under operating leases was $60, $63 and $57 in 1995, 1994 and 1993, respectively. Minimum future lease payments as of December 31, 1995, under noncancelable operating leases, follow:

<TABLE>
<CAPTION>

YEAR	
1996	$ 55
1997	49
1998	43
1999	33
2000	24
Thereafter	83
Total	$ 287

</TABLE>

NOTE 14: COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES
OF SUBSIDIARY TRUST HOLDING SOLELY COMPANY-GUARANTEED DEBENTURES

On September 11, 1995, U S WEST Financing I, a wholly owned subsidiary of U S WEST ("Financing I"), issued $600 million of 7.96 percent Trust Originated Preferred Securities (the "Preferred Securities") and $19 of common securities. U S WEST holds all of the outstanding common securities of Financing I. Financing I used the proceeds from such issuance to purchase from U S WEST Capital Funding, Inc., a wholly owned subsidiary of U S WEST ("Capital Funding"), $619 principal amount of Capital Funding's 7.96 percent Subordinated Deferrable Interest Notes due 2025 (the "Subordinated Debt Securities"), the obligations under which are fully and unconditionally guaranteed by U S WEST (the "Debt Guarantee"). The sole assets of Financing I are and will be the Subordinated Debt Securities and the Debt Guarantee.

In addition, U S WEST has guaranteed the payment of interest and redemption amounts to holders of Preferred Securities when Financing I has funds available for such payments (the "Payment Guarantee") as well as Capital Funding's undertaking to pay all of Financing I's costs, expenses and other obligations (the "Expense Undertaking"). The Payment Guarantee and the Expense Undertaking, including U S WEST's guarantee with respect thereto, considered together with Capital Funding's obligations under the indenture and Subordinated Debt Securities and U S WEST's obligations under the indenture, declaration and Debt Guarantee, constitute a full and unconditional guarantee by U S WEST of Financing I's obligations under the Preferred Securities. The interest and other payment dates on the Subordinated Debt Securities correspond to the distribution and other payment dates on the Preferred Securities. Under certain circumstances, the Subordinated Debt Securities may be distributed to the holders of Preferred Securities and common securities in liquidation of Financing I. The Subordinated Debt Securities are redeemable in whole or in part by Capital Funding at any time on or after September 11, 2000, at a redemption price of $25.00 per Subordinated Debt Security plus accrued and unpaid interest. If Capital Funding redeems the Subordinated Debt Securities, Financing I is required to redeem the Preferred Securities concurrently at $25.00 per share plus accrued and unpaid distributions. As of December 31, 1995, 24,000,000 Preferred Securities were outstanding.

NOTE 15: PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION

On September 2, 1994, the Company issued to Fund American Enterprises Holdings Inc. ("FFC") 50,000 shares of a class of 7 percent Series C Cumulative Redeemable Preferred Stock for a total of $50. (See Note 20 to the Combined Financial Statements.) The preferred stock was attributed to the Media Group and was recorded at fair market value of $51 at the issue date. 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 ten 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, an investment held by the capital assets segment. The market value of the option was $20 and $22 (based on the Black-Scholes Model) at December 31, 1995 and 1994, with no carrying value.

NOTE 16: MEDIA GROUP EQUITY

Following are the changes in Media Group equity:

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Balance at beginning of period	$ 4,203	$ 3,139	$ 2,265
Net income	141	276	3
Equity issuances prior to recapitalization	37	790	786
Media stock issuances	7	--	--
Market value adjustment for debt securities	36	(64)	35
Foreign currency translation	(9)	6	(1)
Company LESOP guarantee	60	56	51
Preferred dividends	(3)	--	--
Balance at end of period	$ 4,472	$ 4,203	$ 3,139

</TABLE>

U S WEST has issued 392,000 shares of Media Stock since the November 1, 1995 recapitalization and has 472,314,000 shares outstanding at December 31, 1995.

Included in Media Group equity is the cumulative foreign currency translation adjustment of $(38), $(29) and $(35) at December 31, 1995, 1994 and

1993, respectively, net of income tax benefits of $24, $18 and $9, respectively.

LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN ("LESOP")

The Media Group and the Communications Group participate in the defined contribution savings plan sponsored by U S WEST. Employees of the Media Group are covered by the plan except for Atlanta Systems and foreign national employees. U S WEST matches a percentage of eligible employee contributions with shares of Media Stock and/or Communications Stock in accordance with participant elections. Participants may also elect to reallocate past company contributions between Media Stock and Communications Stock. In 1989, U S WEST established two LESOPs to provide Company stock for matching contributions to the savings plan. Shares in the LESOP are released as principal and interest are paid on the debt. At December 31, 1995, 10,145,485 shares each of Media Stock and Communications Stock had been allocated from the LESOP to participants accounts while 2,839,435 shares each of Media Stock and Communications Stock remained unallocated.

The borrowings associated with the LESOP, which are unconditionally guaranteed by U S WEST, are included in the accompanying Media Group Combined Financial Statements. Contributions from the Communications Group and the Media Group as well as dividends on unallocated shares held by the LESOP ($8, $11 and $14 in 1995, 1994, and 1993, respectively) are used for debt service. Beginning with the dividend paid in fourth-quarter 1995, dividends on allocated shares are being paid annually to participants. Previously, dividends on allocated shares were used for debt service with participants receiving additional shares from the LESOP. Tax benefits related to dividend payments on eligible shares in the savings plan have been allocated to the Communications Group, which paid the dividends.

U S WEST recognizes expense based on the cash payments method. Contributions to the plan related to the Media Group were $16, $12, and $7 in 1995, 1994 and 1993, respectively, of which $3, $3 and $4, respectively, have been classified as interest expense.

NOTE 17: STOCK INCENTIVE PLANS

U S WEST maintains stock incentive plans for executives and key employees, and nonemployees. The Amended 1994 Stock Plan (the "Plan") was approved by shareowners on October 31, 1995 in connection with the Recapitalization Plan. The Plan is a successor plan to the U S WEST, Inc. Stock Incentive Plan and the U S WEST 1991 Stock Incentive Plan (the "Predecessor Plans"). No further grants of options or

NOTE 17: STOCK INCENTIVE PLANS (CONTINUED)

restricted stock may be made under the Predecessor Plans. The Plan is administered by the Human Resources Committee of the board of directors with respect to officers, executive officers and outside directors and by a special committee with respect to all other eligible employees and eligible nonemployees.

During calendar year 1995, up to 1,485,000 shares of Media Stock were available for grant. The maximum aggregate number of shares of Media Stock that may be granted in any other calendar year for all purposes under the Plan is three-quarters of one percent (0.75 percent) of the shares of such class outstanding (excluding shares held in the Company's treasury) on the first day of such calendar year. In the event that fewer than the full aggregate number of shares of either class available for issuance in any calendar year are issued in any such year, the shares not issued shall be added to the shares of such class available for issuance in any subsequent year or years. Options may be exercised no later than 10 years after the date on which the option was granted.

Data for outstanding options under the Plan is summarized as follows:

	MEDIA GROUP		U S WEST INC.	
	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES*	AVERAGE OPTION PRICE
Outstanding January 1, 1993			4,450,150	$ 35.81
Granted			1,486,106	48.83
Exercised			(412,444)	31.73
Canceled or expired			(222,273)	36.87
Outstanding December 31, 1993			5,301,539	$ 39.76
Granted			2,438,409	36.15

Exercised			(139,762)	33.72
Canceled or expired			(214,149)	40.71
Outstanding December 31, 1994			7,386,037	$ 38.66
Granted			3,062,920	43.63
Exercised			(430,631)	34.03
Canceled or expired			(175,147)	39.76
Outstanding October 31, 1995			9,843,179	$ 40.39
Recapitalization Plan	9,843,179	$ 16.28	(9,843,179)	$ (40.39)
Granted	71,580	18.51		
Exercised	(191,243)	14.71		
Canceled or expired	(15,350)	16.82		
Outstanding December 31, 1995	9,708,166	$ 16.33	--	--

</TABLE>

----
*Includes options granted in tandem with SARs.

Options to purchase 3,021,166 shares of Media Stock were exercisable at December 31, 1995. Options to purchase 2,374,394 shares of U S WEST stock were exercisable at December 31, 1994. A total of 1,419,795 shares of Media Stock were available for grant under the plans in effect at December 31, 1995. A total of 914,816 shares of U S WEST common stock were available for grant under the plans in effect at December 31, 1994. A total of 11,121,186 shares of Media Stock were reserved for issuance under the Plan at December 31, 1995.

NOTE 18: EMPLOYEE BENEFITS

PENSION PLAN

The Communications Group and the Media Group participate in the defined benefit pension plan sponsored by U S WEST. The employees of the Media Group are covered by the plan except for Atlanta Systems and foreign national employees. Since plan assets are not segregated into separate accounts or restricted to providing benefits to employees of the Media Group, assets of the plan may be used to provide benefits to employees of both the Communications Group and the Media Group. In the event the single employer pension plan sponsored by U S WEST would be separated into two or more plans, guidelines in the Internal Revenue Code dictate how assets of the plan must be allocated to the new plans. U S WEST currently has no intentions to split the plan. Because of these factors, U S WEST believes there is no reasonable basis to attribute plan assets to the Media Group as if they had funded separately their actuarially determined obligation.

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. The Company's policy is to fund amounts required under the Employee Retirement Income Security Act of 1974 ("ERISA") and no funding was required in 1995, 1994 or 1993. Should funding be required in the future, funding amounts would be allocated to the Media Group based upon the ratio of service cost of the Media Group to total service cost of plan participants.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Details of pension cost:			
Service cost -- benefits earned during the period	$ 173	$ 197	$ 148
Interest cost on projected benefit obligation	558	561	514
Actual return on plan assets	(1,918)	188	(1,320)
Net amortization and deferral	1,185	(946)	578
Net pension cost	$ (2)	$ 0	$ (80)

</TABLE>

The expected long-term rate of return on plan assets used in determining net pension cost was 8.50 percent for 1995, 8.50 percent for 1994 and 9.00 percent for 1993.

The funded status of the U S WEST plan follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>
Accumulated benefit obligation, including vested benefits of $5,839 and $5,044, respectively	$ 6,617	$ 5,616
Plan assets at fair value, primarily stocks and bonds	$ 9,874	$ 8,388
Less: Projected benefit obligation	8,450	7,149
Plan assets in excess of projected benefit obligation	1,424	1,239
Unrecognized net (gain) loss	(101)	161
Prior service cost not yet recognized in net periodic pension cost	(62)	(67)
Balance of unrecognized net asset at January 1, 1987	(705)	(785)
Prepaid pension cost	$ 556	$ 548

</TABLE>

NOTE 18: EMPLOYEE BENEFITS (CONTINUED)

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

<TABLE>
<CAPTION>

	DECEMBER 31, 1995	DECEMBER 31, 1994
<S>	<C>	<C>
Discount rate	7.00%	8.00%
Weighted average rate of compensation increase	5.50%	5.50%

</TABLE>

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

ALLOCATION OF PENSION COSTS U S WEST's allocation policy is to 1) offset the company-wide service cost, interest cost and amortizations by the return on plan assets; and 2) allocate the remaining net pension cost to the Media Group based on the ratio of actuarially determined service cost of the Media Group to total service cost of plan participants. U S WEST believes allocating net pension cost based on service cost is reasonable since service cost is a primary factor in determining pension cost. Net pension costs allocated to the Media Group were $0, $0 and $(9) in 1995, 1994 and 1993, respectively. The service and interest costs for 1995 and the projected benefit obligation at December 31, 1995 attributed to the Media Group were $24, $29 and $429, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Communications Group and the Media Group participate in plans sponsored by U S WEST which provide certain health care and life insurance benefits to retired employees. In conjunction with the Company's 1992 adoption of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the Company elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees.

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

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,							
1995			1994			1993	
MEDICAL	LIFE	TOTAL	MEDICAL	LIFE	TOTAL	MEDICAL	LIFE

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost -- benefits earned during the period..................	$ 59	$ 6	$ 65	$ 62	$ 13	$ 75	$ 60	$ 11
Interest on accumulated benefit obligation.........................	235	32	267	221	39	260	235	36
Actual return on plan assets........	(319)	(96)	(415)	3	1	4	(73)	(52)
Net amortization and deferral.......	228	58	286	(68)	(31)	(99)	27	22
Net postretirement benefit costs....	$ 203	$ 0	$ 203	$ 218	$ 22	$ 240	$ 249	$ 17

<CAPTION>

	TOTAL
<S>	<C>
Service cost -- benefits earned during the period..................	$ 71
Interest on accumulated benefit obligation.........................	271
Actual return on plan assets........	(125)
Net amortization and deferral.......	49
Net postretirement benefit costs....	$ 266

</TABLE>

The expected long-term rate of return on plan assets used in determining postretirement benefit costs was 8.50 percent for 1995, 8.50 percent in 1994 and 9.00 percent in 1993.

NOTE 18: EMPLOYEE BENEFITS (CONTINUED)

The funded status of the plans follow:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1995			1994		
	MEDICAL	LIFE	TOTAL	MEDICAL	LIFE	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Accumulated postretirement benefit obligation attributable to:						
Retirees..	$ 1,866	$ 271	$ 2,137	$ 1,733	$ 248	$ 1,981
Fully eligible plan participants...................	293	34	327	264	38	302
Other active plan participants.....................	1,059	165	1,224	940	135	1,075
Total accumulated postretirement benefit obligation...	3,218	470	3,688	2,937	421	3,358
Unrecognized net gain................................	378	161	539	243	90	333
Unamortized prior service cost........................	--	(34)	(34)	--	--	--
Fair value of plan assets, primarily stocks, bonds and life insurance (1).................................	(1,385)	(460)	(1,845)	(894)	(374)	(1,268)
Accrued postretirement benefit obligation............	$ 2,211	$ 137	$ 2,348	$ 2,286	$ 137	$ 2,423

</TABLE>

----

(1) Medical plan assets include Communications Stock of $210 and Media Stock of $112 in 1995 and U S WEST common stock of $164 in 1994.

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

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Discount rate..	7.00%	8.00%
Medical trend*...	9.00%	9.70%

</TABLE>

----
* Medical cost trend rate gradually declines to an ultimate rate of 5 percent in 2011.

A one-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 1995 net postretirement benefit cost by approximately $40 and increased the 1995 accumulated postretirement benefit obligation by approximately $350.

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

PLAN ASSETS Assets of the postretirement medical and life plans may be used to provide benefits to employees of both the Communications Group and the Media Group since plan assets are not legally restricted to providing benefits to either Group. In the event that either plan sponsored by U S WEST would be separated into two or more plans, there are no guidelines in the Internal Revenue Code for allocating assets of the plan. U S WEST allocates the assets based on historical contributions for postretirement medical costs, and on the ratio of salaries for life plan participants. U S WEST currently has no intention to split the plans.

POSTRETIREMENT MEDICAL COSTS The service and interest components of net postretirement medical benefit costs are calculated for the Media Group based upon the population characteristics of the Group. Since funding of postretirement medical costs is voluntary, return on assets is attributed to the Media Group based upon historical funding. The Media Group has historically funded the maximum annual tax deductible contribution for management employees and the amount of annual expense for occupational employees. The Media Group periodically reviews its funding strategy and future funding amounts, if any, will be based upon the cash requirements of the Group.

NOTE 18: EMPLOYEE BENEFITS (CONTINUED)

Net postretirement medical benefit costs recognized by the Media Group for 1995, 1994 and 1993 were $14, $11 and $11, respectively. The percentage of postretirement medical assets attributed to the Media Group at December 31, 1995 and 1994, based upon historical voluntary contributions, was 4 and 5 percent, respectively. The accumulated postretirement medical benefit obligation attributed to the Media Group was $161 at December 31, 1995.

ALLOCATION OF POSTRETIREMENT LIFE COSTS Net postretirement life costs, and funding requirements, if any, are allocated to the Media Group in the same manner as pensions. U S WEST will generally fund the amount allowed for tax purposes and no funding of postretirement life insurance occurred in 1995, 1994 and 1993. U S WEST believes its method of allocating postretirement life costs is reasonable.

Net postretirement life benefit costs allocated to the Media Group for 1995, 1994 and 1993 were $0, $3, and $3, respectively. The service and interest costs for 1995 and the accumulated postretirement life benefit obligation at December 31, 1995 attributed to the Media Group were $1, $3 and $45, respectively.

NOTE 19: INCOME TAXES

The components of the provision for income taxes follow:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Federal:			
Current	$ 47	$ 50	$ 72
Deferred	48	104	(32)
	95	154	40
Foreign:			
Current	6	--	--
Deferred	33	14	2
	39	14	2
State and local:			
Current	8	(6)	23
Deferred	21	42	(4)
	29	36	19

Provision for income taxes	$ 163	$ 204	$ 61

</TABLE>

Amounts U S WEST paid for income taxes were $566, $313 and $391 in 1995, 1994 and 1993, respectively, inclusive of the capital assets segment, of which $55, ($178) and $94 related to the Media Group. The Media Group, including the capital assets segment, had taxes payable of $90 and $88 as of December 31, 1995 and 1994, respectively.

NOTE 19: INCOME TAXES (CONTINUED)

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	IN PERCENT		
<S>	<C>	<C>	<C>
Federal statutory tax rate	35.0	35.0	35.0
Foreign taxes -- net of federal effect	8.3	1.9	.6
State income taxes -- net of federal effect	6.1	4.9	6.6
Amortization	2.5	--	.2
Restructuring charge	--	--	1.1
Other	1.1	.7	(1.7)
Effective tax rate	53.0	42.5	41.8

</TABLE>

The components of the net deferred tax liability follow:

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1995	1994
<S>	<C>	<C>
Property, plant and equipment	$ 107	$ 76
Leases	662	684
State deferred taxes -- net of federal effect	178	174
Intangible assets	112	164
Investments in partnerships	213	142
Other	12	13
Deferred tax liabilities	1,284	1,253
Postemployment benefits, including pension	22	29
Restructuring, assets held for sale and other	98	130
Currency translation	15	16
Start-up expenditures	17	9
State deferred taxes -- net of federal effect	33	38
Other	55	61
Deferred tax assets	240	283
Net deferred tax liability	$ 1,044	$ 970

</TABLE>

The current portion of the deferred tax asset was $24 and $52 at December 31, 1995 and 1994, respectively, resulting primarily from restructuring charges and compensation-related items.

The net deferred tax liability includes $686 in 1995 and $678 in 1994 related to the capital assets segment.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE

The Combined Financial Statements of the Media Group include the discontinued operations of the capital assets segment. During the second quarter of 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 Media Group recorded an after-tax charge of $100 for the estimated loss on disposition. An additional provision of $20 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.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)

Effective January 1, 1995, the capital assets segment has been accounted for in accordance with Staff Accounting Bulletin No. 93, issued by the Securities Exchange Commission, which requires discontinued operations not disposed of within one year of the measurement date to be accounted for prospectively in continuing operations as a "net investment in assets held for sale." The net realizable value of the assets is reevaluated on an ongoing basis with adjustments to the existing reserve, if any, charged to continuing operations. No such adjustment was required in 1995. Prior to January 1, 1995, the entire capital assets segment was 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 Holdings, Ltd. ("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 million shares sold to Fund American Enterprises Holdings Inc. ("FFC"), in an initial public offering of FSA common stock. U S WEST received $154 in net proceeds from the offering. The Media Group retained certain risks in asset-backed obligations related to the commercial real estate portfolio. 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 15 to the Combined Financial Statements.) In December 1995, FSA merged with Capital Guaranty Corporation for shares of FSA and cash of $51. The transaction was valued at approximately $203 and reduced U S WEST's ownership interest in FSA to 50.3 percent and its voting interest to 41.7 percent. U S WEST expects to monetize and ultimately reduce its ownership in FSA through the issuance of Debt Exchangeable for Common Stock ("DECS") in 1996. At maturity, each DECS will be mandatorily exchanged by U S WEST for shares of FSA common stock held by U S WEST or, at U S WEST's option, redeemed at the cash equivalent.

U S WEST entered into a transaction to reduce its investment in Enhance Financial Services Group, Inc. ("Enhance") during fourth-quarter 1995. U S WEST issued DECS due December 15, 1998. Upon maturity, each DECS will be mandatorily exchanged by U S WEST for shares of Enhance Common Stock or, at U S WEST's option, redeemed at the cash equivalent. The capital assets segment currently owns approximately 31.5 percent of the outstanding Enhance common stock. (See Note 11 to the Combined Financial Statements.)

U S WEST Real Estate, Inc. has sold various properties totaling $120, $327 and $66 in each of the three years ended December 31, 1995, respectively. The sales proceeds were in line with estimates. Proceeds from building sales were primarily used to repay related debt. U S WEST has completed construction of existing buildings in the commercial real estate portfolio and expects to substantially complete the liquidation of this portfolio by 1998. The remaining balance of assets subject to sale is approximately $490, net of reserves, as of December 31, 1995.

In December 1993, U S WEST sold $2.0 billion of finance receivables and the business of U S WEST Financial Services, Inc. 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 Media Group'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 the capital assets segment were $237, $553 and $710 in 1995, 1994 and 1993, respectively. Income from discontinued operations for 1993 (to June 1) totaled $38. Income (loss) from the capital assets segment subsequent to June 1, 1993 is being deferred and is included within the reserve for assets held for sale.

The assets and liabilities of the capital assets segment have been separately classified on the Combined Balance Sheets as net investment in assets held for sale.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)

The components of net investment in assets held for sale follow:

	DECEMBER 31, 1995	DECEMBER 31, 1994
	DOLLARS IN MILLIONS	
ASSETS		
Cash and cash equivalents	$ 38	$ 7
Finance receivables -- net	953	1,073
Investment in real estate -- net of valuation allowance	368	465
Bonds, at market value	149	155
Investment in FSA	384	329
Other assets	177	347
Total assets	$ 2,069	$ 2,376
LIABILITIES		
Debt	$ 796	$ 1,283
Deferred income taxes	686	678
Accounts payable, accrued liabilities and other	148	103
Minority interests	10	10
Total liabilities	1,640	2,074
Net investment in assets held for sale	$ 429	$ 302

Finance receivables primarily consist of contractual obligations under long-term leases that U S WEST intends to run off. These long-term leases consist mostly of leveraged leases related to aircraft and power plants. For leveraged leases, the cost of the assets leased is financed primarily through nonrecourse debt which is netted against the related lease receivable.

The components of finance receivables follow:

	DECEMBER 31, 1995	DECEMBER 31, 1994
Receivables	$ 921	$ 1,095
Unguaranteed estimated residual values	447	467
	1,368	1,562
Less: Unearned income	390	459
Credit loss and other allowances	25	30
Finance receivables -- net	$ 953	$ 1,073

Investments in debt securities are classified as available for sale and are carried at market value. Any resulting unrealized holding gains or losses, net of applicable deferred income taxes, are reflected as a component of Media Group equity.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)

The amortized cost and estimated market value of investments in debt securities are as follows:

	DECEMBER 31,						
	1995				1994		
DEBT SECURITIES	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Municipal........................	$ 91	$ 1	$ 1	$ 91	$ 113	$ --	$ 13
Other............................	58	--	--	58	65		10
Total............................	$ 149	$ 1	$ 1	$ 149	$ 178	$ --	$ 23

<CAPTION>

DEBT SECURITIES	FAIR VALUE
<S>	<C>
Municipal........................	$ 100
Other............................	55
Total............................	$ 155

</TABLE>

Note: Also included in Media Group equity are unrealized gains and losses on debt securities associated with the Media Group's equity investment in FSA. 1995 includes unrealized gains of $24, net of deferred taxes of $13, and 1994 includes unrealized losses of $49, net of deferred tax benefits of $26.

The 1995 net unrealized gains of $39 (net of deferred taxes of $21) and the 1994 net unrealized losses of $64 (net of deferred tax benefits of $34), are included in Media Group equity.

DEBT

Interest rates and maturities of debt associated with the capital assets segment at December 31 follow:

<TABLE>
<CAPTION>

INTEREST RATES	MATURITIES 1997	1998	1999	2000	TOTAL 1995	TOTAL 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Up to 5%..	$ --	$ --	$ --	$ --	$ --	$ 55
Above 5% to 6%......................................	10	--	--	--	10	15
Above 6% to 7%......................................	54	--	--	--	54	154
Above 7% to 8%......................................	5	--	--	--	5	17
Above 8% to 9%......................................	--	--	134	4	138	189
Above 9% to 10%.....................................	48	5	--	--	53	114
Above 10% to 11%....................................	--	29	--	--	29	29
	$ 117	$ 34	$ 134	$ 4	289	573
Allocated to the capital assets segment -- net.........					507	710
Total...					$ 796	$ 1,283

</TABLE>

Debt of $71 and $119 at December 31, 1995 and 1994, respectively, was collateralized by first deeds of trust on associated real estate and assignment of rents from leases.

The following table summarizes terms of swaps associated with the capital assets segment. Variable rates are indexed to three- and six-month LIBOR.

<TABLE>
<CAPTION>

	DECEMBER 31, 1995 AND 1994					
			WEIGHTED AVERAGE RECEIVE RATE		WEIGHTED AVERAGE PAY RATE	
	NOTIONAL AMOUNT	MATURITIES	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Variable to fixed (1)......................................	$ 380	1996-1997	5.96	5.69	9.03	9.03

Fixed to variable (1)	380	1996-1997	7.29	7.29	5.87	5.80
Variable rate basis adjustment (2)	10	1997	5.92	5.89	5.85	7.04

</TABLE>

----

(1) The fixed to variable swaps have the same terms as the variable to fixed swaps and were entered into to terminate the variable to fixed swaps. The net loss on the swaps is deferred and amortized over the remaining life of the swaps and is included in the reserve for assets held for sale.

(2) Variable rate debt based on Treasuries is swapped to a LIBOR-based interest rate.

NOTE 20: NET INVESTMENT IN ASSETS HELD FOR SALE (CONTINUED)
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK -- FINANCIAL GUARANTEES

The Media Group retained certain risks in asset-backed obligations related to the commercial real estate portfolio. The principal amounts insured on the asset-backed obligations follow:

<TABLE>
<CAPTION>

TERMS TO MATURITY	DECEMBER 31, 1995	DECEMBER 31, 1994
0 to 5 Years	$ 639	$ 540
5 to 10 Years	450	537
10 to 15 Years	10	391
Total	$ 1,099	$ 1,468

</TABLE>

Concentrations of collateral associated with insured asset-backed obligations follow:

<TABLE>
<CAPTION>

TYPE OF COLLATERAL	DECEMBER 31, 1995	DECEMBER 31, 1994
Commercial mortgages:		
Commercial real estate	$ 442	$ 530
Corporate secured	657	888
Other asset-backed	--	50
Total	$ 1,099	$ 1,468

</TABLE>

ADDITIONAL FINANCIAL INFORMATION

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

<TABLE>
<CAPTION>

SUMMARIZED FINANCIAL INFORMATION	YEAR ENDED DECEMBER 31, 1995	1994	1993
Revenue	$ 44	$ 54	$ 410
Net finance receivables	931	981	1,020
Total assets	1,085	1,331	1,797
Total debt	274	533	957
Total liabilities	1,024	1,282	1,748
Equity	61	49	49

</TABLE>

NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTERLY FINANCIAL DATA			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1995				
Sales and other revenues	$ 536	$ 585	$ 604	$ 649
Income before income taxes and extraordinary item	38	54	84	132
Income before extraordinary item	15	25	33	72
Net income	15	25	29	72
Pro forma earnings per common share before extraordinary item	0.03	0.05	0.07	0.15
Pro forma earnings per common share	0.03	0.05	0.06	0.15
1994				
Sales and other revenues	$ 418	$ 459	$ 482	$ 549
Income from continuing operations before income taxes	55	153	92	180
Income from continuing operations and net income	29	86	51	110
Pro forma earnings per common share	0.07	0.19	0.11	0.24

Effective November 1, 1995, each share of U S WEST, Inc. common stock was converted into one share each of Communications Stock and Media Stock. Earnings per common share have been presented on a pro forma basis to reflect the two classes of stock as if they had been outstanding since January 1, 1994. For periods prior to the recapitalization, the average common shares outstanding are assumed to be equal to the average common shares outstanding for U S WEST, Inc.

1995 third-quarter net income includes costs of $5 ($0.01 per share) associated with the Recapitalization Plan and costs of $4 ($.01 per share) for the early extinguishment of debt. 1995 fourth-quarter net income includes a gain of $95 ($0.20 per share) from the merger of U S WEST's joint venture interest in TeleWest. 1995 fourth-quarter net income also includes costs of $4 ($.01 per share) associated with the Recapitalization Plan.

1994 second-quarter net income includes a gain of $41 ($.09 per share) on the sale of paging operations. 1994 fourth-quarter net income includes a gain of $105 ($.23 per share) from the partial sale of U S WEST's joint venture interest in TeleWest.

1995 PER SHARE MARKET DATA	MARKET PRICE HIGH	LOW	CLOSE
	(WHOLE DOLLARS)		
November 1, 1995 through December 31, 1995	$ 20.000	$ 17.375	$ 19.000

SUPPLEMENTARY SELECTED PROPORTIONATE RESULTS OF OPERATIONS

The Media Group believes that proportionate financial data facilitates the understanding and assessment of its Combined Financial Statements. The following proportionate accounting table reflects the relative weight of the Media Group's ownership interest in its domestic and international investments in cable and telecommunications, wireless and directory and information services operations. The financial information included below departs materially from generally accepted accounting principles ("GAAP") because it aggregates the revenues and operating income of entities not controlled by the Media Group with those of the consolidated operations of the Media Group. This table is not intended to replace the Combined Financial Statements prepared in accordance with GAAP. Supplemental Media Group information on a proportionate basis is presented in Management's Discussion and Analysis.

	YEAR ENDED DECEMBER 31, 1995	1994	1993

Sales and other revenues	$ 5,115	$ 4,213	$ 2,157
Operating expenses	3,966	3,311	1,630
EBITDA(1)	1,149	902	527
Restructuring charge	--	--	109
Depreciation and amortization	673	501	223
Operating income	476	401	195
Income from continuing operations before extraordinary item	145	276	85
Net income	$ 141	$ 276	$ 3

Note: Certain reclassifications within the Selected Proportionate Results of Operations have been made to conform to the current year presentation.

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA").

[LOGO]

PROXY CARD

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS ON JUNE 7, 1996.

The undersigned hereby appoints Remedio Diaz-Oliver, Grant A. Dove and Shirley M. Hufstedler, and each of them, proxies, with the powers the undersigned would possess if personally present, and with full power of substitution, to vote all common shares of the undersigned in U S WEST, Inc. at the Annual Meeting to be held at the Benton Auditorium at Iowa State University, beginning at 10:00 a.m., on June 7, 1996, and at any adjournments or postponements thereof, upon all subjects that may properly come before the Annual Meeting including the matters described in the Proxy Statement furnished herewith, subject to any directions indicated on the reverse side of this card. IF NO DIRECTIONS ARE GIVEN, THE PROXIES WILL VOTE FOR THE ELECTION OF ALL LISTED NOMINEES, IN ACCORDANCE WITH THE DIRECTORS' RECOMMENDATIONS ON THE OTHER SUBJECTS LISTED ON THE REVERSE SIDE OF THIS CARD AND AT THEIR DISCRETION ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

Your vote for the election of Directors may be indicated on the reverse. The nominee for Class I is Allen F. Jacobson, and the nominees for Class II are Pierson M. Grieve, Richard D. McCormick and Marilyn Carlson Nelson.

[LOGO]

COMMUNICATIONS GROUP

To vote your shares for all Director nominees, mark the "For" box on item "A." To withhold voting for all nominees, mark the "Withhold" box. If you do not wish your shares voted "For" a particular nominee, mark the "For All Except" box and enter the name(s) of the exception(s) in the space provided; your shares will be voted for the remaining nominees.

DIRECTORS RECOMMEND A VOTE "FOR"

A.	Election of Directors in Class I and Class II Exceptions --	For / /	Withhold / /	For All Except / /
B.	Ratification of Auditors	For / /	Against / /	Abstain / /
C.	Approval of U S WEST Communications Group Long-Term Incentive Plan	For / /	Against / /	Abstain / /

DIRECTORS RECOMMEND A VOTE "AGAINST" THE SHAREHOLDER PROPOSAL REGARDING

1.	Elimination of Classified Board	For / /	Against / /	Abstain / /

Date ________________________, 1996
Sign here as name appears
x __________________________________
x __________________________________
Please sign this proxy and return promptly whether or not you plan to attend the Annual Meeting.

[LOGO]

PROXY CARD

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS ON JUNE 7, 1996.

The undersigned hereby appoints Remedio Diaz-Oliver, Grant A. Dove and Shirley M. Hufstedler, and each of them, proxies, with the powers the undersigned would possess if personally present, and with full power of substitution, to vote all common shares of the undersigned in U S WEST, Inc. at the Annual Meeting to be held at the Benton Auditorium at Iowa State University, beginning at 10:00 a.m., on June 7, 1996, and at any adjournments or postponements thereof, upon all subjects that may properly come before the Annual Meeting including the matters described in the Proxy Statement furnished herewith, subject to any directions indicated on the reverse side of this card. IF NO DIRECTIONS ARE GIVEN, THE PROXIES WILL VOTE FOR THE ELECTION OF ALL LISTED NOMINEES, IN ACCORDANCE WITH THE DIRECTORS' RECOMMENDATIONS ON THE OTHER SUBJECTS LISTED ON THE REVERSE SIDE OF THIS CARD AND AT THEIR DISCRETION ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

Your vote for the election of Directors may be indicated on the reverse. The nominee for Class I is Allen F. Jacobson, and the nominees for Class II are Pierson M. Grieve, Richard D. McCormick and Marilyn Carlson Nelson.

[LOGO]
MEDIA GROUP

To vote your shares for all Director nominees, mark the "For" box on item "A." To withhold voting for all nominees, mark the "Withhold" box. If you do not wish your shares voted "For" a particular nominee, mark the "For All Except" box and enter the name(s) of the exception(s) in the space provided; your shares will be voted for the remaining nominees.

DIRECTORS RECOMMEND A VOTE "FOR"

<TABLE>

<S>	<C>	<C>	<C>	<C>
A.	Election of Directors in Class I and Class II		Withhold	For All Except
	Exceptions --	For / /	/ /	/ /
B.	Ratification of Auditors	For / /	Against / /	Abstain / /
C.	Approval of U S WEST Communications Group Long-Term Incentive Plan	For / /	Against / /	Abstain / /
	DIRECTORS RECOMMEND A VOTE "AGAINST" THE SHAREHOLDER PROPOSAL REGARDING			
1.	Elimination of Classified Board	For / /	Against / /	Abstain / /

</TABLE>

Date ________________________, 1996
Sign here as name appears
x _________________________________
x _________________________________
Please sign this proxy and return promptly whether or not you plan to attend the Annual Meeting.